FINANCIAL TIMES

TUESDAY 28 MARCH 2023 INTERNATIONAL NEWSPAPER OF THE YEAR ASIA

China-Japan rivalry on Ukraine echoes 1930s
GIDEON RACHMAN, PAGE 15

Will clerics give ground to Iran's protesters?
BIG READ, PAGE 13

Netanyahu delays judicial reforms after day of protest paralyses Israel

- Minister's sacking sparks anger
- Tens of thousands on streets
- President urges change of course

JAMES SHOTTER — JERUSALEM
JAMES POLITI — WASHINGTON

Benjamin Netanyahu's hard-right government has delayed bitterly contested plans to overhaul Israel's judiciary after a backlash that brought much of the country to a halt yesterday.

The veteran prime minister bowed to public pressure after 24 hours in which tens of thousands of people took to the streets, the nation's biggest union called a strike and Israel's president implored the government to change course.

"I am not ready to divide the nation," Netanyahu said in a prime-time address, announcing that the government was delaying its push for parliamentary approval of the contentious legislation. "When there's an option to avoid civil war through dialogue, I take time off for dialogue."

But in a sign that he is not fully backing down, Netanyahu hit out at what he called "an extremist minority" involved in the protests.

The fight over the proposals has plunged Israel into its biggest political crisis in years, unsettling investors, alarming allies and sparking the biggest wave of protests in more than a decade.

Supporters say the changes, which will give the government and its allies greater control over the appointment of judges and limit the top court's ability to strike down laws, are needed to rein in an activist judiciary that has pushed a leftwing agenda.

But critics of Netanyahu, who began his sixth term as prime minister in December, see the overhaul as a fundamental threat to Israel's checks and balances that would weaken minority protections, foster corruption and damage the economy.

John Kirby, a spokesperson for the White House National Security Council, said US president Joe Biden had been "very forthright" about Washington's concerns about the developments, adding that US officials "strongly urge Israeli leaders to compromise".

Yesterday's tumult began after Netanyahu sacked his defence minister Yoav Gallant on Sunday night after he called for the judicial overhaul to be halted and warned that it posed a "tangible threat" to Israel's security.

Diplomats at Israeli embassies around the world subsequently stopped work in protest while flights were grounded at the Ben Gurion international airport. Public dissent rippled through the economy — with ports, shopping mall chains and the country's medical association announcing strikes. Municipalities and local councils stopped work and bank branches shut.

> In a sign he was not fully backing down, Netanyahu attacked 'an extremist minority' in the protests

The outpouring of anger has drawn in the military, with increasing numbers of reservists threatening not to report for training, sparking fears the military's capabilities were being undermined.

Mass protests have taken place in Israel weekly since the government unveiled its plans in January.

Ahead of Netanyahu's announcement, his coalition partner, the extreme-right Jewish Power party, said it had agreed to postpone the judicial overhaul until the next parliamentary session in May to allow for "dialogue".

Earlier in the day, Ben-Gvir, the ultranationalist national security minister who leads the party, insisted the government "must not surrender to anarchy".

But others in the rightwing coalition publicly called for a halt. Yariv Levin, the hawkish justice minister who has been one of the overhaul's most fervent backers, said he would support whatever decision Netanyahu took.

Israel's president Isaac Herzog had called on the prime minister to back down, warning that the "entire nation is rapt with deep worry".

Former premier Ehud Barak described the crisis as the "most severe" since the modern state of Israel was founded in 1948. "It's a threat to our democracy and our way of life," he told an event in London.

Kirby said Biden had told Netanyahu that "democratic societies are strengthened by the whole idea of checks and balances".

Additional reporting by Andrew England in London

Jerusalem protest: the government's proposals have plunged Israel into its biggest political crisis in years — Ammar Awad/Reuters

Briefing

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▸ BioNTech post-Covid dip
The vaccine maker has forecast a sharp fall in sales, underlining the plunging demand for jabs and the challenge for pharma groups that boomed in the pandemic.— PAGE 6

▸ Bank deposits drain away
Depositors have pulled €214bn from eurozone lenders over the past five months, starting before recent bank turmoil. Outflows peaked in February.— PAGE 2

▸ Scottish party winner
Humza Yousaf has won a close race for the helm of the Scottish National party, which seeks to break away from the UK.— PAGE 2; STEPHEN BUSH & FT VIEW, PAGE 14

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Vincent Clerc, chief executive of the shipping group, has said the rebound from Covid curbs has been weaker than expected but volumes remain resilient.— PAGE 4

▸ AI threatens 300mn jobs
Goldman Sachs research has found that breakthroughs could expose the equivalent of 300mn full-time workers across big economies to automation.— PAGE 3

Datawatch

Russian forces killed
Deaths since second world war ('000)

Source: CSIS

Some 60,000 to 70,000 Russian soldiers are said to have been killed in the first year of the Ukraine invasion, more than all Moscow's wars since 1945 combined. The figure is more than four times the toll of the decade-long Soviet-Afghan war

Openness on pay prompts rebellion in the US office

Analysis ▸ PAGE 3

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

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Crypto exchange Binance accused by CFTC of illegally serving US clients

SCOTT CHIPOLINA — LONDON
STEFANIA PALMA — WASHINGTON

A US financial regulator has accused Binance and its chief executive Changpeng Zhao of operating illegally in the country, in a lawsuit that seeks fines and an injunction against the world's largest crypto trading exchange.

The Commodity Futures Trading Commission alleged in a civil complaint filed yesterday that much of Binance's reported trading volume and profitability had come from "extensive solicitation of and access to" US customers, contradicting the exchange's claims.

The CFTC's complaint said Binance's solicitation of customers in the US had subjected it to US law, adding that Binance and Zhao had "chosen to ignore those requirements".

The lawsuit is the latest flashpoint between the exchange and US regulators. Parent group Binance Holdings, a Cayman Islands entity mentioned in the lawsuit, says it has no formal headquarters and does not serve US clients.

Rostin Behnam, the regulator's chair, said: "Today's enforcement action demonstrates that there is no location, or claimed lack of location, that will prevent the CFTC from protecting American investors. For years, Binance knew they were violating CFTC rules, working actively to both keep the money flowing and avoid compliance."

Binance called the CFTC complaint "unexpected and disappointing", adding: "We have made significant investments over the past two years to ensure we do not have US users active on our platform." Zhao wrote "4" on Twitter , a code to his followers instructing them to ignore "fake news" and "attacks".

The CFTC in its complaint cited internal communications that it said showed Binance knew the platform facilitated potentially illegal activities. According to the complaint, Binance received information in 2019 "regarding Hamas transactions". A Binance employee allegedly dismissed the risk, saying: "Can barely buy an AK47 with 600 bucks." In another instance in 2020, a Binance executive said some customers, including from Russia, were "here for crime". A colleague allegedly replied: "We see the bad, but we close two eyes."

The regulator also accused Samuel Lim, Binance's former chief compliance officer, of aiding and abetting alleged violations. In 2019, Lim told Zhao that a "huge number" of customers "could be US citizens in reality. They have to get smarter and VPN through non-US IP," according to the complaint.

World Markets

STOCK MARKETS

	Mar 27	Prev	%chg
S&P 500	3973.82	3970.99	0.07
Nasdaq Composite	11745.97	11823.96	-0.66
Dow Jones Ind	32402.09	32237.53	0.51
FTSEurofirst 300	1759.87	1741.85	1.03
Euro Stoxx 50	4165.85	4130.62	0.85
FTSE 100	7471.77	7405.45	0.90
FTSE All-Share	4071.07	4039.73	0.78
CAC 40	7078.27	7015.10	0.90
Xetra Dax	15127.68	14957.23	1.14
Nikkei	27476.87	27385.25	0.33
Hang Seng	19567.69	19915.68	-1.75
MSCI World $	2692.55	2696.85	-0.16
MSCI EM $	972.17	977.78	-0.57
MSCI ACWI $	625.06	626.35	-0.21
FT Wilshire 2500	5139.47	5111.49	0.55
FT Wilshire 5000	40086.80	39867.35	0.55

CURRENCIES

Pair	Mar 27	Prev	Pair	Mar 27	Prev
$/€	1.078	1.076	€/$	0.928	0.929
$/£	1.227	1.223	£/$	0.815	0.818
£/€	0.879	0.880	€/£	1.138	1.136
¥/$	131.515	130.635	¥/€	141.794	140.596
¥/£	161.408	159.734	£ index	78.563	78.604
SFr/€	0.988	0.988	SFr/£	1.125	1.122

CRYPTO

	Mar 27	Prev	%chg
Bitcoin ($)	26904.60	27990.10	-3.88
Ethereum	1711.30	1775.65	-3.62

COMMODITIES

	Mar 27	Prev	%chg
Oil WTI $	71.29	69.26	2.93
Oil Brent $	76.88	74.99	2.52
Gold $	1993.80	1977.95	0.80

GOVERNMENT BONDS

Yield (%)	Mar 27	Prev	Chg
US 2 yr	3.96	3.76	0.19
US 10 yr	3.49	3.37	0.12
US 30 yr	3.71	3.66	0.06
UK 2 yr	3.27	3.19	0.07
UK 10 yr	3.51	3.43	0.08
UK 30 yr	3.76	3.73	0.03
JPN 2 yr	-0.07	-0.08	0.01
JPN 10 yr	0.29	0.27	0.02
JPN 30 yr	1.34	1.31	0.03
GER 2 yr	2.50	2.39	0.11
GER 10 yr	2.22	2.12	0.10
GER 30 yr	2.30	2.21	0.09

Prices are latest for edition
Data provided by Morningstar

ECB data

Eurozone banks report record withdrawals

February a high point for outflows, with €214bn moved in past five months

MARTIN ARNOLD — FRANKFURT

Depositors have withdrawn €214bn from eurozone banks over the past five months, with outflows hitting a record in February, according to the European Central Bank yesterday.

The fall in eurozone bank deposits, which started a few months after the ECB began raising rates last summer, marks a reversal from the money that had been pouring into banks, particularly since the pandemic started.

The recent outflows indicate banks were finding it harder to attract and retain depositors even before this month's turmoil, which caused the collapse of three US lenders and drove Credit Suisse into the arms of UBS.

In February, the decline accelerated as depositors cut their holdings at eurozone banks by €71.4bn, the biggest reduction since records began in 1997. Household deposits fell by €20.6bn, the largest fall since that data started to be collected in 2003.

The withdrawals in the five months since October amounted to 1.5 per cent of the almost €14tn eurozone banks held for depositors and were less than the $500bn of deposits that have been pulled out of US banks in the past year.

In the UK, there have been similar outflows of deposits by corporate customers, which withdrew £20.3bn from banks and building societies in January, a record since this data began in 2009, according to Bank of England figures. However, UK household deposits continued to grow by £3.5bn.

Banks in the eurozone have been slow to pass on higher interest rates to depositors. The ECB raised its deposit rate to 3 per cent this month but the highest instant access rate for savers at German banks is 1.6 per cent, according to deposit broker Raisin. This has prompted a switch from instant access accounts to longer-term savings accounts offering higher rates. Overnight deposits at eurozone banks fell €140bn in February, taking the decline over the past six months to €512bn.

'Savers continued to tie up their cash in less liquid but higher-yielding forms of money'

However, this was partially offset by an increase in deposits with an agreed maturity up to two years, which rose by €83bn in February and by €476.3bn in the past six months. Savers have also put more cash into money market funds and debt securities issued by banks.

"The data shows that savers continued to tie up their cash in less liquid but higher-yielding forms of money," said Jack Allen-Reynolds, an economist at research group Capital Economics.

While depositors are reducing their overall holdings at eurozone banks, Allen-Reynolds said "they invested some of that money into bonds issued by banks, so this isn't necessarily a sign that customers were losing faith in the banking system".

Total lending by banks to eurozone customers fell for the third straight month in February, taking the total three-month decline to €72bn and ending nearly five years of steady growth.

Economists say this month's bank turmoil is likely to make lenders more cautious, squeezing credit supply.

"We expect loan growth to continue to slow down over the short term and start recovering at a later stage when short-term rates find stability and the economic environment improves," banking analysts at Jefferies said in a note.

See Opinion

Sturgeon successor

Yousaf wins leadership election for Scottish nationalists

LUKANYO MNYANDA — EDINBURGH

Humza Yousaf has won a closely fought and often bitter race to succeed Nicola Sturgeon as leader of the Scottish National party, paving the way for him to become Scotland's first minister.

The 37-year-old health secretary won 52.1 per cent of the votes cast by SNP members, beating finance secretary Kate Forbes, who secured 47.9 per cent.

The closeness of the race suggests Yousaf faces a difficult task healing divisions in the pro-independence SNP that were exposed after Sturgeon's resignation last month.

"Where there are divisions to heal we must do so and do so quickly because we have a job to do and, as a party, we are at our strongest when we are united. And what unites [us] is our shared goal of delivering independence for our nation," he said after the result of the election was announced in Edinburgh. "I will aim to lead Scotland in the interest of all of our citizens, whatever your political allegiance."

Yousaf, who is due to be sworn in as first minister tomorrow after a parliamentary vote in Holyrood today, is set to become Scotland's first leader from an ethnic minority background.

He presented himself as the defender of Sturgeon's progressive policies on social issues and was the only candidate committed to fighting the UK government's move to block Scottish legislation that would make it easier for transgender people to obtain legal recognition of their gender.

But Yousaf also made clear he did not support Sturgeon's plan to use the next UK general election as a "de facto" referendum on Scottish independence, suggesting he backed a gradualist approach to securing the SNP's cherished goal.

Scots are divided roughly in half on the question of independence, and Sturgeon's attempts to force a rerun of the 2014 referendum in which voters decided by 55 per cent to 45 per cent to reject breaking away were thwarted by Westminster.

During the SNP leadership race, Forbes attacked Yousaf's record in government and said she could win broader public support and boost the party's stalled campaign for independence.

Speaking to reporters immediately after the result, Forbes said the SNP remained united despite a leadership race characterised by "robust" exchanges over policy and social issues. "We are united as one, standing together to serve Scotland," she added.

Voting in the SNP leadership contest went to a second round after none of the three candidates managed to secure 50 per cent of the ballots cast at the first time of asking. Former community safety minister Ash Regan was eliminated in the first round.

Anas Sarwar, leader of the Scottish Labour party, said Yousaf was inheriting a "chaotic and divided party" and lacked his own mandate. "We need an election now."

Douglas Ross, leader of the Scottish Conservatives, said Yousaf's victory showed that the SNP was moving "further and further away from the real priorities" of Scots in order to focus on its bid for independence.

See The FT View & Stephen Bush

Energy. Policy reforms

Italy accused of backtracking on climate goals

Experts say plans to phase out public aid for fossil fuel projects overseas are too weak

CAMILLA HODGSON — LONDON
AMY KAZMIN — ROME

Italy's drive to wean itself off Russian gas and replace it with north African imports has put the government of Giorgia Meloni on a collision course with its international climate agreements.

The government last week published its policy for phasing out public financial support for coal, oil and gas projects overseas, but climate experts say the new rules are filled with loopholes.

The UN COP26 climate summit pledge in 2021 committed more than 30 countries, including Italy, Germany, the UK and the US, to end all new public financing for fossil fuel projects overseas by the end of 2022.

But the war in Ukraine and the months-long energy crisis last year upended those plans, with EU governments and the European Commission extending funding plans for gas infrastructure and scrambling to secure deals with countries in a bid to reduce the continent's reliance on Russian gas.

Germany, whose prewar reliance on Russian gas was higher than Italy's, is yet to publish its new policy for public fossil fuel financing overseas. People familiar with the talks last year have expressed concern about potential backsliding on its COP26 pledge.

Italy's policy for its export credit agency, Servizi Assicurativi del Commercio Estero, will permit the continued support of gas exploration and production until 2026, as well as oil transport, storage and refining until 2024 and oil distribution until 2028.

Rome's new funding policy carves out a wide range of exemptions for the continued support of fossil fuel projects beyond the stated deadlines on energy security grounds, including projects "strategic for Italian energy and economic security". Before the invasion of Ukraine, Russia provided about 40 per cent of Italy's total gas consumption, but that fell to just 16 per cent last year. Gas imports from Algeria and Azerbaijan have been increasing.

Still, climate experts have expressed dismay that Rome is backsliding on its international commitments. Instead of replacing Russian gas from elsewhere, they argue Italy could have doubled down on renewables and improved energy efficiency to cut consumption.

"It's very disappointing," said Luca Bergamaschi, co-founder of Ecco, an Italian climate change think-tank. "It sets a terrible precedent for other countries."

Italy's export credit agency said it had no comment beyond what was written in the policy.

Eni, Italy's state-owned energy group, in January signed an $8bn deal for an offshore gasfield with Libya and Meloni visited India this month and agreed to "explore partnerships" in areas including gas transportation and energy storage.

When announcing its new energy funding policy, Italy said it had considered both climate goals and the energy crisis. It noted that the country "may potentially require further investments . . . in relation to gas".

Italy's policy release coincided with a UN report last week, warning that global warming was "more likely than not" in the near term to reach a 1.5C rise, and that achieving net zero emissions would require a "substantial reduction" in the use of coal, oil and gas.

Non-profit campaigner Oil Change International said Meloni's government "has broken a major climate pledge to end public financing for international fossil fuel projects, instead producing the worst policy among countries that signed the 2021 commitment".

One person close to the COP26 initiative said Italy's new policy was "pretty awful . . . worse than not having a policy, as it essentially greenlights ongoing fossil fuel investment". The country was "hiding behind national energy security as a justification . . . [but] this is about maintaining support for commercial interests", they added.

In parliament this month, Meloni said her government did not deny climate change, but believed in a "pragmatic approach" that would not hurt the economy, or cause widespread job losses.

[Italy's new policy] is 'worse than not having a policy, as it essentially greenlights ongoing fossil fuel investment'

Milan: a worker cleans a statue doused with paint by climate activists this month. Inset, Georgia Meloni
Claudia Greco/Reuters

Italy was among the European countries hit by a drought last summer, which affected not only harvests but also its hydropower generating capacity. Further water shortages and droughts are expected following a relatively dry winter. The government is also drafting plans to tackle the water crisis.

Climate scientists are clear that extreme weather events will become more common and severe as the world warms beyond the 1.1C already experienced since pre-industrial times. Yet Italy has also been resisting several parts of the EU green deal, such as resisting a planned ban on the sale of combustion engines in cars, alongside Germany, and criticising a plan for energy efficiency improvements in housing.

Bergamaschi added many of Italy's planned large gas investments might prove misdirected, given EU projections for a sharp fall in European gas demand in the coming years. "We don't need those investments for energy security reasons, we have alternatives," he said.

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Market indicators

Interest rate rise expectations fall following banking turmoil

VALENTINA ROMEI — LONDON

Investors have scaled back their expectations of global interest rate rises in the aftermath of banking sector turmoil, with market indicators suggesting that the period of rapid increases has come to an abrupt end.

The pricing of derivatives products, such as interest rate swaps, indicates investors believe many of the leading central banks will not raise rates further and, in some cases, will begin to impose cuts before the end of the year.

"Global interest rates are near a peak," said Mark Zandi, chief economist at Moody's Analytics. "The suddenly fragile global banking system is putting pressure on central banks to end their rate hikes sooner rather than later."

Swaps rates now suggest the US Federal Reserve, Bank of Japan and seven other central banks are all expected to keep rates on hold at their next meetings. Markets are split on whether the Bank of England or the European Central Bank will raise rates in May, after pricing in a high probability of a rise at the start of March.

"We've had one of the most aggressive rate-hiking cycles in decades, followed by banking turmoil and now peak rates are firmly on the horizon," said Susannah Streeter, senior investment analyst at asset manager Hargreaves Lansdown.

The reappraisal comes after one of the sharpest tightening cycles in recent history. Over the past six months, 18 central banks have increased rates by a total of 16.45 percentage points.

Just a fortnight ago, the peak in global interest rates had looked further away.

In early March, investors had expected the US federal funds rate target range to rise as high as between 5.5 per cent and 5.75 per cent by December, from its current range of 4.75 per cent to 5 per cent. The shift in derivatives pricing signals markets now expect the range to be around 4 per cent by then.

At the start of this month, investors had expected the ECB's deposit rate to hit 4 per cent towards the end of the year — up from its current level of 3 per cent. They now anticipate a deposit rate of 3 per cent by then. The expectation for the BoE's rate towards the end of the year has gone from around 4.75 per cent at the beginning of March to around 4.25 per cent as of yesterday.

"The major central banks, including the Fed and the ECB, should make a joint statement that any further rate hike is off the table at least until stability has returned to the financial markets," said Erik Nielsen, chief economics adviser at UniCredit Bank.

Last week, the Fed, BoE and Norway's central bank all raised rates by a quarter percentage point. The Swiss National Bank went for a half-point rise despite the rescue-takeover of Credit Suisse by its rival UBS, and the ECB did the same the previous week.

However, policymakers in most of those banks have signalled that a further rise in borrowing costs depends on turmoil in the banking system abating.

The Bank of Japan and seven peers are expected to keep rates on hold

"You can think of [the turmoil] as being the equivalent of a rate hike or perhaps more than that," said Fed chair Jay Powell last week, signalling the panic could do rate setters' job for them.

UBS forecasts that by the end of 2023 more than half of the 32 central banks it tracks will have cut policy rates. Seven others will have left them unchanged.

But some economists remain concerned high inflation will force central banks to keep on raising rates. Moody's Zandi said signs inflation would prove persistent could mean central banks would "sacrifice their economies to get inflation back to their targets".

Inflation figures for the US and eurozone are due out on Friday.

Some rate setters in Latin America and eastern Europe have kept interest rates on hold for months. "Central banks in emerging markets were some of the first to react to rising inflation and hike rates, and still may be the first to embark on a rate cutting cycle," said Hargreaves Lansdown's Streeter.

See Opinion

INTERNATIONAL

US transparency laws cause pay disparity disputes

For the first time, workers are learning what their colleagues are earning and employers are grappling with the backlash

TAYLOR NICOLE ROGERS — NEW YORK

Ashley, a 28-year-old accountant, is planning to quit her job at a New York insurance company.

After seeing a LinkedIn ad for a new role on her team that revealed new recruits would be paid more than her, she hired a career coach to help her change industries.

"It is the biggest slap in the face," said Ashley, who withheld her surname as she is not authorised to speak publicly about her pay negotiations.

"Ever since then, I don't work a minute over 40 hours," she added. "I do not stay late online. I will not take on extra work."

Ashley's employer is among a growing number facing upset staff after posting salary information to job sites.

New York City's pay transparency law took effect in November and was followed by similar laws in Washington, California and Rhode Island this year, in a trend that has undone taboos about discussing salaries in the workplace. A similar law took effect in Colorado in 2021.

As a result, the share of US job postings that include salary ranges has more than doubled since 2020. Some 43.7 per cent of US job postings on Indeed contained salary ranges last month, up from 18.4 per cent in February 2020.

> 'The chaos on my team could be resolved if they just brought everybody's pay up to par'

Laws vary state to state, but most require that advertisements for any role that could be based in those jurisdictions contain salary ranges in the hope of reducing discrimination. But since many organisations do not share internal salary data, the postings have given workers their first glimpse at how their peers might be paid. Many, like Ashley, were unhappy with what they learned.

"What makes employers think that the current employees are going to be motivated to do better when they see that someone else on day one is getting the salary that they should have gotten three years ago?" she said.

Business leaders said the regulations could not have come at a worse time. The labour shortage sparked by the pandemic has inflated salaries, as to land new recruits companies are offering higher salaries than many of their existing staff are on for similar roles.

Before New York City enacted its pay transparency law, lobbyists warned that it could create conflict in teams and remove incentives for employees to work hard.

Citigroup came under scrutiny after one of its contract user experience (UX) writers complained on Twitter that she had spotted a LinkedIn ad for her own role paying at least $32,000 more than her $85,000 salary. She applied.

"I was pretty upset because that was the exact salary range that I was targeting when I applied for this job [and did not get]," said 25-year-old Kimberly Nguyen.

In a meeting called after a team group chat turned hostile, Citi managers told the writers the pay disparity was because they were contractors instead of full-time employees and that the role would not be filled.

Citi said the salary range in the job description Nguyen saw was for a UX writer with five to eight years more experience than she had. They also said the staffing agency that hired Nguyen had negotiated her salary.

Activists and community leaders argue that the laws provide vital information to women and employees of colour who otherwise might not have the professional connections to know what kind of salary to negotiate. Illinois, Oregon and Kentucky are considering pay disclosure rules of their own.

But from the moment New York City's law went into effect in November, workers complained that the published salary ranges were too broad to be useful. Some ranges had a difference of more than $200,000 between the high and low ends. And bonuses, which can account for a substantial part of a banker's pay, do not have to be disclosed.

The salary ranges "answer one question but raise several others", said Tauseef Rahman, a partner at consulting firm Mercer which specialises in pay equity. "Now you know the pay range. The question becomes: 'What does it take to move up in that pay range?'"

Rahman said candidates were often offended because the companies rarely made offers at the high end of the stated range.

But those most upset about the disclosures are existing staff. Alan Goldstein, a New York-based executive recruiter, said Wall Street human resource executives blamed the transparency for a wave of resignations after bonuses were paid out at the end of February. "It upset a lot of people," he added.

Not all employers say the transparency laws make managing people more difficult. Small business owners, who have struggled to hire throughout the Covid crisis, say that promoting competitive pay ranges has helped them lure applicants from larger, more prestigious groups.

Lilian Chen, founder of New York-based company Bar None Games which hosts team-building events, said since posting salary ranges fewer applications had come in, but those she had received were actually better suited to the roles.

