FINANCIAL TIMES

WEDNESDAY 11 JANUARY 2023 INTERNATIONAL NEWSPAPER OF THE YEAR ASIA

A call to end poor nations' vicious debt cycle
MARTIN WOLF, PAGE 17

Election call
Peru protests leave 17 dead

Hugo Courotto/Reuters

A demonstrator waves the Peruvian flag yesterday following clashes between security forces and protesters demanding the release of jailed former president Pedro Castillo in Juliaca, southern Peru.

At least 17 people were killed on Monday when 9,000 demonstrators tried to storm Juliaca's airport. They were demanding fresh elections and Castillo's reinstatement.

Thirty-nine civilians have been killed in the unrest since Castillo was arrested in early December and President Dina Boluarte took office, according to Peru's independent human rights office.

The defence ministry said 75 police officers had been injured. Protesters, mainly in poorer provinces where Castillo retains strong support, have blocked roads and disrupted airports.

Boluarte is Peru's sixth president since early 2018.

Deadly clashes page 3

Briefing

▸ **Biggest US banks reap fresh reward from lending**
JPMorgan, Bank of America, Citigroup and Wells Fargo have generated combined interest income for the final quarter of last year of \$60bn.— PAGE 6

▸ **Bolsonaro set for return**
Former Brazilian president Jair Bolsonaro has said he will leave the US within weeks, after facing fire in the wake of an attack by supporters on Brasília.— PAGE 4

▸ **Paris lifts retirement age**
Emmanuel Macron's government has unveiled plans to raise the threshold by two years to 64 in a shake-up that is likely to trigger strikes.— PAGE 2; FT VIEW, PAGE 16

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Wagner's contract militia has stepped up attacks on Soledar and may have taken charge of the town in a rare gain for Moscow.
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▸ **Global recession alert**
The World Bank has warned that the international economy is "on a razor's edge" as it unveiled its latest global growth projections.
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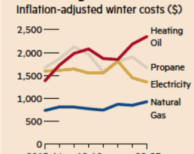
▸ **Airbus retains jet crown**
The European aerospace group has retained its lead over US rival Boeing for the fourth year in a row, despite supply chain snags that cut its deliveries.— PAGE 6

Datawatch

US heating bills
Inflation-adjusted winter costs (\$)



Source: US Energy Information Administration

Families are set for a higher-than-normal rise in energy costs due to steeper prices and a cold winter. While electricity and propane prices are set to fall, and heating oil to rise sharply, nearly half of families rely on gas, which is set to rise 9 per cent

Goldman Sachs launches into biggest cost-cutting drive since financial crisis

● Private jets and tech unit in frame ● Axe poised to fall on 3,000 jobs ● Bankers learn fate today

JOSHUA FRANKLIN — NEW YORK
STEPHEN MORRIS — LONDON

Goldman Sachs has embarked on its biggest cost-cutting exercise since the financial crisis, with the Wall Street lender reviewing spending on everything from its private jets to expenses at a new technology and consumer unit.

The spending review comes as Goldman starts to implement more than 3,000 job cuts, with many employees in London and New York due to learn their fates today. Investment bankers are also bracing themselves for a reduction of 40 per cent or more in annual bonuses.

Ericka Leslie, the bank's chief administrative officer, has emerged as a key figure in the review under the direction of president John Waldron, according to multiple people briefed on the matter.

The exercise comes as the lender prepares for a potential recession and another year of lacklustre M&A and capital markets activity.

One of the more sensitive areas Leslie is probing is Goldman's spending on two Gulfstream jets, the people said. The lender bought the aircraft in 2019 under the direction of chief executive David Solomon, reversing a longstanding policy of renting planes from NetJets.

The decision not to own its own jets

> Staff are also bracing themselves for a reduction of 40 per cent or more in their annual bonuses

and rent them instead had been a point of pride for some of Goldman's more parsimonious old guard, although when the bank acquired the aircraft it said the move would lower costs.

The bank is also reviewing expenses for travel across the bank, conferences and outside vendors, one of the people said. "We're looking at expenses in every corner of the firm, so it's ridiculous to focus on any single segment or line item," Goldman said.

Solomon, chief executive since 2018, has been unable to bridge a stock market valuation gap which has opened up with longtime rival Morgan Stanley.

He is under pressure to reduce costs after net profit slid 44 per cent in the first nine months of the year. That left Goldman struggling to generate a return on tangible equity of more than 14 per cent, a key profitability target set by Solomon in 2020. It was increased to between 15 and 17 per cent last year.

The cost review marks an abrupt reversal from the largesse of 2021, when Goldman and Wall Street peers went on a hiring spree during a historic dealmaking and trading boom in the second year of the Covid-19 pandemic. Amid a fierce war for talent, Goldman boosted salaries for first year staff to \$110,000 and increased the bonus pool for investment bankers by more than 40 per cent.

However, the drop in revenue last year was felt more keenly by Goldman because it has a greater reliance on income from M&A advice than its peers.

Leslie will work closely with fellow Goldman executive Stephanie Cohen setting up a consumer and technology unit named Platform Solutions, with a focus on controlling the unit's costs.

Cohen was co-head of Goldman's now-defunct consumer and wealth management division and has been assigned to run the new unit. The division includes its credit card partnership with Apple and General Motors as well as its online lending business GreenSky, which it acquired last year for \$2.2bn.

Goldman is planning to go ahead with a Miami "off-site" next month for several hundred new and existing partners, according to people familiar with the matter. The bank views the meeting as important for partners to discuss the direction of the business and it will be scaled back, one of the people said.

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Questions of existence torment Wirecard witness

Analysis ▸ PAGE 9

Crypto's dark times drive Coinbase to slash another fifth of workforce

NIKOU ASGARI AND
SCOTT CHIPOLINA — LONDON

Coinbase, the US-listed cryptocurrency exchange, is to cut a fifth of its workforce as the crisis sweeping through the digital assets market triggers another round of job cuts in the industry.

Brian Armstrong, chief executive, said yesterday that Coinbase would cut 950 jobs and shut down several riskier projects to ensure it could "weather downturns in the crypto market".

Coinbase is making the move as the industry's biggest players are buffeted by a prolonged downturn in the prices of popular coins such as bitcoin. Consumer confidence has been further rocked by the implosion of the FTX derivatives exchange in November.

The cuts at Coinbase follow extensive job losses already announced this year at rival exchange Huobi, crypto-focused US bank Silvergate and digital asset lender Genesis.

It is the second big round of job cuts at Coinbase, which thinned its workforce by about a fifth, or 1,100 employees, last year. Other exchanges also cut jobs six months ago to combat the severe downturn in trading volumes as token values dropped sharply.

Armstrong said the decision to cut more jobs was based on its planning for projected annual revenues.

"As we examined our 2023 scenarios, it became clear that we would need to reduce expenses to increase our chances of doing well in every scenario," he wrote on a corporate blog.

Coinbase added that earnings before interest, taxes, depreciation and amortisation for 2022 would be in line with its previous guidance for a loss of no more than \$500mn. However, it will incur \$149mn to \$163mn in restructuring expenses for its latest job cuts.

"Dark times also weed out bad companies, as we're seeing right now," Armstrong said, adding that Coinbase was "well capitalised" and that cryptocurrencies were not "going anywhere".

Analysts at Mizuho Securities said: "While this creates a near-term filler for Coinbase's dwindling operating leverage, it does not help fix the number one problem: deteriorating volumes amid retail crypto trading fatigue."

The announcement adds another layer to Coinbase's difficult start to 2023. Last week, it reached a \$100mn settlement with New York regulators over anti-money laundering failures.

Coinbase shares were 7 per cent higher in New York after rising 15 per cent on Monday.

Australia	A\$7.00(inc GST)
China	RMB30
Hong Kong	HK\$33
India	Rup220
Indonesia	Rp45,000
Japan	¥650(inc JCT)
Korea	W4,500
Malaysia	RM11.50
Pakistan	Rupee 350
Philippines	Peso 140
Singapore	S\$5.80(inc GST)
Taiwan	NT\$140
Thailand	Bht140
Vietnam	US\$4.50

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World Markets

STOCK MARKETS

	Jan 10	Prev	%chg
S&P 500	3894.85	3892.09	0.07
Nasdaq Composite	10652.35	10635.65	0.16
Dow Jones Ind	33546.81	33517.65	0.09
FTSEurofirst 300	1761.03	1771.30	-0.58
Euro Stoxx 50	4056.67	4068.62	-0.29
FTSE 100	7694.49	7724.94	-0.39
FTSE All-Share	4204.39	4221.46	-0.40
CAC 40	6869.14	6907.36	-0.55
Xetra Dax	14774.60	14792.83	-0.12
Nikkei	26175.56	25973.85	0.78

CURRENCIES

Pair	Jan 10	Prev	Pair	Jan 10	Prev
\$/€	1.073	1.074	€/\$	0.932	0.931
\$/£	1.215	1.219	£/\$	0.823	0.820
£/€	0.883	0.881	€/£	1.132	1.135
¥/\$	132.185	131.920	¥/€	141.808	141.702
¥/£	160.565	160.831	£ index	78.104	77.880
SFr/€	0.990	0.987	SFr/£	1.121	1.120

CRYPTO

	Jan 10	Prev	%chg
Bitcoin (\$)	17325.30	17176.00	0.87
Ethereum	1331.67	1320.15	0.87

GOVERNMENT BONDS

Yield (%)	Jan 10	Prev	Chg
US 2 yr	4.27	4.20	0.08
US 10 yr	3.63	3.51	0.12
US 30 yr	3.77	3.66	0.11
UK 2 yr	3.53	3.49	0.04
UK 10 yr	3.56	3.52	0.03
UK 30 yr	3.91	3.94	-0.04
JPN 2 yr	0.03	0.01	0.02
JPN 10 yr	0.51	0.50	0.01
JPN 30 yr	1.65	1.60	0.05
GER 2 yr	2.64	2.60	0.04

France

Macron plans retirement age increase to 64

President's long-promised reform likely to stoke strikes across country

LEILA ABBOUD — PARIS

Emmanuel Macron's government is to raise the retirement age by two years to 64 by 2030 as part of a broader overhaul of France's costly pension system that is likely to trigger strikes later this month.

The plan, presented by Prime Minister Élisabeth Borne yesterday, stopped short of raising the age to 65 as Macron had promised last year when running for re-election.

Instead, it tweaked the other parameter that affects workers' retirements by requiring people to pay into the system for 43 years instead of about 41 now if they are to qualify for a full pension.

In a bid to win support, the draft law, which will be presented to parliament in the coming weeks, will also include sweeteners. These include an increase in the minimum pension to about €1,200 a month from around €900 now and concessions for older people with physically demanding jobs.

Borne urged unions and opposition parties to face the reality that France's pension system, which relies on active workers to fund the payments, would be plagued by deficits as the population ages in the coming decades.

Borne said the system had to "evolve to ensure its future", stressing that other European countries had raised their retirement ages. "I know French people are worried about the changes, and we want to explain it and convince them."

But with polls showing about 70 per cent of the public opposed and unions planning nationwide protests to begin next week, passage will be difficult.

'If for Emmanuel Macron this is the mother of all reforms, then for us it is the mother of all battles'

Given that Macron's centrist alliance lost its majority in June elections, it will need the votes in parliament of the conservative Les Républicains, who have indicated they are open to backing the law. Leftwing parties and Marine Le Pen's far-right Rassemblement National are staunchly opposed to raising the retirement age, saying blue-collar workers will be unfairly penalised because they often start jobs earlier.

The battle is shaping up to be a key test of Macron's reformist credentials and a defining moment of his second term. He was forced to abandon a more ambitious version of pension reform after months of strikes and the arrival of the Covid-19 pandemic in 2020. His allies say he sees getting it done this time as key to his pro-business agenda.

Frédéric Souillot, head of the far-left Force Ouvrière union, put the government on notice earlier this week that unions were willing to shut down the economy to stop the pensions law.

"If for Emmanuel Macron this is the mother of all reforms, then for us it is the mother of all battles," he said.

Far-left leader Jean-Luc Mélenchon called the proposal a "grave social regression", while Le Pen called it "unjust" and said the French could count on her party's "total determination" to block it.

Without changes to the retirement system, France is set to record an annual deficit of up to 0.8 per cent of annual economic output during the next decade, according to a recent report from a governmental pension advisory panel.

But the government said its plan would generate an estimated €17.7bn in annual savings by 2030 and return the system to an annual surplus, instead of a deficit of €13.5bn if nothing were done.

See FT View

Regional election. Political division

Resurgent Freedom party leads Austrian polls

Energy crisis, rising cost of living and immigration push voters towards the far right

SAM JONES — ZURICH

There are so many asylum seekers in the city of Sankt Pölten in north-east Austria, thundered the regional chief of the far-right Freedom party, that a "second Sankt Pölten" would soon have to be built.

"That raises the question of what it should be called," Udo Landbauer continued as he gave a speech outside a police station in the tiny town of Nickelsdorf on the Hungarian border: "Sankt Islamabad or Rape Town?"

Just a few months ago, such inflammatory language, which aims to stoke prejudices among Austrians about immigrants, was a relative rarity in the political mainstream. But the Freedom party (FPÖ) is gaining momentum as fears grow about the cost of living as well as migration, and the EU member state is shifting to the right once more.

Shortly after Landbauer's November speech, polls showed the FPÖ had become the most popular party. The latest surveys last month showed it to be the first choice of about 28 per cent of voters, up from 11 per cent in mid-2020.

That compares with 25 per cent for the opposition, the Social Democrats, and 21 per cent for the centre-right People's party (ÖVP), which governs in coalition with the Green party. The Greens were backed by 10 per cent.

"The core [FPÖ] message, which is all about 'us down here versus him up there', was in ashes just a couple of years ago," said Thomas Hofer, an Austrian political analyst. "But the Freedom party has very carefully revived that and now they have a huge amount going in their favour."

On December 8, the government blocked the accession of Bulgaria and Romania to the Schengen free-travel area — a move that was condemned by many businesses and liberal politicians, as well as by European allies. The decision was almost entirely down to the ÖVP's fear of the FPÖ's resurgence, said People's party insiders and government policymakers.

The Social Democrats, meanwhile, endorsed the decision even though Pamela Rendi-Wagner, the party leader, had spent the summer insisting the notion of a migration crisis was a myth.

Main street: shoppers in old Vienna, where inflation is being exploited by far-right figures such as Udo Landbauer, below — Nina Riggio/Bloomberg

The FPÖ is set to record more concrete gains this month: the once dominant ÖVP is expected to lose control of the state government of Lower Austria in a bellwether regional election. The loss of the region, which includes Sankt Pölten, would damage the ÖVP because Lower Austria is the political heartland of Karl Nehammer, the party's leader and Austrian chancellor.

It is five years since the FPÖ was last in government, as junior coalition partner alongside the ÖVP. The experiment ended 18 months later when Heinz-Christian Strache, then FPÖ leader and former vice-chancellor, was caught on tape trying to solicit Russian money in exchange for political favours.

Former chancellor Sebastian Kurz, the ÖVP's then party leader, never fully recovered from the scandal, and after a probe by state prosecutors widened to throw into question the activities of his own close associates, he resigned.

In the meantime, the FPÖ, a fixture in Austrian politics with 66 years of experience and five stints in national government, has quietly rebuilt support. Austria's next general election must be held by the end of next year.

An electorally risky opposition to Covid-19 pandemic restrictions — dismissed by centrists at the time as crankery — evolved into a broader anti-establishment policy platform that has re-energised the party.

This winter's inflation and energy crises — Austria used to rely heavily on Russian gas — further boosted its popularity among disaffected voters. With immigration once more on the rise, some pollsters believe the stage is set for a more enduring resurgence of the FPÖ at the forefront of Austrian politics.

"A lot of the electorate are very, very bad tempered at the moment," said Marcus How, head of research at political risk consultancy VE Insight. "The landscape is ripe for populists to take advantage of."

'A lot of the electorate are very, very bad tempered at the moment'
Marcus How, VE Insight

The FPÖ playbook is not new, but the scale of social and economic problems facing Austria, in common with many of its neighbours, means political uncertainties are greater than ever, say analysts. An annual poll conducted by the Sora social research institute at the end of November showed two-thirds of Austrians to be unhappy with their political system and institutions.

According to How, the situation is less the result of the FPÖ's success than of the failure of the centre. "The FPÖ is almost in first place by default," he said.

Attempts by the political mainstream to win back electoral credibility by plagiarising the FPÖ's strategy are likely to be counterproductive, he said.

"When you have both the Social Democrats and the People's party copying the FPÖ, proposing populist solutions for complex problems, why would voters go for the copycats and not the real thing?" he added.

Growth forecast

World Bank warns global economy teetering on recession

JONATHAN WHEATLEY — LONDON

The global economy is "on a razor's edge" and risks falling into recession this year, World Bank officials have warned as the institution unveiled its latest projections for global growth.

The Washington-based organisation expects the world economy to grow just 1.7 per cent this year, a sharp fall from an estimated 2.9 per cent in 2022, according to the latest edition of its twice-yearly Global Economic Prospects report, published yesterday.

"The risks that we warned of six months ago have materialised and our worst-case scenario is now our baseline scenario," said Ayhan Kose, the World Bank economist responsible for the report. "The world's economy is on a razor's edge and could easily fall into recession if financial conditions tighten."

If the World Bank's gloomy prognosis was realised, the current decade would become the first since the 1930s to experience two global recessions.

The report follows similarly stark forecasts from the IMF. Kristalina Georgieva, the fund's managing director, said last week that a third of the global economy would be marred by recession this year.

The World Bank has lowered its growth forecasts for 95 per cent of advanced economies and more than 70 per cent of emerging market and developing economies, compared with six months ago. "There is a lot of debate about whether the US and the eurozone will go into recession," Kose said. "But whether they do or not in technical terms, they are going to feel like they are experiencing a recession."

Advanced economies will grow just 0.5 per cent this year, down from an estimated 2.5 per cent last year, the bank warned. In the rest of the world, growth is expected to be unchanged at 3.4 per cent. But excluding China, developing countries will grow by 2.7 per cent this year, down from 3.8 per cent in 2022.

The report blamed high inflation, high interest rates, reduced investment and disruptions caused by Russia's invasion of Ukraine in late February for the downward revisions in its outlook.

The recent fall in energy prices would provide some relief, Kose said. Thanks partly to a warm European winter, natural gas is trading below its level before the war caused prices to surge. While headline inflation would fall back as a result of lower energy costs, core inflation — which excludes changes in volatile items such as energy and food — remained a concern.

"There is a large menu of risks confronting our new baseline," Kose said. The biggest threat to growth was that central banks would raise interest rates further to tackle inflation, and keep them high until inflation was "persistently" under control.

Global interest rates averaged 5 per cent, he said. A 1 percentage point increase would reduce global growth this year from 1.7 per cent to 0.6 per cent, with per capita output contracting 0.3 per cent, once changes in population were taken into account. That, he said, met "the technical definition of a global recession".

Martin Wolf see Opinion

FINANCIAL TIMES
6th Floor, Nan Fung Tower
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Subscriptions and Customer Service
Tel: (852) 5803 3388, subseasia@ft.com

Advertising
Tel: (852) 2868 2863 asiaads@ft.com, www.ftasia.net

Letters to the editor
letters.editor@ft.com

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US central bank

Fed will not become a climate policymaker, says chair Powell

COLBY SMITH — WASHINGTON
DELPHINE STRAUSS — LONDON

Jay Powell has said the Federal Reserve will not become a "climate policymaker", as he defended the US central bank's independence from political influence.

In a speech in Stockholm yesterday, the Fed chair said the central bank must steer clear of issues outside its congressionally mandated purview and maintain a narrow focus on keeping consumer prices stable, fostering a healthy labour market and ensuring the safety of the country's banking system.

"It is essential that we stick to our statutory goals and authorities, and that we resist the temptation to broaden our scope to address other important social issues of the day," he said at a conference hosted by Sweden's central bank.

the Fed of overreaching its mandate by pledging to consider climate-related financial risks, an area in which Powell said yesterday the central bank had "narrow, but important, responsibilities" tied to bank supervision.

"The public reasonably expects supervisors to require that banks understand, and appropriately manage, their material risks, including the financial risks of climate change," he added.

In a panel afterwards, Mervyn King, a former governor of the Bank of England, said central bank independence was a "great responsibility and cannot be misused by trying to creep into areas which have not been explicitly delegated by the appropriate political process".

"I worry that people, in the great enthusiasm for doing good, are actually putting at risk central bank independence," he said of climate-related issues.

remit to include policing of climate risks. Mark Carney, another former governor of the BoE, has been the leading supporter of such a shift.

Powell yesterday said central bank independence was particularly important if the Fed was to succeed in its battle to tame inflation, which is still running at multi-decade highs.

"Restoring price stability when inflation is high can require measures that are not popular in the short term as we raise interest rates to slow the economy," he said. "The absence of direct political control over our decisions allows us to take these necessary measures without considering short-term political factors."

Since March, the Fed has raised its benchmark rate from near-zero to just under 4.5 per cent and plans to further squeeze the economy this year. Fed governor Michelle Bowman yesterday told the Florida Bankers Association the central bank still has "a lot more work to do" in terms of tightening. She added the size of the forthcoming rate increases and the eventual stopping point will depend on the data. "I will be looking for compelling signs that inflation has peaked and for more consistent indications that inflation is on a downward path," she said.

At the Stockholm event, European Central Bank executive board member Isabel Schnabel said monetary policymakers should press ahead with interest

INTERNATIONAL

Ukraine's resolve steeled by signs of agreement on battle tank deliveries

West urged to clear 'mental hurdle' by providing Kyiv with modern armour to see off invaders

Sharp end: a Ukrainian tank crew in the eastern region late last year. Kyiv insists modern armour is critical to its war effort Sameer al-Doumy/AFP/Getty

BEN HALL — LONDON
JOHN PAUL RATHBONE — KYIV
LAURA PITEL — BERLIN

Hours after the US and Germany agreed last week to send scores of armoured infantry fighting vehicles to Ukraine, Kyiv made clear what it really wanted. "To win faster, we need tanks," the defence ministry said on Twitter.

Rather than ingratitude, the tweet was a sign of growing confidence in the Ukrainian capital that repeated demands for western battle tanks are starting to bear fruit.

The UK is assessing whether to provide its Challenger 2 modern battle tank. Mateusz Morawiecki, Poland's prime minister, said at the weekend he was "in negotiations aimed at creating a broader coalition of countries" to deliver western tanks to Kyiv. A Polish official said Warsaw was prepared to provide a dozen of its 240 German-made Leopard 2s.

"Tanks are the next mental hurdle that the west needs to overcome in order to actually help Ukraine," said Yuriy Sak, an adviser to Ukraine's defence minister. Sak hoped western defence chiefs could agree to supply tanks at their next meeting in the so-called Ramstein format on January 20 to co-ordinate military aid to Kyiv.

Kyiv needs heavy armour for joint operations by tanks, infantry and artillery to retake territory occupied by Russia and to fend off a renewed offensive by Moscow this year. Russian forces are bearing down on the Donbas city of Bakhmut, intensifying their assault on neighbouring Soledar and forcing Ukraine to send in reinforcements.

"The force ratios between Russians and Ukrainians are too finely balanced," said a western official. "Someone needs to break the deadlock especially if they [Ukraine] are to win territory back and go on the offensive. Main battle tanks and armoured personnel carriers are part of the mix."

Modern battle tanks such as the US-made Abrams or Leopard 2 were more powerful, had better armour and greater firing ranges than the estimated 300 Soviet-era tanks that Poland, Slovenia, Macedonia and the Czech Republic had sent to Kyiv, said Sak. "These issues are crucial when it comes to counter-offensive, which is where we are at now," he said. "Two hundred tanks would . . . make a difference — just as [US supplied] Himars precision missiles have made a difference."

The supply of advanced armoured vehicles including tanks suggests Ukraine's allies are prepared to do more to help Kyiv liberate its territories despite Russian warnings of escalation.

"I think that the delivery of infantry fighting vehicles was the Rubicon and that the donation of main battle tanks is only a matter of time," said Konrad Muzyka, director of Rochan Consulting in Poland, which monitors the war.

On top of the modernised Soviet T-72 tanks supplied by allies, Kyiv has captured more than 500 Russian tanks since February, according to Oryx, an open-source intelligence outfit, though it is unclear how many were salvageable. Oryx calculates that Ukraine has lost 441 of its own.

Most western analysts think that the diesel-powered Leopard 2 is better suited to Ukraine's needs than the Abrams, the Challenger 2 or France's Leclerc. The Leopard is used by 13 European armies, which provides a large pool to draw on, as well as multiple training and maintenance capabilities.

> 'The donation of main battle tanks is only a matter of time'

The US has resisted supplying Abrams out of concerns Russia could see the move as an escalation and that the gas-turbine tanks would be challenging to operate, fuel and maintain.

Germany has refused to supply its Leopards, fearing it could drag Nato into the conflict. Chancellor Olaf Scholz has said Germany will "not go it alone" but is under growing pressure from his coalition partners to give way. They have seized on France's decision last week to send Ukraine AMX-10 "tank killer" armoured vehicles that French officials and some analysts say is a light tank.

Robert Habeck, Scholz's deputy from the Green party, has said he would not rule out tank deliveries. Marie-Agnes Strack-Zimmermann, the Free Democrat chair of the German parliament's defence committee, said Berlin should start preparations to work with allies to supply Kyiv with Leopards.

"The more clearly we support Ukraine and the more clearly we signal to [Vladimir] Putin that we will not let up with this support, the higher the chance that this war will end," said Anton Hofreiter, a Green MP and chair of the Bundestag's EU committee.

Germans appear more cautious, according to a survey on Friday by the pollster Insa for the Bild am Sonntag newspaper. Only 38 per cent of respondents were in favour of the government supplying Ukraine with battle tanks and 50 per cent against.

Kyiv's allies are in talks about assembling a consortium to supply the tanks and give Berlin cover to participate. Exports of Leopards would need German approval. Mustering 200 modern tanks for Ukraine — as many as France's entire force — could be a tall order. The Ukrainian army will also require training and logistical support. But Sak said Ukrainian soldiers "learn fast and we are confident that we can put in place the infrastructure needed to maintain and service main battle tanks".

See Opinion

Wagner mercenaries

Russia set for rare success with control of key town

JOHN PAUL RATHBONE — DNIPRO

Forces from Russia's Wagner contract militia stepped up their attacks on Soledar in eastern Ukraine and may have taken control of most of the town in an assault that could deliver Moscow its first military success since the summer.

Britain's Ministry of Defence said yesterday that Russian forces were "likely in control" of Soledar, whose capture would make it harder for Ukraine to hold nearby Bakhmut, a city that has gained symbolic importance for both sides and become the centre of fierce frontline fighting.

Russian attacks on Soledar were "likely an effort to envelop Bakhmut from the north, and to disrupt Ukrainian lines of communication", the UK's MoD said. However, "Russia is unlikely to envelop the town [of Bakhmut] imminently because Ukrainian forces maintain stable defensive lines in depth and control over supply routes".

Ukrainian forces have been dug in around Bakhmut for almost six months in an apparent change of tactics by Kyiv, which has so far largely eschewed pitched battles in favour of rapid manoeuvre and the use of precision missile strikes.

