FINANCIAL TIMES

TUESDAY 28 FEBRUARY 2023 INTERNATIONAL NEWSPAPER OF THE YEAR ASIA

# EU and UK ease post-Brexit tension with trade deal on Northern Ireland

● Brussels and London hail 'new chapter' ● Pact recasts Johnson protocol ● Unionists to study text

GEORGE PARKER — LONDON
SAM FLEMING — BRUSSELS
JUDE WEBBER — DUBLIN

Britain and the EU have clinched a deal to settle their toxic dispute over Northern Ireland trading rules in a turning point after years of post-Brexit tensions.

Rishi Sunak, UK prime minister, and Ursula von der Leyen, European Commission president, sealed the agreement in the shadow of Windsor Castle yesterday, with both talking of opening a "new chapter" in relations.

"We have made a decisive breakthrough," Sunak said at a press conference with von der Leyen, as the two hailed an agreement dubbed "the Windsor framework".

Sunak claimed he had secured fundamental reforms to the Northern Ireland protocol, part of former prime minister Boris Johnson's 2019 Brexit deal and a focal point of tensions.

Von der Leyen praised what she said was "a very constructive attitude from the very beginning" in the talks with the UK, adding the two sides were "close partners, shoulder to shoulder, now and in the future".

The protocol was established to prevent a hard border on the island of Ireland. But it was hated by Northern Ireland's Democratic Unionist party because it created a trade barrier for goods travelling from Great Britain into the region, which remains part of the EU's single market for goods.

Sunak claims the deal will slash trade bureaucracy and reduce the role of EU law and the European Court of Justice in Northern Ireland, as well as giving the region's assembly at Stormont a say over new EU rules.

The Brexit treaty will be recast to include a new "emergency brake", allowing the UK, at the request of 30 members from at least two parties in the Northern Ireland legislative assembly, to oppose new EU goods law in exceptional circumstances.

Sunak hopes the DUP will soon end its boycott of Stormont. Sir Jeffrey Donaldson, DUP leader, said his party would study the fine print. The prime minister also has to sell the deal to Eurosceptic Tory MPs, although early signs suggest his high-stakes gamble may have succeeded in limiting the size of a rebellion.

Steve Baker, a Northern Ireland minister and self-described "hard man of Brexit", scotched rumours he might quit, calling the pact "a really great deal for everyone involved".

Sunak and von der Leyen hope the deal will resonate beyond Northern Ireland, ending years of grim post-Brexit relations. The UK will ditch legislation introduced by Johnson to rewrite the protocol. The EU in turn will restart co-operation with Britain under the €95bn Horizon science project, which von der Leyen hailed as "good news for scientists and researchers" in the EU and UK.

France and Britain are also expected to step up efforts to curb cross-Channel migration in small boats.

The deal's signing was accompanied by controversy as von der Leyen included a visit to see King Charles, sparking claims Sunak had let the monarch be dragged into the political arena. Although Brussels insisted the meeting was unconnected to the protocol, Lady Arlene Foster, former leader of the DUP, said the move was "crass" and would "go down very badly" in Northern Ireland.

Sunak said the deal would make it easier to ship items including pets, medicines, parcels and plants between Great Britain and Northern Ireland and end "any sense of a border in the Irish Sea". A "green lane" with no checks would be created at Irish Sea ports for goods destined to stay in Northern Ireland, with a "red lane" for goods going to Ireland.

Insiders on both sides said Brussels had not moved substantially on the ECJ's role in enforcing the protocol, although the UK is set to argue that the volume of EU law being enforced will in effect have been reduced.

> Assuming the 'Windsor framework' can be steered safely through Westminster, it may at last begin to drain some of the venom created by the Brexit years

FT View
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**Cordial welcome: Rishi Sunak greets Ursula von der Leyen as she arrives in Windsor, west of London, yesterday**
Dan Kitwood/AFP via Getty Images

## Briefing

**▸ UniCredit board member quit after leak accusation**
Corporate governance is under the spotlight at the Italian lender after Dame Jayne-Anne Gadhia, the head of its remuneration committee, stepped down after unsubstantiated allegations of leaks from the board, weeks ahead of the proposal of a new salary package for chief executive Andrea Orcel.— PAGE 6

**▸ Doubt over rate-cut bets**
The Bank for International Settlements, the "central bankers' bank", has warned that investors' rate-cut hopes are overblown.
— PAGE 2; MOHAMED EL-ERIAN, PAGE 11

**▸ West Bank fears mount**
A rampage by Israeli settlers in the occupied West Bank on Sunday night has exacerbated fears that violence in the territory could spiral out of control.— PAGE 3

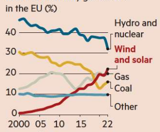
**▸ Anger over Nigeria poll**
The electoral commission has come under fire for its failure to manage weekend elections, as the wait for the result continues two days after votes were cast.— PAGE 4

**▸ Thunberg in Sami protest**
Swedish activist Greta Thunberg and Sami demonstrators have closed down parts of Norway's government in a protest against "green colonialism".— PAGE 2

**▸ EY China staff rebadged**
Communist party members at the audit firm's China offices in Beijing have been asked to wear their party badges to show their political loyalty at work.— PAGE 6

## Datawatch

**Winds of change**
Share of electricity generation in the EU (%)




Source: Ember

Wind and solar generated 22 per cent of EU electricity in 2022, overtaking fossil gas for the first time. Coal's share rose just 1.5 percentage points to make up 16 per cent of power, as Europe avoided a full return to coal during the energy crisis

**Trafigura's path to Gupta nickel lawsuit revealed**

Analysis ▸ PAGE 9

# Investors comforted by US businesses reporting they have 'no trouble hiring'

NICHOLAS MEGAW — NEW YORK

**US employers, from fast-food chains to arms manufacturers, are reporting a big improvement in hiring conditions despite official data showing unemployment at its lowest for decades.**

Senior executives across a host of S&P 500 companies gave optimistic updates on the labour market in recent quarterly earnings reports.

Their commentary could reassure investors concerned that a tight labour market threatens the Federal Reserve's efforts to bring down inflation.

"Corporate commentary has been very notably different from previous quarters," said Binky Chadha, chief global strategist at Deutsche Bank. "It may not be fully representative but it is still a very good chunk of the US economy . . . so I would look for the data to [catch up] to what companies are saying."

Unexpectedly resilient job growth figures this month triggered a sharp drop in stock and bond prices, as investors feared rising wages would force the Fed to lift interest rates further.

However, the comments of Christopher Nassetta, chief executive of hotel chain Hilton, epitomised those of many executives at large groups when he said this month that "we are not fully back to where we were in terms of access to labour but we're getting awfully close".

For many consumer-facing businesses such as Yum Brands, which owns fast-food chains KFC and Taco Bell, staffing shortages since the start of the pandemic have not only driven up costs but also hit sales as some restaurants struggled to maintain operating hours.

But this month chief executive David Gibbs said: "We're seeing an increase in applications, stores [are] returning to their pre-Covid operating hours . . . We like the environment we're in."

Fellow high street chains Starbucks and Chipotle have reported improvements in employee retention, which Starbucks chief reinvention officer Frank Britt said would reduce training costs and help "stabilise operations".

The improvement has not been limited to lower-paying industries. Boeing chief executive David Calhoun told analysts "we've had no trouble hiring people", and said pressures through its supply chain had "really ease[d] up".

Few companies said the challenges had entirely lifted — one in 10 Chipotle restaurants remained short-staffed, while some industries faced shortages of skilled workers, such as airline pilots.

**Rates to stay higher** page 2
**Mohamed El-Erian** page 11

## World Markets

**STOCK MARKETS**

| | Feb 27 | Prev | %chg |
|---|---|---|---|
| S&P 500 | 3988.43 | 3970.04 | 0.46 |
| Nasdaq Composite | 11489.48 | 11394.94 | 0.83 |
| Dow Jones Ind | 32893.56 | 32816.92 | 0.23 |
| FTSEurofirst 300 | 1824.49 | 1805.03 | 1.08 |
| Euro Stoxx 50 | 4251.36 | 4178.82 | 1.74 |
| FTSE 100 | 7935.11 | 7878.66 | 0.72 |
| FTSE All-Share | 4331.26 | 4299.29 | 0.74 |
| CAC 40 | 7295.55 | 7187.27 | 1.51 |
| Xetra Dax | 15381.43 | 15209.74 | 1.13 |
| Nikkei | 27423.96 | 27453.48 | -0.11 |
| Hang Seng | 19943.51 | 20010.04 | -0.33 |
| MSCI World $ | 2706.91 | 2737.41 | -1.11 |
| MSCI EM $ | 971.87 | 987.74 | -1.61 |
| MSCI ACWI $ | 628.00 | 635.43 | -1.17 |
| FT Wilshire 2500 | 5184.18 | 5240.15 | -1.07 |
| FT Wilshire 5000 | 40498.25 | 40937.23 | -1.07 |

**CURRENCIES**

| Pair | Feb 27 | Prev | Pair | Feb 27 | Prev |
|---|---|---|---|---|---|
| $/€ | 1.060 | 1.054 | €/$ | 0.943 | 0.949 |
| $/£ | 1.203 | 1.194 | £/$ | 0.832 | 0.838 |
| £/€ | 0.882 | 0.883 | €/£ | 1.134 | 1.133 |
| ¥/$ | 136.110 | 136.385 | ¥/€ | 144.297 | 143.771 |
| ¥/£ | 163.686 | 162.844 | £ index | 77.765 | 77.933 |
| SFr/€ | 0.994 | 0.991 | SFr/£ | 1.127 | 1.122 |

**CRYPTO**

| | Feb 27 | Prev | %chg |
|---|---|---|---|
| Bitcoin ($) | 23327.20 | 23564.40 | -1.01 |
| Ethereum | 1636.66 | 1641.63 | -0.30 |

**COMMODITIES**

| | Feb 27 | Prev | %chg |
|---|---|---|---|
| Oil WTI $ | 75.97 | 76.32 | -0.46 |
| Oil Brent $ | 82.28 | 82.82 | -0.65 |
| Gold $ | 1810.95 | 1826.05 | -0.83 |

**GOVERNMENT BONDS**

| Yield (%) | Feb 27 | Prev | Chg |
|---|---|---|---|
| US 2 yr | 4.79 | 4.79 | 0.00 |
| US 10 yr | 3.92 | 3.96 | -0.04 |
| US 30 yr | 3.92 | 3.95 | -0.03 |
| UK 2 yr | 4.04 | 3.99 | 0.05 |
| UK 10 yr | 3.70 | 3.65 | 0.05 |
| UK 30 yr | 4.11 | 4.05 | 0.06 |
| JPN 2 yr | -0.03 | -0.03 | 0.00 |
| JPN 10 yr | 0.50 | 0.50 | 0.00 |
| JPN 30 yr | 1.43 | 1.44 | -0.01 |
| GER 2 yr | 3.06 | 3.01 | 0.05 |
| GER 10 yr | 2.58 | 2.54 | 0.04 |
| GER 30 yr | 2.54 | 2.46 | 0.08 |

Prices are latest for edition
Data provided by Morningstar



| | |
|---|---|
| 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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Norway

# Thunberg in protest at 'green colonialism'

Activist denounces wind farms that disrupt Sami community grazing rights

RICHARD MILNE — OSLO

Greta Thunberg and dozens of activists from Norway's Sami community closed down large parts of the country's government yesterday in a protest against what they call "green colonialism".

Thunberg, the Swedish environmental activist, said in Oslo that it was an "international scandal" and "completely absurd" that Norway was ignoring a ruling by its Supreme Court against the building of a large onshore wind farm in the centre of the Nordic country.

The unanimous ruling said the construction of the Fosen wind farm violated the rights of the indigenous Sami people by affecting where their reindeer can graze.

"The Norwegian government cannot close its eyes any more to the human rights violations that are taking place. The colonisation of Sami people must stop," Thunberg told a small crowd. She said the protest was not about opposition to wind power, but that the climate transition could not take place "at the expense of indigenous people's rights".

Onshore wind is a controversial topic in both Norway and neighbouring Sweden as the wind farms are often placed on land used by the Sami for reindeer herding. There have also been clashes in Sweden over the location of mines for iron ore and other minerals.

Sami activists accuse big business and government of "green colonialism" — using the cloak of environmentally friendly projects, such as wind power or minerals needed for batteries, to usurp their rights as indigenous people.

'The Norwegian government cannot close its eyes any more to the human rights violations'

The clash, which shut down several ministries yesterday, also highlights the trade-offs between addressing climate change and upholding protections on nature or indigenous rights.

Frederic Hauge, founder of Norwegian environmental pressure group Bellona, urged politicians in 2021 to concede that parts of nature needed to be sacrificed to combat climate change, citing the need for wind and solar farms in remote areas.

The centre-left government in Oslo has repeatedly refused to detail how it would comply with the Supreme Court's ruling. To mark 500 days since the ruling was passed, Sami activists camped out this weekend in the reception of a building hosting several ministries.

Norwegian police forcibly removed 13 activists at 3am yesterday, but they and others, including Thunberg, returned later in the morning and sat in front of the building, which houses the oil and energy department as well as five other ministries including finance. The government told state broadcaster NRK it had sent a text message to all employees in the six ministries advising them to work from home yesterday.

"The plan is to close it down today, and it is due to the oil and energy ministry not doing its job in a proper way. We cannot allow them to do more damage," Ella Marie Hætta Isaksen, the chief Sami activist, told NRK.

Terje Aasland, oil and energy minister, called the protest "good for democracy" and said he would meet Sami leaders later this week.

He said that the government needed more knowledge in order to decide how to respond to the Supreme Court ruling, which failed to give a precise sanction such as ordering the dismantling of the wind farm.

Borrowing costs

# Rates set to stay higher for longer, BIS warns investors

JONATHAN WHEATLEY — LONDON

**Central banks will keep borrowing costs high for long enough to ensure that inflation is brought under lasting control, the Bank for International Settlements has said, as it warned investors were overestimating the chances of rate cuts next year.**

"Central banks have been very clear about the priority of getting the job done and of being cautious about declaring victory too early," said Claudio Borio, head of the monetary and economic department at the BIS. "[This] cautious attitude is the appropriate one."

The BIS said the pricing of financial assets still signalled a "firm expectation" among investors "that rate hikes would stop before the end of this year and that policy rates would decline materially in 2024".

This was in "sharp contrast" to cautious communications from rate setters, who "gave no indication that easing was on the horizon".

The message from the quarterly bulletin of the BIS, often referred to as the central bankers' bank, comes as investors become nervous that rate setters will raise borrowing costs to higher levels than they had hoped — and keep them there for longer than expected.

Market expectations earlier this year were for the US Federal Reserve, which has raised rates by 4 percentage points since last March, to begin cutting rates before the end of 2023 or early in 2024. This view has been challenged in recent weeks by higher than expected US inflation figures and strong jobs data.

A rally in global bond markets this year has crumbled, while stocks have fallen sharply. In the eurozone, where the European Central Bank has raised rates by 3 percentage points since last summer, investors have started pricing in more rate rises over the coming months.

While headline inflation rates have fallen since the autumn on the back of a fall in commodity prices, cost pressures remain far higher than rate setters would like.

Annual price growth remains several multiples higher than central banks' 2 per cent goals. In the eurozone, core inflation, which strips out changes in food and energy prices and is seen as a better measure of underlying price pressures, hit a record high of 5.3 per cent in January.

Borio said it was "much easier to get inflation from 8 per cent to 4 per cent when the work is done by [falling] commodities prices, than it is to get it from 4 per cent to 2 per cent, which is the part that central banks will have to do".

Hyun Song Shin, the BIS's head of research, said the lesson of the high inflation of the 1970s was that price pressures could rise again after falling as new shocks materialised.

"The reason central banks have been emphasising [the importance of] going the last mile on bringing inflation down is that, if you are not fully back to target and relax too early, you will undo all the work you have done before," he said.

There was evidence that consumer demand had become less sensitive to changes in central bank policy rates, he added, making the job of bringing inflation under control harder.

Europe. National security

# Neutrality leaves Austria uneasy and isolated

Russia's invasion of Ukraine is changing attitudes to a policy cherished since independence

SAM JONES — ZURICH

A fraught public debate over Austria's neutrality came to a head late last week on the anniversary of Russia's invasion of Ukraine when the chancellor was forced to confront the issue at a special parliamentary session.

On Friday, as western allies reaffirmed their commitment to Kyiv and stepped up sanctions against Moscow, Chancellor Karl Nehammer defended a stance that an increasingly vocal minority in his country is trying to change.

"Austrian neutrality is peace policy in action — it is a defensive neutrality," he said to catcalls from opposition parties and observed from the public gallery by Ukrainian diplomats and Sviatlana Tsikhanouskaya, the Belarusian opposition leader

The policy had brought great benefits including the trust of more than 50 international diplomatic organisations based in Vienna, said Nehammer. "Neutrality, was, is and remains, helpful and useful for our country."

Austria, which was granted independence in 1955 by the Soviet Union and allied powers, celebrates its national day on October 26, when its "permanent neutrality" clauses were signed into law.

But with Russia's full-scale invasion of Ukraine prompting Finland and Sweden to seek Nato membership, the landlocked country of 9mn finds itself ever more isolated in Europe on questions of defence and security.

Nehammer has until now been reluctant to give an issue that is potentially toxic to his conservative Austrian People's party any more oxygen.

A survey by the Linzer Market-Institut for Der Standard newspaper last summer, the most recent poll available, found 71 per cent of Austrians for neutrality and 17 per cent for membership of a defence alliance such as Nato.

"Neutrality is part of Austrian self identity, it is deeply ingrained," said Gerhard Mangott, a professor of international relations at the University of Innsbruck. "I don't think even the conflict in Ukraine is going to have any serious effect on how the majority of the population view [the issue]. The problem is that a lot of Austrians misinterpret neutrality as a guarantee that no country will start a war with Austria."

**Dilemma: a show of support for Ukraine in Vienna. Chancellor Karl Nehammer, inset, has backed Austrian neutrality**
Eva Manhart/APA/AFP via Getty Images

That point is not lost on Nehammer, a former army officer who has ben trying to tilt Austria back towards Brussels and Washington and rein in a historical equivocation on Russia. Austria has long seen itself as a bridge between Russia and the west, and under Sebastian Kurz, the former chancellor, ties with Moscow grew particularly close.

Yet any move to end neutrality will put the People's party at risk of losing ground to the far-right Freedom party, which has made the issue central to its campaign and has extended a poll lead it gained in July.

With the war unlikely to end soon, many Austrian security experts feel the moment is at hand to try and shift public attitudes. In an open letter last week, more than 90 politicians from across the political spectrum, senior military officers and former diplomats urged Vienna to reconsider its decades of non-alignment.

"Despite the dramatic return of war in Europe, large sections of domestic politics and society have fallen prey to the illusion that Austria can remain as it is, stay out of conflicts and make do with a little more money for the armed forces," the letter read. "Our security position is internationally ridiculed by some and perceived as spineless by others."

Gustav Gressel, a former defence official and signatory, said: "Nobody in Austria has a good answer today on what this notion of neutrality would actually mean if we took it seriously". Austria had been living in a bubble, said Gressel, who works for the European Council on Foreign Relations think-tank.

Armed neutrality, or co-operative neutrality, in which a country liaises with others in areas such as training and planning, were strategies, he said. But Austria took neither position: its army was weak and its security agencies were treated with suspicion in Europe. Switzerland, he pointed out, recognised the need to match its neutrality with a strong defence and security posture.

The government said in October that it would allocate €16bn to the military between now and 2027, bringing the level up to 1.5 per cent of gross domestic product. Nato requires its members to spend 2 per cent of their GDP on defence and in the wake of the Ukraine war, many have pledged to spend even more.

'If we have learnt one thing about Ukraine and the war Russia has waged there, it is that if you are alone, you are in danger'

Critics say Austria's plans show a paucity of ambition and highlight the superficiality of government thinking. For Gressel, the proposed military spending boost is nowhere near enough to give Austria a credible defensive capability.

"In some ways raising this issue of neutrality is the wrong one," said Helmut Brandstätter, an MP of the liberal Neos party that triggered Friday's parliamentary debate. "The real question we need to be asking in Austria is what is security? We need to think realistically about answers to questions such as, who would we count among our friends if we were attacked?

"If we have learnt one thing about Ukraine and the war Russia has waged there, it is that if you are alone, you are in danger."

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# Bird flu alert Scientists weigh risks of pandemic in humans

DONATO PAOLO MANCINI AND CLIVE COOKSON — LONDON

The worst-ever outbreak of bird flu has led to the disease becoming endemic in some birds, inflicted huge costs on the poultry industry, spread into wild and captive mammals and, in some rare instances, infected humans.

The World Organisation for Animal Health this month said that a rising number of cases had been reported in mammals, "causing morbidity and mortality" in species such as otters and seals. Reports of infections in farmed mink in Spain had increased concerns, WOAH said.

If H5N1, the strain mainly responsible for the latest outbreak from late 2021, develops mutations that make it easier to transmit to humans, experts fear the emergence of a pandemic that carries more risks than the Covid-19 outbreak. Bird flu has a fatality rate of about 50 per cent, according to the European Centre for Disease Prevention and Control.

H5N1 is "a big worry", said Jeremy Farrar, flu expert and outgoing director of the Wellcome Trust. "If there was an outbreak tomorrow of H5N1 in humans, we wouldn't be able to vaccinate the world within 2023," warned Farrar, who will become chief scientist at the World Health Organization in May.

### How likely is an H5N1 pandemic?

Experts say the risk remains largely contained to the animal population — 50mn birds have been killed by the virus or culled in this outbreak, according to the ECDC.

The WHO this month said avian influenza was "still an avian virus" and the threat, including human-to-human transmission, "is low".

One crucial factor will be how H5N1 evolves, which can happen in two ways: either through a linear series of mutations that makes the virus more efficient at spreading; or through recombination, when strains of the virus affect host cells at the same time and swap genes — leading to evolutionary leaps.

"Nobody can predict when or where [a mutation] will happen," said David Heymann, a professor in infectious disease epidemiology at the London School of Hygiene and Tropical Medicine.

### What action is being taken?

Surveillance measures have been adequate for identifying and isolating disease. Gregorio Torres, head of the science department at WOAH, said the focus should continue to be on "biosecurity", or seeking out diseased animals to isolate them from healthy ones.

"It's definitely the most effective tool to avoid animals getting infected," Torres said, adding that the risk to humans, while still low overall, had "probably never been so high".

Richard Ebright, professor of chemistry and chemical biology at Rutgers University, said it was "clear" that further measures should be taken to reduce the zoonotic potential of H5N1.

**A worker handles chickens at a market in Phnom Penh, Cambodia**

He urged an end to fur farming and gain-of-function research, in which pathogens are manipulated to help scientists understand how they behave.

"The former, in effect, selectively breeds for new H5N1 influenza viruses that can transmit efficiently in mammals," Ebright said. "The latter, by definition, creates new H5N1 influenza viruses reasonably anticipated to transmit efficiently in mammals.

"Both are unnatural. Neither offers benefits that offset the risks."

### What countermeasures are there?

According to the WHO, vaccines for use in humans against H5N1 infection have been developed, but have not been widely used.

"Several manufacturers have developed prototype H5 vaccines that can be authorised when and if a pandemic H5N1 strain emerges," it said.

To protect humans in the long term, Farrar advocates building a global reserve of vaccines "for every single strain of influenza that exists in the animal kingdom".

INTERNATIONAL

# Settler rampage in West Bank denounced as a 'pogrom'

## Palestinian shot dead and 100 injured by mob torching buildings and cars

JAMES SHOTTER — JERUSALEM

A rampage by Israeli settlers after a Palestinian gunman killed two Israelis in the occupied West Bank has exacerbated fears that violence in the territory could spiral out of control.

West Bank officials said one Palestinian was shot dead and more than 100 injured on Sunday night when a mob of settlers torched buildings and cars in several villages in the territory.

The clash erupted after a Palestinian shot two Jewish settlers dead in Huwara, a Palestinian town south of Nablus, where the Israeli army killed 11 Palestinians and wounded 100 more last week in its deadliest raid in the West Bank since 2005.

Ghassan Daghlas, a Palestinian official who monitors settler activity in the the West Bank, which makes up the bulk of the Palestinian territories but has been occupied by Israel since 1967, said the 17-hour rampage was unprecedented.

He estimated that about 400 settlers, inhabitants of Jewish settlements in the West Bank regarded as illegal by the international community, took part in Sunday's attacks in which about 30 houses and countless cars had been set on fire. Windows and doors at other houses were broken, while some properties were looted.