"There have been times where we will have a candidate who seems like they're really good and then we get on calls and the salary comes up and it's just not a good fit," said Chen, referring to applicants who withdrew because pay was lower than they expected. "And we kind of just wasted both our time."

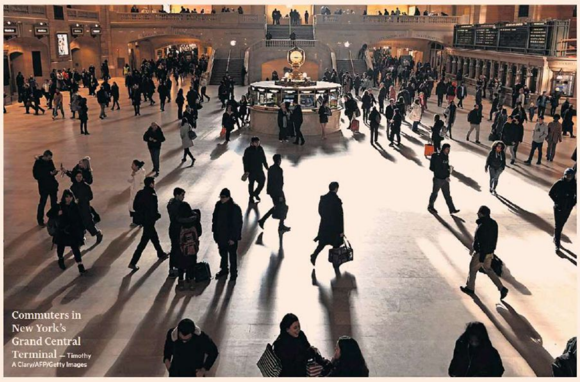
It is unclear how much workers have benefited from the new salary information. All Nguyen was able to secure from Citi was a performance review, but she said it had been delayed twice. Although Nguyen is still at Citi, she is searching for a new job and has become an advocate for a federal pay transparency law.

Many Wall Street banks are shedding staff, making it more difficult for disgruntled workers to find another job at a higher rate, said Goldstein.

Still, Nguyen said workers were unlikely to back down.

"The chaos on my team could proactively be resolved if they just brought everybody's pay up to par.

She went on to point out: "The whole thing is a manager problem. It's not mine."



Commuters in New York's Grand Central Terminal — Timothy A Clary/AFP/Getty Images

Labour market

AI predicted to put 300mn US and eurozone jobs on the line

DELPHINE STRAUSS — LONDON

The latest breakthroughs in artificial intelligence could lead to the automation of a quarter of the work done in the US and eurozone, according to research by Goldman Sachs.

The investment bank said yesterday that "generative" AI systems such as ChatGPT, which can create content almost indistinguishable from human output, could spark a productivity boom that would raise annual global gross domestic product by 7 per cent over a 10-year period.

But if the technology lived up to its promise, it would also bring "significant disruption" to the labour market, exposing the equivalent of 300mn full-time workers in big economies to automation, according to Joseph Briggs and Devesh Kodnani, the paper's authors. Lawyers and administrative staff would be among those at greatest risk of becoming redundant.

About two-thirds of jobs in the US and Europe are exposed to some degree of AI automation, based on data on the tasks done in thousands of occupations.

Most people would see less than half of their workload automated and would probably continue in their jobs, with some time freed for more productive activities.

In the US, this should apply to 63 per cent of the workforce, the authors calculate. A further 30 per cent in physical or outdoor jobs would be unaffected, although their work might be susceptible to other forms of automation.

But about 7 per cent of US workers are in jobs where at least half of their tasks could be done by generative AI and are vulnerable to replacement.

Goldman added that its research pointed to a similar impact across Europe. At a global level, since manual jobs account for a bigger share of employment in the developing world, it estimates about a fifth of work could be done by AI, or about 300mn full-time jobs across big economies.

The report will stoke debate over the potential of AI to revive the rich world's flagging productivity growth and create a new class of dispossessed white-collar workers, who risk a similar fate to that of manufacturing workers in the 1980s.

Goldman's estimates of the impact are more conservative than those of some studies, which included the effects of a wider range of related technologies.

A paper last week by OpenAI, the creator of GPT-4, found that 80 per cent of the US workforce could see at least 10 per cent of their tasks performed by generative AI, based on analysis by human researchers and the company's machine large language model.

Europol, the law enforcement agency, also warned this week that rapid advances in generative AI could aid online fraudsters and cyber criminals, so that "dark LLMs . . . may become a key criminal business model of the future".

Goldman pointed out that if corporate investment in AI continued to grow at a similar pace to software investment in the 1990s, US investment alone could approach 1 per cent of GDP by 2030.

The researchers assumed that AI would be capable of tasks such as completing tax returns for a small business, evaluating a complex insurance claim or documenting the results of a crime scene investigation.

They did not envisage AI being adopted for more sensitive tasks, such as making a court ruling, checking the status of a patient in critical care or studying international tax laws.

Sarah O'Connor see Opinion

Global economy

World Bank fears lost decade of growth

Fallout from pandemic and Ukraine conflict threaten lasting damage

CHRIS GILES — LONDON

The global economy is in danger of losing decade of growth, which would be more severe if the current financial turmoil sparked a global recession, according to research from the World Bank.

The international organisation warned yesterday that the Covid-19 pandemic and Russia's invasion of Ukraine were set to cause lasting damage to economic performance, undermining efforts to improve global living standards, reduce poverty and address climate change.

Its research showed recent setbacks to the world economy have had more lasting effects and would reduce growth rates this decade by a third, compared with the first 10 years of this century.

Indermit Gill, chief economist, said the fall in the level of sustainable growth was caused by "less work, less investment and less trade" than in the more rapid periods of growth and development in the 1990s and 2000s.

The bank projected that the growth rate the global economy could sustain this decade would be 2.2 per cent a year for the rest of this decade, down from annual rates of 2.6 per cent between 2011 and 2021 and 3.5 per cent in the first decade of this century.

Average global growth rates are calculated at market exchange rates and are lower than comparable figures from the IMF, which gives more weight to developing countries.

The research showed that the pandemic created huge uncertainties for companies and lowered investment growth rates in the world to an annual rate of 3.5 per cent, half the level of the past two decades.

It also harmed children's education, which in turn hit workplace skills and led to fewer people working than had been expected across a large number of countries.

Russia's invasion of Ukraine had increased uncertainties and reduced investment further, especially in Europe, the World Bank said. Geopolitical tension since 2010 had left global trade barely growing as fast as the world economy.

Ayhan Kose, who runs the equitable growth, finance and institutions work at the World Bank, said the combination of these factors means the "golden era of development appears to be coming to an end".

With the bank's stress on the lasting damage from the crises, whether related to health, economics or geopolitics, Kose said the turmoil of the past two weeks in financial markets was of great concern for economic prospects now and for the next four to five years.

"What we know is that the slowdown [in global growth prospects] could be much sharper if another financial crisis erupts, especially if it is accompanied by another global recession," he said.

The World Bank stressed that a decade of lost growth was not inevitable, but avoiding such a fate would require a "Herculean collective policy effort to restore growth in the next decade to the average of the previous one".

The most promising routes to higher growth around the world were ensuring a big boost to investment and labour force participation, particularly of women and older workers, it added.

Middle East. Currency pressure

Dollar shortage exposes Iraq's oil vulnerability

Attempts to correct monetary crisis create more grief in energy-dependent economy

RAYA JALABI — SULAIMANIYA

Iraq is struggling to control a currency crisis that has underlined the fragility of its oil-dependent economy 20 years on from the US-led invasion.

Ali Mohsen al-Allaq, the new central bank governor, defended measures introduced to stabilise the crisis that has led to an acute shortage of US dollars and a sharp fall in the dinar.

"We've focused on resolving the root of the problem and we're seeing some positive indicators," Allaq said in an interview, referring to central bank and government efforts to calm the panic that has taken hold since the crisis erupted in November. This was when Iraqi authorities, with the US, implemented tough rules for banks as part of efforts to stamp out money laundering and surreptitious cash flows abroad.

But the measures had unintended consequences, including a drastic cut in the dollar supply in an economy where it is heavily favoured, pushing up inflation and creating hardships for Iraqis who trust neither their institutions nor their own currency.

Hamoody Ismail, a personal trainer in Baghdad, said he was struggling to find the $4,300 due in rent and business payments. "My landlord refuses to take dinars and I've spent days this week trying to find dollars," he said.

Iraq's economy is almost entirely dependent on shifts in global oil prices. Record oil revenues have swelled the coffers of Opec's second-largest producer to more than $100bn. But Iraq can access the money only through the US Federal Reserve which has held its foreign exchange reserves since the 2003 invasion that toppled Saddam Hussein.

Under the arrangement, Iraq's central bank requests its dollars from the Fed and sells them to commercial lenders and exchange houses for dinars, a process known as the daily dollar auction. But US and Iraqi officials have long complained that widescale fraud allowed large sums to be taken abroad, some ending up with armed groups under US sanctions in Iran, Syria and Lebanon.

"We've seen, unfortunately, a growing number of suspicious transactions . . . huge amounts of wire transfers leaving the country with obviously fraudulent basis," said David Burger, a senior US official in Baghdad.

Cash crunch: Iraqis gather at the central bank in Baghdad in January to protest against the revaluation of the dinar and other measures backed by Ali Mohsen al-Allaq, below
Ahmad al-Rubaye and Sabah Arar/AFP/Getty Images

These concerns were renewed last year after part of $2.5bn in dinars stolen from the tax authority was used to buy dollars via the auction. After the scandal, four Iraqi banks suspected of money laundering were barred from the auction. Soon after, the remaining banks were mandated to drop paper-based methods for a more transparent digital platform for wire transfers.

But some banks and merchants were unwilling to divulge end recipients' details, while others have been slow to adapt to the rules. With so many transfer requests from Iraq's accounts at the Fed being rejected, it has reduced the supply of dollars to the market. The volume of such transfers has dropped from a daily average value of $180mn in 2022 to between $65mn-$75mn this year, according to central bank data.

Allaq, however, said there were signs of progress. "We're seeing the number of transactions on the digital platform steadily rise . . . we're seeing more Iraqi merchants officially register to participate," he said.

Experts cautioned that it could take Iraqi banks many months to fully adapt, and years for the economy to move away completely from informality and the dominance of cash.

In February the dinar was revalued from ID1,460 to the dollar to ID1,320, but its value on the parallel market, where most Iraqis source their dollars, remains about 18 per cent lower.

Other efforts to tackle the monetary crisis have made matters worse. These include prohibiting cash machine withdrawals in dollars and cracking down on money changers who price their dollars higher than the official rate. Another scheme that allowed travellers to exchange dinars for up to $7,000 at airports for use abroad led to money changers booking flights they would not take just to access the US currency, to then sell on the black market.

> 'Our biggest problem is that Iraqis rely on cash dollars. Is it not strange that a person pays with a foreign currency in their own country?'

"For weeks we've seen flights to Amman or Beirut that are sold out on the system but the planes are empty," said an airline employee in Baghdad. The loophole was closing last week, with the maximum sum cut to $2,000.

Some of those dollars have ended up in Lebanon, gripped by its own economic crisis. One money changer explained that, for weeks, he has been sending dozens of Iraqis to withdraw dollars at Baghdad's airport daily to bring them to Lebanon. "We make about $1,200 off every $10,000 brought in from Iraq," he said.

Allaq, the central bank chief, said: "Our biggest problem is that Iraqis rely on cash dollars. Is it not strange that a person pays with a foreign currency in their own country? "The whole world is moving towards abandoning cash and Iraq must do that too," he added.

Trade

China's recovery weaker than expected, warns Maersk

JOE LEAHY — BEIJING

China's economic rebound has been weaker than expected as consumers emerge "stunned" from pandemic-led disruptions and a real estate meltdown last year, warned AP Møller-Maersk.

Vincent Clerc, the new chief executive of the container shipping group, said however, that trading volumes linked with the economy remained resilient, with little sign of negative impact from US-led efforts to "decouple" from China.

"When we started the year, there was this hope that as China reopens after Covid we would see a strong rebound," Clerc said in Beijing. "We've not seen it yet . . . The Chinese consumer is a bit more stunned by what's happened and is not in a splurging mood."

China has set a growth target of 5 per cent this year, its lowest in decades, after the world's second-largest economy undershot expectations in 2022 as a result of President Xi Jinping's strict zero-Covid strategy. Profits at Chinese industrial groups slumped 22.9 per cent in January-February, official statistics showed yesterday, further underscoring concerns about the economy's rebound.

But many economists are hoping for a stronger performance after China abruptly abandoned its Covid-19 controls in December. The IMF is predicting growth of 5.2 per cent in China this year.

Clerc said some of Maersk's customers were drawing parallels with the outbreak of severe acute respiratory syndrome, or Sars, in 2003, when consumers in the hardest-hit areas took time to recover their confidence.

"This is not quite the Roaring Twenties-type mood that one could have expected after this long interruption," said Clerc, who was among global chief executives in Beijing at the weekend for the country's annual China Development Forum investor conference.

He said 70 per cent of Chinese savings were held in real estate, which has been hit hard by a government crackdown on leverage, while Chinese stocks were also underperforming. The negative mood had been compounded by geopolitical tensions between the US and China.

"It's not like you get a lot of optimism around when you follow the news and so on, so there may be a bit of a delayed effect as people get back into their [spending] routines," said Clerc.

Maersk has gained greater exposure to China's domestic consumer market through its $3.6bn acquisition in 2021 of Hong Kong-based LF Logistics, which has extensive logistics operations on the mainland. The Danish group is seeking to go beyond its core shipping line business into markets ranging from ecommerce to road and air freight.

Global trade was expected to return to more "normal" levels this year as European and US importers ran down excess inventories built up last year to counter supply chain disruptions, said Clerc.

He added that there was no sign of decoupling beyond the high-tech sector, which accounted for a fraction of the volume of China's exports and imports. "China has never traded as much with the rest of the world as it did last year, and at the same time we are talking about decoupling so it's a really interesting contrast," he said.

Additional reporting by Chan Ho-him and William Langley in Hong Kong

Bank regulation

Fed supervisor rails at SVB 'textbook' failure

JAMES POLITI — WASHINGTON

The Federal Reserve's top official on banking supervision has blasted the collapse of Silicon Valley Bank as a "textbook case of mismanagement".

In testimony released before his questioning on SVB's failure by US lawmakers today, Michael Barr, the Fed's vice-chair for supervision, criticised the bank's "concentrated business model".

He proposed a possible tightening of banking rules to avoid similar incidents, and said regulators were ready to intervene if necessary.

"We will continue to closely monitor conditions in the banking system and are prepared to use all of our tools for any size institution, as needed, to keep the system safe and sound," Barr said.

A Fed review of SVB's collapse is due out by May 1, but Barr suggested the bank had made critical errors as it grew.

"During the early phase of the pandemic, and with the tech sector booming, SVB saw significant deposit growth," he said. "The bank invested the proceeds of these deposits in longer-term securities, to boost yield and increase its profits. However, the bank did not effectively manage the interest rate risk of those securities or develop effective interest rate risk measurement tools, models and metrics.

"At the same time, the bank failed to manage the risks of its liabilities," he added. "These liabilities were largely composed of deposits from venture capital firms and the tech sector, which were highly concentrated and could be volatile."

> 'The bank did not . . . develop effective interest rate risk measurement tools, models and metrics'

The Fed has faced criticism that it was not quick enough to identify the vulnerabilities at SVB. Barr said supervisors had found "deficiencies" at the lender dating back to late 2021 and had met the bank's management in November 2022 "to express concern with the bank's interest rate risk profile".

However, Fed staff had briefed the central bank's board of governors only in mid-February of this year.

"Staff discussed the issues broadly, and highlighted SVB's interest rate and liquidity risk in particular," Barr said. "Staff relayed that they were actively engaged with SVB but, as it turned out, the full extent of the bank's vulnerability was not apparent until the unexpected bank run on March 9."

Barr said it was "critical that we propose and implement the Basel III endgame reforms", referring to rules that would require banks to maintain certain leverage ratios and keep certain amounts of capital on hand.

The Fed planned to propose a "long-term debt requirement for large banks that are not [globally systemic] so that they have a cushion of loss-absorbing resources to support their stabilisation".

Barr added that the Fed would have to enhance its stress testing with multiple scenarios so that it captured a wider range of risk and uncovered channels for contagion, such as that recently seen in the banking sector.

See Lex

Tech founder

Alibaba's Ma makes rare public visit to China

ELEANOR OLCOTT — TOKYO
QIANER LIU — HONG KONG

Jack Ma has made a rare public visit to mainland China as Beijing tries to restore confidence in the entrepreneurial class after a years-long crackdown on the tech sector.

The Alibaba founder travelled to his hometown of Hangzhou, where the company has its headquarters, to visit the Alibaba-funded Yungu School, according to the school, which mostly educates Alibaba employees' children.

In an article posted on its WeChat account yesterday, the school quoted Ma talking about the challenges that artificial intelligence posed to education. The philanthropist, a former English teacher, discussed the need for educational reform if children were to compete with AI in the future.

Beijing will hope the publicity around Ma's trip to the mainland can reinvigorate confidence for entrepreneurs after the end of a bruising regulatory crackdown and zero-Covid restrictions.

"For business, the key will be if Ma gets taken off mute. Being physically in China is one thing, but will we get to hear from him again, and can he talk about anything other than rural education and farming?" said Duncan Clark, founder of Beijing-based BDA consultancy and author of *Alibaba: The House That Jack Ma Built*.

The detention of China Renaissance founder Bao Fan has in recent weeks sent jitters through the business world just as Beijing is trying to promote investment in the country.

Billionaire Ma was once a high-profile figure in China, giving freewheeling interviews to the media and taking to the stage in flamboyant garb and performing rock music at company galas.

Entrepreneur: Jack Ma, 2nd right, at Yungu School in Hangzhou, China

Just days before the $37bn initial public offering of fintech group Ant Financial in November 2020, Ma gave a speech in which he attacked China's financial watchdogs and banks. The speech led President Xi Jinping to force the abandonment of Ant's listing and triggered a crackdown on the country's largest tech groups.

Ma has since shied away from media attention and increasingly spent his time outside China. The Financial Times reported that Ma had been living in Tokyo for almost six months in November, conducting regular trips to the US and Israel.

Government officials in Zhejiang province, home to Hangzhou, have stepped up their charm offensive with Alibaba, sending top Communist party cadres to its headquarters and signing a strategic co-operation agreement.

Ma was to meet executives at the China Development Forum in Beijing, said a provincial official from Zhejiang. The CDF, which ended yesterday, has attracted global executives and officials.

Potent pipeline Fast-flowing stream of Middle East-based IPOs contrasts sharply with Europe's moribund market MARKETS, PAGE 8

Companies & Markets

First Citizens shares surge after deal to buy SVB assets

- Other midsized banks enjoy uplift
- FDIC fund set to take $20bn knock

STEPHEN GANDEL, JAMES FONTANELLA-KHAN AND ANTOINE GARA — NEW YORK
KAYE WIGGINS — HONG KONG

Shares of First Citizens Bank surged almost 50 per cent yesterday morning following news that it would buy much of the failed Silicon Valley Bank.

The deal, the second acquisition of a failed bank in as many weeks brokered by the Federal Deposit Insurance Corporation, buoyed shares of other midsized banks that have come under pressure following the collapse of SVB.

First Republic's stock rose more than 10 per cent yesterday after government officials signalled late last week that they would be willing to provide more assistance to support struggling banks.

As it announced the deal, the FDIC said that the failure of SVB could cost its deposit insurance fund, paid for by member banks, about $20bn.

> Holding was 'specifically' committed to SVB's business with private equity and venture capital

That would make SVB the most costly failure in the history of the US insurance deposit fund, which was started in 1933, eclipsing the $12bn loss that it took on the failure of IndyMac at the start of the global financial crisis in 2008.

First Citizens, which calls itself the nation's largest family-controlled bank, has been one of the biggest buyers of troubled lenders in recent years, fuelling its growth. Yesterday's rally suggested that investors thought the lender had again made a shrewd, and probably profitable, deal.

The North Carolina-based bank will take on all the deposits and loans of SVB, the once high-flying lender to tech start-ups and their investors that failed this month. First Citizens will also operate SVB's 17 branches.

"We appreciate the confidence the FDIC has placed in us," said First Citizens' chief executive Frank Holding Jr.

Holding said he was "specifically" committed to SVB's business with private equity and venture capital firms, and highlighted his bank's experience working with start-ups in North Carolina's Research Triangle, which is popular with biotechs. But he added that SVB had lost numerous accounts over the past few weeks, and that First Citizens was prepared for more outflows.

Still, First Citizens appears to have struck a generous deal for SVB. In addition to SVB's $72bn loan portfolio, which is being acquired at about a 20 per cent discount, First Citizens will also get $35bn in cash from the FDIC.

The bonds and other assets that dropped in value, and initially sparked the drop in SVB's shares, will be kept by the FDIC, which is acting as its receiver.

In addition, the regulator and the lender will share the losses and potential recoveries on commercial loans made by SVB, a move First Citizens said would provide "further downside protection against potential credit losses".

To help pay for the deal, the FDIC will receive "equity appreciation rights" linked to First Citizens' shares, which it said could be worth as much as $500mn.

SVB had about $167bn in assets and about $119bn in deposits as of March 10, the FDIC said.

Holding took over the job in 2008 as chief executive of First Citizens, which was started by his grandfather in 1898.

He has since overseen almost two dozen acquisitions in FDIC-assisted bank deals. Last year, First Citizens paid $2bn to acquire CIT Group, a lender to midsized corporations.

Domino effect fears page 7
See Lex

Great pass Fifa lines up $355mn sweetener for clubs that send players to next World Cup

Enzo Fernández of Chelsea, a club likely to benefit from plans including a new Club World Cup — Ryan Pierse/Getty Images

JOSH NOBLE — LONDON

Fifa will increase payments made to clubs for releasing players for the next World Cup in a sign of warming ties between football's governing body and elite teams.

As part of a deal with the European Club Association, the body representing top teams in the region, Fifa said yesterday that it would increase the amount handed over to clubs to $355mn for the 2026 and 2030 men's World Cups, up from $209mn at present.

The enhanced payments — referred to as the club benefits programme — will be spread among all teams across the globe that provide players for Fifa tournaments, principally the men's World Cup held every four years.

The ECA and Fifa said they would also work more closely on the future of the Women's World Cup and the new Club World Cup, a project driven by Fifa president Gianni Infantino. The planned revamp of the competition would create a 32-team summer tournament involving the world's top clubs, including 12 from Europe.

Due to be held in 2025, the Club World Cup is an attempt by Fifa to build a new stream of income and tap into the huge global following enjoyed by club football. For elite teams, the tournament represents an opportunity to bring in extra cash.

Even without a major new event, Fifa has enjoyed soaring revenues in recent years thanks to booming international interest in football.

The four-year cycle ending with the Qatar World Cup late last year generated $7.6bn in revenue for the Switzerland-based body, up from $6.4bn from the previous period ending with Russia 2018.

The next tournament held across the US, Canada and Mexico — the first continent-wide World Cup — is expected to yield income of at least $11bn, thanks to high demand from sponsors and a significantly enlarged tournament.

In 2026, the number of teams competing in the World Cup will increase from 32 to 48. Earlier this month, Fifa members approved a format plan for the tournament that will expand the number of games from the 64 hosted by Qatar to 104.

The move to expand the World Cup has prompted complaints from players' unions, who say the push to add games is putting the welfare of athletes at risk.

Domestic competitions have also aired concerns. The European Leagues, an industry group, criticised Fifa earlier this month for making decisions "in a unilateral way", saying that governing bodies were "completely disregarding the big negative economic and sporting impact these decisions have".

SNB chair resigns after comments on Credit Suisse

SIMEON KERR — DUBAI

The chair of Saudi National Bank, Ammar Alkhudairy, resigned citing personal reasons after the kingdom's largest lender was thrust into the limelight amid turmoil at Credit Suisse.

The chief executive, Saeed Al Ghamdi, will replace Alkhudairy as chair, the bank said yesterday. Talal Al-Khereiji becomes acting chief executive.

In a television interview this month, Alkhudairy said that SNB, which bought a 9.9 per cent stake in Credit Suisse last year, would not provide any more financial assistance. He said that buying more shares would have pushed SNB's stake above 10 per cent and caused a "regulatory issue".

Alkhudairy's comments reflected established policy at the bank but sent Credit Suisse's share price into a tailspin, setting in train frantic negotiations that culminated in a hasty merger with Swiss rival UBS. "The issue of the chairman's statement did not go unnoticed among the senior decision makers," said one Saudi Arabia-based banker.

Regional executives said he had drawn undue attention to SNB and the kingdom's broader economic agenda. The bank's main shareholder is the sovereign Public Investment Fund, which is spearheading the reform programme of Saudi Arabia's crown prince, Mohammed bin Salman.

"It wasn't a great idea to go on TV during the middle of a banking crisis," said one Dubai-based banker. "There was no good outcome."

Alkhudairy is an experienced banker who used to chair the Saudi Arabian outposts of Goldman Sachs and Morgan Stanley. SNB, formed by the merger in 2021 of the Samba Financial Group and National Commercial Bank, has a share of about 30 per cent of the country's banking market.

The UBS takeover of Credit Suisse resulted in about $1bn of losses for SNB, but one person with knowledge of the details said the stake in the Swiss bank accounted for less than 2 per cent of its investment portfolio and would have a negligible impact on profitability.

The rescue has caused some controversy because shareholders received a payout, while holders of some bonds were wiped out, in an arrangement brokered by the Swiss authorities. The Swiss regulator has defended the deal and people close to SNB have denied pressing for shareholder compensation.

Banking sector implosion tarnishes the lustre of the 'Swiss finish'

INSIDE BUSINESS
FINANCE
Patrick Jenkins

A "Swiss finish" was traditionally the description given to the extra layer of financial safeguards demanded by Switzerland's bank regulators — reflective of the high quality the country has traditionally been famed for, from its watches to its banking sector. The demise of Credit Suisse has lent the term an unfortunate new meaning.

