

Netanyahu’s challenge Can Israel’s ‘Mr Security’ recover from the damage to his reputation? — PAGE 3

US intensifies calls on Iran to prevent Gaza war spreading across Mideast

Private contact with Tehran US sends second aircraft carrier Crisis deepens for Palestinian civilians

JOHN REED — JERUSALEM
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LAUREN FEDOR — WASHINGTON
HEBA SALEH — CAIRO

The US has held back-channel talks with Iran to warn the Islamic republic against escalating the war between Israel and Hamas into a broader regional conflict, according to President Joe Biden’s national security adviser.

Jake Sullivan said Washington had the means to communicate privately with Iran and “we have availed ourselves of those means over the past few days to make clear privately that which we have said publicly”.

He was speaking after the US announced it was sending a second aircraft carrier strike group to the eastern Mediterranean as Israel’s preparations for a ground offensive against Gaza heightened diplomats’ concerns that the war might trigger a broader conflagration in the region.

Western and Arab diplomats are particularly concerned that it could draw in Hizbollah, the Iran-backed Lebanese militant group, and other factions that are also supported by Tehran.

“The threat yesterday was real. The threat today is real,” Sullivan told CBS’s *Face The Nation*.

“There is a risk of an escalation of this conflict, the opening of a second front in the north, and of course of Iran’s involvement — that is a risk”.

Israel said yesterday it was closing an area reaching up to 4km from its northern border with Lebanon and that it was restricting the use of GPS in “active combat zones”. Artillery fire has been exchanged several times along the frontier since Hamas’s attack but so far Hizbollah and Israeli forces appear to be seeking to contain hostilities.

Israel said on Saturday that its military forces were preparing to implement a “wide range of operational offensive plans”. The Israel Defense Forces said its soldiers were deployed “across the country” and were increasing “operational readiness for the next stages of the war, with an emphasis on significant ground operations”.

It is soon expected to launch one of the largest ground offensives in years with a multipronged assault on Gaza.



Palestinian children look out on homes destroyed in Israeli air strikes on Rafah in the Gaza Strip — AP Photo/Hatem Ali

Inside

- News Western capitals urge delay to any Gaza invasion **Page 2**
- Analysis America’s Jews left stunned by the response of pro-Palestinian hard left **Page 2**
- News Borrowing costs surge for Egypt and Jordan **Page 6**
- Comment Hamas is built for urban combat: Israeli forces face a vicious underground war **Page 19**

The IDF said yesterday it was discussing details with Israel’s political leadership. “Our goal is to eliminate the Hamas infrastructure all the way to the top,” said Lieutenant Colonel Richard Hecht, a military spokesman.

Hundreds of thousands of Palestinians in the impoverished, hemmed-in enclave have been fleeing to its south after Israel ordered them to leave the north of the Gaza Strip.

Israel has imposed a siege and cut off water, electricity and fuel supplies. Aid agencies have warned of a humanitarian crisis. Yesterday Israel’s energy minister Israel Katz said water supplies had

partially resumed after an agreement between Prime Minister Benjamin Netanyahu and Biden.

Sullivan urged the Jewish state to “embrace the rule of law and the laws of war”. He added the Biden administration was “very focused” on ensuring the safety and security of Gaza’s civilians.

“The protection of civilians and the protection of those people who are trying to get to safety, as well as their ability to access food, water, medicine, shelter, these things should be respected,” Sullivan said.

The US and other western states have been highly supportive of Israel and

have reiterated its right to defend itself after Hamas’s attack. The assault was the deadliest in the Jewish state’s history, killing more than 1,400 people inside Israel, mostly civilians, according to Israeli authorities.

Israel has responded by pounding the Gaza Strip with air strikes and artillery, killing at least 2,329 people, including many women and children, according to Palestinian health officials.

US secretary of state Antony Blinken, who has been touring the region, is due to return to Israel today.

Additional reporting by Samer al-Atrush and Raya Jalabi

Briefing

Japan exchange aims to drive better governance

The Japan Exchange Group is to introduce a name and shame regime to drive better governance and higher valuations in the Tokyo and Osaka bourses. It sees better corporate value as the key to reclaiming ground lost after the crash of 30 years ago. — PAGE 6

Fears for world economy

Finance ministers rounding off meetings of the IMF and World Bank in Morocco have said the spectre of a wider conflict in the Middle East poses a fresh threat to the global recovery. — PAGE 4

Santander targets growth

The Spanish lender has set aside \$250mn to boost the expansion of its corporate and investment bank, just as rivals on Wall Street prepare big job cuts. — PAGE 6

New Zealand swings right

The centre-right National party will profit from a humbling defeat for Labour, which has lost half its seats compared with Jacinda Ardern’s 2020 triumph. — PAGE 4

Setback for Novavax jab

EU regulators have delayed a decision to approve the US-listed biotech’s variant-tailored Covid-19 vaccine, a reversal as it battles falling demand for jabs. — PAGE 7

Hong Kong listings blow

J&T Express, a delivery start-up with operations in south-east Asia and China, has halved the \$1bn target for its Hong Kong IPO after a lacklustre response. — PAGE 8

Shipping sector accused

Sexual harassment remains a widespread problem in shipping, officials and campaigners have warned, more than a year after a high-profile case highlighted problems in the industry. — PAGE 4

Fintechs test Broadridge

Start-up companies are moving to seize a slice of the business of distributing shareholder voting materials from giant Broadridge Financial Solutions. — PAGE 6

Aboriginal panel denied

Australia has overwhelmingly rejected a proposal to recognise the indigenous population in the country’s constitution. — PAGE 4

SEC’s Gensler urges action to tame risks AI poses to financial stability

STEFANIA PALMA AND PATRICK JENKINS — WASHINGTON

Regulators must quickly find a way to manage risks posed to financial stability by the concentration of power in artificial intelligence platforms, the chair of the US Securities and Exchange Commission has said.

Gary Gensler told the Financial Times that without swift intervention it was “nearly unavoidable” that AI would trigger a financial crisis within a decade. Shaping AI regulation would be a tough test for US regulators, the SEC chair said, as potential risks cut across financial markets and stem from models crafted by tech companies that sit outside the remit of Wall Street watchdogs.

“It’s frankly a hard challenge,” Gensler said. “It’s a hard financial stabil-

ity issue to address because most of our regulation is about individual institutions, individual banks, individual money market funds, individual brokers; it’s just in the nature of what we do.

“And this is about a horizontal [matter whereby] many institutions might be relying on the same underlying base model or underlying data aggregator.”

The SEC in July proposed a rule addressing potential conflicts of interest in predictive data analytics but it focused on individual models deployed by broker dealers and investment advisers.

Even if current measures were updated, “it still doesn’t get to this horizontal issue . . . if everybody’s relying on a base model and the base model is sitting not at the broker dealer but . . . at one of the big tech companies”, Gensler said. “And how many cloud pro-

viders [which tend to offer AI as a service] do we have in this country?”

He added: “I’ve raised this at the Financial Stability Board. I’ve raised it at the Financial Stability Oversight Council. I think it’s really a cross-regulatory challenge.”

Regulators worldwide are grappling with how to police AI, as tech groups and their models are not naturally captured by specific watchdogs.

The EU has drafted tough measures in a groundbreaking law that is set to be fully approved by the end of the year. The US, however, is reviewing the technology to determine which aspects of it require new regulation and what is subject to existing laws.

Wall Street has already adopted AI in a number of ways, from robo advising to account opening processes and in brokerage apps.



Microsoft machine powers way to clinching Activision

Analysis ▶ PAGE 7

Austria	€4.50	Morocco	DK50
Bahrain	Dh11.8	Netherlands	€4.50
Belgium	€4.50	Norway	Nkr4.5
Croatia	Kn33.91/€4.50	Oman	OR160
Cyprus	€4.20	Pakistan	Rupee350
Czech Rep	Kc725	Poland	Zl25
Denmark	DKr46	Portugal	€4.20
Egypt	E£80	Russia	€5.00
France	€4.50	Serbia	NewD530
Germany	€4.50	Slovenia	€4.20
Greece	€4.20	Spain	€4.20
Hungary	Ft1450	Switzerland	Sfr6.70
India	Rup220	Tunisia	Din7.50
Italy	€4.20	Turkey	TL110
Luxembourg	€4.50	UAE	Dh24
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42>

World Markets

STOCK MARKETS

	Oct 13	Prev	%chg
S&P 500	4326.13	4349.61	-0.54
Nasdaq Composite	13411.18	13574.22	-1.20
Dow Jones Ind	33623.37	33631.14	-0.02
FTSEurofirst 300	1785.84	1801.48	-0.87
Euro Stoxx 50	4135.75	4198.23	-1.49
FTSE 100	7599.60	7644.78	-0.59
FTSE All-Share	4095.50	4128.49	-0.80
CAC 40	7003.53	7104.53	-1.42
Xetra Dax	15186.66	15425.03	-1.55
Nikkei	32315.99	32494.66	-0.55
Hang Seng	17813.45	18238.21	-2.33
MSCI World \$	2884.06	2899.50	-0.53
MSCI EM \$	962.69	956.84	0.61
MSCI ACWI \$	663.89	666.63	-0.41
FT Wilshire 2500	5611.03	5655.42	-0.78
FT Wilshire 5000	43685.60	44040.20	-0.81

CURRENCIES

	Oct 13	Oct 6		Oct 13	Oct 6
\$/€	1.050	1.054	€/£	0.952	0.949
\$/¥	1.214	1.219	£/\$	0.824	0.820
€/¥	0.865	0.865	¥/€	1.156	1.157
¥/\$	149.675	149.370	¥/£	157.212	157.414
¥/€	181.675	182.068	£ index	80.795	80.452
Sfr/€	0.950	0.963	Sfr/£	1.098	1.114

CRYPTO

	Oct 13	Prev	%chg
Bitcoin (\$)	26767.02	26750.50	0.06
Ethereum	1542.94	1539.26	0.24

COMMODITIES

	Oct 13	Oct 6	%Week
Oil WTI \$	86.56	82.88	4.44
Oil Brent \$	89.73	84.69	5.95
Gold \$	1874.00	1819.45	3.00

GOVERNMENT BONDS

Yield (%)	Oct 13	Oct 6	Chg
US 2 yr	5.05	5.06	-0.01
US 10 yr	4.63	4.65	-0.02
US 30 yr	4.79	4.79	0.00
UK 2 yr	4.60	4.65	-0.05
UK 10 yr	4.53	4.57	-0.04
UK 30 yr	4.79	4.83	-0.04
JPN 2 yr	0.04	0.04	-0.01
JPN 10 yr	0.75	0.75	0.00
JPN 30 yr	1.68	1.66	0.02
GER 2 yr	3.13	3.15	-0.02
GER 10 yr	2.73	2.79	-0.05
GER 30 yr	2.92	2.97	-0.05

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ISRAEL-PALESTINIAN CONFLICT

Diplomacy

Western capitals urge Israel to delay ground attack

Pressure mounts to focus on humanitarian issues and long-term solutions

HENRY FOY — BRUSSELS
ANDREW ENGLAND — LONDON
LEILA ABOUD — PARIS

Western capitals have privately urged Israel to delay a full-scale land invasion of Gaza as they seek to limit the humanitarian crisis in the Palestinian territory amid fears that Benjamin Netanyahu's government has no long-term plan to follow the destruction of Hamas.

Israel's military said at the weekend that it was increasing "operational readiness for the next stages of the war, with

an emphasis on significant ground operations". It has been pounding Gaza with air strikes and artillery since last week-end's attack by Hamas — which controls the coastal strip — killed more than 1,300 Israelis, mainly civilians, according to Israeli officials.

Underlining Washington's shifting tone, US national security adviser Jake Sullivan said it was critical that Israel "embrace the rule of law and the laws of war", as the US steps up pressure on Israel to minimise civilian casualties.

"What we will say is the protection of civilians and the protection of those people who are trying to get to safety, as well as their ability to access food, water, medicine, shelter, these things should

be respected," Sullivan told CBS's *Face the Nation*.

Israel on Friday ordered about half of Gaza's 2.3mn citizens to relocate from the north of the territory to the south, and has cut water and electricity as it lays siege to the strip. Israel's bombardment has killed at least 2,329 people in Gaza, including many women and children, according to Palestinian officials.

Western officials have publicly been highly supportive of Israel and its right to defend itself, given the scale of the attack by Hamas, which has captured dozens of hostages, including people with US and European citizenship.

But privately the messaging has shifted to focus on containing the war to

prevent it escalating into a broader regional conflict. Western leaders, ministers and diplomats have pressed the Jewish state about "proportionality",

“Their plan is to totally destroy Hamas but they haven’t really thought through the day after”

protecting civilians, allowing civilians to move away from danger, and about humanitarian access, a western official said. "We all have the same script."

Netanyahu has vowed to "crush" Hamas, an Islamist militant group that

has controlled Gaza since 2007. But Arab and western diplomats warn about the huge challenges of destroying a group that is deeply entrenched in Gaza.

"Their plan is to totally destroy Hamas but they haven't really thought through the day after," said the western official. "Israel is in shock, they're angry, and it's very clear to everyone they're going to go into Gaza in a way never done before since 2005."

Netanyahu has, in conversations with western officials, described Israel's Gaza assault as "stage one" in an operation designed to "restore [Israel's] deterrence" in the region, people briefed on those talks told the Financial Times.

"What's the end game? That's the big

question now," said one Arab diplomat. "Where is Israel after this event? Where is Gaza and where is Hamas? . . . You cannot destroy Hamas completely."

French president Emmanuel Macron is trying to urge countries to work together to open a political path to exiting the crisis, with an eye on an eventual solution that would deliver the Palestinians a viable state of their own.

That chimes with the position of Egyptian president Abdel Fattah al-Sisi who has used regular calls with Macron, European Commission president Ursula von der Leyen and other European leaders to plead that the immediate crisis must result in a new initiative towards solving the Israel-Palestine conflict.

Hamas support. Demonstrations

US Jews left shaken by reaction of hard left

Electoral repercussions are a risk for Biden as fragmented Democratic party faces test

JOSHUA CHAFFIN — NEW YORK

For Abraham Orden, a 43-year-old Jewish software executive from the Washington suburbs, the first inkling that the reaction to Hamas's terror attack in southern Israel might not be what he expected came just hours after the assault had begun.

An Israeli woman on a WhatsApp group of mothers to which his wife belongs posted about her anguish. Another mother reprimanded her with a post enumerating Palestinian grievances. The riposte quickly racked up likes. "We were like, 'Well, that was weird,'" Orden said.

The next day, as details of Hamas's slaughter of more than 1,000 Israelis filtered out — with officials calling it the deadliest day for Jews since the Holocaust — New York City's chapter of the Democratic Socialists of America rallied in Times Square to celebrate the Palestinian "resistance".

Some campus groups joined in. A statement endorsed by 34 student groups at Harvard blamed Israel for the violence inflicted on its people. At California State University, Long Beach, a student group advertised a "Protest for Palestine" with a poster featuring a paraglider of the sort Hamas gunmen used to attack Israelis — a motif that Black Lives Matter Chicago adopted.

"I never would have expected this kind of vitriol among educated elites," Orden said. "And now I just can't unsee it."

For many US Jews, the slaughter in Israel has been devastating, frightening and all-consuming, an attack that some are likening to a replay of the pogroms a century ago in eastern Europe that brought their families to the US in the first place.

It is also a political moment in which an emerging hard left that is often anti-Israel — and often accused of anti-semitism — has reared into full view, posing a test for a fragmented Democratic party that may ripple through the coming US presidential election.

Daniel Faraci, a strategist who has advised Republicans, expects the party to criticise Joe Biden for his policy of engaging Iran, Hamas's chief sponsor,



Demonstrators voice support for Palestinians in New York. An emerging hard left that is often anti-Israel — and often accused of anti-semitism — has reared into full view — Ed Jones/ AFP/Getty Images

including his deal to unfreeze \$6bn in Tehran's assets. But, Faraci warned, Democrats would also be made vulnerable by a fringe that appeared to endorse terrorist violence against Jews.

Orden, who voted for Biden in 2020, does not know what he would do in the next election. The trauma of the attack had been compounded by a sudden feeling of alienation from erstwhile allies.

That same sense was captured by Lawrence Summers, the former Harvard president, when he posted on X that he was "sickened" by the university's failure to distance itself from the statement of its pro-Palestine student groups.

"Why can't we find anything approaching the moral clarity of Harvard statements after George Floyd's death or Russia's invasion of Ukraine when terrorists kill, rape and take hostage hundreds of Israelis attending a music festival?" Summers wrote in another post.

Others noted the irony that progressive students were embracing an Islamist group that punished homosexuality in Gaza.

US Jews have overwhelmingly made their political home in the Democratic party. But the party is enduring a gener-

ational rift over Israel that runs through its Jewish constituency, too.

Benjamin Netanyahu, Israel's prime minister, has deepened divisions with his support of the settler movement and undermining of the country's tradition of bipartisanship in US relations by embracing conservative Republicans, particularly Donald Trump.

At the highest levels, Democrats supported Israel in highly visible fashion last week. Biden not only condemned Hamas but recognised its atrocities.

Ted Deutch, the former Florida representative who leads the American Jewish Committee, called Biden's address "one of the most important pro-Israel speeches I've ever heard in this country", adding that the US response had been "overwhelmingly supportive".

But others were focused on "the Squad" — the group of leftwing representatives who have entered Congress in recent years at the vanguard of an emerging progressive movement.

Alexandria Ocasio-Cortez, the New York representative who is the group's de facto leader, backed out of the Times Square rally organised by the Democratic Socialists and later condemned it.

Others, such as Minnesota's Ilhan Omar and Michigan's Rashida Tlaib —

‘I never would have expected this kind of vitriol among educated elites, and now I can’t unsee it’

who is Palestinian-American — did not mention Hamas, let alone condemn it. Tlaib called for "dismantling the apartheid system that creates the suffocating, dehumanising conditions that can lead to resistance".

Even to many left-leaning US Jews, calls in the wake of the Hamas attack for "both sides" to cease the violence rang like a false moral equivalence.

"Israel is the only country in the world where, when faced with the mass slaughter of a huge number of its civilians, the world is already more interested in telling them what not to do," said Jonathan Rosen, a Jewish New York City communications executive who helped bring progressives into office.

He is committed to establishing a political space in which progressive Jews can criticise Israel. But the complexities of doing so became evident to him this week when Rosen saw a message from Ryna Workman, president of the student bar association at his alma mater, New York University Law School. "Israel bears full responsibility for this tremendous loss of life," she said.

Rosen said: "It is horrifying that people who profess that their life is all about the humanity of others — that maybe that humanity doesn't extend to Jews."

Hospitals under strain
Supplies run low as thousands flee south

At the al-Aqsa Martyrs hospital in Deir al-Balah, central Gaza, there is no room in the morgue for people killed in Israel's bombardment of the territory, so staff have placed 20 bodies in an in ice cream van still decorated with pictures of happy children licking cones.

At least 10 bodies wrapped in sheets were laid on nearby ground. At the morgue, Hosny Abu Sheira said his sister's house was destroyed in an air raid. "I saw her body and that of her son and several others. They are still bringing out dead people . . . So far there are nine bodies."

As Israel continues its military response to Hamas's October 7 attacks and fears mount of a humanitarian disaster in Gaza, it faces increasing pressure from western states to minimise civilian casualties in the densely populated territory, allow people to move to safe areas, and grant access to aid.

Israel had cut off supplies of electricity, water and goods to Gaza. Some 2.3mn people in the 40km-long Palestinian enclave, almost half of them children, are fast running out of drinking water, fresh food, and fuel to keep generators in hospitals running.

After Israel ordered an evacuation of northern parts of Gaza, hundreds of thousands of Palestinians rushed south. The movement increased the burden on UN schools and other facilities unequipped to cope. In Rafah, southern Gaza, many shops only had tinned foods and there are scant supplies of water or gas.

The siege "has to be lifted", said Juliette Touma, spokeswoman for the UN Palestinians refugee agency UNRWA. "We have not been able to bring in one grain of wheat in the past eight days."

Such pressures are evident throughout Gaza. At the Dar al-Shifa hospital in the north, some 40,000 displaced people have moved to the hospital to seek refuge from air strikes.

Conditions at the hospital are "terrible", said Gabriel Naumann, Médecins Sans Frontières' advocacy officer in Jerusalem. "Supplies are running out, there is very little fuel to keep generators running, and the doctors are on the verge of collapse." Mai Khaled in Rafah and Heba Saleh in Cairo

Regional ties

China faces delicate moment for its Middle East ambitions

JOE LEAHY — BEIJING
EDWARD WHITE — SEOUL
ANDY LIN — HONG KONG

The crisis in the Middle East triggered by Hamas's attack on Israel is a big test of China's ambitions to build influence in a region dominated by the US, according to diplomats and analysts.

Washington remains overwhelmingly the strongest military power in the Middle East and showed its might by dispatching two carrier strike groups after the attack. It is also the main diplomatic influence and, as Israel's main ally, has leverage over the Jewish state.

But China's economic role has grown and it trades more than the US with most regional countries. Beijing is also on good terms with most of them, including Iran — backer of Hamas and Lebanon's Hizbollah — prompting hopes it can use this influence to prevent a regional conflagration.

In recent years, Beijing has tried to extend its sway in the Middle East as part of Xi Jinping's vision for Chinese leadership of "Global South" emerging and non-aligned countries.

Beijing was instrumental in bringing

four Middle East countries — Egypt, Iran, Saudi Arabia and the UAE — into the Brics grouping of emerging nations this year. It brokered a detente between Saudi Arabia and Iran in March, a diplomatic first for China. Xi followed this in June with an offer to help Palestinian president Mahmoud Abbas promote Israel peace talks.

Now analysts question how these ambitions will weather the instability brought by the conflict. When Hamas unleashed its assault, Beijing struck a neutral tone that angered many Israelis and western countries, blandly calling for both sides to "remain calm" and failing to condemn the faction's actions.

"Israel is not going to act in a way which would undermine the American standing in the region," a diplomat with experience of the Middle East said. "And, if you have a massacre of 1,000 people, and China is not able to say clearly what that is, then it is clear they are not able to arbitrate or mediate the conflict for both sides."

On Thursday, Israel's foreign ministry told China's envoy to the Middle East, Zhai Jun, that Beijing's official reaction to Hamas's attack was not appropriate

and did not acknowledge the national right to self-defence.

US ambassador to China Nicholas Burns has compared Washington's strong backing for Israel with China's lukewarm stance. "China has taken on, I think by its own admission, a bigger role in the Middle East," Burns told the National Committee on US-China Relations. "[But] you have to be effective, you have to stand for something."

He said the "two-state" solution advocated by China — the idea of a Palestinian state alongside Israel — was not supported by Hamas, which "by its very

creed wants to destroy the state of Israel and kill Israelis".

But others said China's stalwart support for the Palestinians could boost its standing in the Arab world.

"Arab states' support of Palestine will increase. That is in China's interest as it puts China and the Arab states back on the same side," said Yun Sun, director of the China Program at the Stimson Center, a Washington think-tank.