"Whenever Ukraine's forces fight Russian style, as 'little Soviets', it does not play to their strengths," a senior western military official said.

But Bakhmut has become a symbol of resistance for Kyiv and may also be a way to inflict heavy losses on Russian soldiers while more western military aid comes on stream.

"Due to the resilience of our warriors in Soledar, we have gained additional time and additional power for Ukraine," President Volodymyr Zelenskyy said on Monday during his regular evening address. "We do everything to ensure that there is as little time as possible between the agreement on additional support and the application of this support on the battlefield."

Soledar's capture by forces led by Yevgeny Prigozhin's Wagner mercenaries would represent Russia's first military success after a series of Ukrainian counteroffensives pushed them back in the north-east and south last summer.

The Ukrainian military said reinforcements had been sent to Soledar and everything was being done to fend off the enemy.

Apart from its symbolic significance, the capture of Bakhmut may have limited military benefit for Moscow, analysts said.

But Prigozhin, a powerful ally of President Vladimir Putin, may be eyeing Bakhmut's salt and gypsum mines, western officials have said. The fighting also ties up Ukrainian troops that could be deployed elsewhere against the regular Russian army.

Ukraine may have committed as many as 10 brigades around Bakhmut, a force equivalent to more than 30,000 troops, according to Konrad Muzyka of Rochan Consulting, an independent military consultancy based in Poland.

Additional reporting by Polina Ivanova

South America

Clashes at pro-Castillo protest leave 17 dead in rural Peru

JOE PARKIN DANIELS — BOGOTÁ

At least 17 people were killed in clashes with police in southern Peru on Monday, the bloodiest day since protesters took to the streets demanding the release and reinstatement of former president Pedro Castillo.

Analysts said the violence suggested the crisis engulfing Peru would continue to dog the government of president Dina Boluarte, who took office on December 7, hours after Castillo was arrested for attempting to pre-empt an impeachment vote in congress by seizing emergency powers.

Since Castillo's arrest, 39 civilians have been killed in unrest, according to the country's independent human rights office, while the defence ministry said 75 police officers had been injured. Protesters, mostly in rural and poorer provinces where Castillo has strong support, have blockaded roads and disrupted airports, although they took a break over Christmas.

Lawmakers were expected to hold a confidence vote in Boluarte's new cabinet yesterday, another test for the administration. She is Peru's sixth president since early 2018.

Bridging Peru's huge social divisions is one of Boluarte's most urgent priorities. While the world's second-largest copper producer has experienced political instability over recent years, its economic growth has been generally healthy.

But the headline figures mask gaping inequality, with most of the country's wealth and investment concentrated in Lima, the capital. To his supporters, Castillo, a former primary school teacher and farmer from rural Chota province in the northern Andes, represented a break with the status quo.

Polls by the Institute of Peruvian Studies in late November found that Castillo maintained the support of 45 per cent of rural areas, but only 31 per cent of the whole country. In a bid to calm protesters, Boluarte proposed bringing forward elections from 2026 to

Middle East

Egypt pledges to cut military's role in economy for IMF cash

ANDREW ENGLAND
MIDDLE EAST EDITOR

Egypt has committed to reducing the military's role in the economy as part of its $3bn IMF bailout package, as the Arab state grapples with a foreign currency crisis, a weakening pound and rising inflation.

The IMF said in a statement yesterday that "critical" structural reforms Cairo had agreed to included "levelling the playing field between the public and private sector" as part of a state ownership policy endorsed by President Abdel Fattah al-Sisi.

The fund said that the policy would cover all state-owned enterprises, including "military-owned companies", in a rare acknowledgment by the IMF about how the army had expanded its footprint across the economy since the former army chief seized power in a 2013 coup.

Under the policy, the government would define sectors that are "strategic"

improve transparency. The ministry would ensure open access to the data, the fund said.

Economists and Egyptian businessmen have long complained that the military's role in the economy crowded out the private sector and scared away foreign investors. The army, the country's most powerful institution, is exempted from some taxes and its businesses are notoriously opaque.

Sisi identified the military as the main vehicle to help rebuild the broken economy after the turmoil triggered by the 2011 revolution that toppled veteran president Hosni Mubarak. It has since been put in charge of hundreds of infrastructure projects and expanded its interests in myriad sectors ranging from pasta to cement and beverages.

Sisi's regime has previously pledged to cut the military's role in the economy and privatise army-owned groups, but little progress has been made. Businessmen hope the scale of the current crisis will now force the authorities to act. The

Budget deficit

Moscow's record oil and gas revenues fail to cover war cost

ANASTASIA STOGNEI — RIGA

The war in Ukraine is costing Russia more than it took from record oil and gas revenues, with the country's budget gap widening significantly in 2022.

The public deficit for last year was 3.35tn roubles ($48bn) or 2.3 per cent of gross domestic product, said finance minister Anton Siluanov. Before Russia invaded Ukraine in February last year, Moscow had predicted a budget surplus of 1 per cent and in December it forecast a deficit of 2 per cent.

This official admission of worsening public finances comes despite record oil and gas revenues as a result of persistently high energy prices and Moscow's ability to redirect its oil exports to Asia.

In 2022, revenues grew 10 per cent year on year but overall spending soared by 26 per cent. Budget spending details for 2022 are not available publicly as the ministry classified them in June due to "the US, the EU and other unfriendly countries' pressure on Russia".

Moscow covered the deficit by redirecting money from its sovereign wealth fund, state borrowing and a windfall tax on Gazprom, the state gas monopoly.

"We have fulfilled all our planned tasks despite the geopolitical situation, restrictions and sanctions," Siluanov said at a government meeting. "We have increased the spending . . . and this money was primarily used to support people."

He mentioned increased pensions and a prolonged subsidised mortgage scheme but did not discuss the war. "We have also decided to finance some of the 2023 expenses in 2022 to sustain a stable budgeting process," he added.

The minister said that a 2.3 per cent deficit estimate included transfers to social security and other non-budget funds, which did not receive some payments due to respite granted to businesses by President Vladimir Putin.

Russia's conservative fiscal policies have helped to stabilise its fiscal position. But western sanctions that come

Public disorder

Bolsonaro plans return to Brazil in wake of riots

Former president poised to pre-empt possible expulsion from US

MICHAEL POOLER — SÃO PAULO

Brazil's former president Jair Bolsonaro said he was preparing to return home from the US within the next few weeks, after coming under fire in the wake of an attack on his country's capital by thousands of his radical supporters.

The far-right populist has been in Florida since the end of last year when his term in office ended, following election defeat to leftwinger Luiz Inácio Lula da Silva.

"I came [to the US] to stay until the end of the month [January], but I intend to bring forward my return," Bolsonaro told CNN Brasil.

After rioters calling for the overthrow of Lula's new government invaded the Congress, Supreme Court and presidential palace in Brasília on Sunday, the White House has faced calls from prominent politicians to expel Bolsonaro.

Critics in the US and Brazil have accused the former president of fomenting extremism and disrespect towards democratic institutions.

Bolsonaro, who is subject to multiple legal investigations in his home country, has distanced himself from the attacks, which he said "crossed the line".

But he appears to have pre-empted any potential expulsion from the US and is expected to travel back voluntarily.

The 67-year-old was admitted to a hospital on Monday with abdominal pains related to injuries sustained when he was stabbed on the campaign trail in 2018. Bolsonaro told CNN Brasil that doctors in Brazil were more familiar with his intestinal obstruction, which has resulted in previous hospital stays.

"I came to spend some time away with the family. But I did not have calm days.

'I came to the US to stay until the end of the month, but I intend to bring forward my return'

First, there was this regrettable episode [on Sunday] in Brazil and then this hospitalisation of mine," he added.

A person close to the Bolsonaro family said the former president wanted to seek treatment from medics in his homeland. The decision will remove a problem for the administration of US President Joe Biden. Democratic lawmakers Joaquin Castro and Alexandria Ocasio-Cortez are among those demanding Bolsonaro be kicked out.

Bolsonaro has rejected Lula's allegations that he encouraged the disorder. In scenes redolent of the US Capitol invasion two years earlier, perpetrators trashed government buildings, which were unoccupied because of a summer recess. Hundreds have been arrested and detained.

"Do not try to create a narrative of lies as if Bolsonaro had any connection with these irresponsible acts," Bolsonaro's son Flávio, a senator, said during a Senate session yesterday. His father had been "virtually incommunicado" since the election loss.

Renan Calheiros, a Brazilian senator, on Monday asked the Supreme Court for the "immediate" extradition of the former president, saying his involvement in the disorder was "undeniable".

Additional reporting by Carolina Ingizza

Global climate. Rising temperatures

Fifth warmest year brings weather extremes

Annual report shows Europe had hottest summer on record despite La Niña's cooling effect

CAMILLA HODGSON AND CHRIS CAMPBELL — LONDON
ALICE HANCOCK — BRUSSELS

Last year was the fifth warmest on record, with the average global temperature almost 1.2C above pre-industrial levels, according to the EU's earth observation programme.

The year was marked by 12 months of climate extremes, with Europe recording its hottest summer on record despite the presence for the third year in a row of the La Niña phenomenon that has a cooling effect, the Copernicus Climate Change Service found in its annual round-up of the global climate.

La Niña, the counterpart to the opposing El Niño weather pattern, involves the large-scale cooling of the Pacific Ocean's surface. But the likelihood of its current cycle extending into a fourth consecutive year is waning, according to Samantha Burgess, deputy director of Copernicus.

"Early indications are that La Niña is weakening," she said. "If this does occur then the 'temperature suppressing' impacts that La Niña is often associated with won't be present in 2023. Our expectation is that this year will be warmer than average. How much warmer . . . is impossible to tell."

In its report published yesterday, Copernicus said data indicated that atmospheric concentrations of the polluting greenhouse gases carbon dioxide and methane had reached their highest points in the satellite record in 2022.

Both the Arctic and Antarctic regions experienced all-time high temperatures during the year, with some parts of Siberia and the Antarctic Peninsula more than 2C above the average for the period 1991-2020 overall, Copernicus said.

Extreme weather events, including floods, fires and heatwaves, devastated communities around the world last year. Pakistan suffered catastrophic flooding, while the UK hit a record high of more than 40C in the summer and Europe, China and the US suffered simultaneous mid-year droughts.

The end of the year, meanwhile, brought biting cold to North America and unseasonably warm temperatures across much of Europe.

With every fraction of a degree of warming, weather extremes are expected to become more frequent and intense, scientists have warned.

Seeking relief: people cool down under a sprinkler in Krakow, Poland, last August as temperatures soared
Artur Widak/NurPhoto

"I was really surprised that we exceeded the hottest summer on record for Europe," said Burgess, noting 2021 was also a record year for the continent. "The climatology that we've seen in 2022 [shows] we're already on borrowed time."

The Paris Agreement climate accord commits nations to striving to limit warming to 1.5C above pre-industrial levels. But national emissions reduction plans put the world on track for warming of between 2.4C and 2.6C by 2100, the UN Environment Programme forecast last year.

"The record-breaking extreme events that we've been experiencing have made people more aware that the climate crisis is with us now," said Jennifer Francis, an atmospheric scientist at the US-based Woodwell Climate Research Center.

According to Copernicus, temperatures in Europe have risen by more than twice the global average over the past 30 years. This was partly due to the continent's proximity to the Arctic, which was warming about four times faster than the global average, said Burgess.

"A lot of [Europe's] weather systems are influenced by the jet stream and polar vortex," she said, referring to the two bands of strong winds that are key drivers of the weather in the northern hemisphere. When the Arctic was warming, "it generally means the winds and weather systems coming from that region are also warmer".

The scientists also found that the ferocious wildfires in France, Portugal, Spain and elsewhere between June and August drove up the EU's and UK's combined wildfire emissions to their highest level for the past 15 years.

Susanne Dröge, head of climate protection at UBA, the German environment agency, said "droughts, wildfires and heatwaves . . . can be curbed if developed countries reduce their greenhouse gas emissions immediately and drastically", adding: "We need the political will for bold action."

Despite the urgency of the problem, last year's COP27 climate summit ended in disappointment for many who said the agreement did not go far enough.

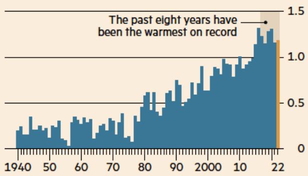
Henning Gloystein, director of energy, climate and resources at the consultancy Eurasia Group, said high global gas prices had prompted an increase in the use of more heavily polluting coal. "That's terrible news for world climate and highlights the urgent need for global co-operation," he said.

In January, the UK's Met Office confirmed that 2022 had been the nation's hottest year on record, with an average temperature of more than 10C for the first time.

'Our expectation is that this year will be warmer than average. How much warmer is impossible to tell'

Warming up

Annual global-average temperature (C) above the 1850-1900 reference level



ERA5 dataset
Source: Copernicus ECMWF

Environment

US fails to prevent further rise in emissions

DEREK BROWER — NEW YORK

US greenhouse gas emissions rose again in 2022, putting the country further behind Paris climate agreement targets despite the passage of sweeping clean energy legislation last year.

Emissions increased 1.3 per cent last year, according to preliminary estimates by environmental consultancy Rhodium Group, led by sharp increases from the country's buildings, industry and transport. The electricity sector emitted slightly less, largely due to natural gas replacing coal in power stations and increased use of renewable energy.

The 74mn-tonne increase in the US's carbon dioxide equivalent emissions last year was greater than the total emissions of some European countries, but far smaller than the 6.5 per cent leap (350mn tonnes) recorded in 2021 after authorities eased lockdowns imposed during the coronavirus pandemic.

The emissions trend put the US further out of sync with President Joe Biden's climate goals, Rhodium said in a report. Total US emissions of 5.6bn tonnes in 2022 maintain the country's status as the second-largest source of greenhouse gases after China.

"With the slight increase in emissions in 2022, the US continues to fall behind in its efforts to meet its target set under the Paris Agreement of reducing GHG emissions 50-52 per cent below 2005 levels by 2030," the report authors said. US emissions last year were just 15.5 per cent below 2005 levels.

Huge clean energy subsidies included in the Inflation Reduction Act passed by Congress last year could start to reduce the country's emissions as early as this year, Rhodium said, "if the government can fast-track implementation".

It added: "More aggressive policies are needed" to halve emissions by 2030. The group's report, based on preliminary economic and energy data, is the first major assessment of the US's emissions performance last year.

Late last year, the International Energy Agency said it expected total global CO_2 emissions from the burning of fossil fuels would rise by less than 1 per cent in 2022, as electric vehicle use and renewable energy capacity expanded.

International donors

Pakistan secures $9bn of pledges to aid recovery from floods

JOHN REED — NEW DELHI
FARHAN BOKHARI — ISLAMABAD

International lenders and governments have pledged more than $9bn to help Pakistan recover after floods last year displaced tens of millions and hit the country's economy, which is facing an energy crunch and dwindling foreign reserves.

After a donors' conference in Geneva on Monday hosted by UN secretary-general António Guterres and Pakistan prime minister Shehbaz Sharif, Islamabad said it had lined up pledges of $4.2bn from the Islamic Development Bank, $2bn from the World Bank and $1bn from Saudi Arabia to help it rebuild from the floods, which affected more than 33mn people.

The calamity was the latest in a series of blows over the past year to hit Pakistan's economy, which is running short of cash, more desperate. Its foreign exchange reserves have dwindled to $5.6bn, down from $10bn in June and covering just one month's worth of imports, according to official figures. In recent days, Pakistan's media, without naming sources, have widely reported the number has fallen to $4.5bn.

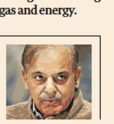
Analysts said that while the aid would help Pakistan recover and adapt to climate change-related disasters, the funds would do little to alleviate the immediate cash crunch.

"The donor pledges . . . are specific and long-term and should go towards rebuilding the areas and lives devastated by the summer's floods, not shoring up foreign reserves," said Madiha Afzal, a fellow with the Brookings Institution in Washington. "Pakistan's reserves have been at a precarious position since before the floods."

Inflationary pressures, the fallout of Russia's war in Ukraine and the floods ... IMF, which last year reauthorised a stalled $7bn assistance programme initially agreed in 2019.

But the lender has withheld the next $1.1bn tranche of support, as it pushes Islamabad to adopt austerity measures such as cutting spending and raising prices on subsidised gas and energy.

Shehbaz Sharif in Geneva, where he hosted the donor conference along with UN chief António Guterres



Ishaq Dar, finance minister, has dismissed the possibility of Pakistan defaulting on its foreign debt. "Our foreign exchange reserves by end-June would be much better than you think," he said last week. Dar met IMF officials on the sidelines of the donors' conference, where he "reiterated the commit- ... Crown Prince Mohammed bin Salman was considering raising investment in Pakistan to $10bn and lifting the limit on deposits from the Gulf kingdom to the State Bank of Pakistan to $5bn.

"I think Pakistan will ultimately avoid default for now, largely through help from the IMF and loans from friendly countries like Saudi Arabia and China, but those will not address the clear underlying malaise of the economy," Afzal said.

Sri Lanka, with debts of $51bn mostly owed to private lenders, stopped repaying its loans in May, becoming the first Asian country in decades to default.

Since Dar became finance ministry in September, Pakistan has managed the rupee-to-dollar exchange rate, which slowed the currency's depreciation but damaged the real economy by making dollars even more scarce.

"There is undoubtedly a default risk, especially if the State Bank of Pakistan ...

Covid curbs

China suspends visas for Japanese and South Koreans

ELEANOR OLCOTT — HONG KONG
ERI SUGIURA — TOKYO
THOMAS HALE — SHANGHAI

Beijing has suspended visa issuance for visitors from Japan and South Korea in its first retaliation against the recent flurry of Covid-19 entry restrictions introduced by governments against travellers from China.

The Chinese embassy in Seoul said yesterday it had stopped issuing short-term visas for South Korean travellers. In a notice posted to WeChat, the embassy said it would begin reissuing visas after South Korea ended its "discriminatory entry restrictions against China".

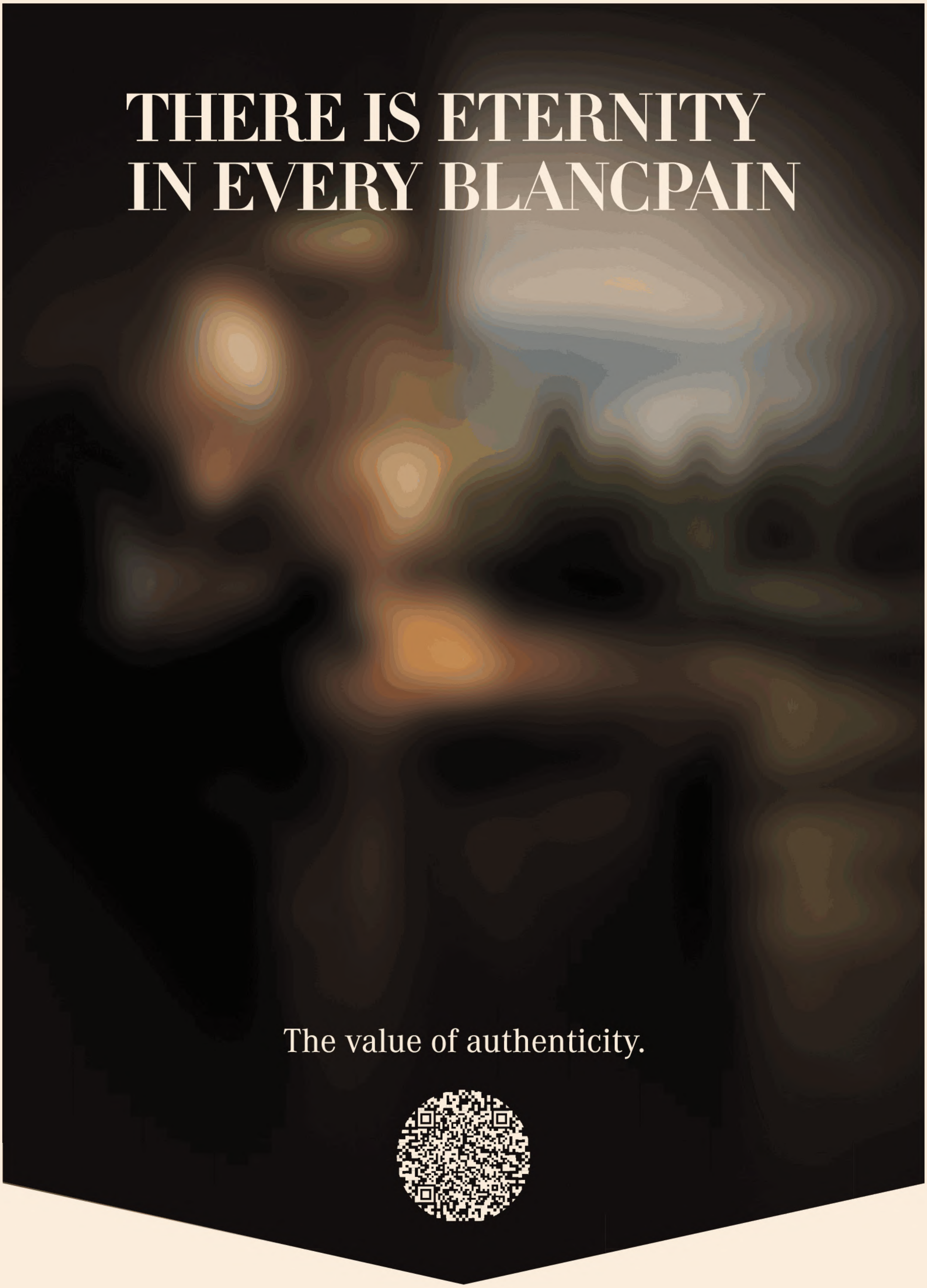
China also began limiting traffic from Japan, according to the Japan Association of Travel Agents, which said the Chinese visa centre had stopped ...

The pace of China's outbreak has prompted countries including Japan, South Korea, the US, UK, France, Italy and Spain to institute testing requirements for Chinese arrivals before boarding or on arrival. Japan has also restricted direct flights from mainland China to four airports.

The countries have accused Beijing of a lack of transparency in reporting its case and death numbers, and raised concerns about the threat of new variants spreading from the country.

Beijing has responded by lambasting governments over the entry requirements, calling such measures "political manipulation". On Monday, the foreign ministry reiterated China's threat to "take reciprocal measures".

During the pandemic, China has ...


THERE IS ETERNITY
IN EVERY BLANCPAIN
The value of authenticity.

ProShares pulling power ETF broker notches up record inflows as investors chase high returns in volatile markets ➔ PAGE 10

Companies & Markets

Big US banks set to report robust profits from lending

- Interest income up 30% for leaders
- Windfall feared to be near its peak

JOSHUA FRANKLIN — NEW YORK

The biggest US banks will post another quarter of bumper profits from lending this week, a windfall that investors fear will near its peak this year as the Fed's rate rise cycle draws closer to its end.

The effort to combat inflation by tightening monetary policy has been a boon for banks, which have been able to charge borrowers more for loans without raising the interest rates they pay depositors by as much. It has boosted their net interest income. JPMorgan Chase, Bank of America, Citigroup and Wells Fargo together generated interest income for the final quarter of 2022 of almost $60bn, up 30 per cent on a year ago, according to analysts' estimates.

However, investors and analysts say

> Sustaining such rapid growth is set to be a harder task as an end to the Fed's rate hike cycle draws closer

that banks will find it harder to sustain such rapid growth in net interest income as the Fed lifts rates less quickly and customers increase pressure on them to pay more on deposits as they shop around for the best rates.

"It strikes me that 2023 will largely be one of inflection, mostly from tailwinds to headwinds for the industry," said Scott Siefers, banking analyst at Piper Sandler. "I think the further along we get in this tightening cycle and the further we move upwards [in rates], the tougher it's going to be for banks to keep down their deposit costs."

Smaller profits from lending would damp what has been a bright spot for banks as they confront a sharp slowdown in investment banking revenues and prepare to make job cuts. The outlook for lending will be a focus when JPMorgan, BofA, Citi and Wells report earnings on January 13. Goldman Sachs and Morgan Stanley, which are more reliant on investment banking, trading and asset management, follow with results on January 17.

Fourth-quarter revenues at the six big banks are expected to be flat compared with a year ago, while earnings per share are forecast to drop by an average of about 25 per cent, analysts estimate.

Wall Street banks were hit last year by a slowdown in investment banking.

Goldman, JPMorgan, Morgan Stanley, BofA and Citi are each expected to report year-on-year declines of about 50 per cent in investment bank revenues.

The depressed picture for investment banking has sharpened Wall Street's scrutiny of the big banks' lending businesses. "The market is still worried and there is still a lot of concern about whether we're at the peak in net interest margins and net interest income," said Chris Kotowski, managing director of research at Oppenheimer.

There is typically a lag of several months between banks raising rates on loans and facing pressure from customers to pay more interest on their deposits, which would eat into banks' profit margin on net interest income.

With the Fed signalling last month that it will continue to raise rates this year — though economists expect it to do so more slowly — investors will be eager to hear insights from the big banks on early signs of stress from borrowers and indications of loans turning bad.

So far, banks have said most consumers are sitting on surplus savings stored up in the pandemic and any debt crunch is months away. "I do think it's going to be a little bit like *Waiting for Godot*," Kotowski said. "They're gonna tell you, 'Yeah, we know you're all concerned about what's going to happen with credit quality, but we're not going to know for another six or nine months.'"

LME feels heat Largest metals trading hub urged to strengthen rules after nickel chaos

The independent review pointed to shortcomings in mechanisms to cool outsize price moves — Bannu Mazandra/AFP/Getty

HARRY DEMPSEY

The London Metal Exchange should strengthen rules and oversight to prevent short-term distortions, according to an independent review of last year's nickel chaos which found that the marketplace had insufficient tools to stop prices spiralling out of control.

The report, by consultancy Oliver Wyman, laid out further details on the depth of the crisis in the run-up to a decision by the LME, the largest hub for metals trading, to suspend nickel trading for a week and cancel billions of dollars' worth of trades.

LME's step on March 8 came after nickel rose 270 per cent over three trading days to exceed $100,000 per tonne, when a bet on falling prices by Tsingshan, the largest stainless steel producer, collided with fears of sanctions on nickel producer Russia.

The report found that one of the factors stopping the LME from doing more to prevent the crisis was that it lacked visibility on two big short positions held in over-the-counter derivatives, private transactions directly between parties off the exchange — one of which was known to be held by Tsingshan. It said that while the LME typically looked for indications that traders were trying to corner the market with large positions, the LME "did not routinely" investigate large net positions. "This reduced the likelihood of identifying the scale of over-the-counter positions".

The report cited shortcomings in LME mechanisms to cool outsized price moves, noting that it did not have circuit breakers or limits to curb or halt trading for longer periods. "In this instance, the independent review believes that where price increases were driven by short closing in thin liquidity, longer halts to trading would have been the most helpful."

The review adds to evidence on the gravity of the crisis and stress on the LME before it halted and reversed trading. It faces probes from regulators at the Bank of England and Financial Conduct Authority over the crisis, and is defending itself against lawsuits totalling $470mn by hedge fund Elliott and market maker Jane Street over the cancelled trades.

"The independent review has confirmed our concerns that the LME lacked the systems and controls to manage through the March 2022 nickel crisis, but it is essential that a robust regulatory review address how LME failed in its regulatory function," said Jennifer Han, head of global regulatory affairs at the Managed Funds Association, a US lobby group.