"They were monsters," he said. "It was very tough for us yesterday."

The attacks drew criticism from opposition Israeli politicians and commentators. One politician called the violence a "pogrom", and an Israeli commentator likened it to Kristallnacht.

The eruption of violence comes just two months after Benjamin Netanyahu returned to power at the head of a government widely regarded as the most rightwing in Israeli history, with ultranationalist settlers, Bezalel Smotrich and Itamar Ben-Gvir, in security posts.

Nahum Barnea, a columnist from the centre-left Yedioth Ahronoth newspaper, argued that the empowerment of prominent politicians from the settler movement had emboldened those who took part in Sunday's rampage.

"The government needs to decide what it is," he wrote. "Is it resolved to enforce law and order on Arabs and Jews alike? Or is it a fig leaf for the Hilltop Youth [an extremist group of settlers], who do as they please in the [Palestinian] territories?"

In the wake of the killings of the two settlers, Netanyahu issued a statement urging settlers not to indulge in vigilantism. "I ask, even when the blood is boiling, not to take the law into one's hands," he said.

However, Smotrich, who has been given sweeping powers over the West Bank, demanded that Israel respond "without mercy, with tanks and helicopters", while his Twitter account liked a tweet calling for Huwara to be "erased". He subsequently issued a statement saying that settlers should not take the law into their own hands.

Other members of the government went further. Zvika Fogel of Ben-Gvir's extreme-right Jewish Power party, who heads the parliament's national security committee, accused Netanyahu of doing too little to combat terrorism, and gave his backing to the settlers.

"How do we [restore security]? We stop using the word 'proportionality'. We stop with our objection to collective punishment [just] because it doesn't fly with all sorts of courts. We take the gloves off," he said, in an interview with Galey Israel Radio yesterday.

"A closed, burnt Huwara — that's what I want to see. That's the only way to achieve deterrence."

Merav Michaeli, leader of the Labor party, said the attorney-general would be asked to investigate Fogel for incitement. "What happened last night was nothing short of a pogrom by armed militias, whose representatives sit in the government today, some of whom are silent and some of whom permit their other [lawmakers] to say that this was a necessary act of deterrence," she said.

Sunday's burst of violence comes amid a steady escalation in which Israeli forces have killed more than 60 Palestinians, and Palestinians have killed 12 Israelis and one Ukrainian this year.

In a bid to restore order, Israel's military sent additional battalions numbering hundreds of soldiers to the West Bank on Sunday and yesterday. But some analysts accused it of acting too slowly, adding it should have done more to prevent Sunday's settler attacks.

"This was a failure," Yoav Limor, a columnist at Israel Hayom, wrote yesterday. "And this incident has more explosive potential than any other incident in the sector this past year."

'A closed, burnt Huwara – that's what I want to see. That's the only way to achieve deterrence'

Zvika Fogel, Jewish Power party

**Flashpoint: Palestinian youths from Burin village hurl rocks at settlers, in the background, who reportedly set fire to cars in the West Bank. Below, Israeli soldiers in Huwara**
Jaafar Ashtiyeh/AFP/Getty

Syria visit

# Egyptian official meets Assad in sign of thawing Arab relations

HEBA SALEH — CAIRO

**Egypt's foreign minister met Syria's Bashar al-Assad in a rare visit by a senior regional official to Damascus as Arab nations begin a tentative re-engagement with the regime after this month's devastating earthquake.**

Sameh Shoukry said the trip — the first by an Egyptian foreign minister since the eruption of Syria's civil war 12 years ago led to the country being ejected from the Arab League — was a show of solidarity after the quake killed 6,000 Syrians and wrought more despair on the conflict-ravaged nation.

The foreign ministers of the United Arab Emirates and Jordan have visited Syria since the quake, while Assad has travelled to Oman. The UAE was also the first Arab country to welcome Assad since the civil war when he travelled there a year ago.

Arab governments have struggled to develop a Syria policy since Assad brutally crushed the opposition and regained control over two-thirds of the country, with support from Russia and Iran. The Damacus regime is still subject to international sanctions because of the extensive human rights violations against civilians in the course of its war.

Yet the re-engagement with Assad suggests the arms-length approach may be coming to an end. Prince Faisal bin Farhan al-Saud, Saudi Arabia's foreign minister, said this month there was "a growing consensus" in the Arab world that isolating Syria was not working. He suggested a different approach was "being formulated" to address issues such as Syrian refugees and the humanitarian disaster of the quake.

Shoukry pledged that Egypt would provide further aid in "co-ordination with the Syrian government", in addition to the supplies it had already given. Most of the Syrians killed in the disaster were in parts of the country's north-west still controlled by rebel groups.

Faisal Mekdad, Syria's foreign minister, welcomed Shoukry's visit, saying: "When the foreign minister of Egypt comes to Damascus, he comes to his home, his people and his country."

Emile Hokayem, director of regional security at the International Institute for Strategic Studies in London, said Arab capitals had been seeking to re-engage with Damascus for some time, but they had found it difficult to come up with a workable policy.

"There is a lack of policy alternatives," he said. "Arab governments [also] know full well that there is very little they can expect from Assad in terms of a political process or regional alignment. It is very difficult to see what he can offer, given his weakness and indebtedness to Russia and Iran."

West Africa

# Delays cast cloud over Nigeria's election

Observers criticise voting system as results trickle in and rivals allege chicanery

AANU ADEOYE — ABUJA

Nigeria's electoral commission came under fire yesterday for its failure to manage the weekend's elections, as the wait for the results of the presidential vote continued two days after ballots were cast.

Under a new system aimed at bringing transparency to the process, results from the almost 177,000 polling stations across the country were meant to be uploaded immediately after being collated. Yet as of last night only a little over a third were available on the Independent National Electoral Commission's online portal, leading to allegations of chicanery by the leading parties in the presidential race.

The EU observer mission said INEC's "lack of efficient planning in critical stages and effective public communication reduced trust in the process". The election body was also criticised by Thabo Mbeki, head of the Commonwealth observer mission.

Nigerian civil society groups said INEC officials had arrived late in a few states and that the biometric accreditation system had not worked as intended in some cases. Some results from northern Kogi state were declared "inconclusive" by the electoral commission because of discrepancies.

INEC has apologised for the delays, which it blamed on the difficulties in scaling up a system tested in two state elections last year.

The election to replace Muhammadu Buhari has been the most keenly contested since the end of military rule in 1999, with three candidates in the running to win the presidency.

Results from its 36 states and the capital Abuja began to trickle in yesterday. There was a surprise when outsider Peter Obi won Lagos, the country's economic powerhouse and home state of his main rival, Bola Tinubu, a former Lagos governor who made the state the cornerstone of his presidential campaign. Tinubu secured a clutch of other states.

It is likely to be several days before official results are announced, with ballots still being counted across Africa's largest democracy. A third of states had provisionally declared as of yesterday afternoon, according to a Reuters tally. The count showed Tinubu with 3.7mn votes, Abubakar with 2.5mn and Obi with 1.3mn.

Obi's Labour party said it had "lost confidence" in a process that was "severely compromised" while Abubakar's party threatened to reject the results of the presidential poll. Tinubu's party accused rivals of having "perfected plans to finally scuttle" Nigerian democracy by obtaining court judgments to stop the announcement of the results.

The vote was blighted by delays and violence. Disturbances were reported in Lagos, Kogi, Edo, Borno and elsewhere.

Cheta Nwanze, a partner at the Lagos-based consultancy SBM Intelligence, which deployed researchers across Nigeria, said the voting issues meant that the legitimacy of the result might be challenged no matter who won.

"The INEC's poor handling of logistics and even poorer communication with voters mean that many Nigerians who went to their polling units on Saturday and Sunday were operationally disenfranchised," he said.

Regional hubs. Shifting balance

# Singapore capitalises on Hong Kong's travails

China's zero-Covid policy and political crackdowns push out people, business and wealth

PRIMROSE RIORDAN, ANDY LIN AND CHAN HO-HIM — HONG KONG
MERCEDES RUEHL — SINGAPORE

Hong Kong has lost ground to regional rival Singapore, according to a Financial Times analysis of property prices, air traffic and other indicators, underlining the challenge the Chinese territory faces as it reopens to the world after years of pandemic controls.

John Lee, Hong Kong's chief executive, has launched a campaign to convince the world that despite Covid-19 and a brutal security crackdown, the Chinese territory is not only open for business but remains Asia's premier financial centre.

Yet the data suggests that Hong Kong paid a price for its tough pandemic restrictions and quarantines, while Singapore made gains.

"The trajectory for Singapore to become Asia's finance hub . . . that takes time. It won't happen in a year. But if I was the Singapore government, I would be very happy with where things are headed," said Michael Marquardt, Asia chief executive of IQ-EQ, an investor services firm.

Hong Kong's regional importance has been entrenched by its location on mainland China's doorstep. However, the city has only just reopened to tourists after three years in which many international airlines stopped services.

In contrast, Singapore was one of the first countries in Asia to reopen its borders during the pandemic. Last year, Hong Kong lost its position as the region's busiest airport to Singapore, according to Sobie Aviation.

More aircraft have arrived in Singapore than in Hong Kong every month since January 2022. Arrivals in Singapore have reached 70 per cent of pre-pandemic levels, while those in Hong Kong are just over half.

Severe labour shortages in Hong Kong are preventing the full return of routes.

Chinese leader Xi Jinping's clampdown on tech entrepreneurs has heightened Singapore's ability to attract wealthy elites and their funds.

Since mid-2021, Singapore's foreign currency deposits have increased more than $100bn, an FT analysis of bank data shows, while Singaporean dollar deposits remain steady. Deposits in Hong Kong banks have dwindled since early 2022, halting only in November as it lifted quarantine restrictions.

The number of family offices in Singapore — private companies that offer wealth management — has grown from a handful in 2018 to an estimated 1,500 by the end of last year, according to Handshakes, a Singaporean data analysis firm. Hong Kong, eager to regain ground, will host an "invitation only" meeting for some of the world's richest family offices next month.

The perception that Beijing was increasingly anti-business and anti-private wealth was the "main reason for the migration of Chinese billionaires from mainland or Hong Kong to Singapore and other places", said Zhiwu Chen, chair professor of finance at the University of Hong Kong.

"In the past they might have parked it in Hong Kong but now move to Singapore," said Kevin Au, director of the Centre for Family Business at the Chinese University of Hong Kong.

It is difficult to quantify how many people have moved from Hong Kong to Singapore, and banks, wary of annoying Beijing, prefer not to say how many staff they transferred to the island state during the height of the pandemic.

Some had been expanding in Singapore before the pandemic, especially after the introduction of a tough security law in Hong Kong in 2020 following protests. BlackRock doubled the size of its Singapore office in 2022, while Wells Fargo shifted its Asian hub from Hong Kong to Singapore the year before.

All this has contributed to rents in Singapore surging 40 per cent in the fourth quarter last year from the same period two years earlier. With 140,000 Hongkongers entering immigration programmes like that offered by the UK, rents in Hong Kong dropped 10 per cent in the fourth quarter from a record high in the third quarter of 2019. This has also hit demand for office space.

Hong Kong's proximity to China remains a huge draw for investors. In terms of capital markets activity, Hong Kong is still far ahead of Singapore, with stock market turnover and market capitalisation more than seven times larger.

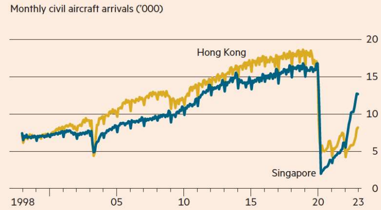
In asset management and advisory services, Singapore is fast closing the gap. In 2021, Singapore's assets under management grew 16 per cent to $4tn, and Hong Kong's 2 per cent to $4.6tn.

More broadly, with Hong Kong open and China's abandonment of its zero-Covid policy, the IMF has forecast Hong Kong to grow 3.9 per cent in 2023, faster than Singapore's 2.3 per cent.

Some Hongkongers could yet return. "There will be some that the political situation in Hong Kong has become intolerable [for] . . . but there will be some who maybe they could change their mind and economic conditions in the UK or US might not be as good as expected," said Stuart Gietel-Basten, a demographer at the Hong Kong University of Science and Technology.

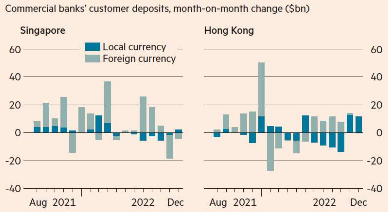
Singapore's air traffic has surpassed Hong Kong's for the first time since 1998

Monthly civil aircraft arrivals ('000)




Foreign money has trickled into Singaporean banks while Hong Kong banks have lost local currency deposits

Commercial banks' customer deposits, month-on-month change ($bn)

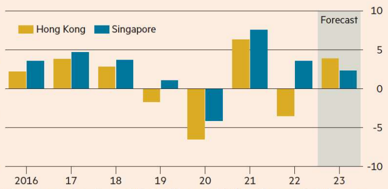



Singapore's properties are in demand while Hong Kong lost tenants

Residential rent indexed by Q1 2018 · Grade A office vacancy in the central business district (%)


Hong Kong's economy predicted to perform better than Singapore's in 2023 after trailing its peer for years

Real GDP growth (%)




Sources: Civil Aviation Department of Hong Kong; Civil Aviation Authority of Singapore; Changi Airport Group; Hong Kong Monetary Authority; Monetary Authority of Singapore; FT calculations; Rating and Valuation Department of Hong Kong; Urban Redevelopment Authority of Singapore; Colliers; IMF; Ministry of Trade and Industry of Singapore; Census and Statistics Department of Hong Kong

**Rising higher: Singapore's Marina Bay Sands hotel. The city state has become an increasingly serious rival to Hong Kong** — Boule 13/Dreamstime

France

# Macron seeks to rebalance relationships in Africa

LEILA ABBOUD — PARIS
ANDRES SCHIPANI — NAIROBI

**Emmanuel Macron conceded on the eve of a trip to Africa yesterday that France was in a "period of transition" in search of a more balanced relationship with the continent that spans economic, cultural and social projects, and not just security.**

"We are aiming for clearer and more readable policies," the French president said. Macron is set to visit Gabon, Angola, Congo and the Democratic Republic of Congo from tomorrow in what will be his 18th trip to Africa since he took office in 2017, with a promise to establish a "partnership of equals" with countries on the continent.

But he faces an uphill battle to win over nations that are increasingly resistant to the one-time colonial power playing a role in their affairs. Macron has argued that he can help turn the page as the first French president to be born after its former colonies became independent.

In addition to the lingering tensions between France and the countries in its former sphere of influence, Paris faces competition from new rivals China and Russia, a trend that has intensified since the Ukraine war.

Antoine Glaser, an observer of France and Africa, said Macron's trip came as France was changing its strategy after the end of its decade-long Operation Barkhane fighting jihadis in the Sahel region. "Macron is going to Africa this time in a position of weakness," he said. "Russian influence on the continent is rising, France is on the defensive after the end of Barkhane and French companies are losing market share."

The president confirmed France's military would adopt a lower profile than during Operation Barkhane, which at its peak involved about 5,000 troops. It was wound up late last year. French troops in Africa will act more in support roles for training or intelligence.

While none of France's six military bases in Africa would be shut, they would evolve. "This is a military reorganisation and not a retreat, so the bases will not close but will be transformed into training academies or jointly operated," Macron said. "There will be fewer French soldiers."

An Élysée Palace official said the trip to four African countries that Macron has not visited showed how France wanted to be a constructive partner on matters unrelated to security, such as fighting climate change.

"The military topic eclipsed everything else we did in Africa during Operation Barkhane, whether it be economically or politically," the official said. "We have to change this since the political situation in Africa today is different . . . especially among young people, who reject all forms of foreign military presence."

But the transition has put France on the back foot amid rising anti-French sentiment on the continent, stoked by increasing Russian influence.

French troops withdrew from Mali and the Central African Republic last year, and from Burkina Faso this month when the government there ordered them to leave. Russian mercenaries from the Wagner Group have filled the void, taking on security roles at the request of Mali and the Central African Republic.

**See Opinion**

Investments

# Congress begins probe of US groups in China

DEMETRI SEVASTOPULO — WASHINGTON

**The US congressional panel created to focus on threats from Beijing will today begin its probe of the role of private equity, venture capital and Wall Street banks in China.**

Mike Gallagher, a Wisconsin lawmaker who chairs the House committee on the Chinese Communist party, said it would "engage with prominent CEOs and industry representatives" to get an understanding of how companies invest and operate in China.

"One thing I'm interested in understanding is, if you're a major company with interests in China, like Disney or the NBA, how are you navigating the complexity?" said Gallagher.

Gallagher said the panel of 13 Republicans and 11 Democrats wanted to "engage" with private equity and venture capital firms that have "substantial investments in Chinese tech companies that may have connections to the Chinese military". It also wanted to talk to Wall Street groups to understand better the complexities of "de-risking, or selective economic decoupling". The panel would "potentially have hearings" with companies from those industries but said no decision had been made.

His comments come as the White House works to create a screening mechanism for outbound investment, which some experts hope will bring closer scrutiny of US companies investing in groups with defence connections.

Gallagher said the panel might allow some executives to testify in private at first, but stressed that its purpose was to help people understand threats posed by the Chinese Communist party.

"This isn't going to be the bomb-thrower, gotcha committee," he said. "I genuinely want to hear the perspective of these companies that really have made the same bet everybody made for the past three decades, which is, let's just pursue business in China, with China integrated in the global economy, and that good things will happen.

"The bet . . . paid off literally for a lot of investors and businesses, but it didn't pay off politically, geopolitically or politically for us or for the Chinese people."

Two people who consult for groups operating in China said there was concern about entering the panel's cross-hairs. In one example of the scrutiny on US companies, the panel recently wrote to Geoffrey Siebengartner, chair of the American Chamber of Commerce in Hong Kong, to express "deep concern" over his "appearance in a recent video created by Hong Kong's pro-Beijing government" that claimed Hong Kong had a "sound legal system".

In the letter, the panel asked what actions the chamber had taken to support democracy activists in Hong Kong and whether it had facilitated implementation of the national security law.

The chamber in Hong Kong said it was preparing a response to the committee.

Gallagher said he worried that some companies were "being seduced" by China's charm offensive.

Natural disaster

# Turkey quake damage estimated at $34bn

ADAM SAMSON — LONDON

**The earthquake that hit Turkey this month caused $34bn of damage, according to an assessment by the World Bank.**

Rebuilding in the 11 provinces affected by the February 6 quake and its aftershocks could cost up to $68bn, with residential buildings, schools, hospitals and public infrastructure all requiring repair, the bank said yesterday. More than 105,000 buildings have sustained heavy damage or have collapsed, the bank said.

"This disaster serves as a reminder of Turkey's high risk to earthquakes and of the need to enhance resilience in public and private infrastructure," said Humberto López, the bank's country director for Turkey.

The report, one of the most detailed studies on the aftermath of the worst earthquake to hit Turkey in almost a century, highlights the scale of the disaster and the rebuilding efforts that must take place. About 50,000 people were killed by the earthquake in Turkey and neighbouring Syria, and the bank estimates that more than 1.25mn people are now homeless.

The earthquake has become a political issue in Turkey, where the government of Recep Tayyip Erdoğan has been criticised for its initial response as well as its 2018 amnesty programme that forgave millions of building faults.

> The damage was blamed in part on a 'potential lack of code compliance' with building regulations

Turkish media aligned with the government, meanwhile, accused leaders of municipalities where opposition parties are in power of failing to take adequate measures to protect buildings in areas vulnerable to earthquakes.

The bank attributed the severity of the damage to the unusual strength and shallowness of the quake and a "potential lack of code compliance" with building regulations.

Residential properties sustained the most damage at $18bn, non-residential buildings $9.7bn and infrastructure $6.4bn. At least 15 hospitals sustained partial or severe damage, and almost 190 historic buildings were severely or moderately damaged.

Overall, the damage amounts to about 4 per cent of Turkey's 2021 economic output, but the bank expects that when secondary factors such as higher material and labour costs are taken into account, the hit to gross domestic product could be higher.

Southern Hatay province was especially badly hit. Damage to residential structures in the region equated to almost 42 per cent of their overall value, with the so-called damage ratio registering 40 per cent for non-residential buildings and 34 per cent for infrastructure, the bank added.

**Scam alert** LinkedIn hit by rise in sophisticated swindles as criminals seize on remote working trend and tech job cuts ➔ COMPANIES

# Companies & Markets

## UniCredit board member resigned after claims of leaks

- Move came ahead of Orcel pay plan
- Italian lender withdrew allegations

SILVIA SCIORILLI BORRELLI — ROME
STEPHEN MORRIS, OWEN WALKER AND EMMA DUNKLEY — LONDON

The head of UniCredit's remuneration committee resigned following unsubstantiated allegations of leaking from the board, just weeks ahead of the proposal of a new pay package for chief executive Andrea Orcel, raising questions about corporate governance at the Italian lender.

Dame Jayne-Anne Gadhia, the former chief executive of UK lender Virgin Money who joined the board in 2021, chose to step down as a non-executive director after the investigation, four people with knowledge of the process said. Two people said the allegations had ultimately been withdrawn.

> 'The audit was inconclusive but the board is very clear of its fiduciary duties and obligations'

Gadhia was interviewed by chair Pier Carlo Padoan and group legal officer Gianpaolo Alessandro, the people said, as part of the probe into the source of a series of media stories, including in the Financial Times.

While the bank eventually withdrew the allegations, Gadhia felt her position had become untenable and decided to step down as a matter of principle, the same people added. She remains a senior adviser.

As chair of the remuneration committee, Gadhia oversaw pay for senior executives and was seeking the support of investors ahead of the group's annual meeting on March 31.

The bank will publish its policy on March 1 for shareholders to review.

The European Central Bank is likely to carry out an exit interview with Gadhia. This is often standard practice after a board member leaves, allowing the ECB to gather information for its overall supervision of a bank. The ECB declined to comment.

UniCredit said that after a series of "damaging" leaks, the board had "conducted a thorough internal audit".

The audit "was inconclusive, but the board is very clear of its fiduciary duties and obligations". The bank added that the board "has taken clear action and further strengthened its already robust policies to ensure the correct handling of confidential information in order to uphold the highest standards of corporate governance across the bank".

Gadhia declined to comment.

The leak inquiry is the latest controversy at the Milan-based lender since the arrival of Orcel. The chief executive has courted controversy with his steadfast refusal to take a large loss to exit Russia and he reportedly fell out with politicians in Rome after a takeover of state-owned lender Monte dei Paschi di Siena was derailed at the last minute.

Orcel has also been in the news for his long-running legal dispute with Santander chair Ana Botín over the withdrawal of an offer to make him Santander chief executive in 2019.

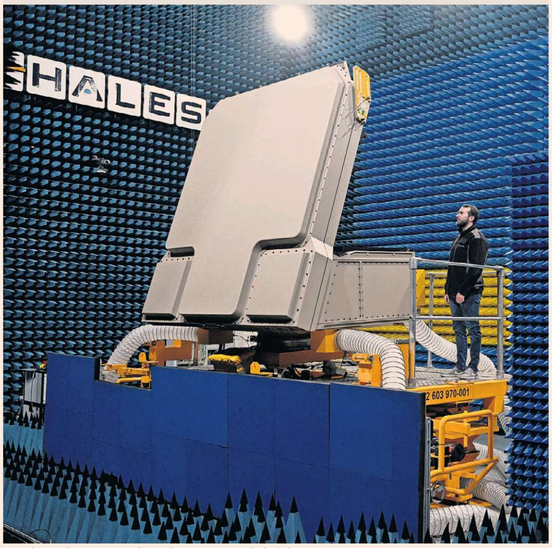
The UniCredit board ordered the probe after several sensitive articles about the bank, including one about a clash with the ECB over its failure to cut ties with Russia and a generous policy to return cash to shareholders, the people said. Another story revealed that the bank was seeking to offer Orcel a bigger pay package to reflect improvements in performance.

Frustrated with media coverage, one investor told the FT that they had also asked the board to investigate leaks.

UniCredit has been one of the best-performing banks in Europe since Orcel joined in April 2021, with its share price more than doubling.

*Additional reporting by Martin Arnold*

## Call for recruits French group Thales steps up hiring as defence spending in Europe booms




Frontline tech: a GM200 radar undergoes tests at Thales's factory in Limours, France — Emmanuel Dunand/AFP via Getty Images

ADRIENNE KLASA — PARIS

**French defence group Thales will increase its workforce by 15 per cent this year, according to its chief executive, as Europe's efforts to support Ukraine's war against Russia drive defence spending higher.**

Chief executive Patrice Caine said that Thales would recruit 12,000 workers this year, having already recruited 11,500 people last year. That compares with the average 5,000 to 8,000 the company has added to its ranks during the past eight years.

