FINANCIAL TIMES
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Banks battered and rate forecasts reined in as SVB tremors spread

● Markets bet on borrowing cost freeze ● Fed unveils lending facility ● Biden reassures Americans

FT REPORTERS

The failure of Silicon Valley Bank tore into global markets yesterday, with investors ripping up their forecasts for further interest rate rises and dumping bank stocks around the world.

Government bond prices soared as fund managers bet that the US Federal Reserve would leave rates unchanged to steady the financial system. As recently as last week, markets were braced for another half-percentage point rise at this month's monetary policy meeting.

The two-year Treasury yield, which moves inversely to prices, had been on course for its biggest one-day fall since 1987 after slipping below 4 per cent.

SVB was taken over by regulators on Friday — and Signature Bank on Sunday — after customers raced to withdraw their money in the biggest test of the US financial system since 2008.

The Fed has announced a new lending facility aimed at providing extra funding to ensure that "banks have the ability to meet the needs of all their depositors". Officials also pledged that depositors at SVB and Signature would be protected from loss, even if their deposits exceeded the normal $250,000 limit.

US president Joe Biden sought to reassure Americans that their money was safe, vowing to do "whatever is needed" to protect their deposits.

The Bank of England, meanwhile, brokered an agreement to sell the UK arm of SVB to HSBC for £1, in a deal sealed after all-night talks led by British prime minister Rishi Sunak.

Investors were divided on what further action may be needed to shore up confidence in other US banks regarded as vulnerable to higher interest rates and flighty deposits.

Hedge fund manager Bill Ackman called for the government to "explicitly guarantee all deposits now. Hours matter." But counterpart Ken Griffin, founder of Citadel, told the Financial Times that the Biden administration's move to backstop all deposits at SVB had been wrong-headed. "The US is supposed to be a capitalist economy," said Griffin. "That's breaking down before our eyes . . . We need accountability."

As fear spread, shares in First Republic, another California-based lender, dropped 77 per cent. The KBW banks index, which includes larger lenders,

fell 11 per cent, even while the benchmark S&P 500 index of the country's biggest stocks was trading 0.5 per cent higher.

Contagion spread to Europe, where the Stoxx banks index fell a further 6.5 per cent. Several lenders suffered double-digit falls, including Spain's Banco Sabadell and Commerzbank of Germany.

The failure of SVB and closure of Signature Bank come just months after a shortlived crisis in UK government bonds, underlining the risks buried in the financial system as central banks rapidly lift borrowing costs. Investors and analysts said policymakers would need to tread carefully as they sought to lower inflation.

Goldman Sachs said that it no longer expected any rate increase at the Fed's meeting this month "in light of recent stress in the banking system".

Traders now forecast a roughly even split between the odds of a quarter-point rise and the Fed leaving rates unchanged, Refinitiv data showed.

Greg Peters, co-chief investment officer at PGIM Fixed Income, said he believed the rally in government bonds was misplaced. "It's way too big of a move. The markets are overreacting massively; they completely forgot about inflation," he said. "This is a massive head fake."

Michael Every, an analyst at Rabobank, said the implications of the Fed's intervention were potentially "enormous", adding: "The Fed is de facto allowing a massive easing of financial conditions as well as soaring moral hazard."

Reports by Katie Martin, George Steer and Harriet Agnew in London, Brooke Masters in New York and Colby Smith in Washington

'The US is supposed to be a capitalist economy. That's breaking down before our eyes'
Ken Griffin

Inside Analysis & Opinion

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Briefing

▸ Pfizer to pay $43bn for oncology biotech Seagen
The US pharmaceutical group has agreed to acquire the pioneer in antibody-drug conjugates, which seek and kill tumours without hitting healthy cells, as it refills its pipeline after a sharp fall in sales of Covid products. Meanwhile, Sanofi agreed to buy diabetes treatment developer Provention Bio for $2.9bn.— PAGE 6; LEX, PAGE 18

▸ Xi to build 'wall of steel'
The Chinese president has vowed to defend the country's interests as relations with the west reach the lowest point in decades.
— PAGE 4; GIDEON RACHMAN, PAGE 17

▸ Swiss block on Kyiv arms
President Alain Berset has ruled out re-export of Swiss-made arms to Ukraine in an attempt to halt a tense debate on the country's longstanding neutrality.— PAGE 2

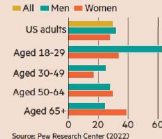
▸ Record Turkey deficit
The government has recorded a current account deficit for January of $9.85bn, the highest monthly level since data was first collected in 1984.— PAGE 3

▸ Icahn lights up Illumina
Shares in the biggest genome sequencing group have surged after activist investor Carl Icahn launched a proxy battle over a "reckless" acquisition.— PAGE 6

▸ Pollution hits poor hard
Air quality has improved in Paris, London, Los Angeles and Hong Kong but worsened in Baghdad, New Delhi and Chad's N'Djamena.
— PAGE 2; RUCHIR SHARMA, PAGE 17

Datawatch

All the young dudes
% of US adults who say they are single



Source: Pew Research Center (2022)

More than 60 per cent of young American men are single, nearly twice the rate of unattached young women. The disparity, according to some observers, might signal a breakdown in the social, romantic and sexual life of the American male

Reservists reveal depth of division on Israeli judiciary

Analysis ▸ PAGE 2

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	Rupee350
Philippines	Peso140
Singapore	S$5.80(inc GST)
Taiwan	NT$140
Thailand	Bht140
Vietnam	US$4.50

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Beijing tightens grip on data flows with delays to South China Sea cable laying

ANNA GROSS AND ALEXANDRA HEAL
LONDON

China is delaying projects to lay and maintain subsea internet cables that pass through the South China Sea as it seeks to exert control over infrastructure transmitting the world's data.

Stricter Chinese requirements, such as permits for work conducted outside its territorial waters, have pushed companies to design routes that avoid the South China Sea, according to several people within the industry.

A cable under construction called SJC2, which will connect Japan to Singapore and land in Taiwan and Hong Kong, has been held up for more than a year because of Chinese objections, said two industry executives.

China delayed approval for sea-floor prospecting in its territorial waters around Hong Kong for the cable — owned by a consortium including China Mobile, Chunghwa Telecom and Meta — for several months. Chinese authorities cited concerns that the contractor might install spying equipment, according to one person on the project.

Bryan Clark, a former US submarine officer now at the Hudson Institute think-tank, said: "China is attempting to exert more control over undersea activities . . . in part to prevent US surveillance systems from being installed as part of undersea cable deployment."

He added that Beijing also wanted to know exactly where civilian undersea infrastructure was being installed "for its own mapping purpose".

Tensions over who owns, builds and runs the fibre cables sending internet traffic around the world have risen sharply since 2020, when the US began to block Chinese involvement in international consortium projects. Washington has also denied permission for subsea cables connecting the US to mainland China and Hong Kong.

China is among a handful of countries in Asia to have started requiring permits for cable laying in claimed territorial waters beyond 12 miles from its land, in apparent contravention of international maritime law, according to executives at two subsea cable companies in Europe.

"Nobody is daring to do operations without explicit authorisation," said one, adding that it "never comes".

China's Ministry of Natural Resources and Ministry of Defence did not respond to a request for comment.

Additional reporting by Mercedes Ruehl in Singapore, Kana Inagaki in Tokyo, Demetri Sevastopulo in Washington and Kathrin Hille in Taipei

World Markets

STOCK MARKETS

	Mar 13	Prev	%chg
S&P 500	3891.36	3861.59	0.77
Nasdaq Composite	11291.23	11138.89	1.37
Dow Jones Ind	32136.67	31909.64	0.71
FTSEurofirst 300	1748.88	1791.22	-2.36
Euro Stoxx 50	4103.14	4229.53	-2.99
FTSE 100	7548.63	7748.35	-2.58
FTSE All-Share	4117.47	4226.46	-2.58
CAC 40	7011.50	7220.67	-2.90
Xetra Dax	14959.47	15427.97	-3.04
Nikkei	27832.96	28143.97	-1.11
Hang Seng	19695.97	19319.92	1.95
MSCI World $	2657.41	2691.17	-1.25
MSCI EM $	955.28	968.39	-1.35
MSCI ACWI $	616.60	624.51	-1.27
FT Wilshire 2500	5020.16	5105.36	-1.67
FT Wilshire 5000	39193.56	39870.79	-1.70

CURRENCIES

Pair	Mar 13	Prev	Pair	Mar 13	Prev
$/€	1.073	1.069	€/$	0.932	0.936
$/£	1.216	1.210	£/$	0.823	0.826
£/€	0.883	0.883	€/£	1.133	1.132
¥/$	133.150	134.335	¥/€	142.903	143.571
¥/£	161.877	162.558	£ index	78.161	77.384
SFr/€	0.979	0.983	SFr/£	1.109	1.113

CRYPTO

	Mar 13	Prev	%chg
Bitcoin ($)	24074.01	22157.50	8.65
Ethereum	1674.54	1591.59	5.21

COMMODITIES

	Mar 13	Prev	%chg
Oil WTI $	74.93	76.68	-2.28
Oil Brent $	80.88	82.78	-2.30
Gold $	1861.25	1831.40	1.63

GOVERNMENT BONDS

Yield (%)	Mar 13	Prev	Chg
US 2 yr	4.13	4.72	-0.59
US 10 yr	3.51	3.75	-0.24
US 30 yr	3.63	3.74	-0.11
UK 2 yr	3.33	3.63	-0.30
UK 10 yr	3.50	3.78	-0.28
UK 30 yr	3.80	3.98	-0.18
JPN 2 yr	-0.03	-0.04	0.01
JPN 10 yr			
JPN 30 yr	1.29	1.39	-0.10
GER 2 yr	2.68	3.08	-0.40
GER 10 yr	2.25	2.50	-0.25
GER 30 yr	2.27	2.46	-0.20

Prices are latest for edition
Data provided by Morningstar

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Ukraine conflict

Swiss leader digs heels in and rejects arms for Kyiv

President frustrates allies by ruling out re-exports on grounds of neutrality

SAM JONES — ZURICH

Switzerland's president has ruled out the re-export of locally made weapons to Ukraine in an attempt to draw a line under a tense domestic debate on the country's longstanding neutrality.

"Swiss weapons must not be used in wars," said Alain Berset, who is also the interior minister, accusing opponents of engaging in "war frenzy" and calling for a rapid diplomatic solution to Russia's invasion of its neighbour.

Berset's declaration will confound those who had hoped for the beginnings of a change in Switzerland's position.

Diplomats from Germany, France and the Netherlands have all lobbied intensively in recent months to allow stocks of Swiss-made weapons they hold in their armouries to be sent onwards to support Ukraine's war effort.

> 'Pacifism has a bad reputation right now but warfare is not part of the Swiss DNA'

Under current laws, weapons made by Swiss manufacturers can be resold or redirected only with the Swiss government's permission, and may not be sent into active war zones.

As pressure on Bern has mounted, particularly over vital stocks of anti-aircraft shells used by Gepard flak cannon, some Swiss politicians have called for a change in their country's stance.

Two initiatives have been wending their way through Switzerland's complex parliamentary process, one to modify the highly restrictive Federal Act on War Materiel by allowing weapons re-exports under circumstances with UN approval, and another to create a special "Lex Ukraine" for an urgent one-off transfer of materiel to Kyiv.

A poll published at the beginning of the month, meanwhile, found that 55 per cent of Swiss citizens supported the re-export of arms to help Ukraine defend itself.

But the president brushed off calls for a change in his country's position.

"To claim that Europe's self-defence depends on the re-export of weapons from Switzerland and to demand that we disregard our existing law does not strike me as appropriate," Berset told the NZZ newspaper.

Berset took exception to comments made recently by France's ambassador to Bern, who had said that Switzerland would pose a "problem for Europe" if it continued to block the re-export of weapons and ammunition to Ukraine.

"It is precisely because we are neutral and do not allow the transfer of weapons to war zones that we can do a great deal for this continent," Berset said. "Pacifism has a bad reputation right now but warfare is not part of the Swiss DNA."

He also accused German politicians of targeting Switzerland in an attempt to distract from their own poor record on delivering lethal aid to Ukraine.

Berset, a social democrat, is one of Switzerland's seven federal councillors who constitute the executive arm of the government. The presidency rotates between them annually.

Not all of Berset's colleagues agree with him, however. Defence minister Viola Amherd, from the Centre party, told Swiss army officers this weekend that Switzerland could no longer afford to militarily "stand on the sidelines".

Berset's staunch, and now publicly declared, opposition to any weapons deliveries, makes a change in the status quo highly unlikely.

The federal council rules by strict consensus and parliament is months away from agreeing to any change in the law. Even if it does, a national referendum would need to be called on the issue, a process that could take up to a year to organise.

Martin Sandbu see Opinion

Shells needed: the Gepard self-propelled anti-aircraft gun — Imago/Sven Eckelkamp

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Middle East. Court reforms

Port disruption: Israeli naval reservists take to the water with flares to hit operations at Haifa last week — Shir Torem/Reuters

Israeli reservist demonstrations crank up pressure on Netanyahu

Military protests underscore depth of divisions over attempt to overhaul judiciary

JAMES SHOTTER — JERUSALEM

Protests by Israeli reservists against a judicial overhaul have sparked alarm among the military leadership and raised the stakes for the new government seeking to push through the changes.

Hundreds of reservists from across the military, including elite cyber and military intelligence units, pilots and combat medics, have in recent weeks warned they will refuse to train or carry out reserve duty if Prime Minister Benjamin Netanyahu's rightwing coalition presses ahead with the plans.

The threats from within one of Israel's most important institutions have underscored the depth of the divisions over the reforms, which have triggered mass protests, stirred alarm among allies and sent the shekel tumbling. The backlash has already included jurists, economists, former central bank chiefs and executives from the tech sector.

The opposition peaked last week when 37 of the 40 reservists in Squadron 69 — an elite unit which flies F-15 fighter jets and took part in the 2007 mission to bomb a nuclear reactor in Syria — warned their commanding officer they would not turn up for a training day as normal.

At the heart of the dispute are proposals that would sharply curb the judiciary's powers and give the government control over appointing judges. Officials argue the changes are needed to rein in an activist judiciary.

But critics see them as a fundamental threat to Israel's democratic checks and balances that will endanger minority protections, foster corruption and damage the economy.

The Squadron 69 reservists said they would take part in combat operations if needed and visited their base for talks with their commanders. But news of the unease in one of Israel's leading air force units drew an angry response from politicians in the ruling coalition.

Communications minister Shlomo Karhi said reservists refusing to report for duty could "go to hell", while public diplomacy minister Galit Distel Atbaryan branded them "not patriots . . . Not Zionists. Not the best of our guys. Not wonderful people. Not the people of Israel."

Herzi Halevi, chief of the general staff, said "refusal is a red line". Senior officers have held meetings with reservists to de-escalate the situation.

"Certain cracks can form that will be irreparable in the future," Halevi said. "It is unacceptable to discuss refusal. It is unacceptable to act on refusal."

Part of the reason the F-15 squadron's warning reverberated so widely is that the pilots are regarded as core to an institution that is central to Israeli life. While the Arab minority and ultraorthodox groups do not have to do military service, it is a rite of passage for the rest of the country's Jewish majority. The military has long been regarded as a unifying force in a diverse society.

"The pilots are the pioneers in the military power of the [Israel Defense Forces]," said Michael Milstein, a former IDF intelligence official. "They are seen as elite, the ones who were on the front line of any conflict".

> 'If anything is going to cause a change of plan, it will be this'
> Michael Milstein, former IDF official

But the reservists' warning has also had such impact because of the role they play in Israel's military. Following three years of military service, most men remain reservists until their 40s. In units such as Squadron 69 they make up the bulk of the manpower — even though reserve duty for pilots is voluntary.

"The real issue is not the 37 pilots of Squadron 69. The real issue is that there are many, many, many more pilots in all the other squadrons who hold the same opinion," said Guy Poran, a former helicopter pilot who heads a group of 1,300 former air force servicemen opposed to the judicial overhaul.

"They think that if the legislation to eliminate a strong and independent Supreme Court passes, they would consider that Israel has stopped being a democracy . . . And that if it stopped being a democracy, they would not be able to serve."

Israel's military has been hit by calls to refuse service before, such as the withdrawal from Gaza in 2005. But analysts say this disquiet is different, both in terms of its breadth and because the opposition is to the government's plans to overhaul the judiciary rather than against a specific military activity.

"What is happening now is absolutely unique," said Poran.

Despite the warnings from reservists, a plea from the president to abandon the proposals and 10 weeks of street protests — hundreds of thousands joined a rally on Saturday with local media estimating at least 200,000 in Tel Aviv alone — the government has shown little inclination to back down.

But Milstein said that, of all the sources of pressure, the protests from reservists were the most significant. "If anything is going to cause a change of plan, it will be this," he said.

"Right now, the protests are only symbolic. But if things continue, of course they will also have a practical impact."

Environment

New Delhi air worsens but Paris and LA cut pollution levels

CHENG TING-FANG
LONDON

Residents of Paris, London, Los Angeles and Hong Kong are breathing cleaner air while Baghdad, New Delhi and Chad's N'Djamena are suffering higher levels of pollution, according to the latest report on global air quality.

Roughly 90 per cent of the world's population is breathing air that poses a risk to health but the gap between high- and low-income cities is widening, the annual study by IQAir, the Swiss-based air technology group, found.

The 2022 study, using 30,000 ground level sensors in more than 7,000 cities, measured the concentration of fine particulate matter with diameters of up to 2.5 microns, known as PM2.5, one of the most hazardous pollutants, as it may be able to enter the bloodstream.

In richer countries, air quality was improved where industry was complying with stricter World Health Organization guidelines and transport was being electrified, it concluded, but developing countries were struggling.

"Biomass and agricultural burning are the number one reason for stubbornly high air pollution levels in the developing world," said Frank Hammes, IQAir chief executive.

In Europe, where Berlin and Rome had slightly worse air quality levels in 2022, household burning of wood accounted for a large proportion of winter smog.

China had managed to achieve impressive reductions in air pollution for the past seven years, Hammes said, based on a crackdown on polluting industry and a focus on renewable energy and electric vehicles.

However, continued burning of coal meant that its heavily industrialised cities, such as Hotan in Xinjiang, western China, ensured some of the worst air in east Asia.

Last year, China's air quality improved as extensive Covid lockdowns suppressed economic activity, leading to lower emissions.

"In 2023, it remains to be seen if China can further reduce air pollution, or if the pressure of increased economic activity, leads to stagnation or an increase in air pollution," Hammes said.

The WHO estimates that poor air quality accounts for 7mn preventable deaths a year, while the World Bank has put the total economic cost of air pollution at more than $8tn dollars.

New Delhi and Baghdad's concentration of pollutants were almost 18 times higher than the maximum safe level recommended by the WHO.

N'Djamena, capital of Chad, one of the poorest countries in the world, earned the dubious accolade of being the most polluted capital in the world for 2022, replacing New Delhi even though air quality there also continued to deteriorate.

The surge in PM2.5 concentration in N'Djamena was attributed to massive dust storms from the Sahara Desert, the report found.

Smog control: a municipal worker sprays water on a road in New Delhi

India remains host to 12 of the top 15 most polluted cities in the central and south Asia regions.

Vietnam's capital of Hanoi reported the second worst air quality in southeast Asia and was in the bottom 18 globally. Vietnam has been expanding its industrial activity rapidly in recent years as big tech companies such as Apple, Google, Dell and their suppliers invest in factories to diversify away from China.

Several Middle Eastern capitals ranked among the 20 most polluted cities globally. These included Abu Dhabi, Riyadh and Doha, which all saw air quality worsen.

Meanwhile Canberra in Australia overtook Nouméa, in the Pacific island of New Caledonia, to report the world's best air quality last year. Fewer fires and dust storms helped to deliver its residents cleaner air, researchers found.

Other nations among the 13 out of 131 surveyed that met WHO's air quality guidelines included Guam, New Zealand, Estonia and Finland. Of the cities surveyed, Hamilton, Bermuda, San Juan, Puerto Rico and Reykjavik had the freshest air.

Ruchir Sharma see Opinion

2023/3/14 19:48 Financial Times Asia

INTERNATIONAL

Central bank crypto plans face public backlash

Policymakers' enthusiasm is not matched by consumers, who are worried about privacy and unsure of benefits

MARTHA MUIR — LONDON

US critics deride it as the "Biden coin", Europeans worry their privacy is at risk, while in China few are prepared to ditch tried-and-tested payment apps for the state-backed equivalent.

About 85 central banks are engaged in projects to create digital currencies, according to figures from the Bank for International Settlements. Among them is the Bank of England, which said last month it was "likely" that the UK would eventually need one.

Cheaper and faster payments, more financial inclusion and the crowding out of cryptocurrencies and Big Tech are the aims. Yet governments' enthusiasm is not matched by the citizens they represent, many of whom view central bank digital currencies, or CBDCs, as an encroachment into their private lives and are unsure what benefits the projects are supposed to deliver.

"Central banks are putting the technical preparations in place," said Eswar Prasad, professor of international trade policy at Cornell University. "But they have realised there is more broad public and political support needed before moving forward."

A CBDC could also have radical implications for private lenders, which would face liquidity shortages if a flood of money were shifted into state coffers. Policymakers could impose holding limits — or offer limited or no interest on deposits — to stop that happening, but that would impede take-up of CBDCs.

"It would be an embarrassing failure if [a CBDC] is not used," said Harald Uhlig, economics professor at the University of Chicago. "But if you make it too attractive you're eating the banks' lunch."

In countries where CBDCs have been launched, adoption has been piecemeal. In Nigeria — one of four jurisdictions to launch a digital currency for the public alongside the Bahamas, the Eastern Caribbean and Jamaica — fewer than 0.5 per cent of citizens used the eNaira more than a year on from its October 2021 launch.

Mosope Arubayi, a Nigerian economist, said a lack of trust between citizens and the government had reduced take-up. "People are sceptical about it and afraid of their money disappearing without anyone to hold accountable," said Arubayi.

The idea is also yet to take off in China, which launched a pilot programme in selected cities in 2020 to challenge the dominance of digital payments apps Alipay and WeChat.

Transactions using private digital systems for the third quarter of 2022 were valued at Rmb87.5tn ($12.7tn) — those using the digital renminbi were just a fraction of that at Rmb100bn ($14.5bn).

Former People's Bank of China official Xie Ping in December acknowledged the results of the pilot were "not ideal".

But other officials point out forms of money do not have to be widely used to have value. "I don't think Swedish krona banknotes are a lesser form of money than Japanese yen banknotes just because the Swedish notes in circulation are equivalent to about 1 per cent of GDP and the Japanese ones are over 20 per cent," said Cecilia Skingsley, head of the innovation hub at the Bank for International Settlements.

Yet competition is a driving factor behind governments' enthusiasm for CBDCs.

Despite its failings, the Facebook-led Libra project, launched in June 2019 and quietly killed off in January 2022, highlighted a threat to central banks' near-monopoly power to issue base money. In the eurozone, the dominance of US payments groups Visa and Mastercard has led the European Central Bank to push for a digital euro.

But a 2021 ECB consultation found European citizens were concerned about the implications for privacy of a CBDC. Last month hundreds of people marched through central Amsterdam complaining a digital euro would allow the authorities to monitor and restrict their spending options.

"European history has traumatic examples of the misuse of central authority over citizens' information," said Marina Niforos, affiliate professor at HEC Paris. "For many Europeans, [data privacy] is an acquired right that needs to be respected by any new project."

Central banks are concerned that too much anonymity could allow users to break their own strict anti-money laundering and anti-terrorism rules. Fabio Panetta, the ECB executive overseeing the project, tried to offer a compromise last month, saying the central bank would not be able to access people's personal payments data. The ECB has also suggested lower value transactions could be processed with less scrutiny.

