FINANCIAL TIMES

THURSDAY 6 APRIL 2023 ASIA

Taiwan stuck between two superpowers
BIG READ, PAGE 15

US media are still Trump's unwitting allies
EDWARD LUCE, PAGE 17

Ukraine 'ready' for Crimea talks with Kremlin if counteroffensive succeeds

- Zelenskyy aide speaks out
- Liberation of peninsula 'not excluded'
- Peace talks so far ruled out

CHRISTOPHER MILLER — KYIV
FELICIA SCHWARTZ — WASHINGTON

Kyiv is willing to discuss the status of Crimea with Moscow if its forces reach the border of the Russian-occupied peninsula, a senior adviser to President Volodymyr Zelenskyy has told the Financial Times.

The comments by Andriy Sybiha, deputy head of Zelenskyy's office, are the most explicit statement of Ukraine's interest in negotiations since it cut off peace talks with the Kremlin last April.

"If we will succeed in achieving our strategic goals on the battlefield and when we will be on the administrative border with Crimea, we are ready to open [a] diplomatic page to discuss this issue," Sybiha said. "It doesn't mean that we exclude the way of liberation [of Crimea] by our army."

Sybiha's remarks are likely to be well received by western officials sceptical about Ukraine's ability to reclaim the peninsula and concerned that any attempt to do so militarily could lead Vladimir Putin to escalate his war, possibly with nuclear weapons.

Zelenskyy has so far ruled out peace talks until Russian forces leave all of Ukraine, including Crimea.

Sybiha is a veteran diplomat who focuses on foreign policy in the president's office and has been at Zelenskyy's side at key moments in the war. He said the president and his aides were now speaking specifically about Crimea as Ukraine's army gets closer to launching a counteroffensive.

A spokesperson for Zelenskyy did not respond to requests for comment.

Rear Admiral Tim Woods, Britain's defence attaché in the US, said yesterday that Crimea would need "a political solution because of just the concentration of force that is there and what it would mean for the Ukrainians to go in".

"I don't think there's going to be a very quick military solution . . . hence we need to see what are favourable conditions for Ukraine to negotiate and I think Ukraine would be up for that."

In the early days of the war, Ukraine was willing to negotiate with Moscow over Crimea rather than insisting on regaining it militarily at all costs. But, at present, the only known contacts between Kyiv and Moscow are to negotiate prisoner exchanges and the return of children forcibly deported to Russia.

Ukraine broke off peace talks in light of alleged Russian war crimes in the Kyiv suburb of Bucha, while Zelenskyy signed a decree declaring negotiations with Putin impossible after the Kremlin annexed four provinces in September.

Ukraine's president has repeatedly made clear his ultimate goal of bringing all his country's land, including Crimea, under Kyiv's control. But in May last year he indicated that Ukraine might consider a peace deal if Russian forces returned to positions in eastern Ukraine predating last year's invasion, and suggested that the issue of Crimea would be resolved later through diplomacy.

Crimea has been under Russian occupation since February 2014 and was annexed by Moscow after a mock referendum, a move condemned internationally as an illegal land grab.

Kyiv is hoping its counteroffensive will make headway south and sever a land bridge Russia uses to supply its invasion forces from Crimea. Mykhailo Podolyak, a Zelenskyy adviser, told Radio Free Europe yesterday that Ukraine's forces would be on Crimea's doorstep in "five to seven months".

Some Ukraine allies fear that Putin could use nuclear weapons to defend the peninsula, whose status he says is non-negotiable. "Some are so afraid of Ukraine approaching the administrative border of Crimea that they are . . . trying to postpone this moment," said Alyona Getmanchuk, director at New Europe Centre, a Kyiv think-tank.

Macron pushes Xi page 2

State visit: Volodymyr Zelenskyy, right, and Poland's president Andrzej Duda at a welcoming ceremony in Warsaw yesterday
Wojtek Radwanski/AFP

> Whether Beijing bolsters the Russian war effort or genuinely mediates will be a 'determining factor' in EU-China relations for years to come

FT View
Page 16

Briefing

▸ Credit Suisse takeover is very risky, warns UBS chair
Colm Kelleher has told investors that absorbing Credit Suisse is "not in any way an easy deal to do", as shareholders lined up to express concerns about it.— PAGE 6

▸ Fury after Israel action
Israeli police have clashed with Palestinian worshippers in the al-Aqsa mosque in Jerusalem, drawing a furious response from the Arab world.— PAGE 4

▸ Taiwan president in US
House speaker Kevin McCarthy has welcomed Tsai Ing-wen to his home state of California, in a landmark meeting on US soil.
— PAGE 3; BIG READ, PAGE 15

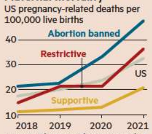
▸ J&J offers $8.9bn talc deal
The health products group has proposed a deal to resolve tens of thousands of lawsuits alleging its talcum powder caused cancer, in a bid to resolve litigation.— PAGE 6

▸ Fresh setback for Eskom
President Cyril Ramaphosa's bid to fix the power monopoly is in disarray after the South African government halted a disaster declaration over outages.— PAGE 4

▸ Pandemic talks falter
Talks on a treaty designed to act as a framework for a response to future outbreaks have struggled to agree key points including the definition of a pandemic.— PAGE 4

Datawatch

Maternal mortality
US pregnancy-related deaths per 100,000 live births



Source: Gender Equity Policy Institute analysis of CDC data

Women in US states with abortion bans are nearly three times more likely to die during pregnancy, childbirth or soon after. The gap between mortality in states which have restrictive laws and those which are supportive has widened

Talent agent takes top billing after $21bn tie-up

Analysis ▸ PAGE 9

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

Subscribe In print and online

www.ft.com/AsiaSubs
Tel: (852) 5803 3388
Fax: (852) 2905 5590
email: subseasia@ft.com

No: 41,291 ★

Printed in London, Liverpool, Glasgow, Dublin, Frankfurt, Milan, Madrid, New York, Chicago, San Francisco, Tokyo, Hong Kong, Singapore, Seoul, Dubai

14>
9 770307 176845

Hedge funds reap $7bn bonanza from bank crisis by betting against lenders

LAURENCE FLETCHER — LONDON

Hedge funds made more than $7bn in profits by betting against bank shares during the recent crisis in the sector, their biggest such haul since the 2008 financial crisis.

The bumper gains came during a bleak month for banks, with the Silicon Valley Bank collapse and the emergency sale of Credit Suisse affecting the wider sector.

Amid plunging share prices, First Republic was bailed out by larger US rivals and Germany's chancellor Olaf Scholz was forced to dismiss fears about the health of Deutsche Bank.

Short sellers — which borrow stock and sell it, hoping to buy it back at a lower price — made estimated total profits of about $1.3bn from positions against SVB, according to data firm Ortex. A further $848mn in gains came from bets against First Republic, whose shares fell 89 per cent in March. Investors made $684mn from shorting Credit Suisse, according to the data. Total profits from short positions across the US and European bank sector were $7.2bn.

"March was the single most profitable month for short sellers in the banking sector since the 2008 financial crash," said Ortex co-founder Peter Hillerberg.

Barry Norris, chief investment officer at Argonaut Capital, said he had enjoyed a "stellar" month with bets against Credit Suisse and First Republic, among others. His Argonaut Absolute Return fund gained more than 6 per cent.

Marshall Wace, one of the biggest hedge funds, shorted 0.7 per cent of Deutsche Bank shares. Funds gained about $40mn from bets against Deutsche. Many hedge funds increased their short positions as the turmoil deepened.

Bets against Credit Suisse rose from 3.5 per cent of outstanding shares at the start of March, according to S&P Global Market Intelligence, to 14 per cent by March 20, the day after it was sold to UBS. Short interest in First Republic rocketed from 1.3 per cent at the start of the month to 38.5 per cent by March 30.

Hedge funds appear to be expecting further problems in the sector. Short interest in First Republic remains only marginally below the March high at 37.3 per cent, while bets against Deutsche have also fallen only slightly.

Norris said the Federal Reserve had cut the risk of banks going bust because of a lack of liquidity, but higher interest rates could have "a catastrophic impact". "The liquidity crisis is probably over but the solvency crisis is about to begin."

Risky AT1 debt page 10

World Markets

STOCK MARKETS

	Apr 5	Prev	%chg
S&P 500	4083.78	4100.60	-0.41
Nasdaq Composite	11969.07	12126.33	-1.30
Dow Jones Ind	33466.20	33402.38	0.19
FTSEurofirst 300	1808.55	1808.76	-0.01
Euro Stoxx 50	4293.10	4315.32	-0.51
FTSE 100	7662.94	7634.52	0.37
FTSE All-Share	4161.56	4155.57	0.14
CAC 40	7316.30	7344.96	-0.39
Xetra Dax	15520.17	15603.47	-0.53
Nikkei	27813.26	28287.42	-1.68
Hang Seng	20274.59	20409.18	-0.66
MSCI World $	2796.78	2803.63	-0.24
MSCI EM $	987.62	989.18	-0.16
MSCI ACWI $	647.67	649.20	-0.23
FT Wilshire 2500	5306.86	5343.32	-0.68
FT Wilshire 5000	41382.17	41675.35	-0.70

CURRENCIES

Pair	Apr 5	Prev	Pair	Apr 5	Prev
$/€	1.091	1.097	€/$	0.917	0.912
$/£	1.245	1.252	£/$	0.803	0.799
£/€	0.876	0.876	€/£	1.141	1.141
¥/$	130.875	131.815	¥/€	142.805	144.594
¥/£	162.958	164.979	£ index	79.652	79.205
SFr/€	0.987	0.995	SFr/£	1.127	1.136

CRYPTO

	Apr 5	Prev	%chg
Bitcoin ($)	27912.10	28153.00	-0.86
Ethereum	1892.72	1870.60	1.18

COMMODITIES

	Apr 5	Prev	%chg
Oil WTI $	80.51	80.71	-0.25
Oil Brent $	84.93	84.94	-0.01
Gold $	2009.60	1983.30	1.33

GOVERNMENT BONDS

Yield (%)	Apr 5	Prev	Chg
US 2 yr	3.72	3.85	-0.13
US 10 yr	3.28	3.35	-0.07
US 30 yr	3.56	3.60	-0.03
UK 2 yr	3.33	3.32	0.01
UK 10 yr	3.55	3.56	-0.01
UK 30 yr	3.73	3.71	0.02
JPN 2 yr	-0.04	-0.03	-0.01
JPN 10 yr	0.46	0.41	0.05
JPN 30 yr	1.34	1.35	-0.01
GER 2 yr	2.51	2.58	-0.07
GER 10 yr	2.18	2.25	-0.07
GER 30 yr	2.26	2.33	-0.07

Prices are latest for edition
Data provided by Morningstar

Ukraine war

Macron bids to tempt Xi away from Putin

Chinese leader urged to step up peacemaker role over Moscow's invasion

EDWARD WHITE — SEOUL
LEILA ABBOUD — PARIS

French president Emmanuel Macron said he would seek to convince Xi Jinping to take "a shared responsibility for peace" in Ukraine, the latest bid by a European leader to coax China's president away from support of Moscow.

In Beijing yesterday at the start of a three-day state visit, Macron said it would be a mistake not to talk to China about Russia's invasion of Ukraine, given Xi's influence on President Vladimir Putin. "Do we agree with everything in [China's plan]? No. However it shows a will to play a responsible role and try to build a pathway to peace," he said, referring to China's 12-point paper on the war released in late February.

"We, Europeans, would be mistaken to let Russia be the only European nation speaking to China."

Macron, joined by European Commission president Ursula von der Leyen on the trip, will be walking a delicate line with Xi when they meet today. Macron is also seeking to reboot the Franco-Chinese relationship from trade to culture.

Analysts said the European leaders were unlikely to convince the Chinese leader to drop his backing of Putin or China's economic support of Russia.

Dexter Roberts, a senior fellow with the Atlantic Council, a Washington think-tank, said any shift in the near future in both how Xi viewed Putin and in how the Communist party leadership viewed Russia was "basically zero".

"Xi and other top leaders genuinely feel sympathy for Russia. They believe Putin has his back pushed against the wall by Nato expanding," Roberts said. "They very much see a parallel . . . with the US presence in the Indo-Pacific."

An Elysée official admitted the talks might not lead to an immediate breakthrough, but that France saw value in laying the groundwork with China that could pay off later if and when Ukraine and Russia were ready for peace talks.

Macron spoke to US president Joe Biden before his visit. The White House said the leaders "reiterated their steadfast support for Ukraine". The Elysée said they discussed their "shared desire to engage China in speeding the end of the war and helping build a durable peace in the region".

Von der Leyen said this week China could influence Russia over Ukraine "and therefore [has] a responsibility" to do so. She previously warned Beijing that its stance would be a "determining factor" for the EU-China relationship.

Xi travelled to Moscow last month to emphasise his ties with Russia's president. China also sought to position itself as a non-aligned broker on the war with the position paper, but it mostly reiterated its previous talking points and was dismissed by western officials for failing to dispel concerns about Beijing's touted "no-limits partnership" with Moscow.