"All our activities — in defence, in security, in aeronautics and space, and cyber security — are growing, which explains our recruitment needs, particularly for young talent," Caine said in an interview with weekly publication Le Journal du Dimanche.

Thales's growth comes as defence spending in Europe booms following Russia's invasion of Ukraine a year ago. European nations are supplying Ukrainian president Volodymyr Zelenskyy's government with military hardware and are also seeking to bolster their own defences at home.

The company's share price has increased nearly 60 per cent since the start of the war last year, well above the Stoxx Europe Total Market Aerospace & Defense industry index.

Shares in other defence companies have also surged in recent months, as investors bet on a protracted war, although some companies have been hampered by parts shortages.

Caine, whose group employs more than 80,000 people, credited the company's €4bn research and development budget and army of researchers for the "historically elevated" levels of orders it has received. "Thales proves there is an exciting future for our industry . . . not in low cost, low tech but in cutting-edge innovation."

Most recently the group, which is Europe's largest provider of defence electronics, was contracted by the French government to provide GM200 radars to Ukraine to detect drone and plane attacks.

President Emmanuel Macron said last month that French defence spending would increase markedly in the coming years, with the budget until 2030 to rise by a third to €413bn.

But Caine warned that France needed to increase its pipeline of engineering graduates to continue to feed demand for talent.

"Traditionally, we train a lot of engineers in Europe. It's one of our strengths. But the situation has evolved. In France, there are 40,000 per year. We need to double that," he said, adding that the decline in graduates in Stem subjects — science, technology, engineering and mathematics — was worrying.

Thales reports full-year earnings on March 8.

## Communist members at EY China told to wear their party badges

CHENG LENG — HONG KONG
RYAN MCMORROW — BEIJING

**Communist party members at EY China in Beijing have been asked to wear their party badges to show their political loyalty while at work.**

A party branch committee at the company made the demand ahead of China's annual parliamentary meetings. The legislature is expected to confirm Xi Jinping for a third term.

The committee sent a message from its EY email account to all party members at the firm's Beijing office on February 23, according to two people who received the directive. A party branch needs to set up a committee at a company when the number of its members exceeds seven but is below 50.

Most of China's 97mn party members are supposed to wear their party pins at work but observance is generally higher during politically sensitive times.

Xi has worked to strengthen loyalty among the membership. Early in his tenure, the party demanded that members pay overdue fees, which for many amounted to thousands of renminbi, and weeded out those seen to lack dedication. China's state-owned groups have frequently demanded that party members make their badge of loyalty visible.

"Wearing the party badge is the obligation of every Communist party member," the party's bylaws say.

The hammer and sickle over "serve the people" is an increasingly common sight on the chests of party-affiliated bank tellers, rail staff, pilots, police officers and medical workers. EY China is one of the first examples of a company with international affiliations asking its employees to do the same.

"The badge should be placed in the middle of the left chest and cannot be worn on the collar," said the EY directive. "When worn with other badges, it should be placed above them."

Only EY's staff in the Chinese capital appear to have received the directive.

EY China did not immediately respond to requests for comment.

EY China is owned by the firm's partners in the country and its profits are not shared with EY's international network of advisers and auditors.

It is not part of the firm's plans to split its consulting and audit businesses.

*Additional reporting by Kaye Wiggins in Hong Kong*



## Reality of corporate bond ETFs differs from the appearance

INSIDE BUSINESS
FINANCE
Patrick Jenkins

The world of ETF academia is rarefied. But the spats are no less heated than those in the better-known field of macroeconomics.

This month, a paper by a quartet of academics from three business schools — Columbia, Chicago Booth and Pennsylvania — set off a row about the niche issue of the market liquidity of the baskets of securities that underpin corporate bond exchange traded funds.

A similar dispute had followed publication last year of a paper by two other academics — from Notre Dame university and the Bank for International Settlements — on a related subject. Each paper came to different conclusions, and each provoked disagreement.

Such disputes are in some ways surprising. ETFs are supposed to be ultra-simple products — cheap, easy-to-use funds that invest in a broad range of shares, bonds or other assets, spreading risk for inexpert investors. But as with so much of modern finance, the reality is very different from the appearance.

This particularly applies to corporate bond ETFs, which have proved popular — worth more than $1.2tn, compared with barely $10bn in 2009. They deviate from the original ETF principle quite significantly, and in complex ways that average investors are unlikely to grasp.

The complexity is underpinned by practical, but problematic, reasoning. Corporate bonds, especially high-yield ones, are far less liquid than equities. To mitigate the problem of a mismatch between an instant-access ETF and illiquid underlying investments, designers typically use a small number of bonds as proxies for the whole portfolio.

But this alchemy is not without risk. In normal times, the price of the ETF should reflect the underlying value of the bonds. Investment banks aim to facilitate that both as so-called authorised participants, creating new ETF shares or dissolving them, or as mainstream market makers matching buyers and sellers.

It doesn't always work. This was particularly evident when large gaps emerged between the pricing of ETFs and the underlying value of the bonds back at the height of the pandemic in early 2020. This was due in part to the illiquidity of the underlying bonds. But the mechanisms designed to counter that may have magnified the distortion.

> There is quite significant deviation from the original principle, and in complex ways that average investors are unlikely to grasp

Another anomaly during this market stress was that investment-grade bonds, and investment-grade ETFs, often traded less smoothly than higher-risk, less liquid bonds and linked ETFs. Again the experts of academia and the market disagree on the reasons. But again the reasons matter less than the effect, which is that bond ETFs are not what they seem: in effect they are derivative products, reliant on complex structures that may be open to abuse.

The combination of structural latitude and thin liquidity suggests, in extremis, a potential risk akin to the way the Libor interest rate benchmark was manipulated: bank traders who collaborated to set Libor rates abused the mechanism, to the advantage of their own financial interests. When ETF structurers pick proxy bonds, they may drive down certain bond prices while protecting others.

There are two additional reasons to be concerned. First, the corporate bond market itself will be severely tested over the coming period as economic pressures in many countries weigh on companies' balance sheets. Second, the market may be rattled by the unwinding of the vast economic policy experiment that was quantitative easing.

Some central banks, notably the US Federal Reserve, bought corporate bond ETFs as part of their QE. These were in tiny quantities (the Fed bought $14bn relative to a total balance sheet of $9tn), so resale caused negligible market impact. But the unwinding of the broader QE programme could yet harbour stability risks for corporate bonds too: disarray in markets rarely respects asset class boundaries.

At the same time, the old systemic safeguards have been weakened. For perfectly good reasons, tough bank capital rules were introduced after the financial crisis. But that has made capital-intensive activities, such as large-scale market making, unattractive, further damaging liquidity. As a 2020 Brookings Institution paper highlighted, dealer positions in corporate bonds slumped from $300bn in 2006 to less than $50bn in 2019.

Even if the coming stresses do not cause markets to melt down, the corporate bond sector, and corporate bond ETFs in particular, will remain a worrying systemic vulnerability.

*patrick.jenkins@ft.com*

Technology

# LinkedIn struck by sophisticated scams

Fraudsters on jobs platform pose as recruiters in effort to steal users' personal data

IAN JOHNSTON — LONDON

LinkedIn has been hit by a rise in sophisticated recruitment scams, as fraudsters seek to take advantage of the trend towards remote working and lay-offs across the tech sector.

Jobseekers on the world's largest professional network are being defrauded after taking part in fake recruitment processes set up by scammers who pose as employers, before obtaining personal and financial information.

"There's certainly an increase in the sophistication of the attacks and the cleverness," Oscar Rodriguez, vice-president of product management at LinkedIn told the Financial Times. "We see websites being set up, we see phone numbers with a seemingly professional operator picking up the phone and answering on the company's behalf."

The warning comes as the Microsoft-owned social media company said that it had sought to block tens of millions of fake accounts in recent months, while US regulators warn of an increase in jobs-related cons.

Last month, cyber security company Zscaler revealed a scam that targeted jobseekers and a dozen US companies, where fraudsters approached people through LinkedIn's direct-messaging feature InMail. Scammers identified businesses that were already hiring, including enterprise software company Zuora, software developer Intellectsoft and Zscaler itself.

They then created "lookalike" websites with similar job ads and, via LinkedIn's InMail feature, invited jobseekers to enter personal information into the websites, before conducting remote interviews via Skype.

"To top it off, they also created Skype profiles with the picture of the [real] recruiter from the companies to conduct interviews as well," said Deepen Desai, vice-president of security research at Zscaler. "Everyone who falls for it will 100 per cent clear the interview with flying colours."

Jobseekers passed "invaluable" personal details to the scammers, with some requesting money for equipment or third-party training for which applicants were not reimbursed, Desai said.

The growth in artificial intelligence programmes that generate realistic text and images also pose a new threat.

"In the past year, [scammers] are now using artificial intelligence to create profile photos that can fool human eyes very easily," said Rodriguez, adding that LinkedIn was using its own AI to detect "deepfake generated profile photos".

The attacks come as the amount jobseekers lose in employment-related scams increases. Figures from the US Federal Trade Commission show there were more than 92,000 job-related and business scams in 2022, with $367.4mn reported lost. This compared to the 105,000 in the whole of 2021, where $209mn was lost.

Experts believe remote working has accelerated the trend. "In the old days, the problem for fraudsters and scammers was the face-to-face interview," said Keith Rosser, chair of JobsAware, a not-for-profit organisation that helps workers who have suffered from job scams. "Now there's a fully digital process. Workers expect an online interview and website [application]."

Media. Music management

# K-pop's power brokers battle for dominance

Hybe agency is bidding to control rival and former industry sector leader SM

CHRISTIAN DAVIES AND SONG JUNG-A
SEOUL

Korean pop music's irresistible international growth has triggered a bitter corporate battle that is reshaping the country's entertainment industry, as rivals battle for control of its most renowned talent factory.

Market leader Hybe, the company behind megastar boy band BTS, last week bought 15 per cent of its main rival SM Entertainment from the country's best-known K-pop impresario, SM founder Lee Soo-man.

Hybe wants to increase its stake via a tender offer to other investors and argues it can create a national entertainment champion, capable of taking on US groups Universal Music, Warner Music and Sony Music.

Lee Soo-man, a septuagenarian "super producer" who reportedly had been long opposed to selling to his main competitor, changed his mind after a spectacular falling out with SM's board. It had disowned him last month over allegations of tax evasion and improper influence over company directors.

Led by Lee Soo-man's nephew, the board has instead pursued an alliance with the entertainment subsidiary of local technology group Kakao, which announced a deal this month to buy a 9 per cent stake in the company.

Calling his ousting a "military operation", Lee Soo-man, who holds no formal position in the group, has filed an injunction to block Kakao's share purchase.

The K-pop industry had long been dominated by three music agencies — SM, JYP and YG Entertainment — before BTS rose to global stardom and made Hybe the sector's dominant operator.

"This is like if Real Madrid tried to buy Manchester United, then at the last minute Manchester City decided to throw its hat into the ring," said Bernie Cho, president of DFSB Kollective, a digital media marketing and distribution agency based in Seoul and Los Angeles.

While Hybe's market capitalisation of Won7.9tn ($6bn) dwarfs SM's Won2.9tn valuation, analysts argue that the larger company remains over-reliant on BTS. The band's seven members, most of whom are in their late 20s, recently went on hiatus in order to complete their compulsory military service.

SM, by contrast, is seen as having a much more diversified portfolio, with its artists generating strong sales in overseas markets including Japan, China and south-east Asia. In 2022, the company reported a 38.5 per cent rise in operating profit as sales rose 20.9 per cent to Won848bn.

**On song: girl band Blackpink perform at the Coachella Music & Arts Festival in California, US** Amy Harris/Invision/AP

"For Hybe, the key is to diversify its content," said music critic Kim Young-dae. "SM has been a role model of Hybe for a long time, so taking over the company was an opportunity Hybe could not miss out on."

But SM is also hotly coveted by Kakao, which is engaged in a struggle with arch-rival Naver to acquire content that will drive users to a new generation of distribution platforms.

Kakao Entertainment's proposed alliance with SM mirrors a similar tie-up between Naver and SM rival YG Entertainment, the company behind girl group sensation Blackpink. Naver is also working with Hybe to co-develop online concert and fandom portals.

"Kakao Entertainment needs to boost its corporate value before a future public listing, and SM is the perfect M&A candidate to strengthen its artist portfolio," said Jeong Kwang-woo, an expert in the Korean music industry.

SM's board strongly objects to what it describes as Hybe's "hostile takeover". Hybe has submitted a tender offer to purchase a further 25 per cent stake from minority shareholders, which would bring its stake to 40 per cent.

That would give Hybe effective control of SM despite holding a stake of less than 50 per cent, because of the number of shareholders who do not vote or engage in the running of the company.

Daniel Jang, SM's chief financial officer, told the Financial Times that Hybe's control of SM in this way would result in a "blatant conflict of interest".

He added: "When there is tension between the interests of Hybe and the interests of SM, Hybe's management can either serve the interests of Hybe shareholders, or the interests of SM shareholders — but they can't serve both."

Hybe denies engaging in a hostile takeover. In an open letter published on Wednesday, the company's chief executive Jiwon Park said that under its proposals, "Hybe will actively support SM artists' endeavours in making a presence in the global music industry".

Opponents of the Hybe takeover have also raised competition concerns. Analysts estimate that Hybe and SM together would account for two-thirds of K-pop album and digital music sales.

Another key question for shareholders at SM's annual meeting next month will be who they trust most to clean up governance issues left by the founder, who retains a 3.65 per cent stake.

> 'This is like if Real Madrid tried to buy Manchester United, then at the last minute Manchester City decided to throw its hat into the ring'

This month, SM's co-chief executive Chris Lee released a statement telling why the board split with the mogul.

In addition to allegations of tax evasion and financial mismanagement, he accused Lee Soo-man of using a tree-planting campaign in Saudi Arabia and Mongolia as a front for building an overseas K-pop-themed property empire replete with hotels and casinos.

Lee Soo-man's legal representatives have denied the allegations. The FT was not able to reach him for comment.

In his statement, Hybe chief executive Park pledged that "SM will be moving to become a company with a transparent governance structure that prioritises shareholder value".

But SM's finance chief Jang said Hybe could not be trusted to implement governance measures, citing what he saw as Hybe's own poor governance record.

"Hybe has announced governance measures for SM that it does not follow within its own company," Jang said. He added that SM's board deserved credit for breaking with Lee Soo-man, whom he described as having behaved like an "emperor" as he exerted his influence from behind the scenes.

"Hybe's transparency and excellency of its governance structure is undoubtedly the model to follow in the industry," Hybe said. "Nevertheless, we continue to look for room for further improvement."

Telecoms

# EU says review of payments by big tech groups will involve 'zero taboos'

ANNA GROSS — BARCELONA

**There will be "zero taboos" when the European Commission examines making Big Tech pay telecoms companies for their network rollout and whether to loosen rules around cross-market consolidation, EU Commissioner Thierry Breton said.**

Speaking on the sidelines of global telecoms conference Mobile World Congress in Barcelona, Breton, who oversees the EU's internal market, warned that the industry's business model would have to undergo a "radical shift" as he set out a broad 12-week consultation on telecoms infrastructure.

He added: "It is time that we have a serious discussion about the possible existing obstacles to cross-border consolidation", which he sees as "holding back our collective potential compared to other continents".

The review has been widely viewed as a referendum on whether big tech companies should be made to pay a "fair" contribution to telecoms groups for the billions they are investing in rolling out full fibre and 5G networks.

While tech companies have long resisted what proponents term a "fair contribution" to network costs, there have been signs that regulators in both Europe and the US are becoming more favourable to the argument.

> Breton insisted yesterday that it was about 'achieving the giant leap for connectivity ahead'

Breton insisted yesterday that it was "not about whether one vested interest should prevail over another" but instead about "achieving the giant leap for connectivity ahead of us".

Deutsche Telekom, Orange, Telefónica and Telecom Italia have intensified their lobbying efforts, pointing to the fact that big tech platforms account for more than 50 per cent of traffic carried over networks and yet pay a much smaller contribution to the infrastructure underpinning them.

Netflix and Google have recently become more vocal in their opposition to the proposals, arguing that they already contribute generously to internet infrastructure by investing in data centres and subsea cables, as well as developing the services that customers want to use on smartphones and computers.

They also say that the proposal undermines the principle of "net neutrality", which prohibits broadband providers from throttling any users' access to the web.

Asked whether he would look at the question of allowing more in-country consolidation among telecoms operators — something long called-for by companies across Europe — Breton said that the consultation is "very open" and that "nothing is taboo".

Pietro Labriola, chief executive of Telecom Italia, said: "If I win the fight for the fair share and I will not be allowed to consolidate, I will die in any case."

He added that the European Commission's consultation indicated that "something different is finally happening", adding that Breton "understands the challenges" of the sector because he used to be a telecoms executive himself.

Breton was chief executive of France Telecom, now Orange, until 2005.

Financials

# Abu Dhabi funds agree $1.8bn 1MDB settlement

SIMEON KERR — DUBAI
MERCEDES RUEHL — SINGAPORE

**Two Abu Dhabi state funds mired in the 1MDB financial fraud have agreed a $1.8bn settlement in London with the Malaysian sovereign fund and ministry of finance to end a legal dispute.**

Under the terms of the agreement announced yesterday, the International Petroleum Investment Company (Ipic) and Aabar will pay the agreed sum in three phases: $800mn within seven days of the termination of London proceedings and the remainder within two years. Executives at the Abu Dhabi firms were accused of facilitating the looting of billions of dollars from the Malaysian fund.

In 2018, Malaysia brought the proceedings to challenge a settlement made with the capital of the United Arab Emirates a year earlier when Najib Razak, the former premier at the heart of the 1MDB scandal, was still in office.

The 1MDB scandal, which saw billions of dollars siphoned from the Malaysian sovereign fund, has reverberated around the world, leading to the ousting of Najib as prime minister and triggering a series of cases, including against Goldman Sachs.

Najib was sentenced to 12 years in jail in 2020 after the Kuala Lumpur high court found him guilty on seven charges, including money laundering and abuse of power, in a high-profile case relating to the 1MDB embezzlement. The ruling was upheld by the supreme court last year.

In London, Malaysia had argued that the original Abu Dhabi settlement had been concluded to conceal Najib's "fraud and dishonesty".

The settlement draws a line under a longstanding dispute launched five years ago by Malaysia over 1MDB.

The scandal has been an embarrassment for Abu Dhabi, which in 2016 announced that Ipic and Aabar would be folded into Mubadala, another state investment firm. Mubadala declined to comment. Khadem al-Qubaisi and Mohammed al-Husseiny, two senior executives at Ipic and Aabar, have been convicted and jailed in Abu Dhabi for their role in the fraud.

The Malaysian finance ministry said: "With this settlement, Malaysia and Abu Dhabi look forward to continue working together for the prosperity and economic benefit of both countries."

The deal comes days after prime minister Anwar Ibrahim, voted into power in November, delivered a record budget of RM388bn ($86.8bn). Anwar, who has also taken on the role of finance minister, inherited an economy still weighed down by the 1MDB scandal.

One of his biggest challenges is to restore Malaysia's international reputation after the long-running corruption scandal. The fund remains the subject of corruption and money-laundering investigations in multiple countries.

Financials

# Clare bows out as Carlyle's top job eludes him

ANTOINE GARA — NEW YORK

**Senior Carlyle Group dealmaker Peter Clare is retiring following more than three decades at the US buyout group, after he earlier this month was passed over to lead the company.**

Clare was chief investment officer of Carlyle Group's $105bn-in-assets private equity division and a board member of the New York and Washington-based firm.

He helped build its investment business in Asia and led many of its most successful deals, such as aerospace companies United Defense and Avio, and consultancy Booz Allen Hamilton.

Earlier this month, Carlyle hired former Goldman Sachs executive Harvey Schwartz to be its head. The appointment ended a six-month period of uncertainty after former chief Kewsong Lee resigned following a falling-out with co-founders David Rubenstein, William Conway and Daniel D'Aniello.

Clare and Mark Jenkins, head of Carlyle's credit business, had been the two top internal candidates for the role, the Financial Times previously reported.

In late December, as the search for a new leader continued, Carlyle paid Clare a $4.5mn bonus to continue providing services to its private equity unit into mid-2024. Clare will now be required to repay the bonus, according to terms laid out in a securities filing.

The departure will add uncertainty to Carlyle's private equity unit, which has struggled to raise money for its newest flagship corporate buyouts fund.

**Peter Clare's exit adds uncertainty to the struggling private equity unit**

On a call the firm hosted a day after Schwartz's hiring, Clare and Jenkins assured investors in Carlyle funds they would support the new CEO, the FT reported.

Clare will step off Carlyle's board immediately and leave the firm on April 30.

Clare "played a pivotal role in the growth of our corporate private equity business and has served as a careful steward of our investors' capital in all investment environments", said Rubenstein and Conway in a press release.

Carlyle has promoted Sandra Horbach and Brian Bernasek as co-heads of the firm's private equity operations across the Americas. The pair have jointly led Carlyle's US buyout and growth funds since 2021, overseeing day-to-day investments of the firm's four largest corporate buyout funds.

# Alleged Trafigura fraud unravelled in 10 days

## Commodity trader claims in court filings that metals tycoon tried to stall for time during probe into fake nickel cargoes

HARRY DEMPSEY, LESLIE HOOK AND ROBERT SMITH — LONDON

A heart attack, a handwritten note and 1,000 shipping containers full of unknown material — the details of one of London's biggest commodity fraud cases read like a thriller.

Singapore-based trading house Trafigura has accused metals tycoon Prateek Gupta and his companies of selling it fake nickel cargoes worth hundreds of millions of dollars, in a high-profile lawsuit that has sent shockwaves through the sector.

Court documents show how the situation came to a head during a tense 10-day period in November as the relationship between the two sides soured, as well as how Trafigura faced mounting customer complaints including threats of legal action before it decided to pursue Gupta in the courts.

The filings, obtained by the Financial Times, provide fresh insights into how the alleged fraud against one of the world's biggest commodity trading houses finally unravelled.

Trafigura alleges that 43-year-old Gupta was the "controlling mind" behind an array of linked companies including TMT Metals, UIL Malaysia and UIL Singapore, all of which are defendants in the case.

The trading relationship started around 2014 with domestic zinc transactions in India and grew to global trades in nickel and aluminium.

By 2022 most of the deals between Trafigura and Gupta's groups were "buyback transactions". Trafigura would purchase a cargo from the group, own it during its journey, providing crucial trade financing, then sell it back to one of Gupta's linked companies, or to a third party arranged by him or his colleagues, charging an interest payment.

But in spring 2022 as nickel prices surged, Citibank — which was providing an \$850mn line of credit to Trafigura to finance these transactions — started to become concerned about the size of the nickel deals and the length of time it was taking for the buybacks to occur.

By last summer, Trafigura's head nickel trader, Socratis Oikonomou, had also become worried. "It came to my attention that the UIL entities had stopped entering any buyback transaction and stopped making any payments to Trafigura," he wrote in court testimony.

At Citi's request, Oikonomou arranged for an inspection of cargoes to take place on November 9. But even before that could occur, Citi terminated its credit line, apparently alarmed by the "red flags" its due diligence had turned up, and Trafigura started to fund the cargoes from its own balance sheet.

As the date of the inspection in the port of Rotterdam neared, Gupta said he was having medical trouble. Then on November 7, two days before the inspection, Gupta said in a WhatsApp message to his counterpart at Trafigura that he had suffered a heart attack.

Citing his health, he resorted to bargaining. "I'm just closing terms for a large reduction," he wrote, referring to a cut in the size of Trafigura's nickel exposure with his companies. "However, I would need you to stall inspection," he added, in order "to avoid any issues between us".

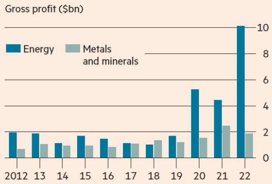
Trafigura pushed ahead anyway. "My priority at the time was ensuring that the inspection . . . went ahead," Oikonomou recalled in his testimony.

When the containers in Rotterdam were opened, none was found to contain nickel. Inspectors instead found carbon steel, typically less than a 20th of the value of nickel.

While Gupta was saying he was still in hospital, managers at Trafigura learnt through news articles that he was also facing serious legal issues in India.