The report found that $1.4bn of over-the-counter margin calls had been missed on March 7, more than 10 times the six-month average. At least three of the 10 largest short position holders were overdue on paying margin towards a subset of LME members when prices pushed higher on March 7, the report said. On March 7, LME Clear, the exchange's clearing house, suspended intraday margin calls at 13:30 for the rest of the day after demanding $7.5bn. The price increase of nickel that day, 69 per cent, was more than three times the size of the largest ever price move.

The LME said that it would prepare an implementation plan for the report's recommendations.

See Lex

Airbus retains lead over rival Boeing as top aircraft maker

SYLVIA PFEIFER — LONDON
CLAIRE BUSHEY — CHICAGO

Airbus has retained its crown as the world's biggest jet maker for the fourth year in a row ahead of US rival Boeing even as supply-chain snags following the pandemic meant it delivered fewer planes than originally planned in 2022.

The European aerospace group said it delivered 661 planes last year, an increase of 8 per cent over the previous 12 months. More than two-thirds were for its A320 family of single-aisle jets used predominantly on short and medium-haul flights that have led the industry's recovery from the pandemic.

Deliveries are an important source of cash for both Airbus and Boeing as airlines typically pay the biggest chunk of the purchase price at the time.

Rival Boeing also said yesterday that it had delivered 480 planes in 2022, compared with 340 deliveries in the previous year. Deliveries in the fourth quarter to US carriers United, Southwest and American boosted the manufacturer's final tally.

The US group, which has been trying to claw back market share it lost since two crashes involving its Max 737 aircraft, also notched up 935 gross orders and 774 net orders, after accounting for cancellations and conversions. United placed an order in December for 100 787s, which it said was the largest ever lodged by a US carrier, as well as ordering 100 Max jets.

Boeing's stock stood at $208.06 by early afternoon in New York, a more than 40 per cent increase since November 2, when executives laid out a turnround plan to boost production, increase free cash flow and pay down debt.

Separately, Airbus registered 1,078 gross new orders and 820 net. The company's backlog rose to 7,239 aircraft at the end of the year, while Boeing's backlog hit 4,578.

The European group was forced to cut its delivery target twice last year owing to persistent raw material and labour shortages. It last month abandoned its target to deliver "around 700" planes by the end of the year.

It stressed at the time that it did not expect the final result to be materially short of this and stuck to its existing profit and free cash flow guidance. The company in July had already lowered the target from an initial "around 720" planes.

Toshiba saga promises clues to private equity's hopes in Japan

INSIDE BUSINESS
ASIA
Kana Inagaki

For much of last year, global private equity firms were waiting for Japan's biggest-ever take-private deal to materialise with the buyout of Toshiba.

Had the 147-year-old industrial conglomerate with its size and national significance put itself in the hands of a firm such as Bain Capital, Brookfield or CVC, it would have been a historic moment for private equity's advance into Asia's largest advanced economy.

Unfortunately, and perhaps not surprisingly for a saga that began with an accounting scandal in 2015, the waiting game continues. The signals suggest that the company's management is still keen to get a deal done with a consortium led by domestic buyout fund Japan Industrial Partners, which was granted preferred bidder status in October.

For global and Asia-focused buyout firms, the failure to win the Toshiba deal would not necessarily signal a backlash against foreign funds. Almost all the underlying factors that have led these firms to steadily build their presence in financing as central banks outside Japan raise interest rates, the country offers more predictability and less geopolitical risk for buyout funds than some economies as the technology dispute between the US and China escalates. These factors explain why deals in Japan involving private equity reached $20bn in 2022 — up 22 per cent from a year earlier, according to Refinitiv.

Still, there is reason for caution as the Toshiba deal unfolds. A bullish period for the Japanese market may be ending as concerns about the global economy lead domestic megabanks to tighten their lending for private equity deals.

One factor behind Toshiba's negotiations with JIP is the fund's difficulties in securing a financing commitment from Japanese banks to pull off the potential $16bn deal, according to people close to the talks.

> Banks have reason to be cautious about a deal involving Toshiba following the turmoil of the past seven years

Regardless of economic outlook, banks have reason to be cautious about a deal involving Toshiba following the turmoil of the past seven years, as it survived a financial crisis and confrontation with shareholders. And while JIP has previously acquired assets from groups such as Sony and Olympus, the fund has no record of buying out an entire company of Toshiba's size.

The way JIP has cobbled together the proposal has not necessarily been reas-

nese banks extends beyond the Toshiba deal. "There is no question that banks are turning conservative. On average, the financing conditions for deals are deteriorating," said a Tokyo-based executive at a US private equity group.

Originally, the lenders' shift in sentiment was blamed on KKR's soured investment in automotive parts maker Marelli, which entered court-led restructuring last summer. The debt-laden Marelli suffered a massive sales collapse during the pandemic, and the sharpness of its reversal raised red flags among Japanese banks that had previously viewed leveraged buyouts as a lucrative opportunity.

Among Japanese megabanks, MUFG and Mizuho have taken some riskier bets, such as lending money to Elon Musk for his $44bn Twitter takeover.

But they are becoming increasingly selective in their home market. That is expected to complicate private equity firms' ability to fund deals. Private equity executives also say they have become more cautious because of the global economic uncertainty.

That said, many global private equity funds still have "dry powder" sitting in funds raised for Asian dealmaking that are yet to be fully deployed. KKR turned to its $15bn Asian private equity fund to finance its $5bn acquisition of Hitachi's logistics subsidiary, which closed last year. Even with banks being more cautious, other deals include Bain Capital managing to raise $2bn in debt for its $3bn purchase in August of the micro-

Mining

Vale weighs bids for base metals stake

Brazilian group's chief says potential partners are vying to invest in division

MICHAEL POOLER — RIO DE JANEIRO
LESLIE HOOK — LONDON

Vale has received multiple bids for a stake in its base metals business after talks with parties from carmakers to sovereign wealth funds, its chief executive said, as he predicted the division could become "even bigger" than the Brazilian mining group itself.

Eduardo Bartolomeo said "non-binding offers" had been made for the slice of up to 10 per cent of the unit, which produces materials vital for the energy transition and is being carved out as a standalone entity separate from Vale's main iron ore operations.

He told the Financial Times the partner could be an automotive manufacturer, industrial group, state investor or pension fund. "That's who I'm talking to," he said. "Everybody." Vale is also in discussions about bringing a carmaker on to its board, Bartolomeo added, without providing further details.

Iron ore provides 80 per cent of revenues at Vale, whose $79bn market capitalisation makes it the biggest publicly listed company in Latin America.

But Bartolomeo said the base metals business — which includes nickel mines in Canada and Indonesia, copper mines in Brazil, and interests in cobalt and platinum group metals — could outgrow its parent and float on the stock market.

'Fundamentally, we want to ringfence this business. This thing can get even bigger than Vale'

"Fundamentally, we want to ringfence this business," Bartolomeo said. "This thing can get even bigger than Vale. Not tomorrow, not even next year — when you look long term."

Analysts at RBC valued the Vale base metals unit at $22.3bn in a recent research note. However, the gloomy global economic outlook, which has weighed on copper prices, could make that difficult to achieve.

Share prices for major mining companies have mostly risen over the past year as demand for energy transition metals has grown. Vale's São Paulo-traded stock has climbed 17 per cent.

Following a dam disaster in its homeland in 2019 that left 270 people dead, and as China's once-insatiable demand for iron ore starts to cool, the Brazilian miner is increasingly focused on repositioning itself towards metals with greater growth potential.

"This is a supercycle," said Bartolomeo, referring to the metals needed for the electrification of transport and power. "What you're looking at in nickel, that is a supercycle."

While Vale had previously signalled it might have an investment partner lined up by early December, the timing has slipped and the deal is expected during the first half of this year.

The carve-out of the base metals business would still proceed even if a suitable partner was not found, Bartolomeo said.

The new investor will not be a mining company, which rules out rivals such as BHP or Rio Tinto that are also trying to diversify away from iron ore, the main ingredient in steel.

Banks

China Citic's HK unit offers Pfizer jabs to attract clients from mainland

PRIMROSE RIORDAN, CHAN HO-HIM AND GLORIA LI — HONG KONG

A Chinese state-owned bank in Hong Kong is offering customers one shot of an mRNA vaccine if they make a deposit of HK$4mn ($512,000), as it seeks to entice mainland clients who have until now only had access to locally produced jabs.

The BioNTech/Pfizer mRNA vaccine is not widely available on the mainland but has long been available free to permanent residents of Hong Kong and Macau as Beijing allowed the two territories to pursue a different vaccination strategy.

China Citic Bank International's offer, which comes after mainland China removed cross-border restrictions with Hong Kong, illustrates Chinese citizens' desire for western vaccines despite official criticism of the jabs. China has seen a surge in infections after the reversal of Beijing's zero-Covid policy last month.

The bank said if new or existing customers deposited HK$4mn of fresh funds in an account, they would be eligible for a BioNTech/Pfizer bivalent shot. Other benefits for account holders include access to a vaccine for hepatitis B, as well as a Bentley test drive and discounts at the city's Four Seasons Hotel.

The bank said the promotion was

If new or existing customers deposit HK$4mn of fresh funds, they will be eligible

"with an aim of providing cross-border customers a comprehensive array of wealth management services".

The Chinese government has repeatedly stressed the efficacy of its local vaccines, many of which rely on older, inactivated technology, and has refused to allow western-made vaccines to be widely distributed. Chinese media have repeatedly criticised the BioNTech/Pfizer mRNA vaccine and questioned its safety.

Meanwhile, other services have sprung up in recent weeks across Hong Kong to cater for demand from mainlanders for the mRNA shot.

Private clinics and some private hospitals offer vaccines for as much as HK$2,800 ($359) per dose. Virtus Medical Group, which will offer the vaccines to customers from January 16, said it had received "hundreds" of queries about the vaccines.

"An insurance company from the mainland [asked] us about the service and [is] considering organising group vaccination tours for [staff]," the clinic told the Financial Times. Another clinic, Swindon Medical, said its first batch of 100 jabs was already booked out.

Travel group Easson Holdings is also selling full-service vaccine trips to Hong Kong. The packages include hotel and plane bookings, and chauffeured trips to vaccine clinics.

Shanghai Fosun Pharmaceutical Group, the Chinese distributor of BioNTech's vaccines, last Friday started taking bookings from residents on the mainland who want to receive the jabs in Hong Kong. The company, which has been blocked from distributing the vaccine widely inside the mainland, charges a booking fee of Rmb299 ($44) before allowing users to choose a time slot and a vaccination site.

Mainland Chinese tourists have also flocked to Macau for mRNA Covid jabs.

Support services

Dearth of US corporate dealmaking hits law firms

KATE BEIOLEY — LONDON
JOE MILLER — NEW YORK

US lawyers are billing fewer hours than they have in decades amid a sharp decline in dealmaking, a survey found, as more law firms make redundancies.

Research from the Thomson Reuters Institute, which tracked data from 170 US-based firms, found that average hours worked per lawyer fell to 119 billable hours per month in the year to the end of November. That was the lowest level since it began tracking the data in 2007, when lawyers logged an average 134 hours per month.

The figures underline how a drop in demand for corporate lawyers in the past 12 months has combined with increasing expenses to decrease profitability across the sector. Law firms' direct expenses rose 10.1 per cent to the end of November 2022, the survey found, and overhead expenses were up 10.9 per cent — the highest levels since 2008.

The report comes just after job cuts were announced at New York-headquartered Stroock & Stroock, following redundancies at Boston-based Goodwin Procter. Silicon Valley outfit Cooley axed dozens of lawyers last year, amid a dramatic slowdown in its technology-focused practice, while another tech-focused firm, Gunderson Dettmer, pushed back start dates for new associates.

In a memo circulated last week and seen by the Financial Times, Goodwin's leadership said demand had "dropped from its extraordinary heights of the past several years" and, as a result, staffing levels were "too high for our current and projected demand". The firm had increased the lawyers on its payroll by 60 per cent since October 2019.

Stroock said in a statement it had carried out "a comprehensive review of each of our practice groups" and subsequently "decided to separate from nine non-partner attorneys and 18 staff/business professionals, with severance and other support being provided".

The worsening outlook for the legal sector is a reversal from the hiring spree law firms embarked on at the start of the pandemic. Top US law firms have also been forced to raise associate pay in recent years, driven by a fiercely competitive talent war. After a frenzied 2021, global dealmaking suffered a record fall in the second half of last year, taking a toll on law firms that had hired extensively to meet soaring demand.

Proxy votes

Shareholders press boards on abortion

Abortion rights activists protest on the steps of City Hall in Los Angeles. US companies are facing demands for more details on their abortion policies from investors — Frederic J. Brown/AFP/Getty

A record number of US companies — including American Express, Eli Lilly and HCA Healthcare — are facing shareholder demands for more details about their abortion policies from investors following the landmark Supreme Court decision last year.

Socially conscious investors have asked at least 10 companies for details about the risks they face from abortion policies announced after the court in June overturned federal rights to the procedure. More than a dozen additional proposals are expected to become public in the weeks ahead.

This year's wave of abortion shareholder proposals "is definitely unprecedented", said Jackie Cook, director of stewardship at Morningstar's Sustainalytics division.

Overshadowed for years by boardroom battles over climate change and workplace diversity, abortion has not been a big issue for environmental, social and governance (ESG) investors. But the Supreme Court's decision put the issue at the forefront and now companies are facing fire from liberal and conservative activist investors.

"We want to make sure all of the relevant risks associated with abortion are considered — not just the leftwing ones," said Scott Shepard of the National Center for Public Policy Research, a conservative-leaning non-profit, which has filed an abortion shareholder proposal at pharmaceuticals company Eli Lilly.

The proposal demands more information about potential risks the Indiana-based group faces from changing company policies in response to abortion laws as well as legal costs.

Eli Lilly last year opposed a law that limits abortions in cases other than rape, incest or where a woman's life is in danger. The group also said it would have "to plan for more employment growth outside our home state".

"[Executives] should stay out of issues that are none of their duty," Shepard said.

Eager to fend off one of the most divisive US political issues, at least four companies have asked the Securities and Exchange Commission to deny abortion shareholder proposals a vote at 2023 annual meetings. Companies usually ask the SEC to shoot down proposals they do not like, but the agency has been allowing more shareholder proposals to go to a vote.

Eli Lilly has asked the SEC for permission to block the shareholder proposal ahead of its annual meeting.

HCA Healthcare, which operates hospitals in the US and UK, is under investor pressure to disclose more information about when it offers abortions. The HCA shareholder petition was filed by Rhia Ventures, which has previously filed reproductive rights proposals, and the United Church Funds.

The Tennessee-based company has also gone to the SEC to block the abortion shareholder proposal.

Credit card company Amex is challenging a shareholder proposal from Change Finance, a Colorado-based firm that manages a $108mn exchange-traded fund. The group has filed three abortion shareholder proposals at financial companies seeking more information about when the businesses give police customer information in states that have criminalised abortion access.

Amex and Eli Lilly declined to comment. HCA did not respond to a request for comment.

Dorrit Lowsen, president of Change Finance, said US social media companies had already handed over messages to police in cases involving women seeking to terminate a pregnancy. Corporate positions on abortion pose risks to a company's reputation and ability to retain staff, she said.

"We are really in this to drive behaviour," Lowsen said. The financial services companies she has filed petitions at "have an added duty" to protect users "from persecution for their reproductive healthcare decisions", she said.

Patrick Temple-West

Automobiles

Toyota alert over electric vehicle strategy

ERI SUGIURA — TOKYO

An executive at a Toyota leasing unit warned that the largest carmaker was confronting an "unprecedented" challenge to revive its electric-vehicle sales, as it risked missing its already low target in Japan for a second year.

The bleak outlook for the bZ4X, Toyota's first mass-produced all-electric car that was recalled weeks after launch in May, comes as people close to the group said it was overhauling plans for rollout of battery-powered vehicles.

Unlike rivals banking solely on EVs, Toyota is relying on growth from

bZ4X fuelling concern that it is falling behind rivals. Toyota resumed production of the bZ4X in October, after addressing issues with bolts that could cause its wheels to fall off.

"This was the first time in Toyota's history that a recall occurred immediately after the product was launched, causing production and sales to be suspended for several months," said Shinya Kotera, president of Kinto, a Toyota leasing subsidiary that exclusively delivers the model in Japan. "Toyota is in an unprecedentedly difficult situation, and the recall threw [the bZ4X launch] off track."

vehicle is available in the US, China and Europe.

The lacklustre domestic demand comes as Toyota reviews its electric-car manufacturing process to make it more cost-effective. A team was established last year led by Shigeki Terashi, a former chief technology officer, according to two people close to the company.

"Toyota may be reassessing the car production process from scratch, such as how to assemble supply chains for EVs and decide on which parts to outsource or fabricate in-house," said Seiji Sugiura, analyst at Tokai Tokyo Research Institute. Reducing

Transport

Demand for private jet flights remains strong

AMANDA CHU — NEW YORK

The private-jet use that surged in the coronavirus pandemic is showing little sign of abating, even as passengers return by the millions to commercial airlines and inflation raises the cost of a charter.

Global flights on business aircraft rose by 10 per cent in 2022 from the previous year and were 14 per cent higher than before the pandemic in 2019, according to aviation data company WingX.

Richard Koe, WingX chief executive, said demand for private jets has been "record-breaking" for the past two

US private-jet companies continued to report strong bookings last year. Flexjet said last month's holiday season was the busiest in its history. EvoJets said bookings for the holidays began two months earlier than average, as flyers rushed to secure limited aircraft.

"We have individual and corporate

10%	39%
Increase in global flights on business aircraft last year	Year-on-year revenue rise at jet charter Wheels Up

planes' far higher rates of carbon emissions per passenger than commercial aircraft or trains.

"It's the convenience thing for me," said Jeffrey Alecci, a financial adviser from New Jersey who flew with his wife and two 75-pound dogs to Florida.

There is some evidence that the private-jet boom may be reaching a plateau as jet fuel and other costs climb.

Prepaid private-jet rentals rose 21 per cent to an average hourly price of $11,748 from December 2021 to December 2022, according to Private Jet Card Comparisons, an advisory service.

In December, flights on business jets

Key witness in Wirecard trial faces philosophical conundrum in court

Former manager Bellenhaus must convince five judges that businesses he ran in Asia did not exist

OLAF STORBECK — MUNICH
DAN MCCRUM — LONDON

In his previous life as a high-flying Wirecard manager, Oliver Bellenhaus spent a lot of time persuading auditors that the German payments group's opaque outsourced operations in Asia were real.

Now, as the prosecution's chief witness in one of Europe's highest-profile fraud trials, he is trying to convince a panel of five judges that the same business he oversaw in Dubai was a complete sham.

After the first five days of court hearings since early December, it is not yet clear which is the easier task. Bellenhaus, a sports car enthusiast who used to play *Call of Duty* on a giant screen in his office, is aware that he now faces what looks like a tricky philosophical dilemma. "You can only prove the existence of something, not its non-existence," he told the court in his opening statement in December.

The landmark trial interrogating Wirecard's collapse, which started last month and is expected to run well into 2024, is seen as a crucial test of whether German law enforcement can come to terms with one of Europe's biggest post-war accounting frauds. The hearings will reconvene today, with the ongoing questioning of Bellenhaus.

Wirecard's former chief executive Markus Braun faces allegations of fraud, embezzlement, and accounting and market manipulation alongside Bellenhaus and Wirecard's former head of accounting Stephan von Erffa. If found guilty on all charges, they face up to 15 years in jail.

Bellenhaus's statements in the trial are key for the prosecution's case. In line with Wirecard's administrator and the prosecution, he argues that the outsourced operations in Asia were "a sham right from the beginning".

According to Bellenhaus, they were created with Braun's knowledge to hide losses at Wirecard's real business. Braun denies that. He states the so-called third party acquiring business was real, and accuses Bellenhaus and Wirecard's fugitive second-in-command Jan Marsalek of stripping Wirecard of its proceeds.

On paper, Wirecard's business in Asia generated half of the company's revenue and €1.9bn in corporate cash. When it was revealed in June 2020 that the cash did not exist, the company once celebrated as Germany's PayPal collapsed into insolvency within a week.

In the first two days of his court testimony in December, Bellenhaus depicted a tight-knit gang of fraudsters led by Braun who forged documents, lied to auditors and deceived creditors and investors. "There was a system of organised fraud," he said, adding that the chief executive was at its centre. "Braun called the shots and when he said something, it was done his way."

He described Braun as an "absolutistic CEO" who was "besotted" by exponential revenue growth and the group's share price, and surrounded by a loyal circle of accomplices. "Nothing binds men together more closely than a mutually committed crime," he said.

Bellenhaus joined Wirecard in 2002 from DZ Bank, one of Germany's largest lenders. His banking expertise was highly prized, former colleagues said, and in those early years he travelled the world for Wirecard, cultivating relationships with financial institutions.

His rise in the company's ranks reflected a culture that tolerated, or even celebrated, transgression. Bellenhaus was renowned for driving like a maniac. Among the stories former Wirecard staff told was that Bellenhaus would collect clients arriving at Munich airport wearing a racing suit.

After asking his passengers if they would like to go fast on the autobahn, he would pull a single helmet from the footwell and strap it on theatrically. "OK, we'll go fast," was the last thing they heard before they careered away, drifting around corners. Bellenhaus has called these stories rumours.

In the early years, Bellenhaus had an office at headquarters where he would relax with *Call of Duty*. By the mid-2010s he was based in Dubai on his own, in charge of a subsidiary that was to become the engine of Wirecard's fraud from an apartment in the Burj Khalifa skyscraper.

Reporting to Marsalek and von Erffa, Bellenhaus supposedly managed partner companies to which Wirecard outsourced its most lucrative payments processing. These partner companies were "monkeys in suits", he told a colleague in Dubai.

According to his testimony in court, the Dubai-based operations only existed on paper to mask the fact that Wirecard's real business was lossmaking. "Had Wirecard been as ambitious with regard to developing new products, managing its technical infrastructure and its customer service as it was with regard to the decoration of its TPA business, we would not be sitting here today," Bellenhaus told the court.

The snag is that large parts of this version of events rely on his testimony. Marsalek and several other key suspects cannot be questioned by the court in Munich — the former chief operating officer is on the run, the head of one fraudulent business partner is reportedly dead and other alleged partners in crime are in Singapore. Moreover, the fraud was not discussed in emails but mainly on the Telegram messaging app. The bulk of the chats were deleted before police could seize the evidence.

Braun has so far stayed silent in court. His lawyer, Alfred Dierlamm, one of Germany's highest-profile white collar crime lawyers, vehemently disputes Bellenhaus's account. Dierlamm argues that the TPA operations were real but Bellenhaus and Marsalek embezzled the proceeds, establishing a "shadow structure" hidden from the CEO.

Dierlamm has not only accused Bellenhaus of telling "a pack of lies", he has also attacked public prosecutors for not properly investigating the fraud or analysing payments linked to the company's business partners.

Florian Eder, Bellenhaus's lead lawyer, told the Financial Times that Braun's defence was "[attempting] to discredit the chief witness as far as possible". A motion to suspend the trial, filed by Dierlamm on the first day in court, has not yet been decided.

Initially, Bellenhaus was visibly rattled by allegations made against him in Braun's defence. He read out his opening statement at speed and in a low voice, with the judge reminding him that he did not need to rush.

"This surely is not a trial which will be measured in hours," presiding judge Markus Födisch said, urging him to "take all the time you need".

In the afternoon, Bellenhaus briefly became emotional, addressing Braun and von Erffa by their first names and stating that at Wirecard he "went to bed with rats and woke up with the plague". He was reprimanded by Födisch and apologised the next day.

Dierlamm "fails to recognise that there is other evidence that underpins Bellenhaus's accounts", Eder told the FT. One example is the fabrication of client data in 2019, in order to deceive Japanese tech investor SoftBank during its due diligence for a €900mn convertible bond. This was first disclosed by Bellenhaus and then corroborated by other evidence.

Another example is the faking of documents by von Erffa, which Bellenhaus described to prosecutors and was admitted by the former head of accounting after prosecutors confronted him with the emails confirming the allegation.

Eder also pointed out to the court that while his client could have stayed in Dubai, which does not have an extradition treaty with Germany, he voluntarily reported himself to Munich prosecutors less than two weeks after Wirecard's collapse, fully aware that he would be kept in police custody as he was considered a flight risk. He, like Braun, has been in jail for more than two and a half years.

"There is no excuse whatsoever for what happened at Wirecard over the past decade with my involvement," Bellenhaus told the court. "I do want to apologise."

Landmark fraud trial: Oliver Bellenhaus, centre, sits behind former Wirecard CEO Markus Braun, right, in the Munich courtroom. Below, 'Call of Duty', a game that Bellenhaus used to play on a giant screen in his office
Peter Kneffel/picture alliance/dpa; Infinity Ward/Activision

'Nothing binds men together more closely than a mutually committed crime'
From Oliver Bellenhaus's testimony

Media

Meta's east Africa content moderation hub closes

CRISTINA CRIDDLE AND
MADHUMITA MURGIA — LONDON

Meta's east African content moderation hub is shutting down as the social media group's third-party contractor Sama moves away from policing harmful content, cutting about 200 staff and leaving several employees without work permits.

The owner of Facebook, WhatsApp and Instagram first contracted Sama in 2017 to assist with labelling data and training its artificial intelligence, recruiting around 1,500 people.

But within two years, the Nairobi office was moderating some of the most graphic and harmful material on Meta's platforms, including beheadings and child abuse.

Sama staff were told yesterday morning that the company would focus solely on labelling work — also known as "computer vision data annotation" — which includes positioning animations in augmented reality filters, such as bunny ears.

"The current economic climate requires more efficient and streamlined business operations," Sama said in a statement encouraging employees to apply for vacancies at its offices in Kenya or Uganda. Some Sama staff rely on work permits to remain in the region.

Sama's content moderation services will end in March, allowing for a transition period for Meta's new third-party contractor. Meta will continue to employ 1,500 Sama staff for data labelling.

The news comes two months after Meta announced it would be cutting its global headcount by 13 per cent, or around 11,000 employees, as the social media company suffers from falling revenue, a slump in digital advertising and competition from rivals including short-form video app TikTok.

One person familiar with the operations said Meta did not want a gap in services and used its position to push Sama to offer moderation services for longer than the contractor wanted.

The Nairobi office focused on content generated in the region, including about the civil conflict in Ethiopia, which Meta is currently being sued for over claims that the posts incited violence. Meta's policies ban hate speech and incitement to violence.

The social media group, which employs more than 15,000 content moderators worldwide, said it had a new partner in place and that its moderation capabilities were the same.

Luxembourg-based Majorel, which has already led moderation services in Africa for TikTok, is said to be taking on the contract, according to two people with knowledge of the changes.

Meta said: "We respect Sama's decision to exit the content review services it provides to social media platforms. We'll work with our partners during this transition to ensure there's no impact on our ability to review content."

Sama is offering mental health support to staff affected by the cuts for 12 months after their employment ends and is paying undisclosed severance packages. Around 3 per cent of Sama staff are affected.

The cuts come as both Sama and Meta are being sued by a former employee Daniel Motaung, who has accused the companies of neglecting to provide adequate mental health support for moderators or fully informing them of the nature of the content they would be reviewing.