Leif-Eric Easley, a professor of international studies at Ewha Womans University in Seoul, said Xi had done little to engage with Ukrainian president Volodymyr Zelenskyy, who Xi has not called, or consider Kyiv's interests, despite Moscow "violating its neighbour's territorial integrity and UN charter".

Additional reporting by William Langley in Hong Kong

See The FT View

State visit

Poland greets Zelenskyy with offer of more MiG fighter jets

CHRISTOPHER MILLER — KYIV
RAPHAEL MINDER AND BARBARA ERLING
WARSAW

Poland's leader pledged to send 14 MiG-29 fighter jets to Ukraine after welcoming President Volodymyr Zelenskyy to Warsaw yesterday for a state visit aimed at strengthening ties between the neighbouring nations.

The pledge follows a delivery by Poland of four of its Soviet-built jets after it agreed last month to make the first shipment of combat aircraft by a Nato nation, raising the level of western military support to Kyiv. Slovakia followed suit and is sending 13 MiG-29 jets.

Polish president Andrzej Duda said his country was soon to hand over four more jets and that another six were "now in preparation" and would be delivered as soon as possible.

Once Poland received replacement Korean and American fighter jets that it had ordered, "I believe that in the future we will be able to transfer our entire remaining MiG fleet to Ukraine, should the need arise", Duda said.

Poland has 29 operational MiG jets, Polish media reported.

The country has played a major role in galvanising western military support for Ukraine and has hosted 1.5mn Ukrainian refugees, according to UN statistics. Zelenskyy used his visit to highlight the fact that "never in history have there been such warm relations between our countries".

But his arrival in Warsaw coincided with the resignation of Poland's agriculture minister amid a dispute over grain imported from Ukraine. Henryk Kowalczyk stepped down after Polish farmers condemned his government's inability to stop cheaper Ukrainian grain from flooding the domestic market after the EU scrapped customs duties and quotas on grain imports from Ukraine following Russia's full-scale invasion.

> 'I believe that in the future we will be able to transfer our entire remaining MiG fleet to Ukraine'

The minister blamed the European Commission for failing to meet "the basic demands of farmers" after Poland and four other EU nations demanded more compensation for farmers from the EU. They also sought the return of farm export restrictions that were lifted last year to help Ukraine's economy.

Protesting farmers blocked the city centre of Szczecin, on Poland's northern coast, yesterday, extending demonstrations that have lasted for two weeks.

Following his own meeting with Zelenskyy, Polish prime minister Mateusz Morawiecki said he would work with the Ukrainian president to find a solution to the grain crisis.

Zelenskyy was accompanied by first lady Olena Zelenska on the couple's first overseas trip together since February of last year, and just the third trip outside Ukraine for the president since the invasion. It was also the first time since the invasion that Zelenskyy's travel plans were announced ahead of time.

Zelenskyy also met Ukrainian refugees. He was due to end his day-long visit with a speech to Ukrainians and Poles at Warsaw's royal castle.

Transport. Accident probe

Greece reassures on rail safety amid crash fallout

Line reopens but disaster has become moment of reckoning over failure to reform operator

ELENI VARVITSIOTI — ATHENS

Greece has resumed passenger traffic on the railway destroyed in the country's deadliest crash more than a month ago.

But the nation is still struggling to identify those responsible for the years of neglect, mismanagement and corruption that led to the accident.

The collision between a passenger train and a freight train in February claimed the lives of 57 people and has turned into a moment of reckoning about the failure of successive governments and international creditors to transform a railway operator that had accumulated €11bn in debt.

Former executives said the company had a culture of mismanagement, political favours and lack of interest in improving the safety of the network.

With the accident front and centre in public discussion, the government of Kyriakos Mitsotakis last month postponed parliamentary elections.

Passenger traffic between Athens and Thessaloniki resumed on Monday, with transport minister George Gerapetritis giving assurances on safety. He said authorities were rushing to complete a new signalling and remote control system by September, in line with international safety standards.

That system was due to be installed in 2016 but was postponed seven times. Experts say if it had been in place, the crash would have been avoided.

"If the system existed, the possibility for an accident would be one in a million," said Christos Retsinas, former head of security for Trainose, the group that owned the trains in Greece until it was privatised in 2017 as part of bailout conditions. Because the system was in part funded by EU money, the European public prosecutor in 2021 launched an investigation into the tender.

The causes of the accident are not fully known and the investigation continues. The stationmaster on duty has been charged with negligent homicide and his case is being handled in Greek courts.

The crash was a disaster waiting to happen, according to former executives and transport experts, given the poor state of the infrastructure and debt accumulated by the state-owned railway operator, OSE, in the years leading up to the 2010 sovereign debt crisis.

"It is the worst version of the state, the last vestige of a state-run Soviet system, ruled by vested interests," said Thanasis Ziliaskopoulos, the former chief executive of Trainose. "Investments were made based on political criteria and not on what the market needed."

In the years preceding the economic meltdown that hit the country, the railway company's debt was rising 55 per cent a year. When Ziliaskopoulos took over as chief of Trainose in 2010, "the company was facing financial chaos", he said. He was faced with an annual deficit of €240mn to keep operations going.

At one of the first meetings with IMF representatives in the spring of 2010, Ziliaskopoulos remembered one of them shouting "shut it down!" — because it was deemed a hopeless case.

"A railway company with €11bn of debt means that there was severe mismanagement," said Thomas Wieser, who was the euro area's chief official during much of the sovereign debt crisis. When Greece's bailout conditions were drafted, the "troika" of international creditors called for the railway's operations to become profitable.

One of the measures was to cut back on staff. Greece's railways employed 12,500 people in 2010. After the troika's involvement, just 2,600 remained with OSE and in 2021 just 2,000.

Takis Theofanopoulos, who took over as president of OSE in 2010, said that as experienced train and railway station workers reached retirement age, "I knew we would soon face shortages that would be hard to deal with".

> '[OSE] is the worst version of the state, the last vestige of a state-run Soviet system, ruled by vested interests'

Other restructuring measures included slashing generous pay deals trade unions had secured and cutting back on train connections with few passengers. Fuel was routinely stolen from the company's stock and free tickets were handed out as political favours, with the company struggling to make any profits, according to Ziliaskopoulos.

A further challenge to safety was frequent raids by copper thieves.

Trainose was sold to Italy's state-owned railway company, renamed Hellenic Train in 2022, and given control of passenger and freight operations while OSE kept control of the network.

"The supervisor of the train master was stripped of his responsibilities, while the control centre in Athens was split into two," said Retsinas. "With these changes, an accident was waiting to happen."

Hellenic Train said it operated "in full compliance" with railway sector rules, saying it had "two train drivers in the cockpit and a master conductor in the coaches".

Clashes: a protest over the crash turns ugly in Athens last month. Below, the line from the capital to Thessaloniki reopens
Nicolas Economou/NurPhoto/Getty Images; Louisa Gouliamaki/AFP/Getty Images

FINANCIAL TIMES
6th Floor, Nan Fung Tower
Central, Hong Kong

Subscriptions and Customer Service
Tel: (852) 5803 3388, subseasia@ft.com

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

Letters to the editor
letters.editor@ft.com

Published by
The Financial Times (HK) Limited,
6th Floor, Nan Fung Tower, 88 Connaught Road
Central, Hong Kong
Asia Editor: Robin Harding

Printed by
Australia: Spotpress Pty Ltd, 24-26 Lillian Fowler Place, Marrickville, NSW 2204
Hong Kong: Kin Ming Printing Co Ltd, 15/F BLK A, 18 Ka Yip Street, Ming Pao Industrial Centre, Chai Wan; Representative; Angela Mackay; ISSN 1025-918X
Japan: Nikkei Tokyo Newspaper Printing Center, Inc., 1-10-5, Shinonome, Koto-Ku, Tokyo 135-0062
Representative; Hiroko Rizzo Hoshino;
ISSN 0915-9460
South Korea: Maeil Business Newspaper, 30-1, 1-Ga, Pil-Dong, Jung-Ku, Seoul, 100-728
Singapore: SPH Media Limited, 2 Jurong Port Road, 619088
Representative, Anjali Mahindroo

Reprints are available of any FT article with your company logo or contact details inserted if required (minimum order 100 copies). One-off copyright licences for reproduction of FT articles are also available.
For both services phone +44 20 7873 4816, or alternatively, email syndication@ft.com

Diplomacy

Blinken prepares to raise stakes over reporter held by Russia

HENRY FOY — BRUSSELS
FELICIA SCHWARTZ — WASHINGTON

The US state department is preparing to declare Evan Gershkovich wrongfully detained, a designation that will escalate efforts to secure the American journalist's release from Russia.

"In my own mind, there's no doubt he's being wrongfully detained by Russia," Antony Blinken, secretary of state, said in Brussels on Wednesday.

However, the US must complete the appropriate procedures to make that designation official, said Blinken.

"I want to make sure as always, because there is a formal process, that we go through it, and we will, and I expect that to be completed soon," he said.

Gershkovich, a reporter for The Wall Street Journal in Russia, was arrested last week and detained on charges of espionage. American officials and the WSJ deny the charges. US president Joe Biden and dozens of news organisations have called for his immediate release.

Blinken said he conveyed his view about Gershkovich during a rare phone call with Sergei Lavrov, his Russian counterpart, over the weekend. He said he had also demanded the release of Paul Whelan, another American considered wrongfully detained who is also being held on espionage charges. Whelan was arrested in Russia in 2018, and convicted and sentenced to 16 years in prison in 2020.

The arrest of Gershkovich, the New Jersey-born son of Soviet émigrés, has plunged relations between Moscow and Washington to a post-cold war low.

Gershkovich, the first American journalist to be detained by Russia since 1986, is being held in Moscow's Lefortovo prison, a pretrial detention centre run by the FSB security service.

Once the state department makes the formal declaration, its office of the special presidential envoy for hostage affairs will supervise the case. The office works on negotiations for hostages and other US citizens classified as wrongfully imprisoned in foreign countries. The designation will enhance the US government's ability to design and execute a strategy for Gershkovich's release.

Blinken said yesterday that the US has made a proposal for a prisoner swap for Whelan that has been on the table for several months. He said he urged Lavrov to accept it.

Gershkovich met his Russian lawyers on Tuesday, who said he was in good health and grateful for the outpouring of support for his case. US officials have not been able to visit him to assess his condition.

"[Russia] has an opaque and highly bureaucratic process for consular access and it will probably be several days before we can gain consular access," a state department official said.

Last year, the US negotiated two prisoner swaps for other Americans deemed unjustly held by Russia. Among them was Brittney Griner, the basketball star, who was detained in February 2022 and later convicted of drug smuggling after a small amount of hashish oil was found in her luggage. Griner was swapped in December for Viktor Bout, a Russian arms dealer.

Trevor Reed, a US citizen and former marine, was swapped in April 2022 for a Russian citizen who was held on drug charges. He had been detained in 2019 on charges of endangering Russian police officers in an altercation.

Detained: Evan Gershkovich, centre, who is facing espionage charges, is escorted from a Moscow court on March 30
Alexander Zemlianichenko/AP

INTERNATIONAL

Doubts voiced over whether Bragg can pin 'zombie case' on Trump

Prosecutor's claim that business records were falsified after a hush-money payout meets with scepticism

JOE MILLER — NEW YORK

For more than a year, a criminal inquiry into whether Donald Trump masterminded a "hush money" scheme to keep porn actress Stormy Daniels silent was thought to be dead and buried.

Federal prosecutors in New York had looked at the case and declined to pursue it. When Alvin Bragg became Manhattan district attorney in 2022, he reportedly believed it to be too thin, and subsequently shifted his office's focus to a tax fraud case against the former president's business empire.

Yet on Tuesday, what had been widely referred to as the "zombie case" came back to life, as a sombre Trump was formally charged with 34 felonies.

A 16-page indictment claimed only that the defendant falsified business records to reimburse his former lawyer, Michael Cohen, for paying $130,000 to Daniels in the run-up to the 2016 election in exchange for her agreement not to talk about an alleged affair with Trump.

The criminal case, unprecedented both in the legal theories it presented and the political implications of charging a former president, was met with deep scepticism by many legal experts.

Those who had long questioned the wisdom of pursuing such a case promptly rounded on the Democratic DA. "This is all very thin gruel for an indictment of a former president by a local prosecutor," tweeted Robert Kelner, a Washington-based election lawyer at Covington & Burling and a former Republican speechwriter.

Even those in favour of indicting Trump for other crimes expressed their doubts. UCLA School of Law professor Richard Hasen, who has previously called for Trump to be charged in a separate probe over the January 6 2021 Capitol Hill riots, said political and legal considerations should have prevented Bragg from moving forward.

"The legal papers are quite skimpy; if this was in federal court I would expect more of the theory of the case to be in there," Hasen said.

"If this case is weak . . . some in the public might surmise that they are all weak," he added, referring to investigations in Georgia and elsewhere over Trump's alleged interference in the 2020 presidential election.