The Indian Central Bureau of Investigation was investigating Gupta and his company, Ushdev International, for allegedly causing a \$174mn loss at the State Bank of India through illicit commodity trading, according to a charge sheet published in July. (Gupta said in December that the charges had been settled, according to the court documents.)

Upon his discharge from hospital in November, Gupta tried to strike a deal with Trafigura. He acknowledged that




the cargoes were not as expected and implied that he would buy them back as soon as he had the funds to do so.

As part of these discussions, Gupta presented Trafigura with a spreadsheet of 93 cargoes that were related to the dispute and allegedly acknowledged that none contained high-purity nickel as specified by the contracts.

At various points, he and his business partner Arvind Prasad presented Trafigura with lists of assets that they proposed could serve as collateral while a phased repayment plan was put in place. These included a wind farm in Gujarat, a steel mill in India and a Singaporean energy company.

Prasad did not respond to a request for comment.

Gupta also offered up letters of credit from Silver Bank, a small lender in Mauritius that has recently come under scrutiny for its ties to the metals trader.

During this period Gupta tried to raise money by issuing bonds from TMT Metals Group. In a WhatsApp message to Oikonomou, he claimed to have one Swiss family office prepared to invest €100mn and another sovereign wealth fund from "a very respectable country" ready to invest \$100mn.

Meanwhile, Trafigura was facing a new problem as customers to which it had sold some of the purported nickel shipments started to discover the cargoes contained the wrong material. Trafigura said in court documents that Gupta and his network had arranged the deals to the third-party clients.

While Gupta initially claimed TMT had raised €50mn through a bond sale, he later said "issues" were holding up the money from clearing. On Christmas Eve, Gupta hosted a video call between the bond investor — whose identity is not revealed in the affidavit — and Oikonomou to explain the "reasons for the delay".

In a meeting near London's Heathrow airport in early January, Gupta presented Oikonomou with a handwritten note outlining a repayment plan. He proposed paying \$200mn by the end of March, with the remainder to come over the following two years. But Trafigura did not believe the proposal could be relied upon.

On November 17, Chinese client Xiamen C&D Aluminum Co alerted Trafigura to discrepancies in the customs codes and the certificates of analysis for the 286-tonne shipment it had received.

Two weeks later Xiamen threatened legal action. By early December, Trafigura had agreed to buy back the problematic cargoes it had sold to Xiamen's subsidiaries.

Soon another client, US-based Argentem, raised similar concerns. By early January a third, Singapore-based Mind ID, had opened supposed nickel containers and found none of the metal inside. A fourth customer, Hong Kong-based Axiom, arranged an inspection in Rotterdam on January 9, which revealed the same thing.

As the outcry from customers mounted, Trafigura's management team met on January 10. Members of the trading, operations, insurance and legal teams all presented various options. Management decided that the time for bargaining was over — it was time to pursue a fraud claim and seek a worldwide freezing order of the defendants' assets.

By the time that legal claim was filed in London courts four weeks later, even more evidence had piled up. Xiamen found more suspect shipments and wrote to Trafigura in early February saying that "the goods are completely wrong" and that "it is a fraud, not a simple quality problem".

Xiamen, Argentem, Mind ID and Axiom did not respond to requests for comment.

A spokesperson for Gupta said his team was "preparing a robust response to the allegations from Trafigura and intends to share that soon".

Meanwhile, Gupta was stalling for time, paying Trafigura \$5mn in late January as he continued to try to raise more money.

While Trafigura's court case has yet to run its course, it has taken a large financial hit. The commodities trader has announced a \$577mn writedown and is negotiating with the customers that received the purported nickel shipments to find a solution.

The extent to which anyone at Trafigura was aware of what Gupta was up to remains unclear. The main trader on the Gupta account was Mumbai-based Harshdeep Bhatia, who also may have introduced the two parties, according to Oikonomou's testimony.

Bhatia had an "apparent cosiness" with Gupta, according to a witness statement by Trafigura's counsel Reza Ispahani that was based on their WhatsApp exchanges, although he said that there was "no direct evidence" that Bhatia was implicated in the fraud.

Ispahani's witness statement added that "we have been unable to plug what we see as certain gaps in the WhatsApp exchanges" between Gupta and Bhatia. Bhatia did not respond to requests for comment.

There are also questions over Trafigura's compliance procedures after the court documents revealed several missteps, including a failure to require analysis certificates and ignoring incorrect customs codes.

Trafigura has said it has "seen no evidence to suggest that anyone at Trafigura was involved or complicit in this illegal activity", and that "the fraud is isolated to one specific line of business".

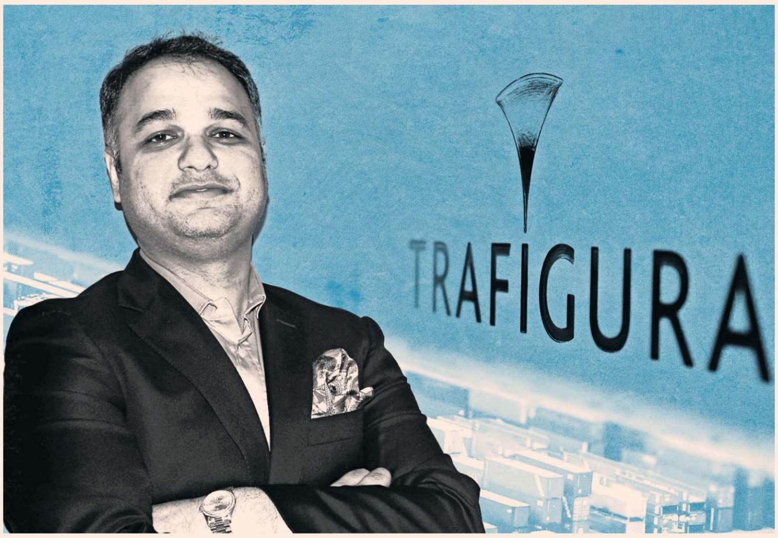
Even the value of the material that is in the containers remains a mystery, according to the court documents.

More than 156 containers had been inspected by February 6, out of an estimated 1,100 containers involved. Some contained carbon steel, some other types of steel and iron products — but none so far has contained nickel or nickel alloy.

"The reality is Trafigura does not know what is in the containers," said Oikonomou in his written testimony.

While any legal settlement could take months or even years, some cargoes are still at sea, with the latest due to arrive by May of this year.

As the court battle takes off, more clues are likely to be revealed.




Accused: Prateek Gupta is alleged by commodities trader Trafigura to be the 'controlling mind' behind an array of linked companies involved in the fraud case
FT montage/Getty/Reuters

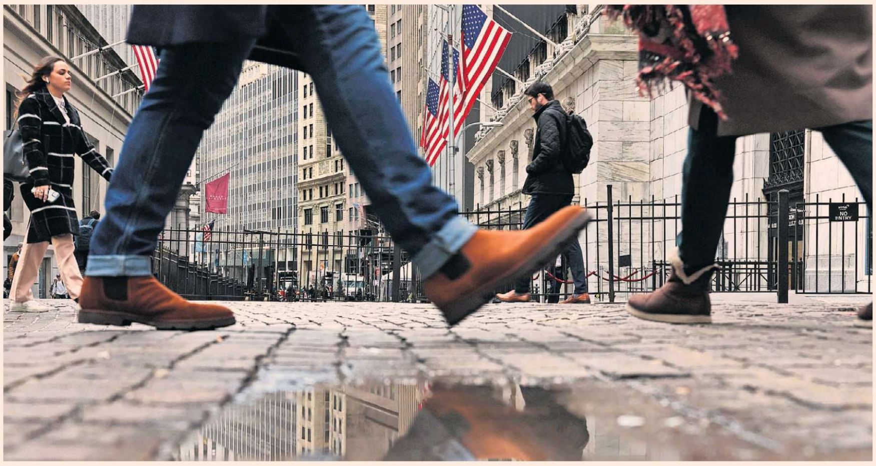
> When the shipping containers were opened in Rotterdam, none was found to contain nickel

> As the outcry from customers mounted, Trafigura decided that the time for bargaining was over

> Gupta's team is 'preparing a robust response to the allegations and intends to share that soon'

Fixed income. Deadline looms

# Risky US loans worth $1tn still shackled to Libor



False steps: Wall Street was rocked by a series of manipulation scandals involving US dollar Libor after the global financial crisis
Michael M. Santiago/Getty

Participants in leveraged loan trade argue over scandal-hit benchmark's replacement

HARRIET CLARFELT AND KATE DUGUID
NEW YORK

More than a trillion dollars of risky US corporate loans are still tethered to Libor just four months before the tainted lending rate expires with borrowers and investors arguing over the fine print as the deadline approaches.

Industry participants estimate only about 25 per cent of the $1.4tn US "junk" loan market has switched to Libor's replacement — known as Sofr — ahead of the June 30 deadline.

The rest is caught in a tug of war between the highly indebted companies that issued the Libor-tracking debt and the investors that bought it — over the rate that different loans will pay in future.

With time ticking away, the terms of some loans would mean a shift to more punitive rates if a solution cannot be agreed.

Others would revert to the lower Sofr rate but with adjustment to stop investors being left out of pocket.

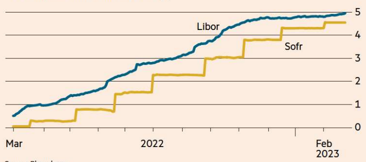
Borrowers and lenders have been left to wrangle over how large this extra "spread" should be, loan by loan.

"The Libor to Sofr transition has gotten really contentious," said Roberta Goss at $51bn investment management firm Pretium.

Ending daily publication of the US dollar version of Libor is the last and biggest obstacle in a transition away from the benchmark, which for decades was used to price various debt and derivative instruments around the world and was at the heart of a series of manipulation scandals following the global financial crisis.

**Libor is higher than its replacement rate**

Sofr compared with 3-month Libor (%)




Source: Bloomberg

Leveraged loans, which are usually sold by low-rated companies with high levels of debt, are a key battleground partly because of the speed with which they have proliferated over the past decade as companies and private equity backers took advantage of the cheap money era to fuel a dealmaking frenzy.

In 2021 alone, US issuance totalled $615bn, up from $289bn a year earlier, according to data from LCD, a data provider.

The floating interest rates on these loans means their payouts to investors have soared in the last year as the US Federal Reserve lifted interest rates from near-zero to more than 4 per cent.

Issuers must now shift their loans over to Sofr while attempting to keep rising funding costs as manageable as possible.

While new loans sold since the end of 2021 have referenced Sofr rather than Libor, a drop-off in issuance as interest rates climbed last year has left the bulk of the market yet to be refinanced at rates linked to the new benchmark.

Holders of collateralised loan obligations — vehicles backed by bundles of loans that have hoovered up around two-thirds of the leveraged loan market — are pushing for more favourable terms.

They are demanding an additional "credit spread adjustment" in updated Libor-based contracts to compensate for the lower Sofr rate.

But many corporate borrowers and their private equity backers want smaller spread adjustments to keep down their interest costs.

The current Sofr rate is 4.55 per cent. Rates for Libor vary depending on the length of the term but all are higher than Sofr and the most widely used rate, three-month Libor, is 4.95 per cent.

Demand from CLOs is essential for many companies to access fresh debt financing, giving their managers enormous clout in the renegotiation process. "Where CLOs go, the loan market goes," said Goss.

The official panel overseeing the Libor transition in the US has set out a series of recommendations for loans switching over to Sofr, including how large spread adjustments should be.

But borrowers and lenders are under no obligation to follow the guidelines, causing friction between the two sides.

"There have been different opinions as to what the [adjustment in the rate] should or shouldn't be for loans that are transitioning from Libor to Sofr," said Adrienne Butler, head of US CLO funds at Baring Asset Management.

Some companies have sought a 0.1 percentage point uplift in Sofr, much less than the 0.26 percentage points recommended for three-month Libor by the panel.

Most of these deals have been "getting pushed back" by lenders, according to John Gregory, head of the leveraged finance syndicate at Wells Fargo.

Despite the volume of Libor-linked loans still outstanding, market participants said the pace of amendments was accelerating.

Butler was confident that ultimately, the switchover "will get done".

But the scale of the remaining task means a last-minute scramble by companies, investors and their lawyers to strike a deal is likely before the deadline.

"Some people have adopted a wait-and-see view," said Patrick Ryan, head of the global banking and credit practice at law firm Simpson Thacher.

"[But] if we were having this conversation in May and you were telling me we were still waiting for 75 per cent of loans to transition, then I would say a lot of people have a lot of work to do," he added.

'The Libor to Sofr transition has gotten really contentious'



Asset management

# Investcorp opens Tokyo office to target Japanese deals

LEO LEWIS — TOKYO

Investcorp, the Bahrain-based alternative investment manager that once owned Tiffany and controlled Gucci, is opening an office in Tokyo to raise funds and pursue acquisitions of high-end Japanese manufacturers and other hidden gems.

The move represents the debut of major, private Middle Eastern funds in Japan and comes as private equity groups are increasingly concentrating their attention on the opportunities created by a national succession crisis — where companies have no replacements for elderly founders.

According to people close to the fund, which was founded in the 1980s and manages more than $50bn of assets, Investcorp is opening its office in Tokyo with around five staff and expects to double that number over the next year.

As an additional catalyst to accelerate its entry to Japan, Investcorp will appoint the former financial services minister, Heizo Takenaka, as the chair of its Japan operations.

Takenaka rose to prominence in the 2000s when he spearheaded the highly controversial privatisation of Japan Post, a political project of former prime minister Junichiro Koizumi.

Investcorp, which manages alternative investment products for private and institutional clients, is a relative latecomer in Japan — following other private equity groups such as Blackstone and Carlyle.

'Everything is on sale in Japan for people who have dollars and it is something to take advantage of'

Bain Capital and KKR have established a presence in Japan over decades and been involved in a series of multibillion-dollar buyout deals.

At a conference in Hong Kong last November, the chief executive of Carlyle, William Conway, told the audience: "Everything is on sale in Japan for people who have dollars and I think that is something to take advantage of."

The succession issue is a particular source of potential dealmaking, said people close to Investcorp.

Tens of thousands of Japanese companies, many of which represent highly specialised manufacturers and artisans, are owned by elderly founders who have no successor to take over the business.

Almost 60 per cent of 170,000 Japanese companies surveyed by Tokyo Shoko Research last year said they had no successor.

That dynamic has produced a thriving market for small-scale mergers but also opened the way for foreign acquisitions of groups that would never previously have entertained the idea of entering talks with a foreign buyer.

Luxury goods conglomerates have spent recent years combing the Japanese industrial hinterlands for buyout opportunities — a treasure hunt that Investcorp now intends to join, according to people close to the fund.

Commodities

# Woodside says Europe and China hold keys for energy sector this year

NIC FILDES — SYDNEY

**Fears of a deep recession in Europe are easing, leaving the energy market "finely balanced" for 2023 as China also reopens its economy, the head of Australia's largest oil and gas group said.**

Meg O'Neill, Woodside chief executive, said the outlook for the sector would depend on the strength of recovery in Europe and Chinese demand for gas after Beijing dismantled the zero-Covid curbs that hampered its economy.

Australian companies including BHP, Rio Tinto and Woodside are seen as good indicators for global demand, given the significance of the country's mining and energy exports to markets including China and Japan.

"The market is finely balanced," O'Neill told the Financial Times. "There's still a lot of unanswered questions," she said of European and Chinese demand filtering into energy markets this year.

Woodside yesterday reported a trebling of annual profit after it completed the integration of BHP's oil and gas assets.

Russia's invasion of Ukraine also sent gas prices soaring, leading to record earnings for the global industry.

Revenue at Australia's largest independent oil and gas producer reached almost $17bn for the year, up from $7bn in 2021, while profit after tax grew to $6.6bn from $2bn. It paid out a record $4.8bn in dividends for the year.

Gas prices in Europe have now fallen to 18-month lows as fears of a shortage during the winter have eased.

Daniel Hynes, a commodities analyst with bank ANZ, said he expected China's demand to start rising in the second quarter as industrial activity picked up while, in Europe, lower gas prices could slow the reduction in consumption required to offset the fall in Russian supply.

**Meg O'Neill argues that the energy market remains finely balanced**

"The spectre of a gas shortfall lingers on," he said in a note forecasting that gas prices would trend higher in the second half of the year.

Woodside, which is one of Australia's largest oil and gas producers alongside Shell of the UK and ExxonMobil of the US, said it continued to consult with the Australian government over its intervention in the country's energy sector.

O'Neill said it was "very hard to say" whether she was confident that the industry and government would reach an agreement on plans to shore up the country's domestic gas supply without damaging its export reputation.

"We want to continue to be a constructive player," she said, highlighting the A$2.7bn ($1.8bn) that the company paid in tax and royalties in Australia last year.

Woodside shares edged 1 per cent higher to A$32.92 yesterday.

Fixed income

# JPMorgan cuts weighting of Chinese issuers in Asia bonds index proposal

HUDSON LOCKETT — HONG KONG

**JPMorgan has proposed an alternative to its popular index of Asian corporate bonds that slashes the weighting of Chinese issuers following a financial crisis in the nation's real estate market that has choked off new issuance from the highly indebted sector.**

The new version of the JPMorgan Asia Credit index (JACI) would seek to compensate for a lack of new dollar bond sales by Chinese property groups — almost all of which have been frozen out of markets for more than a year — by adding corporate debt from other Asia-Pacific countries, according to a person with direct knowledge of the matter.

Those additions would take China's weighting in the new index to roughly 30 per cent, the person said compared with about 43 per cent in the existing benchmark, which is followed by fund managers with more than $85bn in assets under management.

The alternative index would expand to include Japanese and Australian issuers, weighted at about 20 and 10 per cent, respectively.

The plans from JPMorgan — whose indices hold much sway over global bond investors — came after the number of issuers in the existing JACI benchmark shrank to about 450 last year from more than 600 before Beijing cracked down on excessive leverage in the property sector two years ago.

"[The new index is] about actively trying to expand the market scope and as a result the weight of China gets impacted because there are new countries being added," the person said, adding the additions would bring total issuers available back above 600.

'The international market is open for the four to five developers left with solid financials'

The proposed alternative index, which was first reported by Reuters, has not yet been finalised and would not directly affect investors tracking the existing JACI benchmark.

China's property sector has in the past been a main driver of high-yield dollar bond sales in Asia but many investors remain wary of the most indebted developers since China's clampdown.

That is despite a rally for dollar bonds from higher-quality companies, which have been buoyed by efforts by Beijing to bolster the hard-hit sector and ramp up growth as the country seeks to put years of zero-Covid policy behind it.

Support from Beijing has helped push up the Bloomberg China high-yield dollar bond index, dominated by property groups, by about 46 per cent from a record low in early November.

But the index is still down more than 40 per cent from a record high reached in late 2021. Just one Chinese property group, Dalian Wanda, has tapped global dollar debt investors this year.

Investment bankers in the region said that, despite support from Chinese policymakers, only a handful of the largest developers have access to international debt markets and those are likely to be deterred by high borrowing costs.

"The [international] market is open for the four to five developers left with solid financials," said a senior Hong Kong-based debt capital markets banker with one European lender. "The problem is they don't want to issue."

## The day in the markets

### What you need to know

- Wall Street and European equities rebound as selling pressure eases
- Pound rises after deal on post-Brexit trade in Northern Ireland
- US Treasuries and Bunds edge higher while crude oil retreats

**Dollar strength cools after February rally**

US dollar index


Source: Refinitiv

US and European equities continued to climb yesterday after experiencing their biggest slump in two months on Friday.

The blue-chip S&P 500 rose 0.4 per cent and the tech-heavy Nasdaq was 0.8 per cent higher by midday in New York.

Across the Atlantic, the region-wide Stoxx Europe 600 gained 1 per cent, Frankfurt's Xetra Dax rose 1.1 per cent and the CAC 40 in Paris gained 1.5 per cent. London's FTSE 100 climbed 0.7 per cent.

"I suspect after a week of consolidation there's a bit of buy the dip going on," said Emmanuel Cau, head of European equity strategy at Barclays.

The euro was up 0.4 per cent and the US Dollar index, which measures the currency against a basket of six peers, was down 0.4 per cent.

Sterling rose 0.7 per cent against the dollar as the UK and EU reached a deal on post-Brexit trading arrangements.

Investors continue to study releases of economic data, which have so far pointed to an overheated economy, spurring key central banks such as the US Federal Reserve and European Central Bank to commit to raising rates higher for longer.

US durable-goods orders, excluding transportation, were up 0.7 per cent month on month, beating expectations of 0.2 per cent.

EU economic sentiment was lower than expected, at 99.7 relative to the 102.5 consensus forecast. Consumer confidence was in line with expectations, at minus 19.

"We had a big sell-off last week, so it's not unusual to see bounces of this magnitude as the market tries to understand the data we've seen so far," said Neil Shearing, group chief economist at Capital Economics.

"I suspect that the ECB has been quite clear that it has more work to do but, for the Federal Reserve, the key questions are how far rates have to be increased and how long will they keep them there," he added.

US 10-year Treasury yields fell 3 basis points to 3.92 per cent while those on two-year debt, which are more sensitive to monetary policy, fell 1bp to 4.8 per cent.

"January was the best January for the Global Bond Aggregate index this century whereas February so far is on course to be the worst February over the same period," said analysts at Deutsche Bank.

Yields on 10-year German Bunds were down 1bp to 2.58 per cent.

Global benchmark Brent crude oil fell 0.8 per cent to $82.49 per barrel while WTI, the US marker, slid 0.6 per cent to $75.86 per barrel. **Martha Muir**

### Markets update

| | US | Eurozone | Japan | UK | China | Brazil |
|---|---|---|---|---|---|---|
| **Stocks** | **S&P 500** | **Eurofirst 300** | **Nikkei 225** | **FTSE100** | **Shanghai Comp** | **Bovespa** |
| Level | 3988.43 | 1824.49 | 27423.96 | 7935.11 | 3258.03 | 105861.55 |
| % change on day | 0.46 | 1.08 | -0.11 | 0.72 | -0.28 | 0.06 |
| **Currency** | **$ index (DXY)** | **$ per €** | **Yen per $** | **$ per £** | **Rmb per $** | **Real per $** |
| Level | 105.109 | 1.060 | 136.110 | 1.203 | 6.965 | 5.196 |
| % change on day | -0.100 | 0.569 | -0.202 | 0.754 | 0.293 | 0.032 |
| **Govt. bonds** | **10-year Treasury** | **10-year Bund** | **10-year JGB** | **10-year Gilt** | **10-year bond** | **10-year bond** |
| Yield | 3.919 | 2.577 | 0.500 | 3.699 | 2.912 | 12.972 |
| Basis point change on day | -4.180 | 4.200 | -0.080 | 4.900 | -0.300 | 3.400 |
| **World index, Commods** | **FTSE All-World** | **Oil - Brent** | **Oil - WTI** | **Gold** | **Silver** | **Metals (LMEX)** |
| Level | 416.58 | 82.28 | 75.97 | 1810.95 | 21.09 | 3954.00 |
| % change on day | 0.51 | -0.65 | -0.46 | -0.83 | -2.00 | -2.26 |

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 | Union Pacific | 9.91 | Commerzbank | 4.64 | Rolls-royce Holdings | 6.59 |
| | Enphase Energy | 6.00 | Unicredit | 4.62 | Entain | 3.83 |
| | Solaredge | 5.88 | Casino Guichard | 4.52 | Sainsbury (j) | 3.12 |
| | Tesla | 4.57 | Axa | 3.71 | Melrose Industries | 3.10 |
| | Albemarle | 4.01 | Continental | 3.69 | Persimmon | 3.08 |
| Downs | Lumen | -4.63 | Ses | -2.57 | Airtel Africa | -1.62 |
| | Dish Network | -2.98 | Heineken Holding | -1.10 | M&g | -1.61 |
| | Eqt | -2.03 | Edenred | -0.81 | Smith & Nephew | -0.95 |
| | Leidos Holdings | -1.99 | Saipem | -0.71 | Haleon | -0.90 |
| | Henry Schein | -1.83 | Omv | -0.66 | Fresnillo | -0.65 |

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

At the top of the S&P 500 index was **Union Pacific**, which bowed to investor pressure and announced that Lance Fritz, its chief executive since 2015, would be stepping down this year.

The news came after US hedge fund Soroban Capital, which has a $1.6bn stake in the freight-rail operator, sent a letter to its board calling for shake-up at the top.

"Unlike typical shareholder engagements, which come with numerous demands, Soroban has only one ask: install new leadership who can get the trains to operate safely and on time," wrote the New York firm.