Analysts are sceptical that such reassurances will be enough. "They'll have to tie their hands behind their backs to prove they don't have the data," said Darrell Duffie, management and finance professor at Stanford University.

Officials in the US are also brushing up against popular resistance.

At a time when the government is under fire for high inflation, digital dollars, dubbed "Biden bucks" and "Biden coin", have become the subject of online misinformation campaigns, which claim the US president has signed an executive order to get rid of cash.

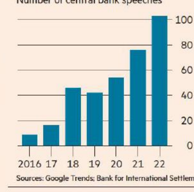
"CBDCs are being sold as being better, faster and cheaper, but it will be weaponised to profile and identify political enemies," said economist and lawyer Jim Rickards.

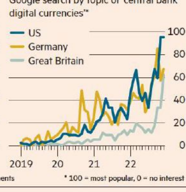
Some finance officials are far from keen on a US digital currency. Fed governor Christopher Waller said in October he was "not a big fan". Nellie Liang, under-secretary for domestic finance at the Treasury, said in December that the need for one did not currently exist — though this month she said the Treasury, the Fed and White House would soon begin discussions on a US CBDC.

Advocates say a digital dollar could cut payments costs for lower-income households. The 4.5 per cent of US households that do not have a bank account can be charged as much as $12.99 to pay a $100 bill using cash, according to the Kansas City Fed.

"CBDCs should be there to cater for a certain part of the public's preferences," said Skingsley, "not to become the dominant form of money."

Additional reporting by Aanu Adeoye in Lagos and Martin Arnold in Frankfurt





Sources: Google Trends; Bank for International Settlements
* 100 = most popular, 0 = no interest

Election run-up

Turkey posts highest deficit since records first collected

AYLA JEAN YACKLEY — ISTANBUL

Turkey has posted a record current account deficit, underscoring the challenge facing President Recep Tayyip Erdoğan as voters' discontent over his stewardship of the $800bn economy grows ahead of a general election in May.

Erdoğan has vowed to tame Turkey's chronic deficit, a key vulnerability for the economy, by lifting exports with a weaker currency.

However, higher global energy costs worsened the deficit, which jumped 43 per cent year on year to $9.85bn in January, the highest monthly level since the data was first collected in 1984, according to Reuters. Economists had expected a deficit of $10bn, a Reuters poll showed.

With exports failing to keep up with imports, the trade deficit widened 38 per cent in January to $14.24bn, hitting Turkey's balance of payments, which covers the total value of goods and services that a country imports and exports.

"The idea was 'we're going to export our way out', and that clearly isn't working because Turkish companies need to import intermediate goods and energy to export," said Wolfango Piccoli, co-president of political risk advisory at the consultancy Teneo.

The lira has lost about 60 per cent of its value against the US dollar since March 2021, when Erdoğan appointed a central bank governor who has embraced his unorthodox economic theory that cutting interest rates will slow, rather than fuel, price growth. Inflation hit 85 per cent late last year before slowing to 55 per cent last month.

The cost of living crisis has eroded support for Erdoğan's ruling party ahead of the election on May 14.

Shortcomings in the rescue and relief effort following last month's huge earthquake are also likely to complicate his bid to extend his rule into its third decade. The disaster killed more than 55,000 people in southern Turkey and northern Syria.

The balance of payments in January did not record any "net errors and omissions" — money whose origin is unclear — for the first time in 12 months, central bank data showed. These unexplained inflows of capital, which have vexed economists, financed almost half the current account deficit last year.

Should Turkey's inflows prove insufficient to finance the deficit, the lira would come under renewed pressure, Piccoli said.

"It's happening at the wrong time from Erdoğan's point of view," he said, referring to the looming vote that threatens to be the president's toughest since taking power in 2003.

"He needs [those inflows] until mid-May or it becomes an issue for the currency, the first channel of transmission in any crisis in Turkey," said Piccoli.

Two opinion polls conducted since the earthquake showed Erdoğan lagging behind the opposition's unity presidential candidate, Kemal Kılıçdaroğlu, by 10 percentage points.

Oscars

Yeoh makes history as best actress

Michelle Yeoh enjoys having her Oscar engraved; winners from 'All Quiet on the Western Front', top right, and 'Everything Everywhere All at Once'
Mario Anzuoni and Mike Blake/Reuters; John Locher/AP

Everything Everywhere All At Once, a low-budget production by independent studio A24, dominated the 95th Academy Awards, winning seven Oscars, including best picture, best director and three acting prizes.

The film, an off-kilter tale of an immigrant family contending with intergenerational conflict, financial strain and a threat that travels through multiple universes, outperformed two blockbusters, *Top Gun: Maverick* and *Avatar: The Way of Water*.

Everything Everywhere cost a reported $25mn to make and has earned about $108mn. The film's success marked a historic moment for Asian actors in Hollywood. Michelle Yeoh, who was born in Malaysia, became the first Asian woman to win the Oscar for best actress for her performance, defeating Cate Blanchett for her highly touted performance in *Tár*.

Yeoh began her career performing in Hong Kong martial arts films with Jackie Chan before moving on to wider-release features including the James Bond film *Tomorrow Never Dies* and *Crouching Tiger, Hidden Dragon*.

"For all the little boys and girls who look like me watching tonight, this is a beacon of hope and possibilities," Yeoh said in her acceptance speech.

Ke Huy Quan, a Vietnamese-US actor, won the best supporting actor award for his role in the film, while Jamie Lee Curtis picked up the prize for best supporting actress.

Daniel Kwan and Daniel Scheinert won Academy Awards for best director as well as best original screenplay, topping such cinema luminaries as Steven Spielberg for the autobiographical *The Fabelmans*, Irish playwright and film-maker Martin McDonagh for *The Banshees of Inisherin* and Todd Field for *Tár*.

Last year's ceremony was marred by Will Smith slapping comedian Chris Rock on stage, prompting criticism of the Academy of Motion Picture Arts and Sciences. It has since undergone a leadership change, with new chief executive Bill Kramer and academy president Janet Yang pledging to revive a programme that has been plagued by complaints about its length and the diversity of its nominees.

This year's show clocked in at about three and half hours, shorter than some in the recent past.

The other big winner of the night was *All Quiet on the Western Front*, a German war epic from Netflix. The film took home four awards: best international feature film, cinematography, production design and original score.

The best actor award went to Brendan Fraser, who played a 600lb recluse in *The Whale*.

Navalny, a portrait of Russian dissident Alexei Navalny, was named best documentary feature.

Christopher Grimes

Social media

Lineker returns to 'Match of the Day' after BBC ends dispute with star presenter

CHRIS COOK AND ALISTAIR GRAY
LONDON

The BBC agreed yesterday to put its star sports presenter Gary Lineker back on air, defusing a crisis that severely disrupted the national broadcaster's ability to screen the national game.

Lineker, who presents the flagship *Match of the Day* football highlights show, was suspended by the publicly-funded broadcaster on Friday after it concluded he had breached its impartiality rules when he tweeted criticism of UK government immigration policy.

Much of the BBC's sports coverage was subsequently disrupted after pundits and commentators refused to work on its programmes in an expression of solidarity with Lineker.

To resolve the impasse, the BBC said yesterday that it would review its social media guidance for journalists and presenters, with Lineker agreeing in the meantime to follow existing rules ahead of returning to present *Match of the Day*.

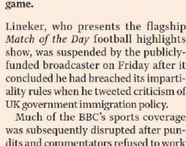
People close to BBC director-general Tim Davie said Lineker's return and pledge to abide by the rules were a good outcome, but senior executives claimed he had been weakened, with one saying he was "bruised" by the episode.

Steven Barnett, communications professor at Westminster university, said: "It clearly is a climbdown, and badly needed."

The opposition Labour party claimed the BBC had bowed to pressure from the government to suspend Lineker. Davie insisted this was not the case.

Davie made a renewed focus on impartiality for BBC staff a priority after his appointment as director-general in 2020, and oversaw the introduction of social media guidance.

Lineker said on Twitter that he would "like to thank Tim Davie for his understanding during this difficult period. He has an almost impossible job keeping everybody happy, particularly in the area of impartiality".



Gary Lineker: had been accused of breaching BBC impartiality rules

Davie apologised to audiences for the "difficult period". The review of the guidance would be led by an independent figure, he added, and would have "a particular focus on how it applies to freelancers outside news and current affairs".

Lineker has previously expressed the view that, as a freelance sports presenter, he is not covered by the strictest sections of the BBC impartiality rules.

Most presenters outside the news divisions are not bound by the tight restrictions that apply to journalists but Lineker was deemed to be an exception: the rule book states that some contributors have "an additional responsibility to the BBC because of their profile".

Richard Sambrook, a former director of BBC News, said it would be "reasonable" to relax the guidance for Lineker and accept that expert outsiders like him are "essentially external contributors rather than de facto BBC figures".

But senior BBC figures have previously expressed reservations about such a move, with one involved in the Lineker saga saying: "If we give free rein [to people outside news divisions], we'll just have more rows."

The Lineker saga has served to increase the focus on BBC chair Richard Sharp, a donor to the ruling Conservative party, who has been under pressure following claims he helped Boris Johnson secure a guarantee on a loan shortly before the then prime minister recommended his appointment at the broadcaster.

Labour said Sharp's position was "increasingly untenable".

Stephen Bush see Opinion

https://ft.pressreader.com/v99f/20230314 3/18

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ALL THE WAY

Green uproar White House stokes environmental anger by approving ConocoPhillips' $8bn Alaskan oil project ➔ MARKETS, PAGE 10

Companies & Markets

Pfizer bolsters drugs pipeline via $43bn deal to buy Seagen

- US group swoops on cancer-led biotech
- Purchase signals revival in sector M&A

HANNAH KUCHLER — LONDON
JAMIE SMYTH — NEW YORK

Pfizer has agreed to acquire oncology-focused biotech Seagen for a total enterprise value of $43bn as the US pharmaceuticals company refills its drugs pipeline amid a sharp fall in sales of its Covid-19 products.

The largest drugs deal since AbbVie agreed to buy Allergan for $63bn in 2019 signals a rebound in mergers and acquisitions following a dip in activity last year, according to analysts.

Pfizer will spend $229 in cash per share to buy Seagen, funding the transaction through $31bn of new long-term debt, as well as short-term financing and cash. The company is paying a premium of about 35 per cent to Seagen's closing price on Friday.

> '[Pfizer is] deploying its resources to advance the battle against cancer'
>
> Albert Bourla, Pfizer CEO

Pfizer's chief executive, Albert Bourla, said that the pharma group was "deploying its financial resources to advance the battle against cancer".

He added that oncology continued to be "the largest growth driver in global medicine" so the deal contributed to Pfizer's near and long-term financial goals. The group already has 24 approved cancer medicines, and 33 programmes in clinical development.

Pfizer shares fell 2.9 per cent to $38.25 in pre-market trading yesterday. Shares in Seagen were up 17 per cent at $203.

Many of the world's largest drugmakers are sitting on significant cash piles and need to invigorate their pipelines of medicines, as key drugs go off patent before the end of the decade.

Earlier yesterday, French pharma group Sanofi struck a deal to buy Type-1 diabetes treatment developer Provention Bio for $2.9bn, in a bid to bolster its drug pipeline after facing pressure from investors to make more acquisitions.

Pfizer has been under pressure to do a big deal, after the company forecast that revenues would slump a third to $67bn-$71bn in 2023 owing to steep falls in sales of Covid vaccines and treatments.

Despite a significant drop in biotech stocks over the past year, large pharma companies have shown little interest in picking up assets cheaply. Instead, they have tended to search for less risky businesses, with drugs either on the market or close to approval.

The deal follows Amgen's $28.3bn acquisition of the Californian biotech Horizon Therapeutics in December.

In 2023, Seagen expects revenue of about $2.2bn, a 12 per cent rise year on year. Pfizer believes that in 2030 Seagen could contribute more than $10bn in risk-adjusted revenues.

Merck had been in talks to acquire Seagen last summer, offering about $200 a share, according to people familiar with the matter.

Seagen is a pioneer in antibody-drug conjugates (ADC), a class of drugs designed as a targeted therapy for cancer cells. They work by seeking and killing tumours without hitting healthy cells.

Pfizer said that Seagen had four ADC approved drugs, which are first or best in class for the conditions they treat.

Any deal would have to pass antitrust review in the US. Some analysts said a tie-up between Pfizer and Seagen would be unlikely to provoke a negative response from the Federal Trade Commission given there was limited overlap between the companies' products.

Additional reporting by Adrienne Klasa

See Lex

Inside lane Porsche steps up pressure to free e-fuel vehicles from combustion engine ban

Top gear: Porsche's profits jumped 27% last year thanks to sales of higher-end models — Ralph Orlowski/Reuters

PATRICIA NILSSON — WOLFSBURG

Porsche has called on Berlin to keep pushing the European Commission to exempt e-fuel cars from a regional ban on the sale of combustion engine vehicles by 2035.

Germany and Italy have jeopardised the EU plan at the last minute by demanding exemptions for cars that run on synthetic fuels, which are produced using electricity from renewable hydrogen and other gases, hoping to make it easier for their car industries to meet future emissions targets.

Porsche chief executive Oliver Blume said yesterday that synthetic fuels would be a "useful addition" to the transition towards sales of battery-driven cars, adding: "I know no other way to decarbonise [existing] combustion engine cars."

Calling on tax benefits to make e-fuels cheaper as well as political support for the alternative fuel, Blume said "the federal government has to undertake the respective steps". He added he saw "no conflict between electro mobility and e-fuels".

The comments are in contrast to those made by Markus Duesmann, the head of Audi, which like Porsche is part of the Volkswagen empire. He warned in an interview with German magazine Der Spiegel that anything that risked putting the EU's combustion ban into question — spurring uncertainty over future rules — "would be fatal for the car industry".

Blume's comments came as he announced record results for Porsche — its first annual figures since the initial public offering last year.

The German sports-car maker said operating profit in 2022 jumped 27 per cent to €6.7bn on the back of €37.6bn in revenues. Porsche last year overtook its parent VW as the region's most valuable carmaker just days after going public.

Blume called the figures "the strongest result in the history of Porsche" as he announced that Porsche would pay a dividend of €1.01 a share for a total value of €911mn.

The company said it forecast profit margins in the range of 17 to 19 per cent and revenues of €40bn to €42bn for 2023 "should the economically challenging conditions not further intensify significantly".

Porsche shares fell 5 per cent yesterday in Frankfurt, partly because good news had been priced in after VW announced two weeks ago a near 10 per cent increase in 2022 pre-tax profit to €22bn.

The shortage of chips and other parts last year put a damper on sales, leaving hundreds of thousands of cars near completion in factories, but carmakers responded by prioritising high-end models with higher profit margins, leading to a bumper year.

See Lex

Illumina soars after Icahn attacks Grail acquisition

JAMIE SMYTH — NEW YORK

Shares in Illumina surged more than 20 per cent yesterday after activist investor Carl Icahn launched a proxy battle over what he called the company's "reckless" acquisition of cancer-screening start-up Grail.

Icahn sent a letter to shareholders alleging its management and board had wiped out $50bn of value at the world's biggest genome sequencing company through the "ill-advised" purchase of Grail for $8bn in 2021.

He said his investment group would nominate three directors to Illumina's board at the forthcoming annual shareholders' meeting. They would bring a "badly needed dose of sanity" to Illumina's boardroom, Icahn argued.

The proxy battle follows a tumultuous 18 months for Illumina, whose market capitalisation has slumped from $75bn in August 2021, when it acquired Grail, to just more than $30bn last month.

"This value destruction is a direct result of a series of ill-advised (and, frankly, inexplicable) actions taken by the board . . . in connection with the acquisition of Grail. To paraphrase William Shakespeare's *Hamlet*, something is rotten in the state of Illumina," Icahn wrote in the letter to shareholders.

Illumina shares were up 21 per cent at $236.14 in midday New York trading.

Illumina has continued to defend its acquisition of Grail in the face of opposition from European and US regulators and growing concerns among shareholders and former executives.

Jay Flatley, who stepped down as chair of Illumina in May 2021, told the Financial Times in January that the deal was a "huge disappointment".

The EU has ordered Illumina to divest Grail and is expected to issue a fine of up to 10 per cent of its annual revenue for closing the deal without regulatory approval. Illumina is running Grail as a subsidiary while it battles the EU order.

Icahn said Illumina's management and directors' decision to "brazenly thumb their noses" at regulators by using an M&A technique known as gun-jumping was "unforgivable" and created a "staggering amount of risk".

Illumina did not reply to a request for comment. In January, Francis deSouza, chief executive, said the company was right to buy Grail and press ahead with completion because of its high growth potential. The Wall Street Journal first reported on Icahn's letter.

Contracts & Tenders

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(formerly known as REC Power Distribution Company Ltd.)

GLOBAL INVITATION (Through e-bidding Only)
FOR SELECTION OF TRANSMISSION SERVICE PROVIDER THROUGH TARIFF BASED COMPETITIVE BIDDING (TBCB) PROCESS ON BUILD, OWN, OPERATE AND TRANSFER (BOOT) BASIS FOR TRANSMISSION SCHEME FOR SOLAR ENERGY ZONE IN BIDAR (2500 MW), KARNATAKA

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The bidders may obtain the RFP documents on all working days between 1030 hours (IST) to 1600 hours (IST) from 10.03.2023 to one day prior of bid submission on payment of non-refundable fee of Rs. 5,00,000/- (Rupees Five Lakh Only) or US$ 7000 (US Dollars Seven Thousand Only) + 18% GST as per details provided in the RFP document available on the website www.recpdcl.in & www.recindia.nic.in.

The Request for Proposal (RFP) Documents can also be downloaded from our website www.recpdcl.in & www.recindia.nic.in, however in such cases interested parties can submit Response to RFP only on submission of non-refundable fee of Rs. 5,00,000/- (Rupees Five Lakh Only) or US$ 7000 (US Dollars Seven Thousand Only) + 18% GST as per details provided in the respective RFP document. The last date for seeking clarifications on RFP is 31.03.2023 and last date for submission of Response to RFP is 12.05.2023 (upto 1200 Hrs IST). Response to RFP will be opened on the same day at 1230 Hrs (IST) in presence of bidders' representatives who wish to attend. The survey report & clarifications to RFP documents shall be issued to those bidders, who have obtained/purchased RFP document by paying requisite fee.

All corrigenda, addenda, amendments, time extensions, etc. to the RFP will be hosted on our websites www.recpdcl.in & www.recindia.nic.in. Bidders should regularly visit our websites to keep themselves updated.

Note: RECPDCL reserves the right to cancel or modify the process without assigning any reason and without any liability. This is not an offer.

Chief Executive Officer
REC Power Development and Consultancy Ltd.
(formerly known as REC Power Distribution Company Ltd.)
Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003, India

Bid Process Coordinator: REC Power Development and Consultancy Ltd. (formerly known as REC Power Distribution Company Ltd.)
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Alpha males plus lacklustre governance equals inflated pay deals

INSIDE BUSINESS
FINANCE

Patrick Jenkins

When the British government announced Alison Carnwath's damehood in the 2014 New Year honours list, it described the then Land Securities chair as a "role model for women in business".

So she was — the now 70-year-old financier was a rare female chair of a FTSE 100 company, and had blazed a trail as a woman in the City of London's upper echelons over a career that has now spanned nearly 50 years.

But the commendation also specifically highlighted the principled stand Carnwath had taken on bonuses and pay issues, both at Landsec and at Barclays, where she was non-executive chair of the remuneration committee.

This would all have remained ancient history in my memory, had it not been for recent events at Italy's UniCredit.

Last month, the (female) remco chair at UniCredit left the bank prematurely after skirmishes at board level and beyond over the pay of chief executive Andrea Orcel.

People familiar with the episode say that after the resignation of Jayne-Anne Gadhia — who had been the subject of unsubstantiated leak allegations by the bank — a new pay deal for Orcel was promptly hiked. UniCredit revealed recently that the former investment banker could earn nearly €10mn this year if he exceeds certain performance targets, an increase of 30 per cent (though the bank says performance restrictions, including less cash and more stock, are tougher).

The parallels between these cases are troubling and threefold. Back at Barclays in 2012, the chief executive was Bob Diamond, who like Orcel displayed an easy charm with a steely aggression not far beneath.

Both men have taken exceptionally high rewards for their performance in big banking jobs — Diamond's bonuses and other Barclays-related rewards around the time of the financial crisis led then business secretary Peter Mandelson to brand him the "unacceptable face of banking". It was his 2011 pay package, worth over £24mn, including prior-year deferrals, that seemed egregious to many, especially given the bank's poor performance and involvement in the Libor rate-rigging scandal.

> Both Diamond in 2012 and now Orcel were confronted with strong-minded women as remuneration committee chairs

Orcel has become similarly used to high pay after a long career in investment banking. At Merrill Lynch, where he spent two decades, his prodigious dealmaking secured him a spot among the bank's top earners. At UBS, where he ran the investment bank, he was another top earner and after his seven-year term he had accumulated more than $50mn in deferred stock.

And then came the infamous row with Santander, the Spanish bank that wanted to hire Orcel as CEO but balked at the cost of buying out that UBS stock. A lawsuit ensued, the latest ruling from which is that Santander must pay him compensation of €43.5mn.

Diamond and Orcel were both confronted with strong-minded women as remuneration committee chairs. At Barclays, Diamond's inflated pay infuriated Carnwath, who had argued for a zero bonus. Her views became public after the bank — and Carnwath in particular — were pilloried by shareholders at the Barclays annual meeting in May 2012 and she resigned shortly afterwards. Gadhia and her remco are understood to have agreed on a pay rise for Orcel, though not the 30 per cent increase that it later became. One banker familiar with events said Gadhia had been "a potential roadblock".

Another crucial similarity between the Barclays and UniCredit cases was the role played by the two chairmen. At Barclays, Marcus Agius, an old-school relationship banker who struggled to rein in the hard-charging Diamond, backed the CEO over his remco chief.

At UniCredit, chair Pietro Carlo Padoan, a former academic and government minister, took a similar stance. He told the Financial Times that Orcel had never "made any request to the board or remuneration committee with regard to increasing his compensation", despite others saying that allies of Orcel lobbied hard on his behalf.

In UniCredit's case the bottom line is that the bank is performing well under Orcel. The shares are up around 120 per cent since he was appointed nearly two years ago. And his strategic nous is widely acknowledged. But when governance standards appear to be under strain, things often end badly.

It was only three months after the Barclays AGM showdown over Diamond's pay — and in the wake of regulatory and political pressure over the Libor scandal — that he was forced to resign.

patrick.jenkins@ft.com

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Blame flies after venture capital deserts SVB

Investors that triggered a run on deposits by advising portfolio businesses to exit are left to face gap in start-up funding

GEORGE HAMMOND — SAN FRANCISCO
TIM BRADSHAW — LONDON
ANTOINE GARA — NEW YORK

As Silicon Valley Bank was gripped in a crisis last Thursday, General Catalyst boss Hemant Taneja gathered a group of fellow venture capitalists in a last-ditch attempt to avert disaster.

Over the previous few days, some VC funds had leaned on portfolio companies to retreat from the tech scene's favourite bank, with Peter Thiel's Founders Fund the most significant to do so, according to people with knowledge of the situation. Founders Fund declined to comment.

"What people were not considering was that if everyone did that you would make the bank unviable," said Taneja. "By the time I organised the venture community to have a calm and consistent approach it was too late: the FDIC [Federal Deposit Insurance Corporation] was already inside the four walls of SVB," he added.

The immediate crisis for VCs and tech start-ups appears to have passed, after the Federal Reserve announced measures to support depositors and bolster the banking system on Sunday.

The relief has made way for recriminations, as VCs contemplate a reckoning: by abandoning a bank that was a reliable partner, they had helped to create a hole at the heart of Silicon Valley.

The bank was central to the operations of tech venture capitalists — taking deposits, writing loans and underwriting deals. It was also a source of funding as a limited partner in some VC funds, while supporting entrepreneurs by giving finance for pet projects.