Motaung also claims that the companies transported workers from poorer regions of Africa, where they had no choice but to stay in their employment.

Meta has previously declined to comment directly on the lawsuit.

Pharmaceuticals

BioNTech to acquire UK AI start-up InstaDeep for £562mn

HANNAH KUCHLER — LONDON

BioNTech has agreed to buy UK artificial intelligence start-up InstaDeep for up to £562mn in its biggest deal, as the German company expands beyond the Covid-19 vaccine that transformed its fortunes.

The biotech company is trying to harness machine learning to improve the drug discovery process, including developing personalised treatments tailored to a patient's cancer.

... tive, said that the German pharma group had been focused on using "computational solutions" to create personalised drugs that harnessed the power of the immune system, known as immunotherapies, since its inception.

"The acquisition of InstaDeep allows us to incorporate the rapidly evolving AI capabilities of the digital world into our technologies, research, drug discovery, manufacturing and deployment processes," he said. "Our aim is to make

... have struck partnerships with AI-focused start-ups, but an acquisition is unusual.

BioNTech is reinvesting most of the proceeds from its bestselling Covid jab, developed with Pfizer, to pursue its original mission of transforming how cancer is treated.

Until now, its acquisitions have been small bolt-on deals of less than €100mn. At the end of the third quarter, BioNTech had €13.4bn in cash and cash

... ate AI products for businesses. While headquartered in London, it has offices in Paris, Tunis, Lagos, Dubai and Cape Town. It employs 240 people.

The AI company has already helped BioNTech to improve its algorithm to select which parts of a tumour to target to create the most effective therapy.

Karim Beguir, chief executive and co-founder of InstaDeep, said that it shared with BioNTech the same "culture of deep tech innovation and focus on posi-

Legal Notices

TOURADJI PRIVATE EQUITY OFFSHORE FUND, LTD.
(In Official Liquidation)
The Companies Act
Notice of Appointment of Joint Official Liquidators

TAKE NOTICE that by order of the Grand Court of the Cayman Islands ("the Court"), made on 14th December 2022, Touradji Private Equity Offshore Fund, Ltd., registration number 270884 whose registered office is situated at FFP Limited, 2nd Floor Harbour Centre, 159 Mary Street, George Town, Grand Cayman KY1-9006, Cayman Islands was ordered to be wound up in accordance with the Companies Act.

AND FURTHER TAKE NOTICE that Nicola Cowan and Michael Pearson of FFP Limited, 2nd Floor Harbour Centre, 159 Mary Street, George Town, Grand Cayman KY1-9006, Cayman Islands have been appointed Joint Official Liquidators of the Company.

Dated this 5th day of January 2023
Nicola Cowan, Joint Official Liquidator
Contact for enquiries: FFP Limited, 2nd Floor Harbour Centre,
159 Mary Street, George Town, Grand Cayman.
Telephone: +1 345 947 5854. E-mail: taj.lee@ffp.ky
Address for Service: 10 Market Street, #769 Camana Bay,
Grand Cayman KY1-9006, Cayman Islands

TOURADJI PRIVATE EQUITY ONSHORE FUND, LTD.
(In Official Liquidation)
The Companies Act
Notice of Appointment of Joint Official Liquidators

TAKE NOTICE that by order of the Grand Court of the Cayman Islands ("the Court"), made on 14th December 2022, Touradji Private Equity Offshore Fund,

Legal Notices

TOURADJI PRIVATE EQUITY MASTER FUND, LTD.
(In Official Liquidation)
The Companies Act
Notice of Appointment of Joint Official Liquidators

TAKE NOTICE that by order of the Grand Court of the Cayman Islands ("the Court"), made on 14th December 2022, Touradji Private Equity Master Fund, Equities. Exchange traded funds

Investors flock to ProShares for bets on wild price swings

Broker's index trackers enjoy record demand despite the fall in value of some key products

MADISON DARBYSHIRE

ProShares notched up record inflows despite providing some of the worst-performing index trackers in the industry last year, as investors chased high returns in the most volatile markets.

The ETF provider said it expected to set a record for growth in 2022, with more than $17bn in net inflows. ProShares, which has $58bn in assets under management, is the second most popular midsized ETF provider after Dimensional, which had $22bn in inflows.

"ETFs are designed to give investors a benchmark return, and they are successful when they do that," said Michael Sapir, chief executive of ProShares. "No one criticises an S&P 500 fund when the S&P 500 is down 20 per cent and the fund is down 20 per cent."

The ETF provider is best known for its leveraged and "short" ETFs, which use derivatives to allow investors to make leveraged bets on market moves or hedge against down markets.

In the autumn of 2021, ProShares boasted the most successful ETF in the history of the product. TQQQ, an ETF that amplified gains and losses in the Nasdaq 100 index by three, was up more than 20,000 per cent since 2010.

Retail investors rushed to buy, pushing the TQQQ to the top of most-traded lists. Its assets rose fivefold in 2020 and 2021 to more than $22bn by 2022.

But the value of TQQQ halved in 2022 to $11.8bn. The ETF's share price has dropped more than 76 per cent as the underlying tech-heavy index has slid. But ProShares says its ETFs, for better or for worse, are doing what they are supposed to do. Do not hate the index tracker — hate the index, experts say.

The ETF provider is consistently a top buy for retail investors looking for easy exposure to volatile corners of the market. Despite the poor performance in some of its flagship products, inflows and trading volumes have been strong.

On Monday, the only share with more trading volume than TQQQ was Tesla, with SQQQ in third place. A quarter of all trades in ETFs in the US were ProShares products, the most of any single provider, ProShares said.

Another ProShares ETF, which offers liquid exposure to bitcoin, was the fastest ETF to reach $1bn in AUM after launching in October 2021, according to Morningstar. But BITO's value has also plummeted 73 per cent as the cryptocurrency market tumbled, wiping out $1.3bn in investor cash since inception.

"We feel very good about BITO. It is designed to reflect the performance of bitcoin futures contracts, which it did, and it ended up very, very closely tracking the performance of spot bitcoin," Sapir said.

The poor performance of some of the underlying indices of ProShares' ETFs has come as rising interest rates have caused growth companies to contract. Inflation and various scandals have also weighed on digital assets. But for ProShares, that is the point.

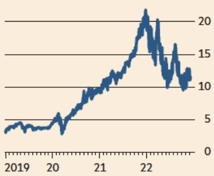
"Their legacy core franchise relies on volatility," said Ben Johnson, former director of ETF research, now head of client solutions at Morningstar. TQQQ is still ProShares' biggest ETF by size.

ProShares also offers opposite versions of its worst-performing ETF products, "like insurance", Johnson said. ProShares' third-largest ETF, SQQQ, shorts the underlying Nasdaq 100 with triple leverage — and has had a bumper year. It also offers short and leveraged short exposure to the S&P 500.

However, analysts said leveraged ETFs were often popular with retail investors who could not access leverage or derivatives trading outright and might not understand associated risks.

TQQQ's wild ride

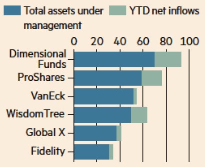
Assets under management ($bn)



Sources: ProShares; VettaFi

ProShares inflows remain strong

The ETF provider is second best in class, despite poor index performance ($bn)



Groups with between $30bn and $70bn AUM

Bitter blow: ProShares' bitcoin product, BITO, was the fastest ETF to reach $1bn in assets under management after its launch in 2021 but has slid along with crypto assets
Spencer Platt/Getty Images

> '[Retail clients'] universe is not 5,000 stocks, it is stocks that get their attention'

"That's a traditional clientele for these sorts of products: individuals or intermediaries who are prohibited from obtaining leverage by other means," Johnson said.

But wild price swings also help underpin the ETF providers' popularity with retail punters. "Their universe is not 5,000 stocks, it is stocks that get their attention: things that move a lot, things with high volatility. And leverage gets them that volatility," said Peng Cheng, an analyst at JPMorgan.

ProShares has tried to distance itself from its reputation as the pre-eminent provider of leveraged and inverse ETF products by diversifying offerings into more conventional arenas. However, it has not been able to shake the fact that those products make up the majority of its business, analysts said.

ProShares' leveraged ETFs use derivatives to synthesise leverage across their underlying index, which can result in higher management fees for investors. TQQQ has a gross expense ratio of 0.98 per cent, nearly five times the cost of the unleveraged QQQ ETF, which tracks the Nasdaq 100, of 0.2 per cent.

ProShares maintains that the product is for sophisticated investors and not intended to be bought and held. It offers ETFs that are unleveraged, or more typically found in an average portfolio.

Volatility is likely to continue in 2023, and with it, ProShares' popularity with bold traders eager to take big bets and willing to stomach big losses.

Johnson said that tracking volatile performance was not ProShares' sole intention, it is what investors are looking for. "Those products are for making turbocharged directional bets."

"Children shouldn't juggle with chainsaws," he added.

Asset management

Rokos slid to £3.6mn loss before bets on rates paid off

LAURENCE FLETCHER — LONDON

The hedge fund management firm of billionaire trader Chris Rokos plunged to a loss in its most recent financial results after its fund was hit by a sharp sell-off in government bonds, even though its traders have since been able to profit handsomely from a surge in inflation.

Rokos Capital Management, one of the world's biggest macro hedge fund firms with about $15.5bn in client assets, posted a loss before partners' remuneration of £3.6mn for the 12 months to March 2022, according to a filing with Companies House. That compares with a profit of £914mn for the previous year.

The latest results cover a very difficult period for the media-shy trader, who became one of the highest-profile hedge fund casualties of a vicious sell-off in short-dated bonds during the autumn of 2021. His fund, which had made big gains in the early days of the coronavirus pandemic, finished the 2021 calendar year down about 26 per cent.

However, it has since rebounded strongly, profiting from bets on rising interest rates last year, including during the UK's market turmoil in the autumn. The fund finished last year up about 51 per cent, with only one month of losses — its strongest calendar year since launching in 2015.

> Macro hedge funds have been able to profit from huge and long-running moves in the bond market

Only a small part of the fund's gains in 2022 are covered by the management firm's most recent financial results.

Rokos Capital declined to comment.

The firm's revenues, which are driven by management and performance fees, had been more than £1bn in the year to March 2021, lifted by the fund's gain of about 44 per cent in calendar year 2020. But revenues tumbled to just £119.7mn in the year to March 2022.

Rokos himself had earned £509mn in the year to March 2021. However, in the most recent results the partner with the largest entitlement was paid just £4.2mn.

Although some macro funds were hit hard during the autumn of 2021, when markets began to fret about the prospect of rapid interest rate rises, the sector enjoyed what looks to have been its best year since the global financial crisis during 2022.

Macro funds, which trade in global bonds, currencies and other markets, gained 8.8 per cent to the end of November last year, according to data group Hedge Fund Research.

This year they have been able to profit from huge and long-running moves in the bond market, triggered by a sharp pick-up in inflation globally. The yield on the two-year US Treasury note, for instance, has soared from 0.7 per cent to 4.4 per cent, while in the UK the 10-year gilt yield has risen from just under 1 per cent to about 3.7 per cent. Yields rise as prices fall.

Commodities

Olam considers dual Singapore and Saudi listing for $3.5bn agribusiness

MERCEDES RUEHL — SINGAPORE

Agricultural commodity trader Olam Group will list its $3.5bn agricultural arm in Singapore and potentially Saudi Arabia as concerns around the war in Ukraine and climate change spur investment in food security.

The Singapore-based trader, which sold a 35 per cent stake in Olam Agri to a subsidiary of Saudi Arabia's Public Investment Fund last year for $1.24bn, said yesterday that the dual listing was designed to help expand outside of Asia.

Olam Agri seeks to raise between $800mn and $1bn for the listing in the first half of the year, according to two people familiar with the deal. The company, one of the biggest traders in the world and a supplier to global brands from Nestlé to Unilever, also counts Japan's Mitsubishi and Singapore state

pandemic, even as wholesale food costs have stabilised in recent months.

Chief executive Sunny Verghese said investors were increasingly concerned about global food security. "What the Russia-Ukraine war has brought into sharp relief is that as the world balkanises and polarises . . . global output, including food and feed production, can get upended," he said.

Olam Agri is a supplier and processor that links farmers, particularly from frontier and emerging markets in Asia and Africa, with global brands. The listing is part of a reorganisation of the

Singapore-listed Olam Group to split into three new entities. Verghese said there was no change to the plan to list its food ingredients business on the London Stock Exchange with a secondary listing in Singapore. He said it would happen after the Olam Agri listing and when market conditions improved.

Nirgunan Tiruchelvam, head of consumer and internet research at Aletheia Capital, said: "Efforts to spin off [the Olam Agri] business ticks boxes in a world where people [are] valuing food security and high environmental, social and governance standards."

The company is "viewed as a proxy for commodity or food prices going up", he said, though he added that a number of global investors were not set up to trade in the Saudi stock market.

"The Saudis have been investing in the business for a while, and it fits into

Crypto

Gemini co-founder urges DCG to sack its chief in dispute over $900mn debt

NIKOU ASGARI — LONDON

Cameron Winklevoss has called for the board of conglomerate Digital Currency Group to oust its chief executive, in a growing spat over debts stemming from last year's FTX crypto shock.

In a second open letter published yesterday, Winklevoss, who runs crypto exchange Gemini with his twin brother Tyler, reiterated his call for DCG boss Barry Silbert to pay back debts including $900mn in Gemini client funds that are stuck in one of DCG's units. Cameron had given Silbert a January 8 deadline to commit to solving the matter.

The cash demands underline how last year's collapse of crypto exchange FTX continues to hurt the industry's close-knit web of prominent firms and personalities in this self-styled decentralised market.

bankers to help explore options. Last week, Silbert said DCG had not received a response to its own proposals to Winklevoss and other creditors, which include Dutch exchange Bitvavo and crypto savings firm Donut.

In a new public letter on the matter published yesterday, Winklevoss called on the group's board to sack Silbert immediately. The Winklevoss twins do not own a stake in DCG, limiting their capacity to force Silbert's hand.

> Cameron Winklevoss said DCG had not 'given [its Genesis unit] so much as a penny of actual funding'

"This is another desperate and unconstructive publicity stunt from Cameron

DCG's web of intra-company loans, and investments, previously revealed by the Financial Times, has further complicated the picture for creditors.

The core issue is a $1.1bn promissory note DCG issued directly to Genesis when it assumed the broker's liabilities following the collapse of crypto hedge fund Three Arrows Capital last summer. It matures, delivering the cash to Genesis, in 2032.

Cameron Winklevoss wrote yesterday that DCG had not "given Genesis so much as a penny of actual funding", saying the promissory note "did nothing to improve Genesis's immediate liquidity position or make its balance sheet solvent".

DCG has been attempting to raise money by cutting costs, including Genesis laying off 30 per cent of its staff.

The New York-based group was

The day in the markets

What you need to know

- Wall Street shares creep higher
- US small-business optimism fades
- European stocks pare January gains

US stocks edged higher yesterday even after Federal Reserve officials reiterated that interest rates would probably hover above 5 per cent for much of 2023.

Rising prices for healthcare and consumer cyclical stocks helped Wall Street's blue-chip S&P 500 inch 0.3 per cent higher in early afternoon New York trading. The tech-heavy Nasdaq Composite gained 0.4 per cent as investors shook off warnings on Monday from the presidents of the US central bank's San Francisco and Atlanta branches that high inflation meant interest rates had further to climb.

Most Fed officials expect the fed funds rate to peak between 5 per cent and 5.25 per cent later this year, up from its current level of between 4.25 per cent and 4.5 per cent. Much of the debate among investors revolves around whether the central bank will lift borrowing costs by 0.5 percentage points or 0.25 percentage points when it meets at the end of this month.

Arguments for either depend to a large extent on December's consumer price index data, published tomorrow. Market participants surveyed by Refinitiv expect prices to have risen 6.6 per cent year on year in the final month of last year, down from a rise of 7.1 per cent in November.

"A cool surprise will tilt the expectations to a 25 [basis point] hike and we'll get some equity upside," said Mike Zigmont, head of trading and research at Harvest Volatility Management. "Hot data will result in 50 [basis point] expectations and significant downside." Yesterday's moves in equity markets came after the US National Federation of Independent Business's Small Business Optimism index fell more than expected in December, suggesting the Fed's aggressive monetary tightening campaign is squeezing economic activity.

US government bonds have rallied since the start of the year on signs of slowing wage growth — a key measure of pressure on prices for the Fed.

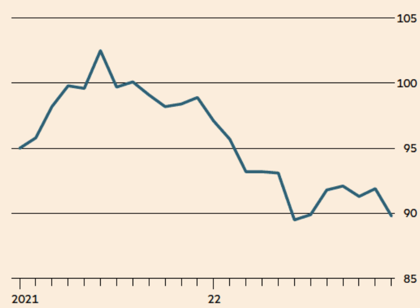
Yesterday, however, the yield on the two-year Treasury note, which is sensitive to interest rate expectations, rose 0.06 percentage points to 4.26 per cent. Bond yields move inversely to prices.

A measure of the dollar's strength against a basket of six peers gained 0.3 per cent on the day.

Europe's Stoxx 600 shed 0.6 per cent, eating into strong gains since the beginning of January, while London's FTSE 100 fell 0.4 per cent and Germany's Dax lost 0.1 per cent.

Hong Kong's Hang Seng index fell 0.3 per cent and China's CSI 300 index of Shanghai- and Shenzhen-listed stocks added 0.1 per cent. **George Steer**

Confidence in the US economy fell sharply in December
NFIB Small Business Optimism index



Source: NFIB

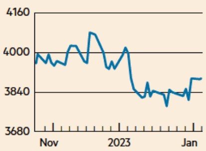
Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	3894.85	1761.03	26175.56	7694.49	3169.51	109894.57
% change on day	0.07	-0.58	0.78	-0.39	-0.21	0.70
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	103.414	1.073	132.185	1.215	6.778	5.226
% change on day	0.401	-0.093	0.201	-0.328	0.095	-1.189
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	3.628	2.304	0.507	3.557	2.906	13.313
Basis point change on day	11.810	8.000	0.620	3.300	2.000	-13.100
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	410.27	80.47	75.53	1878.85	23.85	4108.80
% change on day	-0.12	1.03	1.21	1.44	1.68	3.26

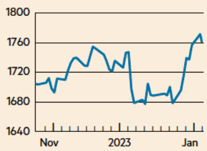
Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets

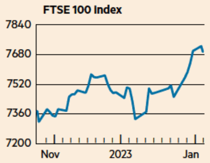
S&P 500 index



Eurofirst 300 index



FTSE 100 index



Biggest movers

%	US		Eurozone		UK	
Ups	Steris	5.85	Bayer	4.82	Admiral	2.90
	Warner Bros Discovery	5.04	Ageas	3.78	Convatec	2.07
	Thermo Fisher Scientific	4.54	Renault	2.66	Antofagasta	1.62
	Danaher	4.42	Accor	2.17	Rightmove	1.47
	Agilent	4.29	Deutsche Boerse	1.88	Abrdn	1.39
Downs	Dish Network	-5.47	Randstad	-7.25	Rs	-4.83
	Illumina	-4.85	Klepierre	-3.98	British American Tobacco	-3.99
	Cf Industries Holding	-3.85	Heidelbergcement	-3.73	Airtel Africa	-3.49
	Mosaic (the)	-3.60	Fresenius	-3.00	Ocado	-3.07
	Waste Management	-3.49	Novo Nordisk	-2.82	Next	-2.91

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

Wall Street

Efforts to reduce its overheads lifted crypto exchange **Coinbase**, which set out plans to lay off 950 employees.

Coinbase estimated it would incur between $149mn and $163mn in restructuring expenses linked to the move, of which $58mn to $68mn was earmarked for charges related to severance and other termination benefits.

Oak Street Health, which operates a network of care centres for adults on Medicare, surged following speculation that it could be a takeover target.

Bloomberg reported that CVS Health, one of the largest pharmacy retailers in the US, was exploring a $10mn purchase of Oak Street.

The rumour chimed with CVS's efforts to shift away from its retail roots and diversify its offering. It bought home healthcare provider Signify Health for $8bn last year, beating off rival bidder Amazon.

Virgin Orbit, the group behind a failed attempt to launch satellites on UK soil, fell sharply. During the firing of its

Europe

Norway's **Kahoot!** fell sharply following a weaker than expected sales performance at the end of 2022.

Eilert Hanoa, chief executive of the game-based learning platform provider, said the macro environment was "driving more cautious decision-making and longer sales cycles, which resulted in lower than expected revenue growth".

Invoiced revenue rose 10 per cent year on year to $43.5mn in the fourth quarter, which undershot the $50mn-$55mn target stated in November.

Austrian motorcycle manufacturer **Pierer Mobility** climbed following "another record year in 2022", it said.

Preliminary figures pointed to annual revenue of between €2.42bn and €2.44bn, up 19 per cent year on year, while an operating margin of 9 per cent to 10 per cent was at the upper end of its previous guidance.

Sales of e-bicycles and bicycles rose 15 per cent to more than 118,000.

Takeover target **Caverion** jumped on news that investment firm Triton had

London

Insurer **Admiral** topped the FTSE 100 index following a reiteration of a "buy" recommendation as part of a sector-wide review by Berenberg.

"Admiral remains our top pick in the UK motor sector as we continue to see it as higher quality compared to Direct Line and Sabre Insurance," said the broker, commenting on the group's strong "reserving position" — funds set aside to meet outstanding claims.

Model-railways maker **Hornby** dived after forecasting a "modest underlying loss before tax" for its financial year that ends in March.

While Hornby's order book remained strong ahead of its 2023 product releases, it warned of a "high level of uncertainty" around further sales owing to the effects of "inflation and mortgage costs for consumers".

Fantasy-figurines manufacturer **Games Workshop** sank following a drop in profits, hit by a fall in licensing revenues.

Operating profits was £83.6mn for the half-year, down from £88.5mn a year

Nagging doubts keep investors from celebrating

Katie Martin

Markets Insight

Inflation is finally cooling. But the ghost of sky-high growth in prices continues to haunt fund managers.

The genuine possibility that the peak in global inflation may be behind us started to emerge in the US last month, when data showed the annual rate dropped to 7.1 per cent in November, a decent fall from 7.7 per cent the previous month and even a little below forecasts.

Certainly, the "old you" from, say, three years ago, would laugh at the suggestion that 7-ish per cent inflation is good for risky assets. But then, "old you" had not been through the mincing machine of 2022 — a year that fund managers of almost all stripes are desperately keen to forget.

That reading marked the slowest rate of inflation in almost a year and meant the pace of consumer price rises had fallen for two months in a row. It enabled investors to dare hope the nightmare of endlessly soaring inflation and an endlessly hawkish Federal Reserve might finally be coming to an end. This month, data from the eurozone suggested the US inflation figures were not a blip when its December rate also dropped into single figures. US figures for December are due out this week.

So why are investors not dancing in the streets? Instead, party-poopers, perhaps humbled by a cruel 2022 marked by the killer combo of sliding stocks and bonds, express nagging doubts when asked how this year will pan out.

"Honestly, I don't know," says Andrew Lake, head of fixed income at Mirabaud Asset Management, with the hint of a sigh. "I have no idea."

One factor holding back the enthusiasm is that a pullback in inflation was already embedded in markets. Investors had done what they are supposed to and anticipated the next big shift in the macro environment. Global stocks, as measured by the MSCI World index, rose some 20 per cent from the lowest point of October to mid-December, despite the lack of any meaningful brightening in growth or geopolitical tensions. That rally "took a lot out of returns from [2023]", Lake says.

The really big worry for Lake, and for lots of other fund managers, is that, sure, the Fed will probably hit pause quite soon. It has already chopped the size of its rate rises down to a half point, a break from the three-quarter point increments we saw several times in 2022. Early this year it is likely to want to sit back and see how that rapid pace of tightening filters through the economy.

> 'My worry is not that we get a big recession, it's that the Fed starts tightening again at the end of 2023'

But can we be certain that the next move is down? What if the pause is not so much of a pivot but a plateau, a brief breather to reload and start again? After all, it turns out no one in policymaking or investing circles really understands inflation quite as well as they thought. "If inflation doesn't come down and unemployment is not high, then they will feel comfortable raising rates again," Lake says.

This is the notion really keeping investors awake at night. Deep down, they want to get back to the good old days of low inflation, low rates and central bankers who see a virtue in supporting highfalutin-sounding financial conditions (for which, read buoyant asset prices).

But central bankers want to get back to a different sort of good old days when inflation was housebroken. If they remain single-minded in this mission and fire up the rate rises all over again, then some of the nastier features of portfolios in 2022 could reassert themselves in 2023. "The worst-case scenario for next year is if the Powell Fed becomes another Volcker Fed, if it becomes more hawkish," says Flavio Carpenzano, fixed-income investment director at Capital Group.

Not only would that continue to throttle higher-risk assets, such as tech stocks, that thrive when money is cheap and profits are a worry for another day, but it would also be likely to force the US economy into a recession.

"My biggest worry is that the Fed has to start again," says Andrew Pease, head of investment strategy at Russell Investments. It is easy to imagine the Fed pausing, markets shooting higher, the economy picking up, Pease says, followed by a resurgence in the inflation policymakers are so desperately keen to hold down. And then the pain restarts. "My worry is not that we get a big recession, it's that the Fed starts tightening again at the end of 2023," he says.