Alessandro Arduino, affiliate lecturer at the Lau China Institute at King's College London, said China's ties with Iran could be an important bargaining chip in its relationship with the US. "Being one of the few actors able to pressure Tehran in some way could be an asset in China's diplomatic arsenal," he said.

China faced a delicate moment for its regional ambitions, said Gedaliah Afterman, an expert on China and the Middle East at the Abba Eban Institute for Diplomacy and Foreign Relations in Israel. "When it comes to this new situation, China has said nothing meaningful," he said. "So either it takes the challenge and shows that it is a real player, or it will be pretty clear that it isn't, or much less than people thought it was."



In the spotlight: China's Middle East envoy Zhai Jun

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ISRAEL-PALESTINIAN CONFLICT

‘Mr Security’ reputation of Netanyahu suffers blow

PM’s political future in doubt but this master tactician cannot be ruled out

JAMES SHOTTER — JERUSALEM
NERI ZILBER — TEL AVIV

On the campaign trail in 2009, Benjamin Netanyahu visited the Israeli city of Ashkelon, which had been hit by rocket fire from Palestinian militants in nearby Gaza, and vowed to “return security . . . to the citizens of Israel” and topple Hamas.

Such talk helped Netanyahu win the election, and he has positioned himself ever since as “Mr Security” — the leader who can ensure Israel’s safety in a hostile neighbourhood without making painful concessions to the Palestinians.

But although Netanyahu has overseen numerous conflicts since, he has never sought to crush Hamas or other militant groups in Gaza.

Last weekend, those forces launched the worst ever attack on his country’s territory — a devastating multipronged assault — which has left Israelis reeling, tarnishing Netanyahu’s security credentials and casting a shadow over his political future.

“Netanyahu always said [he wanted to be remembered] as the defender of Israel . . . Everything that’s happening now crushes this legacy,” said Mazal

‘The most disturbing event for Jewish people since the Holocaust took place . . . under his government’

Mualem, biographer of Netanyahu and a political analyst at Al-Monitor. “The most disturbing event for the Jewish people since the Holocaust took place in the south of Israel under his rightwing government.”

The assault killed at least 1,300 people in Israel and wounded more than 3,000, while 120 were taken hostage, according to Israeli officials. Palestinian officials said 2,329 people had been killed by the Israeli strikes in Gaza and more than 9,000 had been wounded.

So great is the shock in Israel at the failings of the military and intelligence services in the run-up to the attack that analysts have compared it to the biggest security debacle in the country’s history: the 1973 Yom Kippur war, when Egypt and Syria rocked the Jewish state with a co-ordinated attack.

By Thursday, recriminations were beginning, with Netanyahu’s office insisting that he had not received warnings about the attack, after reports in the Israeli press claimed that intelligence had been received the night before of unusual movements by Hamas in Gaza.

However, critics say the Hamas attack was not just caused by short-term failings but also by Netanyahu’s strategy of trying to contain the militants with a mixture of military deterrence and economic inducements.

This approach assumed that limited economic help to Gaza’s citizens — subject to an Israeli-Egyptian blockade since Hamas seized the territory in 2007 — could help tame a group sworn to Israel’s destruction.

“Every few months or years there’s a round of fighting, you apply massive force, and after every round Hamas comes out of it damaged and deterred. At least that’s what [Netanyahu] and the generals sold us,” said Amos Harel, author of a book on the Israeli-Palestinian conflict. “They completely ignored Hamas’s force and military build-up, and its fundamentalist ideology didn’t change either.”



Military failures contributed to the downfall of Ehud Olmert, one of Benjamin Netanyahu’s predecessors as prime minister of Israel — Bryan R. Smith/AFP via Getty Images

Military failures have often contributed to the downfall of Israeli leaders during the country’s 75-year history, from Golda Meir after Yom Kippur to Ehud Olmert.

Some observers say the magnitude of last weekend’s security failing will ultimately also force Israel’s longest-serving prime minister from office.

One poll this week found 94 per cent of Jewish Israelis see the government as responsible for the intelligence failures before the attacks, and 56 per cent believe Netanyahu should resign once the war is over.

“This is the end . . . if Netanyahu doesn’t recognise it, the people of Israel will show him the door,” said Aviv Bushinsky, a Netanyahu adviser turned political analyst, although he warned that this would not happen before the war was over.

“Let’s say he achieves all the goals of the war: that Israel dismantles Hamas and [beats] Hizbollah. People will still remember this horrific day. This is something Netanyahu cannot run away from . . . the negligence was on his watch.”

Others are less sure, especially given how Netanyahu has repeatedly outwitted his rivals as he has towered over Israeli politics for the past 25 years, gaining a reputation as a ruthless operator and master tactician and confounding critics attempting to write his political obituary.

During his six terms, he has become one of Israel’s most divisive politicians. Yet despite feuding with numerous former allies, and being on trial on corruption charges, which he denies, he won re-election by forming an alliance with far-right and ultra-religious parties last year.

Dahlia Scheindlin, a pollster, said that it was possible that, just as Netanyahu’s trial entrenched the views of supporters and opponents rather than shifting them, so Israel’s military catastrophe could fail to persuade a deeply polarised electorate to change its mind about him.

“I still think that one possible scenario is that . . . the pro-Netanyahu right wing says, ‘This proves what we’ve been saying all along. Israel must be tough and give no concessions, no quarter.’ And his opponents say, ‘This proves how hollowed-out his leadership was.’”

Netanyahu earned himself some breathing space on Wednesday when Benny Gantz’s National Unity party agreed to join his coalition for the duration of the war. The deal will help contain the bitter fight over a judicial overhaul pushed by Netanyahu and his far-right allies that had divided the nation for the past nine months.

Some analysts said that, as well as projecting a sense of unity, the alliance — sealed shortly before Israel is expected to embark on a complicated and bloody ground operation in Gaza — would allow Netanyahu to share around the political cost of some of the painful military decisions that the campaign was likely to bring.

But others doubted that the unity government would amount to more than a reprieve.

“It does not yet promise any broader unity beyond [the war],” said Natan Sachs at the Brookings Institution. “Logic would suggest he’s a new Golda Meir from 1973, an ex-prime minister walking. Of course, Netanyahu . . . may try to cling on to power for a while, but it can’t last.”




Rivals have been repeatedly outwitted by the Likud leader for the past 25 years

Israeli prime minister Benjamin Netanyahu visits troops. His office insisted that he had not received warnings about the Hamas attack
Haim Zach/GPO/dpa

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INTERNATIONAL

IMF and World Bank

Conflict darkens global recovery prospects

Ministers and officials fear widening tensions will derail economic rebound

SAM FLEMING AND COLBY SMITH
MARRAKECH

The spectre of a wider conflict in the Middle East poses a fresh threat to the global economy just as the world emerges from shocks triggered by Covid-19 and the Ukraine war, finance ministers and officials have warned.

Broader regional tensions would have

significant economic ramifications, they said, as they rounded off meetings of the IMF and World Bank in Morocco last week. The twice-yearly events took place as Israel declared war on Hamas and launched a bombardment of the Gaza Strip.

“If we are facing any escalation or extension of the conflict to the whole region, we will face big consequences,” Bruno Le Maire, France’s finance minister, told the Financial Times, adding risks ranged from higher energy prices stirring inflation to a fall in confidence.

Kristalina Georgieva, the head of the

IMF, warned of a “new cloud on not the sunniest horizon for the global economy”, encapsulating fears among the delegates in Marrakech that the medium-term prospects for the global economy are lukewarm.

Jamie Dimon, chief executive of JPMorgan, called this “the most dangerous time the world has seen in decades”.

Heading into the meetings, officials had expressed relief that central banks had managed to curb inflation without provoking outright recessions – sidestepping a risk that the IMF flagged in April as it spoke of a possible

“hard landing” for the global economy.

Central banks appeared to have tightened monetary policy, curbed credit growth and cooled the labour market “without overdoing it”, said Pierre-Olivier Gourinchas, the IMF chief economist, before the event.

But, as delegates convened, the mood darkened as the wider implications of the Israel-Hamas war mixed with underlying anxiety about persistent vulnerabilities in the global economy. The IMF’s analysis pointed to worsening longer-term growth trends as economies struggle to lift productivity, barriers

to free trade mount amid worsening political tensions and public debt rises around the world.

Notable in the IMF’s short-term forecasts – prepared before the Middle East violence in broke out – was a lack of obvious bright spots beyond countries such as the US or India. “There’s no accelerant here,” said Joyce Chang, head of global research at JPMorgan. “I don’t think anyone feels like there is a big catalyst over the next year or so.”

Additional reporting by Martin Arnold in Frankfurt
See FT View

Elections. Policy outlook

Milei team takes crash course on running Argentina

Economist’s ability to realise

radical plans likely to depend

on scale of potential victory

CIARA NUGENT AND MICHAEL STOTT
BUENOS AIRES

Diana Mondino, an economist and professor, joined the party led by Argentina’s libertarian economist Javier Milei just over four months ago. But if Milei wins this month’s elections, as most polls project, by December she could be foreign minister.

Mondino’s trajectory is typical of the team around Milei, a one-term congressman and former TV commentator who promises a radical plan to dollarise the economy and slash state spending.

His ministerial picks hail largely from the private sector and academia, and few have experience in government. Mondino, who is also running for a seat in congress, says that is an asset.

“Politics has brought us here,” she said, referring to Argentina’s worst economic crisis in two decades, which has pushed inflation to 138 per cent and which many economists blame on mismanagement by the ruling Peronist movement.

“Why can’t people who do not belong to the usual parties start something new? A lack of experience can mean that it is difficult to deal with the government bureaucracy.

“Or it can mean that since I do not believe the government should do everything, particularly those things that can be provided by the private sector, I will not fall prey to those that say: ‘It was always done this way.’”

Many Argentine voters appear willing to give Milei’s Libertad Avanza party a chance.

Since a surprise victory at a nationwide primary poll in August, Milei has maintained a narrow lead over his main rivals for the presidency, Peronist economy minister Sergio Massa and Patricia Bullrich, of the centre-right opposition Juntos por el Cambio (JxC).

The October 22 vote will be followed by a presidential run-off in November if, as pollsters expect, no candidate wins more than 45 per cent of votes, or 40 per cent with a 10-point lead over their closest rival.

When it comes to lawmakers, even a strong performance by Milei’s party – which was founded in 2021 and has just three members of congress – would give it about 40 of the 257 seats in



Insurgent campaign: investors appear uneasy at the ascent of Javier Milei, a former television commentator who has railed against the political class
Luis Robayo/AFP/Getty

Argentina’s lower house, only half of which are up for grabs at these elections.

If elected, Milei would also be the first president to have no governors from his party in any of Argentina’s 23 provinces.

That lack of political structure, combined with his team’s inexperience, has cast doubt on his ability to govern and to execute his plans. “Milei’s position in politics is extremely precarious,” said Juan Negri, a professor at Torcuato Di Tella University in Buenos Aires. “The most likely scenario is a paralysed government.”

Milei’s insurgent campaign, which upset both the Peronists and JxC, has prompted comparisons with Donald Trump and Jair Bolsonaro. The three share a propensity for provocative language, ideological opposition to China, and a crusade against what they describe as out-of-touch political elites.

But while Trump had the Republican party, and Bolsonaro was a longtime legislator with support from the Brazilian military, Milei may prove even more of an outsider.

“The scenario I see more is Pedro Castillo in Peru,” said Negri, referring to the hard-left leader’s impeachment after he

attempted to close congress and rule by decree.

The risk of deadlock partly explains why markets appear uneasy about Milei’s ascent, despite pledges to pursue some orthodox economic policies such as rapidly balancing the budget.

After Milei’s win in the primaries, the peso has accelerated its fall. On the black market, it has lost 38 per cent of its value in two months. While bond prices remain above where they were at the beginning of the year, they have fallen slightly since the primaries.

“The problem for the market isn’t to have a pro-market government, it’s to have a clear plan, the ability to execute the plan, and the expectation that there will be policy continuity,” said Juan Pazos, chief economist at Buenos Aires-based financial firm TPGC Valores. “The market consensus seems sceptical.”

While the centrepiece of Milei’s platform had been a campaign against the *casta* – the political class, as well as business and union leaders who build ties with it – Milei’s team would work to build the alliances he needed to govern, said Juan Cruz Díaz, managing director of political advisory firm Cefeidas.

“The problem for the market is to have a clear plan, the ability to execute, the expectation that there will be continuity”

“There are people in his team, including him, who have the capacity to work on building political agreements,” he said, citing would-be interior minister Guillermo Francos, who has held several political roles and was until September Argentina’s representative at the Inter-American Development Bank. “In that way they could govern and maybe also pass some of their reforms.”

Milei last month held an event with hospitality union leader Luis Barriounevo, while he has built alliances with traditional parties in several provinces. He has praised figures from JxC, including ex-president Mauricio Macri and his former central bank head Federico Sturzenegger. In private, some members of JxC say Macri might be open to collaborating with Milei if Bullrich loses.

Milei’s ability to push his agenda through would depend on the scale of his potential victory, Díaz said. If he won in the first round, or secured a resounding second-round win with 60 per cent or more, the political system might fall in line. “If he were to end up as president with a very narrow margin, and there’s not a clear mandate for his agenda, that’s another situation entirely.”

National poll

New Zealand swings to the right post-Ardern

NIC FILDES — SYDNEY

New Zealand’s Labour party has suffered a humbling defeat after it lost half its parliamentary seats compared with Jacinda Ardern’s triumph in 2020.

With more than 80 per cent of votes

counted, the centre right National party, led by Christopher Luxon, is set to lead the country with support from the libertarian ACT party.

The swing to the right, just three years after “Jacindamania” swept the country, exposed the fragility of a policy agenda that concentrated on issues such as climate change once rising inflation and a cost of living crisis confronted New Zealand voters.

The conservative coalition was on course for a majority when Chris Hipkins, Labour’s incumbent prime minister, conceded on Saturday night. “I gave it my all to turn the tide of history but, alas, it was not enough,” he said.

However, “special” votes – cast outside a voter’s home seat or by those not on the electoral roll, which are counted later and typically skew left – could mean Luxon needs extra support to form a government.

That could let Winston Peters, leader of the populist New Zealand First party, play kingmaker once again. He captured 6 per cent of the vote.

The swing to the right was notable but Labour also lost ground to leftwing rivals the Greens and Te Pāti Māori, which advocates for indigenous rights.

In the Auckland constituency of Mount Albert, a seat vacated by Ardern and once held by former prime minister Helen Clark, Labour held on for a narrow win. However, other seats fell in rapid succession including in Hauraki-Waikato where Nanaia Mahuta, Labour’s foreign minister and the longest serving female MP in the country, lost to a 21-year-old Te Pāti Māori rival.

Grant Robertson, finance minister, told broadcaster 1News that his government had struggled to combat the electorate’s “time for a change” mood.

Bryce Edwards, a political analyst at Victoria University of Wellington, said the election result represented a move to vote out the incumbent Labour government rather than a successful campaign by the National party.

Edwards said the two-term Labour government – in power for six years, half of it with an outright majority – had failed to deliver on its promise.

He said the unusually large election victory in 2020 under Ardern had proved to be “a blessing and a curse” for her government: it gave a strong mandate for reform but led to a sense of complacency. “They squandered it,” Edwards said.

Referendum

Australia rejects indigenous advisory body

NIC FILDES — SYDNEY

Australia has overwhelmingly rejected a proposal to recognise the country’s indigenous population in its constitution, despite last-ditch efforts by the prime minister and Aboriginal leaders.

The proposal, which would have also enshrined an advisory body on indigenous affairs called “The Voice” in the constitution, was pitched by Anthony Albanese, the Labor prime minister, as a once-in-a-generation opportunity to improve the lives of the country’s original inhabitants.

The referendum proposal was supported by some of Australia’s largest companies and institutions and its failure is a blow to the country’s attempts to deal with its past and present treatment of indigenous people, who make up 3 per cent of the population.

With more than three-quarters of the vote counted, the split was 60.4 per cent to 39.6 per cent against The Voice at the national level. High-income seats in inner Sydney and Melbourne, as well as polling stations in remote parts of the Northern Territory where some of the indigenous population lives, recorded the highest levels of support. The referendum

also required a majority in four of the country’s six states yet it failed that hurdle in all regions apart from the Australian Capital Territory, which includes the capital, Canberra.

The decline in support for The Voice, which polled as high as 65 per cent last August, marks a significant blow to Albanese and his government. Close to 80 per cent of the seats Labor won at the 2022 election voted against the proposal, according to research company RedBridge Group.



The poll result is a blow for Labor prime minister Anthony Albanese

Danish report

Warning on problem of shipping lines sexual assault

OLIVER TELLING — LONDON

Harassment remains a widespread problem in shipping, officials and campaigners have warned, more than a year after a high-profile sexual assault case highlighted problems in an industry that underpins global trade.

The government in Denmark, a country that is home to many of the oldest shipping companies, criticised “unacceptable” levels of harassment, as it published a report that found a sixth of 3,500 seafarers polled had witnessed bullying or sexual harassment on Danish ships over a 12-month period.

Morten Bødskov, business minister, described the findings as “completely unacceptable”, adding that he was “surprised by the extent” of the incidents.

Bødskov called on the industry to address the issue “immediately”, adding that “more must be done to ensure that seafarers on board Danish ships don’t have to fear harassment and bullying”.

The report comes alongside warnings from other governments and activists that the industry is yet to clean up its act.

The issue risks impeding efforts to attract more women into a traditionally male-dominated industry, deepening concerns that shipowners will struggle to find the workers to meet demand.

Women make up just 1.2 per cent of the 1.89mn seafarers globally, according to a 2021 report by industry bodies Bimco and the International Chamber of Shipping. Shipowners have also struggled with staff shortages, with an additional 89,510 officers needed between 2021 and 2026, according to the report.

A 2019 poll published by Maritime SheEO, which supports female workers from its headquarters in India, one of the world’s main suppliers of seafarers, found only a third of women on ships said they had a good experience. Some 12 per cent of those who moved to jobs on land said they had done so because of physical or mental harassment.

Sanjam Gupta, founder of Maritime SheEO and director of Indian logistics group Sitara Shipping, said the industry remained subject to a “patriarchal mindset”. “Some think the ship is not a place for a woman,” she added.

Jerome Pampolina, an assistant secretary in the Philippines’ overseas workers department, which recently conducted a study into the experiences of female seafarers, also said that sexual harassment was found to be an issue.

In response to the report published by Copenhagen, trade body Danish Shipping accepted there were “serious challenges” on Danish-flagged ships. It said it took the results “very seriously” and the issue had already “moved to the top of the agenda”.

The latest warnings undermine hopes that the industry would improve after allegations in 2021 of sexual assault on a vessel run by the US business of Danish group AP Møller-Maersk that shook the industry. When it was sued over the incident last year, it was seen as a wake-up call for shipping lines.

Amalie Grevsen, Maersk’s recently recruited head of marine culture, has opened a hotline to report complaints and introduced anti-sexual harassment training for staff. “It’s a long stretch but we are eager to change the work culture,” she said.



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Companies & Markets

Japan bourse aims to push reforms with peer pressure

- ▶ Monthly compliance list considered
- ▶ Governance and valuations in focus

DAVID KEOHANE AND LEO LEWIS
TOKYO

Japan’s stock exchange is to introduce a name-and-shame regime to drive better governance and higher valuations. The Japan Exchange Group, which controls the Tokyo and Osaka bourses, told companies in March that it wanted to see progress towards lifting corporate value — a catalyst in helping the country’s markets reclaim the ground lost after their crash more than 30 years ago. Hiromi Yamaji, chief executive of JPX, now says he intends to go further in making it clearer to investors which companies are meeting those goals by, for the first time, publicly naming the

‘Nudge is a very important method to push people to go forward’
Hiromi Yamaji, JPX chief

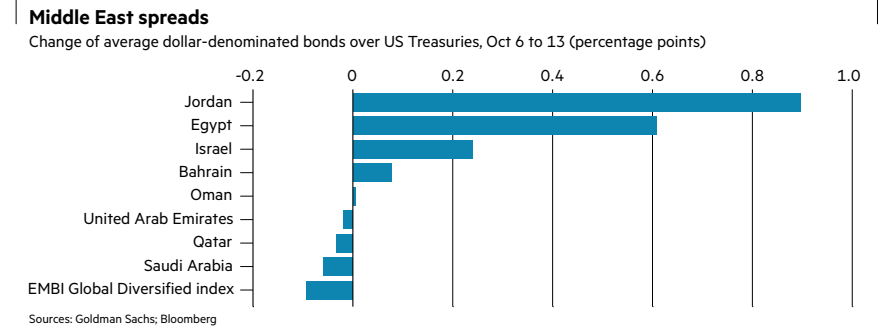
listed companies that have complied with his requests. “We will renew the list every month but the first list will be published in January . . . that’s the plan,” he said. “In Japan . . . peer pressure or nudge is a very important method to push people to go forward.” This has been a breakthrough year for Japanese stocks, which have delivered decades of disappointment to domestic and global investors. The Topix and Nikkei 225 indices are both up more than 20 per cent. The weak yen is a big support, as is the emergence of long-dormant inflation, which is giving companies greater power to lift prices. Japan has gained interest from global investors who are keen to bolster Asian exposure without taking on the geopolitical and regulatory risks associated with China. Moves by the government and by market authorities to enhance board

structures, draw in institutional and retail investment flows, and push companies into more dynamic strategies have also helped. The efforts culminated this month in a weeklong series of meetings between Fumio Kishida, prime minister, and the biggest fund managers. Investors say that one missing element has been a clear sign that the stock exchange is pushing companies to improve their cost of capital, governance standards and engagement with shareholders. This has been a guideline rather than a requirement. Yamaji highlighted this year that about half of companies listed in the prime index have a price-to-book ratio of less than 1. Now the exchange intends to track companies that have disclosed plans to comply with the guidelines, in effect shaming the non-compliant. “We are publishing the list of the companies’ actual names who did disclose, [but] obviously we have only 3,300 companies listed on the prime and standard [markets] . . . You can subtract . . . It’s not a difficult calculus,” said Yamaji. The exchange will canvass and publish the views of investors on the measures companies have taken, such as lifting dividends, increasing share buybacks, selling non-core assets or improving market communications. “A regularly updated list of all those companies that are doing what the [Tokyo bourse] is requesting them to do will bring Japanese corporate governance reform even further into the spotlight,” said Bruce Kirk, chief Japan equity strategist at Goldman Sachs. David Mitchinson at Zennor Asset Management said: “This name-and-shame strategy will increase pressure on most companies. As yet, only 31 per cent of firms have formally responded, so the pressure from shareholders for those who have not will be intense.”