But the irony may not end there. The way Credit Suisse failed, the mechanics of its shotgun rescue by arch-rival UBS and the hangover implications for *Finanzplatz Schweiz* — the Swiss financial centre as a whole — are profound. Much of the blame for Credit Suisse's problems must clearly be levelled at the bank itself — its aggressive culture, poor risk management and fudged decision-making. But the very regulatory system that was supposed to give the banks a halo of virtuous strength was, it turns out, another part of the problem.

In 2019, a trio of academics from Yale School of Management and Deutsche Bundesbank questioned the unusually important role in the country of so-called contingent capital instruments, which suffer writedowns in value or convert to equity in times of stress to absorb losses. The academics said the extent of the use of AT1 bonds, one form of contingent capital, in the banks' regulatory capital structure "may call into question the extent to which the Swiss Finish to [global rules] represents a meaningful enhancement to the [global] framework".

Finma, the prudential regulator, has been criticised for failing to police Credit Suisse's financial strength adequately. And Finma, with the Swiss government, is now in the crosshairs of US investors, who have accused Switzerland of acting like a "banana republic" over the decision to upend the usual investor hierarchy and wipe out AT1 bondholders, while preserving some equity value. The whole point of contingent capital — to help stabilise a failing institution in a predictable way — has been thrown into doubt.

This all matters because Switzerland's banking system is vast. Its total assets are equivalent to 520 per cent of the country's gross domestic product, a far higher proportion than any other major developed country.

> The very regulatory system supposed to give banks a halo of virtuous strength was, it turns out, part of the problem

The past 15 years have been tough for Swiss banking. UBS, today the rescuer of Credit Suisse, was itself on its knees back in the 2008 financial crisis. Soon after, US tax authorities went after Swiss banks for facilitating the evasion of taxes by US citizens and, by 2018, the country's longstanding bank secrecy rules had been stripped away. Though some Swiss bankers are pleased, saying it clears away a whiff of potential criminal association, it has also removed a draw for some clients. Then began the drip-drip of scandal at Credit Suisse, culminating in this month's collapse. At least half a dozen further injuries will be inflicted on the Swiss financial centre as a result.

At the most obvious level, the episode has profoundly damaged Switzerland's reputation in investment banking, wealth management and regulation.

The way in which the authorities used an emergency ordinance to write down the value of AT1 bonds to zero without even a parliamentary vote as yet undermined Switzerland's reputation for a solid and predictable rule of law. Further issuance of such debt will be difficult for some time and key investors, particularly wealthy Asians, many of them Swiss bank clients, have lost a lot of money — and faith in their banks.

Shareholders, too, have been all but wiped out, damaging another wealth management client group, this time in the Middle East, where investors have lost billions of Swiss francs. The net result is that UBS alone will now account for two and a half times the GDP of Switzerland, an even more challenging "too-big-to-fail" risk for the country. Domestically, there is the related risk for retail banking thanks to a competition waiver on the deal. JPMorgan estimates the combined bank will have about 30 per cent of the market.

Switzerland, of course, remains an appealing place, with a highly skilled workforce, deeply embedded democracy and a sophisticated financial system. And New York and London bounced back from their banking failures. The country also might end up having a stronger national champion in the bulked-up UBS. But it is clear Switzerland should have recognised the scale of problems of Credit Suisse earlier and tackled them harder. The Credit Suisse shock is a reminder to the world of the fragility of confidence in banking — even after post-crisis reforms. If Credit Suisse can fall, others can too.

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Pharmaceuticals

BioNTech sales hit by decline of Covid jabs

German group dashes investor hopes with €5bn vaccine revenue forecast

LAURA PITEL — BERLIN
DONATO PAOLO MANCINI — LONDON

Covid-19 vaccine maker BioNTech forecast a sharp decline in sales, underlining the plunging demand for booster doses and the challenge for pharmaceutical groups that boomed in the pandemic.

The German biotech, which produces its vaccine with Pfizer, said yesterday that revenues from Covid vaccines would drop to about €5bn in 2023, from more than €17bn in 2022 and close to €19bn in 2021. The fall was much worse than market expectations, with analysts forecasting Covid revenues of almost €9bn in 2023, according to Bloomberg.

BioNTech, whose Covid jab using new messenger RNA technology became the world's bestselling by revenue, said that adaptations for new variants of the virus would lead to some increased demand. But it also anticipated "fewer primary vaccinations and lowered population-wide levels of boosting".

Shares in BioNTech fell 3.7 per cent.

However, Jens Holstein, chief financial officer, predicted that 2023 could be a "trough year" for the Covid market as vaccine producers began to increase prices. "That won't happen fully this year because we have a majority of countries that are still under government contracts that are a relic, or a follow-on, from the pandemic," he told an analyst call.

Holstein said that BioNTech's revenue-sharing agreement with Pfizer and its low associated costs meant that the Covid vaccine would generate significant income for the company in the years ahead as a commercial market matured. "It could lead to potential for increased volumes and increased prices, but that could take time," he added.

Rival Moderna — which also uses MRNA for its vaccine — has reported a similar slide in projected revenues, while Novavax, a late-to-market maker of a Covid jab that uses a more traditional technology, this month warned about its ability to continue to do business amid a decline in demand.

Research published in October by the health data analytics group Airfinity said that, while vaccine makers had started to raise prices, this would not fully compensate for the fall in demand. It expects 1.6bn Covid vaccine doses to be delivered this year, compared with 3bn in 2022 and 5.7bn in 2021.

The expected revenue plunge highlights the challenges for global pharmaceutical companies that reaped benefits from the pandemic and must now forge ahead with new products.

BioNTech has been investing in using the technology to treat cancer as it seeks to plough its windfall profits from the pandemic into diversification.

This year it announced it would buy the UK artificial intelligence start-up InstaDeep for as much as £562mn as part of an effort to harness machine learning to improve the process of discovering new drugs. It also unveiled a plan to partner with the UK government to enrol up to 10,000 patients in clinical trials for cutting-edge oncological treatments.

Suzanne van Voorthuizen, analyst at Dutch bank Van Lanschot Kempen, said that BioNTech was entering its "post-pandemic life", although she was bullish about the company's future, noting it has more than €20bn in cash.

"The pandemic caused one programme to leapfrog everything. And it now gives them a source of funding to help deploy the rest of their pipeline."

Mining. Hong Kong listing

China's nickel 'alchemist' plans battery unit IPO

Tsingshan aims to build on role as top producer of the metal to thrive as supplier to EV sector

CHENG LENG — HONG KONG
HARRY DEMPSEY — LONDON

China's Tsingshan Holding Group plans to list its battery unit in Hong Kong this year, in an initial public offering that would begin to lift the veil on the private business empire of Xiang Guangda, the founder who a year ago brought global nickel trading to its knees.

Tsingshan is the largest producer of nickel and stainless steel, and Xiang, dubbed "the alchemist" for his ingenuity in metal processing, made a huge bet on falling nickel prices that backfired in March last year. It brought his empire close to collapse and prompted the London Metal Exchange to suspend trading of the metal for eight days.

A year on, Xiang is preparing a different kind of bet, with ambitious plans to expand into high-grade nickel and lithium, and for his company's integration of the raw materials into its own batteries for electric vehicles.

The REPT Battero Energy IPO would be the first time the 64-year-old has taken a company public and had to make disclosures about a metals conglomerate that has remained largely secretive since its inception in 1988.

Tapping China and Indonesia, Tsingshan dominates the global nickel market, producing 600,000 tonnes in 2021 and almost 900,000 tonnes last year, equivalent to 28 per cent of global supply. Its share is set to rise to a third next year, BMO analysts have forecast.

That strength in a key ingredient in lithium-ion batteries for electric vehicles, plus backing from state-owned carmaker SAIC Motor, has raised hopes that REPT can grow into a top-tier battery producer.

Morgan Stanley and Citic Securities are joint sponsors of the IPO, according to a prospectus. The flotation could take place by June, said a person familiar with the matter. REPT's last funding round in September raised about Rmb5.6bn ($808mn) for a valuation of Rmb30.4bn, the person added.

Revenues for the subsidiary, which was set up in October 2017, nearly doubled year on year in the first half of 2022 to Rmb4.02bn. While still lossmaking, its annual battery output reached 32.7 gigawatt hours last September, equivalent to 6 per cent of Chinese capacity, according to data from China Industry Technology Innovation Strategic Alliance For Electric Vehicle.

Despite the chaos caused last year in the global nickel market, Xiang seems to have largely escaped censure in China, a sign of the key role played by the metal in the electric vehicles sector. "The importance of this material to the Chinese economy shouldn't be underestimated," said one trading executive.

Tsingshan had taken huge short positions, betting that the nickel price would fall based on knowledge of the growing size of its own output. That backfired when nickel prices surged on fears of sanctions on Russia and the company became the target of a short squeeze.

Xiang needed to secure high-purity nickel to close his position as he struggled to meet soaring demands for cash to cover lossmaking positions when nickel hit $100,000 a tonne last March. Beijing made a gesture of support by offering Xiang a bailout swap of high-quality nickel from state reserves for Tsingshan's lower-grade nickel, one person close to the company said. He did not take up the offer and the LME's cancellation of billions of dollars' worth of nickel trades ultimately helped Tsingshan escape huge losses.

Tsingshan has since disbanded its internal futures team, the person added, citing the loss incurred. It now only has a small short position traded on LME, said two people familiar with the matter, while some nickel traders still grumble that Xiang "got away with it".

However, last August, Tsingshan was reported to be considering selling Indonesian assets in nickel pig iron, a lower-grade form of the metal, and stainless steel to its Chinese state-backed rival Baowu Steel, which analysts viewed as a forced sale as a reprimand from Beijing. It remains unclear though whether any deal has materialised.

"From the perspective of Beijing, having a company that has been internationally successful at bringing nickel units is more important than a fight between it and state-owned companies," said someone close to Tsingshan.

Raw material: Tsingshan has come to dominate the nickel market under founder Xiang Guangda. The group's metals will supply electric vehicle battery maker REPT Adek Berry/AFP via Getty Images

Processed nickel output

2021 (kilotonnes)

Source: Nickel Industries

'Whatever [Xiang] builds he does it at a lower cost than his competitors inside and outside China'

The breakthroughs that led to Xiang being called the alchemist saw his company transform global nickel supplies and the Indonesian economy in little more than a decade. In the mid-2000s, Tsingshan developed a breakthrough steelmaking process that used nickel pig iron. That prompted him to expand into Indonesia to solve shortages holding back Chinese stainless steel production.

Tsingshan now plans to build, with Australia's Nickel Industries, a new breed of conversion plant for $2.3bn that can produce nickel sulphate and high-purity plates to supply battery-grade chemicals to REPT and carmakers. Markus Moll, managing director of SMR, a market researcher, says Xiang is unique in his ability "not only to control the raw materials, it's also whatever he builds he does it at a lower cost than his competitors inside and outside China".

Competitors say that Tsingshan's biggest challenges to supplying western carmakers are now the environmental and social impact of nickel mining and processing in Indonesia. One industry executive said: "They realise they need to clean up their supply chain if they're going to be taken seriously."

Additional reporting by Andy Lin in Hong Kong

See Markets

Technology

Verkor and Freyr hail EU response to Washington's subsidy drive

RICHARD MILNE
NORDIC AND BALTIC CORRESPONDENT

Battery makers have welcomed the proposed European response to a huge package of US subsidies for green technology, but warned it must be followed with swift action or investment will drain across the Atlantic.

Volkswagen and Norway's Freyr Battery have both brought forward plans to build battery factories in North America and delayed plants in Europe because of generous subsidies in the US Inflation Reduction Act that can add up to as much as $10bn per factory.

Several European industrial groups have criticised the EU's response — the Net Zero Industry Act announced earlier this month — but battery makers, a crucial sector courted by Brussels in the past five years, struck a different tone.

"We are encouraged by what we are seeing. Now it's time to go from ambition to action," said Tom Jensen, Freyr chief executive. Backed by its main shareholder Koch Industries, Freyr recently accelerated its plans to build a factory in the US state of Georgia thanks to the IRA.

Olivier Dufour, co-founder of French battery maker Verkor, said the EU proposals were "overall very positive. What is very positive is they take into account all the international context, not just the US with the IRA but also China, India."

'It doesn't have the clarity or ease of use of the IRA. But they have moved fast and have done something'

Over and above the Net Zero Industry Act, battery makers said the temporary crisis and transition framework approved by Brussels this month as a response to disruption in the energy market, was much more important. This allows for subsidies until 2025 to help with investment costs for projects including batteries, wind and solar energy and carbon capture and storage.

"It doesn't have the clarity or ease of use of the IRA. But they have moved fast and they have done something. If it doesn't level the playing field, then it starts to level the playing field," said one senior European battery executive, who described the measures as a "typical, bureaucratic response" from the EU.

A test of the strength of the European response is likely to come next month when Northvolt, the Swedish company that was the first on the continent to open a gigafactory in 2021, will decide whether to build its next factory in Germany or the US. Executives have delayed the decision to allow the EU time to respond to the IRA.

The EU is not proposing as simple a scheme as the IRA, which offers subsidies worth between a third and a half of a battery factory's operating expenses. Instead, Jensen expects it to offer a mixture of measures such as direct grants, energy price guarantees and debt support. "There are many ways to achieve the same thing . . . Unless you want [non EU producers] CATL, Samsung and LG to do all of it, we need to do more in Europe," he added.

Dufour said the mixture of measures would make it tricky to compare European projects directly with US ones where the subsidy is easy to calculate. "You don't have a simple, pragmatic figure to put in your business model. It adds some complexity," he said.

See Lex

Technology

Gopuff turns to rivals for rapid delivery help

DAVE LEE — SAN FRANCISCO

US rapid delivery company Gopuff has turned to rivals Uber and DoorDash to deliver some of its orders, as it becomes the latest group to be hit by a fall in demand following the sector's lock-down-driven boom.

Philadelphia-based Gopuff, which was valued at $15bn in July 2021, has been using Uber couriers to fulfil a small proportion of orders placed on its app since late last year, plugging a gap in its own driver workforce.

At least 4 per cent of all Gopuff orders in the US are being handled by Uber couriers, Gopuff and Uber confirmed.

That amount could increase further, a person familiar with the deal said, with the companies in talks to have Uber provide more delivery support by using Uber couriers for Gopuff orders placed through the Uber Eats app as well.

The move comes as the once booming rapid delivery grocery market, which aims to deliver groceries and convenience store items via courier in as little as 10 minutes, has come under pressure as demand has fallen amid rising inflation, competition and the end of a lock-down-driven expansion.

After more than a dozen rapid grocery apps launched in the US and Europe by mid-2021, only a handful of independent participants now remain. Getir, the Istanbul-based online grocery start-up, acquired its German rival Gorillas last year, while several smaller companies have either scaled back operations or gone out of business.

According to industry research by YipitData, Gopuff's sales fell 17 per cent in January 2023 compared with the previous year. In that time, the company's market share of US rapid delivery shrank by 7 percentage points.

Gopuff denied it had an issue with driver supply, saying 80 per cent of its warehouse locations had a waiting list for drivers. The company's model commits to paying an hourly fee to scheduled drivers if the commission earned from deliveries does not reach a minimum threshold of about $18 to $22 an hour, depending on the market.

Founded in 2013, Gopuff quickly became one of the leaders in the fast grocery delivery market. The group was valued in July 2021 at $15bn after a $1bn funding round. Last year, it raised $1.5bn in debt, bringing its total funding to slightly less than $5bn, according to data from PitchBook.

Gopuff has put on hold plans for an initial public offering. Last July, it announced it would cut 10 per cent of its workforce and close 76 of its warehouses. This month, the company said it would cut a further 2 per cent of jobs.

Technology

Elliott drops push for directors at Salesforce

ORTENCA ALIAJ — NEW YORK
IAN JOHNSTON — LONDON

Elliott Management has scrapped plans to nominate directors to the board of Salesforce after the software group delivered a better than expected earnings report this month and promised to focus on profits.

In a joint statement released yesterday, Elliott said it would not nominate rival directors to the Salesforce board at its upcoming annual meeting since it had put a "clear focus on value creation".

Jesse Cohn, managing partner of Elliott, said he was "deeply impressed" by Salesforce's "commitment to profitable growth, responsible capital return and an ambitious shareholder value creation plan". The announcement represents a rare retreat for the activist investor while relieving pressure on Salesforce co-founder and chief executive officer Marc Benioff, who was forced to reassess the company's strategy. However, it does not represent a formal agreement between the two sides and there is nothing preventing Elliott from nominating directors in the future.

Benioff said he was "grateful for Jesse's mindful and constructive ideas. I look forward to continuing my relationship with Jesse and the Elliott team."

Elliott said in January it had acquired a multibillion-dollar position in Salesforce, joining activists such as Starboard Value and ValueAct Act Capital, all of which have been pushing for the company to improve its profitability.

The group of activists has been critical of Salesforce's spending and dealmaking, including the takeovers of data analytics group Tableau and workplace app Slack, bought for $28bn in December 2020 at the height of the tech boom.

Salesforce's share price fell about 40 per cent from a pandemic peak but has recovered some losses this year after its strong performance in the fourth quarter and a pledge from Benioff to make operating margins its "North Star".

The San Francisco-based software group posted fourth-quarter revenues of $8.4bn, against expectations of $7.99bn, and higher than expected adjusted margins of 22.5 per cent. Benioff also said he expected adjusted margins would hit 27 per cent in 2024, ahead of its original forecast of 2026.

Benioff has sought to stay a step ahead of the activists, cutting the company's workforce by 10 per cent in January and nominating three new directors to its board, including ValueAct's Mason Morfit. Elliott also nominated several directors to Salesforce's board ahead of its results at the beginning of March, as part of an effort to force further concessions.

Domino-effect fears put First Republic in focus

Stock slumps and $70bn in deposits are pulled as C-suite turmoil and shaky model underline exposure to tighter money

BROOKE MASTERS, JOSHUA FRANKLIN AND STEPHEN GANDEL — NEW YORK
GEORGE HAMMOND — SAN FRANCISCO

First Republic was engulfed in a distracting internal succession crisis in the months before the US Federal Reserve imperilled its business model by embarking on an aggressive cycle of interest rate rises, according to people briefed on the matter.

After decades of growth, when it won plaudits for providing personalised service to wealthy customers, First Republic found itself scrambling early in 2022.

Not only did founder Jim Herbert, 79, go on medical leave due to a heart condition, but Hafize Gaye Erkan, who had been groomed as his successor, left the company a month later. Erkan, a former Goldman Sachs banker with a PhD in risk management, served less than six months as co-chief executive and was involved in a series of interactions with other top executives that two of the people described as "toxic".

The C-suite drama would be followed by much bigger problems. The San Francisco-based bank's share price has fallen 90 per cent since March and depositors have pulled out tens of billions of dollars, amid fears that First Republic will be the next lender to face a liquidity crisis after the collapse of Silicon Valley Bank.

A search process to replace Erkan did not result in a strong external option, so the bank appointed chief financial officer Mike Roffler, who had been acting co-chief executive, to the role permanently in March 2022. Herbert became executive chair, but his plan to stay on as an active presence turned off at least some outside candidates approached by First Republic, said people familiar with the bank's process.

Analysts cheered Roffler's appointment. But behind the scenes, the management tumult had absorbed attention at First Republic in the months leading up to the Fed's interest rate rise in March 2022, the first in more than three years. Aggressive rate rises throughout last year challenged First Republic's model of sucking up cheap deposits and offering very competitive rates on loans to wealthy customers.

A person familiar with First Republic's management and strategy said: "This is a tale of failed succession. Jim built an A-plus service-oriented bank for mid-level executives, but then they flubbed it on the five-yard line. These guys were running a great bank, but then the world changed on them."

First Republic declined to comment. Erkan did not respond to a request for comment.

First Republic's struggles amount to a swift comedown. In 38 years, it had built a reputation for "white glove" customer service. It targeted people, often connected to the tech industry, who were very well off but not so rich that they qualified for top-end service at bigger banks such as Citigroup and Goldman.

In January, Herbert told shareholders that customer satisfaction with the bank was at an all-time high. But the more rates rose, the more vulnerable the model became. It had relied on making home loans using cheap funding from customers who were offered lower mortgage rates in exchange for putting large deposits into accounts that paid little or no interest. Two-thirds of deposits were in accounts too large to be covered by government-backed insurance that maxes out at $250,000.

As competitors wooed depositors with better rates, First Republic came under pressure to match them. Its interest expense rose 10-fold, to $525mn in the last three months of 2022, from slightly less than $50mn a year earlier, data from the Federal Deposit Insurance Corporation shows. At the same time, it had amassed $5bn of paper losses on bonds bought when rates were lower.

> 'These guys were running a great bank, then the world changed on them'

First Republic management was aware of the risks, and began warning of headwinds from rate rises more than a year ago. In ordinary times, these issues would have hit profits and probably made for a tough few quarters. But the March 10 collapse of SVB changed how banks are viewed by investors and customers alike. First Republic's reliance on uninsured deposits and the tech sector, as well as its paper losses, put it near the top of the list of lenders that resembled SVB.

The response has been brutal: about $70bn in deposits have been pulled and its market cap has fallen from almost $40bn in 2021 to about $2bn this week.

> 'They didn't have a leader able to pivot'

Erika Najarian, banking analyst at UBS, said the feeling was that First Republic was "a very important domino to stand up" in order to maintain confidence in the banking system.

Herbert grew up in Coshocton, Ohio, where his father worked at Coshocton National Bank. He founded First Republic in San Francisco in 1985 with nine employees, $8mn in capital, and a premise: "Deliver exceptional client service and growth will follow."

In early 2007, Merrill Lynch, which was trying to break into wealth management and banking, paid $1.8bn to acquire First Republic. But Merrill unravelled during the financial crisis and was merged into Bank of America. As a large commercial bank, BofA had little need for First Republic, so it allowed Herbert to put together a 2010 management buyout with backing from General Atlantic.

After relisting the company, Herbert turned heads. In 2014, trade publication American Banker named him banker of the year, a role usually reserved for heads of much larger lenders. By the end of 2022, First Republic had grown to 7,200 employees.

According to longtime customer and angel investor Tim McCarthy, First Republic went out of its way to court wealthy clients with personal touches. "It's like the casinos in Macau and Vegas — you make money on the whales, so you focus on servicing them," said McCarthy. "I'll continue using them because I know all their branch employees."

Clients describe being assigned a specific contact, who makes an effort to get to know their preferences, such as the way they like to be addressed and the services they are likely to require. "My wife does all our banking and she loves them. Why would we ever leave?" said David Hou, a former First Republic wealth manager who kept his checking account with the bank when he left to start an advisory business in 2019.

Over the years, Herbert has been a reliable Republican donor to the party's leadership committees, initially from California, where he was writing five- and six-figure cheques to the party up until August 2020, and more recently from Wyoming, where he joined his daughter and grandchildren during the pandemic.

The bank employed the services of Richard Hohlt, a Washington lobbyist who has been advocating for less aggressive policing of the industry since before the savings and loan crisis in the 1980s. First Republic's spending peaked in 2018 when it paid $150,000 to lobby lawmakers considering whether to water down parts of the 2010 Dodd-Frank reforms enacted after the financial crisis. After a 2018 law exempted banks of First Republic's size from some of the most onerous requirements, the bank cut its federal lobbying spending.

Late last year, when the FDIC proposed reinstituting some but not all of the requirements for midsized banks, including holding additional capital in part to cover losses in bond portfolios, First Republic opposed the idea. In January, Roffler wrote to the Fed and the FDIC arguing that such measures were not necessary because First Republic, and other banks like it, "do not pose the same, if any, financial stability risk" as the big lenders.

First Republic entered this year on a positive note. Deposits had risen more than 10 per cent to $176bn in 2022, even as some competitors saw outflows. Lending had more than doubled in the past two-and-a-half years with few losses. Banks of similar size ended last year with a default rate of 1.5 per cent while First Republic's was 0.08 per cent.

But the bank was vulnerable. Herbert admitted on a January earnings call that rising rates were putting pressure on net interest income — the difference between what First Republic pays depositors and what it earns from loans and other assets. Roffler warned 2023 would be a "more challenging year".

While management had been dealing with an internal struggle that led it to pay Erkan $10mn in severance, First Republic had left itself very exposed to the Fed's rapid rate increases. By this year, the effects were starting to show.

Both its mortgage book and its securities holdings had dropped in value, at least on paper. Nearly $100bn of its $166bn in loans were single-family mortgages with at least 15 years to run, most of which were written during the period of ultra-low rates. None of this mattered as long as First Republic did not have to sell them. But if deposits were to flee, forcing it to offload assets, the losses on the bonds alone would be enough to wipe out roughly a third of the bank's $17bn of book value.

First Republic had less room for error than most. By the end of last year, its cash on hand had shrunk from 8 per cent of deposits at the end of 2021 to just over 2 per cent by the end of last year. The average for peers was close to 10 per cent. This meant that if customers collectively asked for more than 2 per cent of their money back, First Republic would have to increase borrowing, sell securities, or otherwise scurry to find the cash.

The day SVB failed, some customers queued up at one of First Republic's California branches to pull out their money. Many more used online banking to transfer out some or all of their money.

Last week, 11 of the largest US banks sought to restore confidence by depositing $30bn of their own money with First Republic in an effort to bolster its liquidity position. The move has slowed but not arrested the drop in its shares. First Republic this week added Lazard alongside JPMorgan Chase to help advise it on strategic options.

"They didn't have a leader able to pivot when interest rates rose," said one of the people who knows the bank well. "They did not see the tsunami coming."