A mild recession might in fact be the best outcome for investors, he says — mild enough not to inflict too much pain but bad enough to keep the Fed's end point for benchmark rates well under 6 per cent. Otherwise, the horror show of 2022 will just keep rolling. Last year was "seen as the year of the reset", Pease says. "What if it's not?"

katie.martin@ft.com

MARKET DATA

WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)

S&P 500	Nasdaq Composite	Dow Jones Ind	FTSE 100	FTSE Eurofirst 300	Nikkei	Hang Seng	FTSE All World $	$ per €	$ per £	¥ per $	£ per €	Oil Brent $ Sep	Gold $
0.07%	0.16%	0.09%	-0.39%	-0.58%	0.78%	-0.27%	-0.12%	-0.093%	-0.328%	0.201%	0.227%	0.38%	1.44%

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

AMERICAS

Dec 11 - - Index — All World

S&P 500 New York 3,963.51 3,894.85 Day 0.07% Month -1.00% Year -9.97%

Nasdaq Composite New York 11,082.00 10,652.35 Day 0.16% Month -3.19% Year -20.21%

Dow Jones Industrial New York 33,781.48 33,546.81 Day 0.09% Month 0.24% Year -1.77%

Dec 11 - Jan 10

S&P/TSX COMP Toronto 19,969.19 19,857.65 Day -0.26% Month -0.71% Year -3.59%

IPC Mexico City 50,466.25 52,307.05 Day 0.16% Month 3.76% Year 3.76%

Bovespa São Paulo 105,343.37 109,407.67 Day 0.70% Month 2.24% Year -2.38%

EUROPE

Dec 11 - Jan 10

FTSE 100 London 7,489.19 7,694.49 Day -0.39% Month 2.91% Year 1.92%

FTSE Eurofirst 300 Europe 1,735.38 1,761.03 Day -0.58% Month 1.48% Year -4.13%

CAC 40 Paris 6,677.64 6,869.14 Day -0.55% Month 2.87% Year -2.47%

Dec 11 - Jan 10

Xetra Dax Frankfurt 14,370.72 14,774.60 Day -0.12% Month 4.18% Year NaN%

Ibex 35 Madrid 8,289.20 8,712.70 Day 0.20% Month 5.11% Year 0.40%

FTSE MIB Milan 24,277.49 25,364.61 Day -0.08% Month 4.48% Year -5.81%

ASIA

Dec 11 - Jan 10

Nikkei 225 Tokyo 27,686.40 26,175.56 Day 0.78% Month -6.18% Year -3.14%

Hang Seng Hong Kong 19,463.63 21,331.46 Day -0.27% Month 7.19% Year -12.15%

Shanghai Composite Shanghai 3,206.95 3,169.51 Day -0.21% Month -1.17% Year -7.81%

Dec 11 - Jan 10

Kospi Seoul 2,373.02 2,351.31 Day 0.05% Month -1.58% Year -13.79%

FTSE Straits Times Singapore 3,236.08 3,262.91 Day -1.29% Month 0.52% Year -0.38%

BSE Sensex Mumbai 62,130.57 60,115.48 Day -1.04% Month -3.32% Year 3.90%

Country	Index	Latest	Previous
Argentina	Merval	215599.03	215700.36
Australia	All Ordinaries	7336.60	7355.80
	S&P/ASX 200	7131.00	7151.30
	S&P/ASX 200 Res	6167.50	6205.40
Austria	ATX	3241.62	3271.32
Belgium	BEL 20	3847.94	3856.91
	BEL Mid	9683.20	9945.03
Brazil	IBovespa	109894.57	109129.57
Canada	S&P/TSX 60	1193.28	1197.47
	S&P/TSX Comp	19806.27	19857.07
	S&P/TSX Div Met & Min	1609.05	1610.57
Chile	S&P/CLX IGPA Gen	26827.53	27181.16
China	FTSE A200	10679.80	10664.75
	FTSE B35	9000.71	8988.96
	Shanghai A	3322.38	3329.24
	Shanghai B	287.99	288.98
	Shanghai Comp	3169.51	3176.08
	Shenzhen A	2155.46	2149.22
	Shenzhen B	1192.16	1190.02
Colombia	COLCAP	1261.61	1260.21
Croatia	CROBEX	2013.05	2011.29
Cyprus	CSE M&P Gen	68.46	68.68
Czech Republic	PX	1269.69	1270.96
Denmark	OMXC Copenahgen 20	1836.72	1874.22
Egypt	EGX 30	15462.57	16096.87
Estonia	OMX Tallinn	1798.92	1793.33
Finland	OMX Helsinki General	11194.41	11316.44
France	CAC 40	6869.14	6907.36
	SBF 120	5261.53	5292.37
Germany	M-DAX	27383.67	27560.89
	TecDAX	3092.70	3091.65
	XETRA Dax	14774.60	14792.83
Greece	Athens Gen	960.49	962.84
	FTSE/ASE 20	2332.26	2340.56
Hong Kong	Hang Seng	21331.46	21388.34
	HS China Enterprise	7263.63	7286.07
	HSCC Red Chip	3911.28	3927.20
Hungary	Bux	46042.13	45832.49
India	BSE Sensex	60115.48	60747.31
	Nifty 500	15325.25	15450.10
Indonesia	Jakarta Comp	6622.50	6688.27
Ireland	ISEQ Overall	7714.87	7735.20
Israel	Tel Aviv 125	1850.44	1831.87
Italy	FTSE Italia All-Share	27469.40	27497.66
	FTSE Italia Mid Cap	41413.51	41634.71
	FTSE MIB	25364.61	25385.09
Japan	2nd Section	7228.27	7239.06
	Nikkei 225	26175.56	25973.85
	S&P Topix 150	1613.66	1607.64
	Topix	1880.88	1875.76
Jordan	Amman SE	2617.99	2621.64
Kenya	NSE 20	1710.71	1705.33
Kuwait	KSX Market Index	6633.44	6603.51
Latvia	OMX Riga	1173.21	1166.93
Lithuania	OMX Vilnius	966.19	961.57
Luxembourg	LuxX	1559.48	1571.57
Malaysia	FTSE Bursa KLCI	1485.13	1493.42
Mexico	IPC	52362.91	52280.05
Morocco	MASI	9806.32	10040.91
Netherlands	AEX	733.03	736.18
	AEX All Share	1009.62	1014.79
New Zealand	NZX 50	11665.26	11646.45
Nigeria	SE All Share	51693.08	51222.34
Norway	Oslo All Share	1017.37	1006.88
Pakistan	KSE 100	40801.51	40504.76
Philippines	Manila Comp	6756.69	6790.24
Poland	Wig	62018.06	61364.58
Portugal	PSI 20	5952.40	5926.86
	PSI General	4541.50	4514.15
Romania	BET Index	12244.17	12286.92
Russia	Micex Index	2436.57	2445.30
	RTX	1245.71	1212.57
Saudi-Arabia	TADAWUL All Share Index	10647.18	10536.91
Singapore	FTSE Straits Times	3262.91	3305.67
Slovakia	SAX	340.45	340.45
Slovenia	SBI TOP	-	-
South Africa	FTSE/JSE All Share	78000.31	78342.70
	FTSE/JSE Res 20	76950.16	77405.33
	FTSE/JSE Top 40	71833.49	72223.30
South Korea	Kospi	2351.31	2350.19
	Kospi 200	309.57	309.69
Spain	IBEX 35	8712.70	8694.90
Sri Lanka	CSE All Share	8367.69	8380.60
Sweden	OMX Stockholm 30	2180.70	2191.82
	OMX Stockholm AS	830.39	833.88
Switzerland	SMI Index	11162.15	11212.57
Taiwan	Weighted Pr	14802.96	14752.21
Thailand	Bangkok SET	1691.41	1691.12
Turkey	BIST 100	4987.99	4987.99
UAE	Abu Dhabi General Index	9222.93	9251.11
UK	FT 30	2583.00	2595.70
	FTSE 100	7694.49	7724.94
	FTSE 4Good UK	6980.21	6994.51
	FTSE All Share	4204.39	4221.46
	FTSE techMARK 100	6511.41	6543.47
USA	DJ Composite	11189.96	11203.35
	DJ Industrial	33546.81	33517.65
	DJ Transport	13975.26	14018.51
	DJ Utilities	982.42	988.42
	Nasdaq 100	11114.88	11108.45
	Nasdaq Cmp	10652.35	10635.65
	NYSE Comp	15524.73	15514.44
	S&P 500	3894.85	3892.09
	Wilshire 5000	38688.45	38648.30
Venezuela	IBC	19850.96	20747.40
Vietnam	VNI	1053.35	1054.21
Cross-Border	DJ Global Titans ($)	411.56	411.96
	Euro Stoxx 50 (Eur)	4056.67	4068.62
	Euronext 100 ID	1300.12	1307.86
	FTSE 4Good Global ($)	9565.24	9586.86
	FTSE All World ($)	410.27	410.78
	FTSE E300	1761.03	1771.30
	FTSE Eurotop 100	3475.26	3496.03
	FTSE Global 100 ($)	2463.77	2465.29
	FTSE Gold Min ($)	1928.02	1918.94
	FTSE Latibex Top (Eur)	4440.00	4432.20
	FTSE Multinationals ($)	2652.36	2631.31
	FTSE World ($)	741.12	742.01
	FTSEurofirst 100 (Eur)	4720.71	4738.83
	FTSEurofirst 80 (Eur)	5528.05	5544.80
	MSCI ACWI Fr ($)	621.93	617.40
	MSCI All World ($)	2663.17	2649.76
	MSCI Europe (Eur)	1817.25	1802.37
	MSCI Pacific ($)	2648.65	2626.40
	S&P Euro (Eur)	1821.00	1827.39
	S&P Europe 350 (Eur)	1806.22	1817.27
	S&P Global 1200 ($)	2954.94	2957.82
	Stoxx 50 (Eur)	3819.83	3842.54

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

STOCK MARKET: BIGGEST MOVERS

AMERICA ACTIVE STOCKS	stock traded m's	close price	Day's change
Tesla	110.3	116.31	-3.46
Apple	39.4	128.86	-1.29
Nvidia	31.1	157.10	0.82
Amazon.com	26.7	89.22	1.86
Microsoft	26.7	228.23	1.11
Netflix	17.9	324.48	9.31
Meta Platforms	15.9	131.69	2.22
Advanced Micro Devices	14.7	67.52	0.28
Alphabet	13.7	87.95	-0.07
Broadcom	10.6	557.42	-19.47
BIGGEST MOVERS	**Close price**	**Day's change**	**Day's chng%**
Ups			
Steris	202.02	11.17	5.85
Warner Bros Discovery	12.20	0.59	5.04
Thermo Fisher Scientific	570.91	24.82	4.54
Danaher	266.32	11.27	4.42
Agilent	153.80	6.33	4.29
Downs			
Dish Network	14.96	-0.87	-5.47
Illumina	197.26	-10.05	-4.85
Cf Industries Holding	82.69	-3.31	-3.85
Mosaic (the)	45.50	-1.70	-3.60
Waste Management	152.71	-5.53	-3.49

Based on the constituents of the S&P500

LONDON ACTIVE STOCKS	stock traded m's	close price	Day's change
Shell	316.0	2376.50	-2.50
Astrazeneca	219.1	11802.00	66.00
Gsk	192.8	1414.00	-7.40
Bp	179.2	475.10	-4.20
Glencore	147.0	534.10	-8.50
Unilever	142.2	4198.00	3.00
Rio Tinto	141.2	6073.00	-18.00
Diageo	127.1	3631.50	-3.50
National Grid	128.7	1022.50	-15.00
British American Tobacco	121.4	3153.50	-131.00
BIGGEST MOVERS	**Close price**	**Day's change**	**Day's chng%**
Ups			
Plus500 Ltd	1790.00	79.00	4.62
Integrafin Holdings	307.60	9.40	3.15
Savills	839.00	25.50	3.13
Darktrace	293.40	8.80	3.09
Admiral	2272.00	64.00	2.90
Downs			
Clarkson	2935.00	-250.00	-7.85
Pagegroup	439.40	-34.40	-7.26
Hays	113.00	-8.40	-6.92
Itv	76.02	-5.46	-6.70
Synthomer	147.00	-9.20	-5.89

Based on the constituents of the FTSE 350 index

EURO MARKETS ACTIVE STOCKS	stock traded m's	close price	Day's change
Novartis N	448.1	84.35	-1.81
Novo Nordisk B A/s	318.0	125.14	-3.63
Roche Gs	282.8	295.45	1.16
Asml Holding	274.7	583.50	-3.10
Nestle N	247.3	112.48	-0.24
Intesa Sanpaolo	193.4	2.25	0.02
Bayer Ag Na O.n.	190.5	54.36	2.50
Zurich Insurance N	162.1	453.55	-0.71
Totalenergies	164.7	58.41	0.09
Lvmh	155.4	756.80	-2.80
BIGGEST MOVERS	**Close price**	**Day's change**	**Day's chng%**
Ups			
Bayer Ag Na O.n.	54.36	2.50	4.82
Sartorius Ag Vzo O.n.	388.90	9.30	2.45
Orsted A/s Dk 10	11.55	0.24	2.10
Lonza N	475.16	8.69	1.86
E.on Se Na O.n.	9.95	0.11	1.14
Downs			
Siemens Energy Ag Na O.n.	17.62	-0.56	-3.08
Fresenius Se+co.kgaa O.n.	27.45	-0.85	-3.00
Novo Nordisk B A/s	125.14	-3.63	-2.82
A.p. M__ller - M__rsk B A/s	2024.86	-54.45	-2.62
Basf Se Na O.n.	51.53	-1.31	-2.48

Based on the constituents of the FTSEurofirst 300 Eurozone index

TOKYO ACTIVE STOCKS	stock traded m's	close price	Day's change
Eisai Co.,	929.3	8541.00	394.00
Mitsubishi Ufj Fin,.	671.8	893.30	-9.10
Softbank .	644.3	5953.00	137.00
Tokyo Electron	584.9	42440.00	1270.00
Fast Retailing Co.,	493.7	80310.00	780.00
Sumitomo Mitsui Fin,.	461.3	5285.00	-8.00
Sony	421.1	10725.00	90.00
Toyota Motor	408.4	1827.00	2.00
Nippon Telegraph And Telephone	331.0	3896.00	-45.00
Daikin Industries,	312.7	21330.00	1080.00
BIGGEST MOVERS	**Close price**	**Day's change**	**Day's chng%**
Ups			
Tokio Electr.	4965.00	395.00	8.64
Daikin Industries,	21330.00	1080.00	5.33
Eisai Co.,	8541.00	394.00	4.84
Nippon Steel & Sumitomo Metal	2368.00	81.00	3.54
Shin-etsu Chemical Co.,	16660.00	545.00	3.38
Downs			
Tokyo Electric Power ,orporated	436.00	-19.00	-4.18
Dai-ichi Life Holdings	2873.50	-90.00	-3.04
Recruit Hldgs Co Ltd	4208.00	-131.00	-3.02
Kansai Electric Power Co	1219.00	-35.00	-2.79
Sumitomo Dainippon Pharma Co Ltd	909.00	-26.00	-2.78

Based on the constituents of the Nikkei 225 index

UK MARKET WINNERS AND LOSERS

FTSE 100	Jan 10 price(p)	%Chg week	%Chg ytd
Winners			
Antofagasta	1754.50	12.3	11.1
Int Consolidated Airlines S.a.	143.76	11.6	16.1
Ocado	720.40	11.1	18.0
Sainsbury (j)	245.80	9.3	13.9
Bt	125.15	9.0	14.2
Jd Sports Fashion	140.90	8.6	10.9
Burberry	2238.00	8.3	9.5
Entain	1458.50	8.0	10.5
Flutter Entertainment	12360.00	7.9	9.8
Associated British Foods	1754.50	7.8	11.1
Endeavour Mining	1917.00	7.8	9.4
Intercontinental Hotels	5194.00	7.5	9.2
Losers			
British American Tobacco	3153.50	-5.7	-0.2
Airtel Africa	110.50	-3.3	0.6
Haleon	312.55	-3.2	-4.0
Pearson	916.00	-3.1	-2.8
Bae Systems	839.40	-2.6	-2.8
Gsk	1414.00	-2.5	-1.9
Rentokil Initial	511.00	-2.0	0.0
Glencore	534.10	-1.9	-2.6
Imperial Brands	2052.00	-1.8	-0.5
Bp	475.10	-1.7	0.4
Compass	1917.50	-1.7	-1.0
Centrica	90.62	-1.4	-5.6

FTSE 250	Jan 10 price(p)	%Chg week	%Chg ytd
Winners			
Wizz Air Holdings	2623.00	38.2	34.7
Easyjet	392.60	19.0	20.5
Carnival	689.80	16.5	17.8
Marks And Spencer	141.30	11.6	14.7
Mitchells & Butlers	158.30	10.6	13.0
Bodycote	646.00	10.4	12.9
Darktrace	293.40	10.3	12.9
Watches Of Switzerland	925.50	10.0	14.4
Marshalls	310.20	9.8	7.8
Fidelity China Special Situations	271.50	8.8	12.7
Ascos	578.50	8.6	12.7
Ibtimi	1415.00	8.5	10.4
Losers			
Keller	730.00	-14.0	-8.3
Essentra	213.50	-9.5	-9.7
Syncona	172.40	-7.8	-4.8
Abrdn Private Equity Opportunities Trust	415.00	-7.6	-8.2
Pagegroup	439.40	-7.5	-4.7
Telecom Plus	2005.00	-7.0	-8.8
Uk Commercial Property Reit	56.30	-6.3	-3.6
Apax Global Alpha	175.20	-6.3	-6.4
Cls Holdings	150.40	-6.2	-5.3
Clarkson	2935.00	-6.2	-3.4
Balanced Commercial Property Trust	86.30	-5.4	-2.5
Rit Capital Partners	2060.00	-5.3	-4.0

FTSE SmallCap	Jan 10 price(p)	%Chg week	%Chg ytd
Winners			
Ten Entertainment	292.50	18.9	16.1
Dignity	502.00	18.0	21.0
Ao World	65.85	17.8	26.6
Card Factory	91.60	17.0	17.7
Reach	109.40	14.0	15.2
Sig	32.35	10.8	9.3
Senior	136.00	10.2	8.6
Hyve	79.50	10.0	8.0
On The Beach	172.80	10.1	10.5
The Gym	122.80	9.8	9.0
Pod Point Holdings	70.00	9.4	14.8
Foxtons	33.10	9.2	12.5
Losers			
Nanoco	39.40	-12.4	-1.5
Trustpilot	94.55	-10.7	2.6
Oxford Biomedica	412.00	-10.5	-6.9
Riverstone Energy	617.00	-9.3	-9.1
Civitas Social Housing	60.90	-7.0	-3.4
Alfa Fin Software Holdings	163.00	-6.6	-1.8
Sthree	386.00	-6.4	-4.2
Ashoka India Equity Investment Trust	178.75	-6.2	-6.8
Custodian Property ome Reit	89.80	-5.7	-3.3
Prs Reit (the)	83.30	-5.7	-6.3
Secure Trust Bank	724.00	-5.0	-1.3
Schroder Uk Public Private Trust	15.10	-4.7	-3.0

Industry Sectors	Jan 10 price(p)	%Chg week	%Chg ytd
Winners			
Travel & Leisure	6886.80	8.5	10.9
Personal Goods	33942.23	8.2	10.4
Mining	12029.42	6.6	7.8
Food Producers	6083.91	5.4	7.3
Banks	3557.40	5.1	8.2
General Industrials	6428.17	4.8	6.1
Industrial Transportation	3684.28	4.7	6.3
Construction & Materials	7360.56	4.1	7.3
Life Insurance	7519.24	3.8	6.6
Mobile Telecommunications	2247.95	3.3	5.3
Electronic & Electrical Equip.	9099.25	3.3	5.2
Industrial Engineering	14320.23	3.2	3.7
Losers			
Tobacco	34479.31	-4.9	-3.3
General Retailers	3363.80	-1.7	0.0
Aerospace & Defense	5139.03	-1.6	0.3
Automobiles & Parts	1502.01	-0.8	0.9
Oil & Gas Producers	8233.52	-0.3	1.4
Electricity	10338.28	-0.1	-3.1
Real Estate Investment Trusts	2294.54	0.3	2.8
Equity Investment Instruments	11397.99	0.4	1.2
Health Care Equip.& Services	10946.53	0.4	0.3
Beverages	27690.36	0.5	-0.5
Pharmaceuticals & Biotech.	21631.81	0.8	2.9
Support Services	10189.06	1.0	2.6

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

CURRENCIES

Jan 10	Currency	DOLLAR Closing Mid	DOLLAR Day's Change	EURO Closing Mid	EURO Day's Change	POUND Closing Mid	POUND Day's Change
Argentina	Argentine Peso	180.4200	0.2960	193.5546	0.0747	219.1558	-0.4434
Australia	Australian Dollar	1.4532	0.0128	1.5590	0.0118	1.7652	0.0091
Bahrain	Bahrainin Dinar	0.3770	-	0.4044	-0.0005	0.4579	-0.0017
Bolivia	Bolivian Boliviano	6.9100	-	7.4130	-0.0093	8.3936	-0.0308
Brazil	Brazilian Real	5.2265	-0.0629	5.6069	-0.0746	6.3486	-0.1000
Canada	Canadian Dollar	1.3438	0.0073	1.4416	0.0061	1.6323	0.0030
Chile	Chilean Peso	831.1000	-5.9350	891.6043	-7.4956	1009.5355	-10.9403
China	Chinese Yuan	6.7780	0.0064	7.2715	-0.0023	8.2333	-0.0224
Colombia	Colombian Peso	4810.1800	-41.3900	5160.3635	-50.9447	5842.9167	-71.9016
Costa Rica	Costa Rican Colon	587.8950	-3.9700	630.6939	-5.0570	714.1148	-7.4606
Czech Republic	Czech Koruna	22.3323	-0.0133	23.9580	-0.0444	27.1269	-0.1158
Denmark	Danish Krone	6.9328	0.0087	7.4376	-0.0001	8.4213	-0.0204
Egypt	Egyptian Pound	27.6765	0.1021	29.6914	0.0724	33.6186	0.0011
Hong Kong	Hong Kong Dollar	7.8073	0.0035	8.3757	-0.0067	9.4835	-0.0305
Hungary	Hungarian Forint	371.6676	2.1894	398.7251	1.8506	451.4638	1.0125
India	Indian Rupee	81.7838	-0.5788	87.7376	-0.7319	99.3425	-1.0701
Indonesia	Indonesian Rupiah	15572.5000	5.0000	16706.2047	-15.6161	18915.8924	-63.3292
Israel	Israeli Shekel	3.4680	-0.0029	3.7204	-0.0078	4.2125	-0.0190
Japan	Japanese Yen	132.1850	0.2650	141.8081	0.1064	160.5648	-0.2661
..One Month		132.1844	0.2639	141.8078	0.1059	160.5643	-0.2672
..Three Month		132.1834	0.2618	141.8072	0.1047	160.5632	-0.2694
..One Year		132.1784	0.2518	141.8037	0.0976	160.5643	-0.2738
Kenya	Kenyan Shilling	123.7000	0.0500	132.7054	-0.1131	150.2581	-0.4904
Kuwait	Kuwaiti Dinar	0.3059	-	0.3282	-0.0004	0.3716	-0.0014
Malaysia	Malaysian Ringgit	4.3728	-0.0027	4.6911	-0.0088	5.3116	-0.0228
Mexico	Mexican Peso	19.1228	-0.0478	20.5149	-0.0771	23.2284	-0.1435
New Zealand	New Zealand Dollar	1.5720	0.0075	1.6864	0.0059	1.9095	0.0021
Nigeria	Nigerian Naira	460.7500	-	494.2927	-0.6212	559.6720	-2.0538
Norway	Norwegian Krone	9.9960	0.1261	10.7237	0.1220	12.1421	0.1092
Pakistan	Pakistani Rupee	228.0000	0.5000	244.5985	0.2297	276.9511	-0.4067
Peru	Peruvian Nuevo Sol	3.8052	0.0098	4.0822	0.0053	4.6221	-0.0051
Philippines	Philippine Peso	54.8775	-0.2375	58.8726	-0.3291	66.6596	-0.5342
Poland	Polish Zloty	4.3734	-0.0005	4.6917	-0.0065	5.3123	-0.0202
Romania	Romanian Leu	4.6000	0.0154	4.9349	0.0104	5.5876	-0.0017
Russia	Russian Ruble	69.5763	-0.1763	74.6414	-0.2831	84.5141	-0.5250
Saudi Arabia	Saudi Riyal	3.7547	-0.0016	4.0280	-0.0068	4.5608	-0.0187
Singapore	Singapore Dollar	1.3326	0.0045	1.4296	0.0030	1.6186	-0.0005
South Africa	South African Rand	17.0425	0.1025	18.2832	0.0871	20.7015	0.0490
South Korea	South Korean Won	1244.6500	1.1500	1335.2609	-0.4428	1511.8737	-4.1461
Sweden	Swedish Krona	10.4302	0.0448	11.1895	0.0341	12.6695	0.0081
Switzerland	Swiss Franc	0.9230	0.0046	0.9902	0.0036	1.1212	0.0014
Taiwan	New Taiwan Dollar	30.4375	-0.0820	32.6534	-0.1291	36.9724	-0.2356
Thailand	Thai Baht	33.5138	0.0287	35.9536	-0.0143	40.7091	-0.1143
Tunisia	Tunisian Dinar	3.0836	-0.0025	3.3081	-0.0068	3.7456	-0.0167
Turkey	Turkish Lira	18.7770	0.0040	20.1440	-0.0210	22.8084	-0.0788
United Arab Emirates	UAE Dirham	3.6730	0.0001	3.9404	-0.0048	4.4616	-0.0163
United Kingdom	Pound Sterling	0.8232	0.0030	0.8832	0.0021	-	-
..One Month		0.8234	0.0030	0.8831	0.0021	-	-
..Three Month		0.8235	0.0030	0.8828	0.0021	-	-
..One Year		0.8240	0.0030	0.8820	0.0021	-	-
United States	United States Dollar	-	-	1.0728	-0.0013	1.2147	-0.0045
..One Month		-	-	1.0726	-0.1463	1.2148	-0.0045
..Three Month		-	-	1.0721	-0.1464	1.2150	-0.0045
..One Year		-	-	1.0707	-0.1464	1.2155	-0.0045
Vietnam	Vietnamese Dong	23450.0000	-2.0000	25157.1694	-33.7780	28484.6724	-107.0154
European Union	Euro	0.9321	0.0012	-	-	1.1323	-0.0027
..One Month		0.9319	0.0012	-	-	1.1321	-0.0027
..Three Month		0.9315	0.0012	-	-	1.1319	-0.0027
..One Year		0.9300	0.0012	-	-	1.1311	-0.0027

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

FTSE ACTUARIES SHARE INDICES

UK SERIES www.ft.com/equities

Produced in conjunction with the Institute and Faculty of Actuaries

	£ Strlg Jan 10	Day's chge%	Euro Index	£ Strlg Jan 09	£ Strlg Jan 06	Year ago	Div yield%	Cover	P/E ratio	X/D adj	Total Return
FTSE 100 (100)	7694.49	-0.39	6795.74	7724.94	7699.49	7445.25	3.54	1.61	17.53	0.67	7907.63
FTSE 250 (250)	19390.97	-0.45	17126.01	19479.39	19504.72	23001.81	3.14	0.77	41.29	5.67	16156.88
FTSE 250 ex Inv Co (171)	19988.17	-0.63	17653.46	20114.41	20095.93	23958.22	3.22	1.62	19.16	7.07	16994.54
FTSE 350 (350)	4245.42	-0.40	3749.53	4262.58	4251.34	4242.30	3.48	1.50	19.10	0.49	8658.56
FTSE 350 ex Investment Trusts (268)	4188.61	-0.42	3699.36	4206.23	4194.20	4148.45	3.53	1.70	16.66	0.45	4414.94
FTSE 350 Higher Yield (133)	3647.97	-0.61	3221.87	3670.31	3671.05	3397.01	4.90	1.74	11.74	0.08	8398.05
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT 30 INDEX

	Jan 10	Jan 09	Jan 06	Jan 05	Jan 04	Yr Ago	High	Low
FT 30	2583.00	2595.70	2577.80	2561.10	2540.50	0.00	2598.50	2454.10
FT 30 Div Yield	-	-	-	-	-	0.00	3.93	2.74
P/E Ratio net	-	-	-	-	-	0.00	19.44	14.26

FT 30 hourly changes

8	9	10	11	12	13	14	15	16	High	Low
2595.7	2580.6	2582.7	2582	2586.2	2586.5	2583.7	2585.4	2585.3	2595.7	2578.0

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

FT WILSHIRE 5000 INDEX SERIES

[illegible]

FTSE GLOBAL EQUITY INDEX SERIES

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FTSE SECTORS: LEADERS & LAGGARDS