Debt strain Egypt and Jordan borrowing costs surge as investors price in refugee crisis risk



Yasser Qudiri/AFP/Getty Images



MARY MCDUGALL — LONDON

The war between Israel and Hamas is heaping pressure on borrowing costs in neighbouring countries as investors worry that the conflict will escalate. Spreads between the average yields on Jordan’s and Egypt’s dollar-denominated bonds and equivalent US Treasuries have shot up. In contrast, spreads across the broader emerging markets index have tightened. Spreads moved wider on Friday after Israel’s military warned more than 1mn Palestinians to leave Gaza City and its outskirts. Since October 6, the yield on Jordan’s 2030 dollar-denominated bond has risen from 8.5 per cent to 9.3 per cent, the

highest level since October last year. “By Jordanian standards, it’s a big move,” said Edwin Gutierrez, head of EM sovereign debt at Abrdn. “The market is reading through and pricing that Jordan and Egypt could be dealing with a refugee crisis.” Jordan’s economy is a heavily reliant on tourism, which accounts for about 10 per cent of gross domestic product. Analysts at Goldman Sachs said this left it “particularly vulnerable” as the conflict unfolded, “but so far it has not pushed Jordan’s USD bonds into distress”. Egypt’s debt has come under renewed strain despite already trading in distressed territory. The price of its dollar bond maturing in 2031 has fallen from 53 cents to 51 cents since

October 6, adding pressure on a country facing a wall of debt refinancing in the coming years. “A refugee crisis would only add to Egypt’s woes, though . . . it could benefit from international donors should one ensue,” Gutierrez said. Egypt sealed its fourth loan since 2016 from the IMF in October last year but remains in tense negotiations with the fund. The country’s gross financing needs in 2023 amount to “a staggering 35 per cent of its GDP”, according to the IMF. The chances of debt restructuring talks in Lebanon, which defaulted on its debt in 2020, have also fallen, investors said. The country’s bonds sold off on fears that Hizbollah could become involved in the war.

Santander plans \$250mn investment bank boost

OWEN WALKER AND STEPHEN MORRIS

Santander has set aside \$250mn to boost the expansion of its corporate and investment bank over the next two years, as rivals on Wall Street prepare for some of the biggest job cuts since the financial crisis. The Spanish lender, which is not an investment banking heavyweight, has hired more than 100 mostly US-based bankers this year, with about half coming from Credit Suisse, which was rescued by its rival UBS in March. Many of the recruits drawn from the upper echelon of Credit Suisse’s investment bank were recommended by Héctor Grisi, who became Santander’s chief executive at the start of the year and had spent 18 years at the Swiss lender. “The chance to accelerate growth in the US was a logical opportunity for us,” Santander’s executive chair Ana Botín told the Financial Times. “What we want is people who fit our culture.”

Santander has been steadily expanding its corporate and investment bank over the past seven years. The business has 8,000 staff, up from 3,500 in 2016, with much of the increase coming from internal reorganisations. This year’s hiring spree reflects Botín’s long-term strategy of trying to leverage Santander’s network of corporate clients in Europe and the Americas by offering them a range of services, including access to capital markets and strategic advice. “The business we run is very different from other investment banks,” said Botín. “It’s mostly a corporate bank and we are now adding the fee business, focusing on areas where we are strong, like renewables and infrastructure. “We already provide financing but if we want to deepen client relationships, we need to give them access to dollar markets, strategic advice, access to capital markets and structured transactions.” In contrast to Santander’s hiring push, job cuts at the largest US banks are on course to surpass 11,000 this year as Wall Street contends with the worst recruitment market since the financial crisis following a pandemic-era hiring binge and a lack of dealmaking. The biggest US banks spent more than \$1bn on severance costs during the first six months of 2023 and lenders such as Goldman Sachs are now working on their annual round of job cuts for the end of the year.

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Financials. Shareholder services

Start-ups fight Broadridge proxy ‘monopoly’

Fintechs face daunting task

in taking business from the ‘800lb gorilla in the room’

MADISON DARBYSHIRE AND
PATRICK TEMPLE WEST — NEW YORK

Start-up companies are moving to seize a slice of the lucrative business of distributing shareholder voting materials from Broadridge Financial Solutions, which for years has dominated the market in the US. Broadridge’s services include emailing regulatory documents and counting shareholder votes on behalf of brokers. The company says it provides proxy services for about 80 per cent of outstanding shares in the US. But new entrants are attempting to challenge its heft, hoping to exploit new technology and heightened interest in shareholder voting from small, retail investors. In its annual regulatory filing in August, suburban New York-based Broadridge added an item to its list of potential risks — “fintech start-ups and new market entrants”. London-based Proximity, which offers shareholder voting services and launched in the US late last month, said it was up against an “800lb gorilla in the room” in taking on Broadridge. “We are expanding in the US, and you can’t make any inroads in the US without taking on Broadridge, because they’re the major player,” said Jonathan Smalley, Proximity’s co-founder and chief operating officer. Proximity has attracted investments from JPMorgan Chase, HSBC and Deutsche Bank and in 2022 raised funds from Mediant, which Broadridge has

identified as one of its few proxy service competitors. New York-based Troop offers a shareholder activism tool via a mobile app that highlights hot-button environmental and social causes for people to vote on. The start-up has raised early-stage money from venture capital funds Northzone, BlockTower and Seedcamp. Troop aimed to work with asset managers, but had struggled to convince financial firms it could handle some of the proxy services offered by Broadridge such as delivering voting materials to fund investors, co-founder and chief executive Felix Tabary said. “The piping is all rolling up to one company,” he said. “What is the cost to shareholders and investors to have such a big monopoly in this space?” he added. New entrants are contending with an incumbent that analysts have said is difficult to unseat. While some of its business lines faced competitors, Broadridge’s investor communications division had “a near monopoly,” said Rajiv Bhatia, analyst at Morningstar. “Broadridge really has been able to maintain its market share and I don’t see that slipping,” he said, citing “client inertia” as a top reason for the company’s dominance. Broadridge also offers a mobile app for retail investors to vote at companies’ annual meetings. Shareholders could link their accounts across different brokerages that were clients so people could vote seamlessly in one place, said Chuck Callan, a senior vice-president for regulatory affairs at Broadridge. “We are trying to facilitate retail participation and make it easy for people’s voices to be heard,” he told the Financial Times. “We have proven ourselves to be an innovator in [this] area with things like the app and mobile proxy voting.” Spun out of payroll processor ADP in 2006, Broadridge has benefited from the boom in electronic investing. People increasingly hold funds and shares through large brokers, which use Broadridge to keep track of shareholder data and send out required information about companies and funds. Broadridge maintains there is competition in the market. In a 2022 letter to the US Securities and Exchange Commission, the company said its competi-



Entrants seek to challenge Broadridge’s clout, hoping to exploit new tech and heightened interest in shareholder voting from retail investors

tors include Mediant and Say Technologies, which was acquired by retail broker Robinhood in 2021. But experts said Say was struggling to compete with Broadridge when Robinhood bought it. Broadridge said it had about 1,100 broker clients. Mediant, its next closest competitor, worked with about six, Morningstar estimated in 2022. Broadridge also says its size gives it a vital cyber security edge. “It is really important that the system perform well and that it work flawlessly every time,” Callan said. Asset managers have long been frustrated with a lack of transparency over Broadridge’s fees. The Investment Company Institute, a lobby group for fund managers, has argued that a charge of 25 cents per email to send regulatory documents to investors is outdated, for example. “It’s something people have just kind of accepted — like Microsoft Office,” said Eric Pan, ICI’s chief executive. “People are not 100 per cent satisfied by the system as it currently works, but even though there are new entrants they are not really viable alternatives.” He said that unless one of the start-ups could convince a large asset manager or broker to take on the expense of switching completely to a new provider, it would be impossible for them to achieve the scale necessary to take on Broadridge. “Being a start-up in any industry is hard, but in the case of proxy services I really don’t know at this stage how good their chances are,” Pan said. “These firms are innovative, and they’re attracting attention. If they create competitive pressure on Broadridge, it can only be a good thing.”

COMPANIES & MARKETS

Microsoft’s \$1bn lobby machine shows its clout

Green light from UK for \$75mn Activision deal highlights effectiveness of tech group’s diplomacy honed over 20 years

RICHARD WATERS — SAN FRANCISCO
ARJUN NEIL ALIM — LONDON

Microsoft’s 21-month battle to pull off its blockbuster purchase of gaming company Activision has been one of the M&A world’s most tortuous recent sagas.

The struggle has served as a striking demonstration of the power of a legal, policy and influence machine that costs more than \$1bn a year to run and which has made Microsoft one of the most effective American companies in practising a new form of global corporate diplomacy to advance its interests.

Getting the Activision deal across the line meant defeating a US government effort to block it in court, while also persuading UK regulators to allow an eleventh hour reworking of a transaction they had already decided to reject.

It also involved winning over regulators in many other jurisdictions — including Brussels, where Microsoft was once deeply distrusted — at a time when acquisitions by Big Tech companies face significant opposition.

The deal’s completion against the odds marks the culmination of more than two decades of work to recast the reputation of a company that was once seen as the tech world’s pre-eminent bully.

Under Brad Smith, who became its top legal officer in 2002 and also took on the title of president in 2015, Microsoft has long worked to present a more conciliatory face to regulators.

It has also sought to make itself useful to governments looking for help on everything from tech policy to emergency support against cyber attacks, part of an effort to build trust and increase the odds of winning a hearing when its own business interests are challenged.

Yet while completing the deal would amount to a notable victory at a time when acquisitions by Big Tech companies are scarce, it may also bring a turning point in Microsoft’s relations with regulators around the world.

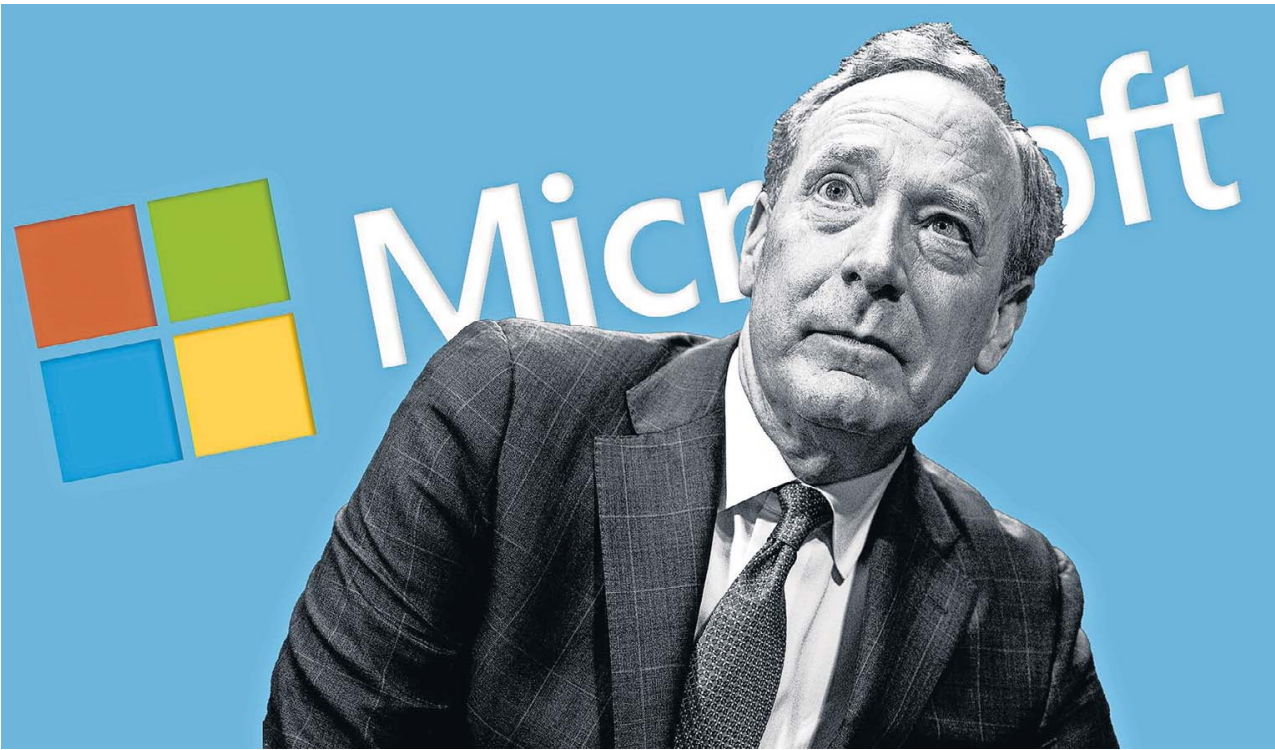
“It helped to remind everyone that they are Big Tech too,” says one former Microsoft policy executive.

Smith took over as the company’s general counsel at a low point, after the US Department of Justice came close to winning a court-ordered break-up. His rise brought a complete change in approach. While Microsoft had previously fought regulators aggressively, Smith argued for conciliation and preached the need to be more transparent with them.

He also pushed for changes in Microsoft’s business practices to head off potential antitrust challenges before they could gather steam, according to people who have worked with him. Last year, facing complaints about Microsoft’s cloud licensing practices that threatened to trigger antitrust scrutiny, the Microsoft president publicly apologised and announced changes that he said would deal with the issue.

But that attempt to pre-empt criticism has not prevented the protests from growing louder — an indication that tactics that have served Microsoft well over the past two decades may be becoming less effective as its power in markets such as cloud computing grows.

Some of the tactics that helped to boost its profits for many years have also been challenged. This week, it revealed it had received a demand for nearly \$29bn in back taxes in the US dating back to 2004-13, prompted by a



claim that it shifts profits to low-tax countries artificially to lower its taxes.

In another sign of increasing pressures on the company, Smith, usually the consummate diplomat, allowed himself a rare outburst in April after British regulators said they would block the Activision deal. The move was “bad for Britain” and Microsoft’s “darkest day in our four decades” there, he told the BBC.

Yet the software company was still able to persuade the UK’s Competition and Markets Authority to reconsider, crafting a compromise that led to the agency clearing the deal while also enabling it to claim greater concessions from Microsoft than those won by other regulators.

Behind the scenes, Smith has promoted a concerted campaign of influence-building with governments around the world that even some rival tech executives concede has given Microsoft an edge.

The software company had amassed

“one of the largest armies of corporate diplomats that we’ve ever seen”, said Manas Chawla, a researcher who has studied the company. “They include policy officials working on everything from how to regulate artificial intelligence to protecting elections and tackling cyberwarfare against sovereign states,” he said.

In one sign of how Microsoft has gone to greater lengths than other tech companies, it set up a representative office at the UN in 2020, taking up a floor of a building close to the organisation’s headquarters in New York where several Nato countries also have their missions. Ukrainian president Volodymyr Zelenskyy was the first head of state to pay a visit as part of an effort to encourage the company to invest in his country, while Microsoft hoped to use the contact to promote its cyber security capabilities.

The UN efforts are part of an operation under Smith that costs more than \$1bn a year to run, according to people

‘[Microsoft has] one of the largest armies of corporate diplomats that we’ve ever seen’

familiar with the company. The groups inside Microsoft reporting to him include legal, corporate and government affairs, accounting for what Microsoft describes as about 2,000 “professionals”. His organisation also includes a digital crimes unit and teams working on identifying cyber attacks and disinformation campaigns.

Microsoft’s attempt to claim the moral high ground on issues such as cyber security has grated with rivals, who claim the company uses its work with governments to distract attention from the role that vulnerabilities in its own software have played in causing the problems in the first place. Earlier this

Influencer:
Brad Smith has spent two decades working to recast Microsoft’s reputation, culminating in the blockbuster deal to buy Activision, maker of the popular ‘Call of Duty’ video game, below
Jeenah Moon/Bloomberg

year, for instance, US commerce secretary Gina Raimondo was one of the several officials to have her email compromised after an online email account with Microsoft was hacked.

According to another former Microsoft executive, its extensive international policy work reflects a strong belief that working to advance multilateralism and the rule of law globally will bring long-term benefits to the company and its customers.

But this person also said these activities served Microsoft’s more immediate business interests as well. “One of the things we learnt from the competition cases: we’re much better off building relationships and engaging and having people understand your business before you run into hard problems. That basic lesson has stayed with the company.”

Smith’s bid to shape policy discussions around tech has led to him striking ambitious positions on the global stage, though they have not always hit the goals that appeared to have been intended. Six years ago, he called for a “digital Geneva convention” that would involve nation states swearing off cyber attacks against civilians during peacetime.

According to one former staffer, that plan took a back seat after Microsoft realised that, if the proposal failed to get the backing of a majority of the UN’s 193 members, it could be reshaped in ways the company had not intended. “Be careful what you wish for,” this person added. Another person familiar with the digital Geneva convention called it a “moonshot” that Microsoft was still pursuing as a long-term goal.

Smith’s willingness to put himself forward as an unofficial ambassador for the tech industry in this way has paid dividends for Microsoft, according to supporters. “Regulators are not going to give you a pass but they will listen to you — you can hopefully have a credible voice with them, and that’s what’s really important,” one former executive said.

As Microsoft finally puts the seal on its biggest acquisition yet, that strategy appears to be paying off.

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Pharmaceuticals

EU delays approval of new Novavax Covid jab

DONATO PAOLO MANCINI — LONDON

EU regulators have delayed a decision to approve Novavax’s variant-tailored Covid-19 vaccine, in a setback for the US-listed biotech that is battling a slump in demand for coronavirus jabs.

The European Medicines Agency, which was due to approve the updated jab last Friday, instead requested more information. The regulator had also raised questions to the drugmaker in 2021 for its first Covid jab before eventually approving the shot.

“As part of the ongoing review process, [the EMA] has additional questions, which we are answering expeditiously,” Novavax told the Financial Times.

The company continued to work in “close partnership” with the regulator on the “shared goal” of bringing an updated protein-based jab not based on the mRNA technology, it added.

The EMA has questions on the potency of the latest version of the jab and seeks to ensure its characteristics are the same across different production sites, said one person with knowledge of the talks.

The EMA declined to comment.

Novavax, whose Covid jab is the only product it can market, warned in February that there was “substantial doubt” about its future and recently detailed plans to slash costs by up to 50 per cent and reduce the company’s 2,000-strong workforce by a quarter.

Shares have declined 98 per cent from their 2021 highs to a little over \$7 on Friday, giving it a market value of \$674mn.

The EMA is expected to give its approval within four weeks, one of the people said. The jab’s variant formulation was approved by the US Food and Drug Administration earlier this month.



Novavax’s new Covid vaccine does not use mRNA technology

“It is the first time they have changed the composition of their jab and this is the first non-mRNA one, so it’s important to ensure the vaccine acts in the same way when it comes to potency,” the person added.

Beset with production issues, Novavax was late to market, although its Covid vaccine, made with a more traditional technology, has been shown to be safe and highly effective in trials.

Health authorities had also hoped it could help sway sceptics who preferred not to receive an mRNA vaccine, though demand has since collapsed.

As the European market is saturated with the BioNTech/Pfizer and Moderna shots, it is unclear what impact an approval will have on its revenues.

Novavax “intends to supply doses of our vaccine to European countries that have requested it through advanced purchase agreement post-authorisation”, it said. “We value EMA’s continued partnership and look forward to their recommendation and the European Commission decision.

“We have made tremendous progress in strengthening the financial position of the company,” it added.

COMPANIES & MARKETS

Transport

J&T halves \$1bn Hong Kong IPO ambition

Delivery group for TikTok to sell smaller stake but seeks same valuation

HUDSON LOCKETT AND CHENG LENG
HONG KONG
MERCEDES RUEHL — SINGAPORE
The \$1bn initial public offering from a Chinese start-up that was set to be Hong Kong's biggest listing this year has been halved, reflecting investors' aversion to share offers in China after years of underperformance.
J&T Express, a delivery company with operations in south-east Asia and China, was forced to lower the fundraising tar-

get because of lacklustre investor response, according to three people familiar with the matter. The downsized listing of the group, which counts Chinese ecommerce giants Pinduoduo and ByteDance's TikTok as clients, comes as global investors are increasingly pessimistic over China's growth outlook and frayed relations with the US.
"Right now with China [IPOs] you need to take a 20-30 per cent discount just for deals to get done," said one banker, adding that J&T had "decided to keep the valuation the same but just sell a smaller stake", as poor market conditions in Hong Kong sapped investor appetite. J&T, which cut its valuation

from \$20bn to \$13bn in May, expects to maintain that level when it lists, according to people familiar with the matter.
Bank of America, Morgan Stanley and CICC are joint sponsors of the deal. J&T declined to comment.
At \$1bn, J&T's IPO would have been the largest in Hong Kong since the \$1.3bn listing of China Aviation Lithium Battery in October 2022, according to Dealogic data. At \$500mn, it would mark the largest since the listing of liquor group ZJLD in April.
Companies have raised just \$3.5bn from Hong Kong listings this year, down almost 70 per cent from a year ago and on track for the lowest annual total in

two decades, as hopes for a steady stream of IPOs from China have been dashed by the country's sluggish economy and rising geopolitical risk. Hong Kong's benchmark Hang Seng index has fallen more than 8 per cent this year.
J&T is also facing questions from investors on the impact of new regulations in Indonesia that ban ecommerce transactions on social media platforms, which are some of its fastest-growing clients. The ban forced ByteDance to shut its Indonesian version of TikTok Shop, the in-app shopping platform, in October. Prospective IPO investors said J&T had pitched TikTok Shop as a key source of delivery demand.

TikTok's operations in south-east Asia — J&T's only profitable market — are coming under increasing scrutiny in other countries, including Vietnam and Malaysia. People familiar with the company said Indonesia accounted for about half of the \$330mn in adjusted earnings from the region last year. By comparison, the company's China operations reported a \$722mn loss for the period despite higher revenues.
One prospective IPO investor said that while J&T's business from TikTok Shop had been low margin, "it allowed them to build a story around the IPO about its dominance in the region — especially in Indonesia — to investors".

Support services

Law firm eyes Singapore move as China tech deals slow

MERCEDES RUEHL — SINGAPORE
TABBY KINDER — SAN FRANCISCO
A Silicon Valley law firm that has represented global technology groups for decades is exploring opening a Singapore office, its first in Asia outside greater China, as geopolitical and regulatory hurdles force it to consider new markets.

Wilson Sonsini Goodrich & Rosati is exploring a move into Singapore as the number of US companies doing tech deals and work in China has collapsed amid deteriorating relations between Beijing and Washington, according to three people with knowledge of the situation.
Chinese president Xi Jinping's regulatory crackdown on the tech sector has slowed dealmaking and pushed many Chinese investors and companies to expand in Singapore, said another person who had spoken to China-based employees at the law firm.

Larry Sonsini, senior partner and founder at Wilson Sonsini, told the Financial Times the firm was considering opening an office in Singapore but said a final decision had not yet been made. It was "too early" to comment on the details, he said.
"They are following the money. It makes sense to have a presence here [in Singapore]," one of the people said, who added that the plan was still subject to change. Wilson Sonsini, which has represented technology groups including

Washington's technology battle with Beijing has made cross-border investments more difficult

Microsoft and Facebook, could relocate some employees from the greater China practice, the person added.
Singapore, a neutral financial hub, has been a beneficiary of the capital shift away from China to other parts of Asia, especially south-east Asia. Several China-focused investors have recently expanded or opened offices in the city state, including private equity firms Hillhouse, PAG and Boyu Capital, and venture capital groups GGV and HongShan, formerly Sequoia Capital China. Both HongShan and Boyu have been Wilson Sonsini clients.
One of the oldest and most respected technology law firms in Silicon Valley, Wilson Sonsini first established its China practice in 2007 with an office in Shanghai, betting early on the country's fast-growing start-ups and advising US companies. It built its Chinese practice with offices in Hong Kong and Beijing several years later.
The firm's Singapore talks come as Washington's technology battle with Beijing has made cross-border investments more difficult, with Chinese deal activity in the US falling to its lowest level in 17 years in 2023, according to data from Dealogic. The Biden administration in August said it would ban some US investment into China's quantum computing, advanced chips and artificial intelligence sectors.
International funding for Chinese start-ups has also dried up as a result of a slowdown in the mainland economy and an uncertain domestic regulatory outlook.