Additional reporting by Courtney Weaver in Washington

First Republic was founded by Jim Herbert and he wanted to remain an active presence, while Hafize Gaye Erkan, groomed as his successor, was co-chief for less than six months. The search for her replacement yielded no strong options, so finance boss Mike Roffler was handed the job
David Paul Morris/Bloomberg

Source: S&P Capital IQ

Equities. Shift in focus

IPO surge puts Middle East on investors' 'radar screen'

Sunshine and architecture: among the attractions of Dubai is the Burj Khalifa, the tallest building in the world
Jakub Porzycki/NurPhoto/Getty Images

Asset managers and hedge funds among businesses attracted to growing region

SIMEON KERR — DUBAI
NICHOLAS MEGAW — NEW YORK

Shares in data analytics company Presight AI soared yesterday, their first day of trading on the Abu Dhabi bourse after a $496mn initial public offering that was 136 times oversubscribed.

The demand is no one-off. It comes two weeks after Adnoc Gas raised $2.5bn in the emirate's biggest listing. They are among the latest in a fast-flowing pipeline of offerings in the Middle East that contrasts sharply with Europe's moribund market.

The 51 IPOs across the Middle East and north Africa last year was a record, according to EY. They raised $22bn, a 179 per cent increase on 2021, the advisory firm said, adding that this year's market looked "healthy".

Miguel Azevedo, Citigroup's chair of investment banking for the Middle East and Africa, said the region had "come on to the radar screen".

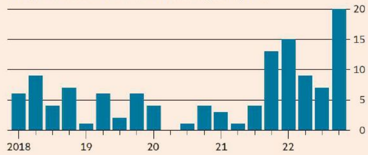
He added: "Lots of people moved here after Covid and there were lots of IPOs here, so it forced the world to look at the region, which has grabbed attention when there was nothing going on in the rest of the world."

Financial regulatory reform, a privatisation push amid political stability and oil and gas prices that have risen significantly from their coronavirus pandemic lows are driving both the IPO frenzy and private deals, bankers said.

Saudi Arabia is revamping its oil-reliant economy under crown prince Mohammed bin Salman. The United Arab Emirates has attracted financial companies to its commercial centre in Dubai and launched a range of listings in the capital, Abu Dhabi.

IPOs are booming in the Middle East

Listings in the Middle East and North Africa (quarterly total)



Source: EY

Private capital fund managers deployed $19.8bn in 191 Middle East deals last year, the only place in the world to post a year-on-year increase in investment value in 2022, according to the Global Private Capital Association. In 2018, $600mn was invested.

A combination of regulatory reform and high oil prices has been keenly felt in the Saudi stock market, with the standout deal being the 2019 $29bn listing of oil supermajor Saudi Aramco.

This kick-started a range of IPOs, with 2022 marking a record year. Over the past five years, market capitalisation has surged about 475 per cent. The regulator said there were now 269 listed companies compared with 188 at the end of 2017, with another 80 preparing to float.

In Abu Dhabi, the national oil company has floated a series of assets, fostering a similar surge of listings.

Fast-food operator Americana, owned by the Saudi sovereign Public Investment Fund and Dubai businessman Mohamed Alabbar, listed on both the Abu Dhabi and Riyadh exchanges in December amid surging demand.

"It's the same playbook from Europe — in the UK it was the mid to late '80s with the privatisation drive that encouraged activity," said a senior US-based capital markets banker. "It helped stimulate markets and promote more of an equity culture and encourage private enterprise to come public."

Dubai's handling of the pandemic and its open economy lured crypto billionaires and financial executives, persuading their companies to follow.

Hedge funds and asset managers, including Brevan Howard and ExodusPoint, have set up in the city's financial district, which is now in talks to license another 50 hedge funds as managers eye the tax-free sun and advantageous trading window spanning Asia and the US.

"International investors are coming — big, proper grown-up and respected long-only asset managers in the US and Europe investing with their own people to get ready to make more investments in that world [the Gulf]," said another US investment banker.

Dubai last year embarked on its own privatisation campaign, pledging to list 10 state-related entities. Four have already been listed, including utility Dewa and road-toll company Salik.

> 'Lots of people moved here after Covid and there were lots of IPOs here, so it forced the world to look at the region'

Azevedo said the region was moving into a "second phase" of listings, with "non-government entities IPO-ing in the UAE, both Dubai and Abu Dhabi". "This year will see a few family-owned companies coming through," he added.

Family-owned businesses make up as much as 90 per cent of the private sectors in countries such as Saudi Arabia and the UAE. As founders die, their heirs often fall into recriminations. Going public is a means of imposing succession-planning arrangements to avoid familial strife.

Al Ansari Financial Services, a family-owned company and the UAE's largest exchange house chain, yesterday raised $210mn amid strong demand for its IPO on Dubai's stock market. Other regional family-owned groups mature enough to list shares publicly include Dubai-based malls conglomerate Majid Al Futtaim, Lebanese-owned retailer Azadea and Abu Dhabi hypermarket chain Lulu.

Azevedo predicted these would be followed by a third wave of "young fintech firms and tech-enabled companies that have been raising money in the private capital market".

Recent banking collapses in the US and Europe are reviving concerns of a repeat of the global financial crisis, when the Middle East was booming as the rest of the world went into meltdown. The Gulf boasted then that it had "decoupled" from the global economy before hitting its own debt and oil price crisis of 2009.

"It's slightly different now because of the stronger balance sheets and the ongoing transformation programmes," said Tarek Fadlallah, chief executive of Nomura Asset Management, Middle East. "During the [global financial crisis] oil prices fell sharply and a big difference this time is that prices remain within a comfort zone."

Financial services

Beijing warns of tougher scrutiny after Deloitte fine

CHENG LENG — HONG KONG
EDWARD WHITE — SEOUL
JOE LEAHY — BEIJING

China has told Deloitte to "learn a lesson" from a recent fine against it after the country's regulators pledged to toughen oversight of international and local auditors.

Zhu Zhongming, vice-minister of finance, told Sharon Thorne, global chair of Deloitte, that Beijing would "strictly enforce financial discipline" and step up scrutiny over accounting firms in China "including the Big Four", the finance ministry said.

The warning, issued when the two met in Beijing, comes as President Xi Jinping tries to stamp out risks to the country's financial system after a series of massive corporate failures. It signals the onset of tighter scrutiny of the accounting and consulting sector and rising uncertainty over the future of Deloitte, PwC, KPMG and EY in China.

Decades spent building market-leading positions in the second-biggest economy have been undermined by a wave of delayed financial results and defaults by the companies they audit.

This month, the ministry fined Deloitte $31mn and suspended its Beijing operations for three months after an investigation revealed "serious deficiencies" in its audit of China Huarong Asset Management, a state-owned bad-debt manager that required a $6.6bn government-backed bailout in 2021.

> There are fears the Big Four firms will be phased out from auditing China's state-owned enterprises

The pressure on Deloitte comes amid industry fears the Big Four firms will be phased out from auditing China's state-owned enterprises, which make up about a quarter of its gross domestic product. PwC and KPMG have been investigated in Hong Kong for auditing work on two Chinese companies, indebted property group Evergrande and US-listed biotech China Medical Technologies, respectively.

Zhu said the government still supported international accounting firms, including Deloitte, operating in China as long as they followed local laws. But he cautioned Thorne that the group needed to "learn a lesson" from the punishment over its Huarong audits.

According to the ministry's statement, Thorne said Deloitte accepted the fine and promised to come up with a rectification proposal to improve its auditing standards.

She declined to answer further questions at a forum in Beijing. Thorne is among scores of western business leaders, including Apple's Tim Cook and Maersk's Vincent Clerc, attending the forum, as China reopens to the world after three years of isolation under Xi's strict coronavirus controls.

Xi, who is embarking on a precedent-breaking third five-year term in power, is tightening supervision of China's financial system as he centralises control to try to avoid economic shocks.

Commodities

Harita Nickel raises $660mn in biggest flotation of year for Indonesia's bourse

MERCEDES RUEHL — SINGAPORE

Harita Nickel has raised Rp10tn ($660mn) from investors including Swiss commodities trader Glencore and Asian sovereign wealth funds in Indonesia's largest initial public offering so far this year, in the latest deal to underline Jakarta's red-hot market for public listings.

Harita Nickel, known as Trimegah Bangun Persada locally, is one of a handful of major commodities groups leading a record IPO pipeline this year in south-east Asia's biggest economy. The company priced shares at Rp1,250, at the top end of its range, valuing it at $5.15bn.

Indonesia holds the world's largest reserves of nickel, a vital metal for electric vehicles and energy storage, and the IPOs serve as a big test of investor confidence in its attempt to develop an end-to-end electric vehicle supply chain.

Harita's offering, the retail portion of which will follow next month, was oversubscribed despite softening nickel prices, a scandal over alleged missing nickel and the volatility in financial markets after Credit Suisse's demise and Silicon Valley Bank's collapse.

Harita's IPO also comes at a time when there is increased scrutiny on the level of Chinese dominance of Indonesia's nickel supply chain. Chinese companies own or have major stakes in most of the country's mines and Harita's partner is China's Lygend Resources.

"We were nervous given the timing but a number of long-only and quality investors came in," said one investment banker familiar with the deal.

In addition to Glencore and regional sovereign wealth funds, the bookbuild included a number of global funds, including Fidelity, two people familiar with the situation said. There were "very few" hedge funds, they added.

The mining group is helping support a record IPO pipeline for Jakarta

Harita Nickel declined to comment.

Indonesia was already the second biggest IPO market in Asia this year, buoyed by commodities companies and belying lacklustre listings in many developed markets. Harita's offering surpassed Pertamina Geothermal Energy, which raised $597mn

Merdeka Battery Minerals is also set to test the market as soon as next month with a local listing. Amman Mineral International, Indonesia's second-largest copper and gold miner, is planning an IPO of up to $1bn in the next quarter.

Harita, a unit of Indonesian conglomerate Harita Group, operates the country's first high-pressure acid leaching smelter on Obi island in North Maluku, producing 60,000 tonnes of contained nickel per year. A second plant next year will boost capacity to 120,000 tonnes.

Harita Nickel shares are set to debut in Jakarta on April 12. Credit Suisse Group, BNP Paribas, Citigroup and Mandiri Securities are joint global co-ordinators.

Crypto

Digital currency groups see Hong Kong as gateway to open up mainland China

WILLIAM LANGLEY AND CHAN HO-HIM
HONG KONG

Cryptocurrency companies are rushing to Hong Kong in the hope that the city's high-profile push to become a hub for digital assets will help them capture demand from mainland China to buy and sell tokens.

Hong Kong is perceived by some companies to be more crypto-friendly than rival Singapore, which cracked down on the sector after several high-profile collapses. The city is planning a new regulatory regime for exchanges and legalising crypto trading for retail investors.

Businesses expanding in Hong Kong are hoping to tap soaring demand to trade digital coins from mainland China, which remains the world's fourth-largest crypto market despite Beijing's 2021 ban on the sector.

"A lot of the Chinese capital is looking for smarter, safer ways to invest . . . being in Hong Kong naturally makes more sense than anywhere else," said Henry Liu, chief executive of crypto exchange BTSE, which intends to apply for a licence in the city.

Other companies that plan to establish or expand in Hong Kong include exchanges KuCoin, Gate.io and Huobi, which announced plans in February to move its headquarters from Singapore.

Binance, the largest crypto exchange, which was founded in China, is now advertising several Chinese-speaking positions in Hong Kong.

The expansion of crypto companies reflects their growing optimism that Hong Kong will offer a pathway to gain legal access to the Chinese market, with regulatory approval from a top tier financial hub. In their thinking, Hong Kong's easing was approved by Beijing.

"Chinese blockchain companies are very bullish on Hong Kong," said Cyrus Ip, partner at Hong Kong-based web3 investor Newman Capital. He said some mainland traders used VPNs to evade Chinese controls but still had problems turning their crypto profits back into sovereign money. It is possible to change crypto to hard currency in Hong Kong.

"You can use a VPN . . . but from the Chinese perspective it's not the most legitimate way to do it. So if Hong Kong can provide a legitimate way . . . they don't need to do it under the table."

China declared all crypto-related activity illegal in 2021 and has sought to stamp out the use of offshore exchanges, but traders are still operating.

Mainland China was the fourth-largest crypto market in the year to last July, says blockchain research group Chainalysis. Investors conducted about $220bn of transactions in that period.

Hong Kong's Securities and Futures Commission said it was the legal responsibility of exchanges to ensure retail customers weren't accessing their platforms from jurisdictions where crypto trading was illegal. But many crypto entrepreneurs believe Hong Kong's embrace of crypto is a signal that Beijing will eventually ease restrictions.

Justin Sun, founder of the Tron blockchain network and a board member of Huobi, said the exchange planned to expand its Hong Kong base from about 70 to 200 this year, in the expectation the city would gain from China demand.

"This was one of the most important roles for Hong Kong in the first place . . . As long as, for example, now you are based in Hong Kong, you can trade Hong Kong-listed Tencent stocks," he said. "I believe this is also going to happen in cryptocurrencies."

The day in the markets

What you need to know

- Bank stock bounce steadies market
- China shares fall on weak recovery for industry
- Crude oil prices nudge higher

Global stock markets steadied yesterday, helped by a rebound in bank shares as investors attempted to move beyond the turmoil that has rocked the sector in recent weeks.

Wall Street was little-changed as the KBW Nasdaq Bank index rose 2.4 per cent, while JPMorgan was up 2.4 per cent, Citigroup 3.2 per cent and Wells Fargo 3.1 per cent. The moves echoed gains in Europe, where a 6.2 per cent recovery in Deutsche Bank's shares following Friday's sharp declines led markets higher.

In the US, ailing regional lender First Republic's shares rose 18 per cent in the wake of reports that regulators were considering expanding an emergency lending facility for banks. On Sunday, regulators confirmed First Citizens Bank would buy much of the collapsed Silicon Valley Bank, although it would lead to $20bn of losses for a deposit insurance fund paid for by US banks. First Citizens' shares climbed 48 per cent.

Broader equity markets were mixed, with the blue-chip S&P 500 rising 0.2 per cent and the Nasdaq Composite falling 0.3 per cent.

"In the short term the market is trying to stabilise and consolidate," said Antonio Cavarero, head of investments at Generali Insurance Asset Management. "The threat is another accident in the financial space; one can happen, two can be a coincidence, but any more would be a trend, so the market is hoping there won't be another accident." In Europe, the region-wide Stoxx 600 closed up 1.1 per cent, Germany's Dax also rose 1.1 per cent, France's Cac 40 added 0.9 per cent and the UK's FTSE 100 gained 0.9 per cent. After sustaining heavy losses in the previous session, there were gains for banking stocks, with the Stoxx 600 banks index, which comprises the region's biggest lenders, rising 1.5 per cent.

Stocks fell in Asia after Chinese industrial profits were much weaker than expected, slumping 22.9 per cent, after factory activity struggled to recover from the prolonged shutdown owing to Covid-19. The CSI 300 fell 0.4 per cent and the Hang Seng index lost 1.8 per cent.

Yields on two-year US Treasuries — which are most sensitive to interest rates — rose 0.18 percentage points to 3.95 per cent and yields on 10-year notes climbed 0.11 percentage points to 3.49 per cent.

Yields on two-year German Bunds rose 0.13 percentage points to 2.53 per cent, while 10-year contracts edged up 0.1 percentage points to 2.23 per cent.

Brent crude rose 2.3 per cent to $76.74 a barrel while West Texas Intermediate, the US equivalent, increased 2.8 per cent to $71.26. **Martha Muir**

Deutsche Bank has pared some of its losses

Share price (€)

Source: Refinitiv

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	3973.82	1759.87	27476.87	7471.77	3251.40	99672.89
% change on day	0.07	1.03	0.33	0.90	-0.44	0.85
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	103.029	1.078	131.515	1.227	6.883	5.234
% change on day	-0.084	0.186	0.674	0.327	0.246	-0.273
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	3.487	2.223	0.290	3.514	2.876	12.669
Basis point change on day	12.150	9.900	1.890	8.100	-1.300	-10.100
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	413.16	76.88	71.29	1993.80	23.17	3980.50
% change on day	0.15	2.52	2.93	0.80	1.18	-0.16

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

Main equity markets

S&P 500 index

Eurofirst 300 index

FTSE 100 index

Biggest movers

%	US		Eurozone		UK	
Ups	First Republic Bank	14.89	Casino Guichard	6.49	3i	4.31
	Intl Flavors & Fragrances	5.42	Deutsche Bank	5.54	Ocado	2.94
	Comerica	5.12	Grifols	3.91	Barclays	2.32
	Catalent	4.84	Fresen.med.care	3.70	Bp	2.08
	Bank Of America	4.25	Saipem	3.62	Melrose Industries	1.96
Downs	On Semiconductor	-3.95	A.p. Moller - Maersk B	-1.81	Fresnillo	-1.53
	Etsy	-3.16	Pernod Ricard	-1.54	Smiths	-1.46
	Micron Technology	-2.94	Kering	-1.46	Bt	-0.54
	Alphabet Class A	-2.89	Ses	-1.36	Segro	-0.53
	Alphabet Class C	-2.89	Cap Gemini	-0.54	Diageo	-0.44

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

Rallying to the top of the S&P 500 was regional lender **First Republic**, which has yo-yoed between opposite ends of the index for weeks.

Bloomberg reported late last week that US authorities were weighing expanding an emergency lending facility for lenders in ways that would give the San Francisco bank more time to shore up its finances.

Data from Vanda Research also showed that retail investors had "continued to buy unprecedented amounts of regional US banks" in the wake of Silicon Valley Bank's collapse.

North Carolina-based **First Citizens** was another regional bank that shot higher on news it would take on all the deposits and loans of SVB. As part of the deal, the Federal Deposit Insurance Corporation said around $72bn of assets were being bought at a discount.

Lenders including **Western Alliance**, **PacWest** and **KeyCorp**, also rose sharply.

Block, which sank last week following a short seller's report, rose after Cathie Wood's Ark Innovation fund upped its weighting in the payments platform.

Biotech group **Brainstorm Cell** rallied on announcing that the Food and Drug Administration would hold an advisory committee meeting to discuss its biologics licence application for NurOwn, an experimental amyotrophic lateral sclerosis treatment. *Ray Douglas*

Europe

Dutch healthcare group **Pharming** jumped after some positive regulatory developments.

It announced that the US Food and Drug Administration had approved leniolisib, a drug aimed at treating a rare type of immunodeficiency disease.

The medicine, under the brand name Joenja, was expected to be launched in the US in early April and would be available for shipment later that month.

More clinical news lifted Swiss drugs group **Novartis**, which unveiled promising results from a late-stage trial for kisqali, a treatment for early breast cancer. The drug met its primary goals, "significantly" reducing the risk of disease recurrence when used with hormone therapy, it said.

Norway's **DNO** fell sharply after Iraq won a long-running legal case against Turkey over Kurdish oil exports.

The Middle East-focused oil and gas operator said it had been instructed by the Kurdistan Regional Government to temporarily cease deliveries of crude to the Iraq-Turkey pipeline for export.

This followed a ruling by International Chamber of Commerce's International Court of Arbitration in favour of Iraq against Turkey for transporting Kurdish oil without prior consent from Baghdad.

DNO said it had begun at the weekend diverting oil production from its Kurdistan fields to storage tanks. *Ray Douglas*

London

Debt-saddled **Cineworld** rallied after Sky News reported that private equity firm CVC and hedge fund Elliott had both made offers for the theatre chain's operations in eastern Europe and Israel.

This came after the world's second-largest cinema chain, which filed for bankruptcy protection last year, said in February it had received "non-binding proposals" from a number of potential suitors for some parts of its operations.

Kurdistan-focused oil producers **Genel Energy** and **Gulf Keystone** both sank on news that the Iraq-Turkey pipeline had been restricted. This was triggered by an international ruling in favour of Iraq against Turkey over Kurdish oil exports.

Both companies said they expected the suspension to be "temporary".

Precious metals producer **Scotgold Resources** plummeted following a "going concern" warning. Scotgold said recent mining performance was below expectations, "largely due to lower than expected grades in the 430 West ore drive" in Scotland. Talks were being held "with its gold offtake partner to secure a $500,000 advance to assist with short-term working capital", it said.

Drug company **ImmuPharma** rose sharply on news that a phase 2/3 study for Lupuzor, an experimental treatment for lupus, remained "on track to commence" this year. *Ray Douglas*

China's control of tycoons raises a capital flight risk

Henny Sender

Markets Insight

Until recently, Bao Fan was hardly a well-known name outside China, despite encapsulating the wealth that the country's tech industry generated over the past 30 years. That was until news broke in mid-February that he had disappeared.

His company, China Renaissance, put out a notice saying it had been unable to contact Bao. Investors close to him have been reported as saying his problems were likely to be linked to the investigation of another executive at the firm.

For years, Bao had used his connections among the tech elite to bring the best consumer internet companies public, brokering alliances and divorces among them as they jockeyed for market share. China Renaissance listed in 2018, and Bao and his clients prospered; the dealmaker was driven around Beijing in a purple Rolls-Royce.

His disappearance struck an unsettling note for investors and entrepreneurs in China. Following a high-profile crackdown on some Big Tech companies and the imposition of pandemic lockdowns, there have been rising market hopes of a shift towards a more positive approach on growth and business after the National People's Congress in October and the long-awaited withdrawal of zero-Covid policies.

Those hopes helped fuel explosive market gains in Chinese stocks, with the MSCI China jumping almost 60 per cent from the end of October to highs in mid-January. It has since retreated about 15 per cent, mostly as a result of cooling of expectations on the Chinese economy.

But one factor that has far from helped is the uncertainty over China's attitude to entrepreneurs and business. If investors had hoped the tech crackdown was over, the Bao disappearance fuelled fears to the contrary. These days it seems positive signals on business are often countered by negative ones.

In January, Chinese authorities gave ride-hailing group Didi permission to sign up new customers after a long halt and its forced delisting from the New York Stock Exchange. But, in the same month, Beijing moved to take a "golden share" in the local units of Tencent and Alibaba that formalise its greater control by giving the government special rights over certain business decisions.

Questions that were posed decades ago are being raised once more: how much wealth is too much wealth? At what point does an entrepreneur cross the invisible line into becoming an exploitative capitalist? Such uncertainty might be one reason venture capital funding for companies dropped sharply in the fourth quarter of last year to $7bn from $27bn in the same period in 2021, according to CBInsights.

> At what point does an entrepreneur cross the invisible line into being an exploitative capitalist?

In October, a Europe-based lawyer who works with wealthy Chinese families told the Financial Times the business elite was worried about rumours of a wealth tax and even their personal safety. A December note from Goldman Sachs' consumer and wealth management arm pointed out some of the entrepreneurs that have stepped back from at least part of their company roles in recent years. In ecommerce, they include Jack Ma of Alibaba, Colin Huang of Pinduoduo and Richard Liu of JD.com. Other notable names were Zhang Yiming of TikTok parent company ByteDance and, in the property sector, Pan Shiyi and Zhang Xin of Soho China and Wu Yanjun of Longfor Group.

Their motivations might have been varied but concerns over the business climate and indirect or direct pressure to maintain a low profile are undoubtedly a factor. In a speech last July, former Australian prime minister and China expert Kevin Rudd said a number of China's most successful entrepreneurs were voting with their feet.

One Hong Kong-based mainland tycoon told me that in 2018, he worried that President Xi Jinping's decision to cancel the two-term limit on the office meant the end of more than 40 years of consensual leadership and more anti-market rhetoric in Beijing. So he began selling out of the Shanghai property holdings he had amassed over 25 years.

The concern now among some investors is whether other individuals follow suit in moving money out of the country after the lifting of lockdown travel restrictions. Already there has been a boom in family offices setting up in Singapore. Ma was living in Tokyo last year for a period and the FT has reported that Bao was considering establishing a family office in Singapore in preparation to move some of his wealth there.

"If they reopen the borders, then capital flight becomes a risk," adds one economist in Hong Kong at a multinational bank. "In the past, we saw money move first. Now people are trying to move. First the billionaires. Now the millionaires."