Falsifying business records is a misdemeanour in New York state, and can only be elevated to a more serious felony if done with the intent to defraud or conceal another crime. "The scepticism is coming from the lack of identification of that additional crime," said Tanisha Palvia, a former Manhattan assistant DA who is now in private practice.

In court, assistant DA Christopher Conroy said Trump's payments had been made to "conceal an illegal conspiracy to undermine the integrity of the 2016 presidential election".

The DA's office subsequently released a "statement of facts". This detailed other payments it said were made by Trump's allies at the publisher then behind the National Enquirer magazine to silence both a Playboy model who claimed to have had an affair with Trump and a former doorman at Trump Tower.

For his part, Bragg emphasised in his press conference that the indictment "is not just about one payment", referencing state and federal election laws that might have been broken by Trump as well as possible violations of New York tax law. But he conceded that "the indictment does not specify" which particular crimes these might be, leaving the door open for Trump's team to challenge the legitimacy of the charges.

"What struck me was the statement of facts which laid out what I would consider to be facts related to a conspiracy," said Jim Roberts, a white collar defence lawyer at Schlam Stone & Dolan and a former Manhattan assistant DA.

"That charge [conspiracy] is notably absent from the formal charges that are contained in the indictment," he added, unlike the one brought against former Trump adviser Steve Bannon by the same office last year.

"The multiple theories of the predicate crime required to elevate the misdemeanour charge . . . to a felony might be akin to an everything but the kitchen sink approach," Roberts added.

"It may also suggest a lack of a simple, cohesive, and persuasive theory of the prosecution, something they will need to be able to articulate to convince a jury," he added. "And given the stakes, DA Bragg cannot afford to lose this case."

Flanked by posters highlighting dozens of cases brought by his office for falsifying business records, Bragg defended the charge as "the bread and butter of our white collar work".

But tying the misdemeanour of falsifying business records to a federal election crime in particular is untested as a legal theory in New York state.

"If that other crime is federal law, that may well be pre-empted by federal agencies and the [justice department]," Hasen said. "To the extent that they are relying on state charges, it is not clear that someone could be charged on state charges in a federal election."

Another potential weakness of the case is the reliance on key witnesses such as Daniels, who has written a book about her run-ins with Trump, and Cohen, who pleaded guilty to lying under oath in 2018 and served a prison sentence after being convicted of campaign finance violations, among other charges.

'The legal papers are quite skimpy; if this was in federal court I would expect more of the theory of the case to be in there'

"You need to corroborate every word out of Michael Cohen's mouth," said Karen Friedman Agnifilo, a former high-ranking member of the Manhattan DA's office who has long supported Bragg's decision to bring the case. "It is a weakness."

Despite such misgivings, many who have personal experiences of Trump's legal tactics have warned against jumping to conclusions based solely on the indictment, emphasising that it is merely the opening salvo in a legal battle that could last for well over a year.

"President Trump will spare no expense in trying to get these charges dismissed," said Temidayo Aganga-Williams, who was a senior counsel for the House select committee investigating the January 6 2021 attack before joining law firm Selendy Gay Elsberg.

"For strategic reasons you may choose as a prosecutor to release less information than you otherwise might," he added, keeping something back to fight "a barrage of pre-trial litigation".

Palvia was also keen to stress that the DA might have more up his sleeve, especially after a 23-person grand jury voted to hand down the indictment.

"A grand jury did [vote to] indict Mr Trump, so at least 12 people and potentially more thought there was enough." The indictment, she added, "may not be as weak as it appears to us".

Edward Luce see Opinion

Arraignment: Donald Trump makes his way into court in Manhattan on Tuesday. Below, Alvin Bragg speaks during a press conference following the ex-president's appearance
Ed Jones/AFP/Getty Images; Kena Betancur/Getty Images

California

US Speaker hosts Taiwan president and risks stoking China tension

KATHRIN HILLE — SIMI VALLEY
DEMETRI SEVASTOPULO — WASHINGTON

US House Speaker Kevin McCarthy welcomed Taiwan president Tsai Ing-wen to his home state of California yesterday, becoming the most high-profile US official to do so on the country's soil.

The meeting, which includes a bipartisan group of 18 lawmakers, marks a compromise between McCarthy's and Tsai's desires for a more high-profile US-Taiwan engagement and efforts to avoid a violent reaction from Beijing.

The California Republican, who became Speaker in January, last year said he intended to visit Taiwan if he won the top job in the House. But Tsai's administration suggested meeting during her planned US visit instead, citing the risks of a Chinese overreaction.

Hours before the meeting, China's People's Liberation Army sent the Shandong, its newest aircraft carrier in service, through the Bashi Channel, the strait that separates Taiwan and the Philippines, on its first navigation training in the western Pacific, Taiwan's defence ministry said. "PLA's deliberate action has jeopardised regional stability and caused tension in Taiwan Strait," it said, referring to China's People's Liberation Army. "However, external pressures will not hinder our determination to move towards the world and defend our country."

Prior to Tsai's trip, the Biden administration repeatedly warned China not to use the meeting as a pretext for greater aggression against Taiwan, which Beijing claims as part of its territory and has threatened to annex if Taipei refuses to submit to its control indefinitely.

Tsai and McCarthy headed into a first round of talks at the Reagan Library in Simi Valley yesterday morning, after which they were expected to make public statements. McCarthy was due to hold a press conference after his lunch with Tsai and the other lawmakers, who include Mike Gallagher, the Republican head of the new House China committee, and his Democratic counterpart, Raja Krishnamoorthi.

US efforts to strengthen Taipei's defences, and high-profile initiatives among US politicians in support of Taiwan, have become common amid increasing hawkishness on China. Over the past year, Beijing has hit back against what it calls interference by foreign powers in its internal affairs.

While Beijing has threatened to "take resolute steps to safeguard our sovereignty and territorial integrity" in the run-up to the meeting, the manoeuvre by its carrier group remained below the level of the war games it unleashed after McCarthy's predecessor, Nancy Pelosi, visited Taipei in August.

See FT Big Read

Greetings: Kevin McCarthy with President Tsai Ing-wen yesterday

Investment trends

IMF fears 'friendshoring' threatens output

CHRIS GILES — LONDON

Rising geopolitical tensions have triggered a reshaping of global investment that threatens to depress growth and raise the risk of financial instability, the IMF has warned.

In reports published yesterday, the fund noted that foreign direct investment was increasingly flowing between geopolitical allies, rather than countries that were geographically close.

There had been a notable decline in investment between the US and China since 2015 as the countries increasingly view each other as strategic rivals. The fund also found that increased tensions between the world's two largest economies had reduced hot money flows and bank lending by around 15 per cent.

While increasingly locating capital in friendly countries — a phenomenon known as "friendshoring" — might improve political security, the IMF warned that the trend was likely to reduce the diversity of risks, amplifying the chances of economic downturns.

In a simulation exercise, the IMF said the long-term efficiency costs of the world shifting towards economic blocs with greater investment barriers at borders could cut global economic output by 2 per cent.

"The estimated large and widespread long-term output losses show why it's crucial to foster global integration — especially as major economies endorse inward-looking policies," said the authors of the IMF report, published ahead of the spring meetings of the World Bank and IMF next week.

'Large and widespread long-term output losses show why it's crucial to foster global integration'

They highlight the risks that have arisen as countries and companies seek to build resilience into their supply chains by trading and investing in countries with a similar geopolitical mindset.

The message also clashes with increasingly protectionist rhetoric from governments. Janet Yellen, US Treasury secretary, called last year for companies to continue to look outside the US for investment locations, but to prioritise friendshoring of supply chains "with countries we know we can count on". China has sought to limit its dependence on foreign countries' technology.

These policies, alongside rising tensions since 2016, could be seen in the data, the IMF report said, with foreign direct investment declining since 2008 and increasingly flowing between countries that were geopolitical allies.

Geopolitical tensions were further amplified, it said, by hot money flows between countries, with portfolio balances and bank lending seriously affected as global relationships soured.

The effects of the fragmentation of the global investment landscape were likely to be felt most by emerging economies that were more dependent on inward investment by foreign companies, it said. Poorer countries were almost twice as vulnerable to rising geopolitical tensions than advanced economies.

In a simulation of potential efficiency losses from a 50 per cent fall in investment flows between two large economic blocs centred on the US and China, the IMF found the long-term hit to the US economy would be less than 1 per cent of gross domestic product. GDP losses in countries that relied on investment and trade flows with both the US and China were potentially as large as 6 per cent.

Global trade

WTO warns export-volume growth set to slow

ANDY BOUNDS — BRUSSELS

The World Trade Organization has warned that growth in export volumes will slow this year as rising interest rates and financial instability weigh on an environment already hit by a revival of protectionism.

Volumes increased by 2.7 per cent over the course of 2022, a lower than expected figure as the war in Ukraine and sanctions on Russia damaged supply chains still recovering from the early stages of the pandemic. This year, growth is expected to be even slower at just 1.7 per cent, well below the average level for the past decade of 2.6 per cent.

"The lingering effects of Covid-19 and the rising geopolitical tensions were the main factors impacting trade and output in 2022 and this is likely to be the case in 2023 as well," said Ralph Ossa, chief economist of the WTO.

Sharp rises in borrowing costs by global central banks over the course of 2022 had also revealed weaknesses in banking systems that could lead to wider financial instability if left unchecked, he said.

The latest forecast for 2023 is higher than the 1 per cent growth the WTO predicted in October, when most economists still expected a sharp slowdown in growth this year. The economic outlook has improved. However, trade is still expected to lag behind broader global growth.

"It's not good, but it's less bad," Ngozi Okonjo-Iweala, WTO director-general, told the Financial Times.

Okonjo-Iweala said the upgrades followed the easing of supply chain disruptions in recent months. The loosening of lockdowns in China was also expected to unleash pent-up consumer demand, increasing international trade.

The WTO worries that continued disruption of Ukraine's grain exports could yet cause famine

While concerns last year that trade in food would be hit by the war in Ukraine proved overblown after countries found alternative sources, the WTO remains worried that the conflict could lead to famine.

"The best thing to help us feel more secure is for the war in Ukraine to end," the WTO director-general said. "If we have a crop failure in a major producing region in the world, that could really create problems of food security."

She called on countries to drop all export restrictions on food and fertilisers — about 67 were in place, down from 100 after the outbreak of war in February 2022. Countries have agreed to waive them for purchases by the UN's World Food Programme.

"One in five calories consumed in the world is traded. Trade has really been a force for resilience in the world and that's why it's important to keep a free flow of trade," Okonjo-Iweala said.

Ethiopia, which relies on disrupted Black Sea exports for almost half its wheat, had found supplies from Argentina and the US. Turks had switched from eating wheat to rice.

While the outlook for trade in goods was pessimistic, services exports performed better. Services trade rose 15 per cent by value in 2022 compared with 2023. Digital services hit $3.8tn, up by 13 per cent.

"Streaming video, education services, all of those things, they are growing at a phenomenal rate. This is incredible," Okonjo-Iweala added.

Middle East

Israeli police in clashes at al-Aqsa mosque

Violence erupts after Palestinians barricade themselves inside holy site

JAMES SHOTTER — JERUSALEM

Israeli police clashed with Palestinian worshippers in Jerusalem's al-Aqsa mosque early yesterday, drawing a furious response from the Arab world.

The violence, which erupted as Muslims celebrated the holy month of Ramadan, and ahead of the Jewish Passover festival, was followed by an exchange of fire between Israel and Gaza, with Israeli forces bombing sites in the blockaded coastal strip after militants fired 10 rockets at Israel. Israel's military said four of the rockets launched from Gaza had been intercepted, five fell on empty terrain and one landed near a factory. No injuries were reported as a result of the exchange.

The hilltop al-Aqsa compound, known to Jews as the Temple Mount, is the third holiest site in Islam and the holiest in Judaism, and one of the most sensitive places in the Israeli-Palestinian conflict. Clashes there have touched off broader conflagrations in the past, including an 11-day war between Israel and militants in Gaza two years ago.

Egypt, Saudi Arabia, Jordan and the United Arab Emirates all condemned the entrance of Israeli forces into the mosque. Riyadh denounced it as a "blatant storming" and Cairo branded it a "dangerous escalation" that would undermine international efforts to calm Israeli-Palestinian tensions. The Arab League called an emergency meeting.

The violence began after Israeli police attempted to forcibly remove Palestinians who had barricaded themselves inside the mosque overnight to pray.

Police said they had arrested 350 people who had been hurling fireworks and stones, after "many continuous attempts to remove the individuals from the mosque using dialogue failed".

Israel's ultranationalist national security minister, Itamar Ben-Gvir, praised the police for their response and demanded a tougher Israeli reaction to the rockets fired from Gaza.

Palestinian prime minister Mohammad Shtayyeh accused Israel of a "major crime against worshippers".

Footage on social media appeared to show fireworks exploding in the mosque and armed police beating people with batons and rifle butts. Other pictures showed overturned furniture and belongings strewn across the floor. The Palestinian Red Crescent said 12 people had been injured in the clashes.