Market questions. Week ahead

Investors and economists ask if rates and yields have peaked

Is the bond sell-off over?

Debt investors were given some relief last week as bonds rallied, pushing the yield on benchmark US Treasuries down from a 16-year high after stronger-than-expected jobs data.
Ten-year Treasury yields declined 0.15 percentage points to 4.63 per cent, despite a brief bounce on Thursday when official figures showed that the US inflation rate had failed to ease in line with expectations.
After a rout in which benchmark US debt yields rose 1.6 percentage points over six months, investors and economists are asking if interest rates and bond yields have peaked.

A number of Federal Reserve speakers signalled last week that the central bank might have finished raising interest rates, with Philip Jefferson, Fed vice-chair, suggesting that the sharp rise in long-term yields might be helping curb the need for further rate rises.

Analysts at Capital Economics say yields will continue to fall "because we think that disappointing growth and lower-than-expected inflation will lead the Fed to cut rates sooner and by more than what is currently discounted in the markets".

Others are not persuaded. Florian Ielpo, head of macro at Lombard Odier Investment Managers, expects monetary policy to remain on the hawkish side while inflation persists above target and dwindling savings rates push up real interest rates as the lower amount of capital available increases its cost.
"Both factors combined make 5 per cent for the US 10-year a solid anchor," he said. *Mary McDougall*

Is UK inflation still falling?

Most economists expect that data released on Wednesday will show UK inflation slowing again in September.
A larger-than-expected decline in the annual headline rate of price growth to 6.7 per cent in August prompted the Bank of England to leave rates unchanged in September after 14 consecutive rises. Another fall in inflation could help reinforce investors' expectations that the BoE will keep rates on hold at its meeting on November 2.
Economists polled by Reuters forecast that consumer price inflation will have declined to 6.5 per cent last month, with core inflation easing to 6 per cent from 6.2 per cent in August.
But a surprise increase in inflation could change expectations. Labour



Mainland tourists visit Macau during the holiday at the start of the month. China is struggling to revive faith in the economic outlook amid investor caution
Peter Parks/AP/ Getty

market data, due to be released tomorrow, will also be closely monitored by investors and policymakers for signs of persistent domestic price pressure.
Ellie Henderson, economist at Investec, said annual adjustments to private school fees and higher petrol prices would push up inflation in September, but she thought those would be outweighed by easing price pressures for food and clothing.
Unofficial measures of food inflation, such as retail inflation and grocery inflation, published by the British Retail Consortium and research company Kantar, have both showed easing price pressures in September.
The declining inflation trend should continue beyond September, according to Sanjay Raja, economist at Deutsche Bank. "After sizeable upside surprises through the first half of the year, we see inflation continuing its descent largely unabated in the second half of 2023," he said.

He expected that inflation would be lower than the BoE's projections, both in September and over the remainder of the year.
But Henderson warned about "upside risks" to the inflation outlook, particularly due to higher energy prices resulting from the conflict in Israel, the oil supply cuts by Saudi Arabia and the damaged gas pipeline in northern Europe. *Valentina Romei*
How fast is the Chinese economy growing?
With China struggling to restore faith in its economic outlook and foreign investors still avoiding Chinese stocks, markets will be focused on the country's third-quarter gross domestic product reading released on Wednesday, as well as on potential moves in benchmark interest rates.
The median forecast from economists polled by Bloomberg tips the economy to have grown 4.5 per cent year on year

Inflation in the UK is projected to 'continue its descent largely unabated in the second half'

in the third quarter. That would be slower than the second quarter and markedly below Beijing's goal for annual growth of "about 5 per cent".
Economists at ANZ expect growth to match expectations on the back of improvements across other data due to be released on Wednesday — industrial production, retail sales and fixed-asset investment — with outperformance in any one potentially pushing shares higher.
The growth readings are likely to colour expectations heading into Friday's interest rate announcements, with most economists expecting Chinese banks to leave the benchmark one and five-year loan prime rates unchanged.
But ANZ economists suggest that "there is a chance the banks may decide to cut the one-year LPR by 0.05 percentage points", potentially delivering a boost to short-term liquidity in China's banking system. *Hudson Lockett*
See FT View

Financials. Growth push

Sequoia spin-off HongShan goes global after home opportunities dry up

Venture capital business seeks overseas investments that will benefit its domestic portfolio

FT REPORTERS

Chinese venture capital group HongShan, which announced its split from Sequoia Capital this year, is establishing a global footprint as a slowdown in the domestic economy pushes it overseas.
Neil Shen, the group's founding partner, who led Sequoia's China business for 18 years until it was forced to separate under political pressure in June, is seeking business opportunities and investments worldwide to benefit HongShan's Chinese portfolio companies, according to seven people familiar with his plans.
According to three people who have spoken to Shen in recent weeks, the global expansion could see him invest in foreign companies targeting the Chinese market or those founded by overseas Chinese entrepreneurs.
"They have \$9bn to deploy," said a

person who has met Shen in recent weeks. "You cannot do that in China right now. And you cannot just rely on south-east Asia. They have to be thinking globally, about Japan, Europe, etc."
"Neil is really pushing his companies to expand into overseas markets," said another person close to Shen. "HongShan is still calling itself a Chinese firm, but the story now is about taking China globally."
The move comes amid a slowdown in China's economy that has dented sentiment for tech companies, while also forming part of an ambitious new era for HongShan as an independent group.
Shen contacted HongShan's limited partners to brief them on his plans ahead of a meeting next month with its key investors in Shanghai, said three people with knowledge of the talks.
One HongShan investor said "Shen has been pretty open" about his global plans, adding: "The most obvious area is across Asia. He's made no attempt to hide the ball on his ambition to do something similar in the US and Europe . . . I wouldn't be surprised if he opens an office in the Bay Area. I don't know if

there are plans to open an office, but he wants to invest here."
HongShan said: "We have no plan to open an office in the US or in Europe."
However, HongShan did open a Singapore office earlier this year which already has two employees, according to three people with knowledge of the move. HongShan has applied for a capital markets services licence in the financial hub but it is still pending approval, they added.
A person close to HongShan said the office was "set up to fulfil Singapore's legal requirement that needs us to register a company so as to operate legitimately in Singapore".
HongShan is scouting out investment opportunities in Europe's electrical vehicle and battery market where there are synergies with its Chinese portfolio companies, according to people briefed on the plans.
Shen led a trip of Chinese EV founders around Europe this summer, said two people on the move. "We are open to review and consider opportunities in the EV and clean energy market but, first and foremost, this has to be tied in

with the globalisation effort of our portfolio companies," said one person close to HongShan.
Sequoia Capital has an office in London focused on European start-up investments.
HongShan, Sequoia Capital and Peak XV, the India and south-east Asia fund that also split from the Silicon Valley group, do not have non-compete provi-



Neil Shen: keen to invest in south-east Asia and beyond

sions that would prohibit competition between the entities following the separation, according to a person with knowledge of the situation. The deadline for the split is March 2024.
Sequoia Capital's divorce was triggered by rising tensions between Washington and Beijing, which had made it increasingly difficult for the Silicon Valley-headquartered firm to invest in industries such as semiconductors and artificial intelligence in China. The split ended profit-sharing agreements between the two businesses.
The move is part of a wave of global funds hiving off their China businesses as Washington and Beijing step up regulatory scrutiny of cross-border investment and data flows. San Francisco-based GGV Capital also split its US and Asia businesses last month.
In August, the Biden administration further targeted the VC industry by announcing a ban on some US investment in China's quantum computing, advanced chips and AI sectors, in an effort to stop the Chinese military from accessing American technology and capital.

While many sovereign wealth funds, American university endowments and pension funds have paused Chinese investments, Shen has courted prominent US limited partners. According to PitchBook data, HongShan counts the California and Massachusetts pension funds among its investors.
Two longstanding US backers of Shen said they did not foresee that Biden's restrictions on US investment into Chinese technology would prevent them from continuing to invest in HongShan.
HongShan is organising a trip for its limited partners next month to Shanghai — about half of its investment comes from the US — which for many will be the first trip to China since it ended zero-Covid restrictions last year, said three people with knowledge of the move.
HongShan added: "We remain focused on partnering with Chinese founders and in support of their globalisation journeys."
Eleanor Olcott and Kaye Wiggins in Hong Kong, Mercedes Ruehl in Singapore, Tabby Kinder and George Hammond in San Francisco



Michael Skapinker
The time has come for us
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Flying is getting better and also harder



Pilita Clark
Business Life

An odd thing happened on my way back to London last weekend, when I got to the security line at Milan’s Malpensa airport.

I was going through the usual palaver of fishing out my laptop and liquids for screening when an official barked: “No!”

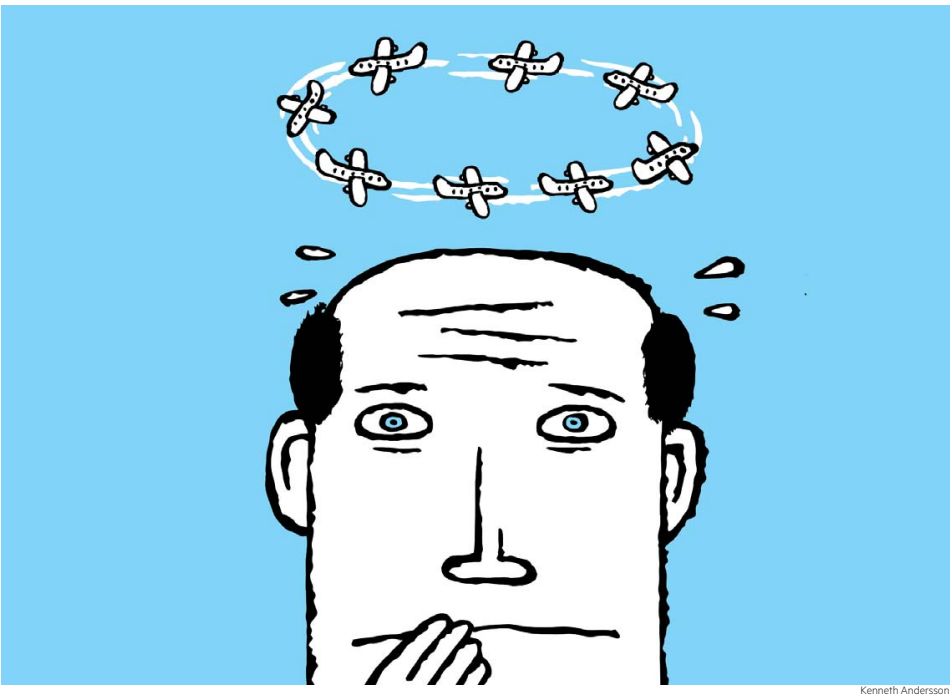
The airport now had high-tech scanning machines, she said, so everything could stay in my bag.

I blinked at her. It has been 17 years since a foiled terrorist plot to smuggle liquid bombs disguised as soft drinks ushered in the infuriating 100ml liquid limit on hand luggage. This was my first glimpse of a return to some form of normality that is slowly emerging as airports across the world install scanners like the one in Milan.

It’s not the only pleasing flying surprise I’ve had this year.

Airline apps that show whether the plane you’re waiting to board has landed or is still 500 miles away are a big improvement. They could be joined shortly by new ways of tracking down wayward luggage.

The need for such things was made clear in last year’s great baggage debacle, when a sky-high 26mn bags



Kenneth Andersson

were delayed, lost or damaged by a pandemic-scarred aviation industry.

If you believe groups such as Sita, the aviation technology company, it will soon be possible to find out your bag has been lost before you know it’s missing.

Instead of landing and waiting around the luggage belt for a suitcase that isn’t there, then lining up to report it, victims will immediately get an alert about their missing bags, Nicole Hogg, Sita’s head of baggage, told me recently.

“You can tell how long your pizza is going to take to get to your house,” she said. “It should be no different for your bag.” One Australian airline was trialling the system, Hogg said, but other airlines were coming on board.

All this is cheering, except for one thing. As flying goes through a rare bout of improvement, concern about

“As air travel undergoes rare improvements, concern about what it’s doing to the climate is entering a new phase”

what it’s doing to the climate is entering a new phase.

This year, Jean-Marc Jancovici, a French climate expert, made what I imagined to be a wildly unpopular call for people to be limited to just four flights in their lifetime. But when pollsters asked what the French thought of the idea, 41 per cent said they were in favour. The figure shot up to 59 per cent for 18 to 24-year-olds, the consumers — and voters — of the future.

This probably should not have been a surprise. In the past three weeks alone I have come across three people agonising about flying for climate reasons, or simply refusing to do so. A mother in England wasn’t visiting children in Australia. A London father was fretting about seeing a son in Asia.

And Gianluca Grimalda, a climate researcher at Germany’s Kiel Institute for the World Economy think-tank, was making global headlines after saying his job was at risk because he refused to fly home at short notice from Papua New Guinea, where he’d just done six months of field work.

As he waited for a cargo ship in Bougainville last week, he told me his contract had now been terminated,

and he planned to appeal. The Kiel Institute said it didn’t comment on personnel matters but had initially agreed to support his slow travel route for this trip and others. Still, the institute has faced many complaints from what turns out to be a sizeable number of Grimalda supporters.

All of which underlines one of the biggest misunderstandings about flying: it’s much rarer than you think.

Just 11 per cent of the global population flew in 2018, researchers reckon. Only 2-4 per cent went abroad and most were set to fly just once a year. A tiny group of very frequent flyers, about 1 per cent of the world population, is estimated to account for 50 per cent of commercial airline emissions.

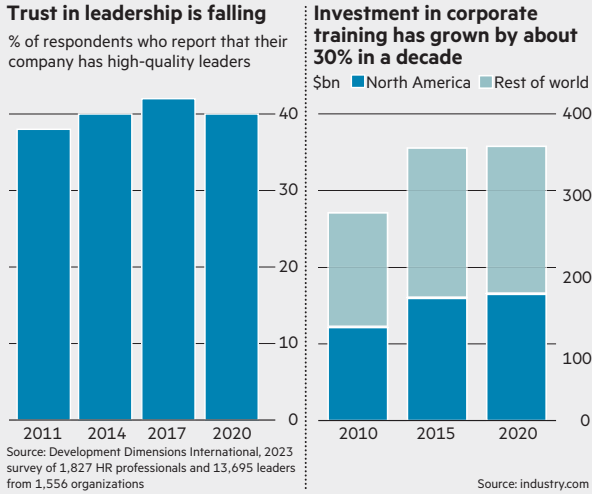
Each one of them should enjoy any aviation advances, no matter how minor. Flying may account for less than 3 per cent of carbon emissions, but it’s hard to decarbonise and the aviation sector is growing.

If climate-minded governments ever get serious about making flights more scarce or unaffordable, a very large share of people will not care at all.

pilita.clark@ft.com

Lex.

Workplace training: course anglers



Investing in its people is every company’s priority — until, suddenly, it is not. When margins are squeezed, the “leadership and development” budget often gets the chop.

That tripped up Mind Gym this week. The corporate training business, listed on the UK’s junior market Aim, warned that customers were delaying spending. Some are restructuring, others are spooked by economic uncertainty.

The stock lost more than a third of its value and is now down 80 per cent since it listed in 2018.

Mind Gym’s plight highlights a key problem in the \$370bn global market for corporate leadership and development courses. It is very hard to see what, if anything, much of this training accomplishes.

The issue lies not with “upskilling” programmes — teaching employees to use *Excel* or service a new model of jet engine. The problem lies with training intended to change how people behave, especially when they are managers.

Good bosses matter — a lot. A study by Stanford University suggests that a good manager can increase team productivity 13 per cent.

But can you turn bad bosses into good ones by sending them on courses? That seems unlikely.

Anecdotal what happens is this: they apply the “insights” gained on the course to long-suffering subordinates for a few days. Then everything reverts to normal.

Another concern is that — despite billions spent — corporate training is powerless to hold back a tide of work-related disillusionment. Employees’ trust in their leaders has declined 30 per cent over the past 25 years, says a 2020 study by consultancy Boston Consulting Group. Two-thirds of bosses wish they did not have to manage anyone at all.

The future for companies active in this sphere will be to focus on what is achievable. Encouraging smaller behavioural tweaks is a better idea.

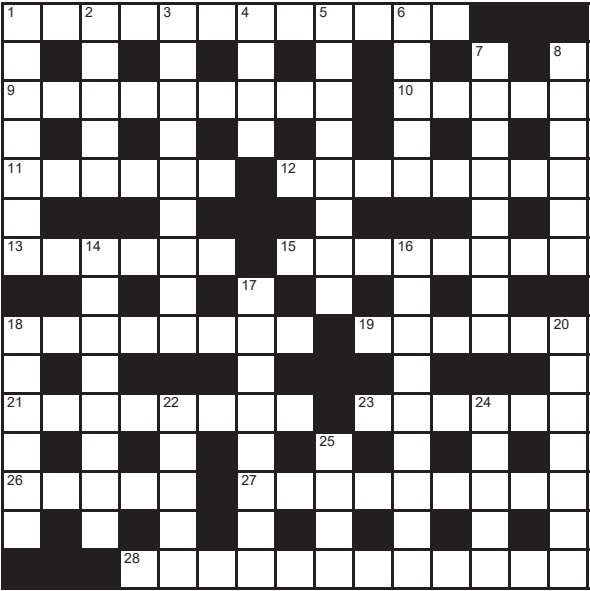
One of Mind Gym’s more relatable projects was aimed at making meetings productive. Instigators had to say what decisions were supposed to result and exactly why specific participants had been asked to attend.

This should strike a chord with anyone who has ever been dragged into a time-wasting meeting on the pretext “we’d really value your input”.

In the flabby world of corporate training, only hard-nosed initiatives have much chance of delivering muscular returns.

CROSSWORD

No 17,549 Set by BOBCAT



ACROSS

- 1 Habit singles developed getting settled? (12)
- 9 Artlessness of Connie dancing around enclosure (9)
- 10 See red but initially do very little (5)
- 11 Start afresh on work with finale requiring completion (6)
- 12 Vital gun destroyed part of roof (8)
- 13 Address issue besetting Exchange Rate Mechanism (6)
- 15 Poor little corporal is no stingy individual (8)
- 18 Support vessels going round barrier (8)
- 19 Result of Irons going head-to-head with first couple of actors chasing the lead? (6)
- 21 More than one function backing up rests after energy’s lost (8)
- 23 International line taken about London not right? It depends (6)
- 26 Fair chance of winning. Despite that, not finishing (5)
- 27 Classic party conference (9)
- 28 Data about classy sounding brass that’s struck one is a sign of social rank (6,6)

DOWN

- 1 Foreigners in Michigan cutting cloth from the South (7)
- 2 Take to the floor in time and almost start moving (5)
- 3 None of these graduates has any Dutch (9)
- 4 Some Asians lacking help in retirement hostels (4)
- 5 High-Churchman in Paris yesterday on a bender (8)
- 6 Inventor, not a telephone man, giving away all at the end (5)
- 7 I am one term at sea (8)
- 8 Old king’s daughter throttling a president (6)
- 14 Instrument of justice (8)
- 16 Politician’s behind naked pupil providing discipline in dining hall (9)
- 17 One group or another repressing resistance in part of UK (8)
- 18 Withdraw short order to look for Lamb’s mistress (2-4)
- 20 Stepmother malingering to keep warm (7)
- 22 Books containing most directions for assault (5)
- 24 Several Roman figures start to back ascent (5)
- 25 Time of year unknown uncle from the States turns up? (4)

JOTTER PAD

Solution 17,547



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Advertising Feature				Performance				Weightings - As of 31/08/2023							Top 10 Holdings - As of 31/08/2023		
<div><div><div><div></div><div>McInroy & Wood Portfolios</div></div><div><div>Please remember that past performance is not necessarily a guide to future performance</div><div><div>Firm Name</div><div>McInroy & Wood Portfolios Limited</div></div><div><div>Fund Name</div><div>Smaller Companies Fund Personal Class Units</div></div><div><div>Morningstar Category</div><div>Global Small/Mid-Cap Equity</div></div><div><div>Max Annual Charge</div><div>-</div></div><div><div>3Yr Rating</div><div>★★</div></div><div><div>Morningstar Sustainability Rating</div><div><div><div></div><div></div><div></div><div></div><div></div></div></div><div><div>Bid Price</div><div>-</div><div><div>KWD Ongoing Charge</div><div>1.12</div></div></div><div><div>Offer Price</div><div>-</div><div><div>Day-Cat One Year Return</div><div>6.09</div></div></div><div><div>+/-</div><div>-99.70</div><div><div>Total Ret 3Yr</div><div>0.25</div></div></div></div></div></div></div>				<div><div>Oct 2020 - Oct 2023</div><div>Smaller Companies Fund Personal Class Units</div><div><div><div><div></div><div>1,400</div></div><div><div></div><div>1,300</div></div><div><div></div><div>1,200</div></div><div><div></div><div>1,100</div></div><div><div></div><div>1,000</div></div><div><div></div><div>900</div></div><div><div></div><div>800</div></div></div><div><div>Oct 20</div><div>Jan 21</div><div>Apr 21</div><div>Jul 21</div><div>Oct 21</div><div>Jan 22</div><div>Apr 22</div><div>Jul 22</div><div>Oct 22</div><div>Jan 23</div><div>Apr 23</div><div>Jul 23</div><div>Oct 23</div></div></div></div>				<div><div><div></div><div>0%</div><div>10%</div><div>20%</div><div>30%</div></div><div><div>Basic Materials</div><div>5.75%</div></div><div><div>Communication Services</div><div>3.82%</div></div><div><div>Consumer Cyclical</div><div>4.65%</div></div><div><div>Consumer Defensive</div><div>2.56%</div></div><div><div>Energy</div><div>2.02%</div></div><div><div>Financial Services</div><div>-</div></div><div><div>Healthcare</div><div>20.50%</div></div><div><div>Industrials</div><div>39.80%</div></div><div><div>Real Estate</div><div>1.77%</div></div><div><div>Technology</div><div>21.86%</div></div><div><div>Utilities</div><div>-</div></div><div><div>Cash & Equivalents</div><div>2.27%</div></div><div><div>Corporate</div><div>-</div></div><div><div>Derivative</div><div>-</div></div><div><div>Government</div><div>-</div></div><div><div>Municipal</div><div>-</div></div><div><div>Securitized</div><div>-</div></div></div>							<div><div>Sector</div><div>Weighting</div><div>Cat Avg.</div></div> <div><div>Belimo Holding AG</div><div>Industrials</div><div>3.67%</div></div> <div><div>Watco Inc Class A</div><div>Industrials</div><div>3.60%</div></div> <div><div>Hill & Smith PLC</div><div>Industrials</div><div>3.56%</div></div> <div><div>AptarGroup Inc</div><div>Healthcare</div><div>3.41%</div></div> <div><div>Sabco SA Share from reverse split</div><div>Technology</div><div>3.23%</div></div> <div><div>Abcam PLC ADR</div><div>Healthcare</div><div>3.19%</div></div> <div><div>Technology One Ltd</div><div>Technology</div><div>2.97%</div></div> <div><div>Energy Recovery Inc</div><div>Industrials</div><div>2.95%</div></div> <div><div>FLSmith & Co. A/S</div><div>Industrials</div><div>2.67%</div></div> <div><div>Kadant Inc</div><div>Industrials</div><div>2.66%</div></div>		
				<div><div>Risk Measures - As of 30/09/2023</div><div><div>1Yr</div><div>1Yr Cat Ave</div><div>3Yr</div><div>3Yr Cat Ave</div><div>5Yr</div><div>5Yr Cat Ave</div></div><div><div>Alpha</div><div>2.22</div><div>-1.21</div><div>-1.13</div><div>-2.16</div><div>-3.52</div><div>-1.57</div></div><div><div>Beta</div><div>0.82</div><div>0.97</div><div>1.05</div><div>1.02</div><div>0.97</div><div>1.03</div></div><div><div>R Squared</div><div>0.07</div><div>-0.22</div><div>-0.88</div><div>-0.22</div><div>-0.47</div><div>-0.27</div></div><div><div>Information Ratio</div><div>79.37%</div><div>85.86%</div><div>84.07%</div><div>86.79%</div><div>85.81%</div><div>89.03%</div></div><div><div>Sharpe Ratio</div><div>0.70</div><div>0.51</div><div>-0.07</div><div>0.22</div><div>0.02</div><div>0.19</div></div><div><div>Std Dev</div><div>15.64</div><div>18.32</div><div>21.31</div><div>20.50</div><div>21.70</div><div>21.71</div></div></div>													
				<div><div>Day % -1.70%</div><div>Month % -3.01%</div><div>Year % 5.65%</div></div>													