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MARKET DATA

WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)

S&P 500	Nasdaq Composite	Dow Jones Ind	FTSE 100	FTSE Eurofirst 300	Nikkei	Hang Seng	FTSE All World $	$ per €	$ per £	¥ per $	£ per €	Oil Brent $ Sep	Gold $
0.07%	-0.66%	0.51%	0.90%	1.03%	0.33%	-1.75%	0.15%	0.186%	0.327%	0.674%	-0.114%	1.93%	0.80%

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

AMERICAS

Feb 28 - Mar 27

S&P 500 — New York: 4,012.32 / 3,970.99. Day 0.07% Month -0.23% Year -12.54%

Nasdaq Composite — New York: 11,590.40 / 11,823.96. Day -0.66% Month 2.42% Year -17.11%

Dow Jones Industrial — New York: 33,153.91 / 32,237.53. Day 0.51% Month -1.49% Year -7.06%

S&P/TSX COMP — Toronto: 20,188.19 / 19,501.49. Day 0.42% Month -3.34% Year -11.01%

IPC — Mexico City: 53,180.99 / 52,771.12. Day 0.41% Month -0.04% Year -4.41%

Bovespa — São Paulo: 107,592.8[illegible] / 98,829.27. Day 0.85% Month -5.70% Year -16.29%

EUROPE

Feb 28 - Mar 27

FTSE 100 — London: 7,907.72 / 7,405.45. Day 0.90% Month -5.73% Year -0.04%

FTSE Eurofirst 300 — Europe: 1,825.67 / 1,741.85. Day 1.03% Month -3.49% Year -0.70%

CAC 40 — Paris: 7,317.43 / 7,015.10. Day 0.90% Month -1.52% Year 8.00%

Xetra Dax — Frankfurt: 15,475.69 / 14,957.23. Day 1.14% Month 2.43% Year 3.90%

Ibex 35 — Madrid: 9,231.60 / 8,792.50. Day 1.29% Month -3.21% Year 6.91%

FTSE MIB — Milan: 27,277.62 / 25,892.18. Day 1.21% Month -2.89% Year 6.71%

ASIA

Feb 28 - Mar 27

Nikkei 225 — Tokyo: 27,473.10 / 27,385.25. Day 0.33% Month 0.18% Year -2.30%

Hang Seng — Hong Kong: 20,351.35 / 19,915.68. Day -1.75% Month -2.24% Year -8.61%

Shanghai Composite — Shanghai: 3,287.48 / 3,265.65. Day -0.44% Month -0.48% Year 1.22%

Kospi — Seoul: Day NaN% Month NaN% Year NaN%

FTSE Straits Times — Singapore: 3,264.93 / 3,212.64. Day 0.82% Month -1.34% Year -5.14%

BSE Sensex — Mumbai: 59,744.98 / 57,527.10. Day 0.22% Month -3.13% Year 0.42%

Country	Index	Latest	Previous
[illegible]	[illegible]	[illegible]	[illegible]

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

STOCK MARKET: BIGGEST MOVERS

AMERICA ACTIVE STOCKS	[illegible]

Downs (America)	close price	Day's change	Day's chng%	Downs (London)	close price	Day's change	Day's chng%	Downs (Euro Markets)	close price	Day's change	Day's chng%	Downs (Tokyo)	close price	Day's change	Day's chng%
Signature Bank	70.00	-20.76	-22.87	Cmc Markets	184.20	-47.80	-20.60	Prosus	66.95	-3.75	-5.30	Tokyo Electron	48750.00	-1250.00	-2.50
On Semiconductor	74.74	-3.07	-3.95	Int Distributions Services	220.20	-10.20	-4.43	Roche I	275.05	-5.26	-1.88	Dentsu	4390.00	-105.00	-2.34
Etsy	103.47	-3.38	-3.16	Centamin	99.30	-4.15	-4.01	A.p. M_ller - M_rsk B A/s	2080.16	-38.25	-1.81	Cyberagent	1116.00	-25.00	-2.19
Micron Technology	59.36	-1.80	-2.94	Clarkson	3070.00	-105.00	-3.31	Pernod Ricard	204.50	-3.20	-1.54	Rakuten	623.00	-11.00	-1.74
Alphabet	102.39	-3.05	-2.89	Bakkavor	105.00	-3.40	-3.14	Kering	572.00	-8.50	-1.46	Concordia Fin Ltd	467.00	-8.00	-1.68

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. Based on the constituents of the Nikkei 225 index.

UK MARKET WINNERS AND LOSERS

FTSE 100	Mar 27 price(p)	%Chg week	%Chg ytd	FTSE 250	Mar 27 price(p)	%Chg week	%Chg ytd	FTSE SmallCap	Mar 27 price(p)	%Chg week	%Chg ytd	Industry Sectors	Mar 27 price(p)	%Chg week	%Chg ytd
[illegible]															
Airtel Africa	105.70	-3.8	-5.5	Currys	55.65	-7.2	3.8	Atrato Onsite Energy	81.20	-8.8	-13.9	Construction & Materials	7990.73	-1.6	16.5
Standard Chartered	592.40	-3.7	-4.7	Direct Line Insurance	141.00	-6.7	-	Gcp Asset Backed Income Fund	88.60	-8.5	-	Industrial Metals	6626.42	-1.4	-
Vodafone	89.10	-3.6	5.8	Osb	460.60	-6.4	-3.8	Triple Point Social Housing Reit	43.00	-8.1	-	Mining	10618.09	-0.9	-4.8
Unite	889.00	-3.5	-1.8	Aston Martin Lagonda Global Holdings	216.40	-6.4	40.5	Nanoco	20.00	-7.4	-	Real Estate & Investment Servic	2176.55	-0.6	2.8
Anglo American	2539.00	-3.3	-	Urban Logistics Reit	120.00	-6.2	-	Pensionbee	88.00	-7.2	63.3	Support Services	9814.38	-0.2	-0.9
Fresnillo	721.40	-3.0	-	Network Int Holdings	243.60	-5.9	-	Seraphim Space Investment Trust	40.00	-7.0	-	Banks	3289.63	0.0	0.2
Entain	1178.50	-2.8	-10.5	Sirius Real Estate Ltd	89.70	-5.9	-5.4	Ct Private Equity Trust	420.00	-6.7	-0.7	Equity Investment Instruments	10853.02	0.2	-3.5

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

CURRENCIES

Mar 27	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	207.3770	1.7060	223.5847	2.2307	254.5128	3.0290
Australia	Australian Dollar	1.5056	0.0006	1.6232	0.0035	1.8478	0.0075
Bahrain	Bahraini Dinar	0.3771	-0.0001	0.4065	0.0007	0.4628	0.0017
Bolivia	Bolivian Boliviano	6.9100	-	7.4501	0.0131	8.4806	0.0314
Brazil	Brazilian Real	5.2335	-0.0144	5.6426	-0.0065	6.4231	0.0063
Canada	Canadian Dollar	1.3700	-0.0061	1.4770	-0.0039	1.6813	-0.0012
Chile	Chilean Peso	807.2500	-4.0550	870.3410	-2.8280	990.7340	-1.2877
China	Chinese Yuan	6.8828	0.0169	7.4207	0.0313	8.4472	0.0520
Colombia	Colombian Peso	4683.8500	-45.7550	5049.9210	-40.3291	5748.4677	-34.6503
Costa Rica	Costa Rican Colon	544.9200	1.8350	587.5085	3.0119	668.7776	4.7215
Czech Republic	Czech Koruna	22.0415	0.0294	23.7641	0.0735	27.0514	0.1361
Denmark	Danish Krone	6.9112	-0.0131	7.4513	-0.0010	8.4821	0.0153
Egypt	Egyptian Pound	30.9046	0.0816	33.3200	0.1466	37.9291	0.2403
Hong Kong	Hong Kong Dollar	7.8499	0.0002	8.4634	0.0152	9.6341	0.0359
Hungary	Hungarian Forint	358.1367	-0.6229	386.1270	0.0111	439.5393	0.8668
India	Indian Rupee	82.3713	-0.1050	88.8090	0.0437	101.0938	0.2462
Indonesia	Indonesian Rupiah	15160.0000	5.0000	16344.8635	34.2308	18605.7935	75.0241
Israel	Israeli Shekel	3.5829	-0.0008	3.8737	0.0060	4.4095	0.0154
Japan	Japanese Yen	131.5150	0.8800	141.7936	1.1974	161.4077	1.6740
..One Month		131.5144	0.8788	141.7932	1.1966	161.4071	1.6728
..Three Month		131.5132	0.8765	141.7925	1.1951	161.4058	1.6703
..One Year		131.5085	0.8672	141.7887	1.1878	161.4071	1.6660
Kenya	Kenyan Shilling	131.5500	0.1500	141.8314	0.4118	161.4507	0.7816
Kuwait	Kuwaiti Dinar	0.3065	0.0003	0.3304	0.0009	0.3761	0.0018
Malaysia	Malaysian Ringgit	4.4215	-0.0065	4.7671	0.0014	5.4265	0.0122
Mexico	Mexican Peso	18.3940	-0.1055	19.8316	-0.0785	22.5749	-0.0454
New Zealand	New Zealand Dollar	1.6153	0.0047	1.7415	0.0081	1.9824	0.0131
Nigeria	Nigerian Naira	460.7500	-	496.7602	0.8768	565.4762	2.0950
Norway	Norwegian Krone	10.5101	0.0158	11.3315	0.0370	12.8990	0.0671
Pakistan	Pakistani Rupee	283.6500	0.9000	305.8188	1.5084	348.1222	2.3902
Peru	Peruvian Nuevo Sol	3.7684	-0.0015	4.0629	0.0055	4.6249	0.0152
Philippines	Philippine Peso	54.2750	-0.0700	58.5169	0.0279	66.6114	0.1612
Poland	Polish Zloty	4.3475	-0.0099	4.6873	-0.0024	5.3357	0.0076
Romania	Romanian Leu	4.5842	0.0049	4.9425	0.0139	5.6262	0.0268
Russia	Russian Ruble	76.7750	-0.3500	82.7754	-0.2306	94.2256	-0.0789
Saudi Arabia	Saudi Riyal	3.7558	-0.0008	4.0493	0.0063	4.6095	0.0162
Singapore	Singapore Dollar	1.3325	0.0006	1.4366	0.0032	1.6354	0.0068
South Africa	South African Rand	18.3050	0.1431	19.7356	0.1888	22.4656	0.2582
South Korea	South Korean Won	1301.5000	7.1500	1403.2195	10.1719	1597.3247	14.6608
Sweden	Swedish Krona	10.3915	-0.0386	11.2036	-0.0197	12.7534	0.0024
Switzerland	Swiss Franc	0.9166	-0.0014	0.9882	0.0002	1.1249	0.0025
Taiwan	New Taiwan Dollar	30.3735	0.0250	32.7474	0.0847	37.2772	0.1687
Thailand	Thai Baht	34.4475	0.3125	37.1398	0.4019	42.2772	0.5387
Tunisia	Tunisian Dinar	3.0838	-0.0029	3.3248	0.0027	3.7847	0.0104
Turkey	Turkish Lira	19.0910	0.0177	20.5831	0.0554	23.4303	0.1085
United Arab Emirates	UAE Dirham	3.6724	0.0000	3.9594	0.0069	4.5071	0.0166
United Kingdom	Pound Sterling	0.8148	-0.0030	0.8785	-0.0017	-	-
..One Month		0.8149	-0.0030	0.8784	-0.0017	-	-
..Three Month		0.8150	-0.0030	0.8782	-0.0017	-	-
..One Year		0.8151	-0.0029	0.8773	-0.0017	-	-
United States	United States Dollar	-	-	1.0782	0.0019	1.2273	0.0045
..One Month		-	-	1.0780	-0.1446	1.2274	0.0045
..Three Month		-	-	1.0776	-0.1446	1.2275	0.0046
..One Year		-	-	1.0764	-0.1447	1.2276	0.0046
Vietnam	Vietnamese Dong	23515.0000	-10.0000	25352.8483	33.9568	28859.8623	94.6383
European Union	Euro	0.9275	-0.0016	-	-	1.1383	0.0022
..One Month		0.9273	-0.0016	-	-	1.1382	0.0022
..Three Month		0.9269	-0.0016	-	-	1.1380	0.0022
..One Year		0.9258	-0.0017	-	-	1.1372	0.0022

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 27	Day's chge%	Euro Index	£ Strlg Mar 24	£ Strlg Mar 23	Year ago	Div yield%	Cover	P/E ratio	X/D adj	Total Return
FTSE 100 (100)	7471.77	0.90	6625.76	7405.45	7499.60	7483.35	3.71	2.36	11.41	79.96	7757.08
FTSE 250 (250)	18529.62	0.19	16431.55	18493.83	18729.96	20956.21	3.35	1.13	26.54	106.46	15518.49
FTSE 250 ex Inv Co (170)	19066.99	0.25	16908.08	19020.38	19312.49	21621.40	3.47	1.74	16.57	100.05	16285.83
FTSE 350 (350)	4113.29	0.80	3647.55	4080.78	4132.70	4195.63	3.66	2.20	12.40	41.18	8468.73
FTSE 350 ex Investment Trusts (267)	4062.09	0.83	3602.14	4028.51	4080.55	4116.58	3.71	2.40	11.26	41.53	4323.13
FTSE 350 Higher Yield (135)	3509.54	0.80	3112.16	3478.64	3531.47	3519.05	5.10	2.41	8.13	47.29	8182.01
FTSE 350 Lower Yield (215)	4305.41	0.70	3817.92	4275.33	4319.00	4510.63	2.18	1.72	26.63	27.87	5336.91
FTSE SmallCap (230)	6016.85	-0.08	5335.57	6021.60	6084.42	6870.05	3.60	-0.82	-33.88	40.81	10199.92
[illegible]											8523.12
[illegible]											8463.51
[illegible]											4307.96
[illegible]											24623.85
[illegible]											31690.19
[illegible]											9126.86
[illegible]											8128.33
[illegible]											941.38
[illegible]											2804.28
[illegible]											2285.99
[illegible]											13699.96
[illegible]											5067.31
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[illegible]											5271.56
[illegible]											17839.65
[illegible]											7661.22
[illegible]											11097.93
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[illegible]											13598.41
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[illegible]											12433.47
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[illegible]											6259.53
[illegible]											2900.52
[illegible]											1696.48
[illegible]											4251.86
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[illegible]											27982.72
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[illegible]											6625.62
[illegible]											21524.76
[illegible]											10944.82
[illegible]											5490.30
[illegible]											24636.01
[illegible]											11148.20
[illegible]											7153.20
[illegible]											12578.35
[illegible]											10246.50
[illegible]											21614.13
FTSE Sector Indices											
Non Financials (325)	4991.09	0.78	4425.96	4952.52	5003.99	5062.47	3.52	2.42	11.71	42.48	9119.18

Hourly movements	8.00	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High/day	Low/day
FTSE 100	7478.74	7438.62	7445.37	7457.90	7477.39	7468.82	7487.13	7479.84	7473.58	7491.56	7428.29
FTSE 250	18631.44	18524.05	18576.46	18585.71	18587.44	18595.39	18621.36	18610.86	18566.85	18646.51	18503.04
FTSE SmallCap	6027.40	6023.67	6030.48	6033.21	6031.78	6030.63	6026.00	6028.62	6024.30	6034.07	6016.85
FTSE All-Share	4077.48	4055.85	4060.61	4066.67	4075.62	4071.92	4081.00	4077.29	4073.13	4083.12	4051.03

Time of FTSE 100 Day's high:13:21:15 Day's Low07:48:30 FTSE 100 2010/11 High: 8014.31(20/02/2023) Low: 7335.40(17/03/2023)
Time of FTSE All-Share Day's high:13:21:00 Day's Low07:50:00 FTSE 100 2010/11 High: 4377.36(16/02/2023) Low: 4007.66(17/03/2023)

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FT 30 INDEX

	Mar 27	Mar 24	Mar 23	Mar 22	Mar 21	Yr Ago	High	Low
FT 30	2608.20	2587.10	2626.00	2631.60	2569.50	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
2587.1	2602	2608.1	2608.4	2613.6	2612.4	2617.1	2615.7	2608.8	2621.1	2587.1

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

FT WILSHIRE 5000 INDEX SERIES

	Mar 24		Mar 24
FT Wilshire 5000	40086.80	FT Wilshire Mid Cap	5237.47
FT Wilshire 2500	5139.47	FT Wilshire Small Cap	4698.93
FT Wilshire Mega Cap	5191.64	FT Wilshire Micro Cap	4406.58
FT Wilshire Large Cap	5199.99		

FTSE SECTORS: LEADERS & LAGGARDS

Year to date percentage changes

Aerospace & Defense	20.59	Gas Water & Multi	6.14	Electricity	-1.33
Fixed Line Telecomms	18.43	Financial Services	5.41	Oil & Gas	-1.37
Construct & Material	16.11	Mobile Telecomms	4.83	Oil & Gas Producers	-1.47
Food Producers	14.26	Utilities	4.12	FTSE 250 Index	-1.72
Oil Equipment & Serv	13.56	Real Est Invest & Se	1.70	Industrial Metals &	-1.99
General Retailers	13.49	Personal Goods	1.54	Financials	-2.01
Consumer Services	10.16	NON FINANCIALS Index	0.34	Chemicals	-3.45
Media	9.87	FTSE 100 Index	0.27	Equity Invest Instr	-3.54
Travel & Leisure	9.75	Health Care Eq & Srv	0.07	FTSE SmallCap Index	-3.58
Automobiles & Parts	8.99	Beverages	31.66	Technology	-4.52
Telecommunications	8.77	Banks	0.00	Industrial Transport	-6.05
Electronic & Elec Eq	8.56	FTSE All{HY-}Share Index	-0.10	Real Est Invest & Tr	-7.53
Food & Drug Retailer	7.93	Health Care	-0.25	Life Insurance	-8.24
Household Goods & Ho	7.20	Pharmace & Biotech	-0.27	Tobacco	-11.30
Leisure Goods	7.19	Support Services	-0.75	Nonlife Insurance	-12.88
Industrial Eng	6.82	Consumer Goods	-0.79	Basic Materials	-14.14
Industrials	6.50	Beverages	-0.98	Mining	-15.21
		Software & Comp Serv	-1.13	Tech Hardware & Eq	-22.52

FTSE GLOBAL EQUITY INDEX SERIES

Mar 27 Regions & countries	No of stocks	US $ indices	Day %	Mth %	YTD %	Total retn	YTD %	Gr Div Yield
FTSE Global All Cap	9514	699.75	-0.2	-1.0	2.9	1128.30	3.3	2.3
FTSE Global All Cap	9514	699.75	-0.2	-1.0	2.9	1128.30	3.3	2.3
FTSE Global Large Cap	1937	631.80	-0.2	0.5	3.9	1050.20	4.4	2.4
FTSE Global Mid Cap	2232	882.07	-0.3	-4.5	-0.1	1338.02	0.3	2.3
FTSE Global Small Cap	5345	903.91	-0.1	-5.7	0.3	1310.02	0.6	2.2
FTSE All-World	4169	412.56	-0.2	-0.5	3.2	704.54	3.6	2.4
FTSE World	2660	749.26	-0.2	-0.5	3.5	1717.41	4.0	2.3
FTSE Global All Cap ex UNITED KINGDOM In	9233	738.83	-0.1	-0.9	2.9	1168.17	3.4	2.3
FTSE Global All Cap ex USA	7718	501.16	-1.3	-1.1	2.5	897.25	3.0	3.2
FTSE Global All Cap ex JAPAN	8090	728.55	-0.2	-1.2	2.8	1185.43	3.3	2.3
FTSE Global All Cap ex Eurozone	8870	736.69	0.1	-1.0	2.5	1162.24	2.9	2.3
FTSE Developed	2150	687.28	-0.2	-0.5	3.4	1115.78	3.9	2.2
FTSE Developed All Cap	5790	713.67	-0.2	-1.1	3.1	1141.43	3.6	2.2
FTSE Developed Large Cap	815	648.56	-0.2	0.5	4.3	1071.74	4.8	2.2
FTSE Developed Europe Large Cap	205	396.81	-2.3	-1.3	4.8	792.35	5.6	3.1
FTSE Developed Europe Mid Cap	345	586.46	-3.1	-3.7	3.5	1012.16	3.8	3.1
FTSE Dev Europe Small Cap	739	810.18	-3.1	-5.0	1.3	1345.22	1.7	3.2
FTSE North America Large Cap	234	858.17	0.5	1.1	4.5	1296.91	4.9	1.8
FTSE North America Mid Cap	416	1080.04	0.5	-5.9	-1.1	1510.50	-0.7	1.9
FTSE North America Small Cap	1325	1056.61	0.5	-7.3	-0.5	1414.88	-0.2	1.8
FTSE North America	650	557.87	0.5	-0.3	3.4	862.07	3.8	1.8
FTSE Developed ex North America	1500	269.55	-1.7	-0.9	3.6	519.77	4.2	3.1
FTSE Japan Large Cap	175	388.35	0.1	2.6	4.7	572.03	4.7	2.6
FTSE Japan Mid Cap	340	542.72	0.3	2.6	2.6	760.49	2.7	2.6
FTSE Global wi JAPAN Small Cap	909	614.12	0.3	2.3	3.3	893.79	3.5	2.8
FTSE Japan	515	159.63	0.2	2.6	4.2	263.37	4.3	2.6
FTSE Asia Pacific Large Cap ex Japan	1124	680.89	-0.7	-0.5	1.4	1249.86	1.8	3.1
FTSE Asia Pacific Mid Cap ex Japan	840	965.57	-0.7	-2.0	0.4	1712.02	0.8	3.4
FTSE Asia Pacific Small Cap ex Japan	2096	547.02	-0.4	-1.8	2.4	939.79	2.7	3.0
FTSE Asia Pacific Ex Japan	1964	542.11	-0.7	-0.6	1.3	1057.80	1.7	3.1
FTSE Emerging All Cap	3724	710.38	-0.4	-0.3	0.9	1245.90	1.2	3.6
FTSE Emerging Large Cap	1122	655.90	-0.4	0.0	0.9	1156.98	1.3	3.6
FTSE Emerging Mid Cap	897	1021.55	-0.3	-1.1	-0.1	1804.93	0.5	3.8
FTSE Emerging Small Cap	1705	767.64	-0.2	-1.5	1.9	1285.65	2.2	3.3
FTSE Emerging Europe	147	125.54	-2.5	-4.2	-2.3	264.92	-1.7	3.1
FTSE Latin America All Cap	253	681.37	0.6	-5.1	-2.4	1371.18	-1.6	10.6
FTSE Middle East and Africa All Cap	330	693.63	-0.7	-0.1	-4.2	1284.26	-3.3	3.6
FTSE Global wi UNITED KINGDOM All Cap In	281	317.18	-2.0	-3.9	0.9	656.20	1.9	3.7
FTSE Global wi USA All Cap	1796	955.60	0.5	-0.9	3.1	1391.87	3.5	1.7
FTSE Europe All Cap	1472	447.05	-2.5	-2.0	4.2	856.20	4.8	3.1
FTSE Eurozone All Cap	644	445.93	-3.1	-1.0	7.6	845.13	8.0	3.0
FTSE EDHEC-Risk Efficient All-World	4169	460.20	0.0	-3.3	-0.7	730.14	-0.2	2.8
FTSE EDHEC-Risk Efficient Developed Europe	550	325.53	-2.9	-2.9	3.8	575.39	4.2	3.2
Oil & Gas	133	372.11	-0.9	-7.2	-8.9	773.64	-8.0	5.2
Oil & Gas Producers	88	371.83	-1.0	-6.9	-8.7	794.67	-7.7	5.5

Mar 27 Sectors	No of stocks	US $ indices	Day %	Mth %	YTD %	Total retn	YTD %	Gr Div Yield
Oil Equipment & Services	25	250.41	0.1	-9.3	-9.9	470.28	-9.1	4.8
Basic Materials	405	595.10	-0.6	-2.3	-0.4	1107.51	0.3	4.2
Chemicals	200	798.26	-0.4	-2.3	2.4	1421.18	2.7	3.2
Forestry & Paper	19	236.96	-0.8	-4.7	-5.9	485.09	-5.1	4.6
Industrial Metals & Mining	105	507.27	-0.7	-4.6	2.6	981.29	3.3	4.7
Mining	81	921.20	-0.8	-0.5	-5.7	1827.54	-4.2	5.5
Industrials	810	499.67	-0.7	-1.3	2.5	801.15	2.8	2.1
Construction & Materials	163	586.19	-1.7	-2.2	5.3	990.25	5.4	2.2
Aerospace & Defense	35	914.07	0.0	-1.4	1.0	1432.41	1.3	1.5
General Industrials	79	245.86	-0.6	-0.8	3.0	438.62	3.8	2.5
Electronic & Electrical Equipment	158	636.62	-0.4	1.9	6.2	917.33	6.3	1.6
Industrial Engineering	159	1004.17	-1.6	-3.4	2.2	1603.85	2.4	2.0
Industrial Transportation	129	917.17	-0.3	-0.5	1.7	1503.33	2.1	3.6
Support Services	87	501.64	-0.1	-2.1	-0.7	749.28	-0.5	1.6
Consumer Goods	563	567.47	0.1	0.8	5.5	960.40	5.9	2.5
Automobiles & Parts	131	512.14	-1.0	-2.8	17.5	831.24	17.8	2.8
Beverages	71	781.77	0.9	2.1	0.9	1339.16	1.4	2.3
Food Producers	139	722.88	0.5	1.3	0.3	1250.99	0.5	2.5
Household Goods & Home Construction	61	545.66	1.1	4.0	1.6	924.86	2.0	2.6
Leisure Goods	54	249.29	1.2	5.1	8.5	353.54	8.7	1.4
Personal Goods	94	987.00	-0.6	3.2	6.8	1526.58	7.0	1.7
Tobacco	13	925.59	0.5	-6.7	-7.2	2705.74	-5.8	6.7
Health Care	337	699.09	0.6	0.0	-4.0	1122.34	-3.5	1.9
Health Care Equipment & Services	131	1334.56	0.9	-0.4	-3.2	1642.74	-3.0	1.1
Pharmaceuticals & Biotechnology	206	472.46	0.5	0.3	-4.5	817.63	-3.7	2.4
Consumer Services	424	533.18	-0.3	-1.0	3.8	764.16	4.1	1.3
Food & Drug Retailers	69	298.73	0.5	-3.0	-5.0	478.04	-4.5	2.6
General Retailers	139	916.50	-0.2	-0.8	2.9	1256.66	3.2	1.0
Media	75	317.20	-0.6	-1.9	9.5	457.29	9.7	1.3
Travel & Leisure	141	471.23	-0.7	-0.1	6.4	690.81	6.7	1.2
Telecommunication	84	132.45	-0.3	-0.6	2.9	314.83	3.5	4.2
Fixed Line Telecommuniations	30	105.20	-0.4	-0.4	4.5	288.58	5.4	4.9
Mobile Telecommunications	54	155.13	-0.3	-0.8	2.0	316.87	2.5	3.9
Utilities	201	308.16	1.1	-0.1	-4.3	727.84	-3.6	3.5
Electricity	145	345.92	1.3	0.5	-5.4	805.06	-4.6	3.4
Gas Water & Multiutilities	56	310.28	0.5	-1.6	-1.8	757.55	-1.3	3.8
Financials	855	246.97	-0.7	-8.4	-4.8	478.62	-4.3	3.5
Banks	272	183.82	-1.6	-12.0	-7.2	398.18	-6.5	4.6
Nonlife Insurance	72	351.15	-0.3	-5.6	-4.0	588.89	-3.7	3.1
Life Insurance	51	209.93	-0.9	-8.7	-7.8	407.16	-7.4	4.2
Financial Services	213	416.78	-0.6	-5.7	-1.8	635.95	-1.5	1.8
Technology	357	530.41	0.0	8.7	19.9	694.34	20.2	1.0
Software & Computer Services	182	791.28	0.3	9.5	16.7	958.88	16.9	0.6
Technology Hardware & Equipment	175	476.16	-0.3	7.9	23.4	671.69	23.7	1.4
Alternative Energy	20	163.64	-2.8	-4.5	-10.6	234.90	-10.5	0.4
Real Estate Investment & Services	140	238.42	-0.9	-4.8	-5.0	466.47	-4.7	3.4
Real Estate Investment Trusts	107	418.75	1.8	-6.3	-3.8	994.01	-3.1	4.3
FTSE Global Large Cap	1937	631.80	-0.2	0.5	3.9	1050.20	4.4	2.4