"I wish these very same VCs would have banded together and kept their deposits, their [portfolio company] deposits at SVB and stayed calm," said Sanjay Gosalia, head of product at SVB until last year, in a LinkedIn post. "They fundamentally betrayed their partner and have undoubtedly shot themselves in the foot."

In the 48 hours before the Fed stepped in, almost 500 VCs signed a statement saying they would encourage portfolio companies to keep using SVB if it were recapitalised — though two of the biggest, Andreessen Horowitz and Founders Fund, were both absent from the list.

Some VCs discussed recapitalising the bank themselves, according to a person involved in last week's talks. Some such as General Catalyst, Khosla Ventures and Greylock offered portfolio groups low interest loans to make it through until their deposits were freed up.

A different dynamic was playing out in private. On Wednesday, after the bank's attempts to raise $2.25bn in a stock sale foundered, messages pinged between VCs and start-ups. The run on SVB accelerated as company founders removed funds with the swipe of a finger. On Thursday, customers had initiated withdrawals of $42bn. By Friday, the bank was bust.

"When they did a capital raise, essentially what happened was VCs started advising their companies that, while the risk is low, they might be best served by pulling capital out of SVB," said Taneja. "As that news spread it essentially created a run on the bank . . . in the world today we're all online: a bank run doesn't happen over a matter of days, it happens in hours."

As soon SVB's problems became apparent, Robin Klein, one of the UK's most active early-stage investors through his firm LocalGlobe, contacted his portfolio companies to offer advice on what he described as "the fundamental principle of treasury management, which is diversification of providers", and helped them to open accounts at alternatives to SVB, including UK fintechs Wise, Starling, Monzo and Tide.

'They fundamentally betrayed their partner and have undoubtedly shot themselves in the foot'

"I was very cautious not to say 'take all your money out', but nor was I prepared to say 'don't do anything'," Klein said.

One UK founder said that many investors avoided giving explicit advice. "They didn't want to be seen to be leading to a run on the bank," he said. "But they also weren't saying 'leave the money in', because they knew the existential threat to their portfolio."

Some VCs were less ambiguous. Arjun Sethi, co-founder of venture fund Tribe Capital, said he had begun advising portfolio companies to pull back at the beginning of last week.

"We had a few companies that were working with SVB around credit lines for their fintech products," he said. "And [SVB] started becoming less forthcoming. To me, personally it was a signal to reassess the relationship."

Sethi added: "I got skewered by compatriots in the ecosystem for not supporting SVB. But my job is not to ensure SVB remains solvent. I have a fiduciary duty to my companies. It's not about causing a run on the bank, but you don't want to be the last one holding the bag."

Another venture capitalist said the logic was simple: "If you're going to panic, panic first."

SVB's problems were partly of its own making. Deposits at the bank ran up during the pandemic as its tech-start-up customers boomed, and it invested them heavily in long-term, fixed-rate, government-backed debt securities. That left it doubly exposed to rising interest rates, which reversed tech companies' growth and hit the price of its securities.

Stress tests designed after the 2008 financial crisis to prevent a credit crunch failed to catch the threat from rising rates. But as SVB's problems came to light, it was the response of venture capital firms which created a stampede.

"There is a story here of how nasty the venture capital and Silicon Valley world is. They killed their relationship bank," said one short seller who had bet against the bank.

Banks. Fallout

How the Fed's rescue package differs from 2008

Deposit guarantee and lending facility are designed to arrest crisis of confidence in sector

BROOKE MASTERS AND
MARK VANDEVELDE — NEW YORK
COLBY SMITH — WASHINGTON

Within three days, the Federal Deposit Insurance Corporation and state regulators in California and New York took control of Silicon Valley Bank and Signature Bank and guaranteed all their deposits, beyond the usual $250,000 federal insurance limit.

The Federal Reserve also announced a new lending facility, backstopped by the US Treasury department, that other banks can draw on to help them meet demands from depositors.

The moves are intended to prevent contagion throughout the US banking sector after the now defunct Santa Clara-based SVB, whose clients were mostly venture capital funds and tech start-ups, suffered mass deposit withdrawals last week.

Here is how the Fed's intervention works and how it differs from the bail-outs during the 2008 financial crisis.

How do the Fed's facilities work?

Lenders will be able to draw on the Fed's lending facilities for up to a year by pledging collateral such as government bonds, which will be valued at face value. Such credit lines have been the tool of choice since the 2008 crisis and were used extensively when central banks stepped in to stabilise markets in the early days of Covid-19.

The pandemic-era interventions expanded the scope and scale of the Fed's reach in an unprecedented way, eventually enmeshing the central bank in the markets for corporate credit and municipal bonds, and creating a lifeline to help small and midsized businesses.

In a testament to their effectiveness, just a fraction of the multitrillion-dollar support available via these lending facilities was deployed, as the promise alone of the Fed's support quelled the panic.

On Sunday, the Fed sought to have a similar effect, going so far as to say it was "prepared to address any liquidity pressures that may arise".

What were regulators trying to do?

Many banks have large depositors whose balances exceed the $250,000 cap beyond which deposits are not covered by the FDIC insurance mechanism. If they flee, more lenders will face the same pressure to sell assets at a loss.

US Federal Deposit Insurance Corporation representatives speak to customers outside Silicon Valley Bank's headquarters in Santa Clara, California, yesterday
Brittany Hosea-Small/Reuters

The extended deposit guarantee is aimed at preventing more bank runs by convincing customers to stay put because they will be protected, even if another bank fails.

The Fed's offer to lend against high-quality bonds at par is aimed at helping other banks to meet withdrawals without selling securities at a loss. Depositors at other banks can now be more confident about avoiding being caught up in a similar panic.

This also responds to a specific problem at SVB and other big institutions: many of them have billions of dollars tied up in securities that can only be sold right now for less than the bank paid for them. If they are held to maturity, they would be worth par. The Fed's lending reduces the risk that banks' paper losses, estimated to be more than $600bn at the end of 2022, will crystallise into actual losses.

More broadly, the spectre of savers losing money on their deposits at a large US bank would have shaken confidence in the financial system and increased the risk of widespread flight.

Sunday's show of force was meant to stop that destructive cycle in its tracks.

Why is this different from the taxpayer-funded rescues in 2008?

FDIC and Treasury officials have been keen to stress that the assets of SVB and Signature will be used to cover the initial government outlays to give depositors access to their money.

This may be enough to plug the hole, because SVB's losses were paper losses on government bonds, not bad loans or complex securities, as happened in the financial crisis. SVB also had a broker-dealer and an investment banking arm, and their sale may also generate money to repay the federal assistance.

If that still doesn't cover the hole, US officials said last night: "Any losses to the deposit insurance fund to support uninsured depositors will be recovered by a special assessment on banks."

The other difference is that the government has said that investors who hold the shares and bonds of SVB and Signature will lose their money unless there are excess funds after the depositors are repaid.

With the exception of Lehman Brothers, that generally did not happen in 2008, because of fears that losses on bank shares and bonds would spread contagion.

"People are saying the whole banking system is in peril. I don't see it at all," said Lloyd Blankfein, who ran Goldman Sachs in 2008. "The largest banks are much more highly regulated and have been subjected to rigorous stress tests."

'People are saying the whole banking system is in peril. I don't see it at all'
Lloyd Blankfein

Why are other banks' shares sinking?

Sharp moves in the shares of some banks suggest investors are not fully convinced that Sunday's rescue package will end the fallout from SVB's failure. Beyond that, even the soundest banks are likely to face higher costs and tougher regulation, even if Sunday's rescue succeeds in alleviating the crisis of confidence that had threatened to spiral in recent days.

Whether by offering higher interest rates for depositors or tapping wholesale money markets instead, analysts expect banks to take few chances as they shore up their funding position — that means smaller interest margins.

Regulators are also likely to revisit their assumptions about the systemic importance of medium-sized financial institutions, further crimping the profits of a sector that had argued it should be spared the tough oversight meted out to the biggest banks.

What future issues does this create?

Pressure will mount on the FDIC to guarantee all depositors at all US banks, no matter how large their accounts, lest investors and depositors flee those that are unprotected.

This would extend a protection that has always been focused on retail customers to businesses, and raises the possibility that the ultimate cost will fall back on the taxpayer. "This bailout of taxpayer money today signals to businesses in the future that the Fed will bail them out tomorrow," said Aaron Klein of the Brookings Institution.

The emergency lending facility's decision to accept securities at par also reduces the pressure on banks to be prudent with their investments and liquidity management, which runs counter to decades of efforts to make banks safer.

If bank share prices continue to fall and drag the broader market with them, the Fed may feel pressure to stop raising interest rates at a time when inflation is still well above the 2 per cent target rate.

"What is going on is pure panic," said Christopher Whalen, a veteran bank analyst and head of Whalen Global Advisors. "If we get more bank failures, I think we could see the Fed drop rates."

Additional reporting by Joshua Franklin and Stephen Gandel in New York

See The FT View
See John Thornhill Opinion
See Lex and Markets Insight

Warning signs

Regulators face scrutiny and questions over missed opportunities and 'classic red flags'

COLBY SMITH AND STEFANIA PALMA
WASHINGTON

US regulators are facing questions over whether they missed signs of mounting problems at Silicon Valley Bank, the tech sector lender whose implosion last week fomented fears of contagion across the banking sector.

As the government fought to contain the fallout from the failure of SVB, many questioned how the country's 16th-biggest bank was allowed to become so vulnerable.

Former regulators and financial policy experts say it is too soon to know exactly how big a blunder authorities actually made, especially given the enormity of the liquidity shock and the fact that SVB remained well-capitalised amid its failure. Still, "this is a black eye for regulators. Something happened that wasn't supposed to happen," said Ian Katz, financial policy analyst at research firm Capital Alpha Partners.

Shortly after the Federal Reserve announced an emergency lending vehicle on Sunday evening to buttress the banking sector, Gary Gensler, US Securities and Exchange Commission chair, warned that the market regulator would "investigate and bring enforcement actions if we find violations of the federal securities laws".

The Fed was the primary overseer of SVB. California's state regulator was also a key supervisor. The meltdown has highlighted the "perennial problem" with the US's "dual banking system", in which state-chartered banks are subject to both federal and state oversight, said Saule Omarova, professor of law at Cornell University. "Some things might have been lost," in that co-ordination.

While a bank run ultimately brought down SVB, experts say some of its weak spots were glaringly obvious.

Deposits at the bank grew at a blistering pace. Assets totalled $212bn by the end of 2022, up from just $115bn in 2020. This, said Aaron Klein, former deputy assistant secretary for economic policy at the Treasury department, should have drawn regulators' scrutiny. Nearly 96 per cent of deposits were not covered by FDIC insurance, which guarantees deposits up to $250,000.

For Kathryn Judge, a professor at Columbia University with expertise in financial regulation, another "classic red flag" was the fact that SVB was so reliant on the Federal Home Loan Bank of San Francisco for funding, with $15bn of outstanding loans by the end of 2022 after no loans the year before. Losses had also begun to pile up on account of the bank's exposure to long-term fixed-rate bonds. That made SVB highly susceptible to the Fed's aggressive campaign to raise interest rates that began in March last year.

'This is a black eye for regulators. Something happened that wasn't supposed to happen'

Experts argue SVB's red flags could have been spotted in advance, if not largely avoided, had lawmakers and regulators not eased rules for smaller lenders in recent years. The 2018 rollback of the Dodd-Frank act, the biggest deregulatory effort since the 2007-08 financial crisis, exempted some banks with assets of up to $250bn from the Fed's toughest supervisory measures, including stress tests as well as capital and liquidity requirements.

The bipartisan legislation, a cornerstone of Donald Trump's presidency, "definitely reduced the buffer of shareholder funds that banks need to have in order to absorb losses", said Michael Ohlrogge, associate professor at the New York University School of Law.

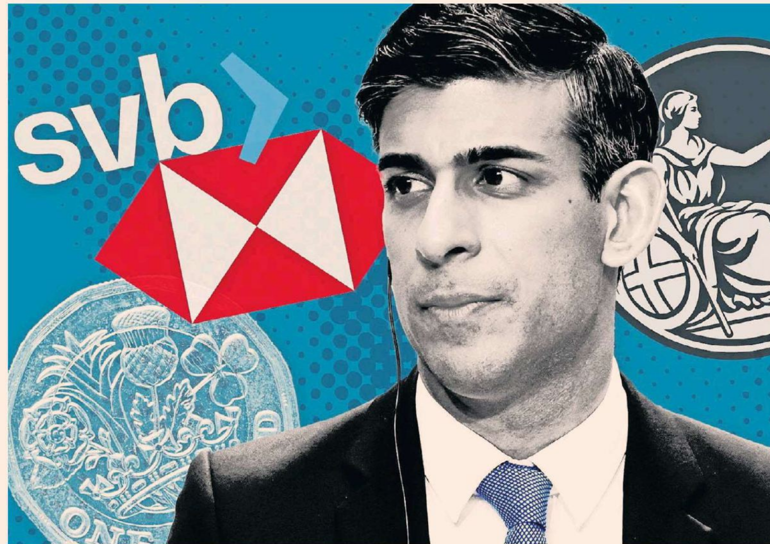
The Fed declined to comment. The California Department of Financial Protection and Innovation did not respond to a request for comment.

More broadly, SVB's collapse is a reminder that "banking is in part a trust game", said Judge. "It's trusting the individual institutions, but it's also trusting the system of supervision."

Additional reporting by Antoine Gara

‘Project Yeti’ ends with £1 sale of British unit to HSBC

Prime minister and BoE raced to avoid abominable outcome for tech sector



FT REPORTERS

As a planned $2.25bn capital raise at California-based Silicon Valley Bank started to unravel on Thursday, nervous venture capitalists and start-up founders began to bombard executives at the lender’s British arm with questions about the safety of their funds.

They received soothing answers.

“The entirety of your founders’ deposits are safe with SVB,” Michael Kruse, Silicon Valley Bank UK’s chief financial officer, reassured a British VC late on Thursday, in an email seen by the Financial Times.

Yet within barely 24 hours, the Bank of England would decide that SVB UK was on the brink of insolvency, sparking a chaotic weekend where the government tried to execute “Project Yeti,” the search for a white knight to rescue the bank. At the same time, officials worked on back-up measures to provide SVB’s clients, including innovative start-ups, with emergency liquidity.

While HSBC emerged as a buyer of SVB UK at the eleventh hour, British officials — including Prime Minister Rishi Sunak during a long-haul flight to California and Bank of England governor Andrew Bailey from Switzerland — had to work behind the scenes to prepare for a scenario in which billions of pounds worth of uninsured deposits were at risk.

On Friday, fears were growing that Silicon Valley Bank, a bastion of the US start-up scene for four decades, faced collapse.

Iain McGill, chief executive of UK biotech start-up Quell Therapeutics, received a call in New York on Thursday warning that the bank was in peril.

At 3am on Friday in New York, he tried to move money he had at SVB UK — but discovered he could not.

“It could have all potentially been wiped out overnight. There was no certainty about whether we would get back between 100 to 0 per cent of funds,” he said. Under threat was the group’s ability to pay staff, pursue partnerships and launch a clinical trial, set to start soon.

Quell was one of more than 3,000 clients of Silicon Valley Bank UK. The Santa Clara-based lender had operated in the UK for more than decade, establishing a distinct British legal entity last summer.

While its balance sheet was ringfenced, the UK bank soon began to experience its own liquidity crisis as clients sought to withdraw their cash. Shortly after 2pm on Friday, SVB UK was forced to request £1.8bn of emergency funding under the BoE’s discount window facility, people with knowledge of the matter said. BoE officials did not meet the request but grew alarmed contagion was reaching Britain’s shores.

SVB UK’s leadership, however, continued to issue reassuring statements to clients. Shortly before 4pm, chief executive Erin Platts stressed on Twitter that it was a “standalone entity with its own balance sheet and governance.” The post was removed later that evening.

Platts and Kruse did not respond to requests for comment.

Minutes after US regulators announced that they had shuttered California-based SVB, in the country’s biggest bank failure since 2008, Platts jumped on a Zoom call with 300 British tech founders organised by London venture capital fund LocalGlobe.

Platts told them the bank had continued to sign new loans that day and that she expected to continue doing business the following week, according to people who attended the call.

By then, SVB UK’s deposit balance had dipped below £7bn, from over £10bn the previous day, according to people briefed on the figures.

“We told our portfolio companies to get their money out,” said one prominent VC funder. “We didn’t start the bank run but we also couldn’t take the risk of being at the end of it.”

On Friday evening, the BoE decided to put the British lender into insolvency “absent any meaningful further information”, noting that it had “no critical functions supporting the financial system”. The move suggested the institution would liquidate the bank entirely, absent a white knight riding to the rescue.

Nearly half of SVB UK’s clients had deposits over the £85,000 state guarantee limit, with some exposures stretching into the tens of millions.

This prompted hundreds of UK tech executives to warn in a letter released on Saturday — originally written by Mention Me co-founder Andy Cockburn — of an “existential threat” to the British tech ecosystem. A call between a handful of executive with government officials — including City minister Andrew Griffith — ensued.

The Treasury meanwhile asked industry group UK Finance to suggest options to rescue SVB’s clients, including by offering them bank accounts and loans as early as yesterday. Rothschild and Slaughter and May started rallying bidders for SVB UK. One of the first was Sheikh Tahnoon bin Zayed al-Nahyan, the United Arab Emirates’ national security adviser and chair of Abu Dhabi-listed conglomerate IHC.

“The guys in Abu Dhabi were pretty keen,” said one person familiar with the bid, who identified Sheikh Tahnoon as the lead player. “It’s about opportunism.”

SVB UK told BoE officials that “the lead white knight” was “based in UAE”.

Working on a plan B, government officials, regulators, UK Finance and executives at the state-owned British Business Bank focused on ways to provide a lifeline to firms, through state loan guarantees

But by Sunday, UK challenger banks revealed their interest, including OakNorth, a lender backed by Japanese technology group SoftBank and founded by major Conservative party donor Rishi Khosla.

The BoE also courted the UK’s largest banks, including HSBC, Barclays, Lloyds and NatWest. HSBC drafted in Robey Warshaw as advisers, with founder Sir Simon Robey and former British chancellor George Osborne working on the deal, codenamed Project Scion.

Sheikh Tahnoon withdrew his bid by Sunday afternoon, according to two people familiar with the talks.

A “bridge bank” option, where SVB UK would be run by the BoE with government guarantees, was another option, if a sale proved impossible.

Throughout Sunday, negotiations intensified with HSBC, which had established itself as the only credible option, according to people with knowledge of the talks. The lender saw an opportunity to boost its ringfenced UK bank with customers in sectors such as technology and life sciences, where it was trying to expand.

By 8pm “there was only one name on the table,” according to another person briefed on the talks.

“This deal wasn’t about us having a gun to our heads,” said an HSBC executive. “For us it makes really good sense, economically and strategically.”

Sunak was mid-air at 11.30pm on Sunday, en route to a defence summit in San Diego, when the plan to rescue the UK arm of the stricken Silicon Valley Bank finally took shape.

On a call with Mark Tucker, HSBC group chair, Britain’s prime minister expressed relief that the international lender was prepared to take on the bank.

“HSBC was a good home for the business and provided protection for taxpayers,” said one person close to the discussions. “We also had to get the right balance between speed and certainty of execution.”

More due diligence still had to be done and it was not until 3am yesterday that a sale to HSBC for £1 was agreed. An hour later, the sale proceeded after a call between Griffith, Dave Ramsden, the BoE’s deputy governor, and Sam Woods, head of the Prudential Regulation Authority.

Sunak had been involved throughout Sunday and into yesterday morning during the long flight to California, while Jeremy Hunt, the chancellor, and Griffith were at the Treasury. The deal was announced at 7am yesterday.

McGill of Quell Therapeutics was on his way to explain to his 140 employees how he was going to look for funds to survive when the news broke on BBC Radio 4.

“Everybody just had a huge sense of relief,” he said.

Reporting by Robert Smith, George Parker, Owen Walker, Daniel Thomas, Arash Massoudi, Laura Noonan, Tim Bradshaw, Hannah Kuchler, Ivan Levingston, Ian Johnston, Anjli Raval, George Hammond, Simeon Kerr and Chris Giles

High-level talks: Prime Minister Rishi Sunak was involved in the deal throughout a weekend flight to a California defence summit. Below, SVB UK chief executive Erin Platts
FT montage/Reuters

> ‘This deal wasn’t about us having a gun to our heads. For us it makes really good sense’
> HSBC executive

Financials

Crypto prices soar on support for depositors

SCOTT CHIPOLINA — LONDON

Cryptocurrency prices have soared as investors breathed a sigh of relief that US regulators moved to bolster the US banking system after the collapse of Silicon Valley Bank.

Bitcoin and ether, the two most widely traded coins, have surged a fifth since their lows on Friday as traders were reassured by promises from US authorities that deposits at the failed Silicon Valley and Signature banks would be protected. Bitcoin jumped 6 per cent yesterday alone. The two banks, along with Silvergate, which also failed last week, were used by crypto companies as the conduit for payments between crypto and sovereign money, and custody of assets.

The rising asset prices are a sharp reversal after months of pressure from US banking regulators, who have been closely examining the links between the world of crypto and the traditional financial system. Authorities have repeatedly warned banks of potential risks associated with holding crypto deposits.

In the past five years banks such as Signature and Silvergate had sought to woo billions of dollars of deposits from crypto customers, building specialist payment networks to handle conversions from dollars into digital tokens.

The stablecoin run by US group Circle, called USDC, also rallied after the Federal Reserve and Treasury boosted lenders’ access to quick cash after the government takeovers of Silicon Valley Bank and Signature. USDC is the second-largest stablecoin on the market.

> ‘The Fed and others have indirectly helped to avert yet another crypto crisis’
> Ram Ahluwalia

Stablecoins play a key role in connecting traditional and crypto markets, and traders use them like cash or a store of value between crypto trades. USDC typically tracks the value of the dollar one-for-one, but traded as low as 88 cents on Saturday after Circle said it had an exposure of $3.3bn to SVB. The value of the USDC stablecoin rose to more than 99 cents yesterday.

“The Fed and others have indirectly helped to avert yet another crypto crisis,” said Ram Ahluwalia, chief executive of investment adviser Lumida Wealth Management. “They didn’t intend to bail out crypto, but the USDC stablecoin — and by extension the rest of the digital asset market — was a beneficiary to US regulators bailing out SVB depositors.”

Michael Safai, managing partner at crypto trading firm Dexterity Capital, said he had been worried by the widening gap between the price of USDC depegging and the dollar.

“It was definitely not going to be a good thing, and we’re glad it worked out the way it did all things considered,” he said.

Many of the listed crypto-related companies also rallied yesterday as stock markets reopened. Crypto exchange Coinbase rose 10 per cent, and miner Marathon Digital rose 20 per cent after it said its $142mn in cash at Signature was secure and available.

“Crypto is not going to live in a cartoon metaverse, it needs access to the real world. The industry’s weakest feature remains its links to regulated banking,” said Ilan Solot, co-head of digital assets at Marex, a financial services platform.

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Fixed income. Trading upheaval

High-yield ETF influence on underlying debt jumps

Price discovery: traders actively trade in both ETF and underlying bond markets, say sector experts Andrew Kelly/Reuters

Funds accounted for about half the daily trade of bonds they owned in 2022, research finds

EMMA BOYDE

The influence of some corporate bond exchange traded funds on their underlying holdings has shot up as electronification of fixed income trading creates an upheaval in how bonds are traded.

Research by Coalition Greenwich, a data analytics company, shows the trading volumes of 12 of the largest corporate bond ETFs rose from 18 per cent of the turnover in their constituent investment grade and high-yield bonds in 2021 to 23 per cent in 2022.