Year to date percentage changes

Industrial Metals &	11.94	Industrials	3.94	Mining	2.69
Food & Drug Retailer	9.76	Tech Hardware & Eq	3.94	NON FINANCIALS Index	2.66
Fixed Line Telecomms	8.51	Household Goods & Ho	3.94	Real Est Invest & Tr	2.41
Banks	8.15	Electronic & Elec Eq	3.88	FTSE SmallCap Index	2.10
General Retailers	8.08	Leisure Goods	3.82	Gas Water & Multi	1.96
Construct & Material	7.36	Support Services	3.32	Oil & Gas	1.37
Travel & Leisure	6.92	FTSE 100 Index	3.26	Oil & Gas Producers	1.34
Food Producers	6.73	FTSE All{HY-}Share Index	3.17	Personal Goods	1.31
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FTSE 100 SUMMARY

FTSE 100	Closing Price	Day's Change	FTSE 100	Closing Price	Day's Change
3I Group PLC	1399	11.00	Jd Sports Fashion PLC	140.90	0.30
Abrdn PLC	196.60	2.70	Johnson Matthey PLC	2188	-
Admiral Group PLC	2272	64.00	Kingfisher PLC	250.50	-3.90
Airtel Africa PLC	110.50	-4.00	Land Securities Group PLC	666.60	-1.00
Anglo American PLC	3493.5	-88.00	Legal & General Group PLC	258.30	-2.70
Antofagasta PLC	1754.5	28.00	Lloyds Banking Group PLC	48.04	-0.22
Ashtead Group PLC	5064	-46.00	London Stock Exchange Group PLC	7280	-6.00
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK STOCK MARKET TRADING DATA

[illegible]

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UK COMPANY RESULTS

[illegible]

UK RECENT EQUITY ISSUES

[illegible]

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Stock	Price	Day Chg	52 Week High	52 Week Low	Yld	P/E	MCap m
Australia (A$)							
ANZ Bank	23.72	-	28.11	20.78	6.03	10.49	49023.78
BHP Group	47.80	-0.20	53.72	35.83	8.15	11.84	166633.13
CmwBkAu	103.32	-	109.20	86.98	3.21	20.50	120045.79
CSL	275.63	-1.37	304.70	240.10	1.04	41.63	91464.35
NatAusBk	29.93	-0.07	33.75	25.43	2.84	16.82	64909.63
Telstra	3.96	-0.01	4.17	3.62	2.39	33.98	31486.74
Wesfarmers	46.97	-0.36	55.19	40.03	3.59	25.47	36653.4
Westpac Bank	23.41	0.04	24.67	18.80	3.60	17.96	56529.86
Woolworths	33.63	-0.07	39.63	31.67	3.04	40.46	28152.32
Belgium (€)							
AnBshInBv	56.34	-0.43	58.72	45.56	0.90	29.56	104998.55
KBC Grp	63.92	0.42	81.70	45.53	5.12	10.93	28587.12
Brazil (R$)							
Ambev	14.42	0.02	16.88	12.81	3.97	21.44	43455.48
Bradesco	13.17	0.25	17.72	12.03	6.40	6.00	12273.23
Cielo	4.95	-0.03	6.22	2.14	2.98	16.49	2573.12
ItauHldFin	22.30	0.28	26.04	18.86	3.52	8.69	21155.83
Petrobras	26.83	-0.26	42.08	23.61	18.15	3.77	38205.84
Vale	93.64	1.20	107.11	61.90	14.08	4.12	85621.26
Canada (C$)							
Bausch Hlth	10.19	0.10	33.39	5.10	-	-3.20	2744.04
BCE	61.39	0.02	74.09	55.66	5.44	21.52	41661.62
BkMontrl	127.71	-0.01	154.47	113.73	3.38	10.29	66828.34
BkNvaS	67.50	0.21	95.00	63.19	5.24	8.84	59856.25
Brookfield	58.88	11.29	63.88	41.28	1.09	19.91	69948.82
CanadPcR	102.13	-1.90	111.43	86.12	0.71	25.61	70709.26
CanImp	56.83	0.01	83.75	53.58	10.08	4.12	38328.72
CanNatRs	73.40	-0.48	88.18	58.75	2.60	11.91	60398.94
CanNatRy	162.28	-2.53	175.39	137.26	1.45	24.69	81474.9
Enbridge	54.81	-0.07	59.69	48.88	5.81	20.02	82590.02
GtWesLif	33.34	-0.17	41.50	27.99	5.53	9.81	23116.03
ImpOil	63.17	-0.98	79.83	51.47	1.56	19.03	27460.13
Manulife	24.80	0.15	28.09	20.81	4.50	7.34	34416.93
Nutrien	100.43	-2.48	147.93	86.60	2.21	15.10	38459.51
RylBkC	132.77	1.37	149.60	116.75	3.20	12.35	136902.59
SHOP	48.91	-0.90	125.50	33.00	-	1.77	36411.59
Suncor En	41.53	-0.66	53.62	35.73	2.41	15.71	41636.53
ThmReut	155.40	-0.17	160.00	119.23	1.26	11.21	55219.77
TntoDom	86.07	-0.03	109.08	77.27	3.62	11.29	116678.29
TrnCan	54.66	-0.13	74.44	52.70	6.07	30.80	41406.3
China (HK$)							
AgricBkCh	2.75	-	3.15	2.22	7.72	3.61	10827.14
Bk China	2.90	-0.01	3.20	2.51	7.64	3.60	31061.49
BkofComm	4.72	-0.05	5.74	3.84	7.38	3.91	21166.77
BOE Tech	0.68	0.03	0.86	0.57	-	10.98	17.33
Ch Coms Cons	3.89	-	5.17	3.09	5.21	3.23	2201.51
Ch Evrbrght	2.45	-0.01	3.11	2.04	9.73	3.32	3978.71
Ch Rail Cons	4.86	-0.07	5.95	3.75	5.37	2.59	1292.47
Ch Rail Gp	4.18	-0.06	5.88	3.48	4.90	3.37	2252.64
ChConstBk	4.99	-0.01	6.23	4.12	7.41	3.63	153662.73
China Vanke	17.00	0.12	21.70	9.96	8.34	7.67	4151.34
ChinaCitic	3.61	-0.01	4.08	2.92	7.74	3.35	6881.36
ChinaLife	14.24	-0.10	15.04	8.53	4.77	6.23	13572.18
ChinaMBank	46.25	-0.60	70.80	25.40	3.08	8.54	27196.22
ChinaMob	53.20	-	58.65	46.85	6.03	8.22	139417.71
ChinaPcIns	18.64	-0.32	25.90	12.10	7.01	6.08	6626.06
Finland (€)							
Nokia	4.56	-0.05	5.35	4.12	-	16.53	27850.67
SampoA	48.78	-0.30	49.97	35.85	3.33	10.92	27895.73
France (€)							
Airbus Grpe	115.10	-2.40	120.36	86.52	-	22.19	97327.01
AirLiquide	141.70	-0.84	153.40	114.48	1.84	27.50	79572.71
AXA	27.45	0.05	29.09	20.34	4.95	9.72	69255.82
BNP Parib	58.35	-0.67	68.07	40.67	4.36	8.84	77266.56
ChristianDior	745.00	-7.50	754.00	513.00	0.89	28.60	144268.14
Cred Agr	10.48	-0.05	14.27	8.09	7.26	6.02	34194.31
Danone	49.49	0.36	58.14	46.48	3.73	17.71	35882.18
EDF	12.00	-	12.04	6.64	3.86	9.71	50048.93
Engie SA	13.16	-0.01	14.68	9.79	3.83	9.75	34371.03
EssilorLuxottica	172.65	-3.20	184.70	132.70	0.59	55.37	82912.77
Hermes Intl	1606.5	-4.50	1620	957.60	0.27	72.53	181943.98
LOreal	364.35	-1.50	385.25	300.45	1.04	46.68	209190.92
LVMH	756.30	-3.30	761.60	535.00	0.88	33.30	408322.28
Orange	9.89	0.01	11.94	9.08	5.77	3453.14	28228.89
PernodRic	187.50	-0.35	203.50	166.60	1.58	29.77	51886.12
Renault	36.37	0.78	38.07	20.47	-	-28.56	11536.83
Safran	121.84	-0.30	123.18	87.85	0.34	1281.65	55845.1
Sanofi	90.07	-0.37	106.08	76.45	3.38	19.15	122473.81
Sant Gbn	51.72	-1.27	63.20	35.20	2.50	13.01	28616.94
Schneider	144.28	-0.54	156.54	110.02	1.71	26.77	88395.83
SocGen	24.55	-0.52	37.68	18.34	2.14	4.36	22383.6
Total	58.41	0.09	60.93	43.60	4.40	11.80	164120.69
UnibailR	52.88	-1.46	73.09	39.68	-	-7.92	7871.79
Vinci	99.40	-0.35	103.74	80.74	2.57	23.18	62850.11
Vivendi	9.41	-0.06	12.16	7.59	6.06	-17.68	11193.37
Germany (€)							
Allianz	216.30	2.65	232.50	156.22	4.22	14.37	93587.68
BASF	51.70	-1.14	69.15	37.90	6.07	9.00	49576.56
Bayer	53.96	2.10	67.99	47.01	3.52	55.65	56870.86
BMW	90.52	0.54	97.60	67.58	2.00	5.07	58459.68
Continental	63.96	-0.38	93.29	44.44	-	10.37	13723.67
Deut Bank	11.66	-0.06	14.64	7.46	-	12.06	25844.09
Deut Tlkm	19.97	0.11	20.04	14.47	2.86	24.15	106828.99
DeutsPost	37.61	-0.24	55.21	29.68	3.49	10.01	49986.94
E.ON	9.88	0.09	12.54	7.28	4.52	5.77	28001.7
Fresenius Med	33.02	0.85	63.66	26.19	3.86	10.49	10379.34
Fresenius SE	27.51	-0.79	38.11	19.76	3.11	9.15	16482.92
HenkelKgaA	61.05	-0.45	74.70	56.55	2.85	17.08	17015.19
Linde	298.75	-2.45	334.70	244.00	1.19	48.82	157865.26
Mercedes-Benz	67.75	0.43	77.90	50.19	1.89	7.13	77758.16
MuenchRkv	321.80	-2.50	327.40	205.15	2.90	16.17	48365.95
SAP	104.68	0.12	114.50	81.35	1.68	24.69	137961.92
Siemens	138.14	-0.20	149.26	93.67	2.41	21.85	125967.13
Volkswgn	159.25	-1.75	264.40	144.35	2.87	5.66	50414.16
Hong Kong (HK$)							
AIA	86.35	-0.95	93.65	57.25	1.39	22.07	130299.1
BOC Hold	27.55	0.10	32.75	23.55	4.05	14.12	37308.7
Ch OSLnd&Inv	22.00	-	27.35	14.58	4.90	5.46	30841.37
ChngKng	49.65	0.10	57.00	42.90	3.20	11.35	22926.95
Citic Ltd	8.38	-0.02	9.26	7.01	5.77	3.87	31224.03
Citic Secs	17.06	0.02	21.25	11.82	2.52	8.77	5725.21
CK Hutchison	48.80	0.10	60.45	38.80	4.19	6.17	23939.93
CNOOC	9.95	-	12.54	8.54	4.08	8.67	56810.86
AutomData	238.28	-1.23	274.92	192.26	1.44	41.13	98845.16
AutoZone	2435.77	-5.99	2610.05	1703.32	-	24.54	45708.76
Avago Tech	557.42	-19.47	645.31	415.07	2.42	35.10	232938.09
BakerHu	30.36	-0.18	39.78	20.42	2.19	78.35	30404.55
Bank of NY	48.27	0.13	64.63	36.22	2.42	13.00	39015.67
BankAm	34.02	0.13	50.11	29.31	2.06	10.63	272923.14
Baxter	45.84	1.14	89.70	45.02	2.12	20.20	23106.37
BectonDick	256.16	3.71	277.29	215.90	1.18	49.42	72818.08
BerkshHat	477824.99	-559.91	544389.26	393012.25	-	8.96	285178.38
Biogen	279.28	4.56	311.88	187.16	-	29.94	40215.99
BlackRock	747.66	-5.33	831.32	503.12	1.98	21.81	112295.23
Boeing	208.23	-0.34	223.23	113.02	-	-32.47	123649.3
Intuit	386.22	-9.12	579.96	339.36	0.60	53.93	108498.99
John&John	174.61	-0.97	186.69	155.72	2.15	24.93	456514.98
JohnsonCn	67.05	0.27	74.70	45.52	1.54	34.14	46040.06
JPMrgnCh	138.47	1.10	159.03	101.28	2.46	10.05	406160.88
Kimb-Clark	135.71	-1.32	144.53	108.74	3.11	28.40	45799.36
KinderM	18.61	-0.11	20.20	15.78	5.36	44.82	41819.24
KLA Corp	413.28	4.95	419.57	250.20	0.85	23.72	58569.35
Kraft Heinz	42.35	0.15	44.87	32.73	3.39	57.58	51869.67
Kroger	46.09	-0.10	62.78	41.82	1.53	23.46	32992.23
LasVegasSd	53.67	0.89	53.76	28.88	-	-39.64	41015.94
LibertyGbl	20.83	-0.07	29.08	15.22	-	0.99	3579.86
Lilly (E)	347.12	-2.71	375.25	231.87	0.88	63.24	329825.75
Venezuela (VEF)							
Bco de Vnzla	2.60	0.10	2.48	0.32	140.82	-	510.09
Bco Provncl	6.00	-0.98	7.00	1.70	-	0.00	121.03

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

FT 500: TOP 20

FT 500: BOTTOM 20

Based on the FT Global 500 companies in local currency

INTEREST RATES: OFFICIAL

INTEREST RATES: MARKET

Jan 10 (Libor: Jan 09)	Over night	Change Day	Change Week	Change Month	One month	Three month	Six month	One year
US$ Libor	4.31229	-0.001	-0.006	0.003	4.40429	4.78257	5.14100	5.46186
Euro Libor	-0.64957	-0.064	0.000	0.001	-0.61943	-0.58057	-0.55600	-0.48571
£ Libor	0.18063	-0.005	0.000	0.040	3.56360	3.95050	4.38860	0.81363
Swiss Fr Libor				-0.002	-0.77540	-0.75300	-0.70280	-0.55320
Yen Libor				0.000	-0.06005	-0.02617	0.07165	0.04867
Euro Euribor				-0.006	1.89800	2.27000	2.80900	3.32800
Sterling CDs				0.000	0.50000	0.63000	0.78500	
US$ CDs				0.010	4.41000	4.72000	5.04000	
Euro CDs				0.000	1.93000	2.32000	2.73000	

Jan 10	Short term		7 Days notice		One month		Three month		Six month		One year	
Euro	1.64	1.94	1.69	1.99	1.78	2.08	2.17	2.47	2.58	2.88	2.94	3.24
Sterling					0.45	0.55	0.58	0.68	0.71	0.86	0.90	1.05
US Dollar	4.13	4.33	4.15	4.35	4.31	4.51	4.62	4.82	4.94	5.14	5.14	5.34
Japanese Yen	-0.25	-0.05	-0.25	-0.05	-0.20	0.00	-0.15	0.05	-0.10	0.20	-0.05	0.25

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

BOND INDICES

	Index	Day's change	Week's change	Month's change	Series high	Series low
FTSE						
Sterling Corporate (£)	-	-	-	-	-	-
Euro Corporate (€)	104.47	-0.05	-	-	0.54	-1.73
Euro Emerging Mkts (€)	740.84	-19.81	-	-	3.53	-4.67
Eurozone Govt Bond	110.04	-0.19	-	-	-0.34	-0.64
CREDIT INDICES						
Markit iTraxx						
Crossover 5Y	424.26	7.54	-36.53	-33.75	688.92	414.77
Europe 5Y	82.10	2.38	-6.36	-7.25	142.08	79.34
Japan 5Y	82.38	-3.32	-4.81	4.21	119.29	75.61
Senior Financials 5Y	91.02	3.25	-5.97	-7.21	155.06	87.54
Markit CDX						
Emerging Markets 5Y	228.23	-0.19	-10.48	-7.86	335.29	222.68
Nth Amer High Yld 5Y	451.48	1.74	-33.40	-15.13	625.47	449.74
Nth Amer Inv Grade 5Y	74.60	0.02	-7.28	-3.40	110.98	74.58

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

COMMODITIES

www.ft.com/commodities

Energy		Price*	Change	Agricultural & Cattle Futures		Price*	Change
Crude Oil†	Feb	74.91	0.28	Corn♦	Mar	652.25	-0.50
Brent Crude Oil‡		80.47	0.82	Wheat♦	Mar	729.00	-12.50
RBOB Gasoline†	Mar	2.33	0.03	Soybeans♦	Mar	1477.50	-11.00
Natural Gas†	Feb	3.75	-0.16	Soybeans Meal♦	Mar	466.70	-3.60
Base Metals (♠ LME 3 Months)				Cocoa (ICE Liffe)⊕	Mar	2032.00	-34.00
Aluminium		2460.00	37.00	Cocoa (ICE US)♥	Mar	2634.00	-56.00
Aluminium Alloy		2150.00	-75.00	Coffee(Robusta)⊕	Jan	1923.00	3.00
Copper		8852.00	53.50	Coffee (Arabica)♥	Mar	155.80	-2.25
Lead		2195.00	-22.50	White Sugar⊕		548.80	13.30
Nickel		27500.00	170.00	Sugar 11♥		19.46	0.29
Tin		25675.00	-125.00	Cotton♥	Mar	85.38	-0.84
Zinc		3183.00	19.00	Orange Juice♥	Mar	207.40	0.00
Precious Metals (PM London Fix)				Live Cattle♣	Feb	157.80	1.03
Gold		1878.85	26.65	Feeder Cattle♣	May	134.88	-
Silver (US cents)		2385.00	39.50	Lean Hogs♣	Feb	81.00	0.73
Platinum		1092.00	19.00				
Palladium		1793.00	9.00		Jan 09	% Chg Month	% Chg Year
Bulk Commodities							
Iron Ore		117.41	0.84	S&P GSCI Spt	583.66	1.98	-5.53
Baltic Dry Index		1096.00	-43.00	DJ UBS Spot	109.06	-2.40	2.67
Richards Bay ICE Futures		171.15	-1.35	TR/CC CRB TR	291.81	1.26	8.95
				LEBA EUA Carbon	58.91	-1.98	129.94
				LEBA UK Power	1048.00	-37.43	-39.60

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

BONDS: INDEX-LINKED

	Price Jan 09	Yield Jan 09	Yield Prev	Month return	Value stock	Market	No of stocks
Can 4.25%' 26	110.59	1.436	1.475	0.47	5.25	73952.76	8
Fr 0.25%' 24	100.31	0.048	-0.124	-0.49	17.92	250110.30	17
Swe 1.00%' 25	126.60	-0.358	-0.398	0.39	35.38	218541.00	6
UK 0.125%' 24	100.94	-0.656	-0.747	-0.56	15.24	554608.75	31
UK 2.50%' 24	375.33	-0.063	-0.137	-0.38	6.82	554608.75	31
UK 2.00%' 35	238.49	0.510	0.415	-0.82	9.08	554608.75	31
US 0.625%' 24	97.53	3.117	3.007	-0.40	40.98	1662669.30	47
US 3.625%' 28	110.05	1.623	1.671	0.92	16.78	1662669.30	47

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

BONDS: TEN YEAR GOVT SPREADS

	Bid Yield	Spread vs Bund	Spread vs T-Bonds		Bid Yield	Spread vs Bund	Spread vs T-Bonds
Australia	3.72	1.53	0.21	Netherlands	2.42	0.23	-1.09
Austria	2.73	0.54	-0.78	New Zealand	4.25	2.06	0.74
Canada	3.06	0.87	-0.45	Norway	3.15	0.96	-0.36
Denmark	2.44	0.25	-1.07	Portugal	2.72	0.53	-0.79
Finland	2.70	0.51	-0.81	Spain	2.96	0.77	-0.55
Germany	2.19	0.00	-1.32	Sweden	0.12	-2.08	-3.40
Italy	2.00	-0.19	-1.51	Switzerland	1.26	-0.93	-2.25
Japan	0.42	-1.77	-3.09	United States	3.51	1.32	0.00

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

BONDS: HIGH YIELD & EMERGING MARKET

Jan 10	Red date	Coupon	S*	M*	F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
High Yield US$										
HCA Inc.	04/24	8.36	BB-	Ba2	BB	113.75	4.24	0.00	0.12	-
High Yield Euro										
Aldesa Financial Services S.A.	04/21	7.25	-	-	B	71.10	28.23	0.00	0.64	25.98
Emerging US$										
Peru	03/19	7.13	BBB+	A3	BBB+	104.40	2.60	-	-	0.34
Colombia	01/26	4.50	-	Baa2	BBB-	109.50	2.33	0.16	0.52	1.28
Brazil	04/26	6.00	-	Ba2	BB-	115.15	2.78	-0.01	0.65	1.73
Poland	04/26	3.25	-	A2	A-	111.22	0.98	0.03	0.16	-0.07
Mexico	05/26	11.50	-	Baa1	BBB-	149.00	1.61	0.00	-0.12	0.56
Turkey	03/27	6.00	-	Ba2	BB+	101.26	5.82	0.00	0.17	3.07
Turkey	03/27	6.00	-	B2	BB-	102.88	5.43	0.14	0.83	4.38
Peru	08/27	4.13	BBB+	A3	BBB+	103.50	3.66	0.01	-0.02	0.80
Russia	06/28	12.75	-	Baa3	BBB	168.12	2.48	0.07	0.05	-
Brazil	02/47	5.63	-	Ba2	BB-	101.48	5.52	0.08	0.80	-
Emerging Euro										
Brazil	04/21	2.88	BB-	Ba2	BB-	103.09	0.05	0.01	-0.09	-1.19
Mexico	04/23	2.75	BBB+	A3	BBB+	107.76	0.76	0.00	-0.07	-1.56
Mexico	04/23	2.75	-	Baa1	BBB-	106.48	-0.26	-	-	-0.36
Bulgaria	03/28	3.00	BBB-	Baa2	BBB	117.04	1.00	0.02	-0.15	-1.42

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

BONDS: GLOBAL INVESTMENT GRADE

Jan 10	Red date	Coupon	S*	M*	F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
US$										
FleetBoston Financial Corp.	01/28	6.88	BBB+	Baa1	A-	129.00	2.54	-0.01	-0.05	-
The Goldman Sachs Group, Inc.	02/28	5.00	BBB+	A3	A	117.21	2.47	0.00	0.32	-
NationsBank Corp.	03/28	6.80	BBB+	Baa1	A-	127.69	2.72	-0.01	0.06	-
GTE LLC	04/28	6.94	BBB+	Baa2	A-	128.27	2.80	0.00	-0.11	-
United Utilities PLC	08/28	6.88	BBB	Baa1	A-	130.43	2.62	-0.07	-0.22	-
Barclays Bank plc	01/29	4.50	A	A1	A+	96.46	5.02	0.00	0.02	-
Euro										
Electricite de France (EDF)	04/30	4.63	A-	A3	A-	137.45	0.82	-0.01	0.10	-
The Goldman Sachs Group, Inc.	02/31	3.00	BBB+	A3	A	121.70	0.93	0.00	0.02	-
The Goldman Sachs Group, Inc.	02/31	3.00	BBB+	A3	A	124.42	0.68	0.00	-0.11	-
Finland	04/31	0.75	AA+	Aa1	AA+	111.08	-0.27	0.00	-0.05	-0.87
Yen										
Mexico	06/26	1.09	-	Baa1	BBB-	98.73	1.34	-0.02	-0.14	0.27
£ Sterling										
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	137.45	2.19	-0.03	0.02	-
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	128.68	3.20	0.00	-0.01	0.40

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

VOLATILITY INDICES

	Jan 10	Day Chng	Prev	52 wk high	52 wk low
VIX	21.21	-0.76	21.97	37.79	18.45
VXD	18.65	-0.69	19.34	45.37	3.27
VXN	27.67	-0.19	27.86	44.02	5.85
VDAX	18.82	0.35	18.47	93.30	-

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

BONDS: BENCHMARK GOVERNMENT

	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	-	-	-	-	-	-	-	-
	05/32	1.25	80.61	3.72	-0.10	-0.32	0.43	-
	02/50	1.00	96.52	1.65	-0.06	-0.24	0.53	1.28
Austria	02/29	0.50	87.63	2.73	0.01	-0.22	0.39	2.74
	02/47	1.50	76.61	2.86	-0.01	-0.16	0.42	2.21
Belgium	06/27	0.80	92.66	2.57	0.01	-0.21	0.39	2.78
	06/47	1.60	74.60	3.10	0.04	-0.20	0.42	2.17
Canada	03/25	1.25	94.84	3.79	-0.05	-0.14	0.09	2.45
	06/30	1.25	88.14	3.06	-0.03	-0.23	0.21	1.42
	12/48	2.75	93.54	3.12	0.00	-0.19	0.28	1.16
Denmark	11/29	0.50	87.91	2.44	0.02	-0.22	0.30	2.45
	11/52	0.25	57.51	2.21	0.04	-0.21	0.44	1.82
Finland	09/24	0.00	95.60	2.72	0.02	-0.02	0.52	3.24
	09/29	0.50	86.71	2.70	0.00	-0.23	0.31	2.72
France	05/28	0.75	91.08	2.55	0.01	-0.25	0.35	2.64
	05/48	2.00	82.21	3.01	0.02	-0.23	0.43	2.16
Germany	08/29	0.00	86.69	2.19	0.01	-0.22	0.33	2.41
	08/50	0.00	56.28	2.11	0.02	-0.23	0.44	1.86
Greece	01/23	3.50	100.05	2.50	0.66	1.04	0.93	2.75
	01/28	3.75	100.67	3.60	0.01	-0.17	0.44	2.76
Ireland	-	-	-	-	-	-	-	-
	05/26	1.00	95.34	2.47	0.01	-0.12	0.39	2.73
	02/45	2.00	83.54	3.03	0.01	-0.21	0.42	2.25
Italy	02/25	0.35	94.61	3.07	0.01	-0.22	0.44	2.91
	05/30	0.40	89.15	2.00	0.01	-0.16	0.59	2.47
	03/48	3.45	86.54	4.33	-0.01	-0.29	0.50	2.24
Japan	04/25	0.05	99.86	0.11	0.00	-0.02	0.03	0.01
	12/29	0.10	97.84	0.42	0.00	-0.01	0.21	0.39
	12/49	0.40	75.90	1.49	0.00	0.01	0.15	0.80
Netherlands	07/27	0.75	92.93	2.42	0.01	-0.18	0.37	2.69
	01/47	2.75	105.42	2.45	0.00	-0.20	0.44	2.17
New Zealand	05/31	1.50	80.85	4.25	-0.08	-0.20	0.18	1.80
	09/40	2.50	122.41	2.25	-0.08	-0.16	0.16	1.45
Norway	08/30	1.38	88.17	3.15	-0.01	0.05	0.27	1.34
Poland	01/23	2.50	99.80	7.83	-1.26	1.09	0.64	4.36
	07/27	2.50	87.54	5.69	-0.29	-1.10	-0.84	1.66
	04/47	4.00	66.37	6.89	0.00	-0.04	-0.31	2.89
Portugal	04/27	4.13	105.54	2.72	0.02	-0.17	0.44	2.79
Spain	-	-	-	-	-	-	-	-
	10/29	0.60	85.63	2.96	0.02	-0.22	0.34	2.61
	10/46	2.90	89.37	3.57	0.03	-0.21	0.42	2.25
Sweden	06/30	0.13	114.65	0.12	-0.01	-0.19	0.37	2.07
	03/39	3.50	120.31	2.02	-0.08	-0.25	0.41	1.38
Switzerland	04/28	4.00	114.01	1.22	0.00	-0.25	0.19	1.39
	06/29	0.00	92.27	1.26	-0.02	-0.26	0.20	1.36
United Kingdom	07/23	0.75	98.61	3.41	0.10	0.12	0.21	2.76
	07/27	1.25	90.83	3.45	0.01	-0.17	0.21	2.49
	07/47	1.50	60.95	4.02	0.09	0.01	0.38	2.67
United States	-	-	-	-	-	-	-	-
	03/25	0.50	92.48	4.08	-0.06	-0.25	-0.11	2.86
	02/30	1.50	87.46	3.51	-0.06	-0.35	-0.10	1.81
	02/50	0.25	72.49	1.49	-0.05	-0.28	0.11	-