Promising production numbers buoyed electric-car company **Tesla**, which announced on Twitter that its German plant had built 4,000 Model Y vehicles in a week.

**Fisker**, another EV group, surged on news that it was maintaining its 2023 production target of up to 42,400 units.

This followed production setbacks announced last week by rival start-ups Lucid and Lordstown Motors.

Takeover speculation lifted biotech company **SeaGen**.

The Wall Street Journal said that Pfizer was in early talks to acquire the cancer specialist. A potential transaction would be a large undertaking for Pfizer as SeaGen has a market capitalisation in excess of $30bn. *Ray Douglas*

### Europe

Luxembourg-based satellite operator **SES** sank, weighed down by currency concerns and the roll out of its latest communications system.

SES forecast 2023 core profits of up to €1.05bn, which, "if we ignore the impact of foreign exchange, looks reasonable", said Citi, but "sadly . . . we can't really ignore FX and, reflecting this, we suspect consensus forecasts will moderate by 5 to 7 per cent".

The broker said this guidance was also "very much reliant" on the ramping up of SES's O3b mPower second-generation satellite system later this year, which could be subject to delays.

A chunky miss on earnings guidance sent **PostNL** lower with the Dutch postal group expecting operating profit of between €70mn and €100mn this year, 43 per cent below analysts' estimates, said Jefferies.

Herna Verhagen, chief executive, said the group had to navigate a "sharp increase in labour and fuel costs" last year alongside lower parcel volumes — conditions that were expected to continue into 2023.

Germany's **Zeal Network**, an online provider for lottery products, rallied off the back of a special dividend of €2.60 per share on top of its basic payout of €1 per share for its fiscal 2022 year.
*Ray Douglas*

### London

Cautious guidance weighed on **Dechra**, the veterinary pharmaceuticals group, which forecast full-year operating profit at the lower end of analysts' expectations.

RBC Europe analyst Zoe Karamanoli, who spoke to management, said Dechra's conservatism was "due to recent US destocking and current exchange rates".

Karamanoli treated share weakness as a "buying opportunity" as the underlying growth story for Dechra remained "strong".

**Bunzl** rallied after boosting its dividend for the 30th consecutive year.

The consumable products supplier raised its full-year payout by 10 per cent to 62.7p, having achieved an adjusted operating profit of £885.9mn in 2022, up 11 per cent on a constant currency basis.

**Senior**, the aerospace and defence group, rose sharply after swinging to an adjusted profit of £20.1mn in 2022 against a loss £1.9mn a year earlier.

Heading the FTSE 100 index was **Rolls-Royce**, which has been at, or near, the top of the benchmark since Thursday.

Jefferies yesterday raised its price target for Rolls-Royce by 36 per cent after the engine maker launched a strategic review alongside better than expected free cash flow last this week.

It has risen more than 30 per cent over the past three sessions. *Ray Douglas*

# Time for the US to upgrade fight against inflation

Mohamed El-Erian

Markets Insight

It took time but it is finally happening. Recent US economic data releases are inserting more forcefully the notion of "sticky inflation" into economic discussions.

This comes after too many people — not just market participants and policymakers but also a few economists — were inclined prematurely to declare victory in the important battle against the damaging price increases.

The evolving deliberations, however, should go well beyond the immediate dynamics of price formation. They should also extend to structural issues — as tricky as these are.

The initial surge in inflation was driven, first, by high food and energy prices and, subsequently, by broad-based price increases in the goods sector as a whole. Several items overshot, such as used cars, thereby setting the stage not only for a moderation but also an outright drop in their prices.

As a result, too many rushed to embrace continuous and orderly disinflation as the dominant theme of 2023.

This reassuring picture seemed supported by January data releases on inflation and economic activity, fuelling the "immaculate inflation" narrative and revitalising some members of Team Transitory who had been vocal in 2021 before being humbled by the persistent inflation.

US Federal Reserve chair Jay Powell mentioned disinflation 11 times in the press conference after the February 1 policy announcement. He pointed markets to the upcoming Fed minutes for details on a possible dovish pivot in policy. Investors priced in not just a lower peak policy rate for this cycle but also cuts for the second half of the year.

Stocks, bonds and Bitcoin rose in price. The rush to a comforting narrative reflected a mix of cognitive traps and unusual economic fluidity.

It could not, however, withstand the subsequent upside data surprises for inflation, jobs and activity. Nor could it withstand last week's release of minutes that said very little — if anything — on a pivot and disinflation. Equities slid back while bond yields spiked higher.

With measures of expected inflation also rising, Fed officials are being forced back to a more cautious tone, with some even suggesting reversing the February 1 downshift in rate rises from 0.50 to 0.25 percentage points. There is growing recognition that there is a limit to goods disinflation and that price rises in the services sector may prove quite stubborn.

> Understanding short-term dynamics is vital to avoid the Fed falling behind for the third time in two years

This better understanding of short-term inflation dynamics is a necessary step to avoid the Fed falling far behind for the third time in two years, a pattern that fuels the combined threat of persistently high and destabilising inflation, recession, job losses and widening inequality of income and opportunity.

But it is not sufficient. It needs to be accompanied by a stronger policy architecture and an evolution in the debate away from the Fed being "the only game in town", chasing an increasingly elusive and outdated inflation target.

In my view, the medium-term characterisation of the US economy has shifted from one of deficient aggregate demand to one of deficient aggregate supply. Yes, the pandemic contributed to this but there is a lot more going on.

Some of the driving forces include the overdue green transition in energy and elsewhere, changing globalisation, a multiyear quest to enhance supply-chain resilience and a labour market that struggles to fill a record excess of job openings.

Those who agree that the supply side of the domestic and global economy is most deterministic for inflation, growth and social outcomes immediately confront two tricky issues.

One is what to do about a Fed inflation target that is too low for such a world and yet hard to revise given that the world's most important central bank has already undermined its credibility.

The second is how to better incorporate policymaking agencies beyond the Fed in a co-ordinated fight against inflation.

Congress needs to help: first, by enhancing Fed accountability and making it update its policy framework, as well as follow the example of the Bank of England in structurally inserting outside views in its policy formulation process; and second, by formulating a more comprehensive approach to easing supply side constraints.

Recent US policy advances on energy transition issues provide a foundation to build on for a future of high, inclusive and sustainable growth, together with genuine financial stability. Let's hope the administration can secure sufficient congressional bipartisanship to take advantage of this important window.

*Mohamed El-Erian is president of Queens' College, Cambridge, and an adviser to Allianz and Gramercy*

# MARKET DATA

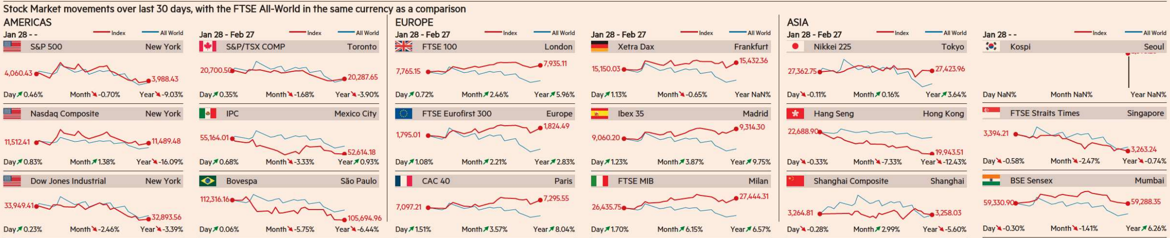
## WORLD MARKETS AT A GLANCE

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 $ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0.46% | 0.83% | 0.23% | 0.72% | 1.08% | -0.11% | -0.33% | 0.51% | 0.569% | 0.754% | -0.202% | -0.113% | -0.38% | -0.83% |

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




| Country | Index | Latest | Previous |
|---|---|---|---|
| Argentina | Merval | 249812.77 | 247623.35 |
| Australia | All Ordinaries | 7419.60 | 7512.70 |
| | S&P/ASX 200 | 7224.80 | 7307.00 |
| | S&P/ASX 200 Res | 5879.40 | 6040.90 |
| Austria | ATX | 3496.97 | 3455.75 |
| Belgium | BEL 20 | 3908.45 | 3859.50 |
| | BEL Mid | 10098.84 | 9969.99 |
| Brazil | IBovespa | 105861.55 | 105798.43 |
| Canada | S&P/TSX 60 | 1221.84 | 1218.17 |
| | S&P/TSX Comp | 20289.65 | 20219.19 |
| | S&P/TSX Div Met & Min | 1605.10 | 1672.27 |
| Chile | S&P/CLX IGPA Gen | 28383.64 | 28063.05 |
| Cyprus | CSE M&P Gen | 68.46 | 68.68 |
| Czech Republic | PX | 1402.73 | 1387.85 |
| Denmark | OMXC Copenhagen 20 | 1945.99 | 1927.09 |
| Egypt | EGX 30 | 17098.16 | 17213.01 |
| Estonia | OMX Tallinn | 1879.45 | 1870.58 |
| Finland | OMX Helsinki General | 11357.91 | 11205.80 |
| France | CAC 40 | 7295.55 | 7187.27 |
| | SBF 120 | 5587.61 | 5507.26 |
| Germany | M-DAX | 28678.93 | 28424.81 |
| | TecDAX | 3233.17 | 3200.35 |
| | XETRA Dax | 15381.43 | 15209.74 |
| Greece | Athens Gen | 1113.36 | 1108.72 |
| Italy | FTSE Italia All-Share | 29732.94 | 29225.65 |
| | FTSE Italia Mid Cap | 44881.64 | 44344.09 |
| | FTSE MIB | 27444.31 | 26986.35 |
| Japan | 2nd Section | 7228.27 | 7239.06 |
| | Nikkei 225 | 27423.96 | 27453.48 |
| | S&P Topix 150 | 1707.33 | 1704.46 |
| | Topix | 1992.78 | 1988.40 |
| Jordan | Amman SE | 2642.59 | 2631.74 |
| Kenya | NSE 20 | 1648.54 | 1655.14 |
| Kuwait | KSX Market Index | 6633.44 | 6603.51 |
| Latvia | OMX Riga | 1194.09 | 1192.84 |
| Lithuania | OMX Vilnius | 1002.37 | 999.95 |
| Philippines | Manila Comp | 6599.34 | 6685.90 |
| Poland | Wig | 59371.73 | 59051.34 |
| Portugal | PSI 20 | 6025.52 | 5984.49 |
| | PSI General | 4436.32 | 4415.92 |
| Romania | BET Index | 12307.51 | 12323.74 |
| Russia | Micex Index | 2436.57 | 2445.30 |
| | RTX | 1245.71 | 1212.57 |
| Saudi-Arabia | TADAWUL All Share Index | 9994.79 | 10051.78 |
| Singapore | FTSE Straits Times | 3263.24 | 3282.30 |
| Slovakia | SAX | 333.90 | 333.32 |
| Slovenia | SBI TOP | - | - |
| South Africa | FTSE/JSE All Share | 77513.78 | 76937.77 |
| Taiwan | Weighted Pr | 15503.79 | 15615.41 |
| Thailand | Bangkok SET | 1627.35 | 1634.02 |
| Turkey | BIST 100 | 5197.44 | 5197.44 |
| UAE | Abu Dhabi General Index | 9222.93 | 9251.11 |
| UK | FT 30 | 2753.90 | 2718.60 |
| | FTSE 100 | 7935.11 | 7878.66 |
| | FTSE 4Good UK | 7164.74 | 7113.38 |
| | FTSE All Share | 4331.26 | 4299.29 |
| | FTSE techMARK 100 | 6726.95 | 6688.54 |
| USA | DJ Composite | 11165.47 | 11095.39 |
| | DJ Industrial | 32893.56 | 32816.92 |
| | DJ Transport | 14891.74 | 14629.01 |
| Cross-Border | DJ Global Titans ($) | 428.11 | 426.05 |
| | Euro Stoxx 50 (Eur) | 4251.36 | 4178.82 |
| | Euronext 100 ID | 1355.47 | 1336.64 |
| | FTSE 4Good Global ($) | 9786.58 | 9724.81 |
| | FTSE All World ($) | 416.58 | 414.48 |
| | FTSE E300 | 1824.49 | 1805.03 |
| | FTSE Eurotop 100 | 3586.06 | 3548.92 |
| | FTSE Global 100 ($) | 2558.31 | 2541.39 |
| | FTSE Gold Min ($) | 1620.27 | 1641.29 |
| | FTSE Latibex Top (Eur) | 4440.00 | 4432.20 |
| | FTSE Multinationals ($) | 2723.03 | 2762.41 |
| | FTSE World ($) | 757.22 | 752.90 |

## STOCK MARKET: BIGGEST MOVERS

## UK MARKET WINNERS AND LOSERS

## CURRENCIES

| Currency | Dollar Closing Mid | Day's Change | Euro Closing Mid | Day's Change | Pound Closing Mid | Day's Change | Country |
|---|---|---|---|---|---|---|---|
| Japanese Yen | 136.1100 | -0.2750 | 144.2974 | 0.5269 | 163.6862 | 0.8423 | Russia |
| | 136.1094 | -0.2762 | 144.2971 | 0.5262 | 163.6856 | 0.8411 | Saudi Arabia |
| | 136.1082 | -0.2786 | 144.2963 | 0.5247 | 163.6844 | 0.8386 | Singapore |
| | 136.1025 | -0.2900 | 144.2922 | 0.5165 | 163.6856 | 0.8339 | South Africa |
| Kenyan Shilling | 126.9000 | 0.2500 | 134.5334 | 1.0251 | 152.6103 | 1.3900 | South Korea |
| Kuwaiti Dinar | 0.3072 | 0.0001 | 0.3256 | 0.0019 | 0.3694 | 0.0028 | Sweden |
| Malaysian Ringgit | 4.4785 | 0.0430 | 4.7479 | 0.0722 | 5.3859 | 0.0899 | Switzerland |
| Mexican Peso | 18.3790 | -0.0610 | 19.4846 | 0.0460 | 22.1026 | 0.0852 | Taiwan |
| New Zealand Dollar | 1.6222 | -0.0018 | 1.7198 | 0.0078 | 1.9508 | 0.0117 | Thailand |
| Nigerian Naira | 460.7500 | - | 488.4655 | 2.7651 | 554.0991 | 3.9629 | Tunisia |
| Norwegian Krone | 10.3504 | -0.0642 | 10.9730 | -0.0056 | 12.4474 | 0.0124 | Turkey |
| Pakistani Rupee | 260.1000 | 0.1500 | 275.7458 | 1.7191 | 312.7969 | 2.4162 | United Arab Emirates |
| Peruvian Nuevo Sol | 3.8134 | -0.0056 | 4.0428 | 0.0170 | 4.5860 | 0.0261 | United Kingdom |
| Philippine Peso | 55.5200 | 0.6050 | 58.8597 | 0.9710 | 66.7685 | 1.1999 | ..One Month |

...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

FTSE Sector Indices

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Non Financials (326)** | **5238.24** | **0.80** | **4636.43** | **5196.63** | **5221.25** | **5044.91** | **3.42** | **1.72** | **16.95** | **24.31** | **9536.61** |

| Hourly movements | 8.00 | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | 7927.51 | 7928.16 | 7932.30 | 7937.73 | 7925.47 | 7922.58 | 7902.72 | 7882.33 | 7878.02 | 7938.98 | 7870.64 |
| FTSE 250 | 19829.20 | 19801.07 | 19864.22 | 19877.42 | 19842.84 | 19845.39 | 19788.48 | 19728.44 | 19688.75 | 19879.87 | 19675.90 |
| FTSE SmallCap | 6480.49 | 6468.88 | 6462.55 | 6460.90 | 6458.29 | 6460.47 | 6452.89 | 6444.02 | 6435.11 | 6480.49 | 6432.91 |
| FTSE All-Share | 4326.04 | 4325.31 | 4328.99 | 4331.85 | 4325.16 | 4323.94 | 4313.03 | 4301.76 | 4298.46 | 4332.33 | 4294.93 |

Time of FTSE 100 Day's high:10:57:30 Day's Low15:42:30 FTSE 100 2010/11 High: 8014.31(20/02/2023) Low: 7554.09(03/01/2023)
Time of FTSE All-Share Day's high:10:58:00 Day's Low15:43:00 FTSE 100 2010/11 High: 4377.36(16/02/2023) Low: 4131.41(03/01/2023)

Further information is available on http://www.ftse.com © FTSE International Limited. 2013. All Rights reserved. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. † Sector P/E ratios greater than 80 are not shown. For changes to FTSE Fledgling Index constituents please refer to www.ftse.com/indexchanges. ‡ Values are negative.

## FT 30 INDEX

| | Feb 27 | Feb 24 | Feb 23 | Feb 22 | Feb 21 | Yr Ago | High | Low |
|---|---|---|---|---|---|---|---|---|
| FT 30 | 2753.90 | 2718.60 | 2747.10 | 2732.10 | 2743.00 | 0.00 | 2781.60 | 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| 2718.6 | 2741.5 | 2745.2 | 2744.6 | 2742.8 | 2746.3 | 2749.2 | 2750.7 | 2754.3 | 2756.2 | 2718.6 |

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

## FT WILSHIRE 5000 INDEX SERIES

| | Feb 24 | | Feb 24 |
|---|---|---|---|
| FT Wilshire 5000 | 40498.25 | FT Wilshire Mid Cap | 5565.72 |
| FT Wilshire 2500 | 5184.18 | FT Wilshire Small Cap | 5092.08 |
| FT Wilshire Mega Cap | 5118.55 | FT Wilshire Micro Cap | 4903.48 |
| FT Wilshire Large Cap | 5192.78 | | |

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## FTSE GLOBAL EQUITY INDEX SERIES

| Sectors | No of stocks | US $ indices | Day % | Mth % | YTD % | Total retn | YTD % | Gr Div Yield |
|---|---|---|---|---|---|---|---|---|
| Real Estate Investment & Services | 141 | 250.44 | -1.3 | -7.0 | -0.2 | 488.56 | -0.2 | 3.1 |
| Real Estate Investment Trusts | 108 | 447.00 | -1.5 | -4.0 | 2.7 | 1055.25 | 2.9 | 3.9 |
| FTSE Global Large Cap | 1898 | 628.92 | -1.2 | -2.5 | 3.4 | 1043.03 | 3.7 | 2.3 |

The FTSE Global Equity Series, launched in 2003, contains the FTSE Global Small Cap Indices and broader FTSE Global All Cap Indices (large/mid/small cap) as well as the enhanced FTSE All-World index Series (large/mid cap) - please see https://research.ftserussell.com/Products/indices/Home/indexfiltergeis?indexName=GEISAC&currency=USD&rtn=CAP&segment=global-developed--emerging. The trade names Fundamental Index® and RAFI® are registered trademarks and the patented and patent-pending proprietary intellectual property of Research Affiliates, LLC (US Patent Nos. 7,620,577; 7,747,502; 7,778,905; 7,792,719; Patent Pending Publ. Nos. US-2006-0149645-A1, US-2007-0055598-A1, US-2008-0288416-A1, US-2010- 0063942-A1, WO 2005/076812, WO 2007/078399 A2, WO 2008/118372, EPN 1733352, and HK1099110). "EDHEC™" is a trade mark of EDHEC Business School As of January 2nd 2006, FTSE is basing its sector indices on the Industrial Classification Benchmark - please see www.ftse.com/icb. For constituent changes and other information about FTSE, please see www.ftse.com. © FTSE International Limited. 2013. All Rights reserved. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence.

## FTSE SECTORS: LEADERS & LAGGARDS

## FTSE 100 SUMMARY

| | Closing Price | Day's Change | | Closing Price | Day's Change |
|---|---|---|---|---|---|
| Frasers Group PLC | 803.50 | 8.50 | Smurfit Kappa Group PLC | 3124 | 63.00 |
| Fresnillo PLC | 763.80 | -5.00 | Spirax-Sarco Engineering PLC | 11955 | 35.00 |
| Glaxosmithkline PLC | 1450.2 | 5.20 | Sse PLC | 1764.5 | 4.50 |
| Glencore PLC | 494.40 | 6.05 | St. James's Place PLC | 1237 | 19.50 |
| Haleon PLC | 323.75 | -2.95 | Standard Chartered PLC | 787.60 | 16.40 |
| Halma PLC | 2193 | 14.00 | Taylor Wimpey PLC | 122.85 | 3.00 |
| Hargreaves Lansdown PLC | 840.00 | -2.40 | Tesco PLC | 254.20 | 7.30 |
| Hiscox LTD | 1144 | 17.50 | Unilever PLC | 4194 | 2.50 |
| HSBC Holdings PLC | 631.80 | -3.90 | Unite Group PLC | 985.00 | 15.50 |
| Imperial Brands PLC | 2065 | -5.00 | United Utilities Group PLC | 1034 | 13.00 |
| Informa PLC | 672.80 | 5.40 | Vodafone Group PLC | 100.72 | 1.54 |
| Intercontinental Hotels Group PLC | 5622 | 80.00 | Weir Group PLC | 1890.5 | 37.50 |
| International Consolidated Airlines Group S.A. | 156.50 | 1.74 | Whitbread PLC | 3144 | 29.00 |
| Intertek Group PLC | 4374 | -3.00 | Wpp PLC | 1039 | 7.50 |

## UK STOCK MARKET TRADING DATA

| | Feb 27 | Feb 24 | Feb 23 | Feb 22 | Feb 21 | Yr Ago |
|---|---|---|---|---|---|---|
| Order Book Turnover (m) | 158.35 | 210.70 | 210.70 | 1127.61 | 69.09 | 109.72 |
| Order Book Bargains | 569119.00 | 621810.00 | 621810.00 | 611486.00 | 626201.00 | 595523.00 |
| Order Book Shares Traded (m) | 1272.00 | 1566.00 | 1566.00 | 1457.00 | 1244.00 | 1386.00 |
| Total Equity Turnover (£m) | 5851.13 | 6287.45 | 6287.45 | 8619.04 | 7909.58 | 8753.09 |
| Total Mkt Bargains | 764397.00 | 831498.00 | 831498.00 | 815375.00 | 838722.00 | 795814.00 |
| Total Shares Traded (m) | 6127.00 | 7927.00 | 7927.00 | 7844.00 | 7772.00 | 9923.00 |

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

All data provided by Morningstar unless otherwise noted. All elements listed are indicative and believed accurate at the time of publication. No offer is made by Morningstar or the FT. The FT does not warrant nor guarantee that the information is reliable or complete. The FT does not accept responsibility and will not be liable for any loss arising from the reliance on or use of the listed information.
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## UK RIGHTS OFFERS

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

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

## UK COMPANY RESULTS

| Company | | Turnover | | Pre-tax | | EPS(p) | | Div(p) | | Pay day | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Arcontech Group | Int | **1.357** | 1.452 | **0.372** | 0.429 | **2.780** | 3.210 | **0.00000** | 0.00000 | - | **3.250** | 2.750 |
| Beeks Financial Cloud Group | Int | **10.398** | 7.753 | **0.762L** | 0.266L | **0.730L** | 0.420L | **0.00000** | 0.00000 | - | **0.000** | 0.000 |
| Bunzl | Pre | **12039.500** | 10285.100 | **634.600** | 568.700 | **141.700** | 132.700 | **45.40000** | 40.80000 | Jul 4 | **62.700** | 57.000 |
| CentralNic Group | Pre | **728.237** | 410.540 | **14.817** | 1.555 | **0.008L** | 0.016L | **0.00000** | 0.00000 | - | **0.000** | 0.000 |
| Dechra Pharmaceuticals | Int | **377.400** | 332.400 | **29.700** | 53.400 | **19.980** | 37.590 | **12.50000** | 12.00000 | Apr 13 | **45.390** | 41.390 |
| DX (Group) | Int | **231.300** | 202.000 | **9.100** | 3.300 | **1.300** | 0.500 | **0.50000** | 0.00000 | Mar 31 | **0.500** | 0.000 |
| GlobalData | Pre | **243.200** | 189.300 | **38.400** | 32.600 | **27.100** | 21.900 | **18.30000** | 13.20000 | Apr 28 | **26.000** | 19.300 |
| Oncimmune Holdings | Pre | **3.788** | 3.859 | **11.559L** | 9.529L | **16.490L** | 13.700L | **0.00000** | 0.00000 | - | **0.000** | 0.000 |
| Quartix Technologies | Pre | **27.517** | 25.513 | **5.530** | 5.402 | **10.420** | 10.320 | **6.30000** | 1.90000 | Apr 28 | **7.800** | 3.400 |
| Senior | Pre | **848.400** | 658.700 | **22.400** | 23.700 | **4.860** | 5.820 | **1.00000** | 0.00000 | May 26 | **1.300** | 0.000 |