However, the proportion was much more marked when Coalition Greenwich narrowed its focus to the five high-yield ETFs in its study, where it found average daily notional volume soared from 30.5 per cent of the underlying bonds in 2021 to 47.4 per cent.

This essentially meant that the ETFs accounted for nearly half of the daily traded value of the underlying bonds.

"In the last three years, everything has changed," said Kevin McPartland, head of market structure and technology research at Coalition Greenwich, adding that all bond market participants now traded at least some of their volume electronically, which was transforming the market.

The findings are in stark contrast to the more often quoted ratio of assets under management.

An iShares analysis of the ETF market published in January this year found that fixed income ETFs accounted for just 2.5 per cent of fixed income assets in the US, 1.6 per cent in Europe and

Source: Coalition Greenwich

0.3 per cent in Asia-Pacific. McPartland said ETFs were likely to continue to play a central role for those seeking exposure to fixed income.

"Inflation and higher rates means bonds are cool again," he pointed out, adding: "ETFs are an easy way to gain exposure to that."

The increasing share of notional volume traded is just one indication of what market participants and trading platform providers say has been a revolution in the way many corporate bonds are traded.

Fixed income exchange traded funds have helped to spur electronification of the corporate bond market resulting in better price discovery, liquidity and tighter spreads.

"ETFs are a central and catalysing force in the modernisation of the bond markets that have helped to improve transparency and reduce costs for investors," said Brett Pybus, global co-head of iShares fixed income ETFs for BlackRock.

Fixed income ETFs, however, even if they are composed of relatively liquid instruments still include constituents that rarely trade. But because ETFs are always quoted on exchange it means that those illiquid bonds are effectively assigned values.

"If you're trading the ETF electronically, you're effectively pricing the underlying bond," said Chris Concannon, chief operating officer and president of MarketAxess, an electronic trading platform.

That impact on the underlying bonds is part of what has driven the rising demand for electronic platforms.

"If you trade ETFs electronically and you're putting your risk on electronically, you are going to want to trade the underlying bond as fast as you do the ETF, so you have high demand for electronic solutions," said Concannon.

One of clearest indications of this rise in ETF influence has been a boom in portfolio trading.

This process allows thousands of bonds to be offered simultaneously in one parcel and removes the need for line-by-line trades, smoothing the risk management process for liquidity providers in the ETF market.

'Inflation and higher rates means bonds are cool again. ETFs are an easy way to gain exposure'

"The growth of fixed income ETFs is interlinked with the growth of portfolio trading," said Adam Gould, global head of equities at Tradeweb, another electronic marketplace.

"Liquidity providers are in a better place to price bonds alongside portfolios and fixed income ETFs," Gould added. "The additional outlets have generally led to tighter spreads on ETFs, benefiting the end user."

The explosion of activity has led to a 71 per cent leap in the notional volume of fixed income ETFs traded on Tradeweb's platform from 2021 to 2022.

The notional volume of bond portfolio trading has also seen steep rises in the past three years.

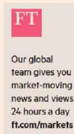
Despite broad agreement that their influence is growing, Bryan Armour, director of passive strategies research for North America at Morningstar said it would be wrong to suggest that the ETF tail was beginning to wag the bond dog.

Market makers and traders actively traded in both ETF and underlying bond markets, taking advantage of any tradeable deviation in pricing between the two, he explained.

According to Trace data from the Financial Industry Regulatory Authority in the US, the average daily trading volume of US corporate bonds was $38.6bn in 2022 against a $7bn average daily volume for corporate bond ETFs, Armour noted.

"Yet, the corporate bond market dwarfs the assets under management of ETFs, $10.1tn to $185bn," he said.

"These figures demonstrate the increasingly central role ETFs have in bond trading," Armour added. But rather than dominating the market, they simply provide another source of liquidity and a better view of bond prices than opaque bond markets."



Commodities

White House clears way for $8bn Alaska oil project

MYLES MCCORMICK — NEW YORK

The Biden administration has given final approval to an Alaska oil project in the face of an environmental uproar as it seeks to tread a line between energy security and climate concerns.

ConocoPhillips' $8bn Willow project in the oil-rich area known as the North Slope can now proceed to drilling after the US Department of the Interior yesterday authorised a slimmed-down version.

Expected to produce about 180,000 barrels a day at its peak, Willow would account for roughly 1.5 per cent of US oil production. The project would help to reinvigorate the oil industry in Alaska, a state where production has slid to less than a quarter of the 2mn b/d produced in boom years of the 1980s.

The approval process presented a dilemma for President Joe Biden, who vowed on the campaign trail to crack down on new drilling by the oil industry but has since implored producers to pump more oil after petrol prices rose in the wake of Russia's invasion of Ukraine. The US Bureau of Land Management recommended the project approval last month.

The interior department, which controls the federal land where the Willow project would be developed, yesterday said it was "substantially reducing" the size of the project, cutting it to three drilling sites from the five initially proposed.

'[The ConocoPhillips site approval] emboldens an industry hell-bent on destroying the planet'

It also announced measures to limit future development of the 23mn area known as the National Petroleum Reserve, including adding another 2.8mn acres to 13mn already off limits to future drilling, and proposing a new rule to curtail activity in other parts.

Ryan Lance, ConocoPhillips chief executive, called the government approval "the right decision for Alaska and our nation". He said the project fitted within the Biden administration's priorities on "enhancing our energy security . . . while creating good union jobs and providing benefits to Alaska Native communities". Many local indigenous groups have backed the project.

Environmentalists have attacked the project, saying it would further boost carbon emissions that drive climate change. Christy Goldfuss, chief policy impact officer at Natural Resources Defense Council, described the decision as a "grievous mistake".

"It green-lights a carbon bomb, sets back the climate fight and emboldens an industry hell-bent on destroying the planet," she said. "It's wrong on climate and wrong for the country."

Willow was initially approved by the Trump administration but was halted in 2021 after a federal judge deemed the initial environmental review flawed.

The Biden administration has defended the project in court.

Industrials

Fincantieri expects offshore wind sector to inspire a 'renaissance' in shipbuilding

RICHARD MILNE — OSLO

Europe's largest shipbuilder says a pivot from the oil industry to wind farms could more than double the revenue of its offshore business in the next five years, following the failure of its attempt to buy French rival Chantiers de l'Atlantique.

Pierroberto Folgiero, chief executive of Italy's Fincantieri, told the Financial Times that its Vard offshore business in Norway could have revenues of up to €1.7bn by 2027, up from €700mn last year.

"Vard is our lever, our secret weapon. Renewable energy at sea is going to create a brand new economy" he said during a visit to Norway. "Vard is preparing itself for a renaissance in Norwegian shipbuilding."

Fincantieri's current business is predominantly based on building cruise ships and naval vessels. They account for €4.2bn and €2.1bn, respectively, out of the group's €7.5bn of revenues.

Folgiero is trying to revive its third pillar, the Vard offshore business, and hopes it can make €1bn-€1.1bn in revenues this year and €1.5bn-€1.7bn by 2027, as Norwegian companies that long supported the growth of the oil and gas industry turn to offshore wind.

Group revenues in 2027 should be close to €10bn, helped also by growth in naval as defence companies benefit from an increase in government spending after the Ukraine war, he said.

Vard is pushing into unmanned vessels and has already delivered the Birkeland autonomous container ship to Yara, a Norwegian fertiliser company.

Folgiero said such vessels, as well as those powered by green fuels, would be vital for the offshore wind industry in the future.

The Vard unit in Norway envisions growth in renewable energy at sea

"Working at sea a long time ago meant building an oil platform, now it means building a wind farm," he added. "The competences you need to build these specialised [construction] vessels are very similar. It's not a big transition in concept. What is transformational is the innovation."

Vard this month signed a deal to deliver four service vessels in 2025-26 to Edda Wind, a Norwegian offshore renewable energy company.

Fincantieri's attempt to buy Chantiers de l'Atlantique collapsed in January amid antitrust concerns and the effect of the Covid-19 pandemic on the cruise ship industry.

Folgiero, who became chief executive in May, said an understanding on the long-mooted deal with former French president François Hollande changed under Emmanuel Macron.

"The transaction was somehow interrupted . . . Italian and French industrial co-operation is one of the most interesting chapters of the book," Folgiero said.

Asset management

Too much choice is confusing retail investors, say investment executives

MADISON DARBYSHIRE — NEW YORK

The number of investment products has proliferated to the point that they are confusing retail investors, top asset management executives have said in a warning for the industry.

About 4,300 funds and exchange traded funds alone have been launched in the US in the past decade, according to Refinitiv, bringing the total to more than 10,000. Many of these products are available to everyday investors.

The asset management industry rushed to diversify its offerings in response to customer appetite for low-cost mutual funds and ETFs as well as less traditional alternative investments such as real estate and private credit. Large-cap growth funds alone total more than 550, Refinitiv data show.

But top executives offering some of these products say this rapid expansion has complicated investing.

"On one hand [more choice] is quite good but, at the same time . . . investors have to evaluate more options and alternatives," Robert Sharps, chief executive of T Rowe Price, which has $1.3tn under management, said in an interview. "This creates confusion and uncertainty that is in many ways more difficult for the end investor."

Andrew Schlossberg, the incoming chief executive of Invesco, called the industry "oversupplied with products and capabilities".

Investment groups are under pressure to consolidate products and limit investor choice, as well as cull products that are underperforming, said Schlossberg, whose company manages $1.4tn.

'Look at the number of mutual funds and ETFs in the industry. Do we really need that many?'

"Look at the number of mutual funds and ETFs in the industry, you can just multiply it on and on," Schlossberg said. "Do we really need that many?"

One driver of growth in the number of products has been the rise of passive investing, a strategy of tracking indices generally viewed as simpler than picking stocks and bonds.

The number of passive mutual funds has grown 28 per cent over the past decade.

While actively managed funds have decreased in number, the number of actively managed ETFs in the US has almost doubled since February 2021 to close to 1,000 according to Morningstar.

Executives said many product innovations, such as target date retirement funds, had benefited investors. But so much choice had made business more complex for investors and firms trying to manage costs in a competitive sector.

The "democratisation" of complex investment products had also created new challenges.

Executives cautioned that few small investors are sophisticated enough to do the work of an institution in evaluating products.

"Today, there's a reasonable divide between the technical elements we bring in terms of the products and the average investor and their ability to really leverage the tools we give to them," said Yie-Hsin Hung, chief executive of State Street Global Advisors, the asset management arm of State Street which manages $3.3tn.

The day in the markets

What you need to know

- US and European bank stocks tumble as investors fret over SVB fallout
- Two-year US Treasury yields in biggest single-day drop since 1987
- Wall Street more assured in later trading but small-caps underperform

US and European bank stocks declined yesterday and traders raced into sovereign debt as markets fretted over regulators' moves to prevent the collapse of Silicon Valley Bank from spreading into the wider economy.

The KBW Nasdaq Bank index dropped 10 per cent by early afternoon trading in the US and the Stoxx Europe banking index was down 5.8 per cent as investors worried about the value of banks' bond portfolios.

Traders flocked to sovereign debt as jitters spread through the market following regulators' moves over the weekend to insulate customers from the failure on Friday of California-based SVB and its UK arm.

The yield on the two-year US Treasury note, which is sensitive to interest rate changes, fell 46 basis points to 4.12 per cent — its biggest single-day drop since 1987. German 10-year Bunds fell 20bp to 2.26 per cent.

"This is how asset cycles end and now it converts to a credit crunch and the economy will move towards recession," said Steven Blitz, chief US economist at TS Lombard. "All the shareholders and depositors are nervous, so what are you going to do? Expand your loan book? No, they'll put cash and deposits back with the [US Federal Reserve]."

Neil Shearing at Capital Economics in London, said: "There's a sense where markets are thinking that the Federal Reserve stepped in aggressively to stop problems spreading but that doesn't apply in Europe . . . cracks are starting to appear and it's a reminder that, if rates go up, that could cause problems for [banking] institutions."

Declines in some of the biggest bank shares pushed benchmark indices on the continent lower with the region-wide Stoxx Europe 600 down 2.3 per cent.

London's FTSE 100 fell 2.5 per cent after the UK government confirmed that the British unit of SVB would be sold to HSBC, while the CAC 40 in Paris fell 2.9 per cent.

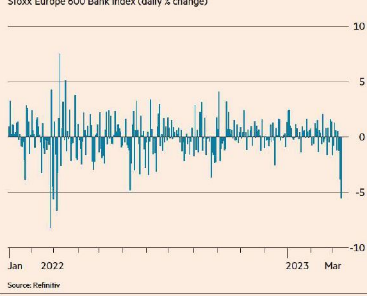
But across the Atlantic, trading was more assured by mid-session, with the blue-chip S&P 500 up 0.2 per cent and the tech-heavy Nasdaq Composite gaining 0.8 per cent.

Investors were buoyed by US regulators saying that SVB's depositors would be fully repaid in their attempt to shore up the banking system.

However, small-cap stocks were hit particularly hard, with the Russell 2000 index losing 1.3 per cent. **Martha Muir, Leo Lewis and William Langley**

Worst day for European banks in more than 12 months

Stoxx Europe 600 Bank index (daily % change)



Source: Refinitiv

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	S&P 500	Eurofirst 300	Nikkei 225	FTSE100	Shanghai Comp	Bovespa
Level	3891.36	1748.88	27832.96	7548.63	3268.70	103425.27
% change on day	0.77	-2.36	-1.11	-2.58	1.20	-0.19
Currency	$ index (DXY)	$ per €	Yen per $	$ per £	Rmb per $	Real per $
Level	104.135	1.073	133.150	1.216	6.900	5.238
% change on day	-0.422	0.374	-0.882	0.496	-0.940	1.459
Govt. bonds	10-year Treasury	10-year Bund	10-year JGB	10-year Gilt	10-year bond	10-year bond
Yield	3.511	2.251		3.500	2.880	12.566
Basis point change on day	-24.140	-25.200		-27.700	0.500	-25.500
World index, Commods	FTSE All-World	Oil - Brent	Oil - WTI	Gold	Silver	Metals (LMEX)
Level	406.50	80.88	74.93	1861.25	20.09	3933.00
% change on day	-0.19	-2.30	-2.28	1.63	-0.15	-0.48

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

Main equity markets

Biggest movers

%	US		Eurozone		UK	
Ups	Illumina	21.63	Coloplast	1.99	Endeavour Mining	4.24
	Moderna	5.65	Dsm	0.92	Fresnillo	3.49
	Newmont	5.60	Rwe	0.67	Severn Trent	2.10
	Marketaxess Holdings	4.81	Terna	0.61	Convatec	1.75
	Public Storage	4.68	Snam	0.57	Admiral	1.62
Downs	First Republic Bank	-65.97	Commerzbank	-12.27	Standard Chartered	-6.89
	KeyCorp	-27.96	B. Sabadell	-11.81	Barclays	-6.31
	Comerica Inc	-25.85	Unicredit	-9.01	Beazley	-6.28
	Zions Ban Na	-24.62	Bbva	-8.24	Ashtead	-6.15
	Huntington	-19.03	Santander	-7.35	Ocado	-6.05

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

Wall Street

Biotech company **SeaGen** jumped on news that it was being bought by larger peer Pfizer for $229 a share, a 33 per cent premium to Friday's closing price.

The deal, expected close late this year or in early 2024, gave the cancer specialist an enterprise value of $43bn.

First Republic sank to the bottom of the S&P 500 index in the wake of Silicon Valley Bank's collapse.

The regional lender said at the weekend that it had "enhanced and diversified its financial position through access to additional liquidity from the Federal Reserve Bank and JPMorgan". This gave it access to $70bn of "unused liquidity", it added.

It nevertheless dived alongside peers such as **KeyCorp**, **Western Alliance Bank**, **PacWest**, **Zions** and **Citizens Financial**.

At the top of the blue-chip benchmark was **Illumina**, which jumped after activist investor Carl Icahn launched a proxy battle at the gene-sequencing group.

The billionaire said in an open letter that Illumina's "reckless decision" to close the purchase of cancer-screening start-up Grail "over the objections of European regulators, created a staggering amount of risk", including a potential fine of $458mn.

Icahn said he intended to nominate three individuals to Illumina's board at its next annual meeting. *Ray Douglas*

Europe

A takeover bid sent Germany's **Synlab** soaring after the provider of diagnostics and lab services said it had received a "non-binding expression of interest" from Cinven. The private equity firm offered €10 a share — a 42 per cent premium to Friday's closing price. Cinven already has a 43 per cent stake in the Munich-based group.

Software publishing company **Azerion** tumbled after disclosing that the Dutch financial watchdog AFM had "initiated an investigation into irregularities in trading of Azerion shares".

The Dutch group said the probe appeared "to be focused on the shareholders of Principion Holding" — its largest shareholder — which includes co-chief executives Atilla Aytekin and Umut Akpinar.

Azerion said Aytekin had decided that the interests of the company would be "best served by him temporarily stepping aside at this moment in time from his duties and responsibilities as co-CEO".

In the meantime, the group would be run by Akpinar and chief financial officer Ben Davey.

Italian microelectronics manufacturer **Technoprobe** slid after revealing that it had exposure to failed US lender Silicon Valley Bank, representing about 2.5 per cent of its cash and cash equivalents as of the end of 2022. *Ray Douglas*

London

Insurer **Direct Line** fell sharply after posting "financial results for the year . . . as ugly as can be", said Russ Mould, investment director at AJ Bell.

Operating profit for 2022 plummeted 95 per cent to £32.1mn while its combined operating ratio — a measure of claims and costs as a proportion of premiums — worsened from 89.5 to 105.8 per cent.

Jon Greenwood, acting chief executive, said "2022 was a tough year . . . with high claims inflation and regulatory reforms creating substantial headwinds for the business".

Mould said the plan for Direct Line was to follow peers in pushing up motor insurance prices and make moves to improve its solvency position.

Another insurer, **Phoenix**, sank after generating £1.5bn of cash in 2022, down from £1.72bn a year earlier, although this was still above its target of £1.3bn-£1.4bn.

Asia-focused lender **HSBC** slid following news that it would pay a symbolic £1 for Silicon Valley Bank's UK arm after the collapse of its US parent.

Susannah Streeter, head of money and markets at Hargreaves Lansdown, said HSBC shareholders were "still highly uncertain" about this takeover, "given the concern surrounding the tech sector right now and the losses that had mounted up for [SVB's bond portfolio]". *Ray Douglas*

SVB crash is a warning on rate rise risks

Jérôme Legras

Markets Insight

Of all the ways a bank can die, the route of Silicon Valley Bank to implosion appears to have been one of the most reckless.

Banks exist to take and manage liquidity, interest rate and credit risks. It is stunning to hear a US bank has failed because it invested much of its deposits, mostly redeemable at demand, into a long-term, held-to-maturity bond portfolio without any interest rate hedge.

A failure this size will raise many questions — about contagion risk, supervisory or regulatory failures, the impact on the venture capital market and so on — but the root cause is a global phenomenon: interest rates have gone up quickly everywhere and it is reasonable to ask if a similar high-speed crash could happen elsewhere.

There are three ingredients to this explosive recipe: volatile deposits, high interest rate risk on the asset side and insufficient hedges. Once the ingredients are there, it is a movie you have seen before: a deposit flight materialises, long-term assets have to be sold at a loss and, absent hedges, banks fail.

With this framework in mind, let us compare the vulnerabilities of three large banking markets — the US, the eurozone and Japan. The level of deposits is key. What do banks do when they have too many deposits? Buying long-term bonds is a common tactic.

European banks, scarred by losses during the eurozone crisis, have learnt the hard way that there is no free lunch to be gained from such a strategy — they know that their bond books should be hedged. Since the first European banking regulatory stress tests in 2009, banks have been tested for their sensitivity to falls in government bond values. Poor tests indirectly led to the bailouts of Italian lender Monte dei Paschi.

Is it possible to quantify such risk and the impact of hedges banks use for the three banking markets? Well, the fundamental structures of deposit markets are similar. For example, the aggregate share of insured deposits is similar in the eurozone and the US at around 58 per cent. But the US experienced a sharper rise during the Covid pandemic in deposit growth. A slowing to long-term average growth seems logical.

Moreover, the unwinding of the central bank bond-buying programmes, known as quantitative tightening, is happening faster in the US. This cuts the amount of money in the financial system, thus mechanically cutting bank deposits. EU bank rules also give a preferential treatment to retail depositors, irrespective of whether the deposits are insured or not. Hence, US deposits are slightly more vulnerable, in my view.

> European banks, scarred by losses in the eurozone crisis, know their bond books should be hedged

Faced with a similar problem (investing huge deposit inflows despite an expensive Japanese government bond market), Japanese banks diversified by investing abroad. They adapted to the world of negative rates and lossmaking deposits. But some risk always remains.

And assessing this is a tricky exercise, mostly because it requires an accurate understanding of the behaviour of depositors. An on-demand deposit paying no interest from a loyal client can look like a five-year debt and used as a hedge against a five-year asset. But if the client changes their mind, the hedge evaporates. It is crucial that banks model clients' behaviour properly.

To quantify the risks, an international framework (the IRRBB for interest rate risk in the banking book) was brought in — but mostly voided by President Donald Trump for US banks with assets below $250bn. What do the numbers say?

The eurozone looks like a safe place. A rise in benchmark rates of 2 percentage points could lead to a drop in the value of the equity of banks in the bloc of about 4 per cent. But there is dispersion and size matters. The German Bundesbank estimated that the large systemic lenders had a risk of potential equity hit of about 6 per cent but for co-operative or saving banks it was 22 per cent.

Numbers for the US are hard to find, and even some systemic banks do not report them. I think the potential risks are higher than in Europe.

But the outlier is Japan which adopted the global regulatory framework in 2018. Even only using the test of a 1 percentage point rate rise shock, the estimated hit to equity is 18 per cent. And this average number hides large differences between sophisticated large institutions (10 per cent) and smaller operators such as the regional Shinkin co-operative banks (a huge 30 per cent).

Higher rates in Japan will need to be introduced with extreme caution. This has been long acknowledged in markets. The collapse of SVB has put the issue front of mind for investors.

Jérôme Legras is managing partner and head of research at Axiom Alternative Investments

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Legal Notices

DEVRO PLC
Company Number: SC129785
Registered in Scotland

NOTICE IS HEREBY GIVEN that a Petition (the "**Petition**") was presented to the Court of Session (the "**Court**") on 4 January 2023 by Devro plc (the "**Company**"), a public company incorporated in Scotland with company number SC129785 and with its registered office at Moodiesburn, Chryston G69 0JE, for sanction of a Scheme of Arrangement (the "**Scheme**") pursuant to part 26 of the Companies Act 2006 (the "**Companies Act**") between the Company and the class of its members who are together defined in the Scheme as "**Scheme Shareholders**", being holders of its ordinary shares of ten pence each.

At a meeting held under the authority of the Court on 3 March 2023 (the "**Meeting**"), the Scheme Shareholders voted to approve the Scheme. At a general meeting held on the same date, the Company passed related special resolutions. The terms of the special resolutions are set out in the circular to the Company's shareholders dated 13 January 2023 and referred to below (the "**Circular**").

Following the Meeting, and by order dated 8 March 2023, the Court: (i) ordered that the Petition should be advertised once in each of the Edinburgh Gazette, The Scotsman and The Financial Times (UK and international editions); and (ii) allowed all persons claiming an interest in the Petition to lodge answers to the Petition, if so advised, at the Court, Parliament House, Parliament Square, Edinburgh EH1 1RQ, within 14 days after the publication of the last of those advertisements.

The Court hearing to sanction the Scheme is expected to be held on 13 April 2023 at the Court, the address of which is Parliament House, Parliament Square, Edinburgh EH1 1RQ.