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

FTSE 100 SUMMARY

FTSE 100	Closing Price	Day's Change	FTSE 100	Closing Price	Day's Change
3I Group PLC	1609	66.50	Jd Sports Fashion PLC	166.15	2.20
Abrdn PLC	204.60	2.10	Johnson Matthey PLC	1938.5	6.00
Admiral Group PLC	2024	28.00	Kingfisher PLC	255.20	-1.10
Airtel Africa PLC	105.70	1.10	Land Securities Group PLC	575.80	2.00
Anglo American PLC	2539	1.00	Legal & General Group PLC	229.40	-
Antofagasta PLC	1520	3.00	Lloyds Banking Group PLC	46.32	0.61
Ashtead Group PLC	4782	45.00	London Stock Exchange Group PLC	7802	52.00
Associated British Foods PLC	1951.5	33.50	M&G PLC	180.15	0.50
Astrazeneca PLC	11252	172.00	Melrose Industries PLC	161.00	3.10
Auto Trader Group PLC	593.80	-0.20	Mondi PLC	1295	6.00
Aviva PLC	412.70	4.40	National Grid PLC	1068	9.50
B&M European Value Retail S.A.	465.40	0.50	Natwest Group PLC	259.70	1.20
Bae Systems PLC	981.40	8.40	Next PLC	6680	-14.00
Barclays PLC	137.00	3.10	Ocado Group PLC	452.10	12.90
Barratt Developments PLC	449.20	7.90	Pearson PLC	825.60	12.60
Beazley PLC	569.00	4.50	Pershing Square Holdings LTD	2785	5.00
Berkeley Group Holdings (The) PLC	4067	47.00	Persimmon PLC	1209.5	9.50
BP PLC	496.40	10.10	Phoenix Group Holdings PLC	547.00	-1.80
British American Tobacco PLC	2885.5	13.50	Prudential PLC	1026.5	2.50
British Land Company PLC	365.90	-0.20	Reckitt Benckiser Group PLC	6136	32.00
Bt Group PLC	139.00	-0.75	Relx PLC	2586	9.00
Bunzl PLC	3015	-2.00	Rentokil Initial PLC	574.00	7.60
Burberry Group PLC	2383	40.00	Rightmove PLC	551.20	1.00
Centrica PLC	103.35	0.30	Rio Tinto PLC	5232	-21.00
Coca-Cola Hbc AG	2207	25.00	Rolls-Royce Holdings PLC	144.34	0.80
Compass Group PLC	2010	18.00	Rs Group PLC	891.00	5.00
Convatec Group PLC	220.20	1.40	Sage Group PLC	749.80	-0.40
Crh PLC	3924.5	36.50	Sainsbury (J) PLC	261.30	2.20
Croda International PLC	6474	58.00	Schroders PLC	440.60	3.70
Dcc PLC	4343	52.00	Scottish Mortgage Investment Trust PLC	650.40	0.80
Diageo PLC	3583	-16.00	Segro PLC	717.20	-3.80
Endeavour Mining PLC	1859	-1.00	Severn Trent PLC	2807	-9.00
Entain PLC	1178.5	-3.00	Shell PLC	2232.5	32.00
Experian PLC	2598	-	Smith & Nephew PLC	1140	7.00
F&C Investment Trust PLC	907.00	8.00	Smith (Ds) PLC	307.50	1.10
Flutter Entertainment PLC	14185	210.00	Smiths Group PLC	1685	-25.00
Frasers Group PLC	751.50	4.50	Smurfit Kappa Group PLC	2845	12.00
Fresnillo PLC	721.40	-11.20	Spirax-Sarco Engineering PLC	11405	105.00
Glaxosmithkline PLC	1423.6	22.40	Sse PLC	1727.5	21.50
Glencore PLC	449.60	6.90	St. James's Place PLC	1180	6.50
Haleon PLC	326.25	0.50	Standard Chartered PLC	592.40	0.60
Halma PLC	2117	21.00	Taylor Wimpey PLC	117.30	1.80
Hargreaves Lansdown PLC	788.40	1.00	Tesco PLC	251.40	0.60
Hiscox LTD	1070	11.50	Unilever PLC	4220.5	23.50
HSBC Holdings PLC	541.10	7.10	Unite Group PLC	889.00	6.00
Imperial Brands PLC	1897.5	14.00	United Utilities Group PLC	1035.5	-4.50
Informa PLC	668.00	7.00	Vodafone Group PLC	89.10	0.52
Intercontinental Hotels Group PLC	5146	34.00	Weir Group PLC	1758.5	15.00
International Consolidated Airlines Group S.A.	137.24	1.74	Whitbread PLC	2839	22.00
Intertek Group PLC	3970	47.00	Wpp PLC	929.60	12.20

UK STOCK MARKET TRADING DATA

	Mar 27	Mar 24	Mar 23	Mar 22	Mar 21	Yr Ago
Order Book Turnover (m)	69.77	158.98	158.98	91.89	84.00	125.52
Order Book Bargains	548822.00	702035.00	702035.00	570205.00	522620.00	651497.00
Order Book Shares Traded (m)	1322.00	1626.00	1626.00	1497.00	1392.00	1404.00
Total Equity Turnover (£m)	5608.45	6740.18	6740.18	6175.79	11187.89	10421.70
Total Mkt Bargains	736567.00	920800.00	920800.00	762881.00	700378.00	870093.00
Total Shares Traded (m)	6504.00	6864.00	6864.00	5649.00	5813.00	6064.00

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

UK RIGHTS OFFERS

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

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

UK COMPANY RESULTS

Company		Turnover		Pre-tax		EPS(p)		Div(p)		Pay day	Total	
Belvoir Group	Pre	33.718	29.647	9.118	9.296	19.900	20.400	5.00000	4.50000	May 22	9.000	8.500
Bioventix	Int	5.895	4.731	4.516	3.562	71.610	57.350	62.00000	52.00000	Apr 21	136.000	114.000
Carnival	Pre	4433.000	1623.000	686.000L	1888.000L	0.550L	1.660L	0.00000	0.00000	-	0.000	0.000
Dialight	Pre	169.700	131.600	0.500	0.700	1.200	0.000	0.00000	0.00000	-	0.000	0.000
Equals Group	Pre	69.682	44.091	3.416	3.817L	1.800	1.350L	0.00000	0.00000	-	0.000	0.000
IOGeo Group	Pre	26.592	13.849	1.814L	2.741L	1.500L	3.400L	0.00000	0.00000	-	0.000	0.000
Life Science REIT	Pre			27.467L	7.741	7.900L	2.200	3.00000	0.00000	May 15	4.000	0.000
Mobile Streams	Int	1.069	0.281	1.231L	0.640L	0.041L	0.026L	0.00000	0.00000	-	0.000	0.000
Northamber	Int	33.626	32.276	0.250L	0.116L	0.920L	0.430L	0.30000	0.30000	Apr 25	0.600	0.700
Plexus Holdings	Int	0.709	0.734	2.073L	1.953L	0.000	0.000	0.00000	0.00000	-	0.000	0.000
RTC Group	Pre	71.907	77.715	0.455L	0.114	2.450L	0.040	0.00000	0.00000	-	0.000	0.000
SigmaRoc	Pre	537.993	271.987	42.723	2.272L	4.890	1.890L	0.00000	0.00000	-	0.000	0.000
Tandem Group	Pre	26.683	40.917	0.852	4.732	12.500	73.800	6.57000	6.57000	Jul 6	10.000	10.000
Target Healthcare REIT	Int			34.176L	18.714	5.510L	3.240	1.69000	1.69000	Feb 24	3.380	3.370

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

UK RECENT EQUITY ISSUES

Issue date	Issue price(p)	Sector	Stock code	Stock	Close price(p)	+/-	High	Low	Mkt Cap (£m)
02/28	3.33		DAR	Dar Global PLC	3.70	0.00	3.90	3.33	666.1
02/14	17.50	AIM	FMET	Fulcrum Metals Plc	17.75	-0.25	19.00	17.00	885.0

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

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

FT 500: TOP 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
Sanofi	98.37	97.10	1.27	1.31	7.64	10.0	9.45
Hngzh HikVDT	43.61	44.60	-0.99	-2.22	4.25	8.1	15.74
Regen Pharm	820.01	820.00	0.01	0.00	60.75	8.0	8.21
NovoB	1067.00	1049.00	18.00	1.72	60.10	7.9	7.01
Accenture	272.39	272.00	0.39	0.14	19.45	7.9	2.26
Netflix	328.25	328.39	-0.14	-0.04	23.26	7.6	1.53
Truist Financial Corp	33.22	32.89	0.33	0.99	1.98	7.5	-29.57
Novartis	82.25	76.36	5.89	7.71	-0.38	7.2	1.93
Tencent	362.80	376.80	-14.00	-3.72	37.40	6.9	4.12
Activision Bli.	84.50	84.39	0.11	0.13	5.05	6.5	10.09
GenMills	85.45	84.80	0.65	0.77	4.15	6.0	5.57
MuenchRkv	316.30	314.60	1.70	0.54	14.80	5.5	5.50
E.ON	11.15	11.04	0.12	1.04	0.46	5.4	5.44
ReckittB	6136.00	6104.00	32.00	0.52	266.00	5.1	5.56
Tesla Mtrs	192.43	190.41	2.02	1.06	7.16	5.0	-7.35
HenkelKgaA	65.60	65.30	0.30	0.46	2.50	4.5	4.62
Baxter	39.86	39.23	0.63	1.59	1.04	4.4	0.10
AstraZen	11252.00	11080.00	172.00	1.55	290.00	4.3	1.63
BMW	98.81	97.76	1.05	1.07	2.91	4.2	4.21
PTT Explor	31.25	31.00	0.25	0.81	1.00	4.2	-3.85

Based on the FT Global 500 companies in local currency

FT 500: BOTTOM 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
SvnskaHn	84.14	85.14	-1.00	-1.17	-11.04	-12.5	-23.68
UnibailR	46.48	46.64	-0.17	-0.35	-6.36	-12.3	-20.28
Chna Utd Coms	5.40	5.50	-0.10	-1.82	-0.65	-12.2	4.65
ShenwanHong	0.08	0.08	0.00	-2.50	-0.01	-10.3	-14.89
Ch Coms Cons	4.61	4.69	-0.08	-1.71	-0.40	-9.4	14.71
Nordea Bk	105.36	104.90	0.46	0.44	-9.74	-8.1	-19.74
Ch Rail Gp	4.97	5.03	-0.06	-1.19	-0.37	-8.0	16.12
Ch Rail Cons	5.58	5.63	-0.05	-0.89	-0.43	-7.9	12.27
ChinaPcIns	20.20	20.60	-0.40	-1.94	-1.25	-7.6	-6.28
Sinopec Corp	4.53	4.69	-0.16	-3.41	-0.21	-7.6	9.44
Digital Realty	94.16	94.37	-0.22	-0.23	-7.29	-7.4	-10.21
CredSuisse	0.76	0.76	0.00	0.53	-0.06	-7.3	-72.45
Pwr Cons Corp	7.28	7.47	-0.19	-2.54	-0.30	-6.3	5.20
ChStConEng	5.87	5.92	-0.05	-0.84	-0.31	-5.8	4.45
HangSeng	111.10	113.50	-2.40	-2.11	-4.00	-5.4	-13.90
ChinaMob	62.40	62.55	-0.15	-0.24	-3.40	-5.4	7.42
Vale	78.28	78.67	-0.39	-0.50	-4.06	-5.4	-7.91
SocGen	19.93	19.90	0.03	0.13	-1.13	-5.2	-24.36
MitsuiFud	910.12	912.73	-2.61	-0.29	-44.03	-4.9	0.84
CNNC Intl	6.46	6.56	-0.10	-1.52	-0.21	-4.6	7.85

Based on the FT Global 500 companies in local currency

INTEREST RATES: OFFICIAL

Mar 27	Rate	Current	Since	Last
US	Fed Funds	4.75-5.00	22-03-2023	4.75-4.50
US	Prime	7.75	23-02-2023	7.75

INTEREST RATES: MARKET

Mar 27	Short term		Over notice		One month		Three month		Six month		One year	
Euro	2.64	2.94	2.62	2.92	2.71	3.01	2.83	3.13	3.00	3.30	3.13	3.43
Sterling					0.45	0.55	0.58	0.68	0.71	0.86	0.90	1.05
US Dollar	4.63	4.83	4.64	4.84	4.77	4.97	4.93	5.13	4.92	5.12	4.76	4.96
Japanese Yen	-0.15	0.05	-0.20	0.00	-0.15	0.05	-0.10	0.10	-0.05	0.15	0.00	0.20

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

COMMODITIES

www.ft.com/commodities

Energy		Price*	Change	Agricultural & Cattle Futures		Price*	Change
Crude Oil†	May	70.60	1.34	Corn♦	May	641.75	-1.25
Brent Crude Oil‡		76.88	1.89	Wheat♦	May	684.50	-4.00
RBOB Gasoline†	May	2.61	0.03	Soybeans♦	May	1434.50	6.25
Natural Gas†	May	2.27	-0.09	Soybeans Meal♦	May	446.60	1.50
Base Metals (♠ LME 3 Months)				Cocoa (ICE Liffe)⊕	May	2145.00	9.00
Aluminium		2353.00	9.00	Cocoa (ICE US)♥	May	2918.00	34.00
Aluminium Alloy		2150.00	-75.00	Coffee(Robusta)⊕	May	2217.00	28.00
Copper		8914.50	-30.50	Coffee (Arabica)♥	May	183.00	3.75
Lead		2111.00	-9.50	White Sugar⊕		604.30	6.70
Nickel		23470.00	-210.00	Sugar 11♥		21.05	0.23
Tin		25420.00	535.00	Cotton♥	May	77.98	1.44
Zinc		2885.50	-8.00	Orange Juice♥	May	258.60	4.65
Precious Metals (PM London Fix)				Live Cattle♣	Apr	163.13	0.98
Gold		1993.80	15.85	Feeder Cattle♣	May	134.88	-
Silver (US cents)		2317.00	27.00	Lean Hogs♣	Apr	77.15	1.40
Platinum		976.00	-13.00				
Palladium		1418.00	-17.00		Mar 24	% Chg Month	% Chg Year
Bulk Commodities							
Iron Ore		119.48	1.37	S&P GSCI Spt	557.40	-3.47	-28.68
Baltic Dry Index		1456.00	-33.00	DJ UBS Spot	103.33	-2.45	-20.39
Richards Bay ICE Futures		130.50	-3.50	TR/CC CRB TR	283.50	-2.88	-12.57
				LEBA EUA Carbon	58.91	-1.98	129.94
				LEBA UK Power	1048.00	-37.43	-39.60

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

BOND INDICES

BONDS: INDEX-LINKED

BONDS: TEN YEAR GOVT SPREADS

BONDS: HIGH YIELD & EMERGING MARKET

VOLATILITY INDICES

BONDS: BENCHMARK GOVERNMENT

BONDS: GLOBAL INVESTMENT GRADE

GILTS: UK CASH MARKET

GILTS: UK FTSE ACTUARIES INDICES

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

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Lush, lavish dream world

OPERA

The Dead City
London Coliseum
★★★★☆

Richard Fairman

A crucial argument in English National Opera's fight for survival is that the company has a distinctive mission. Between now and the end of the season, it is offering four productions — Philip Glass's *Akhnaten*, Erich Wolfgang Korngold's *Die tote Stadt* (*The Dead City*), Jeanine Tesori's contemporary opera *Blue* and a staging of Henryk Górecki's Symphony No 3 — rarely seen anywhere else in the UK, if at all.

Die tote Stadt was staged by the Royal Opera just once in 2009 and remains a rarity. The youthful Korngold's opera is sung here in a clear, rather prosaic translation by Kelley Rourke and makes an assignment of many challenges for ENO, most of them met with success.

For anybody who wants to know what *The Dead City* is like, imagine an operatic version of Hitchcock's *Vertigo*. In each, the main character is unable to let go of a lost love, a dead (or supposedly dead) woman whose memory leads into a psychological spiral of obsession, mania, even violence.

Just as Bernard Herrmann's spellbinding music is central to Hitchcock's film, so the score by the 23-year-old Korngold is the number one reason for staging the opera today. Its supersaturated romanticism, dating from 1920 and rooted in Freud's Vienna, summons just the stifling air of neurosis that the story demands. Obsessive love has proved fertile ground for opera composers from Bartók's *Duke Bluebeard's Castle* to Britten's *Death in Venice*.

Top: Annilese Miskimmon's staging is a vision of a fevered mind. Above: Rolf Romei as Paul
Helen Murray

In terms of its drama, *The Dead City* is a more difficult sell. Not a lot happens and the opera makes heavy work of the central relationship between Paul and Marietta, who resembles his dead wife. ENO's director, Annilese Miskimmon, keeps fairly close to the original scenario and focuses on creating a dream world where Paul's fevered mind gives way to visions of his dead wife (not much of a lookalike here) lying on a hospital bed or coffin, and religious processions parading through misty Bruges.

So much of the opera happens inside Paul's head that the role was always going to dominate, but Korngold has gone further and made it almost impossibly demanding. An announcement was made before curtain-up that Rolf Romei had been unwell, but his lyric strength and care for the vocal line suggest he will make a very convincing Paul when he is in full health.

The object of Paul's obsession, Marietta, is a hardly less fearsome role. Allison Oakes, a British soprano singing major lyric-dramatic roles in Germany, throws herself into it with energy and passion, and by the interval must have felt she had already sung enough for several operas.

With Sarah Connolly as a warm-voiced housekeeper and Audun Iversen's fine baritone sounding eloquent in Frank's much-loved solo, the production is well cast. Helped by the Coliseum's spacious acoustic, the conductor, Kirill Karabits, draws suitably lush sounds from Korngold's lavish orchestra, extra instruments having to be placed in the stage boxes. This opera costs cash and commitment and ENO has largely given its best.

To April 8, eno.org

It's plain sailing — until the fog rolls in

GAMING

Dredge
PC, PlayStation, Xbox and Nintendo Switch
★★★★☆

Chris Allnutt

In *Dredge*, some things are inevitable: the damage you will take attempting to park your boat after a long day at sea, or the inability to tessellate perfectly in your inventory all the fish you catch. Oh and the nightly fog. The fog never fails.

Was it the fog that led you to dash your boat on the rocks at Greater Marrow? It certainly seems that way when your character in this fishing-simulator and survival-horror hybrid awakes damp and salt-encrusted on the town jetty.

The mayor very kindly finds you a new boat before less kindly sending you out to fish your way out of his debt. He offers just one piece of advice: get back before sundown, when the fog starts to roll in, or you'll end up like the town's former fisherman who . . . well, let's just say the locals seem reluctant to talk about his demise.

Trawling the oceans proves surprisingly straightforward. By completing mini-games you gradually pull things up from the deep: time your button-presses correctly and the process will speed up; mistime one and you'll have to start again. It's quietly satisfying, without attempting to mimic the actual motions of fishing. Different fish require different rods, form different shapes in your inventory and sell better in some places than others. Upgrading your vessel and equipment requires money and bits of wood and string that you'll find floating conveniently on the surface, but will help you see further, glide faster and work more efficiently.

But there's still that pesky fog to contend with. A dockworker tells you what he overheard in a tavern many years ago: a fisherman found a sealed casket on the seafloor, and no sooner had he plundered it than the fog rolled in. The contents and the crew who laid eyes on them disappeared without a trace, but the fog remained.

Linger too long over that distant patch of grouper and you'll soon find the sun setting and your boat enveloped in the gloom. Visibility drops, panic sets in and monsters come out.

Also, colliding with things — rocks, wrecks, hulking Cthulhus — will slowly damage your boat until your career comes to a watery end. Things quickly turn from fishing simulator to Lovecraftian horror when your outboard is irreparably damaged and you realise you've forgotten to pack a spare.

In search of a solution (or just more people to sell salmon to), you'll uncover more than you bargained for as you explore the map's charmingly rendered archipelagos. Unlike its name, *Dredge* is beautiful: in its aesthetic, which makes it a joy just to head out on the waves every morning; in its affecting (if slightly undersold) story; even in its interface.

Managing your inventory and upgrades is a delightfully intuitive experience, and the game is full of tiny design decisions that show off its attention to detail. The clock, for example, only moves when you travel or fish, so time literally stands still out on the waves and you can enjoy your surroundings without fear of getting caught out by the darkness.

It's a fairly short game — I finished it in around 10 hours — but also only a £20 one, and sharper for not letting its largely fetch-based quests turn into a grind. *Dredge* is easy to dip into over a weekend.

Available from March 30

The game's aesthetic makes it a joy to head out on the waves

A Passion of intimacy and grandeur

CLASSICAL

St Matthew Passion
Lincoln Center, New York
★★★★☆

Clemency Burton-Hill

Over the three hours or so that JS Bach's *St Matthew Passion* unfolded in the Wu Tsai Theater at the lavishly upgraded David Geffen Hall in New York's Lincoln Center, I found it curious, if not ironic, that the word I kept alighting on in my mind was "humility". The music — which Bach finished in 1727, revised in 1742 and made no secret of his pride in — is monumental, magnificent and timeless, by any measure. And the words he chose to set — a combination of biblical verses, Lutheran hymns and text by the German poet Picander — are still relevant today: deeply affecting on a human scale, irrespective of faith. They are spare and emotionally intelligent, exploring betrayal, confusion, parenthood, friendship, love, jealousy, deceit, goodness, redemption, sorrow, death and, yes, spirituality.

But unlike many other major Bach choral works, including the earlier *St John Passion* or his Easter and Christmas Oratorios, I have often preferred hearing this in less ostentatious circumstances. The occasional disappointment, if not cognitive dissonance, that I have experienced in live performances of the *St Matthew Passion*, especially when distracted by the presence of big names, or egos, or expectations, has diluted some of the power of the work.

And so I say "curious" because the effect of this performance in this new, shiny, concert hall, with its vastly improved acoustics, whose very bricks exude privilege and wealth, was one of a profound, intimate, understated purity. From the immortal opening bars to the meditative close, it was driven by a thoughtfulness and truthfulness which, in being so unexpected, were all the more moving. Time collapsed: it flew by.

Outgoing chief conductor Jaap van Zweden — not known for his Bach interpretations, it's fair to say — was able, often stunningly, to tease multiple dimensions from the New York Philharmonic. The orchestra, which is perhaps still flying high on the double excitement of Gustavo Dudamel's appointment as chief conductor designate and the move back into its fabulously renovated home, was at its best, welcoming the musicians of organist Kent Tritle's period instrument ensemble Musica Sacra into its ranks with generosity, if not total smoothness. (I particularly enjoyed Judith LeClair, standout bassoonist, and Matt Zucker, whose stellar viola da gamba playing was a delight.)

The choirs, including the Brooklyn Youth Chorus, were on the whole excellent. But the soloists were outstanding. Tenor Nicholas Phan was an Evangelist brimful of such empathy as to be quite heartbreaking. Davóne Tines, always a charismatic and versatile bass-baritone, brought intense solemnity and gravitas to the role of Jesus. Amanda Forsythe, making her NY Philharmonic subscription debut, was luminous and soulful.

The whole ensemble seemed to grasp Bach's complex psychological meditations — or, as the composer himself put it, "the renewal of the soul" — and his subtle contrapuntal nuances, as well as the immensity of the pathos that animates the whole oratorio. Together, somehow, they made chamber music. Breathtaking.

lincolncenter.org

Jaap van Zweden conducts the New York Philharmonic's performance of 'St Matthew Passion' with soloists Nicholas Phan and Davóne Tines
Chris Lee

FT BIG READ. MIDEAST POLITICS

Tehran's hardliners strike a defiant tone in public after months of nationwide demonstrations, but behind the scenes there is debate about how to react to demands for change.

By Andrew England and Najmeh Bozorgmehr

How far will Iran's regime go against the uprising?

When the Islamic regime called, hundreds of thousands rallied. In cities across Iran, women, mostly in traditional black chadors, joined huge crowds carrying banners, portraits of supreme leader Ayatollah Ali Khamenei and national flags to celebrate the anniversary of the 1979 revolution.