The incident in Jerusalem comes amid a surge in violence in the occupied West Bank, sparking fears that the Israeli-Palestinian conflict could be on the verge of escalation. In the past year, Israeli forces have killed more than 250 Palestinians in the West Bank and Palestinians have killed more than 40 Israelis.

Israel has occupied the West Bank and East Jerusalem, including the Old City where the al-Aqsa compound is located, since 1967. Under the so-called status quo agreement, Muslims and non-Muslims can visit the site, but only Muslims are allowed to pray there. But in recent years, Jewish groups have begun to pray at the site, stoking fears among Muslims that the status quo is being undermined.

Prime Minister Benjamin Netanyahu said yesterday that Israel was "committed to maintaining freedom of worship, free access for all faiths and the status quo on the Temple Mount".

Interview. Hassan Sheikh Mohamud

Somalia dares hope for end to al-Shabaab terror

Territorial gains, financial curbs and loss of support weaken Islamist militants

ANDRES SCHIPANI — MOGADISHU

Somalia's president has expressed confidence that a new military offensive against al-Shabaab will defeat the al-Qaeda-linked Islamist group that has long terrorised the Horn of Africa.

Government forces have been gaining ground since August after launching the most significant Somali-led campaign against al-Shabaab since its terror campaign began 15 years ago.

Territorial gains, mostly in central Somalia, have been backed by a financial crackdown that has led to the freezing of hundreds of bank and mobile money accounts, holding a "couple of million dollars" combined, and a drive to convince Somali clerics to condemn al-Shabaab as "anti-Islamic".

"Two things are there to defeat al-Shabaab: one is militarily, another is ideological," Hassan Sheikh Mohamud told the Financial Times in an interview from the presidential compound in Mogadishu, the capital. "The ideological war will continue for some time but, in the military one, I believe we'll defeat them."

The offensive, backed by the African Union, Turkey, the US and others, comes as the country of 17mn people is gripped by the worst drought in decades that has caused a food crisis for more than a third of its population, with millions near famine.

This disaster has partly driven what one diplomat in Mogadishu called the "insurgency within an insurgency", as communities once under al-Shabaab's control rise up against the militants. The government has been helped by growing discontent with the jihadis' use of extortion and forced recruitment, which has turned much of the population against them.

Al-Shabaab has also suffered significant defections, notably that of Sheikh Mukhtar Robow, its former deputy leader who has been recruited into Sheikh Mohamud's cabinet as religious affairs minister.

The Somali government has struck deals with militia from some of the most powerful regional clans. The combined forces have recaptured territory in the states of Hirshabelle and Galmudug, north of the capital.

On the offensive: Hassan Sheikh Mohamud says Somali forces have a greater capability than in previous campaigns

Eduardo Soteras Jalil/FT

"We've linked together our forces and the community to liberate these areas," said Sheikh Mohamud.

Further support has come from a 20,000-strong force under the African Union, while Turkey and the US have provided drone strikes and military training. A senior US official familiar with the conflict believed the strategy was working. The alliance between the Somali army and the clans who knew the terrain and could identify al-Shabaab was a "pretty powerful combination" that was "fundamentally different" from previous campaigns.

Analysts agreed that the militants had been put on the back foot. Omar Mahmood, senior Somalia analyst at the Crisis Group think-tank, said the offensive had "reversed some of al-Shabaab's gains of the past few years, forcing the militants out of several areas, including some important towns. Yet big challenges remain."

The next, more difficult, phase will seek to regain territory in Jubaland and South West state, the militants' heartland. "Al-Shabaab continues to mount resistance in parts of central Somalia and fighting al-Shabaab in its southern strongholds will probably be a tougher slog," Mahmood said.

To take this next step, Mogadishu has enlisted military support from neighbouring Djibouti, Ethiopia and Kenya, which have also suffered al-Shabaab attacks. "We'll have more forces and more capability right now than we had in the previous phase," Sheikh Mohamud said.

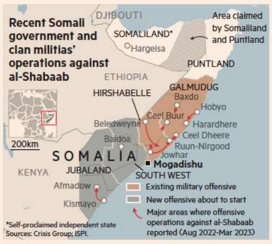
Al-Shabaab, which combines a Salafi-jihadist and Somali nationalist ideology, came together in about 2006 during an Ethiopian invasion of Somalia. It has become synonymous with suicide bombings and gruesome attacks, including the 2013 raid on the Westgate shopping mall in Nairobi.

The US has called it the "largest and most deadly al-Qaeda network in the world" that provided the terror group's central command with "tens of millions of dollars". The US Africa Command estimated there were 5,000 to 10,000 al-Shabaab fighters in Somalia before this offensive. "But they've taken a lot of casualties recently," said a Somali defence official.

US support to Somalia takes the form of a 450-troop presence established last year by President Joe Biden, reversing a decision by Donald Trump, his predecessor. The US has had a troubled history in the region, including an al-Shabaab attack in 2020 on one of its Kenyan bases in which three servicemen died, and the 1993 downing of two helicopters that killed 18 US soldiers.

Sheikh Mohamud said: "Al-Shabaab still feels it can survive, and we also believe the opportunity for negotiations is not yet mature. But in the end, this will end up with negotiations."

'Fighting al-Shabaab in its southern strongholds will probably be a tougher slog'



Eskom blackouts

S Africa ends energy state of disaster after legal challenge forces rethink

JOSEPH COTTERILL — JOHANNESBURG

President Cyril Ramaphosa's bid to fix the broken Eskom power monopoly is in disarray after the South African government yesterday abruptly terminated a state of disaster declaration over the country's rolling blackouts.

Ramaphosa announced the state of disaster just two months ago in response to worsening power cuts of up to 12 hours a day. But it faced legal challenges from civil society groups that said the designation threatened to exacerbate corruption at Eskom.

Yesterday, South Africa's finance minister also withdrew a deal for Eskom not to disclose irregular spending in its audited financial statements for the next three years, following public outrage that the exemption could be used to conceal graft and rot at the utility.

Enoch Godongwana told lawmakers that he was withdrawing the accounting dispensation just days after issuing it, following "intensive discussions" with the South African auditor general.

When he declared South Africa's energy crisis a national disaster, Ramaphosa said it was a means to streamline decision-making over Eskom and the procurement of resources. Critics countered that it would only curtail accountability for the crisis.

The government "has backtracked on two major decisions which had infuriated those who want transparency and good governance", said Wayne Duvenage, chief executive of the Organisation for Undoing Tax Abuse, a non-governmental organisation that sued to repeal the state of disaster.

"We believe that government is not applying its mind, we believe that government is shooting from the hip and is possibly being badly advised on some of these decisions," Duvenage added.

Ramaphosa won re-election as leader of the ruling African National Congress in December but is still struggling to stamp his authority on the government ahead of elections next year that threaten the party's long grip on power.

The South African presidency declined to comment on the withdrawal of the state of disaster. Eskom declined to comment on the withdrawal.

South Africa is heavily exposed to Eskom's dire finances, as it will receive bailouts on two-thirds of its debt in the next few years to fix power stations.

The National Treasury had cited the risks of a qualified audit, breaches to covenants on Eskom's R400bn ($22.5bn) debt and credit ratings downgrades if the utility was made to continue detailing historical irregular spending in audited statements under a public finance law.

But civil society groups and even allies of the ANC castigated the move, reflecting a collapse of trust in Eskom over the looting and infiltration by criminal syndicates within faltering coal power plants at the heart of the energy crisis.

Cosatu, South Africa's biggest trade union federation that is politically affiliated to the ANC, called the exemption an "abominable decision", also criticising a similar deal granted to Transnet, the state logistics monopoly, last year.

"The National Treasury either believes that rating agencies are most fantastically gullible or they themselves are delusional," it added.

Treaty talks

WHO nations struggle to define 'pandemic'

DONATO PAOLO MANCINI — LONDON

Countries negotiating a treaty designed to act as a framework for the world's response to future pandemics have struggled to agree key points including the basic definition of a pandemic, despite targeting a rapid timetable for a deal in 2024.

The annotated "zero", or early, draft of the intergovernmental group developing the treaty at the World Health Organization, seen by the Financial Times, shows a complex debate between countries about whether any outbreak deemed a "pandemic" would have to be viral, transmit from human to human, or affect populations with low immunity, among other points.

The draft dates from last month, but people close to the process said there had not been significant progress since, though talks continue. The WHO did not respond when asked to comment.

A diplomat working closely on the process, which follows the Covid-19 pandemic, said: "It's clear there is no agreement on anything." Another diplomat told the FT: "What's becoming very clear is there are very different expectations and priorities" between countries. There was a "big growing divide between the global north and global south", the diplomat added.

The 2024 target to complete negotiations was "very ambitious. It would be unprecedented to agree a global health treaty in that timescale," the second diplomat said, noting that a normal timetable would be about 10 years.

There is a 'big growing divide between the global north and global south'

Diplomat close to the talks

While disagreements are common in multilateral negotiations, especially at the early stages, they highlight the vast challenge faced by negotiating countries in developing a draft agreement to put to a vote by WHO member states at the May 2024 World Health Assembly.

When the project was announced in 2021, Tedros Adhanom Ghebreyesus, WHO director-general, said the move represented a once-in-a-generation opportunity to address the "many flaws in the global system to protect people from pandemics" such as unequal access to vaccines, drugs and testing equipment. Ellen 't Hoen, director of Medicines Law & Policy, a think-tank, said the document showed "much disagreement among the countries".

Countries spearheaded by South Africa and Brazil are pushing for legally binding obligations on provision of resources to developing countries. This drive was encountering resistance, one of the diplomats said, adding: "Nations are playing different games depending on what they want, but [it's a] short treaty process. In that context, it feels we're not moving fast enough."

Nations were also torn on whether the director-general of the WHO would have the power to "trigger" a declaration of a pandemic, the diplomats said.

A proposal by the EU to cap pricing for vaccines, drugs and tests at not-for-profit levels and to tier pricing for poor and middle-income countries had received a "lukewarm reception" from the global south, one of the two said.

Fentanyl supply

Mexico seeks China's help on opioid imports

CHRISTINE MURRAY — MONTERREY

Mexico's president has written to Chinese leader Xi Jinping to ask for help controlling shipments of fentanyl, as the Latin American country faces US pressure over the opioid that kills tens of thousands of people in the US a year.

In the letter, President Andrés Manuel López Obrador asked for information on shipments of the synthetic drug to Mexico, including who is importing it and in what quantities.

"We come to you . . . to ask that you help us for humanitarian reasons," he wrote. "With this we would have better control of the drug in Mexico."

Fentanyl and other synthetic opioids killed more than 100,000 US citizens in the year to August 2022. It is increasingly being cut into illegal street drugs, with overdoses now the leading cause of death for people in the US under 45.

That has made it a big domestic political issue, particularly for the Republicans, ahead of the 2024 presidential election. Fentanyl in the past was shipped from China to the US directly, but Mexican drug cartels now control much of the supply, importing precursor chemicals and finished fentanyl and shipping it north.

The US had encouraged Mexico's previous efforts to set up trilateral co-operation with China on precursor chemicals for fentanyl and methamphetamines, said Vanda Felbab-Brown, a senior fellow at the Brookings Institution, but the efforts had little success.

She said: "China has been unresponsive. Essentially China's attitude has been that the problems of smuggling in Mexico are the problems of the Mexican government, their poor controls of customs and poor law enforcement."

Fentanyl overdose is the main cause of death among under-45s in the US

China suspended co-operation with the US on narcotics trafficking after a high-profile visit by former House Speaker Nancy Pelosi to Taiwan in August 2022.

China's embassy in Mexico did not immediately respond to a request for comment.

US lawmakers have been putting pressure on Mexico over its lack of action to dismantle drug cartels that operate with impunity in parts of the country. Mexico's homicide rate has hit a record level under López Obrador.

US Republicans have expressed growing support for a measure to designate drug cartels as terrorists, and some have even suggested military action in Mexico to stop them.

Republican Senator Lindsey Graham published a video address to López Obrador on Monday in which he said the "Mexican drug cartel fentanyl" was "pouring across our southern border".

Mexico's officials have long argued that it is scapegoated by US Republicans for a problem caused by US demand.

Chinese puzzle Vanguard's troubles in selling its low-cost passive funds have led it to reconsider its Ant joint venture MARKETS

Companies & Markets

Shareholders question UBS on takeover of Credit Suisse

- AGM hears fears of 'new giant bank'
- Kelleher champions 'milestone' deal

SAM JONES — BASEL

UBS's takeover of Credit Suisse entails "a huge amount of risk", the bank's chair Colm Kelleher warned yesterday, as shareholders lined up to express concerns over the landmark deal — agreed a fortnight ago without their consent.

Speaking at UBS's annual meeting in Basel, Kelleher said the acquisition of UBS's biggest rival was a "milestone" in global finance that would accelerate the bank's existing strategy — with growth focused in the US and Asia — but cautioned that "this is not in any way an easy deal to do".

"You cannot just put numbers together and reach a sum — you have to understand there is a huge amount of risk in integrating these businesses," he said.