A copy of the Circular, incorporating the Scheme and the explanatory statement which is required to be furnished pursuant to section 897 of the Companies Act, has been published and is available for Scheme Shareholders on the Company's website at www.devro.com/investors/recommended-offer-for-devro/. The Circular was sent in advance of the Meeting to, among others, the Scheme Shareholders. Further copies of the Circular may be obtained by any Scheme Shareholder by contacting the Company's registrar, Computershare Investor Services PLC ("**Computershare**") at The Pavilions, Bridgwater Road, Bristol BS13 8AE or between 8.30 a.m. and 5.30 p.m. Monday to Friday (except UK public holidays) on 0370 889 4050 or on +44 (0) 370 889 4050 if calling from outside the UK.

Any Scheme Shareholder, or other person who considers that they have an interest in the Scheme (each an "**Interested Party**") and who is concerned that the Scheme may adversely affect them, is entitled to lodge written answers to the Petition and to be heard by the Court. If an Interested Party wishes to raise concerns in relation to the Scheme with the Court or, where lawful and practicable, appear at the Court hearing, they should seek independent legal advice (at their own cost and expense) and lodge written answers to the Petition with the Court at the above address within 14 days after the publication of the last of the advertisements which are referred to above and pay the required fee. Written answers are a formal Court document which must comply with the rules of the Court and are normally prepared by Scottish legal counsel. The Court may consider written objections which are not in the form of written answers and/or allow an Interested Party who has not lodged written answers to appear at the Court hearing. Each Interested Party should note that, although the practice of the Court is to consider informal objections made in person or in writing, the decision to do so is entirely at the discretion of the Court, and that the Court may require an Interested Party to lodge written answers in order to raise objections to the Scheme and/or appear at the Court hearing.

Dated: 8 March 2023

Clifford Chance LLP	**Shepherd and Wedderburn LLP**
10 Upper Bank Street	1 Exchange Crescent
London	Conference Square
E14 5JJ	Edinburgh EH3 8UL
English solicitors for the Company	Scottish solicitors for the Company

NOTICE TO ALL CREDITORS OF
EMBLA SA (IN VOLUNTARY LIQUIDATION)
Registered Office: 2, rue Jean Monnet, L-2180 Luxembourg
R.C.S. Luxembourg B201559
DEADLINE TO SUBMIT CLAIMS

The extraordinary general meeting of the shareholders of EMBLA SA (in liquidation) ("the Company"), held on 23 February 2023, resolved to place the Company into voluntary liquidation, and to appoint Ernst & Young S.A., represented by Christophe Vandendorpe, as Liquidator (the "Liquidator").

NOTICE is hereby given that the creditors of the Company, whose debts or claims have not already been admitted by the Liquidator, are required not later than 5.00 pm, 5 April 2023, to prove their debts or claims and to establish any title they may have to the Liquidator.

Following expiry of the deadline, creditors will be excluded from the benefit of any distribution made by the Liquidator.

All claims (including details of any form of security, pledges, or liens held) are to be substantiated with supporting documents and sent via post or email as follows: EMBLA SA (in liquidation), The Liquidator, 35 E Avenue John F. Kennedy, L-1855 Luxembourg, Luxembourg. Attn: Christophe Vandendorpe. Email address: liquidationservicedesk@lu.ey.com.

Dated 3 March 2023

For EMBLA SA (in liquidation). The Liquidator: ERNST & YOUNG S.A. Represented by Christophe Vandendorpe, Partner

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MARKET DATA

WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)

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	231697.54	236419.44
Australia	All Ordinaries	7311.00	7348.20
	S&P/ASX 200	7108.80	7144.70
	S&P/ASX 200 Res	5990.20	5928.70
Austria	ATX	3305.03	3445.68
Belgium	BEL 20	3660.00	3746.75
	BEL Mid	9775.45	10015.88
Brazil	IBovespa	103425.27	103618.20
Canada	S&P/TSX 60	1178.78	1189.62
	S&P/TSX Comp	19609.08	19774.92
	S&P/TSX Div Met & Min	1549.18	1591.12
Chile	S&P/CLX IGPA Gen	27549.61	27891.05
China	FTSE A200	10524.70	10428.03
	FTSE B35	9000.71	8988.96
	Shanghai A	3426.34	3385.77
	Shanghai B	294.78	294.62
	Shanghai Comp	3268.70	3230.08
	Shenzhen A	2193.18	2183.47
	Shenzhen B	1185.23	1193.14
Colombia	COLCAP	1261.61	1260.21
[illegible]	[illegible]	[illegible]	[illegible]
Cyprus	CSE M&P Gen	68.46	68.68
Czech Republic	PX	1346.18	1376.23
Denmark	OMXC Copenahgen 20	1885.68	1914.96
Egypt	EGX 30	15438.50	15936.89
Estonia	OMX Tallinn	1851.27	1899.41
Finland	OMX Helsinki General	10749.71	10995.55
France	CAC 40	7011.50	7220.67
	SBF 120	5369.99	5530.90
Germany	M-DAX	27232.34	27998.63
	TecDAX	3196.81	3255.25
	XETRA Dax	14959.47	15427.97
Greece	Athens Gen	1049.00	1056.26
	FTSE/ASE 20	2548.19	2564.24
Hong Kong	Hang Seng	19695.97	19319.92
	HS China Enterprise	6590.23	6445.90
	HSCC Red Chip	3990.04	3895.55
Hungary	Bux	41797.81	43077.69
India	BSE Sensex	58237.85	59135.13
	Nifty 500	14454.45	14679.85
Indonesia	Jakarta Comp	6786.96	6765.30
[illegible]	[illegible]	[illegible]	[illegible]
Italy	FTSE Italia All-Share	28393.37	29481.05
	FTSE Italia Mid Cap	42266.05	43748.23
	FTSE MIB	26183.54	27281.96
Japan	2nd Section	7228.27	7239.06
	Nikkei 225	27832.96	28143.97
	S&P Topix 150	1714.79	1740.26
	Topix	2000.99	2031.58
Jordan	Amman SE	2657.04	2642.02
Kenya	NSE 20	1608.44	1615.95
Kuwait	KSX Market Index	6633.44	6603.51
Latvia	OMX Riga	1164.48	1182.64
Lithuania	OMX Vilnius	992.68	1009.85
Luxembourg	LuxX	1563.93	1607.15
Malaysia	FTSE Bursa KLCI	1421.83	1433.08
Mexico	IPC	52825.92	52794.53
Morocco	MASI	10557.71	10592.56
Netherlands	AEX	727.25	743.03
	AEX All Share	995.55	1018.99
New Zealand	NZX 50	11672.90	11727.04
Nigeria	SE All Share	55794.51	55822.14
[illegible]	[illegible]	[illegible]	[illegible]
Philippines	Manila Comp	6544.45	6589.88
Poland	Wig	58233.68	59570.00
Portugal	PSI 20	5896.08	6025.76
	PSI General	4398.07	4452.64
Romania	BET Index	12255.19	12354.76
Russia	Micex Index	2436.57	2445.30
	RTX	1245.71	1212.57
Saudi-Arabia	TADAWUL All Share Index	10305.09	10383.82
Singapore	FTSE Straits Times	3132.37	3177.43
Slovakia	SAX	307.98	307.98
Slovenia	SBI TOP	-	-
South Africa	FTSE/JSE All Share	75502.28	76454.36
	FTSE/JSE Res 20	66170.02	64988.62
	FTSE/JSE Top 40	69731.53	70692.59
South Korea	Kospi	2410.60	2394.59
	Kospi 200	313.21	310.65
Spain	IBEX 35	8958.90	9285.00
Sri Lanka	CSE All Share	9491.04	9606.96
Sweden	OMX Stockholm 30	2156.58	2192.06
	OMX Stockholm AS	819.33	833.01
Switzerland	SMI Index	[illegible]	[illegible]
Taiwan	Weighted Pr	15560.49	15526.20
Thailand	Bangkok SET	1573.07	1599.05
Turkey	BIST 100	5323.19	5323.19
UAE	Abu Dhabi General Index	9222.93	9251.11
UK	FT 30	2611.60	2706.00
	FTSE 100	7548.63	7748.35
	FTSE 4Good UK	6823.39	6995.74
	FTSE All Share	4117.47	4226.46
	FTSE techMARK 100	6502.17	6640.68
USA	DJ Composite	10814.32	10760.09
	DJ Industrial	32136.67	31909.64
	DJ Transport	14060.48	14209.01
	DJ Utilities	912.27	887.55
	Nasdaq 100	12026.88	11830.28
	Nasdaq Cmp	11291.23	11138.89
	NYSE Comp	14896.00	14894.18
	S&P 500	3891.36	3861.59
	Wilshire 5000	38620.30	38379.18
Venezuela	IBC	29088.04	28701.60
Vietnam	VNI	1052.80	1053.00
Cross-Border	DJ Global Titans ($)	425.52	420.08
	Euro Stoxx 50 (Eur)	4103.14	4229.53
	Euronext 100 ID	1303.23	1337.47
	FTSE 4Good Global ($)	9618.03	9596.27
	FTSE All World ($)	406.50	407.28
	FTSE E300	1748.88	1791.22
	FTSE Eurotop 100	3446.11	3527.73
	FTSE Global 100 ($)	2532.27	2519.68
	FTSE Gold Min ($)	1627.51	1599.11
	FTSE Latibex Top (Eur)	4440.00	4432.20
	FTSE Multinationals ($)	2699.71	2728.95
	FTSE World ($)	737.96	739.74
	FTSEurofirst 100 (Eur)	4700.20	4834.64
	FTSEurofirst 80 (Eur)	5578.08	5748.90
	MSCI ACWI Fr ($)	616.60	624.51
	MSCI All World ($)	2657.41	2691.17
	MSCI Europe (Eur)	1841.39	1869.75
	MSCI Pacific ($)	2701.48	2731.78
	S&P Euro (Eur)	1840.07	1888.43
	S&P Europe 350 (Eur)	1798.88	1836.02
	S&P Global 1200 ($)	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]

[illegible]

STOCK MARKET: BIGGEST MOVERS

[illegible]

Newmont	44.52	2.36	5.60	Fresnillo	747.40	25.20	3.49	Roche Gs	269.97	0.61	0.23
Marketaxess Holdings	383.42	16.69	4.81	Severn Trent	2824.00	58.00	2.10	Orsted A/s Dk 10	10.57	0.02	0.20
Public Storage	294.63	13.17	4.68	Primary Health Properties	103.00	2.00	1.98	Mowi	15.34	0.03	0.20
Downs				**Downs**				**Downs**			
First Republic Bank	27.82	-53.94	-65.97	Bank Of Georgia	2435.00	-275.00	-10.15	Cs N	2.31	-0.24	-9.58
Svb Fin	106.04	-161.79	-60.41	Iwg	165.95	-18.25	-9.91	Unicredit	16.94	-1.68	-9.01
Signature Bank	70.00	-20.76	-22.87	Virgin Money Uk	149.75	-14.75	-8.97	Bbva	6.47	-0.58	-8.24
Key	12.12	-3.54	-22.60	National Express	126.90	-12.00	-8.64	Ubs N	18.09	-1.50	-7.66
Zions Ban Na	31.60	-8.75	-21.69	Carnival	687.20	-57.20	-7.68	Santander	3.34	-0.27	-7.35

Based on the constituents of the S&P500 · Based on the constituents of the FTSE 350 index · Based on the constituents of the FTSEurofirst 300 Eurozone index

Mitsui O.s.k.lines.	3590.00	70.00	1.99
Kao	5080.00	49.00	0.97
Tse Growth Market Core Index	937.11	8.96	0.97
Downs			
Mitsubishi Motors	521.00	-36.00	-6.46
Mazda Motor	1230.00	-78.00	-5.96
Concordia Fin Ltd	537.00	-30.00	-5.29
Ntn	345.00	-18.00	-4.96
Nissan Motor Co.,	504.60	-26.30	-4.95

Based on the constituents of the Nikkei 225 index

UK MARKET WINNERS AND LOSERS

[illegible]

Standard Chartered	688.80	-12.9	11.0	Bank Of Georgia	2435.00	-18.8	-6.5	Restaurant	37.62	-16.4	20.4	Banks	3474.81	-9.1	5.9
British Land	404.60	-10.8	2.0	Carnival	687.20	-18.6	21.0	Saga	145.00	-15.0	15.3	Industrial Engineering	14265.77	-9.0	3.4
Entain	1243.00	-10.8	-5.9	Spirent Communications	175.90	-16.6	-	Reach	77.10	-14.9	-	Personal Goods	32562.24	-8.6	5.9
Beazley	545.00	-10.7	-	Bridgepoint	210.80	-16.4	11.2	Petrofac	68.30	-14.5	-2.7	Real Estate Investment Trusts	2210.61	-8.0	-1.0
Abrdn	211.20	-10.5	11.6	Future	1145.00	-14.9	-9.6	Ao World	59.95	-14.5	15.3	Industrial Metals	6919.98	-7.7	-
St. James's Place	1156.00	-10.4	5.6	Intermediate Capital	1228.00	-14.9	7.0	Alfa Fin Software Holdings	133.00	-14.2	-	Life Insurance	7027.61	-7.2	0.0
Weir	1802.50	-10.4	7.6	Ip	53.65	-14.8	-3.8	Mo Int	123.00	-13.7	7.0	Oil & Gas Producers	8633.30	-6.3	6.3
Schroders	446.30	-9.7	2.1	Virgin Money Uk	149.75	-14.6	-17.7	Stv	272.50	-13.5	0.0	Construction & Materials	8114.61	-6.2	18.2
Ashtead	5192.00	-9.6	10.0	Keller	700.00	-13.6	-12.5	Augmentum Fintech	91.00	-13.1	-	Electronic & Electrical Equip.	9201.26	-6.1	6.3
Land Securities	617.80	-9.6	-0.6	Asos	822.50	-12.6	61.1	Rank	76.30	-13.1	-6.8	Real Estate & Investment Servic	2186.70	-6.1	3.0

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

CURRENCIES

Mar 13	Currency	DOLLAR Closing Mid	DOLLAR Day's Change	EURO Closing Mid	EURO Day's Change	POUND Closing Mid	POUND Day's Change
Argentina	Argentine Peso	200.6465	-0.0810	215.3437	0.8156	243.9353	1.0355
Australia	Australian Dollar	1.4962	-0.0120	1.6058	-0.0061	1.8190	-0.0060
Bahrain	Bahrainin Dinar	0.3770	-	0.4046	0.0017	0.4583	0.0021
Bolivia	Bolivian Boliviano	6.9100	-	7.4162	0.0311	8.4008	0.0390
Brazil	Brazilian Real	5.2376	0.0753	5.6212	0.1040	6.3675	0.1207
Canada	Canadian Dollar	1.3691	-0.0087	1.4693	-0.0031	1.6644	-0.0029
Chile	Chilean Peso	798.7500	4.7500	857.2579	8.6681	971.0774	10.2603
China	Chinese Yuan	6.9002	-0.0655	7.4056	-0.0390	8.3889	-0.0403
Colombia	Colombian Peso	4763.4400	45.6800	5112.3594	70.2375	5791.1357	82.1871
Costa Rica	Costa Rican Colon	548.6250	-0.0500	588.8114	2.4134	666.9889	3.0389
Czech Republic	Czech Koruna	22.0913	-0.0018	23.7095	0.0974	26.8574	0.1226
Denmark	Danish Krone	6.9360	-0.0288	7.4440	0.0005	8.4324	0.0044
Egypt	Egyptian Pound	30.8922	0.3983	33.1550	0.5646	37.5571	0.6565
Hong Kong	Hong Kong Dollar	7.8408	-0.0085	8.4151	0.0262	9.5324	0.0340
Hungary	Hungarian Forint	365.9213	8.3540	392.7248	10.5737	444.8675	12.1763
India	Indian Rupee	82.1275	0.0800	88.1433	0.4548	99.8462	0.5608
Indonesia	Indonesian Rupiah	15365.0000	-85.0000	16490.4932	-21.7564	18679.9618	-16.0651
Israel	Israeli Shekel	3.6222	0.0358	3.8875	0.0545	4.4037	0.0638
Japan	Japanese Yen	133.1500	-1.1850	142.9031	-0.6678	161.8766	-0.6818
..One Month		133.1493	-1.1863	142.9027	-0.6686	161.8760	-0.6831
..Three Month		133.1482	-1.1887	142.9020	-0.6700	161.8748	-0.6855
..One Year		133.1434	-1.1990	142.8983	-0.6778	161.8760	-0.6902
Kenya	Kenyan Shilling	129.5000	-0.1000	138.9858	0.4754	157.4392	0.6106
Kuwait	Kuwaiti Dinar	0.3065	-0.0004	0.3290	0.0010	0.3726	0.0013
Malaysia	Malaysian Ringgit	4.4850	-0.0350	4.8135	-0.0172	5.4526	-0.0170
Mexico	Mexican Peso	18.7725	0.3815	20.1476	0.4921	22.8226	0.5677
New Zealand	New Zealand Dollar	1.6030	-0.0173	1.7204	-0.0112	1.9488	-0.0118
Nigeria	Nigerian Naira	460.7500	-	494.4996	2.0717	560.1551	2.6029
Norway	Norwegian Krone	10.5246	-0.0453	11.2955	-0.0011	12.7952	0.0046
Pakistan	Pakistani Rupee	280.5250	-0.1000	301.0733	1.1545	341.0473	1.4838
Peru	Peruvian Nuevo Sol	3.8015	0.0185	4.0799	0.0369	4.6216	0.0439
Philippines	Philippine Peso	54.9425	-0.2275	58.9670	0.0039	66.7961	0.0351
Poland	Polish Zloty	4.3623	-0.0108	4.6818	0.0080	5.3034	0.0115
Romania	Romanian Leu	4.5846	-0.0145	4.9205	0.0051	5.5738	0.0084
Russia	Russian Ruble	75.2000	-0.9750	80.7083	-0.7039	91.4241	-0.7550
Saudi Arabia	Saudi Riyal	3.7543	0.0001	4.0293	0.0170	4.5643	0.0213
Singapore	Singapore Dollar	1.3475	-0.0006	1.4462	0.0054	1.6382	0.0069
South Africa	South African Rand	18.1888	-0.0250	19.5211	0.0551	22.1129	0.0725
South Korea	South Korean Won	1301.8500	-22.4500	1397.2097	-18.1398	1582.7195	-19.8123
Sweden	Swedish Krona	10.5786	-0.0408	11.3535	0.0040	12.8609	0.0104
Switzerland	Swiss Franc	0.9120	-0.0074	0.9788	-0.0038	1.1088	-0.0037
Taiwan	New Taiwan Dollar	30.6395	-0.2485	32.8838	-0.1278	37.2499	-0.1276
Thailand	Thai Baht	34.6000	-0.4600	37.1344	-0.3361	42.0648	-0.3612
Tunisia	Tunisian Dinar	3.0988	-0.0155	3.3258	-0.0026	3.7674	-0.0013
Turkey	Turkish Lira	18.9720	0.0095	20.3617	0.0955	23.0651	0.1187
United Arab Emirates	UAE Dirham	3.6727	0.0000	3.9417	0.0166	4.4651	0.0208
United Kingdom	Pound Sterling	0.8225	-0.0038	0.8828	-0.0004	-	-
..One Month		0.8226	-0.0038	0.8827	-0.0004	-	-
..Three Month		0.8228	-0.0038	0.8824	-0.0004	-	-
..One Year		0.8230	-0.0043	0.8816	-0.0005	-	-
United States	United States Dollar	-	-	1.0732	0.0045	1.2157	0.0056
..One Month		-	-	1.0730	-0.1369	1.2158	0.0057
..Three Month		-	-	1.0726	-0.1369	1.2160	0.0056
..One Year		-	-	1.0714	-0.1366	1.2162	0.0052
Vietnam	Vietnamese Dong	23587.5000	-87.5000	25315.3021	12.5547	28676.4664	27.3578
European Union	Euro	0.9318	-0.0039	-	-	1.1328	0.0005
..One Month		0.9315	-0.0039	-	-	1.1326	0.0005
..Three Month		0.9311	-0.0040	-	-	1.1324	0.0005
..One Year		0.9299	-0.0037	-	-	1.1316	0.0004

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

FTSE ACTUARIES SHARE INDICES

UK SERIES www.ft.com/equities

Produced in conjunction with the Institute and Faculty of Actuaries

	£ Strlg Mar 13	Day's chge%	Euro Index	£ Strlg Mar 10	£ Strlg Mar 09	Year ago	Div yield%	Cover	P/E ratio	X/D adj	Total Return
FTSE 100 (100)	7548.63	-2.58	6660.05	7748.35	7879.98	7155.64	3.66	2.15	12.69	62.93	7818.94
FTSE 250 (250)	18825.08	-2.75	16609.10	19357.46	19692.90	20206.61	3.27	0.78	39.35	85.79	15748.53
FTSE 250 ex Inv Co (170)	19449.37	-3.24	17159.89	20101.17	20454.06	20745.12	3.37	1.52	19.51	76.18	16591.88
FTSE 350 (350)	4158.89	-2.60	3669.33	4269.98	4342.73	4017.16	3.61	1.98	14.02	32.47	8544.44
FTSE 350 ex Investment Trusts (267)	4107.62	-2.66	3624.09	4219.73	4291.03	3939.38	3.66	2.18	12.53	32.62	4361.98
FTSE 350 Higher Yield (133)	3608.86	-2.89	3184.04	3716.29	3776.51	3354.06	4.96	2.37	8.49	37.01	8389.09
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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FT 30 INDEX

	Mar 13	Mar 10	Mar 09	Mar 08	Mar 07	Yr Ago	High	Low
FT 30	2611.60	2706.00	2754.80	2763.20	2765.60	0.00	2784.10	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
2706	2655.9	2627.7	2644.1	2636.3	2627.7	2626.8	2618.1	2617.8	2706.1	2606.7

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

FT WILSHIRE 5000 INDEX SERIES

[illegible]

FTSE GLOBAL EQUITY INDEX SERIES

[illegible]

FTSE SECTORS: LEADERS & LAGGARDS

Year to date percentage changes

Oil Equipment & Serv	24.79	Industrials	6.07	FTSE SmallCap Index	-1.24
Automobiles & Parts	21.67	Banks	5.64	Real Est Invest & Tr	-2.23
Fixed Line Telecomms	20.78	Industrial Eng	4.47	Personal Goods	-2.25
Construct & Material	17.83	Utilities	4.36	Equity Invest Instr	-2.55
General Retailers	17.21	Financial Services	4.02	Software & Comp Serv	-2.57
Aerospace & Defense	15.39	Real Est Invest & Se	3.22	Industrial Metals &	-2.68
Telecommunications	14.76	Household Goods & Ho	2.70	Consumer Goods	-2.71
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FTSE 100 SUMMARY

FTSE 100	Closing Price	Day's Change	FTSE 100	Closing Price	Day's Change
3I Group PLC	1509.5	-72.00	Jd Sports Fashion PLC	166.35	-7.30
Abrdn PLC	211.20	-8.60	Johnson Matthey PLC	2037	-43.00
Admiral Group PLC	1912	30.50	Kingfisher PLC	279.50	-7.90
Airtel Africa PLC	113.90	-6.60	Land Securities Group PLC	617.80	-12.00
Anglo American PLC	2728	-84.00	Legal & General Group PLC	241.30	-10.70
Antofagasta PLC	1500.5	-40.50	Lloyds Banking Group PLC	47.23	-2.55
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK STOCK MARKET TRADING DATA

[illegible]

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

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

UK COMPANY RESULTS

[illegible]

UK RECENT EQUITY ISSUES

[illegible]