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

GILTS: UK CASH MARKET

Jan 10	Price £	Red Yield	Change in Yield Day	Week	Month	Year	52 Week High	52 Week Low	Amnt £m
	-	-	-	-	-	-	-	-	-
Tr 0.75pc '23	98.61	3.41	-0.29	7.23	9.29	416.67	100.22	97.34	34.36
Tr 0.125pc '24	96.52	3.52	0.57	-2.76	5.39	324.10	98.72	94.34	35.55
Tr 2pc '25	96.48	3.40	0.00	-3.95	6.25	282.02	104.17	93.15	39.93
Tr 0.125pc '26	90.74	3.34	-0.30	-4.57	8.79	263.04	97.43	86.33	35.32
Tr 1.25pc '27	90.86	3.45	0.29	-4.17	8.49	255.67	102.29	85.65	40.99
Tr 0.875pc '29	84.52	3.46	0.29	-3.08	13.07	220.37	99.26	78.21	43.62
Tr 4.25pc '32	105.60	3.54	0.28	-2.75	14.94	192.56	130.52	98.13	40.33
Tr 4.25pc '36	104.59	3.80	-0.78	-2.81	12.76	194.57	139.21	94.91	31.68
Tr 4.5pc '42	107.16	3.98	-0.75	-1.24	11.80	192.65	158.85	93.79	28.35
Tr 3.75pc '52	97.10	3.92	-1.26	-0.76	11.36	196.97	163.90	82.51	25.11
Tr 4pc '60	104.96	3.75	-2.09	-0.27	12.95	212.50	189.83	87.32	25.13

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

GILTS: UK FTSE ACTUARIES INDICES

Price Indices Fixed Coupon	Jan 10	Day's chg %	Total Return	Return 1 month	Return 1 year	Yield
1 Up to 5 Years	81.71	0.01	2350.48	0.05	-3.73	3.45
2 5 - 10 Years	147.72	-0.07	3143.80	-1.63	-13.00	3.51
3 10 - 15 Years	158.04	0.07	3631.09	-3.02	-20.43	3.79
4 5 - 15 Years	149.23	-0.03	3259.68	-2.04	-15.31	3.62
5 Over 15 Years	216.20	1.11	3722.41	-4.43	-37.12	3.86
7 All stocks	136.08	0.37	3039.38	-2.14	-21.48	3.76

Index Linked	Jan 10	Day's chg %	Month chg %	Year's chg %	Total Return	Return 1 month	Return 1 year
1 Up to 5 Years	321.55	0.04	-1.15	2.69	2727.46	-0.85	3.90
2 Over 5 years	541.22	2.58	-1.58	-36.77	4125.35	-1.58	-36.48
3 5-15 years	445.60	0.79	-2.08	-15.16	3603.94	-2.08	-14.51
4 Over 15 years	614.40	3.83	-1.24	-45.61	4546.55	-1.24	-45.44
5 All stocks	512.53	2.15	-1.51	-32.57	3987.44	-1.46	-32.19

Yield Indices	Jan 10	Jan 09	Yr ago		Jan 10	Jan 09	Yr ago
5 Yrs	3.39	3.37	0.93	20 Yrs	3.96	4.00	1.39
10 Yrs	3.66	3.66	1.20	45 Yrs	3.65	3.74	1.11
15 Yrs	3.89	3.91	1.35				

Real yield	inflation 0% Jan 10	Dur yrs	Previous	Yr ago	inflation 5% Jan 10	Dur yrs	Previous	Yr ago
Up to 5 yrs	0.30	2.70	0.32	-3.20	-0.02	2.71	-0.01	-3.57
Over 5 yrs	0.46	19.71	0.59	-2.23	0.43	19.76	0.56	-2.24
5-15 yrs	0.37	9.59	0.45	-2.63	0.30	9.60	0.38	-2.71
Over 15 yrs	0.48	26.47	0.62	-2.17	0.47	26.48	0.61	-2.18
All stocks	0.45	16.90	0.58	-2.24	0.42	16.97	0.55	-2.26

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

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ARTS

'Art is all about sex and death'

Gambling mogul David Walsh has poured millions into his underground Tasmanian museum. He talks to Georgina Adam

When I meet David Walsh, the Australian gambling mogul, art collector and founder of one of the strangest museums in the world, almost the first words out of his mouth are expletives. They are not directed at me but at the person who arranged the meeting: he's double-booked, as he complains in no uncertain terms.

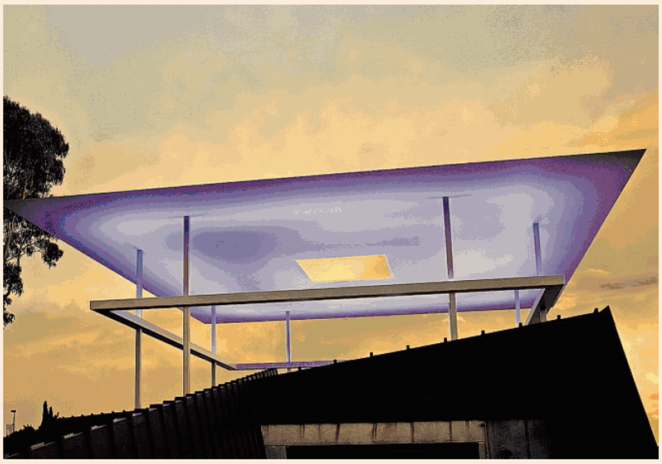
Having vented his displeasure, he turns to me: "You will just have to come along. Are you recording? Give me the recorder." And with that he takes off towards the entrance of his private art space, the Museum of Old and New Art (Mona), which currently displays some 300 works from Walsh's 3,000-strong collection. Walsh made his fortune gambling in many forms, including horseracing, blackjack, poker . . . you name it, his syndicate bets on it. Australian casinos have banned him and his syndicate members for card-counting.

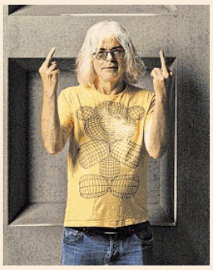
Dressed in faded grey jeans and a yellow sweater with his shirt untucked at the back, long grey hair framing his face, Walsh has said he believes he is on the autism spectrum, a condition sometimes associated with remarkable mathematical skills — the kind which have allowed Walsh to beat the house so successfully — but also with difficulties in social interaction.

Scurrying behind him towards the museum is his head of communications and another person who needs some documents signed. Walsh stops on the zigzag path leading down to the museum's mirrored entrance and signs the documents, propping them on the grass, before setting off again. We move under bright Tasmanian sun and suddenly we are in the darkened museum.

As we walk, I ask him what motivated him to create Mona, and whether he deliberately made it the antithesis of a traditional museum. "I don't think people know why they do things!" he says. "We do things because we are a social species, the way we perform is the way we show off."

This is very much his belief: that all motivations are about attracting a mate. It is often said that sex and death are the dominant themes of the museum. "That is not my choice, but the artists': *their* work is all about sex and death."





Clockwise, from main: James Turrell's 'Armana' (2015) at Mona; a ferry approaches the complex; David Walsh, founder of Mona
Mona/Rémi Chauvin; Stu Gibson; Jesse Hunniford

And this is clear inside Mona. Among the works on display — which have shocked many — are a wall of vulvas by Greg Taylor, Egyptian sarcophagi and Wim Delvoye's faeces-making machine, "Cloaca Professional" (2010). One of his most provocative pieces, the remains of a suicide bomber cast in chocolate ("On the road to heaven the highway to hell" (2008) by Stephen J Shanabrook), has been taken off view. Others have been sold, for example Chris Ofili's "Holy Virgin Mary" (1996), a portrait of a black Madonna with elephant-dung breasts.

The new exhibition, *Oceans of Air*, by multidisciplinary artist Tomás Saraceno, includes visionary work wrought from spiders' webs, radiation balloons, dust, local flora, fine particle pollution from the skies of Mumbai and more.

But the collection has a huge range, back to the ancient world. Walsh started by collecting antiquities because, he says, he had been unable to export some winnings from South Africa in cash and bought a Yoruba palace door instead. Then, "I built this little antiquities museum, I wanted to look after them. But it looked like every other museum in the world." Because of ethical difficulties in sourcing these objects, he built something new. "I hope [Mona] is the expression of a different hypothesis; it can be much more performative and much more tongue-in-cheek because there is no moral imperative behind it."

So is his museum deliberately a challenge to the remit and philosophy of more traditional ones? "If you take state museums," he says, "their motives are the binding force of religion — to make you believe you are in the presence of greatness, you walk upstairs past Greek columns and this makes you feel small. That is why Mona is underground, I don't want to give visitors the visual clues of the experience in advance," he says. "Also, I had these two houses and I didn't want to fuck them up visually."

The reply is pure Walsh: disjointed and uncensored. Typically Walsh as well is Mona's advertising campaign featuring some of the one-star reviews it has received on social media ("I left with a feeling of disdain for all galleries and museums").

Does he have art at home? "I don't really have art in my own home as until very recently my home was in the museum," he says, but adds: "I could see Sir Sidney Nolan's giant artwork 'Snake' every day."

The museum is dug three floors down through the sandstone underneath his houses. Works are displayed in rooms sometimes more like caves, often in deep gloom, connected with tunnels and walkways. The impression is not so much a museum as an immersive art destination doubling as a rich man's lair with his eclectic accumulation of the vulgar and the remarkable.

Mona was a gamble when it opened in 2011: it sits outside Hobart in Tasmania, the southerly island off the Australian mainland, a place that was until then hardly visited except by local tourists in camper vans.

It wasn't easy at the beginning, he says: "When you are in a backwater" — he corrects himself — "in an *eddy* in a backwater, you can't get anyone to make anything for you. James Turrell is a case in point. I contacted him directly and indirectly many times and he wouldn't do anything for me. And *then* he discovered that the largest Quaker school in the world is in Hobart, and suddenly he became incredibly amenable to coming out here . . . Since then we have become friends and now he's prepared to do anything I want him to do." Now four immersive light installations by Turrell are among Mona's most impressive works.

Almost 12 years after its opening, the place has become a rip-roaring success, attracting almost 4mn people since opening and transforming the fortunes of the whole island. Restaurants, bars, hotels and shops have sprung up, benefiting from the influx of both domestic and international tourists. To one side of the vineyards that flank the entrance to Mona is a construction site, a new wing in the making. It will house a five-storey work by Anselm Kiefer, related to a building-artwork at his studio in the south of France. "I am about to spend another £28mn just on the construction! As for running costs, they are enough to run me into the ground — about £10mn a year. But if I was only doing what I could afford to do, I wouldn't be doing anything at all."

So how will the wildly expensive, eccentric museum continue? Walsh says that revenue from his gambling syndicate will support it, plus streams of cash from other sources. The brilliant O app

'I built Mona to absolve myself from feeling guilty about making money without making a mark'

which visitors to Mona use is a location-aware device which gives them information about the works they are standing in front of and enables virtual queueing for some displays. He sells the technology, notably to the J Paul Getty Museum in LA and the Bob Dylan Center in Tulsa. "Mona is the largest shareholder in the company — Art Processors — and that is how I hope to assure its future."

He wrote in his 2014 book, *A Bone of Fact*, "I built Mona to absolve myself from feeling guilty about making money without making a mark." I ask him about this. "That was certainly true when I built Mona, but I feel a lot less like that now," he says. "Maybe I have become more self-assured, and I have done sufficient penance.

"I'm pouring money into it and I can continue to do that. When I am no longer here I can assure its future — and it will be substantial."

'Oceans of Air' runs to July 24. mona.net.au

Ai Weiwei's 'White House' (2015) at Mona — Jesse Hunniford

Showcase for hip-hop's next generation

DANCE

Suresnes Cités Danse
Théâtre de Suresnes Jean Vilar, Paris
★★★☆☆

Laura Cappelle

It's a new era for France's longest-running hip-hop dance festival. Last year, Suresnes Cités Danse celebrated its 30th anniversary along with the retirement of its founder, Olivier Meyer.

His successor, Carolyn Occelli, knows the house well: from 2019, she was the secretary-general (and is now the director) of the theatre where the festival is held, in the Paris suburb of Suresnes. For now, she has prudently stuck to the festival's formula: large-scale premieres in the main auditorium and mixed bills devoted to emerging artists on a smaller second stage.

Unfortunately, this year's first mixed bill brought under-developed work, but programming wasn't the issue. Following a serious neck injury to the dancer-choreographer Hugo Ciona, he and his stage partner Nathalie Fauquette couldn't finish their planned premiere, *Kaïros*; instead, they showed a 10-minute excerpt. Its spiralling lifts were

showcase each of those techniques.

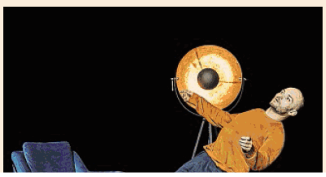
That's a shame, because the initial image of him falling asleep on a chair, only for a bright lamp to replace his hidden head, had a surrealist quality that promised much. His aerial work around the chair, using invisible cables, then set up a dreamlike atmosphere. A stronger dramatic arc and a less insipid score would have helped to sustain it.

Suresnes Cités Danse hit its stride more easily on the main stage with Mehdi Kerkouche's *Portrait*. At 36, Kerkouche is the new wonder-boy of French dance. His rise to prominence came through viral lockdown videos and this month he was appointed to the helm of one of France's National Choreographic Centres in Créteil.

Kerkouche's style has an easy fluency to it and leaves space for individuality, but *Portrait* also suggests an interest in rigorous composition. One tableau shows dancers going in and out of unison in tidy, symmetrical patterns. Elsewhere they try emotions on for size, laughing then raging while moving chairs in a rectangular formation.

Portrait is a homecoming since Kerkouche grew up in Suresnes, and it aims to be a snapshot of another family of sorts: his dancers. Repeatedly, the group assembles for family portraits, with an older dancer, Amy Swanson, serving as a matriarch. The choreography doesn't quite connect the dots between those relationships and more abstract scenes, but it is a serious effort. At Suresnes Cités Danse, the next generation has clearly arrived.

To February 5, theatre-suresnes.fr



Nicholas Sannier in his solo piece, 'Home'
Romain Tissot

The FT View

FINANCIAL TIMES
'Without fear and without favour'

ft.com/opinion

Macron's indispensable pensions overhaul

Raising the retirement age is necessary but fraught with political challenges

Nearly six years after he first won the French presidency, Emmanuel Macron has embarked on an overhaul of the country's pay-as-you-go pensions system, the mother of all reforms to a creaking welfare state. An earlier attempt was derailed by the pandemic. To his credit, Macron put raising the retirement age from 62 to 65 at the centre of his re-election campaign last year even though it cost him and his party votes.

Plugging a hole in the pension system is a gauge of credibility for Brussels and for financial markets which are again penalising ill discipline. It is also a test of what Macron can still achieve during his second term having lost his parliamentary majority. With social tensions running high during a cost of living crisis, can he modernise the country or just manage it?

If unchanged, the pension system will run annual deficits of between 0.4 and 0.8 per cent of gross domestic product over the next quarter-century; (there are more benign scenarios of break-even, but these suppose a productivity miracle). It is not a catastrophic hole: the minimum contribution for a full pension is already quite exacting at 41.5 years — and it is climbing to 43 — even if a pension age of 62 looks generous. Yet it is a hole that needs to be filled. France's debt-to-GDP ratio stands at 113 per cent. Macron has rightly ruled out raising taxes or rescinding tax breaks since France's tax share of GDP is already 45 per cent, the second highest in the OECD after Denmark.

That leaves two parameters: the government has opted to raise the pension age to 64 by 2030 rather than to 65 and to accelerate the transition to 43 years of contributions. It is a sensible compromise. It will not do much to sweeten a deeply unpopular reform but should win over France's mainstream centre-right opposition, whose support is needed for parliamentary passage. The pensions reform is a test of the centre right's relevance as a party of government too.

France is an outlier in Europe. Its men retire more than two years earlier than the EU average, its women a year. Enjoying life after work on a decent pension is part of the social contract. For many on the left and in the trade union movement it is a totem of social progress. Some want to go back to pensions at 60, which François Mitterrand introduced in 1982. French life expectancy has climbed eight years since. Working a fraction of those years seems reasonable. A later pension age can be iniquitous for those who started work and contributing when under 21 or for manual workers. But the reform guarantees earlier pensions for these categories. It will also make the system fairer by providing higher minimum pensions for those who contributed less over their lifetimes and by removing special benefits for some groups who no longer merit them. Those improvements are made possible by delaying the pension age for the majority.

> French life expectancy has climbed eight years since 1982. Working a fraction of those years seems reasonable

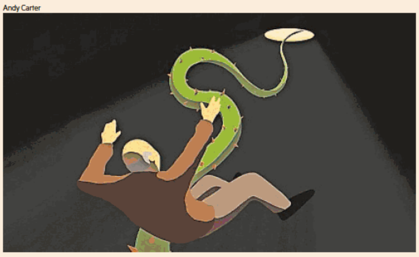
This is not just a budgetary exercise. France needs more people in work to raise output and tax revenues and fund public services. That means increasing the employment rate among seniors, which is low by OECD standards. The government hopes a pension age of 64 will change incentives and culture in the workplace. It will need to do more than that to ensure older workers are not thrown on the scrap heap and on to out-of-work benefits.

These reforms will face strong opposition from the left and far right. As in 1995 and 2010, there will be strikes and protests. It will be politically perilous for Macron. This reform is less ambitious than the overhaul proposed in 2019, a sign of his diminished authority, but it is indispensable nonetheless.

Opinion Science

New Alzheimer's drug straddles uneasy gulf

Andy Carter



Anjana Ahuja

The perfect drug would be effective, free of side-effects, cheap and easy to administer. Lecanemab, which won accelerated approval from the US Food and Drug Administration on Friday to treat early-stage Alzheimer's disease, can claim to meet one of those criteria — but only to a degree.

It does not halt or reverse the decline associated with the neurodegenerative condition, which erodes memory, language and the ability to live independently, but it is the first Alzheimer's drug to pull off a statistically significant, if modest, slowing in the rate of decline. It is a step up from current drugs that treat only symptoms: a landmark success in a desert strewn with pharmaceutical failures.

Side-effects, cost and convenience, though, sit on the debit side of the ledger. Lecanemab, a collaboration between Tokyo-based Eisai and the American firm Biogen which will be sold under the name Leqembi, has been linked to brain bleeding and seizures, with three deaths during an extended clinical trial involving about 1,800 people. It is priced at $26,500 a year; treatment requires intravenous infusions and regular monitoring for potentially dangerous side-effects. Patient groups and Eisai are upbeat but many doctors remain unconvinced and healthcare providers are restricting reimbursement. Lecanemab, for all its landmark status, may end up representing a triumph of hope over evidence.

> For all its landmark status, lecanemab may end up as a triumph of hope over evidence

Like Biogen's Aduhelm, fast-tracked through approval as an Alzheimer's treatment last year but a subsequent commercial flop, lecanemab is an antibody therapy designed to clear brain plaques made up of a substance called beta-amyloid. The plaques are suspected to be a driving factor in Alzheimer's; removing them has long been a sensible therapeutic target, with a 27 per cent slowdown in their disease progression over 18 months compared to a placebo group, assessed against scales of cognition and function. The results, Eisai claimed, suggested it would take the lecanemab group about 25 months to show the same decline as the control group displayed over 18 months. The analysis was published in the New England Journal of Medicine in November.

Still, a thorny truth remains: the slowdown in deterioration can be both statistically significant and extremely small. Robert Howard, professor of old age psychiatry at University College London, said the difference in overall scores between the treatment and placebo groups fell short of what most specialists would regard as clinically relevant. Plaque removal may weaken blood vessels in some patients, increasing the chance of haemorrhage (lecanemab is not recommended for patients on blood thinners). Howard would not advise his patients to take it "because the benefits don't justify the risks".

Jeffrey Browndyke, assistant professor of psychiatry and surgery at Duke University Medical Centre in North Carolina, said he would not rule out the drug but that it was "still unclear to many that there is clinical effectiveness that significantly improves function". He added he expected adverse incidents, including deaths, to rise if lecanemab was used more widely.

Where does that leave us? One takeaway is just how differently patients, insurers and physicians view lecanemab. The Alzheimer's Association welcomed FDA approval but said it was wrong for medical insurers not to fork out for it. Browndyke believes the approval partly reflects lobbying from industry and patients. Howard fears that overblown hopes will blind desperate patients to the risks. While a fresh drug approval should signal a joyous moment in the treatment of a disease that accounts for most of the world's 55mn dementia cases, it is now fuelling an unhappy difference of opinion.

The second takeaway is that lecanemab is still not a full-throated vindication of the amyloid hypothesis, which contends that plaques cause the disease. As pharma blogger Derek Lowe pointed out, the drug removes plaques but doesn't slow the disease all that much. Worse, clearing the plaques carries risks. We may need to look for the causative roots of Alzheimer's elsewhere.

Careful patient selection may yet ...

Letters

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China's pursuit of growth threatens an ecological disaster

Gideon Rachman states that "Halting China's growth cannot be west's goal" (Opinion, January 3), but he omits to say that this growth is largely built on coal at home — China is the largest emitter of greenhouse gases in the world — and on extracting minerals and natural resources in an ecologically destructive and polluting way abroad.

Apart from the bribing of the often autocratic regimes of the countries involved and associated violations of human and labour rights, is this the kind of Chinese growth the west or the rest if the planet should want? Not only is China's economic growth extremely harmful to the rest of the world, it is also an ecological disaster for itself.

Irreversible pollution of soils, groundwater, the drying out and erosion of China's north, torrential rains and flooding in the west and south-west, the Three Gorges Dam at risk of collapsing with many smaller dams already having fallen apart, China's future is bleak.

Instead of how to manage "the continuing rise of China", as Rachman asks, we should better prepare for the demise of China — it is at the moment a giant on ecologically clay feet.

The tragedy of China is that with 20 per cent of world population and only 7 per cent of the world's fresh water reserves and 10 per cent of the world's arable land, it has to frantically export to pay for the vital import needs resulting from these ecological fundamentals, but in doing so it further compromises these fundamentals and thus the economic and military production capacity at the basis of a truly great power. The fact that halting China's growth in its current form is in the interests of the west, the planet and China itself, should not obscure the fact that to have a liveable future for the earth, all societies, including those of China and Russia, are essential partners.

In some cases, regime change would be highly desirable.

Wouter Justus Veening
Political Ecologist, Institute for Environmental Security
The Hague, The Netherlands

Don't let UK breakthrough technologies gather dust

Peter Foster and Daniel Thomas are right that scaling up innovative businesses based on our world-leading science is a key challenge for the UK (Big Read, January 6).

This is especially true for "deep tech" — technology that builds on fundamental science and engineering to address global challenges. In and around university campuses, scientists and engineers are pioneering advances in areas such as grid-scale energy storage, vaccines and drug discovery, biomaterials and medical devices and new computing paradigms. But breakthrough science is time-consuming and expensive to bring to market, and retains a high level of risk that can put off investors. This risks leaving technologies stuck in the innovation pipeline — and the UK losing out in key technology areas.

"De-risking" these technologies to attract investment from deep-pocketed early stage investors — at the right time — is critical. Imperial College London's new Institute for Deep Tech Entrepreneurship takes aim squarely at demonstrating how bridging the gap between public funding and private investors will catalyse successful innovation and commercialisation. The institute supports teams of inventors to get further along the path to commercial viability before they formally spin out and scale, going beyond a standard proof of concept fund to help them to achieve the technical milestones needed to engage commercial investors. In parallel, the ecosystem around Imperial's innovation campus in London's White City is creating the conditions to attract long-term investment, leadership, talent and infrastructure to support deep tech breakthroughs and business start and scale-ups.

Policymakers are right to focus on research and innovation to address global challenges and deliver economic growth, but we need sustainable and long-term public investment in R&D and innovative commercialisation models alongside the government's new Advanced Research and Invention Agency (Arpa) to support risky "moonshots". We cannot afford to let the UK's breakthrough technologies gather dust.

Professor Mary Ryan
Vice-Provost (Research and Enterprise)
Imperial College, London SW7, UK

"WE'RE STRIKING FOR MINIMUM LEVELS OF SERVICE"

For Google and Facebook, capital efficiency was key

... claiming that to "splash out to woo customers" was central to their strategy. On the contrary, high spending on user acquisition was never needed by most of these firms to achieve rapid growth, allowing them to become profitable quite early.

Google's extraordinarily superior product enabled it to grow organically, requiring only $25mn of investment, a minute sum compared with the value of Alphabet, the parent company, of over $1tn today. Similarly, Facebook is the quintessential viral growth story: its social network effects cost it nothing.

Perhaps she is referring to a more recent cohort of big tech firms, like Uber or WeWork, which did consume vast amounts of capital, but their chequered histories make it hard to argue they "set the standard for corporate success".

The companies that need to be built to solve today's problems in the physical realm — from healthcare to climate mitigation — will certainly need a lot of capital. But hopefully they can learn what is probably the most important lesson from the early days of Big Tech: be capital efficient.

Paul Forster
Co-founder & Former Chief Executive
Indeed, Cambridge, Cambridgeshire, UK

Maths is an escape from life's grubby contingencies

Arithmetic skills certainly are valuable in life and may well improve salary levels ("First lesson: learning the value of maths", FT View, January 9), but the value of mathematics extends far beyond those uses as means to mercenary ends — and far beyond arithmetic.

Appreciation of mathematical ...

Trial and error may be the way to regulate crypto

Fabio Panetta (Markets Insight, January 5) maintains that caveat emptor, the principle that the buyer alone is responsible for checking the quality and suitability of goods sold, "does not apply to crypto". But why? Crypto assets may be a form of gambling, as Panetta writes. To be fair, nobody knows yet.

From bitcoin to the latest stablecoin, these instruments are all quite new. We are in an intense phase of price discovery, to begin with because nobody is quite sure what these things are for. The happy news is precisely that regulators are not involved: this means that whatever happens to the investors (or gamblers) in question, the taxpayer is, now, unlikely to foot the bill.

Should we welcome regulation because "we cannot afford to leave cryptos unregulated"?

It is questionable that regulators have a clearer picture than market players in almost any market: think about one in which the traded assets are still a mystery (insofar as their potential and their use) to most people involved.

Financial regulators and central bankers can hardly claim they have a great record: think 2007/2008, or most recently the evident inability of the European Central Bank to keep up with its own inflation target.