> 'We had only 48 hours to conduct our due diligence. I can understand why people are bewildered, even angry'

Swiss authorities triggered UBS's acquisition of Credit Suisse about two weeks ago in a $3.25bn emergency takeover cobbled together over the course of a weekend, to try to avert a potentially catastrophic banking collapse.

"We made a choice on behalf of Switzerland, UBS's place in Switzerland, and on what was best for the global financial system," said Kelleher.

"This is a Herculean task," said Lukas Gähwiler, UBS vice-chair. "We had only 48 hours to conduct our due diligence, so many questions thus remain unanswered . . . Great uncertainty will remain . . . I can understand why people are bewildered, even angry."

The transaction will catapult UBS into position as the fourth-largest lender worldwide, with $5tn in assets under management, and confirm its place as the bank of choice for the world's super-rich. But it will take years to accomplish and will come under significant political and regulatory scrutiny.

"We are concerned about this new giant bank," said Vincent Kaufmann, chief executive of the Ethos foundation, a group representing more than 3 per cent of UBS's shares at the AGM.

"There is a huge concentration of risk in the Swiss market," he pointed out, noting that 50 per cent of all mortgages in the city of Geneva will be held by the bank.

In taking over Credit Suisse, UBS was "taking over Credit Suisse's risks . . . which we have warned about for years", said Nicolas Götschmann of another large shareholder proxy adviser, Actares.

UBS shareholders met just a day after Credit Suisse's AGM in Zurich — the last in the bank's 167-year history. Executives there struck a more sombre tone. Chair Axel Lehmann said he was "truly sorry" that events had brought the bank to the end of its independent existence.

After more than two years of scandals, a weakened Credit Suisse fell victim to the sudden global liquidity shock that hit the financial system following the failure of Silicon Valley Bank in the US.

"The bitterness, anger and shock of all those who are disappointed, overwhelmed and affected by the developments of the past few weeks is palpable," Lehmann said.

Some Credit Suisse shareholders — whose shares will be converted into UBS shares at a ratio of 22.48:1 — also turned up in Basel.

The price paid was "a cheek", said Urs Stüdi, who lambasted Credit Suisse's board for having wrecked the bank and forced it into UBS's arms.

Risky AT1 debt page 10

Plane language Court rules Dutch government cannot impose flight cap at Amsterdam airport

The airline industry has been boosted after bringing the case against the plans for Schiphol — Piroschka van de Wouw/Reuters

PHILIP GEORGIADIS — LONDON

The Dutch government cannot introduce a cap on flight numbers at Schiphol airport, Amsterdam, a court has ruled, blocking an attempt to reduce the industry's environmental impact.

A court in Haarlem said yesterday that the government could not cut flight numbers by 8 per cent, to 460,000 a year, because it had not gone through the correct procedures when it brought in the rules as temporary measures.

"According to European rules, the state can only reduce the number of air transport movements at an airport after going through a careful process," the court said.

The airline industry had brought the case, pointing to its efforts to reduce aircraft noise levels and carbon emissions, including through the introduction of newer aircraft.

"With our measures, we see a better alternative for achieving less noise and CO_2 while meeting travellers' need to fly," KLM said.

Other carriers, including easyJet, Tui and Delta, were involved in bringing the case.

Schiphol said the decision provided clarity, and pledged to "continue with everything we do to make aviation quieter and cleaner".

The infrastructure and water management ministry did not respond to a request for comment.

The case rested on the local impact of flying, including noise and nitrogen dioxide levels, and was closely watched in the European sector as one of the state's first efforts to limit flying on environmental grounds.

The industry argues that it does not need to curtail growth as it strives to hit net zero by 2050 because of new technologies, notably cleaner fuels.

But campaigners have questioned the potential of the technologies, which are commercially unproven, and said the judgment was a setback.

"The aviation sector is spinning a flawed net zero narrative to cover for its pursuit of industry growth in total contradiction with climate goals," Johnny White, a lawyer at charity Client Earth, said.

Schiphol, majority-owned by the state, has stood out as an airport willing to sacrifice growth because of environmental concerns.

It this week announced plans to become "quieter, cleaner and better", and said it would consult airlines on a ban on night flights and private jets, and a reversal of plans to build an additional runway.

"We have thought about growth but too little about its impact for too long . . . I realise that our choices may have significant implications for the aviation industry, but they are necessary," Ruud Sondag, chief executive of Royal Schiphol Group, said this week.

Dutch public policy contrasts with that of the UK, where the government has said airport capacity growth is consistent with its net zero 2050 targets.

J&J proposes $8.9bn payout to settle talc litigation

JAMIE SMYTH — NEW YORK

Johnson & Johnson has proposed an $8.9bn settlement to resolve tens of thousands of lawsuits alleging its talcum powder caused cancer, in an attempt to resolve long-running litigation that has weighed on the healthcare products company.

The proposed deal follows a decade-long legal battle between plaintiffs' lawyers and J&J. If approved, it would become the largest product liability settlement in bankruptcy history, according to lawyers involved.

It follows an appeals court ruling in January that shot down J&J's attempt to implement a complex bankruptcy scheme called the "Texas-two step" to manage the talc claims. Under this strategy, J&J had created a $2bn fund to compensate victims.

LTL, the unit created by J&J to house the talc claims, would again file for bankruptcy in order to facilitate the settlement, the company said.

J&J said it continued to believe the claims were "specious and lack scientific merit" and the settlement was not an admission of wrongdoing. But it said resolving the cases in the civil court system would take decades and impose significant costs on the company.

"Resolving this matter through the proposed reorganisation plan is both more equitable and more efficient, allows claimants to be compensated in a timely manner," Erik Haas, J&J's worldwide vice-president of litigation, said in a statement.

The draft deal could draw a line under one of the most bitterly fought product liability suits in US history, involving tens of thousands of users of J&J's baby talc, who allege it caused their cancers.

About a dozen law firms representing about 70,000 claimants said they supported the draft deal and were confident it would secure sufficient support to win approval in the bankruptcy court.

"This settlement is a testament to the tens of thousands of women who have battled both cancer and the court system to achieve justice for themselves," said Alicia O'Neill of Watts Guerra, one of the firms representing plaintiffs.

But Carl Tobias, professor of law at University of Richmond, said J&J's strategy of using Chapter 11 again to try to resolve the cases through a global settlement appeared risky given the dismissal of its earlier bankruptcy.

See Lex

Expanding greener energy remains Norway's long-term dilemma

INSIDE BUSINESS
EUROPE
Richard Milne

The helicopter carrying the heads of Nato and the European Commission flew in thick cloud off the Norwegian coast, right until it reached the Troll gas platform when the sky brightened almost miraculously.

Troll, Norway's largest gasfield, has certainly proved its worth to Europe in recent months, providing about 10 per cent of the gas needs of the continent, including the UK.

Ursula von der Leyen, president of the commission, and Nato secretary-general Jens Stoltenberg came as much to thank Norway for increasing the flow of gas to get through a difficult winter as to send a message to Russia not to try to sabotage any North Sea infrastructure.

The hosts on the platform — Norwegian prime minister Jonas Gahr Støre and Equinor chief executive Anders Opedal — were all smiles as they took their guests 300 metres below sea level to the bottom of one of the platform shafts. But, behind the bonhomie, there are also big differences in emphasis on what the energy future might look like.

Since the start of the Ukraine war, Norway has displaced Russia as Europe's biggest source of gas. Along with its main oil and gas group, state-controlled Equinor, Norway has argued increasingly that it is the democratic supplier of choice to the continent. For years, it had sought to position itself as being able to deliver barrels of oil with one of the lowest carbon footprints in the world (if that is not an oxymoron). Now it has hit on this new argument to stand out from more autocratic suppliers such as Qatar and Saudi Arabia.

"It's a reality, it speaks for itself," said Støre as the North Sea wind buffeted the platform, pointing to figures showing Norway now supplies 30 to 40 per cent of Europe's gas. "Norway is a Nato ally, a democratic partner, and that brings stability and predictability, both to Europe and the UK."

Equinor may be investing in wind power and other green technology but it also sees a decent future for gas and oil.

Opedal pointedly said on the platform that Troll would continue producing beyond 2050, which is the target date for the EU to be carbon neutral.

> 'Norway is a Nato ally, a democratic partner, and that brings stability and predictability, both to Europe and the UK'

Oil and gas exploration in Norway continues almost unabated, despite a government agreement with a small leftwing party to not open any new areas during this parliamentary term.

In January, Oslo offered a record number of blocks in existing areas in the Arctic for companies to explore.

Europe is grateful in the short term for Norway's increased gas production in the past year. Von der Leyen repeatedly gave thanks to "our friends" in Norway while on the platform.

But the EU's overarching current goal is to achieve net zero emissions and so it wants to accelerate its push towards green technologies, putting an emphasis on the likes of wind power and hydrogen rather than gas in the mid to long term.

"Of course, the future is renewables," said von der Leyen. That leads to some tensions in the discussions.

People involved in negotiations between Norway and Europe say the EU appears reluctant to commit to large gas volumes for a long period. Norway would ideally also like to get an EU imprimatur for its aggressive petroleum plans in the Arctic, recognising that now might be its time of maximum leverage.

Støre is keen to present a different side of Norway, too. His government speaks warmly about offshore wind, even though Norway hugely lags behind other North Sea countries such as the UK and Denmark on this.

He also talks up the prospects for carbon capture and storage. An early Norwegian attempt at this failed. But several efforts, including one involving Equinor in the North Sea, are now taking place. Finally, Norway is pushing hydrogen. Eventually, it will be so-called green hydrogen made using renewable energy. But, before that, Oslo is heavily backing blue hydrogen where gas is used and the carbon captured and stored.

"All that will be the future; gas is the transition technology," said Støre.

Within a few years, he added that it might be possible to spy offshore wind farms within a kilometre or two of Troll, while carbon might be injected into the seabed a similar distance away.

But, standing on a platform that still earns about $80mn a day at current gas prices, there is a sense that Norway has little incentive to turn its back prematurely on the industry that made it rich — even as interest in green energy rises.

There is little doubt that this sector will stay lucrative in the short run but questions abound over whether Norway is moving fast enough for its longer-term future.

richard.milne@ft.com

Financials

Venture funding for start-ups plummets

Investments fall more than 50% as downturn weighs on tech sector

GEORGE HAMMOND AND TABBY KINDER
SAN FRANCISCO

Venture capital funding of start-ups has plunged by more than 50 per cent in the past 12 months, as an economic downturn weighs on tech group valuations.

Globally, venture funds invested $76bn in start-ups in the first three months of 2023, less than half the $162bn deployed in the same period a year ago, according to data provider Crunchbase. That sharp drop is despite two large fundraising rounds for technology companies this year. In January, Microsoft put $10bn into generative artificial intelligence company OpenAI, and last month payments company Stripe raised $6.5bn from investors.

Without the Microsoft transaction with OpenAI, the first quarter of 2023 would have been the worst for venture investment in more than five years.

The collapse of Silicon Valley Bank, a lender focused on start-ups, last month would further destabilise the funding ecosystem for young technology companies, squeezing those that relied on the bank for debt, said Gené Teare, senior data editor at Crunchbase.

As worsening economic conditions continue to damp sentiment for riskier investments, thousands of fledgling companies with an urgent need for capital are being forced to confront a collapse in their valuations, agree to punitive debt deals, or face insolvency.

"Even before SVB [collapsed] this was the worst business environment anyone had seen," said Sam Yagan, founder of dating website OKCupid and now an investor in early-stage companies.

"Most entrepreneurs and VCs have never been through a down market. We were telling people you can't assume there will be more capital waiting for you. Now there are really good companies that can't get capital."

In the five years to the end of 2021, investment volumes roughly quadrupled as venture funds deployed more capital on behalf of institutional investors such as pension funds and university endowments, as well as new entrants including hedge fund Tiger Global which looked to ride the wave of rising tech sector valuations.

Since then, private market valuations at many start-ups that were once the darlings of Silicon Valley investors have been battered. Stripe, valued at $95bn in 2021, is now worth roughly half that, having pushed through a fundraising last month at a valuation of $50bn.

The trend has forced some VCs to mark down the value of the companies held in their funds. Tiger wiped a third, or $23bn, off the value of its start-up holdings, including Stripe and TikTok parent ByteDance, earlier this year.

According to Crunchbase, VCs had a record $580bn of "dry powder" — cash they have raised but not yet invested — at the end of the first quarter. A largely frozen market for initial public offerings has also cut off a key source of funding for late-stage companies.

This has left many start-ups facing a choice between raising money at a lower valuation, taking on debt or cutting costs and trying to limp on until the funding environment improves.

Investors expect a wave of company failures later this year as some start-ups run out of cash.

Insurance

Chubb urges US to tone down Taiwan rhetoric

IAN SMITH
INSURANCE CORRESPONDENT

Insurance veteran Evan Greenberg has called on the US to "tone down rhetoric and symbolism around Taiwan" and focus on preserving peace and stability in the region, in the latest sign of how deepening geopolitical divisions are worrying corporate leaders.