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Stock	Price	Day Chg	52 Week High	52 Week Low	Yld	P/E	MCap m
Australia (A$)							
ANZ Bank	23.39	-0.46	27.96	20.78	6.30	10.04	46950.82
BHP Group	45.83	0.82	53.72	35.83	8.76	11.02	155168.72
CmwBkAu	95.12	-0.39	111.38	86.98	3.59	18.31	107338.47
CSL	283.23	-2.82	314.21	254.30	1.04	41.51	91311.07
NatAusBk	28.54	-0.46	33.75	25.43	3.07	15.56	59869.18
Telstra	4.08	-0.04	4.24	3.62	2.39	33.97	31507.42
Wesfarmers	49.50	-0.44	51.66	40.03	3.51	26.05	37516.29
Westpac Bank	21.49	-0.30	24.67	18.80	4.04	16.00	50400.38
Woolworths	36.80	-0.40	39.63	31.67	2.87	42.96	29919.62
Belgium (€)							
AnBshInBv	55.69	-1.73	58.21	45.56	0.91	29.21	103830.88
KBC Grp	62.28	-3.80	72.46	45.53	5.25	10.65	27884.42
Brazil (R$)							
Ambev	13.62	0.11	16.88	12.60	4.22	20.19	40957.65
Bradesco	11.72	-0.10	17.72	11.33	7.21	5.32	10898.85
Cielo	5.01	-0.09	6.22	2.39	2.96	16.64	2598.77
ItauHldFin	20.63	-0.20	26.04	18.86	3.82	8.01	19530.01
Petrobras	27.83	-0.57	42.08	23.61	17.55	3.89	39545.85
Vale	85.66	0.96	99.43	61.90	15.44	3.75	74235.38
Canada (C$)							
Bausch Hlth	10.87	-0.27	30.55	5.10	-	-3.35	2873.16
BCE	59.95	0.19	74.09	55.66	5.68	20.61	39936.3
BkMontrl	119.29	-2.81	154.47	113.73	3.69	9.42	61842.6
BkNvaS	65.61	-0.12	94.17	63.19	5.50	8.43	57113.49
Brookfield	58.88	11.29	63.88	41.28	1.09	19.91	69948.82
CanadPcR	101.50	0.32	111.43	86.42	0.73	24.96	69006.21
CanImp	56.65	-1.06	82.83	53.58	10.31	4.03	37722.07
CanNatRs	75.60	-2.39	88.18	58.75	2.57	12.03	60761.71
CanNatRy	160.02	0.31	175.39	137.26	1.50	23.87	78333.66
Enbridge	52.17	-0.19	59.69	48.88	6.23	18.69	77162.6
GtWesLif	35.11	-0.75	37.69	27.99	5.35	10.13	23900.15
ImpOil	66.68	-2.78	79.83	52.28	1.50	19.70	28451.34
Manulife	25.32	-0.63	27.50	20.81	4.50	7.35	34366.9
Nutrien	101.91	-2.95	147.93	93.43	2.22	15.02	37162.96
RylBkC	131.20	-1.91	144.15	116.75	3.30	11.97	132810.74
SHOP	57.73	0.40	94.73	33.00	-	2.05	56396.75
Suncor En	44.43	-1.84	53.62	36.39	2.30	16.49	43212.13
ThmReut	165.84	0.14	171.12	119.23	1.20	11.74	57426.99
TntoDom	81.37	-2.40	104.00	77.27	3.91	10.47	108767.22
TrnCan	53.96	0.19	74.44	52.70	6.27	29.82	40308.8
China (HK$)							
AgricBkCh	2.82	0.05	3.07	2.22	7.57	3.69	11055.53
Bk China	2.96	0.04	3.17	2.51	7.52	3.65	31568.25
BkofComm	4.80	0.10	5.74	3.84	7.29	3.95	21433.91
BOE Tech	0.60	-0.02	0.86	0.55	-	9.64	15.22
Ch Coms Cons	4.84	0.26	4.85	3.09	4.21	4.00	2727.48
Ch Evrbrght	2.36	0.04	3.01	2.04	10.15	3.18	3816.17
Ch Rail Cons	5.58	0.33	5.65	3.75	4.70	2.96	1477.64
Ch Rail Gp	4.97	0.35	5.88	3.48	4.14	3.98	2666.94
ChConstBk	4.99	0.10	5.98	4.12	7.44	3.61	153006.39
China Vanke	12.50	0.12	21.50	9.96	11.40	5.61	3039.44
ChinaCitic	3.70	0.04	4.08	2.92	7.59	3.42	7022.74
ChinaLife	13.18	0.20	15.14	8.53	5.18	5.74	12508.32
ChinaMBank	40.20	0.50	62.80	25.40	3.56	7.38	23537.82
ChinaMob	64.85	2.85	65.30	46.85	4.97	9.97	169231.77
ChinaPclns	21.65	0.90	23.20	12.10	6.07	7.03	7663.21
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Stock	Price	Day Chg	52 Week High	52 Week Low	Yld	P/E	MCap m
Finland (€)							
Nokia	4.38	-0.11	5.20	4.18	-	15.89	26500.64
SampoA	42.60	-0.80	49.97	39.86	3.82	9.53	23609.09
France (€)							
Airbus Grpe	118.16	-3.46	126.04	86.52	-	22.77	99956.32
AirLiquide	146.50	-2.36	153.40	114.48	1.79	28.42	82313.15
AXA	27.68	-1.73	30.34	20.34	4.91	9.80	68113.08
BNP Parib	56.15	-4.10	67.02	40.67	4.53	8.50	74384.47
ChristianDior	774.50	-20.00	819.50	516.00	0.86	29.72	150043.54
Cred Agr	10.68	-0.34	11.94	8.09	7.12	6.13	34881.29
Danone	54.33	-0.68	58.14	46.78	3.40	19.43	39407.86
EDF	11.84	-0.05	12.07	7.27	3.92	9.57	49381.45
Engie SA	13.91	-0.19	14.68	10.07	3.62	10.30	36361.34
EssilorLuxottica	157.60	-2.00	184.70	132.70	0.65	50.52	75716.9
Hermes Intl	1691	-29.00	1762	957.60	0.26	76.31	191594.18
LOreal	373.20	-0.60	393.60	300.45	1.02	47.79	214361.82
LVMH	781.70	-20.90	830.70	535.00	0.86	34.40	421198
Orange	10.75	-0.13	11.94	9.08	5.31	3750.99	30690.22
PernodRic	197.00	-3.10	204.40	166.60	1.51	31.27	54537.84
Renault	38.77	-1.75	43.96	21.20	-	-30.43	12304.97
Safran	128.60	-4.84	137.58	87.85	0.32	1352.15	58968.43
Sanofi	88.03	-1.52	106.08	76.45	3.46	18.71	119121.4
Sant Gbn	53.15	-2.48	59.19	35.20	2.43	13.36	29421.89
Schneider	148.68	-3.64	159.62	110.02	1.66	27.57	91129.7
SocGen	23.94	-1.59	28.39	18.97	2.20	4.25	20761.45
Total	55.14	-2.90	60.93	44.01	4.66	11.14	147371.12
UnibailR	54.31	-1.05	73.09	39.68	-	-8.13	8088.05
Vinci	105.58	-2.66	109.92	80.84	2.42	24.61	66914.1
Vivendi	9.45	-0.08	12.16	7.59	6.04	-17.74	11185.59
Germany (€)							
Allianz	210.85	-9.40	224.55	156.22	4.33	14.00	91267.78
BASF	45.70	-1.85	56.06	37.90	6.87	7.96	43841.34
Bayer	56.06	-1.64	67.99	47.01	3.39	57.79	59108.87
BMW	94.64	-3.69	103.70	68.44	1.91	5.30	61146.04
Continental	71.20	-3.32	79.24	44.44	-	11.53	15283.53
Deut Bank	10.15	-0.52	12.36	7.46	-	10.50	22509.91
Deut Tlkm	21.37	-0.16	21.60	15.81	2.67	25.83	114366.12
DeutsPost	40.36	-0.53	47.34	29.68	3.26	10.74	53671.52
E.ON	10.18	-0.09	11.20	7.28	4.39	5.94	28844.02
Fresenius Med	37.10	-0.09	63.66	26.19	3.44	11.78	11666.71
Fresenius SE	23.83	-0.20	36.09	19.76	3.60	7.92	14283.99
HenkelKgaA	62.30	-0.95	66.00	56.55	2.79	17.42	17370.84
Linde	314.20	-10.60	344.00	254.90	1.13	51.32	165963.97
Mercedes-Benz	71.68	-2.35	75.92	50.19	1.79	7.54	82303.14
MuenchRkv	313.40	-13.70	334.10	212.70	2.97	15.74	47123.16
SAP	107.22	-3.26	113.44	81.35	1.64	25.28	141368.64
Siemens	140.96	-6.54	152.20	93.67	2.36	22.29	121028.18
Volkswgn	170.75	-4.00	240.00	144.35	2.67	6.07	54077.37
Hong Kong (HK$)							
AIA	84.45	2.90	93.65	57.25	1.42	21.47	125691.77
BOC Hold	26.80	-0.30	31.85	23.55	4.18	13.66	36138.18
Ch OSLnd&Inv	19.20	0.10	27.35	14.58	5.65	4.74	26801.28
ChngKng	49.45	0.25	57.00	42.90	3.23	11.24	22668.12
Citic Ltd	8.92	0.13	9.40	7.01	5.44	4.10	33094.54
Citic Secs	16.36	0.32	19.18	11.82	2.64	8.37	5466.9
CK Hutchison	48.75	1.25	59.45	38.80	4.22	6.14	23813.38
CNOOC	12.08	0.68	12.68	8.54	3.38	10.47	68678.08
[illegible]							

[illegible: the rest of the FT500 table and the other tables on this page (FT 500: Top 20, FT 500: Bottom 20, Bonds: High Yield & Emerging Market, Bonds: Global Investment Grade, Interest Rates: Official, Interest Rates: Market, Bond Indices, Volatility Indices, Bonds: Benchmark Government, GILTS: UK Cash Market, GILTS: UK FTSE Actuaries Indices, Commodities, Bonds: Index-Linked, Bonds: Ten Year Govt Spreads) were too small to transcribe]

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Fireworks from a star and her friends

Almost superhuman: Tiler Peck, left, and Michelle Dorrance in 'Time Spell' — Christopher Duggan

DANCE

Tiler Peck: Turn It Out
Sadler's Wells, London
★★★★★

Louise Levene

Tiler Peck's three-night stand at Sadler's Wells last weekend offered London a rare glimpse of one of New York City Ballet's brightest and most versatile stars. Expectations were high and she did not disappoint.

Turn It Out was a quadruple bill curated and part-choreographed by Peck herself and featuring 12 dancers, including tap choreographer Michelle Dorrance. The "and friends" format can sometimes feel like so much parsley round the salmon (as a critic once complained of Nureyev), but Peck's associates were all first-rate and the star herself danced three of the four numbers in an almost superhuman display of stamina and technique.

Peck's 2019 *Thousandth Orange* is set to the score of that name by Caroline Shaw. It was played by a piano quartet, who shared the bare stage with six dancers dressed in unitards of lemon, rose, pistachio and lavender — like a tasting menu of macaroons. The three couples paired off (and showed off) in a series of solos, duets and ensembles to the crash bang of the piano and larky pizzicato of the strings before crystallising into the group photo pose that began the dance.

Peck made her first appearance in Alonzo King's jazzy *Swift Arrow*, partnered by the impressive young NYCB star Roman Mejia. Peck's remarkable facility won her promotion to principal dancer at only 20. Now, at 32, her spatial and temporal awareness remain unnervingly acute, giving a fresh, contemporary edge to familiar steps and combinations, phrasing them in unexpected ways and delivering them at surprising velocity.

The first-half closer was *Time Spell*, a crowd-pleasing ballet-tap-and-modern marathon co-written by Peck, Dorrance and Jillian Meyers (of *La La Land* fame). Dorrance herself set the pace with a virtuoso display of tapping while, upstage left, Aaron Marcellus and Penelope Wendtlandt huffed, puffed and vocalised to Christopher Marc's pre-recorded soundscape.

These rhythms supercharged the ballet dancers who unleashed warp-speed pirouettes, *revoltades* and feathery beaten steps with throwaway insouciance while Meyers "marked" their moves behind them, as if dancing in another key. Peck unravelled accelerating chains of turns that mapped the stage like a magical pair of compasses. At one point she joined Dorrance on the miked-up miniature tap floor, her pointe shoes beating out a furious, Kitri-style *taconeo*, a classical counterpoint to the demon hoofer by her side.

Time Spell's adrenaline rush was impressive but slightly relentless. William Forsythe showed a better sense of pacing in the evening's finale, *The Barre Project, Blake Works II*, which included a short filmed interlude of hands grasping the barre, giving dancers and audience a chance to catch their breath.

Created on film during lockdown in 2021, *The Barre Project* was first danced live in New York last spring. It ought to have been impossible to replicate, but Peck (in slippers), Mejia, Lex Ishimoto and Brooklyn Mack made it look easy. The pyrotechnic display of bravura *enchainements* was taken at a terrifying lick, with Forsythe magicking his dancers on and off with a thimblerigger's sleight of hand. Were there really only four of them?

sadlerswells.com

Turandot revival is a blazing masterpiece

OPERA/CLASSICAL

Turandot
Royal Opera House, London

El Cimarrón
Wigmore Hall, London

Richard Fairman

In the two decades that Antonio Pappano has spent as music director of London's Royal Opera House, his most memorable nights have often come from Puccini, but there is one Puccini opera he has never conducted — until now.

Turandot, left unfinished at the composer's death, is based on a fable, far from the human dramas the composer had favoured until then. Pappano says he long avoided it for that reason, but in preparing these performances and his recent recording he came to admire how Puccini had created an entirely different type of theatre.

That is what comes across so powerfully here. With Pappano and the Royal Opera orchestra on top form, the music glitters with invention at every turn, showing how brilliantly Puccini turned his hand to the grand ceremonial that is such a feature of the opera. *Turandot* has not sounded so blazing a masterpiece, even going back to 1984 when this production was new.

It remains a visually resplendent show, a tribute to its designer Sally Jacobs, who died in 2020. The director was Andrei Serban, who fused a magpie collection of ritual, fantasy, traditional Chinese opera and Italian *commedia dell'arte* into a foolproof whole. The production has hardly aged, so suggestions that it should be replaced seem unwise. The dice are heavily loaded against its successor.

A dozen performances in this revival are shared between two casts. On the first night, Anna Pirozzi was poised between a lyric and dramatic soprano in the title role, finding more variety in Turandot's music than some, while turning up the volume for the big moments. Her Calaf, Yonghoon Lee, was also expressive and did not stint the decibels, though it sometimes sounded as if he was pushing his voice to its limit. The role of Liù is a lovely fit for Masabane Cecilia Rangwanasha, whose radiant soprano effortlessly filled the theatre — a fine revival. ★★★★☆

A generation after *Turandot*'s 1926 premiere, fantasy had gone firmly out of fashion. The postwar era saw the rise of the socially aware composer; Hans Werner Henze, a sometime Marxist sympathiser, was one of the leaders in the field.

Now it is his politically charged works of the 1960s that have gone out of fashion, but an intense performance of *El Cimarrón* at London's Wigmore Hall showed how they can still pack a punch. This chamber work dates from the period when Henze lived in Cuba and it sets extracts from the oral memoirs of then 103-year-old Esteban Montejo, former slave and Cuban revolutionary.

Mostly, the text is recited in heightened speech, though it breaks into song now and again. Its harrowing story was fervently declaimed by American baritone Will Liverman, a vivid and impressively clear narrator.

The accompaniment of three leading instrumentalists — percussionist Owen Gunnell with flautist Adam Walker and guitarist Sean Shibe also doubling on percussion — illustrates the events of the slaves' suffering and rebellion, mostly in oblique manner. The hardline corps of 1960s music is heard less often these days, but the timelessness of the subject means that *El Cimarrón*, of all Henze's political works, is likely to live on. ★★★★☆

'Turandot' to April 13, roh.org.uk
wigmore-hall.org.uk

Expressive: Yonghoon Lee, centre, as Calaf in 'Turandot' — Marc Brenner

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A publication from the Financial Times

A knave amid fools and gadabouts

THEATRE

Tartuffe
Abbey Theatre, Dublin
★★★★☆

Max McGuinness

This new adaptation of Molière's *Tartuffe* opens with a techno-fuelled bacchanal in a lavish yet dilapidated banquet room. The atmosphere is cheerfully camp rather than sleazy. But the party seems to have been going on a bit too long. And like the oversized game birds in the mural behind them, the revellers look ripe for the plucking. Would anyone really care if these feckless nobles fell prey to a scheming, upwardly mobile interloper?

Caitríona McLaughlin's wry staging of Frank McGuinness's version never comes down on the side of the comedy's eponymous villain. Their *Tartuffe* nonetheless weaves a textured moral tapestry where the fools and gadabouts have as little to recommend them as the knave.

Central to that interpretation is Frank McCusker's portrayal of Orgon, who welcomes the pharisaic Tartuffe into his home. The patriarch's intrinsic gullibility and empty-headed piety are overlain here with excruciating vanity and boorishness. Early on, he appears in a fruit-salad-print cloak that epitomises the Versace-meets-Versailles aesthetic of Katie Davenport's costumes and set. In a running gag, he also crashes into his servants with the heedless insouciance of privilege so exorbitant that he barely realises it exists. A dupe whose misjudged benevolence might normally arouse some sympathy thereby becomes contemptible.

His mother Pernelle cuts a similarly uncongenial figure in Geraldine Plunkett's imperious portrayal. Her dismissal of the widowed Orgon's new wife Elmire as an "upstart" typifies her snobbery, which has been amplified in McGuinness's translation. And her censorious religiosity acquires a colonial-themed edge when Pernelle dismisses her family's dissipated frolics as "ceili-dhing" (one of the text's many Irishisms). This *Tartuffe*'s Irish setting is lightly worn. But it is not hard to infer a clash here between easy-going Gaelic custom and harsh Planter mores.

The rest of the family aren't entirely undeserving of Pernelle's scorn. Orgon's daughter Mariane (Emma Rose Creaner), his son Damis (Naoise Dunbar) and brother-in-law Cleante (Kevin Trainor) all come across as lacking in agency and purpose. Mariane's suitor Valere (Emmanuel Okoye) is amiable and sincere but scarcely the master of his destiny.

Only Aislín McGuckin's Elmire proves a worthy match, in every sense, for Tartuffe. In the climactic seduction scene, her inveiglement of the lascivious imposter displays expert cunning and also perhaps a little genuine longing. As played by Ryan Donaldson, the titular protagonist remains an ulcerous hypocrite. But he is also shrewd, dynamic and charming. Given Orgon's doltishness, there is a sense here that Tartuffe and Elmire do belong together.

McGuckin also combines well with Pauline Hutton's exasperated servant Dorine, who vainly warns her masters against Tartuffe's machinations. As George Orwell said of 1940s England, this is a family "with the wrong members in control".

McLaughlin marshals the 12-strong cast with aplomb in her brisk and kinetic two-and-a-half-hour staging. The dialogue at times lapses into cliché, and some of the rhymes are a bit loose. But McGuinness's version broadly captures the rhythm of Molière's rhyming couplets and makes it plain that Tartuffe is far from the only hypocrite here.

To April 8, abbeytheatre.ie

Ulcerous: Ryan Donaldson as Tartuffe
Ros Kavanagh

2023/3/14 19:48 Financial Times Asia

Employers have made much greater use than anticipated of Britain's new system to recruit workers from abroad. But economists warn that it should not be seen as a quick fix for labour shortages.

By Delphine Strauss and Federica Cocco

The UK has jobs to spare. Ill health, early retirement and population ageing have all helped shrink the workforce, threatening to stunt growth and prolong high inflation, and leaving businesses in many sectors struggling to fill vacancies.

There is one big development acting as a counterweight to these trends, however — an unexpectedly strong bounceback in all forms of migration to the UK, including in the recruitment of overseas workers.

Despite post-Brexit restrictions, net migration to the UK hit a record high of more than half a million last year. Only a small share of that is due to cross-channel crossings by small boats, which is currently high on the list of government priorities.

The surge is partly due to one-off circumstances; arrivals from Ukraine and Hong Kong, a post-pandemic rebound in all cross-border movement, as well as an increase in student numbers.

But it is also because employers have made much greater use than expected of the new, post-Brexit migration system introduced in January 2021, which makes it harder to hire from the EU, but in many cases easier to recruit workers from other countries — for a fee.

Under the new regime, people coming through the main skilled worker route must have a job offer from an employer with a sponsor licence, usually on a salary of at least £25,600.

Fees levied by the Home Office are high, sometimes running into many thousands of pounds. But the salary threshold is lower than it was before Brexit, and middle-skilled trades have for the first time become eligible for visas as well as graduate jobs. There is no cap on numbers.

"It has been a little bit of a gift to employers experiencing skills shortages," says Audrey Elliott, a partner at the law firm Eversheds Sutherland. "So long as you're happy to pay the money, you can bring people in quite easily." She says her firm has seen "huge demand" for skilled worker visas ranging from IT and finance to marketing, engineering and even some roles in lower-paid sectors such as retail.

Jonathan Portes, a professor at King's College London, describes the new regime as "the biggest shake-up [of immigration rules] in half a century" — one that has led not only to higher numbers, but also to a huge shift in migrants' countries of origin, their skill levels and the sectors they work in.

Home Office figures, obtained by law firm Eversheds Sutherland under an FOI request, and shared with the Financial Times, show in detail where the pressures in the UK labour market, combined with changes in the rules, are prompting employers to use the visa system more freely than in the past. Care workers and nurses, chefs and butchers are among the occupations where visa sponsorship has surged.

Together, the numbers overturn the assumption that post-Brexit Britain would have lower levels of immigration overall. Instead, a system of free movement for Europeans and hurdles to migration for most others has been replaced by one in which skilled workers globally can gain entry with slightly lower barriers than before, but at a higher cost.

Excluded from the system are lower-paid jobs, a big shock for sectors such as logistics and manufacturing that had previously hired freely from the EU, and are now struggling most with hiring. This can change swiftly, however, when particular roles are added to a list of "shortage" occupations with lower requirements for skill and salary.

Businesses have been lobbying ministers hard to add more roles to this shortage list, or to open new sectoral schemes of the kind already running in agriculture. The CBI, the employers' organisation, argues this is urgently needed to "bridge the gap" until other policies to boost the domestic workforce bear fruit.

But economists caution that migration should not be seen as a panacea to labour shortages — and that while a bigger workforce leads to a bigger economy, it does not necessarily make much difference to per capita gross domestic product.

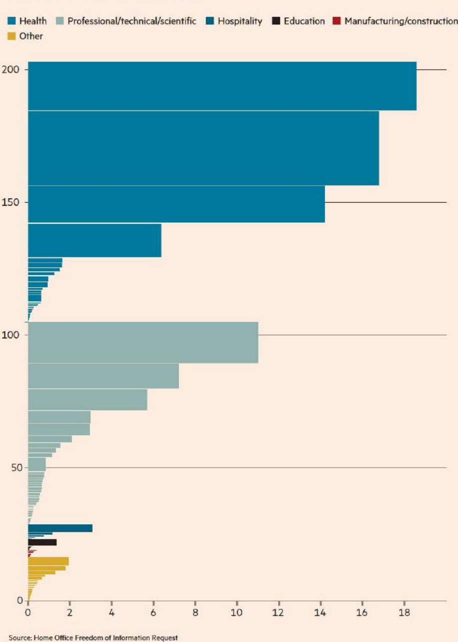
"The economy is not some god we have to placate, it's about how immigration affects people's lives," says Alan Manning, former head of the government's independent Migration Advisory Committee. Such a rapid increase in migrant workers and students, he fears, will "crowd out" the UK's capacity to take a more humane approach to other migrants, such as refugees.

What the data shows

In some ways, the data on visa sponsorship shows the continuation of historic trends. Some of the growth is in high-paid professional areas that have always seen a lot of cross-border movement.