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

## UK RECENT EQUITY ISSUES

| Issue date | Issue price(p) | Sector | Stock code | Stock | Close price(p) | +/- | High | Low | Mkt Cap (£m) |
|---|---|---|---|---|---|---|---|---|---|
| 02/14 | 17.50 | AIM | FMET | Fulcrum Metals Plc | 17.65 | -0.04 | 18.80 | 17.00 | 880.0 |
| 01/30 | 0.80 | AIM | CLA | Celsius Resources Ltd | 0.95 | -0.04 | 1.25 | 0.83 | 1764.3 |

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

# MARKET DATA

## FT500: THE WORLD'S LARGEST COMPANIES

[illegible]

| Stock | Price | Day Chg | 52 Week High | Low | Yld | P/E | MCap m |
|---|---|---|---|---|---|---|---|
| Pwr Cons Corp | 6.90 | -0.02 | 8.45 | 6.65 | 1.29 | 14.31 | 10889.4 |
| SaicMtr | 14.89 | -0.07 | 19.29 | 13.77 | 4.00 | 7.43 | 24978.66 |
| ShenwanHong | 0.09 | - | 0.18 | 0.06 | - | 2.80 | 105.53 |
| ShgPdgBk | 7.16 | -0.02 | 8.50 | 6.64 | 6.44 | 4.57 | 30175.8 |
| Sinopec Corp | 4.05 | -0.08 | 4.32 | 3.06 | 3.41 | 4.91 | 12792.17 |
| Sinopec Oil | 2.11 | -0.03 | 2.37 | 1.70 | - | 699.78 | 4110.98 |
| **Denmark (kr)** | | | | | | | |
| DanskeBk | 160.20 | -0.15 | 162.20 | 91.28 | 1.19 | 11.51 | 19674.23 |
| MollerMrsk | 16310 | 350.00 | 23940 | 13185 | 1.99 | 2.79 | 19451.62 |
| NovoB | 1010.4 | 13.30 | 1013.4 | 663.50 | 0.88 | 51.12 | 250793.99 |

| Stock | Price | Day Chg | 52 Week High | Low | Yld | P/E | MCap m |
|---|---|---|---|---|---|---|---|
| **Italy (€)** | | | | | | | |
| Enel | 5.31 | 0.07 | 6.66 | 3.96 | [illegible] | [illegible] | [illegible] |
| ENI | 13.40 | 0.21 | 14.98 | 10.43 | 4.79 | 5.92 | 51221.26 |
| Generali | 18.34 | 0.19 | 21.55 | 13.67 | 7.63 | 10.82 | 30741.06 |
| IntSPaolo | 2.53 | 0.04 | 2.58 | 1.58 | 1.37 | 82.43 | 52177.98 |
| Unicred | 19.08 | 0.84 | 19.77 | 7.75 | 0.60 | 29.74 | 45249.96 |
| **Japan (¥)** | | | | | | | |
| AstellasPh | 1923 | 17.00 | 2205 | 1782 | 2.51 | 28.26 | 25937.43 |
| Bridgestne | 5209 | -10.00 | 5509 | 4042 | 3.34 | 11.56 | 27313.6 |
| Canon | 2973.5 | 26.00 | 3516 | 2538.5 | 3.44 | 14.04 | 29137.8 |
| CntJpRwy | 15270 | 120.00 | 17920 | 14730 | 0.89 | -27.95 | 23110.87 |

| Stock | Price | Day Chg | 52 Week High | Low | Yld | P/E | MCap m |
|---|---|---|---|---|---|---|---|
| SvnskaHn | 111.90 | 1.65 | 112.90 | 80.88 | 4.56 | 10.85 | 20908.07 |
| Swedbank | 218.90 | 5.90 | 219.90 | 124.50 | 6.78 | 11.55 | 23807.2 |
| Telia Co | 27.15 | 0.21 | 41.70 | 25.78 | 7.52 | 9.47 | 10667.64 |
| Volvo | 206.65 | 1.45 | 213.85 | 148.24 | 3.21 | 13.30 | 31537.46 |
| **Switzerland (SFr)** | | | | | | | |
| ABB | 31.35 | 0.27 | 32.22 | 23.84 | 2.43 | 15.65 | 65725.61 |
| CredSuisse | 2.84 | 0.07 | 7.50 | 2.52 | 3.22 | -4.63 | 12107.05 |
| Nestle | 108.64 | 0.32 | 127.00 | 103.42 | 2.31 | 19.63 | 318796.36 |
| Novartis | 80.38 | -0.31 | 88.42 | 73.32 | 3.43 | 9.09 | 206168.83 |

[illegible]

## FT 500: TOP 20

| | Close price | Prev price | Day change | Day change % | Week change | Week change % | Month change % |
|---|---|---|---|---|---|---|---|
| RollsRoyce | 145.00 | 136.04 | 8.96 | 6.59 | 24.24 | 29.7 | 29.68 |
| Linde | 327.00 | 319.00 | 8.00 | 2.51 | 18.15 | 8.7 | 8.74 |
| Linde | 345.37 | 347.66 | -2.29 | -0.66 | 26.14 | 7.4 | 6.34 |
| GenMills | 81.00 | 80.64 | 0.36 | 0.45 | 3.87 | 5.5 | 4.06 |
| UnionPac | 211.82 | 192.72 | 19.10 | 9.91 | -8.87 | 5.1 | 4.56 |
| Nutrien | 105.74 | 104.62 | 1.12 | 1.07 | 3.92 | 5.0 | -0.26 |
| DNB | 208.90 | 205.60 | 3.30 | 1.61 | 6.50 | 4.9 | 12.71 |
| Nordea Bk | 133.66 | 131.28 | 2.38 | 1.81 | 3.28 | 4.4 | 11.74 |
| Phillips66 | 103.86 | 102.00 | 1.86 | 1.82 | 2.46 | 4.3 | -4.49 |
| ChStConEng | 5.60 | 5.62 | -0.02 | -0.36 | 0.25 | 4.3 | 3.90 |
| Swedbank | 218.90 | 213.00 | 5.90 | 2.77 | 3.00 | 4.2 | 13.27 |
| ValeroEngy | 135.09 | 132.75 | 2.34 | 1.76 | 3.14 | 4.2 | -5.73 |
| SEB | 133.05 | 130.55 | 2.50 | 1.91 | 2.85 | 4.2 | 5.39 |
| Nomura | 571.00 | 560.20 | 10.80 | 1.93 | 12.10 | 4.2 | 10.56 |
| AXA | 29.47 | 28.41 | 1.06 | 3.71 | 0.12 | 4.2 | 4.19 |
| SvnskaHn | 111.90 | 110.25 | 1.65 | 1.50 | 2.20 | 3.6 | 3.66 |
| Marathon Ptl | 126.85 | 124.92 | 1.93 | 1.54 | 2.42 | 3.6 | -4.50 |
| Intuit | 418.60 | 419.81 | -1.21 | -0.29 | 15.43 | 3.5 | -1.01 |
| Chna Utd Coms | 5.09 | 5.16 | -0.07 | -1.36 | 0.24 | 3.5 | -0.39 |
| DanskeBk | 160.20 | 160.35 | -0.15 | -0.09 | 5.40 | 3.4 | 15.46 |

Based on the FT Global 500 companies in local currency

## FT 500: BOTTOM 20

| | Close price | Prev price | Day change | Day change % | Week change | Week change % | Month change % |
|---|---|---|---|---|---|---|---|
| FastRetail | 26735.00 | 26730.00 | 5.00 | 0.02 | -56160.00 | -67.7 | -65.43 |
| Citigroup | 50.91 | 50.18 | 0.73 | 1.45 | -15.82 | -22.9 | -1.91 |
| Anglo American | 2846.00 | 2846.00 | 0.00 | 0.00 | -491.50 | -14.7 | -20.13 |
| RioTinto | 5648.00 | 5667.00 | -19.00 | -0.34 | -610.00 | -10.0 | -10.89 |
| VF Cp | 24.34 | 24.18 | 0.16 | 0.66 | -2.81 | -9.8 | -20.11 |
| Autodesk | 199.22 | 192.53 | 6.69 | 3.47 | -27.45 | -9.4 | -5.71 |
| Adobe | 324.12 | 320.54 | 3.58 | 1.12 | -36.31 | -9.2 | -12.66 |
| Intel | 25.09 | 25.14 | -0.06 | -0.22 | -2.47 | -9.1 | -10.86 |
| GenMotors | 39.48 | 39.18 | 0.30 | 0.77 | -3.99 | -8.5 | 3.91 |
| Fresenius SE | 26.64 | 26.32 | 0.32 | 1.22 | -2.67 | -8.1 | -8.11 |
| AmerTower | 193.50 | 195.73 | -2.23 | -1.14 | -14.53 | -8.0 | -12.40 |
| BASF | 48.18 | 48.07 | 0.11 | 0.22 | -4.17 | -7.8 | -7.72 |
| Cielo | 4.82 | 4.85 | -0.03 | -0.62 | -0.35 | -7.3 | -6.38 |
| BHP Group | 44.55 | 45.94 | -1.39 | -3.03 | -2.06 | -7.2 | -9.52 |
| Fidelity NIS | 64.52 | 64.90 | -0.38 | -0.59 | -4.60 | -7.2 | -14.31 |
| Chipotle Mexic. | 1502.93 | 1476.73 | 26.20 | 1.77 | -140.94 | -7.1 | -6.89 |
| HomeDep | 296.55 | 296.66 | -0.12 | -0.04 | -21.29 | -6.7 | -6.32 |
| ENI | 13.40 | 13.19 | 0.21 | 1.58 | -1.16 | -6.6 | -4.80 |
| Illumina | 197.86 | 196.59 | 1.27 | 0.65 | -15.24 | -6.6 | -7.47 |
| ChUncHK | 5.43 | 5.64 | -0.21 | -3.72 | -0.17 | -6.5 | 2.66 |

Based on the FT Global 500 companies in local currency

## BONDS: HIGH YIELD & EMERGING MARKET

| Feb 27 | Red date | Coupon | S* | M* | F* | Bid price | Bid yield | Day's chge yield | Mth's chge yield | Spread vs US |
|---|---|---|---|---|---|---|---|---|---|---|
| **High Yield US$** | | | | | | | | | | |
| HCA Inc. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| **High Yield Euro** | | | | | | | | | | |
| Aldesa Financial Services S.A. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| **Emerging US$** | | | | | | | | | | |
| Peru | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Colombia | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Brazil | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 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

[illegible]

## INTEREST RATES: OFFICIAL

[illegible]

## INTEREST RATES: MARKET

[illegible]

## BOND INDICES

[illegible]

## VOLATILITY INDICES

| | Feb 27 | Day Chng | Prev | 52 wk high | 52 wk low |
|---|---|---|---|---|---|
| VIX | 21.11 | -0.56 | 21.67 | 37.52 | 17.97 |
| VXD | 18.22 | -0.25 | 18.47 | 38.40 | 3.27 |
| VXN | 26.87 | -0.31 | 27.18 | 44.02 | 5.85 |
| VDAX | 19.43 | -1.02 | 20.44 | 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 | 80.16 | 3.82 | -0.06 | 0.01 | 0.37 | 1.66 |
| | 02/50 | 1.00 | 94.92 | 1.76 | -0.03 | 0.08 | 0.43 | 1.29 |
| Austria | 02/29 | 0.50 | 86.25 | 3.05 | 0.07 | 0.13 | 0.44 | 2.68 |
| | 02/47 | 1.50 | 72.20 | 3.17 | 0.05 | 0.08 | 0.37 | 2.30 |
| Belgium | 06/27 | 0.80 | 91.46 | 2.94 | 0.09 | 0.15 | 0.46 | 2.78 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

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

## GILTS: UK CASH MARKET

[illegible]

## GILTS: UK FTSE ACTUARIES INDICES

[illegible]

## COMMODITIES

[illegible]

## BONDS: INDEX-LINKED

[illegible]

## BONDS: TEN YEAR GOVT SPREADS

[illegible]

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

# Dazzling return to the Met

OPERA

**Lohengrin**
Metropolitan Opera, New York
★★★★★

*George Grella*

*Lohengrin*, Wagner's opera of the holy knight come to save the people of Brabant from invasion, has an important recent history at the Metropolitan Opera. In 1998 Robert Wilson's radical production, one that angered many patrons, was an enormous and necessary step for the house into modern drama.

That production — and *Lohengrin* itself — has not been on stage at the Met for 17 years. That ended on Sunday afternoon with the premiere of a new staging, produced by François Girard, who previously brought a new *Parsifal* to the house. It is tremendous.

It came alive through performances that were almost uniformly excellent, full of thrilling moments. Tenor Piotr Beczała was Lohengrin, who arrives by swan and must keep his identity secret even as he earns the love of Elsa von Brabant, Christian heir of the ruling family. His voice has a natural warmth yet he found unexpected darkness in his middle register, and had plenty of projection and stamina. Along with these heldentenor qualities, he sang the way each moment demanded, heroic in act one, with dignified calm in act two and with driving anguish in the final act.

Soprano Tamara Wilson was his betrothed, Elsa, soprano Christine Goerke the villainous Ortrud, who is threatened by Lohengrin's presence. The contrast between Wilson's light and Goerke's dark colours was a dramatic strength, especially in their long, gripping act two dialogue. Wilson captured Elsa's naive sincerity and her need to know Lohengrin's true nature — the dramatic key — and her own anguish in act three was balanced with substantial sonic beauty. Goerke is perhaps the great contemporary Wagnerian soprano, and she was exciting to hear throughout. Her entrance in act three was explosive.

Bass Günther Groissböck sang King Heinrich with power, fine articulation and a natural, near-chummy expression. The one weak performance came, surprisingly, from veteran Wagnerian bass-baritone Evgeny Nikitin as Telramund. In act one, his intonation was off and his phrases ended abruptly. His singing was much more supple at the start of act two, but after a long pause offstage he returned, again sounding tight, as if he was suffering some vocal trouble.

Met music director Yannick Nézet-Séguin led the orchestra. The instrumental colours, especially the woodwinds, were superb, and everything about the conductor's shaping seemed ideal. With the chorus singing with blistering fire, the musical climaxes at the end of the first two acts were breathtaking.

Girard's production was realised through the set and costume designs of Tim Yip, Academy Award-winning art director on the film *Crouching Tiger, Hidden Dragon*. The main set element is a dilapidated stone slab with a large portal, which serves as a wall and something of a roof through which Girard shows a ravishing palette of the moon rising and turning, the stars spinning in the sky. Moments of visual cataclysm and transformation are timed to the music to stunning effect.

The chorus members' robes open into three colours that represent the dramatic factions, and the colours move through the production like waves, following the ebb and flow of the drama. There is white for Lohengrin and Elsa, crimson for Ortrud and Telramund, and the moon and stars themselves shift colours to follow Wagner's underlying theme of paganism and Christianity in conflict. Lohengrin himself seems to descend from eternity, and return to it. The final image was indelible.

*To April 1, metopera.org*

**Oscar-winner Tim Yip's set designs are stunning** — Marty Sohl/Metropolitan Opera

# Blanchard trumpets his respect for Shorter

JAZZ

**Terence Blanchard**
Ronnie Scott's, London
★★★★☆

*Mike Hobart*

Terence Blanchard's twin careers as jazz trumpeter and composer place more than 20 albums and countless gigs alongside 40-plus film scores and two operas. The American was integral to Herbie Hancock's headlining success at last year's London Jazz Festival and he has just picked up a Best Opera Recording Grammy for *Fire Shut Up In My Bones*, which opened the 2020-21 season at New York's Met.

His riveting performance at Ronnie Scott's last Friday pulled the amplified heft of his touring band the E-Collective and the neoclassical panache of the Turtle Island String Quartet into disciplined, free-flowing shape. Strings simmered and fleshed out riffs, angular bass gained extra thrust and streetwise beats fuelled fiery modal jazz. The blend was seamless and the full first house followed every step.

The repertoire, based on Blanchard's 2021 Blue Note release *Absence*, was both celebration and homage to Wayne Shorter's spirit and style — the saxophonist, though still composing at 89, retired from live performance in 2018. As on the album, Shorter's tunes were covered without mimicry and his influence was a hidden hand and spiritual guide — "The Elders", from Weather Report's album *Mr Gone* was the second number in, now fuelled by hip-hop and harmonised with strings.

The evening opened with the sombre piano, whispers of strings and cinematic theme of the title track, written by bass guitarist David Ginyard. "The Elders" followed after hardly a break, and then "I Dare You", a melange of hi-hat fancies and syncopated stabs, scratches and scrapes, came without pause. Each packed-with-detail piece reached dramatic highs, shimmering textures morphed into angular shapes, soloists cueing the ensemble's return with a nod.

Midway through the set, the string quartet left the stage and the E-Collective played the synth-laden "Dark Horse". The slowly unfolding theme opened with quiet scrubs of composer Charles Altura's guitar and Blanchard doubling on keyboards; a miasma of electronica created a downbeat mood. But solos from pianist Taylor Eigsti and guitar upped the ante and Blanchard, now on trumpet, soared confidently. Drummer Oscar Seaton and bassist Ginyard, both immense all night, twinned hip-hop precision with syncopated flow.

The leader, addressing the audience for the first time, described the gig as "a love letter to Wayne Shorter" and introduced the band. The Turtle Island String Quartet then took centre stage with "The Second Wave". The theme was minimal, but when romantic counterpoints gained a jagged edge and syncopated references whizzed by, the quartet's kaleidoscopic aesthetic was revealed. The piece is somewhat showy on the album; thrilling live, it raised the house.

Slow-burning finale "Kaos" was from an earlier Blanchard album. Rhapsodic piano opened, strings added romance, and then fast and focused funk took the evening to a peak. Blanchard had the last word, prowling centre stage and building inexorably to the evening's final sustained note.

*terenceblanchard.com*

**Terence Blanchard on stage at Ronnie Scott's** — Monika S Jakubowska



# Stravinsky with a South African twist

DANCE

**Dada Masilo: The Sacrifice**
Sadler's Wells
★★★☆☆

*Louise Levene*

Following successful visits to the UK with her reworkings of *Swan Lake* and *Giselle*, Soweto-born dancemaker Dada Masilo has begun a 14-city tour of 2021's *The Sacrifice*, a 60-minute work inspired by Stravinsky's *The Rite of Spring*. It opened in Brighton last week followed by two nights at Sadler's Wells.

Stravinsky supplied the launch pad but his music plays no direct part in *The Sacrifice*. Instead, four South African musicians were asked to listen to his score, then channel its energies in their own composition. Soprano Ann Masina, a frequent collaborator with artist William Kentridge, supplies the most powerful element, unleashing beguiling streams of cardinal vowels together with shorter passages of (untranslated) text. The score's sound salad of percussion, whirly tube, berimbau and swanee whistle (all nimbly played by Mpho Mothiba) mirrors the strangeness of Stravinsky's orchestration, but is let down by the easy-listening keyboard and violin.

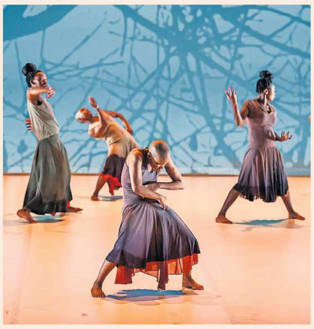
Masilo's previous works were a skilful fusion of African dance and ballet, but *The Sacrifice* is rooted more specifically in the Tswana dance of Botswana — said to be modelled on the flickering speed of the meerkat. The dancers, handpicked for the tour from Johannesburg's Dance Factory (Masilo's alma mater), are impressive. Eutychia Rakaki's sinewy jumps and seemingly boneless flexibility consistently draw the eye. Lwando Dutyulwa also impresses in his gruelling barefoot solo, much of it performed, meerkat-like, on three-quarter *pointe*.

All 10 dancers boast strong, springy feet, eloquent upper bodies and the ability to change the temperature of the performance with a slap of the hand or droop of the head. In the first half, when Masilo is establishing them as a tight-knit village community, the ensemble interacts with the four onstage musicians, grumbling at their rapid tempi and fanning themselves with their skirts and revealing big scarlet knickers.

The sacrifice itself remained a bit of a blur. In the programme note, Masilo grandly declares that her aim was "to create a story that is deeper than a chosen maiden dancing herself to death". This seems a peculiarly dismissive view of the original Stravinsky/Nicholas Roerich scenario, particularly given the powerful work that choreographers such as Kenneth MacMillan, Pina Bausch, Michael Clark and Michael Keegan-Dolan have since made of it.

Masilo has sought to reframe the sacrifice in terms of Southern African ritual, but her portrayal of an almost willing victim, the consoling presence of Masina as her spirit guide and the lack of musical urgency rob the new story of dramatic force. Even lousy *Rites* — and there have been plenty — remain supercharged by the relentless power of Stravinsky's polyrhythmic masterpiece. Without it, Masilo's sincere but ill-defined ritual never quite catches fire. Friday's audience was on its feet by the hour's end; I was left entertained but strangely unmoved.

*Touring to April 12, danceconsortium.com*



**Dada Masilo's company performs 'The Sacrifice', a work inspired by 'The Rite of Spring'** — Tristram Kenton

Brussels ripped up its playbook with a bold move to use a recently formed fund to send billions of euros in weapons to Ukraine. The decision was an abrupt reversal of decades of relations with Russia.
*By Henry Foy*

# How war forced the EU to rewrite its defence policy

Founded just 11 months before Russia invaded Ukraine, the European Peace Facility has since become the EU's means of financing the sending of weapons such as tanks, helicopters, missiles and drones to Kyiv
FT montage; AFP/Getty Images/Dreamstime

It was three days after Russian tanks rolled into Ukraine that the EU realised that it too must go to war.

At an emergency meeting, Josep Borrell, the EU's chief diplomat, made the case to anxious foreign ministers from the bloc's 27 member states that it was the moment to do something previously considered impossible: use shared EU cash to buy weapons for Kyiv.

"The question was," he recalls in an interview, "if we were able to use this money to provide support to Mozambique or to Mali or wherever, why the hell can't we do that for Ukraine?"

EU officials presented a proposal at the meeting on February 27 2022. There was €50mn in a recently created fund — the European Peace Facility (EPF) — that could be made available.

"I said, 50 million? I'm talking about a war!" Borrell scoffs, shaking his head. "Put down 500," he retorted. "It [was not] enough, but 500 went through."

The next day, a bloc whose cash was previously known for subsidising French dairy farmers and Polish motorways, was sending weapons financed by the EPF to Ukraine and helping to wage war against Russia.

That initial €500mn has ballooned by €3.1bn, helping to finance at least 325 tanks, 36 attack helicopters and more than 200 multiple-launch rocket systems. As the EPF does not cover 100 per cent of costs, it has a multiplier effect: EU officials say they have received reimbursement requests for more than €6.9bn worth of weapons sent to Ukraine. More cash is set to be allocated to the fund to sustain a wave of support that has made the EU the biggest military donor to Ukraine after the US.

Russia's war against Ukraine has, in the space of 12 months, rewritten European defence policy. Decades of engagement with Moscow, through trade, investment and diplomacy, in the belief that it would stop the Kremlin threatening the continent's security, has been exposed as a monumental error.

A generation of individual government cuts to defence spending has been replaced by an unprecedented rush to re-arm. The US withdrawal of troops and arms in Europe since the end of the cold war has been abruptly reversed. But no single decision encapsulates Europe's adjustment to its new reality more than the EPF move.

Using EU money to purchase arms is banned under the bloc's founding treaties. Three of its members are constitutionally neutral. Involvement in conflict had long been a red line for Brussels, which previously thought of import tariffs and sanitary regulations as the sharpest sticks in its foreign policy armoury. Providing arms designed to kill soldiers from Russia, a nuclear-armed rival that it had tried for decades to befriend, would have been considered ludicrous.

"It was unthinkable," says Kusti Salm, permanent secretary at the Estonian ministry of defence. "People were afraid of even speaking about it: lethal aid from . . . the EU institutions? It was something that was a big elephant in the room, that no one talked about."

### The war that changed everything

When Borrell, the EU's high representative for foreign and security policy, began calling around member states with the idea to start buying arms for Ukraine, he was met with incredulity.

"Look, would you agree to use the European Peace Facility to arm Ukraine? And: Silence," he recalls. But Borrell says he knew it was a breakthrough moment, adding: "That taboo was broken."