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**Fundsmith
Equity Fund**

Fundsmith LLP (1200)F (UK)
 PD Box 10846, Chelmsford, Essex, CM99 2BW 0330 123 1815
www.fundsmith.co.uk, enquiries@fundsmith.co.uk
Authorised Inv Funds

Fundsmith Equity T Acc	608.94	-	-7.93	0.20	10.74	3.93
Fundsmith Equity T Inc	554.51	-	-7.23	-	10.74	3.93

GAM
funds@gam.com, www.funds.gam.com

Regulated

LAPIS GBL TOP 50 DIV.YLD-Na-D	£ 115.44	-	-0.13	2.94	-2.14	8.71
LAPIS GBL F OWD 50 DIV.YLD-Na-D	£ 98.87	-	0.08	1.25	6.04	1.53

GUINNESS
GLOBAL INVESTORS

Guinness Global Investors

Guinness Global Equity Income Y GBP Dist	£ 19.09	-	0.06	2.14	10.00	10.78
Guinness Global Innovators Y GBP Acc	£ 30.08	-	0.27	0.00	25.88	7.79
Guinness Sustainable Global Equity Y GBP Acc	£ 11.02	-	-0.01	0.00	5.44	-

HPB Assurance Ltd
Anglia Inn House, Bank Hill, Douglas, Isle of Man, IM1 4LN 01638 563490

International Insurances

Holiday Property Bond Ser 1	£ 0.49	-	0.00	0.00	0.41	-0.40
Holiday Property Bond Ser 2	£ 0.63	-	0.00	0.00	-	0.21

HPB Assurance Ltd
Anglo Intl House, Bank Hill, Douglas, Isle of Man, IM1 4LN 01638 563490

International Insurances

Holiday Property Bond Ser 1	£	0.49	-	0.00	0.00	0.41	-0.40
Holiday Property Bond Ser 2	£	0.63	-	0.00	0.00	-	0.21

Hermes Property Unit Trust	(UK)					
Property & Other UK Unit Trusts						
Property	£ 6.13	6.58	-0.08	2.85	-17.54	-1.07

Janus Henderson Investors (UK)
PO Box 9023, Chelmsford, CM99 2WB Enquiries: 0800 832 832
www.janushenderson.com

James Henderson Investors PO Box 9023, Chelmsford, CM9 9ZW Enquiries: 0800 832 832 www.jameshenderson.com		(UK)
Authorised Investment Funds		
James Henderson Asia Pacific Capital Growth Fund A	1113.00	-3.00 -0.06 2.68 -6.21
James Henderson Asian Dividend Income Fund Trust Inc	74.70	-0.04 5.78 1.61 0.51
James Henderson Cautious Managed Fund A	277.40	-0.24 3.25 10.43 3.07
James Henderson Cautious Managed Fund A Inc	134.30	-1.20 3.31 10.34 3.27
James Henderson China Opportunities Fund A	1068.00	-13.00 0.30 9.54 -16.08
James Henderson Emerging Markets Opportunities Fund A	193.60	-0.40 0.76 2.16 -3.97
James Henderson European Growth Fund A	293.00	-4.10 0.76 16.27 5.18
James Henderson European Select Opportunities Fund A	233.10	-24.00 0.87 16.61 6.68
James Henderson Flexible Income Equity Fund A	16.23	-0.10 4.83 20.03 -6.40
James Henderson Global Bond Income Fund A	4276.00	-25.00 0.00 5.06 8.00
James Henderson Global Equity Income Fund A	64.54	-0.22 3.44 9.53 7.32
James Henderson Global Sustainable Equity Fund A	482.80	-1.30 0.00 10.46 3.45
James Henderson Global Technology Leaders Fund A	3398.00	17.00 0.00 32.26 6.05
James Henderson Global UK Income Opportunities A Fund	£ 1.15	-0.01 3.05 14.24 10.18
James Henderson Macro Absolute Return Fund A	159.50	-0.60 -2.84 3.25
James Henderson Multi-Manager Active Fund A	254.30	-0.60 0.24 6.85 2.29
James Henderson Multi-Manager Distribution Fund A	120.70	0.00 3.26 4.24 -0.03
James Henderson Multi-Manager Diversified Fund A	84.99	-0.05 3.07 3.90 2.19
James Henderson Multi-Manager Global Select Fund A	320.30	1.20 0.14 9.54 5.54
James Henderson Multi-Manager Income & Growth Fund A	185.20	0.00 3.19 5.17 0.38
James Henderson Multi-Manager Income & Growth Fund A Inc	141.40	0.00 3.32 5.13 0.38
James Henderson Multi-Manager Managed Fund A	310.80	-0.80 0.31 6.88 2.11
James Henderson Multi-Manager Managed Fund A Inc	299.90	-0.80 0.31 6.86 2.11
James Henderson Sterling Bond Fund Trust Inc	200.40	-0.30 2.20 6.94 -7.08
James Henderson Sterling Bond Fund Trust Inc	94.03	-0.10 2.23 6.94 -7.09
James Henderson Strategic Bond Fund A	54.34	-0.58 2.38 -2.94 -7.51
James Henderson Absolute Return Fund A	173.10	-0.20 0.65 8.39 2.25
James Henderson UK Alpha Fund A	128.70	-0.20 1.69 7.70 0.47
James Henderson UK Equity Income & Growth Fund A	475.70	-4.30 4.80 9.24 10.30
James Henderson US Growth Fund A	1906.00	6.00 0.00 19.87 4.49

MANAGED FUNDS SERVICE

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr
Milltrust Laurium Africa Fund SP A	\$ 91.95	-	-1.18	0.00	4.59	3.87
Milltrust Marcellus India Fund SP	\$135.22	-	0.01	0.00	5.87	9.32
Milltrust Singar ASEAN Fund SP Founders	\$124.96	-	0.63	0.00	2.32	-1.59
Milltrust SPARK Korea Equity Fund SP A	\$114.81	-	1.88	0.00	30.75	-7.24
Milltrust Xinghai China Fund SP A	\$ 91.54	-	1.22	0.00	9.12	-13.83
The Climate Impact Asia Fund SP A	\$ 71.15	-	0.32	0.00	1.94	-
The Climate Impact Asia Fund (Class B)	\$ 70.29	-	0.32	0.00	1.43	-
Kleinwort Hambros Bank Limited (UK)						
5TH Floor, 8 St James's Square, London, SW1Y 4JJ						
Dealing and enquiries: 033 0024 0785						
Authorised Inv Funds						
Unit Trust Manager/ACD - Host Capital						
HC Kleinwort Hambros Growth A Acc	241.58	-	0.06	1.36	6.99	1.91
HC Kleinwort Hambros Growth A Inc	219.18	-	0.05	1.38	6.99	1.91
HC Kleinwort Hambros Equity Income A Acc	90.72	-	0.00	3.06	-0.88	6.56
HC Kleinwort Hambros Equity Income A Inc	185.92	-	-0.01	4.50	-0.88	6.56
HC Kleinwort Hambros Multi Asset Balanced A Acc	171.05	-	0.00	0.81	6.13	-0.36
HC Kleinwort Hambros Multi Asset Balanced A Inc	161.67	-	0.00	0.81	6.12	-0.36
HC Kleinwort Hambros Fixed Income A Acc	123.89	-	-0.03	3.44	-10.06	-2.73
HC Kleinwort Hambros Fixed Income A Inc	93.86	-	-0.02	3.44	-10.06	-2.73



Lazard Fund Managers Ltd (1200)F (UK)	
P.O. Box 364, Daringford, DLI 9RD	
Dealing: 0870 6066458, Info: 0870 6066459	
Authorised Inv Funds	
Lazard Investment Funds (OEIC) B Share Class	
Developing Markets Acc	116.63 - 0.72 0.53 3.62 -4.31
Developing Markets Inc	113.56 - -0.92 0.54 -3.63 3.25
Emerging Markets Acc	382.14 - 2.86 4.60 14.28 8.14
Emg Mkts Inc	278.07 - 2.08 4.82 14.28 8.15
European Alpha Acc	1088.84 - 7.70 1.15 19.72 5.55
European Alpha Inc	919.38 - 6.50 1.16 19.73 5.56
European Smaller Cos Acc	640.68 - 7.19 1.19 8.89 0.06
Global Equity Income Acc	225.11 - 1.20 3.31 4.37 8.44
Global Equity Income Inc	109.99 - 0.59 3.36 4.37 8.44
Managed Bal Inc	178.96 - 0.87 2.20 12.01 2.84
UK Income Acc	1633.67 - 10.95 4.08 14.67 10.13
UK Income Inc	569.53 - 3.81 4.19 14.66 10.13
UK Omega Acc	291.87 - 1.02 1.93 19.91 10.38
UK Omega Inc	236.85 - 0.83 1.96 19.92 10.38
UK Smaller Cos Inc	2001.70 - 8.44 0.40 -24.24 1.74

Lothbury Property Trust (UK)	
155 Bishopsgate, London EC2M 3TQ, +44(0) 20 3551 4900	
Property & Other UK Unit Trusts	
Lothbury Property Trust GBP	£1983.92 1626.81 -36.18 3.50 -23.80 -

M & G Securities (1200)F (UK)	
PO Box 9038, Chelmsford, CM99 2XF	
www.mandg.co.uk/charities Enq/Dealing: 0800 917 4472	
Authorised Inv Funds	
Charifund Inc	1412.05 - -9.77 5.96 10.35 10.33
Charifund Acc	2893.34 - -200.05 5.15 10.34 10.32
M&G Charist/Charist Fund Interest Fund (Overseas) Inc	£ 1.07 - 0.00 3.35 6.74 -2.92
M&G Charist/Charist Fund Interest Fund (Overseas) Acc	£ 38.99 - -0.02 2.84 6.73 -2.87
M&G Charity Multi Asset Fund Inc	£ 0.86 - -0.01 4.16 8.16 7.67
M&G Charity Multi Asset Fund Acc	£105.56 - -0.81 3.97 8.16 7.67

MMIP Investment Management Limited (GSY)	
Regulated	
Multi-Manager Investment Programmes PCC Limited	
UK Equity Fd CI A Series 01	£3080.40 3080.41 -231.75 - -2.98 13.94
Diversified Absolute Retn Fd USD CI AF2	£1688.02 - 45.93 - -1.51 1.32
Diversified Absolute Return Stip Cell AF2	£1579.00 - -1.96 - 0.70 2.45
Global Equity Fund A Lead Series	£1747.16 1747.16 -5.31 - -1.04 6.13

Marwyn Asset Management Limited (CYM)	
Regulated	
Marwyn Value Investors	£329.72 - -6.14 0.00 - -7.17

McInroy & Wood Portfolios Limited (UK)	
Easter Alderston, Haddington, EH41 3SF 01620 825867	
Authorised Inv Funds	
Balanced Fund Personal Class Units	5824.20 - -22.90 1.40 0.96 2.99
Income Fund Personal Class Units	2814.10 - -5.10 2.40 3.50 5.01
Emerging Markets Fund Personal Class Units	2102.20 - -0.50 1.48 -6.23 0.56
Smaller Companies Fund Personal Class Units	5750.80 - -99.70 1.30 5.65 -2.53

Milltrust International Managed Investments ICAV (IRL)	
mimi@milltrust.com, +44(0)20 8123 8316 www.milltrust.com	
Regulated	
British Innovation Fund	£121.92 - 2.89 0.00 - -
MAI - Buy & Lease (Australia)AS103.45	- 0.50 0.00 -16.53 1.41
MAI - Buy & Lease (New Zealand)NZ 91.20	- 6.06 0.00 -7.20 -2.67
Milltrust Global Emerging Markets Fund - Class A	£ 89.11 - 0.64 0.00 3.01 -5.09

Milltrust International Managed Investments SPC	
em@milltrust.com, +44(0)20 8123 8316, www.milltrust.com	
Regulated	
Milltrust Alaska Brazil Fund SP A	\$ 94.79 - 0.12 0.00 16.28 13.72

Private Fund Mgrs (Guernsey) Ltd (GSY)	
Regulated	
Monument Growth 10/10/2023	£535.50 540.60 4.72 0.00 2.08 4.04

Prusik Investment Management LLP (IRL)	
Enquiries - 0207 493 1331	
Regulated	
Prusik Asian Equity Income B Dist	\$170.73 - -1.90 5.93 14.33 7.95
Prusik Asia Fund U Dist	£194.80 - 0.17 0.00 -10.99 -3.14
Prusik Asia Sustainable Growth Fund A Acc	\$ 82.63 - -0.51 0.00 1.56 -
Ministry of Justice Common Investment Funds (UK)	
Property & Other UK Unit Trusts	
The Equity Idx Tracker Fd Inc	1886.00 - -7.00 2.50 10.61 7.22
Distribution Units	
Purisma Investment Fds (UK) (1200)F (UK)	
65 Gresham Street, London, EC2V 7NQ	
Order Desk and Enquiries: 0345 922 0044	
Authorised Inv Funds	
Authorised Corporate Director - Link Fund Solutions	
Global Total Fd PCG A	423.06 - 1.27 0.16 22.33 7.36
Global Total Fd PCG B	416.90 - 1.25 0.00 22.02 7.09
Global Total Fd PCG INT	408.34 - 1.22 0.00 21.71 6.83

Purisma Investment Fds (CI) Ltd (JER)	
Regulated	
PCG B *	317.97 - 0.02 0.00 28.72 4.75
PCG C *	308.79 - 0.02 0.00 28.45 4.53

Ram Active Investments SA (UK)	
www.ram-ai.com	
Other International Funds	
RAM Systematic Emerg Markets Eq	\$ 222.40 222.40 -0.22 - 20.18 4.91
RAM Systematic European Eq	£515.63 515.63 1.12 - 11.41 4.39
RAM Systematic Funds Global Sustainable Income Eq	\$149.11 149.11 -1.38 0.00 13.30 6.91
RAM Systematic Long/Short European Eq	£153.45 153.45 0.64 - -2.12 2.47

Royal London (UK)	
80 Fenchurch Street, London EC3M 4BY	
Authorised Inv Funds	
Royal London Sustainable Diversified A Inc	£ 2.35 - -0.01 1.25 13.42 -0.21
Royal London Sustainable World A Inc	354.40 - -1.60 0.16 14.62 1.19
Royal London Corporate Bond Mkt Income	72.76 - -0.12 4.83 10.58 -4.33
Royal London European Growth Trust	206.70 - -2.50 1.71 17.78 6.46
Royal London Sustainable Leaders A Inc	772.80 - -8.20 1.41 15.18 4.79
Royal London UK Growth Trust	615.00 - -6.60 2.27 14.62 6.88
Royal London UK Income With Growth Trust	197.70 - -1.60 4.97 11.39 7.85
Royal London US Growth Trust	419.70 - 1.50 0.00 18.93 12.69
Additional Funds Available	
Please see www.royallondon.com for details	

Ruffer LLP (1000)F (UK)	
65 Gresham Street, London, EC2V 7NQ	
Order Desk and Enquiries: 0345 601 9610	
Authorised Inv Funds	
Authorised Corporate Director - Link Fund Solutions	
LF Ruffer Diversified Rtm C Acc	98.09 - -0.36 1.78 -3.28 -
LF Ruffer Diversified Rtm C Inc	95.62 - -0.36 1.81 -3.29 -
LF Ruffer Equity & General C Acc	566.84 - 2.34 1.36 5.24 8.20
LF Ruffer Equity & General C Inc	505.24 - 2.09 1.38 5.24 8.20
LF Ruffer Gold C Acc	234.10 - 9.68 0.44 7.31 -10.17
LF Ruffer Gold C Inc	141.09 - 5.84 0.45 7.32 -10.17
LF Ruffer Total Return C Acc	527.20 - 0.77 2.47 -2.81 3.12
LF Ruffer Total Return C Inc	321.10 - 0.47 2.52 -2.79 3.13



Rubrics Global UCITS Funds Plc (IRL)	
www.rubricsam.com	
Regulated	
Rubrics Emerging Markets Fixed Income UCITS Fund	\$136.80 - -0.46 0.00 5.48 -0.05
Rubrics Global Credit UCITS Fund	\$ 16.77 - -0.05 0.00 3.16 -1.28
Rubrics Global Fixed Income UCITS Fund	\$166.88 - -0.86 0.00 0.19 -2.87

Scottish Friendly Asset Managers Ltd (UK)	
Scottish Friendly Hse, 16 Blythswood Sq, Glasgow G2 4HJ 0141 275 5000	
Authorised Inv Funds	
Managed Growth	357.30 - -1.70 0.00 11.17 6.63
UK Growth	402.20 - -5.40 0.00 9.56 6.41

SICO BSC (e) (BHR)	
+973 17515031	
www.sicobank.com	
Khalaj Equity Fund	\$602.85 - -2.01 0.00 0.66 15.15
SICO Kingdom Equity Fund	\$ 35.35 - -0.77 0.00 -0.45 16.34
SICO Gulf Equity Fund	\$161.60 - 2.75 0.00 -2.14 12.63



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www.slaterinvestments.com; Tel: 0207 220 9460	
FCA Recognised	
Slater Growth A Acc	567.30 567.30 -8.26 0.00 -4.99 -1.63
Slater Income A Inc	133.00 133.00 -1.20 5.22 6.60 11.21
Slater Recovery A Acc	293.93 293.93 -3.15 0.00 -6.48 2.12
Slater Artorius	254.54 254.54 -1.94 0.57 -11.40 1.52



Stonehage Fleming Investment Management Ltd (IRL)	
www.stonehagefleming.com/gbr	
enquiries@stonehagefleming.com	
Regulated	
SF Global Best Ideas Eq B USD ACC	\$240.24 - -1.28 0.00 21.64 1.51
SF Global Best Ideas Eq D GBP INC	£298.40 - 0.77 0.00 10.40 3.64



Superfund Asset Management GmbH (UK)	
www.superfund.com, +43 (1) 247 00	
Other International Funds	
Superfund Green Gold	\$814.99 - 1.33 0.00 -33.73 -17.24
Superfund Green Silver	\$678.78 - -2.66 0.00 -30.55 -20.29
Regulated	
Superfund Green US\$	\$643.13 - 2.51 0.00 -37.96 -14.08

Thesis Unit Trust Management Limited (UK)	
Exchange Building, St Johns Street, Chichester, West Sussex, PO19 1UP	
Authorised Funds	
TM New Court Fund A 2011 Inc	£ 18.89 - -0.05 0.00 10.99 3.48
TM New Court Fund - A 2014 Acc	£ 19.05 - -0.05 0.00 10.95 3.48
TM New Court Equity Growth Fund - Inc	£ 20.67 - -0.08 0.00 13.70 4.16

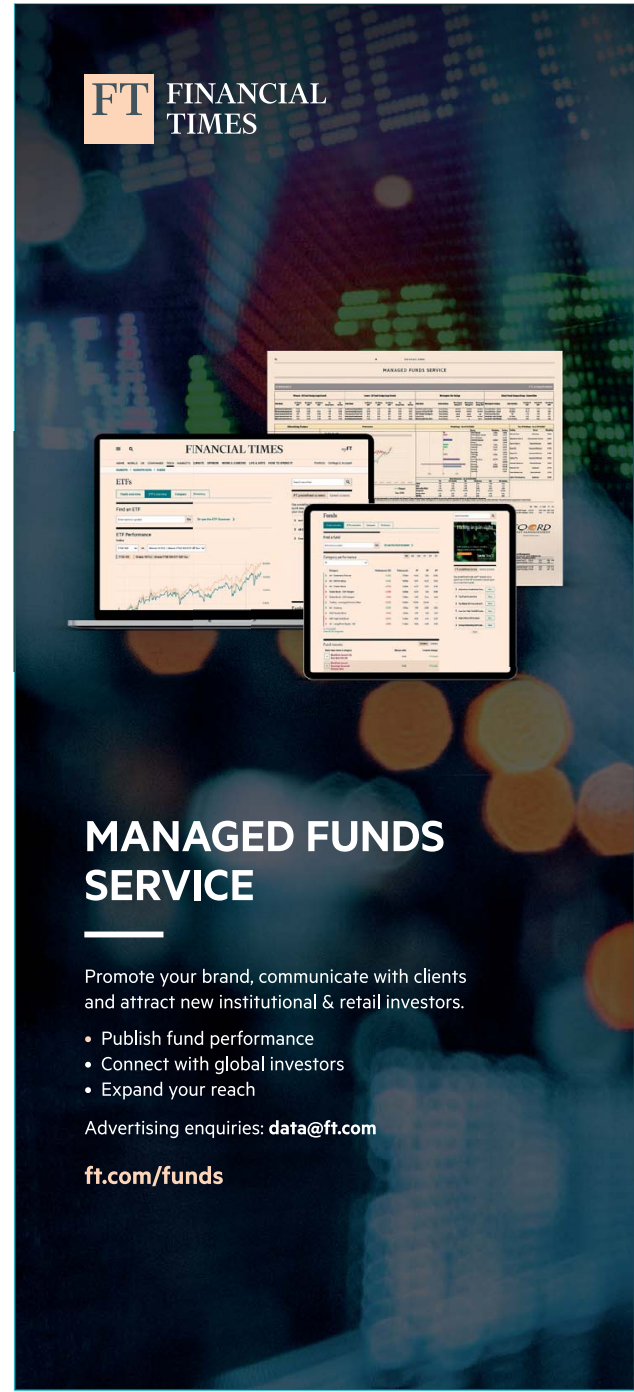


Toscafund Asset Management LLP (UK)	
www.toscafund.com	
Authorised Funds	
Aptus Global Financials B Acc	£ 5.30 - 0.00 3.81 23.75 17.21
Aptus Global Financials B Inc	£ 3.29 - -0.01 3.94 23.73 18.65

Toscafund Asset Management LLP	
www.toscafund.com	
Authorised Funds	
Tosca A USD	\$442.87 - -0.06 0.00 - 11.22
Tosca Mid Cap GBP	£127.07 - -6.15 0.00 - 4.12
Tosca Opportunity B USD	\$252.81 - -15.03 0.00 -29.95 -19.96
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Trojan Ethical O Inc	127.86 - 0.14 0.08 3.84 2.35
Trojan Ethical Income O Acc	137.97 - -1.45 2.67 11.25 0.98
Trojan Ethical Income O Inc	112.55 - -1.18 2.72 11.25 0.98
Trojan Fund O Acc	381.58 - -0.24 0.26 1.34 2.39
Trojan Fund O Inc	306.08 - -0.19 0.26 1.34 2.39
Trojan Global Equity O Acc	520.38 - -1.53 0.00 17.14 6.36
Trojan Global Equity O Inc	429.36 - -1.26 0.00 17.15 6.36
Trojan Global Income O Acc	154.57 - -0.52 3.05 2.40 4.71
Trojan Global Income O Inc	126.26 - -0.43 3.11 2.38 4.71
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WORK & CAREERS

Influencers and CEOs build brands on LinkedIn

Once purely a jobs board, users say the platform is now more valuable than its rivals, writes *Hannah Murphy*

Marketer Zain Kahn says he earns more than \$1mn a year in advertising revenue, thanks largely to his hundreds of thousands of social media followers.