Greenberg, who has built up New York-listed Chubb to become one of the world's biggest insurers, devoted part of his annual letter to shareholders to US-China relations.

The chief executive called the tensions over Taiwan "the most proximate risk of conflict" for the relationship between the two superpowers, as Beijing presses its claims over Taipei and Washington encourages the island to strengthen its defences.

"We should, however, tone down rhetoric and symbolism around Taiwan," Greenberg wrote. "Supporting Taiwan as a demonstration of opposition to China does not improve America's national security; it just raises China's insecurity and feeds its impulses to overreact to Taiwan-related events."

Greenberg is known for voicing his views on political events. In 2021 he publicly condemned the "demagoguery" of rioters storming the US Capitol.

China and the broader region are an increasingly important market for Chubb. In November, it received regulatory approval to increase its ownership in Huatai, which has around 19mn customers in China, from 47 per cent to more than 80 per cent.

Last year, Chubb also completed an acquisition of New York-listed Cigna's life and health insurance businesses across six Asia-Pacific markets, including Taiwan. It spent almost $7bn between these two transactions.

Greenberg acknowledged the economic challenge that China presented to the US but it was not, he said, "predestined to emerge as an enemy or a winner". "China is not 10 feet tall and will not rise on a linear trajectory," he said.

He warned that any efforts from Washington to try to "contain" China or seek the collapse of the Communist party would be "self-isolating", arguing there was a lack of enthusiasm in other countries for such a move. Greenberg also criticised Beijing for "overplaying the role of the state in the economy".

Hussein Faleh/AFP

Energy deal

Total and Iraq agree to revive stalled projects

French oil major TotalEnergies and the Iraqi government have struck a deal to salvage a $27bn series of energy projects that are considered key tests of Baghdad's ability to attract hesitant foreign investors.

The contracts, including gas, oil and solar projects, had become bogged down in political negotiations at a time when other oil groups had been scaling back operations in Iraq. A stand-off over the ownership structure looked at one point to be heading towards a breakdown.

But Total said yesterday that Iraq would take a 30 per cent stake in the Gas Growth Integrated Project, aimed at developing resources in the country, less than the 40 per cent Baghdad had been pushing for and slightly more than the 25 per cent initially envisaged by the oil group.

Total will have a 45 per cent stake, while QatarEnergy was confirmed as the new third party, with 25 per cent.

Emad al-Alaq, the energy adviser to Iraqi prime minister Mohammed al-Sudani, confirmed the agreed size of the stakes.

The developments under the GGIP are big infrastructure projects, including one to recover flared gas, in effect wasted power, at several oilfields and supply electricity generation plants in a country often blighted by blackouts. Iraq has the second-highest level of gas flaring in the world, as it lacks facilities to process it into fuel for local consumption or exports.

The contracts, which also cover a site to treat seawater for injection into oil reservoirs and a 1 gigawatt solar power plant, were originally signed in September 2021, just before an election in Iraq that led to a year-long political deadlock and clashes on the streets.

At the time, Total envisaged the GGIP would be a $10bn investment — an amount confirmed again yesterday, although the Iraqi authorities say this will reach $27bn once operating spending is included.

However, in talks with the new Iraqi government formed in October, wrangling over the size of Baghdad's stake in the GGIP delayed a deal. Iraq's oil ministry was also not keen on the project's renewables components, people familiar with the negotiations told the Financial Times at the time.

The deal relies on a profit-sharing structure between the partners, with revenues from the expansion of the Ratawi oilfield near Basra, pictured above, raising output to help finance other projects.

The stand-off reached a peak in February when Total began to order some staff to leave Iraq, where it already had operations, although that decision was soon reversed and negotiations continued.

In March, Total chief executive Patrick Pouyanné indicated the company could also lose its desire for the project after Iraqi officials gave mixed signals about whether it would go ahead. Pouyanné told an investor presentation he needed guarantees there would not be constant renegotiation.

"For the time being, we did not get it. If we don't get it, to be honest, I cannot expose the company to a mix of risks because we know there is a security situation, we know the geopolitical situation," Pouyanné told investors on March 21.

Pouyanné was invited back to Baghdad last Sunday by the prime minister to finalise the talks, according to Total and a person familiar with the negotiations.

Although Iraq is the world's fifth-biggest oil producer, it has lost major investors in recent years, with Shell leaving one oil development, while ExxonMobil and BP are looking to exit others. Poor returns on some contracts and years of instability, including during unrest last year, have added to problems for foreign investors.

Sarah White in Paris and Raya Jalabi in Beirut

Technology

Japan braced for rise in ransomware attacks after Fujitsu breach

LEO LEWIS AND KANA INAGAKI — TOKYO

A hacking attack at Japan's largest IT company is spilling across the country's corporate sector, with cyber security experts warning that it could trigger a surge in attempts by organised criminal gangs to extort hefty ransoms from companies and their customers.

More than 10 Japanese companies have said in the past month that they have been affected by the hacking at Fujitsu, which supplies internet infrastructure to thousands of companies. The attack took place last year and allowed outside access to emails sent through a Fujitsu-based email system.

Fujitsu admitted last year that it was hacked but refused to disclose how many of its customers were targeted.

Tokio Marine & Nichido Fire, which is one of Japan's largest underwriters of corporate insurance against cyber attacks and a prime target for ransomware gangs, acknowledged to customers last month that it was one of the companies potentially affected by the Fujitsu leak, according to two sources.

Tokio Marine began writing to its corporate clients to discuss the possible impact of the breach and the potential loss of sensitive data, said two people familiar with the matter.

"The response from Tokio Marine is very significant. Clients of insurers share a lot of data that ransomware gangs target, and there will be a lot of concern around what kind of access the hackers got," said one cyber security analyst who advises a large listed company affected by the incident.

'Tokio Marine's response is significant . . . there will be concern around what access the hackers got'

Tokio Marine said it took the situation seriously and was addressing the incident. The technology giant Kyocera, clothing maker Goldwin and property developer Sekisui House have all said within the past month that they are also among the companies affected by the Fujitsu incident.

Cyber security experts said the attack on Fujitsu was consistent with the tactics of highly professionalised gangs in Russia and Belarus who target Japanese companies and organisations because they often have relatively low-level defences, and their willingness to pay a ransom tends to be high.

Experts said the Cuba and LockBit ransomware gangs had been especially active in Japan over the past 18 months.

The cyber security consultancy IBM Security said in its 2022 report on the cost of data breaches that ransomware attacks were sharply on the rise, with the global average cost of a data breach rising to $4.35mn in 2022 — its highest since the research began.

The average global cost to companies of suffering a ransomware attack, said IBM, stood at $4.54mn, which did not include the payment of the ransom itself.

Fujitsu said it launched an internal investigation into the incident after it received information from the police on December 9.

The company has apologised and said it was investigating and co-operating with affected clients.

It was the second significant attack on the group in as many years.

Technology

AI groups seek to widen chatbot language skills

MADHUMITA MURGIA AND MEHUL SRIVASTAVA — LONDON
SILVIA SCIORILLI BORRELLI — MILAN

European start-ups are racing to solve a problem with artificial intelligence chatbots: the quality of responses in languages other than English.

Helsinki-based Silo AI is set to launch an initiative to contribute to the building of new large language models, which underlie generative AI products such as OpenAI's ChatGPT and Google's Bard, in European languages including Swedish, Icelandic, Norwegian and Danish.

The Finnish group joins others working to improve the technology behind chatbots, which give realistic answers to written prompts, with languages such as German, Hebrew and Arabic.

The moves come as companies around the world start adopting AI software built by the likes of Microsoft-backed OpenAI and Google, causing critics to express concerns about an over-reliance on a powerful, closed technology built by a small group of mostly US participants.

"A European initiative needs to . . . capture knowledge from a European perspective and we can control what kind of data is being fed into it," said Peter Sarlin, chief of Silo AI.

Google's Bard currently works only in English. OpenAI's ChatGPT supports dozens of languages, including Hindi and Farsi. However, it is not equally accurate across all languages, say those who have tested it extensively.

Silo AI is attempting to solve the issue by assembling a team of experienced AI academics from across Europe. They will build, train and operate Scandinavian-language models on the continent's most powerful supercomputer, LUMI, which is located in Finland and has been modified to run generative AI software.

The new team's initiative, known as SiloGen, plans to expand to more languages over time. The issue is not purely linguistic, however. Creating models in Europe can ensure the quality of the data used for training is representative of the culture and ethics of countries outside the US, including on matters of privacy, said Sarlin.

Silo AI's model will also be open-source, meaning it can be analysed and adapted by anyone wanting to deploy it.

This is in contrast to OpenAI and Google's closed models, with which companies may be reluctant to share their confidential or proprietary data.

Other efforts include OpenGPT-X and LEAM, which are both German-led moves to develop open-source language models. The models of OpenGPT-X are being built in conjunction with German AI start-up Aleph Alpha.

The group behind OpenGPT-X has warned that the lack of access to details of models such as GPT-4 threatened Europe's "digital sovereignty and market independence" in AI.

Additional reporting by John Thornhill

Chemicals

Incoming Bayer boss has 'open mind' on split

OLAF STORBECK — LEVERKUSEN

Bayer's next chief executive has said that he will consider all options to address the "unique challenges" of the pharma and chemicals conglomerate and that the break-up that investors are pushing for is not a foregone conclusion.

Bill Anderson joined Bayer's board this month and becomes CEO in June. He replaces Werner Baumann, who is resigning a year early following pressure from disgruntled investors.

Bayer has had to absorb billions in litigation costs after Baumann's 2016 acquisition of US agrichemical group Monsanto.

Bayer shares have under-performed since, and analysts and investors have been pushing to separate the group's pharma and agrichemical businesses.

The supervisory board had given him "tremendous latitude. There is no place that we can't go or [ideas that] we can't consider". But Anderson said he had not yet made up his mind about a potential break-up.

"If I simply came in and said, 'Oh, I think the answer is structure change,' that would be really short-changing the people and the legacy of this company." He first wanted to "hear from all the stakeholders", then he would take time to consider their views.

"I'm going to have an open mind. I'm going to consider everything." With its share price down 37 per cent over the past five years, Monsanto litigation, and patent protection on some of its best-selling drugs about to expire, "Bayer has unique challenges", he said.

Bill Anderson is faced with expiring patents and Monsanto-led litigation

But Anderson dismissed the suggestion there was consensus among analysts and investors that a break-up was the best option, calling that idea "an overgeneralisation".

"Some of the most dynamic, successful companies in the world today have very diverse product lines. There's no equivalence between diverse markets and poor performance."

One of his main goals would be to slim Bayer's bureaucracy.

"We hire people from the best universities in the world, the top graduates, and then we have tons of people to tell them what they can and can't do. It doesn't make sense."

Staff needed to be able to "get things done without going through five layers of approval".

Super agent adroitly fought his way to the top

Emanuel's acquisition of WWE combat franchise is the latest in a string of ambitious deals that have disrupted Hollywood

ANNA NICOLAOU — NEW YORK
SAMUEL AGINI — LONDON

CJ Vergara was victorious over Daniel Lacerda of Brazil at a UFC Fight Night: Ari Emanuel, right, is merging WWE with UFC in his latest bold transaction
Cooper Neill/Zuffa LLC via Getty Images; Amy Sussman/Getty Images

Back in 1997, when Ari Emanuel was just two years into building a talent business that would disrupt the US entertainment industry, he persuaded Vince McMahon, the professional wrestling impresario, to make time for a breakfast meeting.

At the time, the World Wrestling Entertainment founder "didn't have to do that; everybody was chasing him", Emanuel recalls. But McMahon was sold on the tenacious young Emanuel, and hired him to be his agent.

This week, Emanuel sealed a deal to acquire WWE from McMahon and combine it with the mixed martial arts business Ultimate Fighting Championship to create a $21bn combat-entertainment juggernaut. It is the latest bold transaction for Emanuel, who has risen from the mailroom at the CAA talent agency to become one of the most powerful people in Hollywood.

"Years later, I get to be [McMahon's] partner. For a kid from Chicago, my father was an immigrant, it's pretty unbelievable actually," Emanuel, 62, told the Financial Times in an interview about the deal on Monday.

When Emanuel co-founded the talent agency Endeavor in 1995, he worked out of a small office above a hamburger restaurant in south Beverly Hills. But he had big aspirations to take on the establishment that dominated the entertainment industry. An aggressive dealmaker, he merged Endeavor with rival William Morris and acquired sports-media group IMG and UFC, along with about 20 more transactions.

The deals expanded Endeavor into an entertainment giant with 11,000 employees across the world, and a client roster that included Oprah Winfrey and Martin Scorsese. They also propelled Emanuel into the ranks of Hollywood's ruling executives along with Disney's Bob Iger and Warner Bros Discovery's David Zaslav.

As a child Emanuel was diagnosed with dyslexia and attention deficit disorder and displayed a hyperactivity that translated into a talent for dealmaking. He was constantly scheming, selling slices of his mother's homemade cheesecake from his lunchbox to the highest bidder at school. Emanuel also started a lawn-mowing business, paying his friends $3 to do the physical labour, charging customers $5 and pocketing the difference.