In the past year, the lion's share of work visas has been for health and social care

Number of applications for new skilled worker visas and visa extensions in the year ending Q3 2022
↑ and change → compared with 2021 ('000s)



Source: Home Office Freedom of Information Request

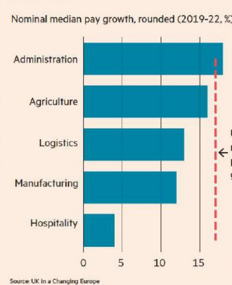
Employer demand for healthcare and other skilled worker visas has soared

Visas granted ('000s)

Source: Home Office

Pay growth lags behind the UK average in sectors that are struggling to replace EU workers

Nominal median pay growth, rounded (2019-22, %)



Source: UK in a Changing Europe

> 'It has been a little bit of a gift to employers experiencing skills shortages. So long as you're happy to pay the money, you can bring people in quite easily'

Visa applications for management consultants, for example, were 40 per cent higher in the third quarter of 2022 than in the first quarter of 2021; for programmers and software developers they rose 36 per cent.

These increases partly reflect the need to seek visas for new EU recruits, but they are also due to strong demand for IT skills from companies pursuing digitalisation and a post-lockdown hiring spree in the City.

But while the absolute numbers are smaller, the data also shows a sharp increase in visa sponsorship in skilled trades where employers previously relied on recruitment from the EU.

The Home Office granted almost 1,300 visas for chefs, more than 700 for butchers and about 650 for restaurant and bar managers in the third quarter of 2022 alone — even though employers would have to pay well over the UK going rate to meet the minimum salary requirements. A chef, for example, would have to earn £25,600 — or £20,480 if aged under 26 — whereas the Home Office "going rate" is £18,900.

The strains on the public sector workforce are also visible, with schools starting to look overseas to hire teachers of maths, physics and foreign languages — the subjects with the biggest shortfall in UK trainees.

By far the most dramatic change, however, is a surge in overseas recruitment in all parts of the NHS and more recently — after changes to the rules on eligibility — across the social care sector.

The latest Home Office data shows that healthcare now dwarfs all other sectors, accounting for 76,938 grants of work visas over 2022 as a whole — outstripping a total of 66,324 granted for other skilled workers.

This reflects the NHS's continued reliance on international nurses, junior doctors and specialists ranging from radiographers to midwives.

It is also the direct result of government policy, following the creation of a new "health and care" visa category with much lower fees than those now levied for most skilled workers.

In addition, senior care workers were in mid-2021 added to a list of shortage occupations, allowing employers to hire on a lower salary than the usual minimum — albeit one that is still well above the going rate for the sector. Other care workers, at a skill level below the usual threshold to qualify for a visa, were added to the shortage occupation list a year ago.

Since then, their numbers have rocketed, reflecting the depth of the recruitment crisis in a sector where employers' ability to improve pay and conditions is heavily constrained by government funding. The Home Office granted 22,100 visas for senior care workers in 2022 and 34,800 for care workers and home carers.

This is far greater than the number estimated to have come under free movement from the EU in previous years, and it is all the more striking in a sector dominated by small businesses with little capacity for bureaucracy.

With EU nationals' interest in UK jobs apparently waning, it has fed into a big shift in the main countries from which workers come to the UK — with about seven times as many coming on work visas from Nigeria in 2022 as in 2019, and 25 times as many from Zimbabwe.

There has also been an abrupt change in the nationalities of short-term migrants coming to work on UK farms. Until recently, the seasonal scheme's operators recruited largely from Romania and then Ukraine. With conscription keeping many Ukrainian men at home, they have ranged further afield — from Tajikistan to Nepal.

Migration experts, including those generally supportive of an employer-led visa system, worry that such a rapid expansion of visa routes in low-paid sectors brings dangers — even as employers press ministers to include many more roles in the list of shortage occupations.

Madeleine Sumption, director of Oxford university's Migration Observatory, noted there was "compelling evidence" of abuses in the seasonal scheme — with workers paying fees to recruiters in their home countries, then finding their hours and pay in the UK to be lower than expected. Supermarkets are now taking steps to audit the recruitment system more rigorously. But there are also concerns about care workers being asked to work more unpaid hours.

"There is a major trade off with these types of schemes," she says. "There is an economic argument on what would make sense for this industry, but there is a human cost of these visas and monitoring them is incredibly difficult."

> 'Occupation [deficits] are always caused by poor pay and conditions. We're short of people who want to do these jobs, not who are able to'

There are still many areas in which employers who would like to hire outside the UK are constrained by the new system.

Even in higher paid professional areas, employers are increasingly deterred by visa fees that could run to as much as £20,000 for an employee bringing family for a five-year term, says Chetal Patel, head of immigration at the law firm Bates Wells.

There are also potentially "substantial" barriers to the kind of coming and going that used to be commonplace between the UK and EU — short-term contracts, freelance gigs or short trips to an employer's UK site, for example, according to a report published last week by the UK in a Changing Europe think-tank.

The think-tank also set out research suggesting that post-Brexit migration changes had contributed to "significant shortfalls" in employment in low-wage sectors such as hospitality, logistics and administration.

What businesses want

Business groups are now pressing ministers to expand visa routes further as one element of a broader policy drive to boost the size of the workforce. In particular, they would like to see more roles added to the list of shortage occupations as part of an upcoming review — a move that would allow employers in those sectors to hire migrants on lower salaries and fees than at present.

"We would welcome any steps . . . making it easier for employers to hire from abroad. Not doing so holds our economy back," Shazia Ejaz, director of campaigns at the Recruitment & Employment Confederation, said after the FT reported that ministers were planning to add roles such as bricklayers, roofers, carpenters and plasterers to the list.

This would make a big difference to employers in the construction sector, says Patel, because Home Office fees make it "hugely costly" to bring in workers in large numbers for a limited period, as is sometimes needed to staff critical projects.

Kate Nicholls, chief executive of industry group UKHospitality, has called for the government not only to reinstate skilled roles such as chefs — removed from the shortage list in 2021 — but also to allow visas for unskilled roles. "The inescapable conclusion is there [aren't] enough people active in the economy to be able to fill all the roles that we need," she told the FT last week.

£25,600	76,938
Minimum salary offer for skilled worker visa applicants	Visas granted for workers in the healthcare sector in 2022

Some economists are deeply sceptical of such arguments from business. "Shortages are always caused by poor pay and conditions," says Manning, formerly of the Migration Advisory Committee. "We're short of people who want to do these jobs, not who are able to."

Portes of King's College London, who believes the new visa system is largely working as intended in boosting skilled migration, described it as "a bit of a mess" in the one sector where the government controls both migration policy and prevailing levels of pay — namely, care. "Even those of us who are relatively liberal on migration think this is not the optimal approach for the long run," he adds.

If the government does want to allow more migration in low-paid sectors, there may be better ways to achieve this than schemes tying potentially vulnerable people to a particular employer.

Sumption argues that extending youth mobility schemes, of the kind in place with Canada, Australia and New Zealand, to more countries would be a more appropriate mechanism.

The UK's post-study visas, which allow international students to work in any job in the UK for two years after graduation, are potentially having a similar effect at present, she says.

Although businesses say they have gone to great lengths to make jobs more appealing to UK workers, HM Revenue & Customs data shows that pay growth has lagged behind the UK average in sectors that lost the most EU workers.

Sumption says this, combined with experience in the care sector, could give ministers pause for thought.

When the Migration Advisory Committee recommended adding care workers to the shortage occupation list last year, it also called on the government to introduce and fund a minimum rate of pay for the sector, above the statutory wage floor.

"The recommendation was there should be an increase in pay and terms and conditions for everyone," she says. "That didn't happen. Only the immigration bit was implemented."

2023/3/14 19:48 Financial Times Asia

The FT View

FINANCIAL TIMES
'Without fear and without favour'

ft.com/opinion

Silicon Valley Bank's collapse reveals regulatory flaws

Lessons must be learnt about how the risks of high interest rates were ignored

Commercial banks were supposed to be big beneficiaries of rising interest rates, but that assumed they managed their balance sheets sensibly. Silicon Valley Bank did not. As a result, the Californian lender to start-ups on Friday became the second-largest bank collapse in US history. Signature Bank, the third-biggest collapse, followed within hours. Authorities on both sides of the Atlantic scrambled over the weekend to limit the fallout. Their actions staved off worst-case scenarios, but systemic risks to markets and the economy remain, and it is regrettable that what amounts to a bailout was needed at all. Widely-flagged vulnerabilities caused by fast-rising rates were allowed to boil over — by both banks and their regulators. Lessons must be learnt.

SVB was particularly exposed to higher rates. Deposits soared as money poured into start-ups when rates were still low, which the bank invested in mortgage bonds and Treasuries. But no economic regime lasts forever. The US Federal Reserve jacked up rates by 450 bps in a year to tackle inflation. SVB's bond portfolio dropped in value and deposits were trimmed as VC funding dried up. To meet outflows it had to sell its bond holdings at a loss, leaving a hole in its balance sheet. Its collapse sparked fears over similar regional banks, which are less heavily scrutinised than the largest US lenders. Large institutions, while better hedged and capitalised, also face losses. The US banking system has more than $600bn in unrealised losses on investment securities.

The authorities responded rapidly and extensively — but that they needed to is a reflection of monitoring failures, especially with regard to smaller banks. The US decision to guarantee all deposits at both SVB and Signature, even above the mandated $250,000 threshold, helped calm a sense of systemic panic. A generous Fed liquidity facility will allow banks to exchange assets as collateral for loans at par value. However, funds will be covered by a bank levy, not by taxpayers, and there will be no support for shareholders or certain unsecured debtholders. Meanwhile, SVB's UK subsidiary was snapped up by HSBC, guaranteeing deposits without official intervention.

Rapid action was needed; in the digital banking and social media age, a single tweet can set off a bank run. But what came was far from ideal. Making depositors whole, along with the new liquidity facility, creates enormous moral hazard. It encourages banks to be less accountable to depositors and protects them from interest rate losses.

> The authorities responded rapidly and extensively — but that they needed to is a reflection of monitoring failures, especially with regard to smaller institutions

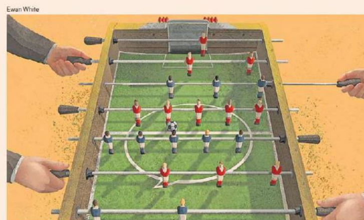
The root problem here, SVB's defective risk management, is rightly in the spotlight. It is fair that tech firms are protected from such negligence. But central banks and regulators are to blame for failing to inculcate better standards, and paid far too little attention to interest rate risks. These were obvious well before the UK pension market crashed because of a surge in bond yields in September. Arbitrary regulatory thresholds, which left SVB below stipulations faced by the biggest US banks for more stringent stress tests and capital and liquidity requirements, need to be reviewed.

The Fed should not be deterred from raising rates to curb inflation, but it needs to tread carefully. Though the banking system is better capitalised than in 2008, in the coming days similar institutions will come under pressure, and market confidence will be tested. Britain's pension fund crisis and the crypto chaos of recent months were already emblematic of the risks of rising rates. Trouble will no doubt be brewing elsewhere. This episode is a reminder that regardless of size, when regulators lose sight of systemic risks, even small banks can become too big to fail.

Opinion Society

Lineker and free speech's problematic new realm

Ewan White



Stephen Bush

The pursuit of impartiality can make people do mad things. A number of journalists I know abstain from voting in order to maintain it. This has always struck me as a revealingly tribal way of viewing the world: is the only critical judgment they make about politics whether to tick a red or blue box at election time? Inevitably if you raise children, look after elderly relatives, drive, use public transport, rent, have a mortgage or a portfolio of properties, you reach conclusions about whether your country is run well or badly.

Tim Davie, the BBC's director-general, is now grappling with the fallout from his own moment of madness. Having banned Gary Lineker, the former England international, from presenting the football highlights over his intemperate tweets about Conservative rhetoric on asylum and immigration, he has now U-turned. Lineker is restored and the corporation will now have an "independent review" into its social media guidelines.

> Although Twitter is public, people follow celebrities to gain an unvarnished insight into who they are

That review would do well to start by noting that ex-footballers and others who produce entertainment for the BBC have long enjoyed greater freedom than those who work in news. No one at the BBC sought to remove the sports pundit Ian Wright, or force him to retract his remarks saying that he had admired Margaret Thatcher because she was "a strong woman" like his mother, and she allowed him to keep "a lot more of the money I earned". No one at the corporation sought to bar Lineker after he came out for Remain in 2016 or called for Labour to "bin Corbyn" in 2017. One reason why the BBC has now ended up having to cancel or curtail much of its football coverage is because the principle that ex-footballers can make political remarks outside of their broadcast roles is well established.

As it happens, I agree with Wright that the top rate of tax when Margaret Thatcher came to power, at 83 per cent, was far too high, and with Lineker that it would have been better all round had the UK remained in the EU and Jeremy Corbyn not led the Labour party into the elections of 2017 and 2019. But I disagree with Lineker that the UK's rhetoric on immigration sounds like that of 1930s Germany. The comparison is crass twice over: it minimises the explicit violence of Nazi rhetoric, and it ignores the far greater similarities between British rhetoric then and British rhetoric now.

But neither I nor anyone else has the right to expect that the celebrity presenting the football highlights will be aligned with them on taxation, the UK's institutional arrangements, the Labour leadership or the proper way to think or talk about British immigration policy when they are off air.

The BBC's blunders in their handling of the Lineker affair echo how Disney bungled the controversy over the actor Gina Carano's conspiracy-laden tweets. Carano was fired from her role as the mercenary Cara Dune on the *Star Wars* show *The Mandalorian* on the grounds that she did not share Disney's "values". But Carano was not hired for her "values" and she should not, therefore, have been dismissed as a result of them.

Bob Chapek, Disney's then CEO, and Davie face similar challenges: pressure from politicians that pushes them in a conservative direction, pressure from staff that moves them in a liberal one. Added to that, social media has created a new realm of speech. Lineker's tweets are not private, obviously, but they are not corporate missives or professional remarks either.

Although Twitter is public, people follow celebrities and other figures to gain an unvarnished insight into who they are. But following people we admire in one arena on social media almost inevitably involves learning about things we disagree with them on in others. It's reasonable for us to draw inferences about whether or not we would like to hang out with that person, or whether we would see a film based on their recommendation. But crass tweets about migration policy which reveal you badly need to read Louise London's *Whitehall and the Jews* are not a reasonable metric to bar you from presenting the football.

This inevitably means some people will face greater limitations on what they say on social media. Litigating your own organisation's internal disputes in public is, obviously, a no-no, while it is reasonable to assume that people will have a higher tolerance for eccentric tweets from actors than they might from a medical professional.

But regardless of the exact nature of the role, the conclusion the BBC's review should reach is the same one that politicians and CEOs ought to make: that the only reasonable expectation you have of a service is professionalism, not that their social media feeds will be free of anything you find disagreeable.

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Appoint women to chief executive, and chair roles will follow

Pilita Clark's otherwise sound assessment of gender progress in the boardroom did not analyse accurately the key reason for the slower progress in the most senior roles such as the chair of a board (Opinion, March 6).

Tempting as this idea is, she is surely not quite right that women are judged more on their "experience", with men rated instead by "potential". The implication is that this is caused by unconscious bias or indeed just double standards. Yet she herself identifies the relative absence of a certain kind of experience which (rightly or wrongly) is still deemed important for chairmanship — namely, a prior general management track record, ideally as a chief executive. As Clark writes: "It's no good having a pipeline of female executives concentrated in marketing or HR roles." So, what she views as two separate problems, many see as closely related — essentially two sides of the same coin. It is precisely this disparity in "experience" that accounts for the current disproportionate prevalence of men in chair roles. Of course, it is debatable whether this type of executive experience is actually such an important competence to succeed in a non-executive chair position, or indeed fair in its consequences for the pace of gender equality, but it would seem to be the underlying explanation.

Barring a change of heart on what is often thought to be needed to be chair, the solution is to focus efforts on improving the supply of women to chief executive roles, initially, while continuing to use the senior independent director role, and that of chair of committees, to ensure the largest realistic pool of candidates.

A twin-pronged approach like this will surely deliver results in the coming decade.

As we have seen over the past 10 years, the boardroom door — once just ajar — really is now wide open, which can only serve to improve the quality of appointments overall.

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Use experience of Ukraine to avoid a war with China

Edward Luce's article (Opinion, March 9) suggests we are sleepwalking into war with China. He says Xi Jinping has legitimacy in claiming that America is asserting "containment", "encirclement" and "suppression" with the impending dangers of escalation.

I have worked in conflict resolution for the past 20 years and seen how hard it is to find an exit strategy once you go to war, and yet we do not prioritise conflict prevention. There is now a narrative emerging in the US of the inevitability of war with China over both its rise and the conflict with Taiwan.

Luce says we should pay attention to George Kennan, the Russian specialist and the father of containment who counselled against militarisation against the Soviet Union. He said we should prioritise engagement and the avoidance of war. Are we learning these lessons with China? We now need a policy of prevention which involves dialogue, government to government, military to military and people to people between the US, China and Taiwan. Can we learn from the terrible tragedy of the Ukraine-Russia war on how to avoid a war with China, which would look even more horrific than what is happening today.

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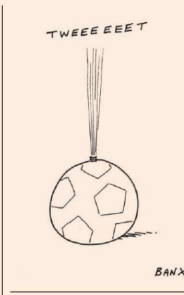

Georgia's pro-western protest is at a crossroads

Salome Pkhaladze and Max Seddon provide a brief description of what is happening in Georgia ("Georgia drops 'foreign agent' bill following mass protests", Report, March 10).

While the big news is that the ruling Georgian Dream party dropped the draft law which would have required all media outlets and NGOs to register as "foreign agents" if they received 20 per cent of their funding from abroad, the three days of protests in the capital Tbilisi might have much more far-reaching consequences for the country's politics.

First, the demonstrations may have ended the dominance of the two main parties that has prevailed in Georgian politics since 2012 when Georgian Dream, the party controlled by Bidzina Ivanishvili, a reclusive billionaire, came to power. Until now, in the struggle between the ruling party and the traditional opposition force, the United National Movement of the imprisoned former Georgian president Mikheil Saakashvili, GD has always won out by masterfully exploiting UNM's extremism and blunders. But the protests appear to have attracted a far larger segment of the public, who until now have remained uninterested in politics, and the increasingly dull intraparty confrontations, and also do not support either GD or UNM.

Perhaps for the first time in a decade or so there is a real motivation — the growth of pro-western sentiments — for wider sections of the population to unite and throw their support behind a new party.

Yet this is where the problem arises — a problem peculiar to internal Georgian politics — the lack of viable alternatives among the opposition parties.

The momentum behind the protests could just as easily subside as no single political party is able to muster enough support to mount an effective electoral challenge to the affluent ruling party. And as Georgia approaches the 2024 parliamentary elections, the dearth of effective opposition leaders could yet again kill off the popular groundswell for change.

Emil Avdaliani
Tbilisi, Georgia

OUTLOOK

AMERICA

A not-so-sweet tale of maple syrup and climate change

by Patti Waldmeir

Climate change is coming to a breakfast table near you: global warming is hitting the US maple syrup industry. Tapping trees for sap is already starting earlier, and within years or decades, sap will be less sugary, each tap will yield less and some parts of the US will stop producing the iconic pancake topping altogether, maple experts say.

Maple syrup season — which traditionally begins on the cusp of the northern hemisphere spring — can be a teachable moment, says Toni Lyn Morelli, climate change ecologist at the US Geological Survey, and one of the authors of a recent study on global warming and maple syrup. She's focused on this household item "lets people see the impact of climate change right in their own backyard . . . and in a way that might otherwise not be so obvious," she told me.

So these days I'm looking at my neighbourhood maples in a whole new light: as harbingers of environmental trouble just like their more headline-worthy relatives in the Amazon. In these unseasonably balmy days of late winter, they are gushing sap, whose flow is linked to freeze-thaw cycles. At Northwestern University — which is studying climate change in this unsung bit of the North American maple syrup belt — the ever-so-slightly-sweet sap (which is more than 96 per cent water) drips through clear plastic tubes into gallon jugs strapped to the trunks by students.

"Maple sugarin'" was an indigenous economic and cultural practice in these parts for hundreds of years before my European ancestors arrived, and it has a strong nostalgic appeal for Midwesterners. Dozens of do-it-yourself tapping events are being held here. I joined in at Wisconsin's Riveredge Nature Centre, where citizen science manager Mary Holleback helped children as young as three start the sap flowing with a handheld bit-and-brace drill. It was too cold for the tree we tapped in the morning to give sap. But the sun came out, and by lunchtime it was flowing.

Kailyn Palomares, 24, another Wisconsin maple syrup student, says she's been tapping trees since she was in college, and warmer temperatures meant this year was the earliest in a decade. Seasons across the US are earlier and shorter already; but Morelli and colleagues predict that by 2100, the sap collection season midpoint will be earlier by a month, and the region of peak sap flow will move 400km north, into Canada. She says some areas — maples are tapped as far south as Virginia — will stop producing.

But Eli Suzukovich III, a Northwestern University professor and field museum research scientist, predicts there will be no "maple-pocalypse", despite global warming. "The maple industry is not going to fail," he told me. "In fact, climate change is favouring some regions." He says Canada, which now produces about three-quarters of the world's maple syrup, "will probably go to 85 per cent". Canadian maple syrup production hit a record high last year.

Suzukovich, who is a Little Shell Tribe of Chippewa/Cree descendant, says the key will be to learn from Native American communities — and tap trees earlier when winters are warmer. Diversifying sources of sweet sap will also help, he says, noting the black walnut trees tapped by his students this year have nearly twice the sugar content of campus sugar maples. Black walnut syrup isn't common on pancakes, but we both agree that is surely not an insuperable marketing challenge.

Newer technologies, such as using plastic tubing for taps which improves sap yield and cuts labour, can also help overcome the effects of global warming, says Morelli.

Steven Anderson's family has been making maple syrup in Wisconsin for 95 years, and he says his 94-year-old father has long insisted that "ebbs and flows" in syruping were normal. "But now he's starting to admit that we really are having a lot of mild winters."

Over the past 50 years, his firm has moved up the average date it starts cooking sap into syrup by about two weeks, he says. The 48-year-old is certain they will still be making syrup when he is 94, but "there may be more years when we have a poor crop. It feels more volatile." And that, he says, is climate change — hitting the kitchen table where it hurts.

The writer is a contributing columnist, based in Chicago

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Opinion

SVB shows there are few libertarians in a financial foxhole

TECHNOLOGY

John Thornhill

As the 16th largest bank in the US, Silicon Valley Bank was not big enough to rank as a systemically important financial institution. But, if many of its distressed depositors are to be believed, the collapsed bank still counted as a technologically important one.

It may stick in some throats that the US and UK financial authorities have had to engineer an emergency rescue for an institution, and an industry, that is so fond of railing against government intervention and lobbying against stricter regulatory oversight. Still, it is a pragmatic move to shelter tens of thousands of SVB's mostly blameless depositors, many of whom would have seen their businesses go bust without a financial backstop.

In the US, the Treasury and Federal Reserve announced on Sunday night that the Federal Deposit Insurance Corporation would provide emergency funding to protect SVB's depositors, even if shareholders and bondholders would be wiped out. The FDIC is also looking to offload SVB's remaining assets as soon as practicable.

Hours later, the UK Treasury announced that it had approved the sale of SVB's significant UK offshoot to Europe's biggest bank HSBC for a symbolic £1. Cue massive sighs of relief among panicking tech entrepreneurs, who had spent their weekends frantically working out how to pay their employees this week.

Both national authorities stressed that their taxpayers would not be exposed to any losses. In the US, officials believe that any shortfall would be covered by a levy on the rest of the banking industry.

However, both interventions still raise niggly questions about the extent and effectiveness of financial regulation. US officials said that Janet Yellen, Treasury secretary, had invoked a "systemic risk exception" to justify the support. What further lurking horrors will be revealed in the era of rising interest rates?

The SVB fiasco also shines an unforgiving spotlight on the hypocrisy of some of the biggest venture capital players on both sides of the Atlantic, who privately urged their portfolio companies to pull their money from the bank and then later publicly called for government support. SVB collapsed on Friday as a result of a classic bank run after customers withdrew $42bn of deposits.