The mass gatherings last month allowed the regime to put on a muscular display of support after months of protests that presented one of the biggest domestic threats to the Islamic republic since its founding.

In Tehran's Freedom Square, a flashpoint for the anti-regime demonstrations months earlier, President Ebrahim Raisi told the crowds they were "sending a message of hopelessness and disappointment to the enemy".

But anti-regime hackers briefly interrupted state television's web broadcast of Raisi's speech with a voice shouting: "Death to the Islamic republic."

That hinted at the state of a deeply polarised nation, rife with tension and uncertainty nearly seven months after the death of Mahsa Amini in police custody triggered demonstrations across more than 150 cities and towns.

Outwardly, the regime is projecting confidence that it has navigated the tumult. The protests have largely petered out. Regime loyalists have suggested those young men and women who took to the streets simply need to be better educated about the values and ideology of a revolution that took place before most were born.

Yet every day, thousands of women are openly breaking the law by not wearing their compulsory hijab head coverings. From Tehran's affluent north to its poorer south, on streets, in private offices, shops and cafés, it is an unprecedented display of civil disobedience.

"After what has happened, it's the least we can do," says one young waitress in Tehran, wearing a simple crisp shirt with black trousers — and no hijab.

Activists and analysts warn that beneath the surface, the anger behind the protests is still bubbling away. The republic's legitimacy, long on the wane, is increasingly spent, they say, with the gap between the ageing theocratic leadership and the aspirations of the youthful population wider than ever.

The question is whether the ideological hardliners will allow the social, cultural and political changes that analysts believe are their best hope of staving off more unrest, or impose harsher restrictions and rely on the state's powerful security apparatus to quash dissent. That could risk more violence, which analysts say would put the future of the republic at stake and threaten 83-year-old Khamenei's succession plans.

Signs of a softening

So far, the regime has made some concessions, including turning a blind eye to women not wearing the hijab, despite no official changes to the law.

The morality police, who triggered the crisis after arresting Amini for not wearing her veil properly, have disappeared from the streets. The large, green metal doors guarding the only morality police station in Tehran are closed.

Khamenei also pardoned tens of thousands of prisoners days before the revolution anniversary. The judiciary says more than 82,000 were released from prisons or had their sentences reduced, including 22,000 who took part in the protests. The long queues of visitors outside Tehran's Evin prison during the unrest have disappeared.

Yet the critical issue for many Iranians is whether the leadership will now go further. Some, including those who protested, believe it is already too late. They argue that the long-held notion that Iranians should put their faith in change from within their unique system has been destroyed after years of voting for pro-reform forces yielded little in the way of reform.

"What has been achieved through the protests is that in people's minds this ruling system will go and power has been split between the people and the rulers," says Abdollah Momeni, an activist. "It [the unrest] has not ended; maybe the cycle has ended."

In an upmarket Tehran shopping mall, two fashionably dressed 16-year-old girls who make no attempt to comply with conservative dress codes for women display a similar defiance.

"At the end of the day, we can die — Iranian women are not scared of anything anymore," says Rojina, who joined the protests with friends. "Everyone should be able to choose. Nothing should be forced on us."

Accustomed to adversity

The republic has been confronting crises with regularity since its birth. In the 1980s it faced internal battles and fought a devastating eight-year war with Saddam Hussein's Iraq. In 1999 it was the turn of students to vent their fury and, a decade later, millions protested for weeks over disputed elections. In 2017 and 2019, it was economic grievances that drove citizens on to the streets, with protests turning violent as mobs burnt state buildings and attacked security forces.

> 'At the end of the day, we can die — Iranian women are not scared of anything anymore'

But the most recent unrest was different. The death of Amini while in Tehran's morality police station sparked an explosion of anger that crossed sect, age and class. Many believed she died after being beaten, dismissing the authorities' claims that the 22-year-old had a heart attack.

Initially, the outpouring of rage focused on gender rights, with women, students and high school girls such as Rojina braving the security forces to demonstrate and publicly burn their hijabs. But the protests rapidly morphed into the most sustained and determined calls for regime change the republic has yet endured, including demands for the introduction of a secular democracy, just as the authorities grappled with a moribund economy and escalating tensions with the west.

"It was where the economic, social and religious crises converged at one point," says Momeni, who spent five years in prison after being arrested in the wake of the disputed 2009 election.

The rattled regime responded with batons, birdshot and tear gas. More than 300 people were killed, including dozens of children, according to Amnesty International, and tens of thousands were detained.

Yet hardliners take solace in the fact it was mainly those from the middle class who protested, not the poorer segments of Iran's population most affected by the nation's economic malaise.

Pro-reform Iranian analysts estimate up to 2mn people took part in protests, but Hamidreza Taraghi, an influential hardliner and a senior official at the Imam Khomeini Relief Foundation, the state's biggest charity, says drone surveillance put the numbers at "around 500,000". He describes most of them as "the youth who were deceived through social media".

Iranian inflation is the highest for a decade

Annual % change in CPI

Source: Haver Analytics

Asked what lessons the regime learnt from the protests, Taraghi is uncompromising, questioning "why should we abandon the demands of [those who celebrated the revolution anniversary] to the 2-3 per cent of the population"?

"We got to better understand our weak and strong points. One of our weak points was freeing up social media, which happened under the previous [more centrist] government," he adds.

"Our education system should be able to train the youth . . . in line with the causes of the revolution," Taraghi says. "It has to become more Islamic and more patriotic".

Other prominent conservatives take a similar view. Hossein Shariatmadari, the editor of the state-controlled Kayhan newspaper, a mouthpiece for hardliners, describes protesters as misled youth and is unhappy that women are abandoning the hijab. "It's not the right thing, they are breaking the law. Gradually, they can be made aware of this, but the way to deal with them is not to arrest them, it's to increase awareness," Shariatmadari says. "Next year, if you come here you will not see this."

'Power in people's hearts'

Others suggest that despite the uncompromising response in public, there has been debate within hardline circles about the way forward as the authorities grapple with social pressures and economic turmoil. Inflation is running at 53 per cent, while the rial has lost half of its value against the dollar since Raisi took office in August 2021.

"They are talking every day; we are talking to them. They are very angry with each other," says Saeed Laylaz, a Tehran-based analyst loyal to the regime but with a reformist bent. "Some say they haven't been tough enough; others argue they should be less tough on the cultural aspects because [they] are not able to manage the economy."

Hints of the internal debates have surfaced in speeches and the media, with some conservative politicians making a case for social and cultural change.

Mohammad Bagher Ghalibaf, the hardline parliamentary Speaker, said in January that the regime's "power is not that of hard and absolute power, which has limited use for a limited period. Our soft power is [what's] in people's hearts."

Fuelling speculation that he opposes the regime's tightening restrictions on social media, he added, "if the revolution is unable to have a [strong] presence in social media, sooner or later we will be marginalised".

Ali Larijani, another prominent conservative, questions the focus on the hijab. "At a time when people are struggling with economic hardship, suddenly the issue of hijab is highlighted in an untimely manner and incorrect approach," he told a conservative newspaper in October. "The question is, should the state interfere in all affairs? Where should it stop?"

Ezzatollah Zarghami, the conservative tourism minister, delivered his own message to conservative men worried about women not covering their hair: "If you feel aroused, don't look!"

What next?

Shariatmadari, the Kayhan editor, says debate is normal but pushes back against the notion that there will be significant concessions. "If you close the door for dialogue, the Islamic republic will face problems, but did anyone [in the system] support the protests? No," he says. "It's so natural that something happens inside a family and you try to find out what happened. This does not mean we compromise on principles."

A woman lights a firework during Persian new year celebrations in Tehran this month. Below: people take photos in front of a picture of supreme leader Ayatollah Ali Khamenei during mass pro-government gatherings last month

Majid Asgaripour/WANA via Reuters; Morteza Nikoubazl/NurPhoto/Reuters

Khamenei, the ultimate decision maker, has shown few signs that he is about to change course. In a speech last week, the supreme leader conceded there were "weak points" inside the ruling system and society that needed to be addressed. But he said demands for changes to the political system were part of a conspiracy designed to make the republic submissive to the west.

The highest cleric was a focal point for the protesters' ire. Many Iranians suspect he was behind the election of Raisi and the formation of the most hardline government in a decade, after all credible reformist and centrist candidates were barred from contesting the poll.

Analysts believe Khamenei's strategy was to put an end to the internal clashes that dogged previous governments but in practice, it meant further empowering the most hardline factions.

Raisi, a Khamenei protégé and potential successor, duly took power, but at a cost to the republic's claims to popular legitimacy. Lingering hopes that the system would reform from within were crushed and the 48.8 per cent turnout, the lowest at a presidential election since 1979, was seen as an indictment of the regime's unpopularity.

> 'I still believe that the majority of people think that if it's a choice between the collapse of the Islamic republic and its survival, they prefer its survival'

Hamid-Reza Jalaeipour, a sociologist, says how the authorities behave before next year's parliamentary elections will be one of the indicators about which direction the leadership takes.

"Before the last election they thought whatever they did, people had no choice but to accept. But they realised the population will come out and shout and criticise," he says. "Those who hold power are two groups, some are more moderate and want to show flexibility, others are radical. We have to see which group gains the upper hand."

Some reformist politicians, still loyal to the system, still hope that those in power have little choice but to allow changes in order to maintain stability.

"Many may be surprised, but what happened really paved the way for reform inside society and the political system," says Mohammad Ali Abtahi, a cleric and former reformist vice-president. But, he adds, the leadership is wary of making public pronouncements for fear of appearing weak.

However, when asked if he still believes change can come from within, Abtahi struggles. "We also don't believe it's possible . . . but we don't believe in anything else," he says. "We are stuck behind a big rock."

Momeni began losing faith in change from within years ago. Reforms, he says, are seen as a means of keeping the "silent majority" off the streets without delivering any genuine change.

"If the regime wants to get out of this cycle, it must impose a revolution from the top by taking such measures as removing the government, dissolving parliament, forging relations with the west and allowing social freedoms," he says. "That would be like suicide, nothing would remain of the Islamic republic. But if they cannot accept a revolution from the top, they will witness a revolution from the bottom."

Others say the lack of an obvious or credible alternative, as well as the chaos and bloodshed unleashed following protest movements in countries such as Iraq and Syria, make many Iranians wary of risking greater instability.

"I still believe that the majority of people think that if it's a choice between the collapse of the Islamic republic and its survival, they prefer its survival," says Abtahi. "It's definitely not that they love it, they are scared of an uncertain future."

Back in the mall, Rojina and her friends discuss their hopes for the future. She wants regime change. Sayeh, also 16, wants "freedom," while Aryan, 18, simply says he craves a decent lifestyle — and advocates patience.

"If we want to achieve something we have to pay the cost. I'm sure the things we want aren't going to happen easily," Aryan says. "It will happen when I'm a father and go to the street with my son."

The FT View

FINANCIAL TIMES
'Without fear and without favour'

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Scotland's new first minister should govern for all Scots

Sturgeon's successor has to show the SNP can deliver real policy successes

It is a mark of Nicola Sturgeon's impact on Scottish and UK politics that the contest to succeed her as Scotland's first minister has drawn interest far beyond British shores. Yet the outgoing Scottish National party leader's achievement in entrenching support for independence at a little under 50 per cent was not matched by her record in government. The fixation with sovereignty squandered a political dominance that could have been used to more positive effect. Her successor Humza Yousaf should focus less on picking arguments with Westminster and more on effective governance. By proving it can deliver real policy successes, the SNP would enhance its cause. More important, it is what Scots, including the majority who still want to be part of the UK, deserve.

Yousaf, whose grandfather brought his father to Scotland from Pakistan, was the favoured choice of the SNP establishment. His victory, though narrow, represents broad continuity with the Sturgeon years, not the disruption that would have ensued had the more socially conservative Kate Forbes prevailed. Yousaf will, though, struggle to impose his authority after a rancorous election. For the wider electorate, a man who has held the health, justice and transport portfolios is also strongly associated with the SNP's mediocre record, as Forbes chose repeatedly to point out.

One wing of his party favours a more urgent push for independence. Scotland's problems, they claim, stem mainly from being shackled to the UK and can be solved only by taking control of its own destiny. Yet most in the SNP mainstream recognise that argument is flawed. It will not win over the moderate voters the party will need, moreover, if independence is one day to triumph in a referendum.

Westminster's refusal to allow a second plebiscite so soon after 2014's vote means independence is not on the immediate agenda. A wiser course, and more beneficial to Scots, is to show the party can deliver real results. During his campaign, Yousaf rightly eschewed Sturgeon's plan to turn the next UK general election into a "de facto" referendum. He should keep his pledge in victory to govern for all citizens.

Health, high among Scots' priorities, is one area for focus. The Scottish government's room for manoeuvre is limited by spending decisions taken in London. Yet though NHS Scotland's record is not wildly different from that south of the border, managing its health service to deliver superior outcomes within the resources available would be proof of real competence. Public health more broadly still lags behind England's own deteriorating performance. Sturgeon's plan for a National Care Service, which could relieve pressure on hospitals, remains unrealised. In education, too, the outgoing first minister leaves office without having achieved a central aim to close the attainment gap between rich and poor pupils.

> Yousaf needs to focus less on picking arguments with Westminster and more on effective governance

Progress in these areas could help fend off a resurgent Labour party ready to seize on any SNP weakness to try to re-establish itself north of the border. Whether Yousaf's government succeeds or not, however, supporters of the UK union cannot rest on their laurels. The temporising strategy of recent Conservative UK governments has bought time for now but offers no long-term solution to the urge to Scottish sovereignty.

With polls showing support for independence swelling especially among young voters, making the union function better and appear more responsive to the aspirations of Scots, as well as of the Welsh and Northern Irish, will be vital in any case. It will be even more so if Yousaf's government does manage to exceed the somewhat low expectations currently being placed upon it.

Opinion Politics

Yousaf must beware the SNP's shift to infighting

Ewan White

Stephen Bush

The most surprising thing about Humza Yousaf's win in the Scottish National party leadership election is how narrow his margin of victory actually was. Although the outgoing First Minister Nicola Sturgeon did not formally endorse him, her deputy as well as the majority of the party's parliamentarians did, making it obvious that he was the preferred choice of the SNP's ruling establishment. This perception was only enhanced by the curious strategic decision of his two rivals to effectively accuse said establishment of rigging the contest on Yousaf's behalf.

The SNP is a famously loyal and well-disciplined party, not only at a parliamentary level but also among the grassroots. They have consistently voted for the leadership's preferred motions on the floor of the SNP conference, seeing off an attempt to force the party into a more radical strategy for securing Scottish independence in 2019, and confirming the coalition agreement negotiated by Nicola Sturgeon in 2021.

> It has gone from keeping its fractures out of sight, to bitter divisions in public over almost everything

The modern party is one built in Sturgeon's image. Almost all political parties start to resemble their leaders over time, as discontented activists leave and are replaced by supporters. That is why Keir Starmer ran for the Labour leadership in 2020 promising a more competent version of Corbynism, and why, now he has moved Labour significantly to the right of where it stood in 2019, an avowed Corbynite is unlikely to win the next leadership election.

The winning SNP strategy was always likely to be "I'm the *new* Nicola Sturgeon", and so it has proved. But in the end, compared to the thumping victories that the party leadership enjoyed in 2019 and 2021, Yousaf's 52.1 per cent of the vote to the 47.9 per cent of Kate Forbes, Scottish finance minister, was a narrow win.

That is a reflection of many things, not least Yousaf's own limitations as a candidate. While emulating Sturgeon's style is a good strategy if your aim is to maintain the SNP as Scotland's largest party, her leadership failed to make significant inroads into the ranks of people who voted to stay part of the United Kingdom in 2014. The SNP has also developed political difficulties among the voters who backed independence but favour a continuing breach with the EU. Yousaf was almost certainly the best available candidate for retaining the support of the 45 per cent of Scots who have powered the SNP to so many electoral victories since 2014. However he offered no plausible account of how to achieve the large and steady lead for change that many now think represents the independence movement's only chance of securing another referendum.

His own administrative record cannot have helped. In a long ministerial career, his only distinguishing trait has been failure: he has been blamed by some for the faltering ferry services and the shortcomings of Police Scotland, both of which fell under his previous briefs. He is both well-known by the Scottish electorate and not well liked.

But Yousaf's narrow win reflects a changing mood within the SNP. The party has spent much of the past few weeks watching Forbes attack the Sturgeon government's record with a pace and ferocity that would be more commonly found from the opposition. Although this contributed to her loss, it also found a ready audience within the SNP.

The party's failed attempt to change the process of securing a gender recognition certificate — the document that changes your legal gender in the United Kingdom — turns out to have been the most significant public policy proposal it has put forward since it entered government in 2007. Not because it has dislodged the party in the polls — at time of writing, it still enjoys a healthy lead — or even because it forced Sturgeon to leave office earlier than expected: her departure had more to do with controversies about how the SNP is run.

No, the gender recognition reforms were significant because they broke the internal taboo on public expressions of disagreement. Like any other political party, the SNP has not been without ideological and strategic divisions in private, but unlike other parties they have been able to keep these firmly hidden from view. Now they have gone from keeping their fractures — on everything from a preferred currency after independence to an independent Scotland's relationship with Nato — out of sight, to bitter divisions in public over almost everything.

Yousaf will hope that his party will now unite behind him and once again discover the value of loyalty. But the more likely outcome is that the SNP's newfound addiction to schism is only getting started.

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Letters

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A short squeeze is not price manipulation

I am writing to disagree with one part of Carson Block's article "UK short selling reforms can help deliver growth" (Opinion, March 23). One reform he calls for is the classification of short squeezes as price manipulation. I think this misrepresents what a short squeeze is.

Short sellers benefit from a downward movement in the price of something. They borrow stocks and sell them, and once the price has declined, buy them back and return the stock.

Their profit is the money they've made buying the stock back at a lower price. However, if the price of the stock rises rather than declines, eventually, to prevent further losses, the short seller must close their position by buying back the stock at a higher price than they sold it for, incurring a loss.

A short squeeze is clever because it takes advantage of this vulnerability. If a short squeezer can buy enough stock, they can bring the price up to a point where the short seller must close their position.

As they do so, they push the price of the stock up further, potentially forcing other short sellers to close their positions too. Once this frenzy is complete, the short squeezer can exit their position at a great profit.

This is only price manipulation in the sense that you are consciously using the dynamics of supply and demand to achieve a desired outcome. Is this really something we want to ban in a market?

Furthermore, what of short sellers borrowing and selling enough stock to force the stock price down, forcing those with long positions to sell, creating a cascade etc? Are we banning that too?

Anthony Ashurst
London SW15, UK

Blair and Britain are also complicit in Iraq tragedy

I find it disturbing your editorial "The tragedy of Iraq, 20 years on" (FT View, March 24) makes no mention of the important role Britain played in this fiasco. Watching the film *Official Secrets* would be a good memory jogger if people have forgotten how Tony Blair stood with George W Bush in sidelining the UN and how British insiders who knew the truth were silenced and even prosecuted for their opposition to the invasion. "Global trust" in the US and its "claims to moral leadership" were most certainly damaged, but so too was Britain damaged by its all too necessary complicity.

Kitty Bryant
Fort Valley, VA, US

Toxic leasehold tenures is why English don't buy flats

John Burn-Murdoch laments the fact that people in the anglosphere are disinclined to live in flats, and that if they did, it would be better for productivity, the environment, and make better use of urban spaces (Opinion, March 17). This, he says, is primarily due to restrictive planning and an inherent desire for detached property, especially in Britain.

He is right that it would be a benefit for Britain if flats became more popular, but wrong on the reasons why they aren't. The toxic nature of leasehold tenure, and the increasing awareness of this among prospective homeowners, is likely to be the main reason Britons don't want to buy flats.

The cladding scandal is the most grotesque example of this, but it runs deeper. Leasehold is an exploitative system in which homeowners are nothing but feudal tenants, paying often extortionate service charges, fees and ground rent to rent-seeking freeholders who have little incentive to keep the buildings and land in good working order. End leasehold for existing flats, and I guarantee you that Britons would embrace the flat.

Claus Vistesen
London CR0, UK

On Ukraine and Arctic trade, Xi plays long game

The recent China-Russia summit is yet another example of President Xi Jinping's focus on the long game (FT View, March 23).

While paying lip service to Vladimir Putin's ill-conceived invasion of Ukraine, China really has little incentive to seek a rapid resolution of the conflict. As Russia continues to punch itself out against an implacable foe, the only dowry Putin can bring to a marriage is Russia's abundant supply of oil, natural gas and strategic minerals, for which China has an inexhaustible appetite, and the hard currency to underpin Putin's misadventure. Further down the road, this would also put China in a much stronger position to demand unlimited access to the Arctic shipping lanes it covets to move its products to Europe in a faster, cheaper manner. Time, it would appear, favours Xi.

Richard G Little
Visiting Research Scholar, Rensselaer Polytechnic Institute, Troy, NY, US

Recalling Bierce's satirical definition of a corporation

Regarding Charles Goodhart's solution for dealing with moral hazard in light of recent bank failures (Letters, March 24), we need only remind ourselves of *The Devil's Dictionary* (1911), and Ambrose Bierce's definition of the term "corporation" — "an ingenious device for obtaining individual profit without individual responsibility". Unsurprisingly, chief executives prefer us to be unaware of that definition.

Peter Cave
London W1, UK

Corrections

- US trade with China expanded in the decade to 2022, not contracted. A chart accompanying an Opinion article on March 24 wrongly transposed the chronological order.
- The name of Elisabeth Reynolds, former White House supply chain policy adviser, was misspelt in an article on March 27. We apologise for the error.

OUTLOOK
EUROPE

German regions debate cost of a liberal refugee policy

by Laura Pitel

Jens Marco Scherf isn't a typical advocate of tougher policies on refugees. The German former school teacher and Green party member describes himself as liberal and pro-migration. But the administrator of the picturesque Bavarian district of Miltenberg is one of several German local officials who have become vocal about the challenges of hosting new arrivals — and are calling for limits.

"It's a challenge to talk about it and say that we have a problem and that we can't manage," he told me earlier this month. He felt it should be possible to debate how to integrate refugees and ensure they received the best care. Germany has become one of the world's most generous hosts of refugees; in 2015 and 2016 Angela Merkel, then chancellor, welcomed more than 1mn people seeking asylum. Last year it took in 1.1mn Ukrainians and over 200,000 others.

In many ways it is a remarkable success. But local governments are worried after a rise in arrivals from the Middle East and Africa that also has political ramifications in Italy, Greece and the Balkans.

Miltenberg, a rural district of 130,000 people, is hosting roughly 3,000 people in total, including around 1,000 from the 2015-16 wave and about 1,200 who fled Ukraine after Russia's invasion.

There are some 900 other new arrivals, mostly from Syria and Afghanistan — whose number has been growing by about 20 or 30 a week.

Housing is a problem, Scherf says. He is also concerned about the capacity of integration programmes and language classes, as well as overstretched kindergartens and schools. "We can do migration [well] here in our district," Scherf said. "Because of this, I'm saying: be careful." German regions shouldn't have to "overburden" themselves.

And yet, when I visited a former elementary school converted into emergency housing for around 30 young Afghan men, everything was calm, well-organised, clean and tidy. The new arrivals were a little bored, with not much to do except play badminton or wander the sleepy streets. They were impatient to start learning German. Officials had told them to expect an offer of proper housing within a fortnight, and language classes in two or three months — not too long a wait.

Across town at a weekly breakfast held by a publicly funded association Frauen für Frauen (Women for Women), new arrivals and those who had been in Germany for several years praised the support they'd had: from swimming classes to integration programmes that explain same-sex marriage and the rules of recycling.

Of course, the picture is not all rosy. Refugee charities are suffering from a drop in volunteers as enthusiasm wanes. While community tensions in Miltenberg have been minimal, there was a rise in attacks on refugee centres across Germany last year. The public debate can be toxic.

Yet Svenja Niederfranke, an expert on migration at the German Council on Foreign Relations, believes talk of "capacity" misses the point. "There is no such thing as fixed capacity — it depends on political will, on funding."

Niederfranke adds that warnings about refugee numbers come as local areas are seeking more money from the federal government. But, she says, given many districts are clamouring for people to stem shortages of skilled and unskilled labour, migration also benefits the economy.

It would be absurd to suggest any country should accept limitless refugees, and Germany has clearly done more than most. There is logic in Scherf's argument that liberal politicians have a responsibility to make sure migration is working to keep the public on board. But I found it hard to hear him argue that the solution for easing the pressure on one of the wealthiest nations was for those adjoining conflict zones to do more.

Turkey, where I lived and reported for seven years until last autumn, is hosting around 4mn refugees, the majority from Syria. It already faced profound economic issues and is now grappling with the fallout from a huge earthquake. Other countries in the region, including Lebanon, Iran and Iraq, are also hosting many people — and are hardly short of problems of their own. Scherf's solution would only increase their burden.

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Opinion

We are all secretaries now

EMPLOYMENT

Sarah O'Connor

Where did all the secretaries and support staff go? They fell victim to automation, you might say. What was left of their jobs was outsourced, you could add.

You would be right, of course — but only half right. Because something else happened to their work too. It was redistributed to all of you.

More and more organisations have shifted to a "self-service" software model in which individual employees must sort things like travel, HR, expenses and procurement themselves. The companies that sell these systems say they save money and "empower" workers.

Critics complain they pile more tasks on to people whose time would be better spent on the work they were hired to do. The author Craig Lambert calls it an example of "shadow work" in the workplace, which "just gets grafted on to people's duties without their consent or sometimes even their awareness".