In the best-case scenario, regulators would move forward by trial and error: some errors being inevitably billed to the taxpayers. In the worst case, they'll be captured by some of the market players. Sticking with "caveat emptor" would at least avoid both of these problems.

Alberto Mingardi
Director General, Istituto Bruno Leoni
Milan, Italy

Was the Lex note on brain bots a bit tongue in cheek?

Lex either had its tongue in its cheek or perhaps allowed a PR snippet in under its critical radar in "OpenAI: brain bot" (January 7) where we read "generative AI promises huge productivity gains. For example, a company can use it to write product descriptions."

You have to wonder, first, if product descriptions generated by artificial intelligence will pass muster, and second, how "significant" such productivity gains will be.

But the pass-through of the familiar IT marketing trope of "allowing its employees to focus on more important ...

Knowing about money is less urgent than making it

I agree that financial literacy — and the FT's financial literacy campaign — is essential for everyone navigating the complex world of living and working under capitalism ("'Patchy' financial education leaves pupils behind", Report, December 10).

But so also is a deeper understanding of macro and microeconomics for anyone in a capitalist economy to fully realise their place within it — and how disposable we are as "labour". It can start in high school, and should start there, even though it will no doubt be immediately banned in many American states for being "woke" and inimical to powerful political interests.

In a nation where the federal minimum wage has been stuck at $7.25 for 14 years and inflation is the worst in decades, knowing more about how to handle money feels less urgent than making a lot more of it, immediately raising millions out of poverty.

Caitlin Kelly
Tarrytown, NY, US

Using cash is a civil liberty that is under-appreciated

Amy Kazmin's account of her struggles with card payments in Italy (Opinion, January 5) was entertaining, but she side-stepped the elephant in this room. Governments, regulators and the banking system would dearly love to eliminate physical money. And that is a good reason for private citizens to defend it.

The option to conduct everyday small transactions with full anonymity is a civil liberty that is greatly under-appreciated. We should nurture that right by using cash whenever and wherever we can.

I'm off to empty my coin jar.

Joe Mottley
Dublin, Ireland

Jerusalem holy site favours Wednesday meetings

Regarding Tom Hayhoe's letter pointing out how meetings called for a Wednesday "ruin both weekends" (January 6), the Church of the Holy Sepulchre in Jerusalem, shared among a number of Christian denominations, is managed through a so-called "status quo committee" which meets on Wednesday afternoons.

As someone once quipped, university academics, who traditionally hold their committee meetings on Wednesday afternoons to avoid teaching clashing with student sports, will be familiar ...

Opinion

Misfiring war in Ukraine creates potential for Russia's disintegration

Casey Michel

As the cold war sped to its close, western observers bold enough to forecast the Soviet Union's collapse were few in number and small in influence. The USSR's territorial integrity was taken for granted. Those who thought otherwise — such as Daniel Patrick Moynihan, the US senator who predicted in 1980 that the Soviet break-up would be the "defining event of the decade" — were largely ignored.

As such, when the Soviet implosion began rippling across Eurasia, western governments were caught flat-footed. Instead of shaping the contours of the Soviet collapse, leaders such as President George HW Bush, who publicly cautioned against Ukrainian independence, scrambled to keep up with the pace of events.

In hindsight, it's difficult to see how western policymakers could have been so myopic. Moscow was mired in a bungled war in Afghanistan, burdened with a stagnating economy and increasingly struggling to retain control of its continent-wide colonial empire. And yet, time and again, most western officials missed the widening cracks that were staring them in the face.

Now, with the Kremlin once more bleeding men and resources in a foreign war, and again sagging under a torpid economy, western policymakers risk being caught out a second time. Just as a failure of imagination blinded the west to the Soviet Union's imminent demise, so the same failure — and an inability or reluctance to understand Russia as the colonial empire it remains — is blinding western policymakers to the potential for the Russian Federation's dissolution.

None of this is to say that the Russian state's territorial disintegration is inevitable, or even something over the immediate horizon. But with casualties continuing to pile up and no end in sight for President Vladimir Putin's messianic revanchism, the eventual dissolution of the Russian Federation can no longer be dismissed out of hand. Western policymakers need to begin preparing for the possibility sooner rather than later.

There are, of course, differences between the Soviet Union and Putin's Russia. Rather than emulate Mikhail Gorbachev's democratic reforms, Putin has chosen repression and centralisation. And demographically, ethnic Russians remain the dominant nationality.

> Legacies of imperialism and colonisation grow more pertinent, and more painful, by the day

But like the Soviet Union, Russia today is a federal state, centred on a constellation of republics representing the homelands of titular nationalities colonised by the Kremlin. The legacies of Russian imperialism and colonisation have hardly disappeared in these areas — indeed they grow more pertinent, and more painful, by the day.

The invasion of Ukraine has effectively exploded the myth of Putin's united Russia — not least because the Kremlin has targeted specific nationalities, such as Sakha, Tatars and Chechens, for conscription. Minority voices opposing the war are "more radical compared to the old conformities and silences", as one activist put it. "They are talking about colonialism and imperialism, ethnic and racial discrimination."

Often overlooked in western academic circles, Russian colonisation of these nationalities in the Caucasus, Siberia and elsewhere paralleled the brutality of European colonisation, leaving persistent societal scars and schisms. Even when it comes to places like Buryatia, which has seen a greater burst of anti-Kremlin agitation than almost anywhere else, the history of the Buryats' colonisation — and how it took Russia a full century to fully subdue them — remains largely unknown in the west.

Now, Putin's war has transformed these colonised nationalities into "cannon fodder" for the Kremlin. And the fractures originating in Russian imperialism are beginning to emerge in ways reminiscent of the late Soviet period.

Clearly, Russia's ethnic minorities are not suddenly agitating for secession. As one official from Tatarstan's government-in-exile recently said: "Our struggle for independence has not yet started." Besides, any secessionist movements are hardly guaranteed success. As after the Bolshevik revolution and the Soviet collapse, the Kremlin has a history of snuffing out the sovereignty of colonised nationalities trying to break free.

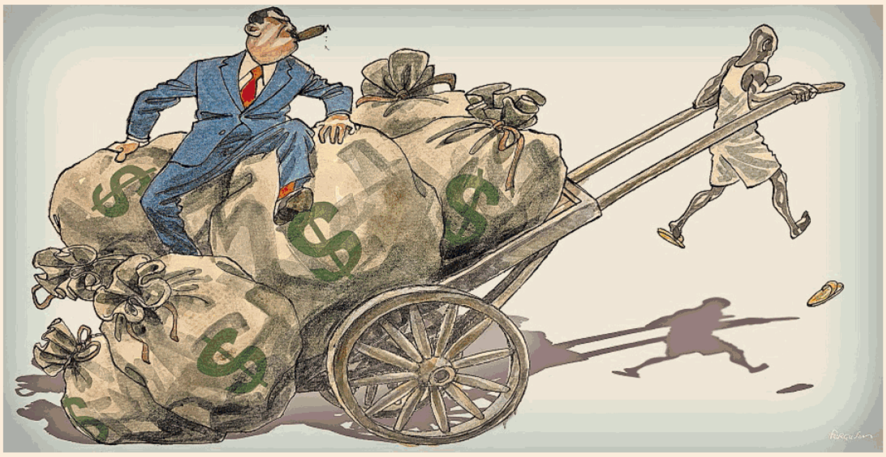
This time may be different. Not only have these colonised nationalities watched the Kremlin's pledges of federalism evaporate yet again, but western governments are more willing to recognise Russia for what it is: an unreconstructed empire, bent on reclaiming former colonies and adding them to the pile it still controls. Any movements emerging in opposition to this Russian colonialism are increasingly worth supporting.

Putin's war in Ukraine risks turning Russia into a failed state with uncontrolled borders. This offers nationalities colonised by Russia and tossed into the maw of conflict the chance to claim sovereignty and freedom.

The west must, then, be ready for what comes next, including a possible Soviet-style disintegration. The historian Michael Khodarkovsky wrote in 2016: "We should not be taken by surprise if one day Russia itself implodes, as the [USSR] did." All empires eventually splinter apart. Thinking Putin's — and Russia's — will be any different is just another failure of imagination.

The writer is an analyst and investigative journalist who covers topics from kleptocracy to modern Russia

The threat of a lost decade in development



Martin Wolf Economics

A way has to be found to resolve the debt problems that are now emerging for the world's most vulnerable

The shocks of the past three years have hit all countries, but they have hit emerging and developing countries particularly hard. As a result, according to Global Economic Prospects 2023, just out from the World Bank, the convergence of average incomes between poor and rich countries has stalled. Worse, it might not soon return, given the damage already done and likely to persist in the years ahead.

By the end of 2024, GDP levels in emerging and developing economies are forecast to be 6 per cent below those expected before the pandemic. The cumulative loss in GDP of these countries between 2020 and 2024 is forecast at 30 per cent of 2019 GDP. In fragile and conflict-affected areas, real incomes per head are expected to have fallen outright by 2024. If the global economy slows more than is now forecast, as a result of tight monetary policy and perhaps other shocks, these outcomes could easily be worse. (See charts.)

These losses, with all they mean for the plight of the world's most vulnerable people, show the impact of the pandemic, the war in Ukraine, the rise in energy and food prices, the surge in inflation and the sharp tightening of monetary policy in high-income countries, especially the US, and consequent rise in the value of the dollar. An obvious danger now is that of waves of defaults in over-indebted developing countries. Taken together, these shocks will cause long-lasting effects, perhaps lost decades, in many vulnerable places.

That has happened before. Indeed, it is what happened in Latin America after the debt crisis of 1982. This crisis, it should be recalled, also followed a surge in private lending to developing countries, then called the "recycling" of the surpluses of oil exporters. Unhappily, this surge in debt was followed by Iraq's invasion of Iran, a second "oil shock" (the first being in 1973), a spike in inflation, a sharp tightening of US monetary policy and a stronger dollar. A disaster ensued — a debt crisis lasting a decade.

Disturbingly, the recent tightening of monetary policy by the central banks of the Group of Seven leading economies has been more similar to that in the 1970s and early 1980s than to any since then, in both speed and scale. On current market-implied interest forecasts, the cumulative rise will be close to 400 basis points over 17 months. The rise from May 1979 was ultimately bigger, but it also took longer. It is true that rates start from a far lower level this time. But that may not make that much difference if people have relied on these low rates. Moreover, the appreciation of the US dollar has been particularly strong. For the countries that have substantial external debt denominated in the US currency, this will also raise debt service costs sharply.

It is helpful that borrowing this time was not so much from banks at variable rates, but in bonds, which have longer maturities and fixed rates. Nevertheless, a sudden cut off in the flow of credit will create a merciless squeeze. The World Bank shows a rise of 17 percentage points in spreads on sovereign borrowing in foreign currencies of commodity importing countries with weak credit ratings in 2022. Effectively, these countries are shut out of markets. Moreover, the external debt of Sub-Saharan Africa is high, too, at over 40 per cent of GDP. It is not surprising that there has been a huge decline in public and private bond issuance in emerging and developing countries since February 2022 compared with a year earlier.

> In conflict-affected and fragile areas, real incomes per head are expected to have fallen outright by 2024

Inevitably, highly indebted countries that have already suffered the Covid shock and a sharp deterioration in their terms of trade, as food and energy prices soared, will now be in even more serious and enduring trouble. This will also include a large number of low-income countries where the livelihoods of many are already on the margins of survival. According to the bank, the number of people suffering "food insecurity" (that is, on the borders of starvation) in low-income countries jumped from 56mn in 2019 to 105mn in 2022. What might this reverse?

We know, in addition, that many children lost parents during the pandemic and that their education was also seriously disrupted. Furthermore, physical investment has fallen sharply. Thus, for emerging and developing countries as a whole, the bank forecasts that aggregate investment in 2024 will be 8 per cent lower than expected back in 2020. If one adds the likelihood of long-lasting debt problems and so a cessation of flows of external capital, the possibility of a lost decade for convergence surely becomes highly probable for many countries. Needless to say, this will also not be an environment in which much progress will be made with the energy transition in many places.

Covid was not these countries' fault. The lack of global co-operation in tackling it was not their fault. The lack of adequate external official funding was not their fault. The global inflation was not their fault. The war is not their fault. But if the high-income countries do not offer the help they now evidently need, it will unambiguously be their fault.

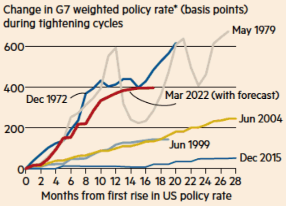
The high-income democracies wish to embark on a war of values with China. Well, here is one battle. A way has to be found to resolve the debt problems that are now emerging for some emerging countries and not, as happened in the case of Latin America, after almost a decade of pretence. A way has to be found to escape the vicious circle in which low creditworthiness begets unaffordable spreads, which beget debt crises and even lower creditworthiness.

That is not just in the interests of poor countries. It is also in the interests of rich ones. The problems of fragile and impoverished countries will become theirs, too. It is time to do things differently. Next week, I plan to consider how.

martin.wolf@ft.com

Current monetary tightening is expected to be the strongest since the early 1980s

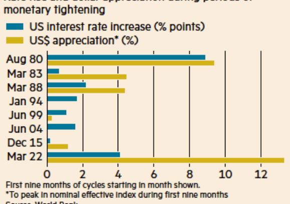
Change in G7 weighted policy rate* (basis points) during tightening cycles



Source: World Bank • * weighted by nominal GDP in $

The most recent rise in US interest rates and the dollar has been large by past standards

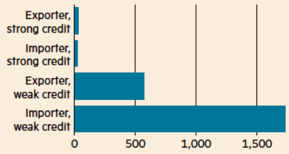
Rate rise and dollar appreciation during periods of monetary tightening



First nine months of cycles starting in month shown. *To peak in nominal effective index during first nine months
Source: World Bank

How the cost of credit has exploded for weak borrowers

Emerging market & developing economies' sovereign spread changes in 2022, by credit rating and energy exporter status (% points)



Sample includes 11 energy exporters and 35 energy importers
Source: World Bank

Financial regulation in the UK is ripe for a serious rethink

Norman Blackwell

With the latest financial services and markets bill starting its passage through the House of Lords, the doomsayers will be lining up to claim that these [illegible] global financial services sector to flourish.

Of course, many of the regulatory innovations that followed the financial crisis remain relevant and sensible. The regular stress testing of capital and liquidity against a variety of shock scenarios is a vital part of the regulatory framework. And given increasing IT dependence, the increased focus on industry-wide resilience is critical.

However, the excessive regulatory burden has arisen not so much from the [illegible] small group of senior supervisors, the regulators employ a growing army of less experienced staff who are more likely to stick to a rigid interpretation of the rule book because they do not have the confidence or experience

> The burden has arisen not from the legislation itself but from its overly bureaucratic enforcement

However, where a major institution has gone through a careful and rigorous recruitment process, it causes damaging delay to then have less qualified staff in both regulators repeat the process to grant approvals.

Similarly, while accountability is important, the desire of the regulators to pin every mistake on an individual and to demand consequential penalties has had a corrosive impact on the willingness of executives to take tough decisions, creating bureaucratic gridlock as [illegible] implementation has imposed costly structures and governance bureaucracies on banks with quite limited investment banking exposures.

In the case of the Financial Conduct Authority, its desire to protect customers from any adverse outcome has had the counterproductive effect of adding significant costs to many financial products.

The dual structure of the FCA and the Prudential Regulation Authority means both bodies pursue their own agendas, [illegible] to consider the competitiveness of the financial services industry — is an important recognition of the need for some rebalancing. However, on its own it is unlikely to have a significant impact on the regulators' culture and practices.

That will need a much more fundamental reappraisal of the regulatory landscape and a recognition within the regulators themselves of the need for radical change. Without that, the regulatory overhead is likely to continue to [illegible]

Lex.

Twitter: @FTLex

LME/Nickel: falling short

Nickel reduces corrosion. The metal has had the opposite effect on the reputation of the London Metal Exchange, owned by Hong Kong Exchanges and Clearing. A report by Oliver Wyman attempts to explain what happened in a spectacular short squeeze last March.

The consultancy sidesteps one element in all the chaos: the LME's decision to cancel some big purchases of nickel. This helped short sellers, apparently including metals tycoon Xiang Guangda. The cancellations shook investors' confidence in the London nickel market as much as unprecedented price swings.

But Oliver Wyman has pointed to other failings of the report sponsor. It says the LME did not know enough about the size of short positions. These theoretically have unlimited risk. Monitoring their size is an important job for any exchange and clearing operation, in this case LME Clear, another subsidiary of HKEX.

Even before the Ukraine invasion, reports had surfaced about a large short held by one trader, later revealed to be Xiang. The LME was aware of the amount of open trades on its bourse. But it apparently knew little about over-the-counter (off-exchange) trades, which equalled a third of LME volumes. That left another blind spot in its oversight. Exchanges try to prevent buyers from cornering the market in any asset, as Italy's Ferruzzi tried to do with soyabeans in 1989.

The limited data available to the LME and LME Clear meant they were unable to foresee the scale of the short squeeze when they demanded more cash margin from traders during early March. When the LME suspended its margin calls on March 7 as nickel soared, the move contributed to fears that the system was broken. The nickel futures contract price doubled to more than $100,000 a tonne the next day.

UK regulations require real-time monitoring of margins. Oliver Wyman says the LME stopped doing so for more than five hours on March 8. It is disappointing, if perhaps inevitable, that the report withheld comment on the subject most challenging to LME and HKEX. But it points probes by the Financial Conduct Authority and the Bank of England in the right direction.

The LME lacked the data needed to supervise adequately. Decision-making was poorly informed. The FCA must probe the motivation for some of those decisions, notably trade cancellations.

Risk-free rates: cash not trash

It may not be a great time to be a Goldman Sachs shareholder. But lending to the Wall Street bank via cash deposits seems like a pretty good deal. Its high-yield Marcus saving account is offering an interest rate of 3.3 per cent.

Financial conditions have eased. Inflation metrics are beginning to look favourable. The risk of a deep recession has moderated. Credit markets are thawing as a result. This prompts a question for investors: is wading back into risky securities sensible when risk-free rates remain elevated?

Central banks recognise that the pace of price rises is flattening, yet they merely consider slowing their rate rises. The Fed may raise its benchmark rate by just 25 basis points soon instead of the previously expected 50bp. Still, central bankers are keen to take the current benchmark rate eventually above 5 per cent from 4.25 per cent currently. In the first week of 2023, US groups issued more than $60bn worth of corporate bonds, far outpacing the rate in December.

The ICE Bank of America corporate index for BBB bonds now yields about 5.5 per cent, down a full percentage point from October highs.

Junk bond yields have softened similarly. Analysts at BofA note that among high-yield issuers, net debt/ebitda of 3.6x is at an all-time low. And because most debt was issued years ago, cash flow to interest coverage of nearly 6 times is a record high.

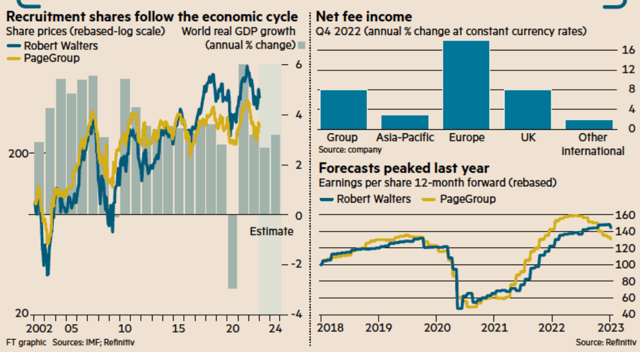
Companies will soon report their fourth-quarter results. Research service FactSet notes that analyst estimates for 2023 S&P 500 earnings were cut nearly 5 per cent in the fourth quarter, an unusually sharp reduction.

Credit investors broadly have been excited by the volatility and increase of credit spreads through 2022.

It has allowed them to show off their analytical skills to find fixed income returns. These have approached double digits in some cases. The challenge for capital allocators now is to convince their backers that they can beat elevated risk-free rates.

Robert Walters: jobs for waiters

Share prices for recruitment companies closely track the economic cycle. Results for London-listed Robert Walters remained strong at the end of last year. Falling earnings estimates for the coming year add to growing evidence that a recession is in progress.



Chief executive Robert Walters took the shine off a fourth-quarter trading update at the eponymous white-collar recruitment group yesterday.

A 20 per cent rise in net fee income annually, up 8 per cent over the year in the fourth quarter alone, would yield a record profit for the year, he said. Very good. But a warning that earnings would be lower than hoped sent London-listed shares down by as much as 8 per cent on the day.

The market had been bracing for this moment. Rampant inflation in the west and coronavirus outbreaks in China mean the outlook for recruitment is souring.

Shares in Robert Walters were already trading 30 per cent lower than at the start of 2022. That largely reflects problems in its largest and most profitable Asia-Pacific region. Crucially, the company has still managed to increase earnings there, albeit more slowly than it otherwise might have.

The past couple of years have been great for recruiters. Pandemic stimulus meant buoyant labour markets. Vacancies could not be filled quick enough. Rising wages increased churn, translating into higher fees and earnings. On a per-share basis, earnings are now a quarter higher than before the pandemic even though revenues remain lower.

Those factors are reversing amid tech lay-offs.

Robert Walters still managed impressive growth in the fourth quarter. Net fees in Germany rose 28 per cent annually in the period and double-digit growth in France and Spain were also recorded.

History points to tougher times ahead. Earnings per share fell by three-quarters and by a half in the previous two economic contractions, respectively.

Forecasts for this year expect earnings growth to moderate but, crucially, not to fall. That is out of sync with stuttering economies and growing job losses. At a multiple of 10 times forward earnings, shares appear cheap. But in the past the share price has hit its trough a year after earnings have peaked.

Wait for the stock to fall further before contemplating investment.

Virgin Orbit: swings and roundabouts

Space is the one area of business where even the sky isn't the limit. An oft-quoted estimate reckons the industry could reach $1.1tn in annual revenue by 2040. But costs and risks are hefty too, as the failure of Virgin Orbit's UK satellite launch underlined.

Flops are hardly uncommon. Elon Musk's SpaceX group has suffered plenty of high-profile setbacks. Last month, Vega C, a midsized rocket from the European Space Agency (ESA), failed just minutes after lift-off. The difference is that SpaceX is a private company that benefits from Musk's fundraising prowess while Vega C is government funded.

Virgin Orbit, which went public in the US less than 13 months ago via a merger with a blank-cheque company, is beholden to shareholders' whims.

Their patience for lossmaking groups is wearing thin. The rapid descent in Virgin Orbit's share price underscores this. The stock fell 9 per cent to $1.71 yesterday, taking it well below its $10 debut price. The company claims its system for launching rockets from jet aircraft will lower the cost of sending satellites into space. It has conducted four successful launches from the Mojave Desert in the US.

But Monday's failure — which resulted in the loss of all of its customers' satellites — will make would-be clients hesitant. Virgin Orbit needs all the business it can get. It pulled in just $33mn in revenue in the first nine months of 2022 while net loss widened to $139.5mn. Virgin Orbit is burning cash, with negative free cash flow standing at $175mn. Its cash and cash equivalents dwindled from $194.2mn at the end of 2021 to $71.2mn at the end of the third quarter.

Rising rates and weaker economic conditions make fundraising more onerous. Virgin Orbit abandoned plans for a securities offering in November.

Instead, it received $45mn from Branson's Virgin Group and Virgin Investment through two convertible note sales last year.

It may soon need a third booster.

Hybrid bonds: shape shifter

Hybrid bonds look a pretty good deal for debt investors — which may help to explain why there is a queue to buy them. Italian utility Enel kicked off 2023 with a €1.75bn offering. There was initial demand for €15bn.

Investors who bought the bonds, which sit between equity and debt in the capital structure, are getting a handsome return. Enel's hybrids pay something in the region of 6.5 per cent, or about 250 basis points higher than its senior debt of a similar maturity.

That is a lot less than Enel would have had to pay last year. Then, tough credit markets and a gloomy outlook drove up the yield on existing hybrid bonds above 8 per cent. Tighter yields reflect a more sanguine environment and greater faith in Enel's prospects.

But 250bp is still quite a big spread, for limited additional risk. Enel's credit default swap, which pays out if the company goes bust, is trading at levels that suggest a bust is improbable.

Hybrid bondholders are likely to be treated like the ordinary kind, unless the company's fortunes deteriorate. That is when their subordinated status would matter. Issuers are allowed to defer interest payments and maturities without triggering defaults. They are unlikely to do so if they can help it. Banks have deferred maturities in the past, but it is hard to think of an example outside the financial sector.

There is a step-up in the coupons over time. As a counterweight to this benefit, credit rating agencies could stop giving the bonds partial equity credit, removing much of their *raison d'être*. Despite that, companies have rushed to issue hybrids. The European market for corporate hybrid bonds has historically been about €30bn-€40bn a year. That figure will rise.

Issuers are not just keen on the flexibility these instruments provide when things go wrong. They also like being able to raise new debt without busting their credit metrics and risking downgrades. That saves the issuer a lot of money on the rest of its debt. Hybrid investors are reaping the benefit.

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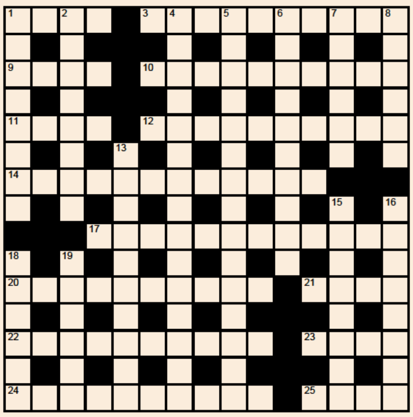
CROSSWORD

No 17,302 Set by IO



ACROSS

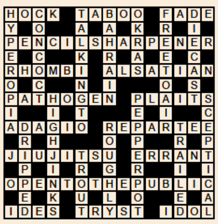
1/9/11 Things won't change what vet users must! (4,4,4)
3 Will reductio ad absurdum reach this flannelled fool? (5,5)
9 See 1
10 So idiot gets it off in the sun? (2,8)
11 See 1
12 Occupying pod, this obsessed fan catches band live (6,4)
14 Surely Io's most effective solver (2,7,3)
17 Get rid of Anne's nasty root problem (6-3-3)
20 Moving to the sun, dishonestly obtained rides in ferries and cabs? (10)
21/23/25 Model whom painter's welcoming so heartily (4,4,4)
22 As a rule what Serbian uses to pay International Airport guards (10)
23 See 21
24 What client is leaving barber - jumble! (10)
25 See 21

DOWN

1 Highlight of magic act not entirely affected? (8)
2 Grenade Quatermass secures all right (8)
4 Refashioning God and Christ? Insane! (2,7,6)
5 Such editorialising characterised by "1 Down" and "anal"? (7,8)
6 Where we may recreate Hamlet as Thelma? (10)
7 A Van Gogh grows on one (6)
8 Locum Doctor? As per broadcast, he holds the title (6)
13 Fine compiler writes country club devious clue about some whisky? (5,5)
15 The top feature for sleazy tourist? (8)
16 Alcohol has blackener in it, IMO (8)
18 A lead actor in The Ladykillers who's kept cool (6)
19 Verse form is right on key (6)

JOTTER PAD

Solution 17,301



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