> As with banks in 2008, tech tycoons appear to favour the privatisation of profits and socialisation of losses

Just like many of the banking titans after the global financial crisis of 2008, tech tycoons appear to favour the privatisation of profits and the socialisation of losses. There are few libertarians in a financial foxhole.

With hindsight, it is clear that some of the reasons for the remarkable rise of SVB over the past 40 years were also the causes of its stunning collapse in less than 48 hours last week.

For decades, the bank served a critical function in the US tech economy by focusing narrowly on providing services for risky, collateral-light tech start-ups that were far from ideal customers for traditional financial institutions. The bank also managed the personal finances of many tech entrepreneurs and investors and invested in several venture funds as a limited partner.

SVB boasted of providing services to almost half the venture capital-backed tech and life sciences businesses in the US as well as start-ups across Europe, India, Israel and China. But at the end of 2022, it held $157bn of deposits across just 37,000 accounts.

That concentrated exposure enabled the bank to ride the extraordinary bull market in tech over the past two decades. But it also left it singularly exposed in the downturn. What proved fatal for SVB was an excessive, one-way bet on US Treasury bonds and notes after the interest rate cycle turned.

"It turned out that one of the biggest risks to our business model was catering to a very tightly knit group of investors who exhibit herd-like mentalities," one senior bank executive told the FT.

The near-death experience of thousands of start-ups exposed to SVB is certain to have a salutary impact across the tech sector. "If we can't manage our own money better, that is on us, not the taxpayer," one founder concluded at the weekend.

The deft action by regulators may have defused an industry-wide crisis. But treasury management is now likely to rank up there with product development and customer acquisition as a vital survival skill.

The writer is founder of Sifted, an FT-backed site about European start-ups

Aukus and the return of great power rivalry

WORLD AFFAIRS

Gideon Rachman

When an American president and a British prime minister stand side by side on a warship, it is hard to avoid the historical echoes. In August 1941, Franklin Roosevelt and Winston Churchill met off the coast of Newfoundland to sign the Atlantic Charter, setting out a joint vision for a postwar world.

The Pacific was the site for yesterday's summit between Joe Biden, Rishi Sunak and Anthony Albanese. The leaders of the US, UK and Australia were due to meet on board the USS Missouri to spell out the Aukus accord, an arms and technology deal centred on supplying nuclear-powered submarines to Australia.

Aukus is not a grand philosophical statement like the Atlantic Charter. But the underlying geopolitical intent is clear. The nations of the "Anglosphere" are renewing their alliance — this time to counter China's efforts to gain naval dominance in the Pacific.

While Aukus has its roots in 20th-century history, it is not obviously a partnership made for the 21st century. Britain is no longer an imperial power with Pacific colonies and bases. Australia's economic ties are now primarily with Asia; China is its largest trading partner.

As for the Americans, Australia and Britain seem, in some ways, odd choices for what The Washington Post calls potentially "the most consequential trilateral defense technology partnership in modern history". America has military bases in Japan and South Korea that are far closer to the Chinese mainland.

The Aukus deal has already provoked plenty of controversy. It involved Australia repudiating a previous submarine deal with France — a decision that so infuriated the French that they briefly withdrew their ambassadors from Washington and Canberra.

In Australia, some wonder if their government has truly grasped the expense, time and technological demands of getting so deeply involved in nuclear technology. In the UK, sceptics in the military establishment believe that the "Indo-Pacific tilt" will stretch Britain's military too thin and divert resources from the Russian threat. In America, parts of the government are digging in their heels against sharing some of the country's most closely guarded technological secrets.

Some strategists argue that the deal is contributing to a dangerous rise in military tensions with China. Sam Roggeveen of Australia's Lowy Institute think-tank has questioned why Australia is "buying a weapon expressly designed to hem China's navy in along its coastline and strike targets deep inside Chinese territory . . . Australians should be asking themselves: is this really who we are?"

Despite these concerns, the Aukus pact enjoys bipartisan support in all three countries. Australia's governing Labor party, like the Liberals who negotiated the pact, regards Aukus as a necessary response to a decades-long military build-up by China that has provided Beijing with the largest navy in the world. Like the Americans, the Australians are concerned by a pattern of aggressive Chinese behaviour — including the building of military bases in the South China Sea, deadly clashes with the Indian army and, above all, increasing belligerence towards Taiwan.

For the designers of Aukus, the purpose of the pact is not to wage a war but to prevent one. It is justified as a classic act of deterrence, intended to dissuade China from deploying its military muscle against Taiwan or in the South China Sea. They believe that the west's failure to respond forcefully earlier encouraged China to keep pushing. As one senior Australian official puts it: "Weakness is provocative."

> For the designers of the pact, its purpose is not to wage a war but to prevent one

Arthur Sinodinos, Australia's ambassador to Washington, has described Aukus as a "moonshot". Like the original moonshot, it requires an act of faith that — with sufficient determination and national will — technological and economic problems can be overcome.

As tensions rise with China and Russia, all three Aukus countries see a merit in tightening what is already a very close security and intelligence relationship. The Americans see China as the biggest geopolitical and security challenge they face — and understand that they need allies to counter Chinese power. In Washington, Aukus is seen as a demonstration of US determination not to back away from the Indo-Pacific. One senior official even defends the way France was treated as a useful demonstration of American "ruthlessness".

Australians know that, throughout their nation's history, a friendly power — first Britain, then America — has ensured the openness of the oceans to their north. The idea that one day these oceans might be dominated by an authoritarian China deeply unsettles Canberra, particularly given the recent sharp deterioration in Sino-Australian relations. Binding the Americans into a tighter security relationship is seen as an important guarantee for the future.

As for the British, they argue the security of Europe is "indivisible" from the security of the Indo-Pacific, particularly given the increasingly close relationship between Russia and China. For a Conservative government still trying to make sense of Brexit, Aukus is also a useful symbol that "Global Britain" can be something more than a slogan.

The mood on board the USS Missouri is likely to be celebratory. But the underlying reality is grim. The US, the UK and Australia, having fought on the same side in two world wars, are again preparing for a possible global conflict.

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Three global cities are pulling ahead since peak of the pandemic

BUSINESS

Ruchir Sharma

New York is greeting the exodus of its wealthy citizens with a shrug. The local elite seems a bit too sure that Manhattan is, and always will be, the gravitational centre of the cultural universe, or that the city is better off — as a professor recently put it to me — without all the "rich douchebags migrating to Miami".

But complacency this deep could undo even the world's greatest city, especially now.

The pandemic has shown that remote offices can work full time, making it easier for anyone to relocate and magnifying what I call the cracked mirror effect.

Cracks in New York — high taxes, surging crime, simmering anti-capitalist hostility — are reflected in the flight to no taxes and a warm welcome in Miami. A similar effect is visible in Moscow, where a heavy-handed Kremlin and world reaction to the war in Ukraine are chasing rich Russians out. Instead they are opting for more hospitable options, including Dubai.

Meanwhile, regulatory pressure from Beijing is driving tycoons to buy second homes in Singapore. Millionaire populations dropped by 12 per cent last year in New York, 14 per cent in Hong Kong and 15 per cent in Moscow.

Dubai, Singapore and Miami are deliberately exploiting this migration by opening their doors to capitalists.

These global cities rank among the most appealing to millionaire migrants — and make up the top three among luxury property markets where prices are expected to rise fastest this year.

On recent visits, I found all of them gaining momentum as people-magnets. Easy lifestyles smoothed by warm climates and efficient governments are drawing migrants from all over; they, in turn, are attracting new restaurants, swanky malls and art festivals.

Singapore is the most established of the three: the millionaire population of 250,000 is much larger than those of Dubai or Miami and therefore naturally grows more slowly. Yet here, too, the energy is palpable.

Recently, Singapore opened an agency to welcome family wealth management firms. The inflow was so overwhelming that the city is getting more selective about who qualifies for tax incentives. The local joke is that $500mn is the new $100mn, the sum required to get the welcome mat. Driving around I was struck by displays of wealth new to the usually sober city — one mansion had eight red Ferraris out front.

> Dubai, Singapore and Miami are exploiting this migration by opening their doors to capitalists

Dubai now offers "golden visas" that allow the wealthy to buy property and stay. This is drawing in migrants not only from Russia but from across south Asia and the Middle East.

A real estate boom is in full swing, driven by eight-figure purchases. Eighty per cent of transactions are made in cash, making the property market more stable than in past bubbles.

Dubai still values Guinness World Records as much as high culture: witness the colossus of the new Atlantis the Royal, a boutique hotel but massively scaled up to nearly 800 rooms and 17 restaurants, many run by world-famous chefs. It's easier to find a great meal there than on the Upper West Side.

Miami, once a quintessentially "sunny place for shady people", has also achieved critical mass as a richly interesting city. People move here to avoid taxes, sure, but also to meet their fellow transplants, do deals in the growing financial district, walk the white sands and shop in the new design district — the first purpose-built luxury shopping neighbourhood in America.

Increasingly, unabashedly capitalist cities are finding one another. Business class on the new Miami-Dubai flight is full every day, I was told, forging a direct link between American entrepreneurs and Middle Eastern oil wealth. Many other countries want to emulate Dubai's success, including Zimbabwe, which hopes to remake Victoria Falls as a similar hub.

Manhattanites who say good riddance to the "rich douchebags" might consider the Curley Effect, named after Boston mayor James Curley. By the time his fourth term ended in 1950, Curley had driven most of the rich "Anglo-Saxons" out of his city through incendiary rhetoric and bias. The effect was to deepen its early 20th-century stagnation.

New York is not Boston circa 1950, but the exodus is a bad sign. For years, the state has been bleeding migrants to Florida, where the population is now slightly larger but the state government spends half as much — and the economy grows twice as fast. In 2022, for the first time, Florida had more non-farm jobs than New York.

The migration of jobs and capital are leading indicators of development and of decline. Global cities hostile to wealth will end up sabotaging their own economic prospects to the benefit of more welcoming rivals such as Miami, Dubai and Singapore.

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Tighten sanctions on Russian state assets

UKRAINE

Martin Sandbu

The sanctions imposed on Russia after Vladimir Putin's assault on Ukraine should be assessed by three criteria: have they dissuaded Putin; do they disable his capacity to wage war; and can they force Russia to pay for the destruction it has wrought?

On the first, sanctions have clearly disappointed, but there may be nothing that could dissuade Putin. On the second, the Russian military is weakened by a lack of precision arms and the economy's struggles to replenish depleted weaponry.

Effectiveness is also hampered by poor enforcement, but sanctioning countries are finally paying greater attention to the issue. They must intensify investigations into breaches, put more diplomatic pressure on other governments, and expand extraterritorial policy tools.

In the case of financial sanctions, circumvention is also a consequence of flawed design. Some Russian banks have remained unsanctioned for fear of hurting energy supplies and legal trade. But whenever there is a route for legal money to move, sanctioned money has a way of exploiting it.

And for the third objective of making Russia pay the price, financial sanctions are the only game in town. At more than $300bn, blocked Central Bank of Russia reserves dwarf anything other types of sanctions could conceivably extract. A big question is whether to confiscate these reserves and use them to fund the reconstruction of Ukraine. The moral case is unanswerable; the legal case is untested. Canada has given itself the power in law to confiscate Russia's state assets. But qualms about international law abound in Brussels, though the EU has set up a new working group to examine how Russian assets can be used.

> The west should extend the blocking measures to Moscow's 'shadow reserves'

There are other vital measures in this area where legal conservatism is no excuse. One is transparency. Western financial institutions know the reserves, deposits and securities they hold for the CBR. Governments should require them to make all CBR holdings public.

Another is to extend the blocking measures to Russia's "shadow reserves". High energy prices of Putin's own doing have given him enormous trade surpluses. Since this money is a substitute for official reserves, leaving it unsanctioned undermines the original move against the CBR. To be consistent and effective, sanctioning countries must freeze the assets of Russian energy exporters, and target the banks through which their earnings are channelled. For the EU, that means finally sanctioning Gazprombank. The sanctioning coalition should do the same for any other western banking channels used in Russia's energy trade.

They cannot stop there. The Moscow Exchange's National Clearing Centre retains euro and dollar correspondent accounts in Frankfurt and New York, respectively. Some of Moscow's hard currency surplus probably remains in those accounts. In parallel, the sanctioning coalition should track past transactions to establish where the surplus has ended up so as to freeze what is still within Putin's reach.

Which brings us to the third necessary action. Ukraine's friends must finish the job of weaning themselves off Russian energy. Europe has reduced its Russian gas consumption significantly, but still imports some piped oil and gas and shipped liquefied natural gas. The US has been keen to keep Russian oil flowing to emerging markets so long as it trades below a price cap. That cap should now be lowered to close to Russia's production cost.

If this leads Putin to cut off the energy flow completely, that is no longer the threat it once was. When financial sanctions were imposed a year ago, they did not have the devastating economic effect many expected. Today, completing them might.

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US banks: exterminating all rational thought

The shareholders of First Republic Bank, a former industrial thrift, are routing no lesser institutions than the Federal Reserve and JPMorgan Chase.

On Sunday night, amid the collapse of Silicon Valley Bank and Signature Bank, the Fed and the House of Dimon stepped in. They said that they would contribute $70bn of enhanced backstop liquidity to First Republic, which has $200bn in assets.

The aim was to protect depositors and shareholders. Ideally, it would mean that authorities could avoid seizing the bank and guaranteeing all deposits immediately, as occurred with SVB and Signature. First Republic told stakeholders that its capital and liquidity positions were strong.

The gambit failed. Yesterday the shares collapsed 65 per cent on worries that depositors would run off with their cash. Stock in regional banks including PacWest, Western Alliance Bank and even brand-name broker Charles Schwab all suffered similar sell offs.

This cascading anxiety might seem wholly irrational. Banks typically fail because their loan books are weak or their balance sheets are overrun with complex assets. The triggering event at SVB was a straightforward $2bn capital raise to cover paper losses from a bond portfolio invested in municipal and agency debt. Central bank tightening and the vagaries of mechanical bond arithmetic meant those losses had to be recorded. Otherwise, SVB's liquidity and capital ratios remained sound.

But fear can easily chase rational thought from the markets.

If perfect co-ordination among dispersed stakeholders were possible, skittish depositors would grasp that they should leave their cash in place. The backing of both the Fed and JPMorgan should have given worriers pause for thought.

Basic capitalism might hold, too. For centuries scavengers have minted fortunes buying up financial institutions where fair asset values far exceeded deposits plus added liabilities, but when dislocations have created a temporary mismatch. HSBC is making this wager with its bargain purchase of the UK arm of SVB.

Yet executing such rescues fast is apparently harder in the US under the glare of regulatory and political scrutiny. The only remaining mechanism before full bailouts are partial and ineffectual votes of confidence from financial giants that engender further panic.

HSBC/SVB: Quinn win situation

The news that HSBC is buying the UK subsidiary of Silicon Valley Bank was received warily by investors.

Government-brokered takeovers of failing banks have a bad name in the UK. Blame Gordon Brown, the premier who strong-armed Lloyds into absorbing HBOS, and billions of losses, during the financial crisis. Again, the context is a US banking failure triggered by a drop in the value of mortgage-backed securities. Again, contagion risk is rife. But assessed in isolation, HSBC's purchase of SVB UK is a different deal for a different time. It is unlikely to backfire spectacularly.

HSBC hopes to make a net gain from it. SVB UK operated under its own banking licence, implying adequate capitalisation. It invested primarily in short-term, liquid assets, in contrast to its parent. SVB UK's estimated tangible equity of £1.4bn may evaporate under close scrutiny. But the figure is no more than a rounding error for HSBC, which has total equity of almost $200bn.

The takeover was described as "fully competitive" by officials. Given HSBC is paying a nominal £1, this means two things. First, other banks must have asked for guarantees HSBC did not seek. Second, HSBC chief executive Noel Quinn was willing to ink a deal before UK markets opened yesterday, reducing the risk of panic selling.

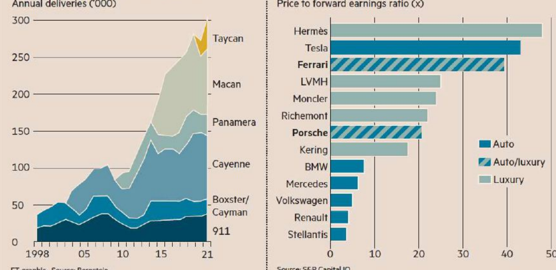
Quinn should therefore bank some political capital as well as the financial kind. His Asia-focused bank needs this at a time of heightened east-west tensions. He has saved UK authorities from guaranteeing all SVB UK deposits. And for politicians a familiar, UK-listed bank is a better rescuer optically than Middle Eastern money.

SVB UK, banker to some 3,300 UK tech start-ups, also fits comfortably into Quinn's narrative; this frames HSBC as a bank that nurtures entrepreneurs and their businesses.

The deal cannot, however, immunise markets in the UK or elsewhere from contagion from the US. It will take more than few well-timed phone calls to neutralise that risk.

Porsche/Ferrari: lap trap

The German sports-car maker has grown sales volumes by expanding its range of models. The shares trade at a valuation closer to those of luxury-goods makers than traditional car companies. Few of the Porsches sold each year compete directly with Ferrari models on price terms.



Volkswagen brought affordable quality to the European car market.

The German manufacturer listed its Porsche unit last year to help it fund a similar outcome for VW's electric vehicles. Tearaway full-year results yesterday revealed record profits for the sports-car maker after a successful public offering late last year. Yet, Porsche's broader appeal may prevent it catching up with the valuation of supercar leader Ferrari.

So far the race has gone well. Sales in 2022 rose more than a tenth to €37.6bn on operating margins of 18 per cent, at the top end of guidance.

The 911 maker vowed profitability would rise to 20 per cent. Porsche's shares have risen more than a third since listing in September. Ferrari's trade at almost 40 times forward earnings, double that of Porsche's. That reflects Ferrari's position in the luxury-goods market where it follows a model of restricted supply and exorbitant pricing dependent upon inelastic demand from a wealthy clientele.

Porsche's discount is justified. First, it has strong links with parent VW.

Oliver Blume is chief executive of both companies and an industrial co-operation agreement cements the bond. The two companies share some assembly platforms. Ferrari prefers to go it alone, without big car tie-ups.

The German company does earn a steep earnings multiple valuation premium to mass market peers, on average about three times that of Germany's other carmakers, including VW. Porsche may only produce a fraction of the vehicles of its larger cousins but the 310,000 cars it made last year is still 24 times more than Ferrari made.

A tiny fraction of those Porsches compete in the €200,000 price range in which Ferrari thrives.

Indeed, Porsche mostly competes in premium segments against the likes of Mercedes, BMW and Jaguar Land Rover. That suggests that its valuation should track closer to these rivals over time.

Robust, secular demand from ultra wealthy Ferrari collectors should continue to support its higher rating.

A greater cyclicality for Porsche's sales over time will make it difficult to close that gap.

China stocks: the power of three

Amid an incipient US banking crisis one could easily fail to spot a big expansion of cross-border trading in Chinese and foreign stocks. The main Chinese exchanges of Shanghai, Shenzhen and Hong Kong have swelled their programmes by more than 1,000 shares, the largest increase ever.

This means that equity of well-known foreign groups including French skincare company L'Occitane and US luggage maker Samsonite became accessible to mainland investors. Yet, the biggest beneficiaries should be Chinese companies.

The expansion of Stock Connect programmes of almost 40 per cent brings the total of A shares listed on the Shanghai or Shenzhen bourses to more than 3,600.

This improves access and liquidity for foreign companies with a primary listing in Hong Kong. Foreign groups listed in the city in the hope of gaining access to the deep pool of mainland retail investors. These hold more than $3.5tn in their stock trading accounts.

But mainland groups may benefit more from investment coming from Hong Kong of both the retail and institutional varieties. The benchmark CSI 300 index is down more than 30 per cent from its 2021 peak and trades ★ at a reasonable 14 times forward earnings.

Shares in struggling local real estate developers have fallen yet further, more than 50 per cent, in the past year. Shares of Country Garden, the largest of these, trade at just 3 times forward earnings.

A reopening of the Chinese economy at the end of last year has not yet triggered the stock rally analysts had expected. Weak local sentiment could be further dented by the collapse in the US of Silicon Valley Bank, despite the fact that SVB's Chinese joint venture with Shanghai Pudong Development Bank has a separate balance sheet.

When there are clearer signs that the local market has hit rock bottom, expanded Stock Connect programmes should help reinvigorate valuations.

Pfizer/Seagen: fritter medicine

Pfizer is putting its Covid-19 windfall to work by splashing out $43bn to buy cancer biotechnology company Seagen.

Seagen's four approved oncology treatments generated $2bn in sales last year. It should help Pfizer offset some of an expected decline in revenue as the Covid boom fades, though the price tag will leave investors feeling queasy.

Pfizer's $229-a-share cash offer represents a 71 per cent premium to Seagen's undisturbed three-month share price to February 26, before reports of deal talks first emerged. That would put the lossmaking biotech at about 22 times last year's revenue, compared with the two times for Pfizer itself. True, Pfizer expects the deal to generate about $1bn in "cost efficiencies" in the third full year after the transaction closes. Yet, taxed and capitalised, these would cover less than half of the cash premium it is paying.

Pfizer may have felt it had no choice. Merck was in talks last summer to buy Seagen for about $200 a share, or $40bn. Meanwhile Pfizer's own shares have underperformed peers.

With revenues expected to fall by a third to $67bn-$71bn this year, chief Albert Bourla is under pressure to spend its huge cash pile to keep growth humming. He has vowed to bring in $25bn in new revenue by 2030 to cover the sales drop when its key drugs go off patent between 2025 and 2030.

Seagen specialises in antibody-drug conjugates, which use antibodies to deliver the drug directly to tumours. Complex manufacturing of these drugs should cut rivalry from generics.

Pfizer believes the business could contribute more than $10bn in risk-adjusted revenues by 2030, a seventh of today's sales. That makes sense. Yet, excluding Seagen, Pfizer has spent more than $230bn on purchases since 2000. Its market value, $227bn, has risen only $102bn since then.

With that record, investors might be sceptical whether the Seagen deal will revive the top line.

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CROSSWORD

No 17,357 Set by GOZO

All the across solutions, apart from 24 across, are linked by a theme. Their clues do not contain the thematic definition

ACROSS

1 Contrary heroine booked after game (6)
4 Composer has the morning on the books (8)
9 Unwell hikers regularly seen (6)
10 In a lemon squash (8)
12 Go out with a 50s hooligan youth, cycling (4)
13 Some German ancestors (5)
14 Shoe polish kept indoors with insecticide, at first (4)
17 Winner – one with a prize (8,4)
20 Boycott present, we hear (12)
23 Harry getting one pound before me (4)
24 Apart from its source, river is brown (5)
25 Backed some rail guard (4)
28 24 left out by the tracks (8)
29 Paper money returned for cheese (6)
30 Gets wine ordered (8)
31 The new ball from German gent in Cyprus (6)

DOWN

1 Bird call drove rook away (4,4)
2 Time of year – it's close, anyhow (8)
3 Paradise for editor with Evening News' leaders (4)
5 Bishops' offices refurbished for Picasso piece (12)
6 Medal from game – no good! (4)
7 This setter's work leads to iritis – awful eye problem (6)
8 Heart-rending end of concert – smoke came back (6)
11 Random advice doled out for PM (5,7)
15 Slaves packing grease into empty tins (5)
16 Lots of paper for the singers, reportedly (5)
18 Carter is a humorous fellow, but is a loser (8)
19 Try C-list characters in dance show, to the letter (8)
21 Insulting emails from your exes! (6)
22 Mauresmo in a 2001 rom-com (6)
26 Cheeky caress embracing redhead (4)
27 Get together in time-share (4)

JOTTER PAD

Solution 17,356

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