The savings from cutting support staff are easy for organisations to calculate, while the costs of lost productivity across the rest of the workforce are hard to measure. But that doesn't mean they should be ignored.

One public health consultant who is employed by a local authority in the UK tells me his job now involves a whole range of tasks, from sourcing IT equipment for new hires to publishing job adverts.

"I'm not trying to suggest any of this is 'beneath us', it's all important and necessary, but we used to have well-resourced business support, admin and HR roles that did all this — and did it well," he says. "Every hour we spend doing this is an hour we're not spending doing what we've trained for and are being paid well for."

It doesn't help when the systems themselves are time-consuming or impenetrable. "At our work we find that new systems are not properly supported with help functions and it's hard to speak to someone who can help overcome hurdles," one worker in a large multinational says.

"The standard mantra is to 'raise a ticket' that can all too often lead to a written reply that doesn't help."

Some workers are so frustrated they have tried to recreate the old system of dedicated support staff at their own expense. I know of one person who offered to split the value of his expenses with a junior staff member in exchange for submitting them for him.

> Automation doesn't always do away with the dull parts of people's jobs and leave the best bits untouched

It's worth saying that self-service works well sometimes. Plenty of people like to book their travel themselves, for instance. Complex systems have tended to get better over time too.

I put up with a problem on my work phone for ages because I thought it would be so time-consuming to get it fixed. When I finally got around to it, the process was practically effortless and I was embarrassed I'd left it so long.

In any case, the secretaries and support staff aren't coming back. Of the 30 occupations forecast by the US Bureau of Labor Statistics to shrink the fastest over the next decade, 10 are some sort of secretary or administrative worker.

The question is whether the next wave of technological change can lighten the load. I am optimistic.

Both Microsoft and Google are developing artificial intelligence tools for the workplace which promise to let people "focus more on the task at hand and less on the busy work", as Microsoft puts it. One tool will write the minutes during meetings, for example — eliminating an admin job no one likes to do. It is suddenly possible to imagine a future in which you could take photos of your receipts with your phone and tell the AI, "Please file my expenses."

A note of caution, though. Automation doesn't always do away with the dull parts of people's jobs and leave the best bits untouched. In the 19th century, for example, the economics of manufacturing "focused invention not on the dullest or even the most machine-like jobs in a factory but on the most intricate and most expensive", writes Daniel T Rodgers in *The Work Ethic in Industrial America*. The complex motions of shoe peggers were automated quickly, for example, while people were left to feed materials to the machines.

There is obviously a big difference between a 19th-century shoe factory and a 21st-century office. And what counts as fun for one person (writing, for me) might be a grind for someone else.

But it is a reminder that new technology can change work in unpredictable ways. If workers want to shape the future, they should think hard now about what they actually want from it.

I don't want AI to write the first drafts of my columns. But I'd love it to do my expenses for me.

sarah.oconnor@ft.com

China, Japan and the Ukraine war

GLOBAL AFFAIRS

Gideon Rachman

While Xi Jinping was being received with great pomp and ceremony in Moscow last week, Fumio Kishida was 500 miles away in Kyiv.

The fact that the president of China and the prime minister of Japan paid simultaneous and competing visits to the capitals of Russia and Ukraine underlines the global significance of the Ukraine war. Japan and China are fierce rivals in east Asia. Both countries understand that their struggle will be profoundly affected by the outcome of the conflict in Europe.

This shadow boxing between China and Japan over Ukraine is part of a broader trend. Strategic rivalries in the Euro-Atlantic and Indo-Pacific regions are increasingly overlapping with each other. What is emerging is something that looks more and more like a single geopolitical struggle.

Xi's visit to Moscow has confirmed what the Harvard professor Graham Allison calls the "most consequential undeclared alliance in the world" — a Russia-China axis that stretches across the Eurasian landmass. Moscow and Beijing are drawing closer to Iran and also backed the "legitimate and reasonable concerns" of North Korea in the joint statement they issued last week.

Ranged against the Russia-China alliance is a group of democracies closely allied to the US. This is anchored by Nato in the Euro-Atlantic area and by America's treaty allies in the Indo-Pacific, with Japan foremost among them.

The Biden administration is encouraging a tightening of links between America's Asian and European allies. Last year, Japan, South Korea, Australia and New Zealand attended a Nato summit for the first time. At that meeting, Nato broke new ground by explicitly identifying China as a threat to the alliance's "interests, security and values". The same four Indo-Pacific countries will attend a Nato summit in Lithuania in July.

All this has been noticed with displeasure in Moscow and Beijing. Last week's Russian-Chinese statement expressed "serious concern over Nato's continuing strengthening of military security ties with Asia-Pacific countries". It also explicitly condemned Aukus, the new security pact between Australia, the UK and the US.

The statement blamed all these moves on America's "cold war mentality". But Xi and Putin's tendency to see the US as the puppet master behind everything may be blinding them to the way in which their actions have alarmed the democracies of Europe and Asia.

There will soon be a flurry of visits by European leaders to Beijing to test where China really stands on Ukraine. But Xi is unlikely to give the presidents of France and the European Commission anything more than warm words.

The Japanese government sees Putin's assault on Ukraine as proof that authoritarian powers are on the march. They fear that a Russian victory in Ukraine could embolden China in their region. As Kishida put it on a trip to Britain in May: "Ukraine might be east Asia tomorrow."

Earlier this year, Japan announced a 26.3 per cent increase in defence spending. Kishida's visit to Ukraine was a dramatic step for Tokyo: the first time since 1945, a Japanese prime minister has visited a war zone.

The emergence of two rival global blocs has sparked inevitable talk of a new cold war. There are clear echoes of that conflict with a Russia-China alliance once again squaring off against a US-led coalition of democracies — while a large group of non-aligned nations, now labelled the "global south", hovers on the sidelines.

> This outbreak of conflict in Europe, combined with the rise in tensions in east Asia, has echoes of the 1930s

However, there is an even gloomier historical parallel, which I find more compelling — and that is with the rise in international tensions in the 1930s and 1940s.

Then, as now, two authoritarian powers — one in Europe and one in Asia — were deeply unsatisfied with a world order they regarded as unfairly dominated by the Anglo-American powers. In the 1930s, the dissatisfied nations were Germany and Japan. The Asahi newspaper summarised the official view in Tokyo when it complained, in 1941, that the US and the UK were imposing a "system of world domination on the basis of Anglo-American world views". Contemporary versions of that complaint are now made regularly on Russian state television or in China's Global Times.

In his book, *Fateful Choices*, the historian Ian Kershaw records how Imperial Japan reacted to the outbreak of war in Europe: "It was in the wake of Hitler's astonishing military triumphs in western Europe that Japan, seeking to exploit the weakness of these countries, took the fateful decisions to expand into south-eastern Asia." That choice rapidly led Japan into a war — not just with Britain, France and the Netherlands — but also with the US.

Had Putin's Russia also scored an "astonishing military triumph" and taken Kyiv in three days, Xi might have drawn similar conclusions about the weakness of western power in Asia and decided that the time was ripe for radical change.

But the danger of a slide into global conflict is far from over. The outbreak of war in Europe, combined with the rise in tensions in east Asia — and the growing connections between these two theatres — still has distinct echoes of the 1930s. All sides have a responsibility to make sure that, this time, linked rivalries in Europe and Asia do not culminate in a global tragedy.

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Latest bank failures show the dangers of aiming too high

Philip Augar

To have one banking crisis might be regarded as misfortune, to have a second within 15 years looks distinctly careless. It may not be over yet, but already some lessons for the authorities and investors are emerging from the latest mishap.

The most obvious is that the bank run has changed, making banking, never an easy industry to manage, even harder. Credit Suisse, Silicon Valley Bank and others were brought down by rapid, technology-enabled withdrawals of deposits, set off by falling share prices. News spread through social media, triggering a further fall in share prices and yet more withdrawals. Anxious customers no longer need to queue at the branch to get their cash, they simply press a button. The Victorian business model of joint-stock banks offering instant-access deposits and fixed-term loans needs proactive regulation and conservative management if it is to survive in the modern age.

There has been mixed evidence of the former. Capital, liquidity and leverage controls put in place after the 2008 global financial crisis helped and once the dam broke, central banks and regulators took decisive action. The brutal defenestration of Credit Suisse by the Swiss authorities, the seizure in effect of SVB by the US Federal Deposit Insurance Corporation and the British regulator-managed sale of its UK subsidiary for £1 was effective crisis management.

But the US authorities in particular have questions to answer about how the situation was allowed to develop. SVB's rapid growth, its unhealthy concentration of both assets and liabilities and other risk-management issues led the Federal Reserve Bank of San Francisco to issue several warnings to the bank's management and a ban on acquisitions. The regulator had spotted the danger signals as far back as 2021 but not enough was done to act on them. The US Federal Reserve's board, to which the regional Feds report, has ordered a fast-paced review and the answers will be of interest to regulators everywhere.

This includes Britain where the government's intention appears to be to loosen bank regulation. Giving regulators a secondary mandate of facilitating growth and international competitiveness looks more dangerous by the day as the crisis plays out.

> Anxious customers no longer need to queue at the branch to get their cash, they simply press a button

So too does a planned review of the UK's rigorous regime by which senior managers are held to account. Shareholders and bondholders risk being wiped out by bank failures and are entitled to know that those responsible will indeed be held responsible. Going easy on management looks like bad regulation since the primary cause of the failure of both Credit Suisse and SVB was management failure.

At Credit Suisse, a venerable Swiss institution schooled in credit-based balance sheet lending, the fundamental error was strategic and goes back a long way. It wanted to be a full-service universal bank, a big ask for anything other than an American institution, and it bought the Wall Street bulge bracket bank First Boston in stages between 1978 and 1996.

This set up a cultural mismatch between conservative Swiss bankers and go-getting Wall Streeters. There were periods of success but there were also plenty of danger signs, including a revolving door of American heavy hitters and regular fines, losses and scandals.

A $5.5bn trading loss in 2021 when its prime broking client Archegos Capital collapsed was a blow too many. In 2022 plans were announced to spin off a greatly downsized investment bank, reversing a strategy whose bequest was simply to leave the whole group vulnerable.

None of the European banks has ever looked comfortable owning and operating a full-scale investment bank including, incidentally, Credit Suisse's rescuer UBS. Credit Suisse's attempt wasn't the worst but it was an ambitious strategy that became harder as the industry evolved.

The saga shows that aligning strategy with managerial resources is the most important decision that a bank's board has to take and probably the most difficult.

SVB had a simpler strategy but fell victim to another pitfall for ambitious banks: groupthink. Banker of choice to tech start-ups, it over-concentrated deposits from customers in fixed-interest securities. When interest rates rose and bond prices sank, it was ruined. Where was the challenge from the board? It was a rerun of 2007-2008 when the banks followed each other into subprime mortgages, few thinking to challenge conventional wisdom.

This is the clearest lesson to emerge from this evolving crisis: there is safety in numbers — except when there isn't.

The writer is the author of several books on the City and Wall Street

Met Police could learn from Northern Ireland's reforms

Nuala O'Loan

Reading Baroness Louise Casey's probe into the Metropolitan Police, which describes institutional racism, misogyny and homophobia, has left me with a strong sense of déjà vu. Almost two years ago I produced a report with my colleagues on the Daniel Morgan Independent Panel, relating to the murder of a private investigator in a pub car park more than three decades ago. We found similar abject failures of leadership and management, not only in the investigation of Morgan's murder but also in the institutional corruption we detected, which included the failure to deal with very serious wrongdoing within the Met and the determination to protect its reputation rather than acknowledge and remedy failings. It seems little has changed.

Sir Mark Rowley, the Met commissioner, responded to the Casey report last week by making apologetic sounds, but rejected the idea of "institutional" failings in favour of suggesting that the force is beset by a few bad apples — just as the previous commissioner said after our findings in 2021. This is not the case. Such statements deny the reality, and in effect prevent remedial action.

When criminality and misconduct are repeatedly ignored or disregarded, perpetrators such as former Met officers Wayne Couzens and David Carrick believe they are immune from detection or punishment. This sets the scene for increasing organisational dysfunction. Racism, homophobia, misogyny and corruption become institutionalised when they are seen but not reported, known about but not dealt with, when victims and whistleblowers are isolated, transferred or ignored.

> The problems are clear. Recommendations have been made. Action must follow

Previous moves to prevent arrogance, complacency and corruption — such as the introduction of the National Police Code of Ethics — are largely valueless when these values are not reflected in the ethos of the organisation. As Casey reported, trust in the Met has diminished from 89 per cent in 2016 to 66 per cent in 2022. One-third of Londoners do not trust their police force.

Trust in policing is vital, given that the British model, dating back to the Met's founder Robert Peel, relies on policing by consent. I know first-hand how important this trust is, having previously investigated criminality and misconduct by officers of the Royal Ulster Constabulary, which was 93 per cent Protestant, 87 per cent male and regarded by Northern Ireland's Protestant majority as "their" police force.

By 1998, the involvement by some RUC members in serious crime including murder, sectarianism and collusion with terrorists (both Republican and Loyalist), had sent public trust in the force tumbling. Radical reform was needed, and an oversight commission comprising former police chiefs from the US and Canada worked for seven years to implement the 175 recommendations of the Patten Report on policing in Northern Ireland. Many officers left the force under financial arrangements that were part of the reform package, and the new Police Service of Northern Ireland emerged, properly equipped, with high levels of training and oversight structures including my own role as Police Ombudsman. Regrettably, the level of policing resources in Northern Ireland has not been sustained and further reforms are now needed.

However, I believe the example from Northern Ireland could be applied to the Met. The problems have been clearly identified. Recommendations have been made. Action must follow.

The people of London deserve impartial, effective and accountable policing. This is a costly enterprise but a necessary one. The Met must be properly resourced, especially in its work to identify and confront criminality within its own ranks. Until institutional corruption, racism, misogyny and homophobia are acknowledged and dealt with, this force will simply lurch from one crisis to the next.

The writer is a former Police Ombudsman for Northern Ireland and was chair of the Daniel Morgan Independent Panel

Lex.

Twitter: @FTLex

SVB/FDIC: saviours get favours

Wall Street remains skittish about regional banks. The clearest indication: shares of First Citizens Bancshares jumped only 50 per cent yesterday.

The North Carolina-based institution is taking over defunct tech lender Silicon Valley Bank. This delivers a subsidy so staggering that the market reaction looked miserly by contrast.

First Citizens previously had a market cap of roughly $9bn based on a book value of the same amount.

It will now absorb a $72bn loan book and $56bn of remaining deposits at a $16bn discount to net asset value. The SVB's steward, the Federal Deposit Insurance Corporation, has provided that sweetener to make the bulk of SVB somebody else's problem.

A week ago, when New York Community Bancorp rescued Signature Bank, it took mostly cash as assets and left Signature's loan book with the government. First Citizens is taking on SVB's lending portfolio, notably parts that provide "capital call" financing to buyout firms, as well as those loans to tech companies and even wineries.

First Citizens negotiated protections from two risks. First, on the liability side, if SVB deposit flight continues, First Citizens has borrowed $35bn from the FDIC at a modest rate of 3.5 per cent and has access to additional funding from the agency.

Second, on the asset side, the bank has struck a loss-sharing deal with the FDIC on loan losses over $5bn.

Balance sheet aside, acquisitive First Citizens gets a shot at operating what was, until recently, the premier local bank in one of America's most desirable locales. The shares of First Citizens and NYCB rallied sharply after each took on assets of seized banks at substantially discounted valuations, together gaining market value of around $6bn. Each said they went for an FDIC subsidy figure that would keep existing capital ratios stable.

But in a regular deal, they would have issued equity to achieve this.

The FDIC, while negotiating nearly $1bn of equity upside from the sales, estimated the total cost to its insurance fund of more than $20bn. That gain would be less than the value accretion so far at First Citizens and NYCB.

The lesson for now is that bank rescues are a partial transfer of value between unlucky and lucky bank shareholders.

This is accompanied by an even bigger abandoned loss to banking's stakeholders.

Twitter: free speech, expensive equity

Elon Musk's revaluation of Twitter sounds like a sober admission of failure. A $20bn value pegged to new employee stock awards is less than half the amount he paid for the company.

In reality, it is wildly optimistic. Value Twitter on the same metric as social media peer Snap and the equity is worth nothing.

When Musk closed his $44bn deal in late October, driven by what he called a desire to champion free speech, the digital advertising sector had already crashed. Between the date he offered to buy Twitter and the deal's completion, Snap's share price fell 65 per cent and Meta's by 55 per cent. Without Musk's bid to bolster it, Twitter's market value would probably also have halved.

Since then, ructions have intensified. While Meta's revenue fell 1 per cent last year and Snap posted a 12 per cent rise, Twitter's is reported to have fallen 40 per cent. Staff are unhappy after large-scale job cuts. Parts of the key source code have been posted on GitHub, a hosting website for developers.

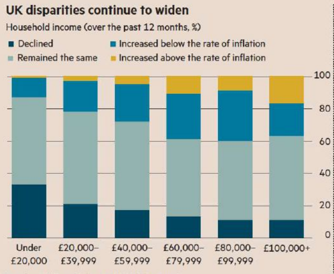
As a private company, Twitter does not have to report quarterly earnings. Because it is lossmaking, it cannot be valued on trailing profits. But Musk has previously said that Twitter's revenue this year is projected at $3bn. Snap's enterprise value is equal to just under four times forecast annual sales. Multiply Twitter's $3bn by four and the enterprise value would be $12bn. This is below the group's $13bn debt burden, leaving the equity without value.

Musk's ambitions are undimmed. He claims that Twitter will eventually be worth $250bn. It is hard to see where he will find the money to invest. He also needs cash to pay additional stock compensation while making $1.5bn of annual interest payments.

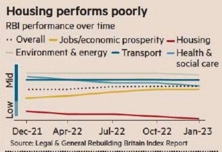
Musk is cutting costs. But the EU has told Twitter to hire more moderators to comply with EU rules. A plan to remove official user verification in favour of paid-for checkmarks will sow further confusion. At the moment, Twitter's $20bn valuation is pure fantasy.

L&G: another level

The insurer's quarterly 'Rebuilding Britain' index shows that salaries are failing to keep up with inflation, especially among the least well off. Satisfaction with critical infrastructure is down nationally. The lack of investment in housing may create opportunities for L&G Capital, which builds new properties from scratch.



Source: Legal & General Rebuilding Britain Index Report



Source: Legal & General Rebuilding Britain Index Report

Source: Barclays Research, company data

Britain is not doing awfully well. That is the message from Legal & General's quarterly "Rebuilding Britain" index. But the UK-focused insurer may be able to buck the wider trend.

The survey, which is based on questions put to 20,000 households, shows inflation starting to bite, as suggested by February's shock 10.4 per cent rise. Salaries are not keeping up, with 95 per cent of households suffering a decline in real incomes.

Satisfaction with key infrastructure — housing in particular — is down. Respondents do not feel local housing meets local needs, particularly for cheaper "starter" homes. The market is unlikely to deliver them at speed given unaffordable mortgages and increasingly risk-averse banks.

L&G's stock has fallen in sympathy with Britain's woes. It is down 10 per cent over the past month and 14 per cent over the past year.

That chimes with the insurer's exposure to the UK, which over the next couple of years will provide some 80 per cent of operating profits, says Panmure Gordon's Abid Hussain.

A spluttering economy raises concerns over credit quality across L&G's huge bond portfolio. L&G's £9.4bn real estate portfolio, of which £4bn are offices, might also be affected by a slowdown.

However, high interest rates benefit insurers. The value of their liabilities — which generally come due in the distant future — falls, often more than their assets. This may spur further growth at L&G's biggest unit, which specialises in taking the old, so-called defined-benefits schemes from the original corporates at a price. Such schemes become better funded when rates rise, meaning more companies are likely to offload theirs.

L&G is also in the business of building new properties from scratch, generating assets to match its liabilities. So far, its Capital division has £4.2bn of direct investments. The government's desire to encourage investment in its "levelling up" agenda may open up strategic opportunities for this division.

That's not to underplay the grim economy's challenges. But on seven times this year's earnings, the insurer looks well protected.

Vonovia/German property: stately pile

Financial instability means rate rises may now be slower and gentler than expected. Indebted businesses are feeling the strain, nevertheless.

Consider Germany's Vonovia. The residential landlord loaded up on debt to buy rival Deutsche Wohnen in 2021. Recent full-year results reflect a hangover from that house party.

The deal created Europe's largest-listed landlord with more than €90bn of residential assets. It also left Vonovia with an additional €20bn of net debt.

The cash cost of servicing the €43bn debt pile rose by more than €100mn last year. Falling property prices are an added woe. Shares have fallen more than 60 per cent in the past year. They are worth just 30 per cent of the published net asset value.

Boss Rolf Buch has halved the 2022 dividend. He has put expansion plans on hold and sold a stake in French property group Vesta. Vonovia plans further disposals of non-core assets valued at €2bn in 2023. Andres Toome at Green Street thinks that this will be harder than it sounds: "Transactions are sparse but even the highest bids indicate steep discounts," he says.

A company stress test specifies a "bearish" 10 per cent fall in property prices and no further disposals. Loan to value would then rise by just a few percentage points above last year's 44 per cent. That represents a reduction in values that may already be out of date. Spot valuation estimates point to an LTV of 54 per cent, Green Street says. The covenant limit is 60 per cent.

But although German rents are well regulated, they have been growing at almost 10 per cent a year. Buch should not have trouble attaining consensus free cash flow of €1.3bn this year.

This would not be enough to pay down €2.2bn of unsecured bonds that mature in 2023 without some proceeds from asset sales. But Vonovia also has cash on the balance sheet — some €1.3bn at the end of 2022.

That suggests that the company has just enough wriggle room to avoid an equity fundraising for the moment.

Northvolt: Swedish Gauss mafia

Sweden produces plenty of high energy thanks to its house music. Stockholm-based battery maker Northvolt hopes to make its own contribution as Europe's regional champion for electric-vehicle battery manufacturing. It is seeking $5bn of financing.

There is no doubting Northvolt's ambition. It produced its first batteries only at the end of 2021. At least it is still in business, unlike UK rival Britishvolt, which collapsed in January.

Like electrons, EV battery demand moves fast. Three years ago, monthly global battery sales averaged 8-10 GWh. In the past year that has swelled towards 30 GWh and could easily double in a few years. Northvolt aims to reach 60 GWh of output (roughly 800,000 batteries) by 2026, then on to 250GWh. No wonder it needs cash.

Northvolt has locked in some $55mn of sales deals with BMW, Volvo Cars, Volkswagen and Scania trucks. It plans to build four gigafactories, each producing about 60GWh a year. Its first plant, on the Arctic Circle, produces batteries using renewables. More are coming in Poland and Sweden. Another may go to Germany or possibly the US.

Subsidies there are worth up to $35 per kilowatt hour, Bernstein Research says. That is about a quarter of current battery costs.

An equity listing is expected at some point next year. What might the battery maker be worth? Profits are years away. Current prices for its high-performance, energy-dense nickel manganese cobalt (NMC) batteries are about $125 per kilowatt hour, says Rystad Energy. Producing 60GWh, Northvolt could generate some $7.5bn of annual revenues. On about two times top line, roughly what China's CATL receives, Northvolt would be worth more than $15bn.

Northvolt is a young group in a rush. Shareholders in mature industries will sit this out. But investors with quick moves of their own will appreciate the potential for local battery manufacturers in a continent well-endowed with carmakers.

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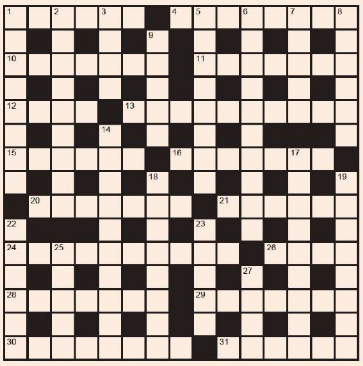
CROSSWORD

No 17,370 Set by PETO



ACROSS

1 Mean-spirited king has Russian runner sent back (6)
4 Omit expressions of approval for items of sports equipment (3,5)
10 Great old rock band overwhelmed by endless support (7)
11 Unpredictable informer hiding in Morecambe (7)
12 Son leaving was thoroughly abhorrent in defeat (4)
13 Means of access from the east to conceal part of church (4,6)
15 Incompetent foreign article on murder victim by the sound of it (6)
16 Get to make concrete (7)
20 Exploit river mouth perhaps (7)
21 Spot somewhat sharp implement (6)
24 Kind of Hell with Eve not being truthful (2,3,5)
26 Girl missing the first song (4)
28 Former PM not entirely following priest's foolish talk (7)
29 Hold forth about batting and keep going (4,3)
30 Inherent in dirt seen all over the place (8)
31 If not, then gold instead (2,4)

DOWN

1 Box on the head becomes clichéd when old (8)
2 Make fine tea and eat nut fudge (9)
3 Starts to exercise with esteemed Reds' pitcher (4)
5 Want to penetrate stronghold being very much involved (4-4)
6 To get rid of inside left is a help for defenders (10)
7 Henry and others covering up for Turner (5)
8 Back for a short time (6)
9 Half-hearted roar coming from downstairs (5)
14 Philosopher after commencement dealt with being wronged (3-7)
17 Winger magnificent before championship game (5,4)
18 Not bound to prevail say without restraint (4,4)
19 Banter with soldiers and leave Peter oddly neglected (8)
22 Cringe around Poland's foremost poet (6)
23 Reluctant to delete a piece of poetry (5)
25 Nets, split from the bottom, ultimately useless (5)
27 Apparent in zombie rising from coffin carrier (4)

JOTTER PAD

Solution 17,369

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