He is not pushing products on TikTok and Instagram, however. Kahn is one of a new breed of “influencers” on an altogether different platform: LinkedIn.

Kahn has built up a 772,000-strong following on the site in about a year. He does not make money directly from the Microsoft-owned professional networking platform but uses it to promote his artificial intelligence newsletter, which attracts advertisers. “The audience on LinkedIn is orders of magnitude more valuable than other platforms,” he says.

LinkedIn, once a home purely for job hunting and networking, has become overrun with many of its 930mn users sharing career-focused, often aspirational content, in the hope of building substantial followings.

Initially the realm of select business magnates such as Richard Branson, lesser-known marketers, tech entrepreneurs and even creatives such as US rapper Snoop Dogg are now trying to leverage the platform.

Their success at attracting large followings has caught the attention of some high-profile chief executives, who are also trying to build personal brands and boost the profile of their business.

“We get tons of questions on how do I, as a C-suite leader, show up in a way that brings a halo to my company?” says Dan Shapero, LinkedIn’s chief operating officer. “There is a growing demand for advice . . . executives are recognising that the brand of their company has much to do with how they’re viewed.”

A market has sprung up to help, with consultants, agencies, in-house advisers and PR specialists advising chief



Clockwise from top: Craig Mullaney, Zain Kahn, Sahil Bloom, Jason Mayden and Gretchen Rubin. From PR agencies to entrepreneurs, LinkedIn has become a powerful tool to reach audiences

FT montage/Handout/LinkedIn

executives on how to harness LinkedIn.

Craig Mullaney, partner at press relations firm Brunswick Group, says LinkedIn has proved to be the single most powerful communication channel for some of the chief executives it works with. “In a crisis, that’s often the time when it’s hardest for the CEO to get their point of view across, particularly if the media doesn’t agree with their perspective. So [LinkedIn] acts as a direct channel to their employees and investors.”

Last year, for example, when a mass shooting took place at a Walmart in Virginia by an employee targeting colleagues, the retailer’s chief executive took to LinkedIn to offer support and reassure employees.

Another benefit to having a presence on LinkedIn is the ability to attract staff. According to a 2022 report by Brunswick, when applicants are researching a business they might join, they look first at the company website, then the CEO’s LinkedIn page.

Building a profile on the platform is made easier by the relatively small number of influencers – also known as creators – making it less competitive. At the same time, the user base is committed. “Nobody’s going to ever challenge LinkedIn because our whole network is there,” says Lou Paskalis, an advertising veteran and chief executive of AJL Advisory.

CEOs’ main objective on LinkedIn is to craft their corporate image, but the influencers they look to for tips are turning the platform into a livelihood, monetising audiences through brand deals and speaking gigs, advertising-backed newsletters and courses.

Naming himself “The AI Guy”, Kahn shares practical advice about how professionals can take advantage of AI trends and tools. One of his most popular posts, “15 powerful ChatGPT prompts to save you 15 hours a week”, has garnered more than 15,000 likes, and hundreds more comments.

One reason he chooses LinkedIn is the user profile. On X, his audience tends to be younger and less professional. But on LinkedIn, “they make a certain threshold of income so have purchasing power, and are also decision makers”, he says. “Building an audience takes you from a point where you are chasing opportunities to where they are chasing you.”

For baseball player-turned-entrepreneur Sahil Bloom, LinkedIn is similarly the biggest source of subscribers to his newsletter, which makes up to \$70,000 a month from advertising. “LinkedIn is in the earliest innings of realising its power as a social network,” he says.

For those looking for internet fame without the vitriol that often comes with it, LinkedIn offers a safer space than rivals such as X, according to users.

Bloom says: “As someone who prides himself on growing his platform by sharing positive content and without stoking negativity, rage, or controversy, this is particularly compelling to me.”

The social network acts as a direct channel to employees and investors’

Gretchen Rubin, a bestselling author who writes about self-management and careers, has close to 3mn followers on the platform but says she has “never . . . had a negative experience like that”. She describes the platform as “a great free resource”, adding: “I feel like the world is my research assistant.”

Still, LinkedIn is not for everyone. Some complain the user experience, as well as analytics capabilities, is lacking, while it is home to sophisticated scammers, prompting warnings from the FBI. The tendency of some users to post glossy corporate speak and gushing motivational mantras has drawn criticism that it is the social media embodiment of “toxic positivity”.

A popular formula has arisen whereby users describe how they overcame adversity, often with a pithy inspirational sign-off, prompting satirical versions from comedians and ridicule from accounts on X, such as “The State of LinkedIn”.

The platform, which increased revenues by 8 per cent this year, is encouraging creators. It has been adding new capabilities and formats such as audio, live video and newsletters. It has a news and creator team, led by former Fortune managing editor Dan Roth, which consists of more than 200 journalists and editors helping promote and curate a feed of professional conversations.

“What’s really unique to LinkedIn is they have an editorial function,” says Mullaney. “When an executive has news that’s important to hear, if they’re working with LinkedIn and the editorial team, there are all sorts of levers the team can pull to generate real reach.” He cites examples such as putting creators into recommendations, push notifications and the news tab.

Other users, such as clothing designer Jason Mayden, applaud the platform for promoting diversity. “I’ve found on LinkedIn, as there’s a level of intellect in what I do, the platform allows me to display that and not be pigeonholed,” says Mayden, who posts to his 10,000 followers about his creative process and career. “Other platforms, you’re at the mercy of an algorithm that places you in a certain category.”



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It’s time we stopped talking about retirement



Michael Skapinker
Working lives

When my 34 years on the staff of the Financial Times came to an end, I bristled when people asked about my “retirement”. I have since discovered that others my age also resent the word.

Why? First, because we dislike ageing. Baby Boomers were the generation that was never going to grow old. The music we listened to expressed our horror at the prospect. “Will you still need me, will you still feed me when I’m 64?” the Beatles’ lyrics went. Simon and Garfunkel sang: “Can you imagine us years from today, sharing a park bench quietly? How terribly strange to be 70.” Yet here we are. Those of us born into the population bulge that followed the second world war are now in our sixties and seventies.

A second reason I resisted the R word is that I had no plans to stop working. I had begun preparing for my post-FT life several years earlier, spending evenings and weekends training to become a counsellor, with the hope of helping others deal with their career dilemmas. When the time came to leave full-time journalism, I discovered my bosses were happy for me to continue contributing articles and teaching in the executive education business I had helped set up. So I have settled contentedly into a three-part career of writing, lecturing and counselling.

I am not alone. The number of UK over-65s still working rose to 1.47mn in the quarter to June 2022, an all-time record, according to the Office for National Statistics. This compares with 1.1mn in 2014. Much of the increase was driven by part-time work and self-employment.

Part of the reason people carry on working is financial. Rising prices and the ending of gold-plated company pensions mean many cannot afford to stop working entirely. Even the best of the old-fashioned private sector final-salary pension schemes provide annual increases that fall far short of current inflation.

But there is also the desire to continue to matter. Moving on from a full-on job brings with it more identity issues than simply accepting one’s age. There is a loss of status. The question “what do you do?” requires a new answer. The “well, I used to . . .” response palls after a while.

Many 60- and 70-somethings I come across want to continue being players rather than spectators. Having more

time to watch sport, travel or go to the theatre has its attractions. But for many, there is still a drive to participate, to be in the fray.

One of the problems with giving up work entirely is that you could be a long time retired. The average 65-year-old can expect to live into their mid-80s in developed countries, according to OECD figures. And many are living longer than that. Worldwide, there were nearly 500,000 people aged 100 or more in 2015, four times as many as in 1990, according to a 2016 Pew Research Center report, which said the number of centenarians was likely to reach 3.7mn by 2050.

Health problems start to intrude at some point. But healthier eating and exercise (one of the pleasures of self-employment means you decide when to go to the gym) help stave them off.

It is not just that many older people want to work; ageing societies will need them. Bain, the strategy consultancy, predicts that a quarter of the US workforce will be aged 55 or more by 2031. In Germany the figure will be 27 per cent, in Italy 32 per cent and in Japan 38 per cent.

So if we aren’t going to call these later years retirement any longer, because so many are still working, what should we call them? In their book *Changing Gear: Creating the Life You Want After A Full-On Career*, Jan Hall and Jon Stokes call this next period “the third life”. But in *The 100-Year Life*, Lynda Gratton and Andrew Scott argue that the three-stage life – education, employment and retirement – no longer describes how we live. They prefer to talk about a “multi-stage life”. My answer, when people asked about my retirement, was that I wasn’t the retiring type.

And those who once sang about how awful old age would be? How have they adjusted, now that they are in their early eighties? Of the surviving Beatles, Paul McCartney and Ringo Starr are still performing. Paul Simon has stopped touring (siring loss), but has just released a new album, *Seven Psalms*. Art Garfunkel told Forbes that when he reached 70 he thought: “Piece of cake. Drive right through, man.” His body started letting him down a year later but, he said: “If anything, I burn stronger at this age.”

Michael Skapinker is an FT contributing editor and author of “Inside the Leaders’ Club: How top companies deal with pressing business issues”

It is not just that many older people want to work; ageing societies will need them

WORK & CAREERS

The
Henry Mance
Interview

‘The look of
modern buildings
is a catastrophe’

THOMAS HEATHERWICK

Celebrated and at times controversial
British designer warns our cities are
gripped by ‘epidemic of boringness’



Charlie Bibby/FT

Thomas Heatherwick is standing in his London studio, dressed in a shirt and shoes almost no one else would wear, surrounded by models almost no one else could have designed, explaining he is not – as appearances suggest – an exhibitionist. “My whole background has been: don’t show off.”

We’ve only just met, and I’m already confused. Heatherwick’s ambition led Sir Terence Conran to describe him as the Leonardo da Vinci of our times. He designed the spectacular cauldron for the London 2012 Olympic Games, and bombastic constructions from New York’s Little Island to Shanghai’s 1000 Trees. And didn’t he once package up a snowball and ship it to China, so the recipients could experience English snow? He admits he did, adding: “I once took a kebab to Italy for someone.” It all screams show off.

But those are *projects*. Heatherwick the man is different. “I am a partial introvert,” insists the 53-year-old, citing a recent psychometric test. He is not a trained architect, and certainly not a raving starchitect. He has a kindly manner, like a school chaplain who is taking your dog’s death worse than you are.

He gestures at his studio’s new facade. He hopes passing schoolchildren will look in and see their future in design. “The most important thing for the 11-year-old to see is he is normal,” he says, referring to himself in the third person.

Heatherwick’s reticence makes his latest work more surprising. He is launching a 10-year campaign against the “catastrophe” of how buildings are built. Our cities, he argues, are in the grip of an “epidemic of boringness”. Most modern buildings are too flat, too plain, too straight, too shiny, too monotonous, too anonymous and too serious. They make us unhappy and ill, they make us not want to come to the office.

In his book *Humanise*, out on Thursday, Heatherwick derides architects as members of a modernist “cult”, which indoctrinates them during their seven-year training into thinking they don’t need the public’s approval. The result is the UK’s commercial buildings are so unloved they have an average lifespan of perhaps 50 years, leading to huge carbon emissions as they are replaced.

Not since Prince Charles said architects “talk by the yard, and should be kicked by the foot” has a leading public figure made such an assault on the profession. “That’s almost 40 years ago!”

This is bound to annoy people; Heatherwick always does. Today few doubt the beauty and inventiveness of his designs. But they are irked by his boyish dreaminess and habit of endearing himself to powerful developers and politicians (notably Boris Johnson). Though he is not really an outsider in architecture – his studio has collaborated with firms such as Foster + Partners, and won Riba awards – his name is liable to provoke exasperation. The critic Jonathan Meades disdains Heatherwick as “a capable exterior decorator”. Slamming modernist icons such as Le Corbusier and Ludwig Mies van der Rohe will only

deepen the scorn. “You ought to have more respect,” says one architect.

Heatherwick argues the public is on his side. “Every single person is an expert in buildings.” He is sympathetic to Nimbys, saying local people could be better involved in the planning process.

At the same time, he argues that complaints often miss the point. “In London, people talk about the Gherkin or the Shard. But they’re not talking about the building just behind it, the cynical one, the one that didn’t even try. Who’s the developer? Who said yes to it? Who designed it? Who built it?”

There are, he says, lots of well-meaning architects. But he has a message for the profession: “Don’t just tell me you care. Would somebody conclude you care?” Heatherwick tries, Heatherwick cares. He never really had a choice. He grew up in a bohemian family: designers, makers, lateral thinkers. “I’m a very obvious outcome of experiences I had.”

As a child, he had to walk through a workshop with “kilns, enamelling, toxic powders” to get to his parents’ bedroom. His father, a pianist turned educator, wore Birkenstocks in the 1970s. “There was only one shop in the UK that sold them. But that also taught me about how society does shift: anyone who wore Birkenstocks would be called a hippy – look now.” In a neat parallel, Heatherwick himself buys unusual shoes, with laces down to the toes, from Germany; he blames his large feet.

He didn’t excel academically, so he made the world of invention his own. “The Thatcher Britain I came into didn’t seem to be based around ideas. . . . The word inventor had ‘mad’ stuck in front of it. . . . I felt alone.”

He is no longer alone. Heatherwick Studio employs 250 people. Revenues hit £24mn in the year to March 2022, Heatherwick has taken dividends of £1.8mn over two years. We sit down at the heart of it; the room includes a fluffy chair, a spade, a large gourd and a sculpture of a cat. Heatherwick is particular about words. It is always the studio, never the office. He likes to call buildings “objects” – not “spaces”, the preferred term of most architects. As for the word architect, “it isn’t a verb”, says the design graduate. “You don’t architect a building. You design a building.”

There have been mishaps. The Routemaster buses, championed by Johnson, launched in 2012 and became intolerably hot in summer. Transport for London and the manufacturers, Wrightbus, were responsible. “Their brief to us was that the windows weren’t allowed to open. We challenged them many times.” In 2015, TfL relented. “The original Routemaster bus, which people go misty-eyed about, it took 14 years till they ironed out the glitches. But we look back as if day one everything’s right.”

Then there’s the Vessel, Heatherwick’s public sculpture cum viewing platform in Hudson Yards, New York. It opened in 2019 but has been closed since May 2021, when a fourth person jumped from it to their death. Did no one foresee the suicide risk? “The project met all the safety standards, and actually it went above them. It was just an extremely tragic, sad use that the project got put to. . . . Nobody predicted Covid and what that would do for people’s mental health.” The studio is working with the developer to “bring the extra safety features”. Will the Vessel reopen? “Certainly.” Has its troubles taken a toll on him? “I can’t say how responsible I feel for every project I do.”

Heatherwick says he accepts criticism – “I know I get too much praise [too]” – but contrition is not a speciality. Johnson’s proposed Garden Bridge, on which he worked, cost more than £40mn of public money for no end-product. It “was an amazing idea. In the end all the money was raised for it. But this country’s politics decided to not make that happen.” In fact, by the time it was cancelled, the bridge was £70mn short. “It’s still a strong idea. I’m just a designer.”

He turns to Little Island, a park built over the Hudson River that opened in 2021 at a cost of \$260mn, thanks to the deep pockets of US businessman Barry Diller and fashion designer Diane von Fürstenberg. “I hope that you’ll mention that,” he says, sincerely.

In *Humanise*, Heatherwick rails against the value placed on money. Is that a bit rich? Although he has spoken of designing prisons, his buildings are often in luxury developments. He argues wealth and public joy are not at odds: Gaudi’s Casa Milà is itself a posh apartment block, whose facade is a “backdrop to millions of people’s lives”.

He cares about aesthetics because more people see buildings from the outside than inside. “You could say I’m saying it selfishly. Would I rather a project was experienced by 2,000 people or 2mn people? . . . I’m more interested in doing something that connects with the public than I am with the customer. I’ve just lost every client I’ll ever work with!”

It’s typical Heatherwick. On a trade trip to Dubai, a sheikh once asked him to sketch a possible bus. According to a person present, Heatherwick declined, saying: “I don’t just have a little bag of ideas.” The person recalls: “He gives the impression that he doesn’t care if he gets the business or not.”

Heatherwick Studio finishes four or five projects a year. It’s not enough. “I’ve learnt projects are less influential than you think.” Even the best one doesn’t stop boring buildings being built next door. Hence his campaign to create bottom-up pressure for change. The modernist ethos was that less is more, ornamentation was wasteful. But Covid has shown that buildings’ emotional impact is one of their functions. “If a workspace doesn’t connect with a team, they’re more likely to. . . . work from home.”

For Heatherwick, buildings need to have visual complexity. This used to come naturally from building materials, but now, with glass and aluminium dominant, it has to be created.

His solution is not a King Charlesesque pastiche of the old; rather, he wants a focus on how buildings look and how they make people feel. “If you got 20 different artists and laid their work out, imagine how different it would be. If you now got 20 British [architectural design] firms, [excluding] one or two main companies, it would be like almost the same firm did everything. How do we get that diversity?” He promises to devote the rest of his life to “this war”.

Architects point out that the profession has moved on from modernism, but that not everyone has the budget of, say, Google, another Heatherwick client. “We say how expensive it is to

build buildings. It’s a useful excuse,” he responds. “It wasn’t cheaper in the past: society just chose that it mattered. We’ve chosen the equivalent of fast fashion. We’ve chosen fast architecture.”

Humanise’s rule of thumb is that a building should be interesting enough to hold your attention for the time it takes to pass by. This has been tested by one of his forthcoming projects, Google’s King’s Cross HQ. It is longer than the Shard is tall. “There is no facade that any designer can do that’s interesting

for four and a half minutes walking along next to it.” So the building has been raised up, leaving a ground floor of pop-up shops and the like, which will grip pedestrians’ attention.

What would he do with the Palace of Westminster, whose refurbishment is estimated at £22bn? He waffles about modernism’s quickness to reinvent. “You’re getting a funny insight into how we work,” he adds apologetically. “Actually, I’m a very slow thinker.”

He says he wants to fight against “the myth of the person with all the answers”. Indeed, Heatherwick is not an easy interviewee. His answers are like government construction projects – they go on and on, and frequently fail to deliver what was originally requested.

He invites me to sit in on a project review. An architect flashes up options for a high rise in the Netherlands on a big screen. Heatherwick gets to his feet and starts pointing. “I’ve never seen anything like that before.” By now, I understand that is a true compliment.

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Experimental: George the Poet

France and Germany have opposing ideas about atomic energy, and their diverging mindsets are threatening the bloc’s transition away from fossil fuels and towards clean generation.

By Sarah White, Alice Hancock and Laura Pitel

Near the French village of Fessenheim, facing Germany across the Rhine, a nuclear power station stands dormant. The German protesters that once demanded the site’s closure have decamped, and the last watts were produced three years ago. But disagreements over how the plant from 1977 should be repurposed persist, speaking to a much deeper divide over nuclear power between the two countries on either side of the river’s banks.

German officials have disputed a proposal to turn it into a centre to treat metals exposed to low levels of radioactivity, Fessenheim’s mayor Claude Brender says: “They are not on board with anything that might in some way make the nuclear industry more acceptable.”

France and Germany’s split over nuclear power is a tale of diverging mindsets fashioned over decades, including since the Chernobyl disaster in USSR-era Ukraine. But it has now become a major faultline in a touchy relationship between Europe’s two biggest economies.

Their stand-off over how to treat nuclear in a series of EU reforms has consequences for how Europe plans to advance towards cleaner energy. It will also affect how the bloc secures power supplies as the region weans itself off Russian gas, and how it provides its industry with affordable energy to compete with the US and China.

“There can be squabbles between partners. But we’re not in a retirement home today squabbling over trivial mat-



ters. Europe is in a serious situation,” says Eric-André Martin, a specialist in Franco-German relations at French think-tank IFRI.

France, which produces two-thirds of its power from nuclear plants and has plans for more reactors, is fighting for the low-carbon technology to be factored into its targets for reducing emissions and for leeway to use state subsidies to fund the sector.

For Germany, which closed its last nuclear plants this year and has been particularly shaken by its former reliance on Russian gas, there’s concern that a nuclear drive will detract from renewable energy advances.

But there is also an economic subtext in a region still reeling from an energy crisis. Berlin is wary that Paris would benefit more than its neighbours if it is able to guarantee low power prices from its nuclear output as a result of new EU rules, people close to talks between the two countries say.

Ministers on both sides have acknowledged there is a problem. “The conflict is painful. It’s painful for the two governments as well as for our [EU] partners,” Sven Giegold, state secretary at the German economy and climate action ministry, tells the Financial Times.

Agnès Pannier-Runacher, France’s energy minister, says she wants to “get out of the realm of the emotional and move past the considerable misunderstandings that have accumulated in this discussion”.