Founded just 11 months earlier, the EPF was a €5.7bn fund designed to provide non-lethal equipment to third countries in need of security support. In December 2021, it allocated medical and engineering equipment to Georgia, Mali, Moldova and Ukraine. Yet even those trucks, helmets and first-aid kits were met with condemnation from leftwing members of the European parliament, who saw it as outside the EU's competences.

But the events of February 24 changed everything. "There was paralysis because of the war," says Charles Fries, a deputy secretary-general at the European External Action Service, who was at the initial meetings as officials tried to work out how to respond. "And we used this atmosphere . . . to convince member states that they have to decide on a first tranche of €500mn. We decided this in three hours."

The objections raised to Borrell's proposal were two-fold. First, that it was prohibited under the treaties. And second, that the European parliament would never vote to endorse it.

Borrell waved both away. The EPF sits outside the formal EU budget as a fund provided directly by member states and thus, he said, beyond the treaties' legal remit. And as for the parliament, he went on, speaking as a former president of the chamber, what competences did it have over their money?

All members of the union pay into the fund, using a formula based on their economic size. Members then request reimbursements for what they send. Austria, Ireland and Malta, the bloc's neutral states, also contribute but, since February, their cash is ringfenced for non-lethal supplies.

The orchestration of the EPF's Ukraine support is run from a clearing house based inside the glass and steel commission buildings in Brussels.

The office receives requests from the Ukrainian army detailing specific lists of equipment they need. The clearing house then sends out a request to all member states to ensure those who have that particular item will deliver it to Ukraine. This centralised system helps avoid a situation where member states are sending, and getting reimbursed for, weapons Kyiv does not need.

"We check that the equipment corresponds to the needs expressed by Ukraine," says Fries. "And second, we check that the equipment has been delivered . . . And after that we reimburse on the basis of the value."

Determining value is complex. "You have to decide, what is the value of this T-72 tank?" says Borrell, referring to a Soviet-made tank that many eastern EU states provided to Ukraine under the EPF. For weapons like tanks, Borrell's team checks everything from the age of the equipment to the number of kilometres on the clock.

Most officials admit that the most important feature of the decision to use the EPF to arm Ukraine is not the direct funding it provides, but the collective umbrella it created around the entire EU in terms of supporting the war effort. Borrell himself compares it to "seed money", the initial funding for start-ups before they attract larger investors or generate free cash flow.

"Immediately after [EPF money went to Ukraine], Poland, the Baltics and others started providing support bilaterally because once the rule was broken, they said, 'OK, I can do that'," says Borrell.

As a result, the total amount of military support provided to Ukraine by EU countries, both bilaterally and through the EPF, stands at €14.3bn, according to the Kiel Institute for the World Economy, a German think-tank. Another €41bn has been provided in financial and humanitarian assistance.

"There are a lot of different things happening at different levels, and the EPF fits into that wider context as one layer of initiative," says Richard Youngs, senior fellow at Carnegie Europe. "It acts as a symbol that emboldens other actors to come in and provide military assistance because they feel that there is that broader European coverage."

### Show of power

The EU's relationship with its own security has a chequered history. Repeated efforts to agree on how best to pool members' military assets have ended in failure or ineffectual compromise.

France, its sole nuclear-armed power and permanent member of the UN Security Council, has attempted in recent years to forge a more self-reliant EU defence policy. More Atlanticist members, such as Poland and the Netherlands, have rebuffed any efforts in Europe to challenge the supremacy of Nato, the US-led military alliance.

Superseding all that was a deep-seated belief in Brussels that the EU, conceived in the aftermath of the second world war, was primarily a trade body designed to instil peaceful co-operation between European countries, which had no business involving itself in conflict, and certainly not conflict in non-member countries.

Article 41.2 of the EU's Lisbon treaty, the closest thing the EU has to a constitution, states that "expenditure arising from operations having military or defence implications" may not be charged to its joint budget.

But since Russia's invasion, the bloc has adopted a new posture. Alongside the funding of arms deliveries, the EPF is also training some 30,000 Ukrainian troops, in camps in Poland and Germany, again for the first time in an active conflict.

It has also moved to fund joint procurement of arms between member countries. The defence and security policy it agreed last year calls for a "rapid deployment" force of 5,000 troops and the formation of new cyber and space defence assets. That approach, notes Youngs, ran counter to the wider shift of western countries becoming less willing to participate in live conflicts, a trend best illustrated by the evacuation of troops from Afghanistan in 2021.

'People were afraid of even speaking about it: lethal aid from . . . the EU?'

'[The bloc's] security logic, the strategic logic of so many years, was to try and help strengthen Russia'

"If we look at a period before February last year, the trend was very much towards caution and much more careful, diluted forms of engagement in conflict situations," says Youngs.

But the first war of conquest on the European continent since 1945, in a country that borders four EU states, was impossible to ignore.

"The EU was based on the refusal of the idea of power," Borrell explains. "We don't make war. We don't even coerce you. We just trade with you."

"Now," he adds, "We train soldiers and we arm them."

The dramatic shift has not been without resistance. Hungary, which has had a closer relationship with Moscow than most in the EU and a fractious history with Ukraine linked to the treatment of its Hungarian minority, raised initial objections to using the EPF in the war.

But Budapest ultimately relented, fearing that it would be the sole member state in opposition, and agreed to pay contributions to the EPF with the proviso that weapons shipped to Ukraine would not transit through or over its territory.

Some EU diplomats have also privately questioned whether supplying weapons to the war fits with the EPF's stated mission to "maintain peace, prevent conflicts", and if the focus on Ukraine has meant other countries in need of support have been ignored.

Even officials from stringently pro-Ukraine member states were appalled when Borrell, hours after the decision to arm Kyiv was announced, told reporters that the EPF could fund "fighter jets" for Ukraine.

A year on, it is still seen as too aggressive and a step that could provoke an escalatory response from Moscow.

### Testing unity

The challenge for the EU is how long it will need to keep supporting Ukraine in a war that shows no sign of ending. Both Russia and Ukraine believe they can gain more territory, and they show no desire for imminent peace talks.

At the same time, European officials have warned that the continent's defence industry is "under strain", with weapons factories working full tilt to keep up with the war's demands. In January, Russia fired four times as many artillery shells a day as Ukraine.

Member states have agreed to double the size of the EPF to keep arms flowing, and some countries are pushing for more joint purchasing of critical supplies, financed from the fund. Regardless of how the money flows, the most indelible impact of Brussels' shift on arming Ukraine is set to be its future relationship with Russia, and its attitude towards other states that threaten its economic or territorial integrity.

"[EU] security logic, the strategic logic of so many years, was to try and help strengthen Russia, make Russia more stable and successful, and to some degree at least be inclusive with Russia in terms of the way that the European order was being built," says Youngs. "That's now changed fundamentally and that will be part of the longer-lasting legacy."

Despite public messages of unity, EU officials constantly stress in private that maintaining cohesion is the most pressing task as they seek to agree joint responses. While national polling suggests that European societies remain supportive of standing behind Ukraine, capitals are aware that sustaining military support for Kyiv will come with an increasing price tag for taxpayers.

But as Jens Stoltenberg, secretary-general of Nato, put it last week: the west "need[s] to step up our support for Ukraine, because it will be a tragedy for Ukrainians but also dangerous for all of us if President [Vladimir] Putin wins".

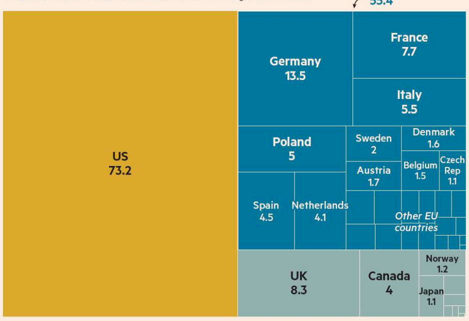
For now, the EPF and its ability to fund weapons of war appear to be part of the furniture.

"It will exist forever now. It is like the structural funds," says Borrell, referring to the EU's financial support for poorer countries to improve their economies when they first join the bloc. "And now we will not have so many constraints if we need to support another army."

Many European officials believe the EPF's support for Ukraine is all the more important given the EU's typically safety-first approach, and its longstanding reputation for prevarication, internal squabbling and delayed action.

"Putting the money upfront shows strategic leadership, trying to lead the change, drive the narrative and not just being led by events," says Estonia's Salm. "This is a totally new era in the European Union."

**Where assistance to Ukraine comes from**
Total value of bilateral cumulative commitments through Feb 2* (€bn)




*Aid promised by governments to Ukraine from Jan 24, 2022 to Jan 15, 2023, plus seventh EPF tranche of Feb 2, 2023
Source: Kiel Institute for the World Economy: Ukraine Support Tracker, European Council

# The FT View

FINANCIAL TIMES
'Without fear and without favour'

ft.com/opinion

## A breakthrough for Northern Ireland and the UK

*Prime minister's deal opens a path to normalising relations with the EU*

Since Britain's exit from the EU in 2020, special trading rules for Northern Ireland have been the source of rancour and division. The so-called Northern Ireland protocol was poorly negotiated, then partially disowned, then nearly overridden by the UK, threatening a trade war with the EU. Reforms to the protocol agreed by Prime Minister Rishi Sunak should not only ease trade but also set the UK on a more constructive relationship with the EU.

The "Windsor framework" negotiated with European Commission president Ursula von der Leyen is a significant moment for post-Brexit Britain. A pragmatic prime minister has pushed for something he believes can bring beneficial results, defying hardline opponents in his party. With luck, the deal may yet begin a normalisation of UK-EU relations, and of UK politics.

Boris Johnson's EU exit deal left Northern Ireland inside the EU's single markets for goods, so checks were imposed on goods entering from Great Britain to avoid creating a destabilising land border with the south of the island. Resulting trade frictions made unionists, who want the region to stay in the UK, feel ties with Britain had been weakened.

Attempting to negotiate reforms was a hefty gamble for Sunak. Though he appears to have won over some prominent Brexiters, a hardcore of Eurosceptic Tory MPs may prove immovable. Labour has rightly signalled its backing for the agreement in a parliamentary vote, but will clearly make political capital out of Conservative divisions.

It is unclear if the Windsor framework goes far enough to be embraced by the Democratic Unionist party, which has boycotted power-sharing in Northern Ireland unless the protocol was renegotiated. So the agreement may yet fail to achieve the other big objective of returning devolved government to Belfast. But Sunak is correct to judge that the UK's wider interests are better served by pressing ahead with his deal.

The prime minister appears to have achieved more than many in his own party had expected — a sign, perhaps, that he has built trust in Brussels. If it works as intended, Sunak can claim his deal ensures "smooth flowing trade" within the UK by creating a "green lane" at Irish Sea ports with minimal checks for goods destined for Northern Ireland, even if those heading for Ireland and the EU market must take a "red lane". EU negotiators have moved less far on key legal points. But while the European Court of Justice retains the last word on single market issues in Northern Ireland, its role is limited, and London, not Brussels, will have control of value added tax and state aid in the region.

Crucially, the deal gives the Northern Ireland assembly an "emergency brake" on changes to EU goods rules with a "significant and lasting effect" on everyday lives — with a UK government veto if that brake is pulled. This provides a potential incentive for the DUP to engage with the Northern Ireland assembly, and could open it up to criticism if it does not.

The agreement moves the UK off a collision course with the EU, and towards a reset. Von der Leyen suggested work could quickly begin on the UK joining the €95bn Horizon programme, a huge prize for the scientific community. The deal may help Sunak to make progress on small boat crossings in the Channel when he meets France's Emmanuel Macron next month.

Above all, in a Europe transformed by Russia's invasion of Ukraine, the Windsor framework holds out the prospect of smoother engagement between London and EU partners. Assuming it can be navigated safely through Westminster, it may at last begin to drain some of the venom of the Brexit years.

Sunak appears to have achieved more than many in his own party had expected — a sign, perhaps, that he has built trust in Brussels

Opinion Culture

## Dahl and the giant problem with intellectual property

Ewan White

Stephen Bush

What connects Ian Fleming, Roald Dahl and George Lucas? One answer is that they created some of the great cultural icons of the 20th century: Fleming came up with James Bond, Dahl invented Willie Wonka, while George Lucas arguably surpassed them both by giving the world *Star Wars*.

The other answer is that in life, all three men rewrote and tinkered with their creations. In the late 1960s, Dahl rewrote the Oompa-Loompas in *Charlie and the Chocolate Factory* to, in his words, "de-Negro" them. Fleming edited his books for an American audience. And, from 1997 to 2019, George Lucas made changes, small and large, to the *Star Wars* films.

Now a set of posthumous changes to the work of Fleming and Dahl has triggered a howl of rage. Lucas, a living artist, correctly retains the right to make changes to his work. But where it gets more complicated is whether or not that should extend to the blanket right to prevent others trading in the original work.

Thanks to Lucas, the cinematic version of the original *Star Wars* trilogy is now impossible to buy new: fans trade second-hand copies of old videos and DVDs instead. When Dahl and Fleming rewrote their books, they didn't go door-to-door confiscating copies of the originals, and their estates aren't going to do the same thing now. Indeed Penguin Random House will now release the "classic" versions of Dahl's books alongside the edited one.

For *Star Wars* fans, this sounds only too familiar: for a while, Lucas's "special editions" coexisted with the cinematic versions. Now they are all that is available to buy or to watch. It remains to be seen whether Fleming and Dahl's works will come to be replaced by versions rewritten after their deaths.

But the wishes of devotees of *Star Wars* and fans of classic Bond can pull in opposite directions: on the one hand, many *Star Wars* fans (myself included) actively hope that after Lucas's death, Disney will disregard the director's living wishes and make the original cinematic version available. But many fans of Dahl's (myself included) would prefer that the deceased author have the last word. I also continue to believe that Max Brod did a great service to the world in disregarding Franz Kafka's instruction to destroy his work. How can these differences be resolved?

Legally, there is no difference between the alterations that Lucas, Fleming and Dahl made in life and what the estates of Dahl and Fleming are now doing in death. Until they sold the estate to Netflix for £500mn, Dahl's heirs retained the legal right to edit his works or pull them from sale, just as their original author did. And Dahl certainly made free use of that right, licensing some rather inferior chocolate bars and signing away the rights to some second-rate film adaptations.

Aesthetically, the recent vandalising edits to Dahl's work bear a very close resemblance to those Lucas has inflicted upon his own films. The changes are problematic because they change not only the texture of the original work but its meaning. For instance, Matilda becomes a different person when she reads not the exotic adventures of Joseph Conrad but the domestic drama of Jane Austen. While there is no fundamental legal difference between these changes and more trivial ones, there is an ethical one.

That Dahl wanted his heirs to be able to benefit from his work after he died and that Lucas actively made his own changes is neither here nor there: a reader, a viewer or a critic should themselves be free to make judgments about those changes. This is why legal deposit libraries, to which publishers must send a copy of every book published, are an important cultural resource.

Dahl's publishers have stumbled across the right solution: estates should be able to retain the same rights to edit, license or otherwise profit from an author or creative's work as they would in life. But they ought not to be able to restrict the ability of others to publish or retain the original work. That was Kafka's sin: he sought to deprive the world of his work and Brod was right to ignore him.

Although it is right that an author, an artist or a playwright's spouse or dependent children should receive a measure of posthumous financial protection, they shouldn't have the right of veto over the work. They should instead be able to claim a fixed share of profits. While artists should be able to grow rich from their work, and support their descendants too, that shouldn't come at the cost of limiting what others can write, read or see.

*stephen.bush@ft.com*

The vandalising edits to his books closely resemble those Lucas has inflicted upon his films

# Letters

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## Voters need to know elections are not tainted by foreign money

The world of English football is getting a new, independent regulator with powers to vet owners and scrutinise finances. As part of the rules, the regulator will oversee new tests for owners to ensure stronger due diligence checks on their sources of wealth ("Football body will scrutinise club finances", Report, February 23).

As the political finance regulator, the Electoral Commission has recommended that the principle of due diligence, adapted from anti money laundering regulation, be applied to donations to the UK's political parties.

Currently, political parties only need to satisfy themselves that their donors are legally permissible — meaning, for example, that they are on a UK electoral register, or are a company registered with Companies House and "carrying on business" in the UK.

While these laws provide transparency over the identity of the donor, they do not do enough to prevent foreign money from entering the political finance system.

Enhanced due diligence rules would require political parties to assess and manage the risk of unlawful foreign funding. It could support parties to adopt a "know your donor" culture when taking decisions about whether to accept donations.

The Electoral Commission has recommended for some time that the laws governing our political finance system be reviewed by government and parliament.

Voters deserve to know that elections are free and fair, and that measures are in place to prevent unlawful foreign money from funding parties. If taken forward, our proposed reforms can do just that.

**Louise Edwards**
*Director of Regulation, Electoral Commission, London EC1, UK*

### If investors are sceptical, then Meta has an issue

The letter from Vishal Shah, vice president for the metaverse at Meta, as Facebook is now renamed, rang some alarm bells with me ("The metaverse is like every new technology", February 22).

Shah highlighted previous technological advances that could have been nixed by contemporary critics during inception, and showed how there are early adopters already using Meta's metaverse.

However, the small existing user count and the potential millions in revenues he cites are dwarfed by the billions already spent by Meta.

The other revolutionary technologies he cites that were created without market need from conception very quickly found their usefulness when exposed to a wider audience.

Additionally, comparing those unique technologies' development costs to Meta's current spend on the metaverse is not flattering to Meta.

A metaverse is not a unique concept or intellectual property that Meta can claim to own.

Shah states that making any metaverse will take "years of investment, commitment and ignoring the cynics".

Perhaps, but at what cost to those cynics when they are Meta's own investors and they have not been given clear "use cases" for what is still an experimental technology affecting a huge swath of the global population?

**James Morris**
*Malmesbury, Wiltshire, UK*


"WHEN THEY EXCHANGED GIFTS, SHE GAVE HIM A TOMATO"

### Russia sanctions must avoid creating 'blocs'

So far, the west's approach to sanctions on Russia ("Surge in exports to Russia's neighbours probed", Report, February 24)) has been measured and considered.

Kazakhstan has worked closely with the EU, the US, and other western partners to manage the impact while ensuring its territory is not used for sanctions circumvention. Given the economic integration of Central Asia, and the dynamics of the Eurasian Economic Union, the current sanctions are complex for the region to navigate.

Indeed, the "multi-vector" approach long pursued by Kazakhstan, which prioritises constructive, close partnerships, is today favoured by the vast majority of middle powers and emerging economies. The impulse to divide the world once again into conflicting "blocs" is not helpful for most countries in the global south, who want to preserve the benefits of globalisation. This understanding must underpin the dialogue around sanctions, and other key global issues.

**Magzhan Ilyassov**
*Ambassador of the Republic of Kazakhstan to the UK, London SW1, UK*

### Biden's Mexican stand-off mirrors the migrant crisis

Regarding your editorial "Mexico's hard-won democracy is in danger" I would point out when it comes to hard tacks, it is the US that will have the last say on what happens. Because one Cuba is more than enough (FT View, February 27).

You write the US, under Joe Biden, could do more to make its influence felt in Mexico, but make no mention of the intractable migrants problem that has been such a sore point between the two countries. President Andrés Manuel López Obrador knows how to exploit this to his advantage, perfectly.

So, no wonder Biden uses restraint.

**Peter Falck**
*Cuernavaca, Mexico*

### Corrections

- Barclays Bank exited Russia in 2016 and does not still have a presence in the country as incorrectly stated in an article on February 27.
- Manchester United football club listed on the NYSE in 2012, not 2007 as incorrectly stated in an article on February 27.

OUTLOOK
LONDON

## *An overheated rental market primes app-users for heartbreak*

*by Joseph Bambridge*

If home is where the heart is, then the UK's broken rental market often feels like an exercise in romantic rejection.

For many years, being a renter in the UK has meant feeling abandoned, unwanted and unloved by policymakers and the public. But for users of flat-sharing apps and websites, the sensation of being spurned has become all too real.

Take, for instance, SpareRoom, an app founded in 2004 that connects people seeking a place to live with landlords, agents or tenants with a room to fill, and boasts about 2mn active monthly users. Visitors to the site create personal profiles, with biographies and photos, and set criteria for ideal flatmates such as age, gender and occupation. If you see someone or some place you like, you can send them a message and arrange a viewing.

If this sounds like a dating app, SpareRoom's communications director Matt Hutchinson agrees that the analogy is useful. "We're bringing people together and allowing them to make the connections they need," he tells me. SpareRoom, which is free at its basic level, is not a letting agent and has no involvement in any rental agreement.

Mixing housing and pleasure can be risky. There have been reports of men using the app to offer rooms in return for sexual favours. SpareRoom says it invests heavily in technology that screens users' posts for signs of illicit behaviour on its platform. But the stories are a reminder of the desperation of many renters.

When I used SpareRoom last summer, I thought deeply about how I presented myself. The image I wanted was someone easy-going but tidy, friendly but not socially dependent, reliably employed but not boring, serious about finding somewhere but not needy.

What transpired was a nightmarish two months of unanswered message, conversations going cold without explanation and cancelled viewings. I tweaked my opening line (was I coming on too strong?). I swapped around my photos (too silly?). Tantalising prospects would appear but swiftly vanish.

It felt far more personal than any rejection in my dating days, and it seems I am not alone: both friends and strangers have reported similar experiences. The stress of finding a room on a budget is only made worse by an added dollop of rejection and low self-esteem.

But we were fighting an uphill battle. Last September, people seeking rooms on SpareRoom outnumbered accommodation advertised by eight to one. In London, where I was looking, there were more than 100,000 users jostling for just over 12,000 rooms. "There was a huge influx of people in a way we've never seen before," Hutchinson explains, as workers returned to cities after the pandemic and universities resumed in-person teaching.

While I was worriedly curating my profile and messages, those advertising rooms were so inundated with inquiries from would-be renters that many told me privately that they didn't even have time to read them. I had imagined they were being highly selective; in fact, their decisions were almost arbitrary.

SpareRoom acknowledges that some landlords capitalised on the surge, but says it does not control the prices advertised, which reached an average of £857 a month in the capital in September and has since increased further. "There's not a great deal that can be done about it until supply and demand are balanced out better," Hutchinson says.

As expected, the summer's spike in demand has now subsided slightly. But a shortfall in accommodation looks set to stay. Many smaller landlords are leaving the market due to the increased cost of building work, and recent tax changes. Meanwhile new-build volumes are far below the government's national target of 300,000 homes a year.

It seems my failed search had nothing to do with my charms, or lack thereof, but was the result of decades of policy shortcomings, from inadequate housebuilding to a concentration of job opportunities within London. Finding a decent flat is likely to be a crushing experience for years to come. In the meantime, dating apps like Tinder, Hinge and Bumble have lost their edge. If it's heartbreak that you're after, download SpareRoom.

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# Opinion

## How to stop an ever sicker workforce dropping out

EMPLOYMENT
Sarah O'Connor

It is often said that you have to understand the root cause of a problem before you try to fix it. I'm not convinced. Take the unexpected trend in the UK of people dropping out of the workforce in recent years — something that hasn't happened in nearby countries such as France and Germany. It has led to endless debate over what's gone wrong. It seems to me it has become a sort of Rorschach test, in which people blame the phenomenon on whichever issue they are already cross about: austerity, say, or welfare dependency or wealthy baby boomers. I include myself here, having argued that part of the blame lies with bad-quality jobs.

But you can disagree about the root causes of a problem while still coming up with some sensible, practical ideas that could make it better. Here's one: occupational therapists, and lots of them.

Regardless of the reasons, we know Britons have become sicker. New working-age disability claimants doubled between 2021 and 2022 — "at essentially every age and for most major conditions, from mental illness to arthritis and back pain", as economist Sam Ray-Chaudhuri at the Institute for Fiscal Studies has put it. The number of people receiving at least one prescription item for antidepressant drugs in England rose 22 per cent between 2015/16 and 2021/22 to 8.3mn. Also growing is the number saying they are too ill to work. Plenty of others are unwell but still working — at least for now.

In an essay to be published this week, Kayley Hignell, head of policy for families, welfare and work at Citizens Advice, argues that "sustained investment in occupational therapy" could make a huge difference. I think she's right.

Occupational therapists are trained in both physical and mental health, which they combine with a practical approach that focuses on helping people to adapt and live well — whether that is by making physical adjustments to someone's house, connecting them to community groups or helping to negotiate changes to their job so they can stay in work or return to it.

"When you look at the bigger picture, the outcomes tend to be better," says Jodie Hall, an occupational therapist in Sheffield. "We're very goal oriented, we set goals and care plans, and review as we go along. We're looking at 'where do you want to be, is it achievable, are we working towards it?'."