"Ari really could not help but be annoying," wrote his older brother Ezekiel, an oncologist who was an adviser to the Obama and Biden administrations, in a 2013 memoir. "He was always awake by 5am. Jittery and anxious, he could not stay in bed, and he would prowl around the house looking for something to occupy his mind."

Nowadays, the Endeavor chief is known for relentless ambition and a foul-mouthed temper that inspired the frenetic Ari Gold character in the HBO series *Entourage*. People who have worked with him describe him as indefatigable, endlessly knocking on doors and calling people.

"He's now referred to as a Hollywood mogul. Not an agent, a Hollywood mogul. He almost willed that into reality," said a media executive.

Emanuel's WWE deal is a colossal bet that live events and sports will continue to capture the wallets of viewers and broadcasters. "It's very rare, when a global iconic brand becomes available," he said. "And when it does, you have to say yes." The company's share price fell about 6 per cent after the deal was announced on Monday. But Emanuel has a history of outlasting his doubters.

In 2019 he attempted to take Endeavor public, but pulled the plug after failing to reach the valuation he sought. The rare failure fuelled chatter that the audacious Hollywood agent was not cut out to run a public company.

Less than two years later, Endeavor bolstered its initial public offering by buying out UFC's minority owners and got the float done. Emanuel was awarded shares that translated into a $308mn pay package for 2021. Emanuel is also known for a health obsession that includes a strict vegan diet, rising before sunrise and daily ice baths for "mental fortitude". A photograph last summer of the svelte Emanuel with Elon Musk, while both were on a yacht wearing swimsuits, was a "helpful motivation to lose weight", the Tesla chief executive has said.

A third Emanuel brother has racked up an equally impressive résumé, but in politics. Rahm served as ex-president Barack Obama's White House chief of staff and mayor of Chicago and is now US ambassador to Japan.

Ari occasionally wades into hot topics, writing an FT editorial that called out rapper Kanye West for antisemitic comments. In 2018, Endeavor returned $400mn to Saudi Arabia's Public Investment Fund following the killing of journalist Jamal Khashoggi. "You have to have *some* morals," Emanuel told the New Yorker magazine.

> 'It's very rare, when a global iconic brand becomes available. When it does, you have to say yes'

The latest deal brings Emanuel back into the Saudi orbit. WWE has a 10-year deal with Saudi Arabia's General Entertainment Authority.

And McMahon is a controversial figure. The gruff-voiced executive retired last year after allegations of sexual misconduct. A board investigation found McMahon had agreed to millions of dollars in settlements that should have been recorded as expenses.

The 77-year-old returned in January as executive chair. When asked by the FT if he had any concerns about partnering with McMahon, Emanuel said: "Not one.

"Take all the craziness away . . . I believe in due process. There was an investigation. There was no wrongdoing found. So we move on."

Asset management. Commercial obstacles

Vanguard prepares to abandon China joint venture with Ant

Beijing brickbat: Vanguard's setbacks highlight the challenge facing the world's leading asset managers as they rush to expand in China Qilai Shen/Bloomberg

US giant struggled to convince local investors they needed its low-cost passive funds

THOMAS HALE — SHANGHAI
CHENG LENG — HONG KONG

After abandoning plans for its own mutual fund company in China in 2021, Vanguard aimed to put teething problems in the country behind it by doubling down on a widely envied partnership with local financial group Ant.

The venture between the world's second-largest asset manager and China's best-known digital finance business soon attracted the interest and investments of more than 1mn customers on the mainland, in an encouraging sign of the growth prospects in a multi-trillion-dollar investment market.

Fast forward to 2023 and it is unclear whether Vanguard will have any mainland Chinese customers in future.

The US-based $8tn fund manager last month briefed the country's securities watchdog and the Shanghai government on a planned exit from the venture, according to three people familiar with the matter.

In a statement, the joint venture said the co-operation between its shareholders had not changed and that business was running as normal.

China's Securities and Regulatory Commission and the Shanghai government did not comment while Ant Group said its joint venture with Vanguard was operating as usual and declined to comment on "market speculation".

Whether or not Vanguard makes a complete exit from the market, the difficulties faced by one of America's most vaunted investment firms in China — in everything from the products it sells to how it brands and distributes them — highlight the challenge facing the world's leading asset managers as they rush to expand in the country.

China's mutual fund industry has grown almost fourfold since 2016
Assets under management in mutual funds and ETFs (Rmb tn)

Source: Asset Management Association of China

China is still in the early stages of building its private pensions system and has increased access for US firms in recent years even as geopolitical relations between the two countries have worsened. Instead, sources said, any obstacles have been largely commercial.

Vanguard's venture with Ant was first set up in 2019, two years after it arrived in China, with the US fund owning a 49 per cent stake.

It was the first of its kind to be granted a so-called robo-advisory licence from the China Securities Regulatory Commission, which allowed it to provide a form of automated financial advice.

In the US, Vanguard has helped pioneer low-cost products over recent decades that track major indices.

Its plan in China was to provide investors with similar cheap and passive exposure to the markets. Clients needed only Rmb800 ($116) to set up an account, which was lowered to Rmb100 in July 2021, a few months after Vanguard abandoned plans for its own mutual fund business to focus on the JV.

But two people familiar with the product design said a limited pool of underlying securities in China and minimal access to offshore markets made it hard for the model to perform well.

Its fees did not stand out compared with the commission-based structure adopted by mutual funds elsewhere in China, one of the people said.

Analysts also suggested that the Chinese consumer mindset, widely associated with a desire for high returns and speculation on local stock markets, conflicted with a strategy of passive exposure that has seen widespread success in more mature financial markets.

Liu Meng, an analyst with consultancy Forrester, pointed to a survey that showed as many as 90 per cent of Chinese retail investors make their own investment decisions rather than rely on passive exposure or third-party advice. He added that China's development of the robo-advisory business lags behind that of the US.

A person familiar with the JV's operation in Shanghai said Vanguard was reluctant to deviate from its plan of low-cost index funds that were sold directly to retail clients, especially following the appointment of Tim Buckley as global chief executive in 2018.

The person added that the venture was weighed down by the cost of senior executives dispatched from the US with the chief investment officer alone costing it over $1mn a year. "It's an expensive burden for a start-up like us."

Meanwhile, on the other side of the venture, Ant, which owns China's Alipay payment app with over 1bn users, failed to promote the venture's products as much as had been hoped.

A wave of regulatory and anti-monopoly pressure from Beijing on China's top tech companies, which also derailed Ant's plans for a record-breaking US IPO in 2020, forced it to promote similar products from other fund houses.

Peter Alexander, managing director with investment consultancy Z-Ben Advisors in Shanghai, suggested that foreign asset managers often relied too heavily on the assumption that local partnerships would successfully distribute their products in China, where he said investors were "completely agnostic to brand".

He added: "China has arguably the most open architecture on distribution anywhere in the world. Anyone can put any product on any platform. That's not your problem. Your problem is: how do you stand out? You need to have something to market, you need to say we've got great performance, or we've got great client service."

'Your problem is: how do you stand out? You need to have something to market'

Geopolitical tension has also cast a pall over foreign businesses in China in recent months. In Washington, the focal point of US scrutiny has so far been the semiconductor industry rather than financial services, though business leaders across industries kept an unusually low profile at a recent forum in Beijing.

Even in the absence of any geopolitical disruptions, the failures of Vanguard's approach emphasise how, in the investment sphere, American business success does not necessarily translate for the Chinese market.

"If you've been successful on a global scale, there are ways to bring that DNA to the China market," said Alexander. "It just takes a shift in thinking about how to go about doing that. Nobody that I can see at this point is really there."

Additional reporting by Brooke Masters in New York and Andy Lin in Hong Kong

Fixed income

Risky AT1 debt rebounds after wipeout from Credit Suisse

NIKOU ASGARI

The global market for risky bank debt has rebounded from the sharp sell-off triggered by the wipeout of $17bn of Credit Suisse bonds as part of its takeover by rival UBS last month.

The price of additional tier 1 debt, also known as contingent convertibles or AT1s, plunged after Swiss regulators shocked investors by writing the value of the bonds down to zero.

But a Bloomberg index of contingent convertible bonds globally has risen 10 per cent from its low on March 20 to a similar level to that seen before UBS's acquisition of Credit Suisse.

An iBoxx index of AT1 prices has also recovered to pre-takeover levels.

The gradual recovery in the market comes as fears of a broader banking crisis following the collapse of Silicon Valley Bank last month begin to ebb.

Investors say they have been reassured by statements from regulators elsewhere that the Swiss decision to leave AT1 holders with nothing would not set a precedent for the wider $260bn market.

AT1s are a class of risky bank debt that can be converted into equity, or wiped out entirely, if a lender's capital levels fall below a certain level.

They were introduced in the wake of the global financial crisis to ensure that bondholders would absorb some of the losses in the event of bank failures — in order to shield depositors and avoid taxpayer-funded bailouts.

'It's been very good for the long-term health of the AT1 market that others made their positions clear'

But Swiss regulators upended the normal hierarchy by wiping out AT1 holders despite giving shareholders $3.25bn in the UBS deal, undermining confidence in the broader market.

The European Central Bank and Bank of England were among the institutions that publicly said they would stick to the typical order of precedence and that equity holders should be wiped out first in any future bank failure.

"It's been very good for the long-term health of the AT1 market that the other jurisdictions have come out and made their positions clear," said Mark Holman, chief executive of TwentyFour Asset Management.

Andrzej Skiba, head of US fixed income at RBC Global Asset Management, said regulators still saw AT1 debt "as a core part of the capital toolkit for the future" and that banks "also want to use those instruments going forward".

He added that the recent collapse in prices presented a buying opportunity for some investors, "especially focusing on the strongest, systemically important banks".

Despite the recent recovery, AT1 prices remain well below levels seen at the start of the year amid wider investor concerns over the health of the banking sector on both sides of the Atlantic.

Additional reporting by Harriet Clarfelt

Equities

Social Capital chief questions 'purpose of leverage' after share prices collapse

ORTENCA ALIAJ — NEW YORK

Chamath Palihapitiya has told investors in his company, Social Capital, that a collapse in share prices put pressure on a stock-backed line of credit that made him question "the purpose of leverage" altogether.

"What initially seemed like access to free money became a liability that we managed carefully so we could continue to do business as usual," Palihapitiya wrote in his annual letter to investors.

The collateral that backed the loan facility had declined in value by 70 per cent, he added.

The Financial Times last year revealed Palihapitiya had borrowed from Credit Suisse to finance $200mn of his initial share purchases in two signature blank-cheque deals and pledged his stock in the companies as collateral — something he had previously denied.

The founder of Social Capital, who used his letter to opine on how the end of zero-interest rate policy had affected the market, told investors that last year was "akin to getting cold water thrown in our faces" with higher interest rates hitting some of his most beloved sectors.

"The amount of absolute value destruction, not just in companies but entire sectors including crypto, SaaS [software as a service], Spacs [special purpose acquisition companies] and biotech was alarming," he wrote. "This has created a wave of destruction with many unintended consequences."

Palihapitiya, once the biggest promoter of Spacs that boomed in 2021 but have floundered under higher interest rates, said the US Federal Reserve's hawkish monetary policy had ended "the best party in town". The former Facebook executive, who became popular among meme-stock investors in the pandemic and often increased interest in his deals with tweets such as "Im [sic] about to really fuck some shit up", said he has always considered himself a "sober" and "risk-averse" person.

Purpose: Chamath Palihapitiya was once the biggest promoter of Spacs

Palihapitiya told attendees at an Axios conference last year that he blamed Fed chair Jay Powell for investment bubbles that had built in the market during a decade or more of record-low interest rates while acknowledging this had also benefited his investing.

"If [zero-interest rate policy] was the drug, the high it created is now obvious — growth at all costs, unsubstantiated funding rounds, overhiring and corporate glut," he wrote in his letter, urging venture capitalists to "face reality".

Palihapitiya did not touch on the fall of start-up-focused lender Silicon Valley Bank in his letter, despite the collapse testing many venture capital groups and their portfolio companies.

But his advice to founders is "profits and cash flows matter again" in the new financial regime where there is no longer reward for "growth at all cost".

Equities

EU plan for stocks database puts smaller investors at risk, warns Euronext chief

NIKOU ASGARI

The head of Europe's largest exchange operator has criticised the EU's proposed creation of a central stock trading database, warning that retail investors risk falling victim to more sophisticated traders.

Stéphane Boujnah, chief executive of Euronext, told the Financial Times that plans for a consolidated live database of stock and bond prices trading across Europe could create a wealth of trading opportunities for bigger firms while harming smaller investors by leaving them unable to access the best prices.

"Real time means being [. . .] a victim of arbitrage," he said.

EU officials are conducting a review to try to make Europe's capital markets more efficient and thus attractive to investors. Exchange operators, brokers and asset managers are among those who have been lobbying legislators aggressively on the plans for months.