In a joint appearance in Hamburg last week, German chancellor Olaf Scholz and French president Emmanuel Macron made encouraging noises over their ability to break the latest deadlock: a disagreement over the design of the EU’s electricity market. Ministers had been due to agree a plan in June but will now meet on October 17 to discuss the reform, aimed at stabilising long-term prices.

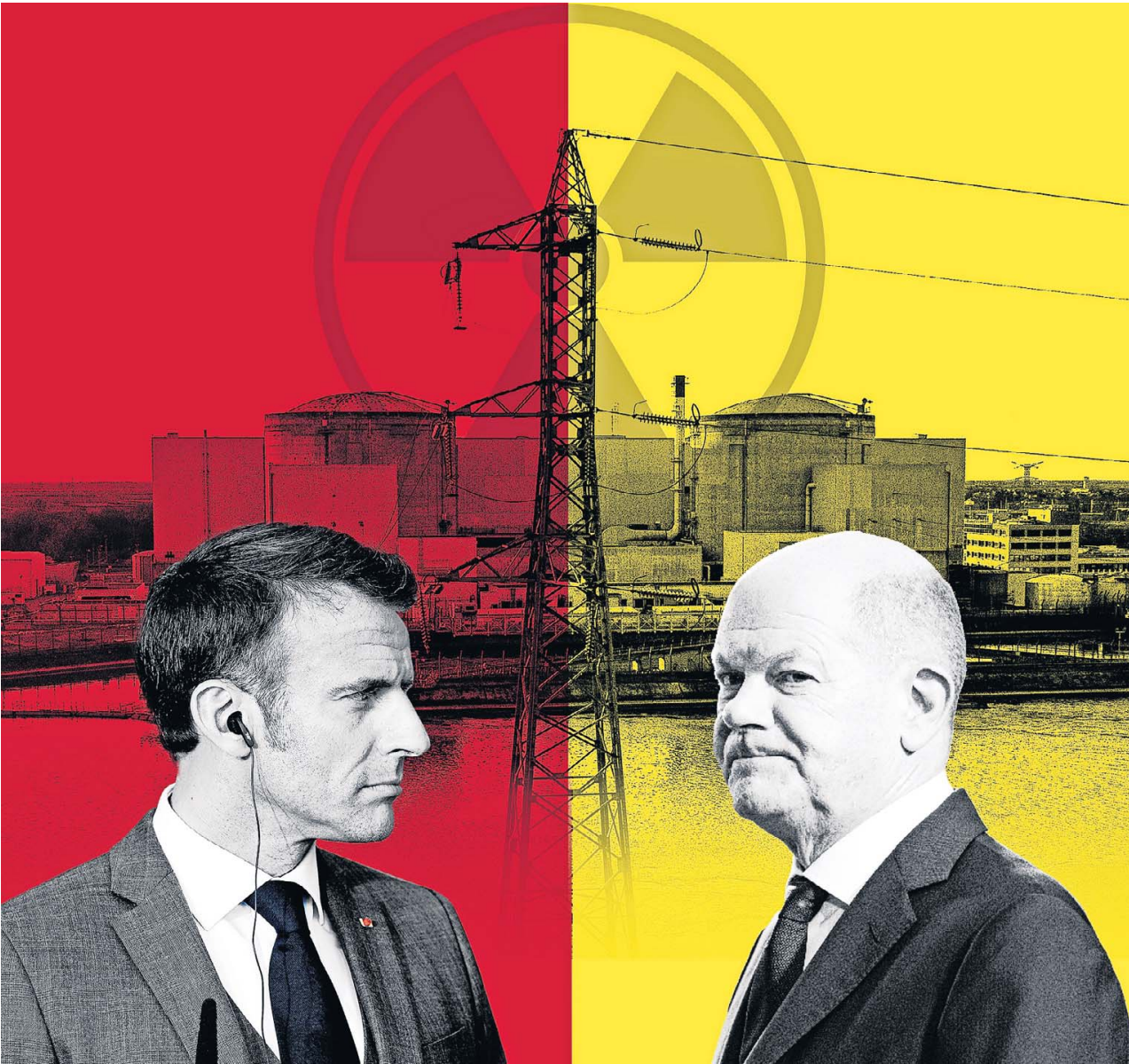
But the French and German impasse on nuclear has already slowed down debates on key EU policies. Smaller member states are becoming impatient. The delay on the market design is “a big Franco-German show of incompetence again”, says an energy ministry official from another EU country who requested anonymity.

“We have the problem with the competitiveness of the whole continent and we are focusing on how to get a competitive advantage [against] each other,” says Jozef Sikela, the Czech energy minister. “This way will not help us, it will not move us forward.”

Divisions run deep

Today’s deep disagreement over nuclear power was not always so stark.

France first laid out its intention



reverted back to consumers and businesses on their power bills.

“The entire debate is not so much a debate on nuclear technology, but more about industry policy and gaining advantages from cheap energy for its own industry,” says Markus Krebber, chief executive of RWE, Germany’s biggest power generator in terms of output.

A German idea mooted by Habeck for a state-subsidised electricity tariff for energy-intensive industries has similarly raised eyebrows in France and beyond.

Pannier-Runacher, the energy minister, says France is now trying to debunk “fantasies” that have arisen over what it is trying to achieve.

The misunderstandings took a turn for the worse this year despite previous attempts by Macron and Scholz to put on a show of unity, including at a meeting at the Élysée Palace in January. That resulted in a joint declaration with an embrace of hydrogen produced from “low-carbon” sources, a byword for nuclear, which was welcomed in Paris.

But weeks later, negotiations over EU legislation on “green” hydrogen production met with objections from Berlin. It opened a period of stand-offs that led to the French pulling support for new rules governing renewables in the EU at the last minute, citing a lack of recognition for the role of nuclear fuel.

The episode at the start of the year was a wake-up call over how complicated it would be to strike deals when Germany was governed by a fractious coalition, officials in Paris say.

In recent months, France has created



Europe’s nuclear dispute

‘The French would rather leave [the EU] than turn their backs on nuclear’

to build up civil and military nuclear programmes in 1945. In the 1960s and 1970s there were even ideas about communal European nuclear plants.

The big accelerator for France was the 1973 oil crisis, which prompted a wave of reactor construction that gave it its current fleet of 56. “Germany had some coal reserves, France had nothing,” says Bernard Accoyer, a former conservative politician in France and the head of a pro-nuclear lobby group.

The feat of engineering that followed is still a source of French national pride, although a series of outages at several reactors operated by state-owned EDF last year caused severe embarrassment and lost France its crown as the region’s top power exporter. “Nuclear energy is part of France’s vital interests. The French would rather leave Europe than turn their backs on nuclear,” quips one senior French official.

Germany had its own reactors, including Soviet ones in the Communist east. But an anti-nuclear movement began to emerge in the 1970s when farmers and winegrowers in the south-west led opposition to a plant in Wyhl, also on the Rhine. That movement, nourished by fears of the atomic bomb, spawned what would later become Germany’s Green party, which today is a part of Scholz’s three-way coalition.

“Germany was at the frontier of the cold war and everybody knew the country would become ground zero in the event of a nuclear war,” says Arne Jungjohann, a political scientist.

After the Chernobyl disaster in 1986, that sentiment took root more deeply. Children in then West Germany were told not to play in sand and people ran inside when it rained, fearing radiation.

The 2011 Fukushima disaster in Japan proved a point of no return. Former German chancellor Angela Merkel announced closures that finally took place this year. “Before Fukushima . . . I was convinced that it was highly unlikely that [an accident] would occur in a high-tech country with high safety standards,” Merkel, a trained physicist, said in a speech three months after the accident. “Now it has happened.”

The government in Paris looked on aghast, former conservative president Nicolas Sarkozy recalled.

“I tell her — but Angela, what’s going on? How can this be?” he told a recent parliamentary hearing, in an account of their phone call. “She says, but Nicolas, have you not seen Fukushima? And I said — but where is the tsunami going to come from in Bavaria?”

Present-day public opinion in Germany is complicated. One survey in April found that less than a third of respondents backed shutting down the country’s nuclear plants.

But across the river from Fessenheim, Stefan Portele, a father of four and resident of Breisach in the state of Baden-Württemberg, is relieved that the French plant is now offline.

“It’s not safe. As long as nothing happens it’s fine, but if it does it’s a problem for millions of people,” he says. “This is still a region with the possibility of earthquakes. You never know. There hasn’t been one, but one is enough.”

On the French side, there is incomprehension, especially in the face of recent German decisions to re-fire coal power plants following the energy squeeze caused by the Russia-Ukraine war.

The Fukushima disaster provoked some wobbles on nuclear power in

France too. Socialist president François Hollande sought to trim reliance on the sector, which eventually led Fessenheim to be closed in 2020. The decision was endorsed by Macron after he came to power in 2017.

But by 2022, Macron had performed a volte-face and doubled down on the technology, announcing a €52bn plan for at least six new reactors and the extension of the lifespan of other sites.

Not seeing eye to eye

German objections to France’s pro-nuclear strategy partly reflect an ideological stance felt especially strongly by the Greens — including the vice-chancellor Robert Habeck, whose ministry for economy and climate action leads negotiations on energy matters.

Giegold, who works in the ministry, says it is “totally wrong” to claim that Germany is “leading a European crusade against nuclear power”. He says he does not dispute France’s right to generate atomic energy, only the right to use EU funds to do so. “We can finance together what we agree [on] with each other,” he says.

But other Green party figures in Berlin privately voice concern about the safety of France’s ageing fleet.

One person familiar with the government’s thinking pointed to the EDF shutdowns last year to fix so-called stress corrosion issues and said that the country’s nuclear safety agency was “doing its job”.

He added, however, that he feared one day “politicians [could] over-rule the nuclear safety agency”, arguing that the world has experienced a serious nuclear accident roughly every 25 years and that “the 2030s will be a dangerous decade”.

Germans also fear the French are playing a dirty game on subsidies. Prices in the EU’s electricity market are dictated by supply and demand, with power flowing to where demand is greatest. But national subsidies, which need to get the green light from Brussels, play a role in incentivising new investments, including in renewable energy. France has been pushing to be able to use some of these instruments more broadly on its existing nuclear assets as well as any new plants.

It wants, for example, to have greater access to “contracts for difference”, which set a minimum price guarantee for power providers but also a ceiling above which the state can recover any revenue. That could then potentially be

The Fessenheim nuclear power station is both the site of protests, above right, and a symbol of the disagreement between Emmanuel Macron of France and Olaf Scholz of Germany over the best energy policy to battle climate change

FT montage/dpa/AP/Getty Images

a nuclear alliance backed by 14 countries, including Czechia, Poland and Hungary, and Pannier-Runacher says the issue is not “just a Franco-German problem”.

But France is disproportionately reliant on nuclear production compared to most EU countries, and the state-owned operator of its fleet, EDF, has a dominant market position.

France began to lobby for nuclear to be added to various texts under negotiation in multiple EU meetings this year in a way several countries found excessively pushy, according to EU diplomats and officials. “It was really a 360-degree strategy,” says one senior EU official.

The European Commission says that it maintains a stance of “technology neutrality” and will not intervene. But France and other countries with nuclear fleets, such as Finland and Czechia, say that by prioritising renewable power the commission is disregarding other low-carbon options.

“There is a lot of legacy regulation, which from the start has been biased against nuclear power,” says Atte Harjanne, parliamentary leader of the Finnish Greens, a rare pro-nuclear Green party in Europe.

The commission had not foreseen a growth in nuclear power returning to Europe. But the realisation of how massive the expansion of available decarbonised electricity will need to be to meet the EU’s goal of net zero emissions by 2050 has “foster[ed] its renaissance”, the senior EU officials say.

Last Tuesday, Macron and Scholz raised some hopes that the blockage on the electricity market reform at least could be resolved, with the French president flagging “very encouraging discussions” and a potential deal by the end of the month. It is still not clear what that could entail, however.

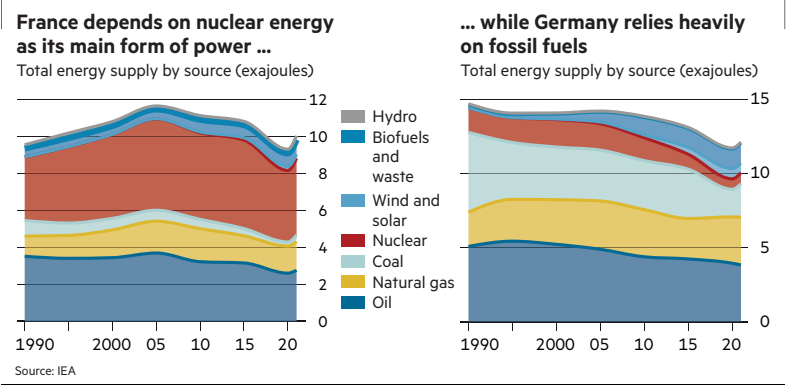
In the longer term, nuclear advocates are hoping that a more serene debate can emerge over the technology.

Pascal Canfin, a liberal French MEP who is close to Macron, says policymakers will have to acknowledge that while nuclear is “not green”, “it is clearly part of the solution, so we should not exclude it from financing and so on”.

“When I interview for media and describe my view in Finland, I get private messages [from German Greens] saying you have a point,” Harjanne, of the pro-nuclear Finnish Greens, says.

But in Fessenheim, a cartoon in the mayor’s office gives a flavour of the lingering divisions. It shows on one bank of the Rhine the nuclear plant and on the other a coal power station and wind turbines with groups of French and German workers each saying: “They don’t understand anything!”

Additional reporting by Leila Abboud



‘It’s not safe. As long as nothing happens it’s fine, but if it does it’s a problem for millions of people’

The FT View



FINANCIAL TIMES

‘Without fear and without favour’

ft.com/opinion

Geopolitical volatility returns to the financial markets

Investors and policymakers face higher-for-longer uncertainty of another type

Rarely since the 1970s has the global economy seemed so turbulent. The march of globalisation has slowed. The dual shocks of the Covid-19 pandemic and Russia's invasion of Ukraine have muddled monetary policy and upset energy markets and supply chains. Economic nationalism, US-China tensions, and fragmentation have taken root. Governments are taking a bigger role in economic management, particularly faced with the urgency of the climate transition. The tragic return of conflict to the Middle East only underscores the pattern of rising geopolitical risk.

Market indicators reflect this. The Vix index – a measure of expected volatility – has averaged notably higher since 2020 than in the decade before. The World Uncertainty Index, which meas-

ures the prevalence of the word “uncertain” in analysts’ reports, has been trending upwards for years and has jumped significantly since 2021. The more uncertain future is altering the playbook of market participants, from investors to central bankers.

First, quantitative models used to price assets and assess trends are less meaningful. A couple of decades of relative stability, underpinned by growing global trade and few political shocks, made it easier to forecast macroeconomic variables, such as growth, interest rates and inflation. It was simpler to assess how these would evolve when underlying assumptions about the world were fewer and simpler. Today, economics is increasingly influenced by politics and foreign policy.

Looking beyond charts, balance sheets and ratios has its own implications. Markets do not have a great record of pricing geopolitical risk and assessing low-probability, high-impact events, or “tail risks”. Studies show that

economic activity and financial markets are often more affected by geopolitical threats than actual events. But equally, when there are several threats that are complex and hard to define, markets can be stumped into inertia. Indeed, oil prices rose but not as much as expected in response to Hamas’ attacks in Israel.

The difficulty of measuring geopolitical premia also raises the reward for those that can get it right. There is a growing demand for professionals who can combine political and macro knowledge with financial fundamentals. Returns at macro hedge funds – actively managed traders that attempt to profit from swings caused by events – surged between 2019 and 2022, following a decade of dull returns.

Volatility may also induce traders to seek returns by adopting more active short-term strategies. Zero-day options, which allow investors to take targeted positions in stock markets around events, have surged in popularity since the start of the pandemic. Institutions

It was simpler to assess how macroeconomic variables would evolve when underlying assumptions about the world were simpler. Today, these are increasingly influenced by politics and foreign policy

with passive long-term strategies, such as pension funds, are also affected. There is now less conviction in even decade-long economic and political trends, meaning diversification, including into alternative assets, becomes attractive. The problem is that the cost of misjudging events is also high: research shows market volatility widens the range of returns for active funds.

Policymaking in this environment has already proven challenging. Central bankers’ interventions are based on historical data. But with the world ahead in flux, the chance of errors is higher and the effectiveness of monetary policy, which operates with a lag, is dimmed. Rigid financial institutions, including market regulators, will struggle.

Attempts to parse geopolitical events only introduce more human error into markets. Active strategies, shorter time horizons, less focus on models, and policy errors all risk creating a vicious cycle of instability. The world of higher-for-longer volatility may be hard to shake off.

Opinion Technology

Musk’s X still needs the ‘legacy media’ he resents

Ben Hickey



The social media platform that was Twitter was a wondrous place, where journalists could pretend they were celebrities, and celebrities could pretend they were journalists. An exchange of sorts, in which intellectual capital could be traded for social capital and vice versa – bumbling blue-ticked broadsheet reporters could become cool and popular; Gary Lineker could be seen as a prominent political commentator.

On Elon Musk’s rebranded X platform, that world is crumbling fast. Blue ticks are no longer earned by the company deeming your account to be “of public interest”, but bought by essentially whoever wants one. And not only are these paid-for accounts amplified by the platform’s algorithms, with more visibility and bigger word counts for their posts, they can now choose to only allow other “verified” users to reply.

The misinformation that has crowded in on recent horrors shows how much worse the platform now is

All the better, you might think. The “blue ticks” (or “blue checks” in American parlance) – as the people with the old verified accounts were called pejoratively, and who included not just journalists and footballers but also academics, politicians and other public figures – had too much influence. Their virtue-signalling and grandstanding was pernicious; their cosy consensus needed puncturing.

Despite having had one of these old verified accounts myself, I have some sympathy for this view. But the rampant misinformation and disinformation that has crowded in around the recent horrors in the Middle East show just how much worse Musk’s new version of the platform already is.

Taking Twitter’s old guard down a peg or two was not the stated purpose of Musk’s changes. Instead, he was supposedly attempting to make the platform “by far the most accurate source of information about the world”. But by amplifying the voices of anyone who wants to pay \$8, he is subduing the voices of those who don’t – including many of those who write for what he calls the “legacy media”.

Musk has been explicitly waging war on the “legacy media” for some time now. “Newspapers basically just report on what they read yesterday on X lmao,” the 52-year-old wrote at the

end of September. “I don’t read the legacy media propaganda much anymore,” he wrote in another post. “Just get my news from X – much more immediate, has actual world-class subject matter experts and tons of humor.” He also decided to strip headlines from news links, claiming this would “greatly improve the aesthetics [sic]”, and suggested: “Best thing is to post content in long form on this platform.”

Musk’s view of the relationship between news consumption, news generation and his platform is simplistic – even asinine. He is right to think most people get their news from social media these days. A recent report by the University of Oxford and the Reuters Institute for the Study of Journalism found that more people now get their news via social media “gateways” than directly from news websites – 30 per cent for the former versus 22 per cent for the latter. But who does Musk think is providing this news on the platforms? The same report found people paid more attention to mainstream journalists and news outlets than to anyone else on X.

What is more, who are these marvellous “actual world-class subject matter experts” that Musk thinks can provide the news without the need for anyone whose explicit job it is to gather it, scrutinise it, second source it, contextualise it, translate it into something intelligible, edit it, get it checked by a lawyer and make sure that it has some bearing on the truth?

I welcome a news ecosystem that includes not just journalists employed by mainstream institutions but also independent ones who, say, write on Substack or have podcasts, and “citizen journalists” who can report on what is happening on the ground in real time. But the idea that we should rely on and trust these groups more than the “legacy media” is mistaken.

Independent journalists have to be hustlers, selling and promoting their content in a way that those of us who have the privilege of being employed by media institutions are protected from. And they have to play to a crowd just as much as anyone else. Being a contrarian can be valuable, but it can also become a knee-jerk position, taken to satisfy an audience rather than being the result of a careful analysis of the matter at hand.

So yes, sure, the “legacy media” has all sorts of problems – serious ones – and we can always do better. But the idea “experts” who pay for influence on social media are a better source of news than journalists and media institutions with decades of experience is a fallacy – as (sadly) is the notion that you can spend more than about four minutes on Bluesky at this stage without getting so bored that you have to surreptitiously slink back to X.

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Letters

Israel cannot risk being seen as cavalier about Palestinian lives

The excellent article by Mehul Srivastava and John Paul Rathbone on the military challenge facing the Israel Defense Forces, as it prepares to engage in full-scale war-fighting operations inside Gaza City and other urban areas, was stark and realistic (“Netanyahu troops braced for bloody battles in drive to eradicate Hamas”, Report, October 13).

Other options do exist, from “standing off” and conducting extensive special forces raids and air strikes through to a siege. But regardless of the plan adopted, the

struggle is likely to be protracted and difficult. Essential to whatever form of operation is chosen is what the UK military call the moral component – the will to fight. At the moment, the IDF is filled with righteous anger at the murderous Hamas rampage. Initial commitment to battle will not be a problem but as time goes on, and the messy, confusing nature of urban warfare, conducted in the midst of an intermittently terrified, but also hostile, population becomes clear, IDF morale will suffer and IDF behaviours may worsen too. We saw this in Iraq; it

happened in Vietnam; and it happened in 1982, when Israel invaded Lebanon.

Knowing that you have right on your side is also crucial, especially if you are a conscript force; regular forces, it has to be said, do sometimes adopt a “Who Cares Who Wins” approach.

Bar the usual suspects, the world also supports Israeli military action. That will not last if the Israelis are seen to be cavalier about Palestinian lives or are needlessly brutal in their use of force.

This is a real danger as we have already seen in some of the rhetoric coming from senior figures in the

Israeli government. In this case, as in so many previous conflicts, Israel could win the battle but lose the peace and the cycle of violence and counter-violence will not be broken.

Napoleon said “the moral is to the material as three is to one”. The Israelis hold the moral high ground at present and this is helping them, nationally and internationally. Let them strive to keep it, for their own sake and for the sake of wider peace in the Middle East.

Simon Diggins
Colonel (Retired), Rickmansworth, Hertfordshire, UK

IMF prescriptions so often increase aid dependency

The IMF, being the lender of last resort for countries in balance of payments crisis or in danger of default, almost always ties its bailouts to excessive austerity measures (“A test for US influence”, The Big Read, October 11).

Its loans are tied – to use the IMF jargon – to “structural adjustment programmes”. These centre on raising taxes and/or spurning tax rate reductions; balancing the budget at all costs; devaluing the currency and increasing interest rates.

Such anti-growth policies, delivered in line with IMF diktat, have been shown in the majority of cases to have actually increased countries’ dependence on the IMF overtime. Just think of what has happened in Argentina, Pakistan, Ecuador, Egypt or in Ghana.

The tragedy is that for the past 50 years the IMF has been peddling wrong-headed advice across the globe to countries seduced by “free” IMF funds and thus forced to follow economically destructive fiscal and monetary policies, creating a network of loan addicts.

The IMF is more like Hotel California: you can check in, but you never check out. Unless and until the IMF alongside its partner organisation, the World Bank, change their modus operandi, over time their influence will diminish on the global stage.