> One practical idea that could make it better: occupational therapists, and lots of them

There are about 41,000 occupational therapists in the UK, the majority of whom work for the NHS. But most people don't come into contact with them until they have become really quite unwell — for example, they may see one if they are being discharged from hospital. There are nascent moves to get more of them into GP surgeries, so they can reach people much earlier, such as when they first get signed off from work.

"Getting in early at that point would prevent people being in this cycle where they are in work and out of work," says Karin Orman, director of practice and innovation at the Royal College of Occupational Therapists. There are about 6,500 GP surgeries in England, but currently only 200 occupational therapists are attached to them.

Jodie Hall in Sheffield is part of a mental health service that is integrated into GP surgeries. She and her team also connect people with all kinds of other support, from benefits advisers to an employment service.

One woman, for example, was a cleaner in a gym but it was worsening her anxiety. Someone went along with her and helped her speak to the employer to explore if she could move to a different site or an earlier shift. "Until then, the employer hadn't really heard what the challenge was."

Employers who want to support their staff could even think about hiring an in-house occupational therapist. Orman says this is rare in the private sector, but there is no reason why more companies shouldn't do it.

One problem is supply. In comparison with other countries, the UK actually has quite a lot of occupational therapists: only the US, Japan and Germany have more, according to data from the World Federation of Occupational Therapists. But they were still added to the Home Office "shortage occupation list" in 2019 because — a familiar story, this — the country doesn't train enough people to meet rising demand.

Putting more occupational therapists in GP surgeries isn't going to solve all Britain's problems. But it would pay dividends to give people some help when they first start to struggle — rather than waiting until they really unravel. That goes for the economy too.

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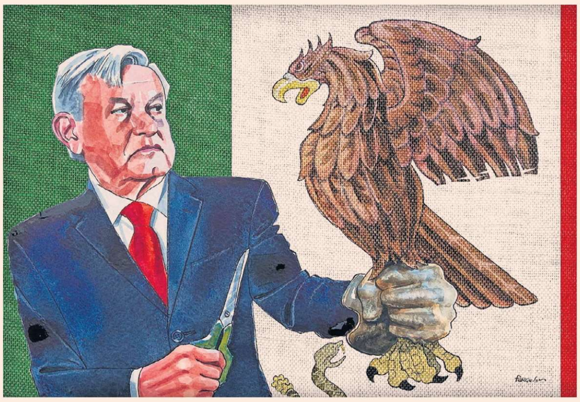
## Strongman act is weakening Mexico



GLOBAL AFFAIRS
Gideon Rachman

Andrés Manuel López Obrador does not like leaving his homeland. The president of Mexico skips G20 summits. Partly as a result, Amlo, as he is often known, has a much lower international profile than other strongman leaders — such as Recep Tayyip Erdoğan of Turkey or Narendra Modi of India.

But, back home, López Obrador dominates the political scene just as completely as an Erdoğan or a Modi. He starts every workday with a 7am press conference that typically lasts hours. From the presidential podium, he likes to denounce his enemies as a corrupt "neoliberal" elite, working against ordinary Mexicans. As president, López Obrador has undermined key state institutions — driving out independent civil servants, promoting loyalists and party hacks and denouncing judges who displease him.

López Obrador's erratic and egocentric political style has now reached a truly dangerous stage. On Sunday, hundreds of thousands of protesters turned out across Mexico to protest against a new law, promoted by the president, that will gut funding for the country's National Electoral Institute, which runs the country's elections.

In Mexico last week, I found virtual unanimity among academics, businesspeople and political commentators that the country's democracy is now in real danger. "Amlo has a done a lot of bad things," remarked one prominent businessman, "but this is the worst, the most dangerous, by far."

López Obrador himself is unlikely to benefit directly from these changes. The Mexican constitution limits presidents to a single six-year term in office, and it is widely assumed that he will step down next year.

But he is likely to handpick his successor by choosing the presidential candidate for his party, Morena. His electoral "reforms" could then help local Morena officials to fix elections. That would return Mexico to the system of corrupt one-party rule, and rigged elections, that blighted the country for most of the 20th century.

That kind of regression would be a tragedy for Mexico and a threat to the US. A slide back into corruption and autocracy is the last thing that Mexico needs, as it struggles to deal with gang- and drug-related violence that has seen 420,000 people killed and over 100,000 currently "missing" since 2000. Mexico's total population is 132mn.

Pervasive corruption is already a huge problem in local government, where officials are often faced with a choice of *plata o plomo* — silver or a lead bullet. Hollowing out Mexico's federal institutions would allow the well-funded drug cartels to gain even more of a grip on the country. Further erosion of the rule of law would also make it much harder for Mexico to attract investment. That would be a huge missed opportunity, at a time when many US multinationals are looking to relocate production from China. For the US itself, a functioning Mexican state is crucial to any efforts to control America's southern border and to crack down on the trafficking of people and drugs. The deadly fentanyl epidemic in America is closely linked to a surge in the production of the drug in Mexico.

Drugs, migrants and border security are likely to be critical issues in the 2024 US presidential election. The Biden administration badly needs Mexico's co-operation on all these issues and so has been inclined not to make a fuss about democratic erosion in Mexico. President Joe Biden paid a cordial visit to López Obrador in Mexico City last month. But if the US turns a blind eye to what is happening there, it is likely to get some nasty surprises.

> López Obrador's erratic and egocentric political style has now reached a truly dangerous stage

One factor making it easier to dismiss the dangers posed by López Obrador is that, as even his critics concede, he is popular and boasts approval ratings of about 60 per cent. His gift for the populist gesture — cutting his own salary and taking economy class flights — burnish his man-of-the-people credentials. Increased social payments and pensions go down well. It is also true that López Obrador has avoided overt authoritarianism. Critical journalists and academics in Mexico do not generally get arrested or imprisoned, as happens in other strongman states. He does, however, often denounce his critics by name in his morning press conference. The commentators he singles out then often get a surge of threats. Ciro Gómez Leyva, a prominent journalist called out by the president, was recently the subject of an assassination attempt. Over 40 journalists have been murdered during López Obrador's term in office. Mexico is regarded as among the most dangerous countries in the world for reporters.

After this weekend's demonstrations, the political atmosphere in Mexico is likely to get even more heated. Opponents of the electoral law cling to the hope that the Supreme Court will strike it down. But, for that to happen, eight of 11 judges must rule it unconstitutional. Two justices are thought to be out-and-out López Obrador loyalists, and two others are regarded as sympathetic. It will be close.

López Obrador wants to be one of the most significant presidents in Mexican history, the architect of a "fourth transformation" to rank with the War of Independence, the 1858-61 Reform War and the Mexican Revolution of the 1910s. If he succeeds in fatally undermining Mexico's democratic institutions, López Obrador will indeed go down in history — for the worst of reasons.

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## *Macron must reset France's Africa policy*

Sylvie Kauffmann

Twenty-one African countries abstained or stayed away last week from the UN General Assembly's vote on a resolution demanding the withdrawal of Russia from Ukraine. Among them, six had a particular, and sobering, relevance for France.

President Emmanuel Macron had visited two of them, Cameroon and Guinea Bissau, last July. Another three — Angola, Gabon and Congo — will host him later this week. Macky Sall, the president of the sixth, Senegal, is considered a friend and was a guest at the Élysée Palace just a month ago.

To add insult to injury, Mali, which had abstained at a similar vote last October, switched to vote against the resolution this time, joining Russia and the likes of North Korea and Belarus. Though not fully unexpected, the move was a painful reminder of France's failures in a country where its armed forces lost 58 men fighting jihadi groups, before being kicked out last year by a military junta to make way for Russian mercenaries from the Wagner Group. Russia's foreign minister Sergei Lavrov, a frequent traveller to Africa these days, paid a visit to the junta in Bamako in early February in effect to issue his voting instructions.

A chastened Macron is embarking this week on his 18th trip to Africa as president. He has not given up on his ambition to transform France's decades-old relationship with its former colonies; on the contrary, he sees it as even more necessary in today's fragmented world. But the French leader has had to rethink his approach. A reset with Africa is badly needed.

These are different times from the early days of his first term when, in November 2017, Macron delivered a passionate speech to a packed auditorium at the university of Ouagadougou, the capital of Burkina Faso. As the first French president born after the colonial era, he declared that the days of France's old African policy were over. He promised a new model, more balanced and respectful of African identities.

No doubt he would get an even less enthusiastic reception from the students in Ouagadougou today. After Mali, political instability, insecurity, anti-French resentment and Russian disinformation campaigns have spread to Burkina Faso, which has also asked French forces to leave the country. Bruised but reluctant to withdraw completely from the Sahel region as the violence and insecurity now threaten even the coastal states of west Africa, France is redeploying its forces and adjusting its strategy to a more discreet presence. An Éllysée official describes this "new philosophy" as "the end of a cycle where France put itself on the front line. We are moving to a cycle where we will rather work in the background."

> Paris is just another actor among many competing powers, including Moscow and Beijing

It has been a humbling experience. Macron's transformative agenda soon collided with the realities on the ground. He wanted France to shed its colonial garb; but fighting terrorism, alongside local governments, implied maintaining military bases which were, in fact, remnants of its colonial past. It is not easy to pretend that you have left when you are still there.

For the sake of stability, the French president ended up contradicting his own professed ideals. He attended the funeral of Chad's president Idriss Déby in 2021, thereby implicitly endorsing the highly undemocratic transfer of power to Déby's son. But didn't France need to keep an air base in N'Djamena to supply its troops in the region?

His support for Ivory Coast's president Alassane Ouattara, elected in 2020 for a third term which the opposition considered as unconstitutional, was also reminiscent of old French habits. But who wanted to face another crisis in a key country in west Africa?

While France got stuck in its military response to the spreading jihadi assault, the continent was changing. With the impact of globalisation, countries in Africa viewed the world differently and the world viewed them differently.

France became just another actor among many competing powers. Russia, playing on the close links the Soviet Union used to maintain with African elites, is back with a vengeance, directly targeting French influence. China and Turkey are big players on the continent, with agendas going well beyond their economic interests. African governments now have a whole array of partners to choose from and will not take advice from their old "protectors".

So, during Macron's upcoming trip expect a lot of emphasis on biodiversity, proposals on help in the fight against climate change, offers on agricultural co-operation and cultural partnerships. Convinced that Africa and its diaspora in Europe are too important to be left unattended, France is trying again.

*The writer is editorial director and a columnist at Le Monde*

## *What private equity means for football*

Sachin Khajuria

Together with other forms of private capital, private equity firms now manage more than $10tn in assets globally. Private equity is active in every sector of the economy. And in recent years, it has emerged as a key suitor to acquire some of the most prestigious clubs in football, particularly in the English Premier League.

Like football, private equity is a people business. It relies on the judgment of key individuals who underwrite cheques for billions of dollars. The best investment professionals eat what they cook, and they're aligned with their investors, such as the pension funds who put up the cash they manage and to whom they charge fees. They are attracted to complexity as a source of value, and they recognise how market chaos can be profit in disguise. They have the temperament to be patient with results and have the humility to pivot when the data suggests they're likely to be on the wrong path.

At the heart of this dispassionate approach, however, lies a cold reality that may not sit well with every stakeholder in football: ultimately, the investment is a transaction. There's no sugarcoating the truth that at some point, the investors will require a return to compensate them for the risks they are taking. Pension funds make payouts to retirees in cash, not in signed football shirts.

The menu of how an investment can be monetised is broad — these days, private equity doesn't even need to fully exit. The vehicle holding the club can sell it to a newer vehicle run by the same firm with a different mix of investors. Or the asset can be put into a longer-term, "permanent" vehicle with a new set of investors eager to get involved. This kind of "perpetual" ownership can allow the firm to reap gains for decades — like the gift that keeps on giving.

> The truth is at some point the investors will require a return to compensate them for the risks they are taking

What changes need to happen at clubs owned by private equity for the investors to double their money or more? Leveraged buyouts might be a thing of the past, because private equity will probably accept demands from astute fans and concerned sellers such as no dividends or debt financing, commitment to a new stadium, investment in the women's game and a youth academy. Therefore, if financial engineering is ruled out as a key driver of value, precisely how will value be created?

For example, if English football is poorly run, what fresh football expertise will be brought in to drive value? And will this better football management lead to trophies? These considerations are relevant for the Premier League right now. Chelsea was acquired in May by a consortium led by successful US financier Todd Boehly and California-based investment firm Clearlake Capital. And Manchester United, Liverpool and Tottenham Hotspur have reportedly each been analysed by private equity. It's likely that more clubs will, too.

The situation is striking because of the contrast between private equity and the other group of club owners to have emerged in recent years: sovereign funds, in particular from Qatar and Saudi Arabia, and billionaire titans with an industrial or sovereign background. Similar to creative private equity bidders, this group can propose a deal involving no debt or dividends and major investment — but they can also promise to reinvest all of the profits back into the club. They can hold the club in a foundation and offer its fan base representation. Put simply, they can undertake that the club will be not-for-profit. The allure of this idea is easy to grasp.

For the UK government and the proposed new independent football regulator, the connective tissue running through all of this is the cultural significance of clubs, which are part of our social fabric. Policymakers need to engage on these issues before ownership changes take place. Why? Because we all have skin in this beautiful game.

*The writer is an investor and the author of 'Two and Twenty'*

# Lex.

Twitter: @FTLex

## Stripe: payment denied

The lifeless US tech market badly needs a jolt from Stripe, once hailed as a public company potentially worth $120bn.

Rising interest rates and falling ecommerce growth suggest the fintech start-up is unlikely to provide that jolt. Last valued at $95bn, the payments business has already lost its spot as the most valuable US private company.

That now belongs to Elon Musk's SpaceX. Last year, Stripe lowered its internal valuation. A further blow is expected. Instead of listing, Stripe is reported to be seeking private funds at a $55bn valuation.

The down round could be partly explained by a tech sell-off. Since Stripe last raised funds in March 2021, the Nasdaq Composite has fallen 15 per cent. High inflation is likely to keep interest rates elevated, maintaining downward pressure.

Stripe is experiencing sector-specific problems too. Its tools are used by Amazon and other customers to process online payments, from which it takes a fee.

Ecommerce boomed in 2020 and 2021, but has since failed to live up to expectations. Last year, US online sales flatlined as a proportion of total retail sales. In the past quarter, Amazon reported a dip in online store sales.

This is not a good time for Stripe to release its financial details in a pre-listing S-1 document. Nor is it a good time to raise funds. Shares in Stripe's European payment processor peer Adyen are down 50 per cent from their high point late last year. But like Airbnb before it, Stripe is under pressure from shareholders itching to cash out. Since Ireland's Collison brothers founded Stripe in 2009, it has rewarded employees with restricted stock units. If it does not list, some of these workers will demand that Stripe change the terms of expiring RSUs and cover the associated tax bill.

If Stripe does opt to swerve an IPO, this year may equal 2022's low tally for listings. Last year, global IPO proceeds fell 61 per cent on the previous year, according to data from EY.

The tech sector may be experiencing a lasting change. Low interest rates underpinned a start-up model in which companies raised funds for fast expansion, putting their products into as many hands as possible. Growth trumped monetisation.

With near-term investments paying out high yields, impatient investors are demanding earlier rewards.

## ABF/Primark: seams good

Fast fashion is back, says Primark owner ABF. Shoppers are out and about, seeking clothes for socialising and work. Strong demand prompted the FTSE 100 conglomerate to lift its outlook for the year. The news rewarded investors' optimism. The shares have risen over a fifth this year.

Are they still worth queueing for? Primark's margins are being squeezed. The half-year operating profit is likely to be in line with last year's, though group sales are more than a fifth ahead — 16 per cent at constant currency.

Primark, the discount fashion retailer that accounts for most of ABF's profits, expects its first-half margins to fall from 11.7 per cent to about 8 per cent. Nor is ABF fully passing on extra costs in the grocery and sugar business, which account for about a quarter and a tenth of operating profits.

Dollar strength is a problem. The bulk of Primark's clothes, sourced in Asia, are denominated in dollars. The company remains wary of scaring off value-conscious customers.

A longer-term question concerns Primark's refusal to embrace online shopping (apart from a click-and-collect trial of children's products). It considers its low prices incompatible with the extra costs of building an ecommerce network. But online competition may reduce its potential market. Sales are still not back to pre-pandemic levels everywhere in Europe.

Falling energy and freight costs will ease the pressures on Primark. The cost of shipping a container from Asia is back at around $2,000, having risen to nearly eight times that at the peak.

ABF has come through the pandemic in good shape. The success of its store formats overseas and the stability of its ownership inspire confidence.

The shares trade on a 10 per cent discount to the long-term forward price earnings average of 17.5. That is still costlier than Primark's throwaway fashion. But medium-term growth prospects justify a bullish view of the shares.

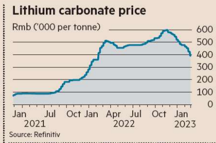
## China lithium: batteries not included

The largest battery maker is benefiting from steep prices for lithium. Abundant supplies of the material and demand for electric vehicles are a boon for businesses that control the Chinese market.

### China lithium and battery stocks

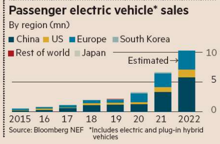

Source: Refinitiv *Contemporary Amperex Technology

### Lithium carbonate price




Source: Refinitiv

### Passenger electric vehicle* sales




Source: Bloomberg NEF *Includes electric and plug-in hybrid vehicles

Beijing is adding lithium mining to its long list of crackdown targets. A probe into environmental rule-breaking has imposed shutdowns on China's largest mine and production hub, according to reports. This could end up benefiting local electric battery group CATL.

Miners in Yichun, Jiangxi province, produce about a tenth of the global supply of lithium. This area is home to the world's largest mine for lithium-bearing mineral lepidolite, with reserves of 1.1mn tonnes.

Coping with crackdowns has become a normal part of doing business in China. Probes and restrictions have spanned the tech, education and property sectors. Harsh scrutiny typically follows share price gains and record earnings.

Lithium prices hit a record last year thanks to surging electric vehicle sales. Ganfeng Lithium, the biggest local specialist, expects preliminary net income for 2022 to rise more than fourfold. Rival Tianqi Lithium has forecast that net income will rise more than 1,100 per cent to above $3.7bn.

Shares of Ganfeng Lithium and Tianqi Lithium have risen more than fivefold, trough to peak, over the past two years. This reflects operating margins that have more than doubled.

Extended shutdowns could hurt these businesses. A couple of years ago, the earnings of battery and electric-car makers would have suffered too. That is no longer universally true.

CATL is the world's largest manufacturer of electric vehicle batteries and has received strong government support. It supplies nearly 40 per cent of the global market. Its aggressive investments in the lithium sector mean it has access to large amounts of lithium at stable prices. Sources range from Australia and Argentina to Bolivia.

A rise in the cost of lithium from China, which controls two-thirds of processing capacity, creates relative advantage for better-hedged companies such as CATL. This should support CATL shares trading at 25 times forward earnings, according to S&P Capital IQ. It should prompt the west to question its dependence on China for a mineral that is globally abundant.

## Tinkoff: ticked off

The EU has implemented its tenth sanctions package against Russia. The bloc has excluded three more lenders from the Swift payments messaging system, including Tinkoff Bank, further reducing financial conduits between Russia and the west.

The impact of sanctions has been more limited than western governments had hoped, reflecting the ability of Russia to continue selling oil and gas. But financial restrictions are trapping growing sums of Russian capital uselessly abroad.

Tinkoff has suspended trading in euros. Currency dealing has become lucrative for Russian banks.

With around half of its reserve assets frozen, Russia's central bank has adopted measures to support the rouble, which lingers at a 10-month low. These include mandatory conversion of a portion of incoming euros and dollars at steep charges.

Online bank Tinkoff was expanding beyond its remit of domestic consumer finance and retail payments before the war. Fee and commission income rose 64 per cent in the first three months of last year. That has not helped founder Oleg Tinkov, a critic of Vladimir Putin, who was forced to sell his stake.

The trading bonanza has bolstered Russian units owned by UniCredit of Italy and Austria's Raiffeisen Bank.

Trading income at UniCredit in Russia rose to €428mn last year from €28mn in 2021. US sanctions enforcers last week flagged concerns about Raiffeisen's activities in Russia.

Fewer unsanctioned banks converting euros to roubles means more money trapped offshore.

Some $100bn of additional assets from the Russian private sector were present in western banks in the first half of 2022, said researchers at the CEPR. Most was in liquid deposits and currency. The bulk of the increase, some $60bn, was stuck in Belgium.

Sanctions are having a similar effect to arms shipments. They have not routed Russia but have left it bogged down, financially as well as militarily.

## Sports valuations: Diamond in the rough

Disney's $71bn acquisition of a trove of 21st Century Fox media assets in 2019 remains controversial. But Disney's Bob Iger, as a part of the transaction, made one undeniably wise choice.

Fox was also seeking to unload more than 20 regional sports networks that broadcast baseball and basketball games in local markets. RSNs were a lucrative concept that Rupert Murdoch himself had helped pioneer.

Disney decided to pass on the RSNs. They were ultimately acquired by Sinclair Broadcast Group, which was best known as an operator of local television affiliates scattered across America.

Sinclair went on to put the RSNs into a separate vehicle, which it named Diamond Sports. The entity was thought to be so foolproof that its $10.6bn purchase of the Fox assets was funded with just $1.4bn of common equity.

But in sports there are upsets. The pandemic first halted games and then accelerated cord-cutting. Cable and satellite businesses that were shedding subscribers could no longer justify paying sky-high rights fees to franchises and leagues.

Diamond recently announced that it is preparing a potential bankruptcy filing to deal with $8bn of debt.

Sports properties seemed to be the last remaining content category to defy price gravity. But even Disney's ESPN is struggling with high costs and flagging revenue. Its once-dominant "linear networks" division just reported a 16 per cent quarterly drop in operating profits.

Perhaps streaming platforms — within traditional media companies or challengers — will simply take over the job of bidding up sports TV rights. But the plateauing subscriber growth of Netflix and others shows that their own economics are not that great.

The pending Diamond Sports bankruptcy comes as trophy sports franchises go up for sale around the world. These include Manchester United and the Washington Commanders.

Diamond is demonstrating that there is an upper bound on prices fans will pay to watch games on video. Would-be team owners should take note.



## CROSSWORD

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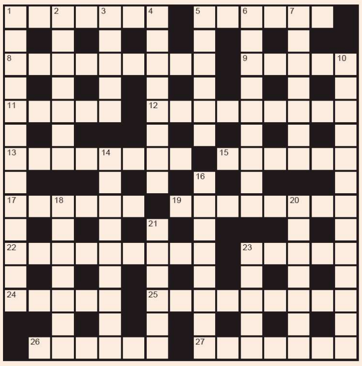


**ACROSS**

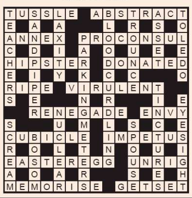
1 Recite poem skipping over assertion of truth (7)
5 Sour-tempered fictional detective arresting rotund character (6)
8 Moralist disturbed by knight's offence involving loss of grace (6,3)
9 A carriage sent back out of consideration (5)
11 Endlessly encountered in religious woman's guiding spirit (5)
12 Agreement concerned with protecting old musical instrument (9)
13 Tell of Dicky employing engineers without having to pay (4-4)
15 Peacekeepers on drugs reportedly for anxiety (6)
17 Unmitigated sanction wife ignored (6)
19 Systematic investigation concerning small church organ earlier (8)
22 Hypocritical after interrupting during Religious Education (9)
23 Dance company not available outside Gambia's capital (5)
24 Essential to expel emissions from resin used in varnish (5)
25 Replacement component's new strap packed by American salesman (5,4)
26 Robust scrutiny without resistance (6)
27 Extremely surprised by jar he'd initially disregarded (7)

**DOWN**

1 Serving as proof in case involving deranged monster (13)
2 Chewy sweet stuff infused with absinthe originally by the Spanish (7)
3 Leading amateur gets to win for a second time (5)
4 Ill-judged post dividing opinion briefly (8)
5 Troublemaker regularly seen in club (6)
6 Adjust back row (9)
7 Leading performer almost capturing old Ugandan leader's enduring energy (7)
10 Easily moved boat on date he organised around the end of September (13)
14 More decorative hedges at home of big-time money manager (9)
16 List of dishes (including drink) served up by son of Spartan king (8)
18 Characteristic of sixth sense described by soldiers at court (7)
20 Fled with large bag of plunder (7)
21 Language unknown beyond Japan's principal island (6)
23 Belief in somewhat mediocre dogma (5)*

JOTTER PAD

Solution 17,344



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