Alternate financial institutions of the recently expanded Brics group will emerge to compete with the G7 on setting global rules and standards.

The debate should not be about the IMF pulling away from its core mission of macroeconomics and exchange rate surveillance and guidance, but rather should focus on what are the right kinds of economic policies: low-rate tax rates on broad tax bases; cuts in government spending; stable currencies and lower interest rates.

Only these changes can hope to promote sustainable economic growth and prosperity for the poverty-stricken global south.

Rizwan Rawji
Director, Insafron, Rhode-St-Genève, Belgium

It’s wrong to say Sunak is first ethnic minority PM

Camilla Cavendish writes of the prime Rishi Sunak felt at being the first ethnic minority British prime minister (Opinion, October 7). In fact Benjamin Disraeli, who though he had converted to Christianity, was born Jewish, was prime minister first in 1868 and from 1874-1880. Like Sunak, Disraeli also served as chancellor. But he differed from his successor in being one of the originators of one-nation conservatism or “Tory democracy”.

Susanna Dammann
London SW11, UK



Liverpool’s memorial marking the victims of the Hillsborough disaster

US antitrust and the moral justification for capitalism

It is worth pointing out that the more holistic approach to antitrust taken by the US Federal Trade Commission is consonant with the moral justification of a capitalist market order (“US antitrust has reached a turning point”, Opinion, October 10).

The foundational elements of a market economy are the protection of property and freedom of contract. The moral argument is that all exchange is voluntary.

Party A cannot coerce party B into providing labour or goods at a price that does not command party B’s unforced consent.

However, for party B’s freedom of contract to be meaningful, it must have alternatives to trading with party A. If party B’s options are restricted, the voluntarism of its trading is illusory. Adam Smith, the 18th-century Scottish economist and philosopher, addressed this in his conception of natural liberty and his advocacy of competition in his book *The Wealth of Nations*: “In general, if any branch of trade, or any division of labour, be advantageous to the public, the freer and more general the competition, it will always be the more so.”

This stands in contrast to the prevailing focus on consumer welfare, where the cost of goods is the main criteria for antitrust enforcement. There are undeniably trade-offs between economies of scale, which can deliver goods at lower cost in some industries, and an abundance of choice, and there may be instances where the former is preferable.

But it is sensible to recognise the trade-off and reconnect competition policy with the moral roots of the system it is regulating.

Daniel Aronoff
Research Scientist, Massachusetts Institute of Technology Cambridge, MA, US

Don’t scapegoat Irish data centres for the power crisis

Data centres are powering our entire digital world, yet in Dublin the supply of power to data centres is being shut off (Report, Datawatch, October 5). No one would deny the advancements in healthcare, transport and even day-to-day business made possible because of data centres. In Ireland, we might put all that in peril, as data centres become the scapegoat for our struggling grid.

It is important to note that while data centres undeniably use a lot of electricity, they are also world leaders in power purchase agreements that fund critical renewable energy projects across the globe. But Ireland’s grid must be developed to integrate more renewables. According to David Newbery, director of the energy policy research group at the University of Cambridge, renewable energy generated in Ireland is going to waste unused – and this surplus renewable energy that is wasted could even grow to represent half of all renewable energy generated here if no action is taken.

Data centres are making enormous investments in decarbonisation and act as good grid citizens. They are creating solutions that give capacity back to the grid, such as on-site generators and battery storage, which allow them to function off-grid. They are also providing the digital infrastructure needed to come up with solutions to climate change.

In Dublin, our de facto data centre moratorium continues. As a location that prides itself on its ability to attract the world’s biggest enterprises, let’s hope that word about our short-sightedness doesn’t get out.

Peter Lantry
Managing Director for Ireland, Equinix Dublin, Ireland

What Hillsborough and the blood scandal do share

The headline “Blood on their hands” can hardly be regarded as hyperbole as the two books under review both identified those responsible for patients receiving contaminated blood which, in some cases, led to deaths (“Likening blood scandal to Hillsborough is hyperbole”, Letters, FT Weekend, October 7). The Hillsborough football disaster too was caused by people making ill-judged decisions which resulted in deaths. Attempting to minimise the responsibility that those involved in the blood scandal bear for the deaths of haemophiliacs by pointing out that only a small proportion of patients who received blood actually died is like claiming the police and stewards at Hillsborough stadium were judged too harshly because less than 5 per cent of Liverpool fans were crushed to death.

Peter Krueger
Royston, Hertfordshire, UK

Property investments leave insurers doubly exposed

Helen Thomas is correct that the insurance industry is facing a “climate doom loop” (Opinion, October 12). What she overlooks is that insurers are one of the largest investors in commercial real estate, in the form of direct commercial mortgage loans, commercial mortgage-backed securities, wholly owned real estate, and unsecured bonds issued by real estate investment trusts.

As at the end of 2022, US insurers (primarily life insurance companies) held some 20 per cent of all outstanding US commercial mortgage loans, accounting for 9 per cent of the insurance industry’s total cash and invested assets.

Property and casualty insurers may comfort themselves that their exposure to climate risk is limited by annual contracts – an industry standard that enables them to reprice, limit or completely withdraw insurance coverage at short notice. But this very same repricing undercuts the equity value of commercial real estate assets, many of which have no comparable liquidity. This downward spiral is only just beginning to play out.

Jonathan Hakim
Executive Adviser, InnSure Cambridge, MA, US

Water industry headlines, an awkward balancing act

The week after the UK regulator told water companies to “cut £114mn off bills” (Report, September 27), the companies responded by proposing “sharp increases in household bills to pay for £96bn of investment” (Report, October 2). Balancing affordability with resilience of water infrastructure will require effective communication, cross-party political will and groundbreaking regulatory thinking. The risks of inaction are too great to ignore.

Patricia Rodrigues Jenner
Emma Fitzgerald
Shelaly Yogenra
Real Assets InfraNEDs Network, London E14, UK

Ecclestone settlement: will it put wind in HMRC sails?

I hope someone in the UK Treasury can “do the math”. It seems a relatively small number of tax inspectors have played their part in facilitating a very large payment to the exchequer (“Ecclestone agrees £652mn settlement after admitting tax fraud”, Report, October 13).

Almost certainly, there are other Bernie Ecclestons out there.

What might an expanded HM Revenue & Customs fraud investigation service turn up next?

Nicholas Malins-Smith
Cambridge, UK

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Opinion

The strange death of corporate Britain



BRITAIN

Martin Wolf

Corporate Britain is dying. But it is not a natural death. By forcing inherently uncertain long-term pension promises to become – at least notionally – certain, huge damage has been inflicted on UK capital markets and done to the country’s corporate sector. It is too late to undo the damage of opportunities foregone. It is not too late to stop inflicting more harm in the future.

I have written several columns on UK pension arrangements, the most recent in June. Present and prospective public sector pensioners and the current generation of private sector pensioners enjoy secure, income-related pensions. Younger generations of private sector workers will rely on uncertain returns from their own (mostly inadequate)

savings. It is huge generational inequity. Yet, argues Michael Tory, co-founder of advisory firm Ondra and a co-author of a recent pamphlet on pensions from the Tony Blair Institute, the damage to capital markets and the corporate sector is an equally big issue.

The ratio of price to earnings of the FTSE 100 has collapsed, from roughly 17 times in 2006 to 11 times today. Investors’ valuations should reflect the present value of expected cash flows. Cash flows can be divided into dividends and buybacks made, or expected, over a 10-year period and an estimated “terminal value”. A company that creates more value than it is distributing is building terminal value, and vice versa. According to Tory, the terminal value of UK corporations has collapsed from \$1.6tn in 2006 to \$0.9tn today. Meanwhile, the terminal value of their US equivalents rose more than 300 per cent and even that of German and French companies rose over 50 per cent.

As Warren Buffett said, “In the short run, the market is a voting machine but in the long run, it is a weighing machine.” It has duly weighed UK

corporates and found them emaciated.

Why has this happened? The answer starts with the dumping of UK equities by UK pensions and insurance companies. The share of their portfolios invested in UK equities has shrunk from more than 50 per cent to 4 per cent in the past three decades. Companies have also been forced to make £250bn in pension contributions to fill fictitious

Shrinkage of the investor base has dramatically reduced the amount of capital raised by business

deficits. Just how fictitious was shown by the £1tn fall in their liabilities after the recent jump in interest rates. The shrinkage of the investor base has dramatically reduced the amount of capital raised by UK corporates.

All this has reduced corporates’ ability to invest and so grow. The resulting decline in the prospects for growth in earnings and so capital gains has then

forced higher payouts, which have further reduced cash for investment. The shrinkage of the UK investor base has also increased the claims of non-UK investors. In 2004, 65 per cent of distributions stayed in the UK. By 2022, this was roughly 25 per cent. This, then, is a self-reinforcing vicious cycle of corporate self-liquidation.

None of this matters in fantasy financial economics, in which national borders are irrelevant, investment can be funded from anywhere in the world and markets are rational and far-sighted. But, in reality, US companies benefit hugely from favoured access to American capital markets, just as US investors benefit from superior connections to American corporates. Location matters. As UK businesses come to be increasingly owned by foreigners, the interests of the UK will come second.

A revival of UK capital markets is essential. This will require the recreation of large pools of local equity capital, which would enjoy the advantages of familiarity and contacts that come with residence. Such funds should not be forced to invest in the UK. But they

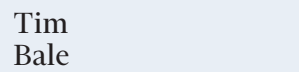
should be able to see – and seize – local opportunities far better than outsiders.

Part of the answer is consolidation of surviving defined benefit funds. A tested solution – the Pension Protection Fund – is already established and proven. It has a successful consolidation record, with more than 1,100 funds absorbed so far. It can kick-start the process. Another part of the answer is a move towards collective defined contribution funds, in place of today’s plethora of smaller funds, of which there are over 3,000, according to Citi. Again, consolidation is essential.

The onslaught on the UK’s pensions sector and capital markets is among the greatest intergenerational injustices of all. Today’s prosperous old have destroyed the intergenerational pensions compact, by imposing the ludicrous aim of absolute security. In the process, they have also starved the capital markets, and so the corporate sector, on which their children and grandchildren will depend. This is a tragedy. It is also a call for immediate action.

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Plenty of time for Starmer’s sheen to fade



There will not be a UK general election tomorrow, however much political pollsters prod voters to say how they would vote in one.

But if there were, even the most optimistic Conservative would have to concede that Labour would win, and win easily. In reality, the contest is unlikely to take place for another year.

By then, this year’s conference season, in which the opposition has had the best of it, will be a distant memory. Indeed, research that compares parties’ “before and after conference” ratings over the course of nearly 70 years suggests that any bounce Liverpool might have given Labour will deflate far sooner than that.

None of this means that Labour leader Sir Keir Starmer shouldn’t have a spring in his step. As far as we can tell what constitutes “the fundamentals” when it comes to how people vote, they seem to point to a Labour victory – or at least a Conservative defeat. Starmer will be doing everything he can to ensure that he ends up at the helm of not just the largest party but a government with a decent majority – that, however, is by no means guaranteed.

On the upside for Labour, snail’s-pace economic growth and the cost of living crisis mean that, (if they ever really went away), bread-and-butter issues are back with a bang. And, on that score, things look dire for the government.

It is not that Labour has an overwhelming lead when pollsters ask voters which party they think is best equipped to handle key issues. On the

Research suggests the values divide is important and as much of a challenge for Labour as the Tories

economy, for instance, it’s only ever in single figures, and driven mainly by the fact that, while only about a quarter of respondents name Labour, even fewer (generally around a fifth) plump for the Conservatives.

What helps Labour, however, is that some three-quarters of voters think the government is handling the issue badly. The NHS and even immigration show similar results.

It’s also personal. Starmer’s approval rating may stand at minus 12 but Sunak is on minus 40. In addition, the overwhelming majority of voters believe that the government is tired and at the mercy of events. And while two-thirds see the Tories as divided, fewer than a third say the same of Labour.

And yet, the difference in values between the UK’s graduate and non-graduate voters, a gulf that helped tip the Brexit referendum in 2016 and Boris Johnson to win comfortably in 2019, hasn’t gone away. Indeed, new research by Manchester university professor Rob Ford presented at the conferences suggests the values divide is still important – and presents as much of a challenge for Labour as it does for the Tories.

Voters who left school at 16 are more likely to think immigration is a problem and less likely to share Labour’s priorities on tackling climate change. They’re also more likely to be wary about any move on Starmer’s part to improve Britain’s relationship with the EU. As a result, Labour needs to tread cautiously, not least because those school-leavers make up a significant proportion of voters in the small-town constituencies it needs to take from the Tories to win a majority.

To do that, Labour needs a bigger swing than Tony Blair achieved in 1997. So the party’s relatively unimpressive performance in local elections is also cause for concern. Set against that is Labour’s recent progress in Scotland and increasing evidence of anti-Tory tactical voting south of the border.

Yet the fact support for independence is running at 46 per cent suggests that, notwithstanding its big win in Rutherglen and Hamilton West’s by-election this month, Labour would do well to limit its ambitions to winning just 20-25 Scottish seats in the House of Commons.

So while it is hard right now to see how the Conservatives can keep Starmer out of No 10 altogether, making it there with a comfortable (or even just a workable) majority remains a work in progress.

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Housing biggest supply chain issue for US



AMERICA

Rana Foroohar

The US economy has done far better over the past few years than many would have expected, particularly given the multiple headwinds from the pandemic, US-China decoupling, the war in Ukraine and general political chaos in Washington.

The country has enjoyed an almost immaculate economic cooling, along with a still-robust jobs market and good overall gross domestic product growth. Particularly when compared with other countries, the US economy looks as good as it could be right now. However, there is one conspicuous fly in the ointment – housing.

You can see it in last week’s consumer price index numbers, which showed inflation to be a bit higher than was forecast. The main culprit, aside from ever-volatile food and oil prices, was housing. The shelter index portion of the CPI was up 7.2 per cent over the past year, accounting for more than 70 per cent of the total increase in all items, aside from food and fuel.

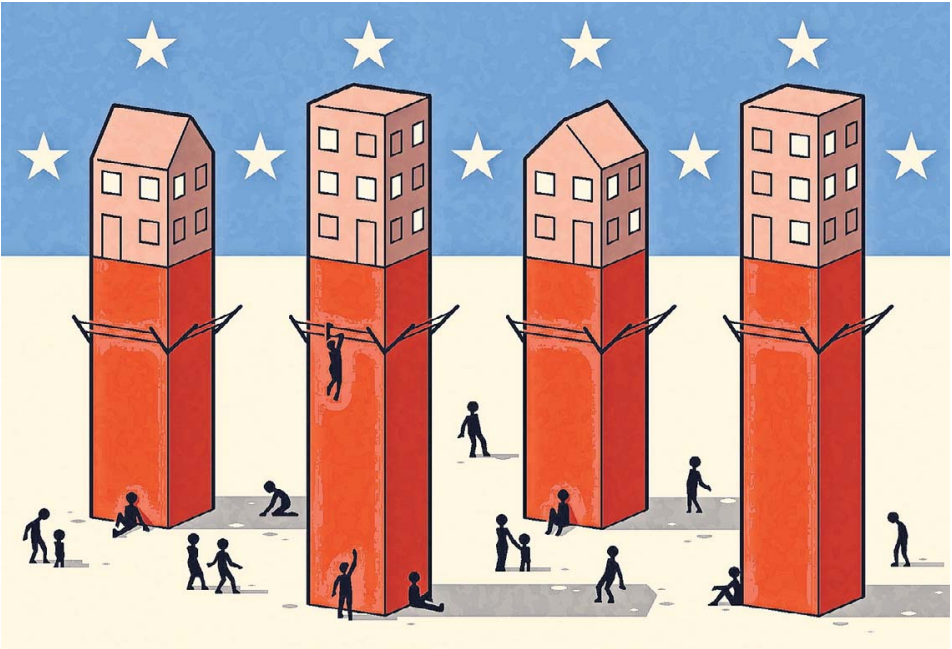
The inflation numbers raise the prospect of another Federal Reserve interest rate rise in the future, at a time when Wall Street was betting that hikes were over.

But would that be the best policy solution for the housing problem in the US? There’s a strong argument to be made that the answer is no. For some time now, the core inflation story in America has been all about housing. Unlike other markets, including the UK, where prices have dropped 13.4 per cent in real terms from their March 2022 peak, the American housing market is not cooling, despite multiple interest rate hikes.

Indeed, you can argue that rate rises have made things worse in housing markets. How is this to be explained? Start with the fundamental problem, which is too little housing supply relative to demand in the US. The country’s housing production hasn’t kept pace with household formation since the Great Financial Crisis of 2008, when the number of housing unit starts dropped off a cliff. Since then, demand has far outpaced supply, leaving the US millions of units short of what its population needs.

Part of this is about nimbyism, meaning the “not in my backyard” approach to housing policy at a local level. While plenty of Americans in big cities such as New York, Los Angeles or San Francisco would agree that there’s a need for more affordable housing, and indeed more housing in general, few prosperous homeowners (or even renters) would vote to locate such a project near them.

Studies have found that city politics around zoning tends to favour the opponents of plans rather than the developers. This is a key reason that housing remains constrained.



This problem is being further fuelled by an influx of migrants to sanctuary cities in the US, where shelter is in theory guaranteed but in practice is not available. There are also lingering issues with inflation on materials and labour since the pandemic. These have either deterred new home construction or simply made it unaffordable.

Housing is, in many ways, America’s last remaining supply chain problem. Fuel prices are up, as well, though that issue will eventually be resolved as US wells pump more and Opec adjusts supply. But the problem of housing inflation, which has been unwittingly exacerbated by the Fed, won’t go away any time soon. The home price/mortgage rate arbitrage is working against homeowner mobility.

The matter, which has been unwittingly exacerbated by the Fed, won’t go away any time soon

The current 30-year fixed mortgage rate in the US is around 8 per cent. That’s up from under 3 per cent in 2021. Meanwhile, the median house price is up 29 per cent, from \$322,000 in 2020 to \$416,000 today. Add to this the fact that many homeowners locked in very, very low rates over the past few years. Unless you are about to see your rate reset, it’s extremely hard to justify moving.

My husband and I, for example, have a variable rate of 2.875 per cent that won’t be reset till 2031. With my second child about to leave for college next year, I would love to downsize from the family home and move in to something smaller. But the combination of a still frothy housing market, coupled with high mortgage rates and the overall tax burden associated with home sales in places such as New York, means that it doesn’t make financial sense for us to leave – we would pay more for much less.

This is the dynamic that is keeping prices high, even in the face of higher rates. And it’s a recipe for continued

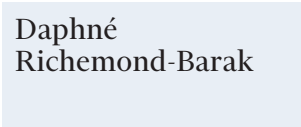
inflation, particularly if rates continue to rise.

Some economists are now calling on the Fed to rethink its traditional approach based on this confluence of factors. “I have moved from scratching my head, to being annoyed, to frankly being livid at central banker devotion to cyclical models that simply don’t apply to the post-pandemic era,” says Dan Alpert, managing partner of Westwood Capital. Alpert is a professor at Cornell Law School who has long advocated that the Fed should think more creatively about housing market inflation when considering new rate rises.

If the current paradigm of high prices, high rates and insufficient supply continues, something will have to give. We may not see a major housing market correction in the US soon, given how many people are locked into low rates, but unless a lot more homes are built in the next few years, it will be very difficult to manage America’s housing affordability crisis.

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Israel faces a vicious underground battle against Hamas



Israel awoke last weekend to a new and shocking reality that few had believed possible: attacks by Hamas on its most vulnerable, involving medieval levels of brutality on top of the already-painful conflict with the Palestinians.

Now, with air strikes, warnings for civilians in the Gaza strip to move south and preparations for a ground offensive against Hamas militants under way, Israel faces an enormous challenge – how to dismantle an entrenched, well-prepared, and resourceful enemy that plans, moves and operates mainly underground.

Hamas is an army built for urban warfare, embedded within the civilian population in Gaza. When it fires rockets over the border into Israel, it provokes a response which will land amid the civilian infrastructure of schools,

mosques and residential neighbourhoods. One of the group’s main command-and-control centres is believed to be located beneath Gaza’s al-Shifa Hospital, and its roads are hundreds of kilometres of underground tunnels honeycombing the 40-kilometre-long Gaza Strip. Its communications lines are largely non-electronic. Inevitably, and by design, striking any of these assets results in significant collateral damage – with a huge humanitarian cost.

The challenges of fighting Hamas are not unprecedented. The US faced similar dilemmas battling Iraqi militants in Fallujah. Israel itself has confronted Hamas on no fewer than five occasions since it withdrew from the Gaza Strip in 2005. But the combination of urban warfare in Gaza’s densely-populated towns and refugee camps, and the presence of kilometres of tunnels beneath, makes for a uniquely complicated battlefield.

So how will the Israel Defense Forces’ new operation be different? Israel’s strategy has changed. In previous rounds of fighting, ceasefires were

reached after days or weeks of air strikes and limited ground incursions, on terms generally accepted as Israeli victories and Hamas defeats. In each case, Israel inflicted significant blows, but Hamas retained most of its military underground apparatus, where its leaders and fighters have sheltered.

This time – having suffered a surprise attack more destructive than that of the 1973 Yom Kippur war – Israel is seeking total victory. The IDF will not be content to see Hamas merely surrender or cede to a ceasefire; the goal is the destruction of the organisation as a military threat.

But Hamas will have been preparing for months, if not years, for an IDF ground incursion in response to its atrocities. The group will have watched

and learnt from the experiences of terrorist groups in Syria and Iraq, including Isis, and also from its own previous battles. It knows how to navigate sustained combat in this terrain. Below the surface, it has the upper hand, possessing perhaps the most extensive underground warfare capabilities in the world.

The obstacles to fighting in and around tunnels cannot be overstated. The IDF only has limited intelligence on their location, routes and the activity that takes place inside them. Below ground, traditional GPS, surveillance and night vision systems do not work. Tunnels increase the risk of surprise attack, kidnapping, booby traps and one-to-one combat. Few soldiers can operate in this claustrophobic, dark and volatile environment. In short, the tunnels are a great equaliser, neutralising Israel’s advantages in weaponry, tactics, technology, and organisation. The IDF learnt this painfully in the 2014 operation Protective Edge.

Given these realities, Israel would need to engage in a prolonged and extensive air and ground operation to

degrade this underground infrastructure. Collapsing, flooding, exploding and sealing the tunnels, bunkers and bases that pocket Gaza’s 365 square kilometres would take many months, requiring huge resources and sustained operational supremacy. And all of this while under fire from Hamas operatives exploiting their strategic advantage below the surface. Even in such a scenario – which would come at an unthinkable human cost – it is unlikely that the entirety of Gaza’s tunnel network would be destroyed.

It seems far more realistic that Israel will reframe its objectives over time to focus on more achievable goals, while maintaining domestic and international support. It can degrade Hamas’s military and political leadership in ways that weren’t possible in previous rounds of conflict, and refocus on its defences. Crucially, it must sharpen its capabilities to prevent such a surprise attack from ever happening again.

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