Among the most contentious proposal is the potential introduction of a consolidated tape, a live database designed to overcome the region's patchwork of trading venues and data feeds.

The European Commission is seeking to follow in the footsteps of the New York Stock Exchange, Nasdaq and other trading venues to jointly publish real-time equity data, including prices and share volumes.

A pre-trade consolidated tape would show real-time price information while a post-trade tape would record completed transactions. Those opposing a pre-trade tape argue that retail investors in particular would lose out by not being able to access all the trading venues open to institutional players, such as hedge funds and lightning-fast computer-driven traders, which will find it easier to exploit price anomalies.

'A non-level playing field is creating fragmentation of price formation and diluting transparency'

Boujnah is in favour of a post-trade tape but said a pre-trade database risked creating "arbitrage opportunities against those [investors] with low-rated platforms" that cannot easily access all trading venues, and that "a non-level playing field is really creating fragmentation of price formation and diluting transparency, creating opacity".

Paris-based think-tank Eurofi wrote last year that "retail investors who are not able to engage in price arbitrage between a variety of markets, unlike high-frequency traders, will probably not benefit that much from a real-time consolidated tape".

Data providers have largely backed the proposals. Euronext is one of 14 exchanges that have agreed to collaborate on providing an equities tape across the EU.

A consolidated tape will require exchanges that supply data to share revenues. The Federation of European Securities Exchanges last year pointed to a "potential threat of a real-time [consolidated tape] to the viability of smaller exchanges".

The European parliament's economic committee is set to begin negotiations on the Markets in Financial Instruments Regulation, or Mifir, review proposal with the European Council and the commission with the aim of reaching an agreement later this year.

The day in the markets

What you need to know

- Weak US private sector jobs figures attract demand for Treasuries
- Investors bet Fed will hold interest rates in May amid cooling labour market
- Wall Street and European stocks lower while dollar strengthens

US Treasury yields sink to seven-month low
10-year government bond yield (%)

Source: Refinitiv

US government debt rallied yesterday, pushing Treasury yields to their lowest level in seven months, after the latest sign that the labour market is cooling in the world's biggest economy.

Yields on benchmark 10-year Treasuries fell 6 basis points to 3.27 per cent, reflecting rising prices, while those on two-year notes, which are the most sensitive to monetary policy, fell 10bp to 3.70 per cent. Both yields hit their lowest levels since September.

The moves followed relatively weak jobs data that could ease pressure on the US Federal Reserve to continue lifting interest rates.

Wall Street also slipped with the blue-chip S&P 500 losing 0.4 per cent, while the tech-heavy Nasdaq Composite fell 1.3 per cent.

Yesterday's ADP employment report showed that private businesses in the US created 145,000 jobs in March, below forecasts of 200,000.

Analysts are looking to the more influential non-farm payrolls figures out tomorrow to provide further clarity.

Investors now see a better than even chance that the Fed will hold interest rates at its next meeting in May, although markets are still pricing in a chance of a quarter-percentage point rise.

"The story of the past few months has been the labour market holding up," said Andrew Hunter, deputy chief US economist at Capital Economics. "We do think a sharper slowdown is coming, it's just a question of when."

US bank stocks also fell as investors remain on edge over the fallout from the recent banking crisis.

The KBW bank index, which tracks 22 US banks, lost 1.3 per cent, deepening Tuesday's losses.

"So far the contagion has been contained but I think we lack perspective on the broader ramifications of the end of easy money and higher interest rates," said Emmanuel Cau, head of European equity strategy at Barclays. "There may be pockets of instability."

Stocks also lost ground across the Atlantic with the region-wide Stoxx Europe 600 falling 0.2 per cent, while Frankfurt's Xetra Dax lost 0.5 per cent and the CAC 40 in Paris slid 0.4 per cent. London's FTSE 100 rose 0.3 per cent.

The US Dollar index, which measures the currency against a basket of six peers, rose 0.2 per cent.

Oil prices fell with global benchmark Brent crude down 0.1 per cent to $84.86 a barrel and US marker WTI off 0.3 per cent to $80.45 a barrel. **Martha Muir**

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	4083.78	1808.55	27813.26	7662.94	3312.56	100611.78
% change on day	-0.41	-0.01	-1.68	0.37	0.49	-1.23
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	101.566	1.091	130.875	1.245	6.880	5.052
% change on day	-0.020	-0.547	-0.713	-0.559	0.000	-0.457
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	3.282	2.179	0.464	3.553	2.878	12.127
Basis point change on day	-6.860	-7.000	5.320	-1.100	0.000	-9.100
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	425.27	84.93	80.51	2009.60	24.02	3933.50
% change on day	-0.50	-0.01	-0.25	1.33	0.38	-1.77

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	Valero Energy	3.87	Sodexo	10.47	United Utilities	3.36
	Amgen	3.45	Coloplast	3.02	Astrazeneca	3.11
	American Electric Power	3.40	Dt.telekom	2.97	Haleon	2.92
	Marathon Petroleum	3.29	Ucb	2.93	Gsk	2.64
	Johnson & Johnson	3.25	Snam	2.74	Admiral	2.60
Downs	Marketaxess Holdings	-11.50	Casino Guichard	-6.49	Rs	-6.26
	Albemarle	-6.94	Continental	-5.82	Crh	-5.50
	Enphase Energy	-6.02	Cnh Industrial	-5.04	Kingfisher	-4.12
	Caesars Entertainment	-5.88	Schindler	-4.86	Auto Trader	-4.03
	Deere &	-5.31	Legrand	-4.81	Ashtead	-3.50

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

Healthcare group **Johnson & Johnson** rallied after proposing an $8.9bn settlement to resolve lawsuits alleging its talcum powder caused cancer.

Erik Haas, worldwide vice-president of litigation, said J&J continued to believe the claims were "specious and lack scientific merit" but resolving these cases through the civil court system "would take decades" and impose significant costs on the company.

The US-listed shares of German biopharma group **InflaRx** surged on announcing that its drug, Vilobelimab, was granted an emergency use authorisation by the US Food and Drug Administration for treating critically ill Covid-19 patients.

Another clinical development lifted biotech group **Immunic**, which reported positive data from a mid-stage trial for its experimental drug, Vidofludimus Calcium, which treats ulcerative colitis, a bowel condition.

Stocks linked to artificial intelligence retreated after President Joe Biden reportedly told science and tech advisers that companies had a responsibility to ensure that such products were safe.

The US president's remarks weighed on groups including **SoundHound AI**, **BigBear.ai** and **C3.ai**, although the latter was also affected by a short seller's report. *Ray Douglas*

Europe

Catering company **Sodexo** jumped to a three-year high following the unveiling of plans to spin off its voucher business during 2024.

RBC Europe welcomed the news as its sum-of-the-parts valuation of the French group suggested that it was trading at a "material discount" to peers.

News of the demerger coincided with forecast-beating half-year profits at Sodexo with earnings of €3.25 per share almost 7 per cent ahead of analysts' estimates.

Online pharmaceutical retailer **Shop Apotheke** rose sharply after producing preliminary first-quarter results that outperformed at "all levels", said Jefferies.

Sales grew 22 per cent year on year to €371mn, comfortably topping the €341mn expected, reflecting "strong customer growth", said the broker.

Italy's **Pirelli** sank following a report that Rome was looking at limiting China's influence over the tyremaker.

Bloomberg said Italian officials were exploring at range options to curb the clout of China's Sinochem, Pirelli's largest shareholder with a 37 per cent stake, according to data from Refinitiv.

New business lifted French IT group **Solutions 30**, which announced a partnership with London-based broadband provider Community Fibre. *Ray Douglas*

London

Sinking to the bottom of the FTSE 100 index was **RS Group**, a distributor of industrial and electronics products, which reported slower than expected sales growth for its fiscal fourth quarter.

Like-for-like revenue grew 1 per cent, down from 8 per cent in the previous quarter, owing to weak trading for electronics products and softer Americas and Asia-Pacific markets.

At the top of the FTSE 250 index was **Direct Line**, buoyed by a double upgrade by Citi, which lifted the insurer's rating from "sell" to "buy".

Claims inflation during the past year had contributed to a reset for earnings expectations but those estimates did not warrant the 40 per cent year-to-date decline in Direct Line, said the broker, which was now more confident about the group's solvency position.

Joining Direct Line at the top of the mid-cap index was energy services business **Wood Group**, which revealed a "final" offer of £2.40 a share from Apollo, the US private equity group.

This was 3p a share higher than Apollo's previous bid and 20 per cent above Tuesday's closing price.

Citi said the board would be "under increased pressure from shareholders" to take the offer as it was about 60 per cent higher than Wood's undisturbed share price in February. *Ray Douglas*

UK pension shift heralds world of financial change

Toby Nangle

Markets Insight

Defined benefit pension assets are invested for one reason and one reason only: to solve a problem. This problem is how to meet (mostly historical) income-in-retirement promises made by employers to their staff.

Pensions represent a greater portion of British household wealth than housing, and the UK is unusual in having so much of its pension promises fully funded. To put this in an international context, UK pension assets account for 120 per cent of UK GDP, far more than Germany (8 per cent), France (12 per cent), or Japan (31 per cent), although less than the US (174 per cent), according to the OECD. Funded defined benefit schemes hold about £2tn of assets, and defined contribution schemes account for a further £213bn.

Since the ONS began counting in 2004, private firms have made £520bn of employer cash contributions into the DB schemes they sponsor. While 2022 has hit asset values to the tune of £400bn, the monumental rise in bond yields has shrunk the present value of their liabilities by even more, leaving schemes in a vastly improved financial position. (When bond yields rise, the present value of pension liabilities falls.)

Such has been the combination of outsized employer contributions and rising bond yields, the problem that such schemes exist to address — how to provide pension security to retirees — has now largely been solved. For current and future retirees lucky enough to have access to a defined benefit pension this is wonderful news. So too is it for firms exhausted by their pension fund's seemingly perpetual calls for fresh capital. But from a societal perspective, the disappearance of this problem throws up new challenges.

Firms sponsoring well-funded DB schemes can offload obligations towards members, in what is known as the bulk annuity or "buy-out" market. This is the end goal of many sponsors. For a price, an insurance company will take over responsibility for paying retirees. This price is typically paid in cash and gilts, and the assets are then invested by the insurer into a range of bonds, private debt and equity release mortgages.

According to LCP, an investment consultant that has advised on 35 per cent of large transactions since 2014, about £340bn of pension assets had already transferred by the end of 2021, and record volumes are being anticipated as more schemes declare the job done.

> The accelerating exit of the gilt market's main participant has profound implications

The accelerating exit of the gilt market's main participant has profound implications for fixed income market structure, government financing, the transmission of monetary policy, as well as aspirations from within government, the City, and beyond that our vast pension assets be deployed in a manner that funds growth and innovation. But it also ushers in a new investment landscape where a small group of insurers will have immense market power.

Today, the interests of the 10.1mn members of private sector DB schemes are overseen by about 5,200 boards of trustees, their advisers and their managers. The LDI crisis made plain that investment strategies lacked the kind of heterogeneity in risk exposures that might be assumed to flow from so many investors. But a future in which eight insurers dominate the market does not seem entirely unproblematic either.

A number of asset management business models rely on there being a large stock of UK DB pension assets to manage and these models will change. But despite the accelerating run-off of DB pensions, most people I speak to in the industry are relatively relaxed.

One factor providing comfort is the illiquidity of well-funded schemes. It is hard to go into buy-out when a meaningful portion of your assets are stuck in frozen commercial property funds, or locked up in private equity vehicles. Illiquid assets are still valued regularly, but there is a strong suspicion that they might be "marked-to-make believe" following last year's public asset market rout. And selling illiquids can only reasonably be done at very large discounts to their quoted values.

Secondly, supply-chain bottlenecks have built up at pensions administrators. Double-checking that correct spousal details are coded in the right systems for tens or hundreds of thousands of scheme members is slow work, and there is insufficient capacity to complete the paperwork demanded by insurers.

As one consultant put it to me, the capacity to migrate to buy-out looks to be only £50bn a year — little more than a rounding error in a £2tn pensions market. The constraints are real, but not permanent. A world of change is coming to the UK's financial landscape.

Toby Nangle is a former global head of asset allocation at a fund manager

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 $
-0.41%	-1.30%	0.19%	0.37%	-0.01%	-1.68%	-0.66%	-0.50%	-0.547%	-0.559%	-0.713%	No change	-0.21%	1.33%

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

AMERICAS

S&P 500 — New York: 3,986.37 → 4,083.78. Day -0.41% Month 0.93% Year -9.76%

Nasdaq Composite — New York: 11,530.33 → 11,969.07. Day -1.30% Month 2.38% Year -15.75%

Dow Jones Industrial — New York: 32,856.46 → 33,466.20. Day 0.19% Month 0.23% Year -3.39%

S&P/TSX COMP — Toronto: 20,275.54 → 20,196.86. Day -0.59% Month -2.09% Year -8.12%

IPC — Mexico City: 53,924.19 → 54,158.90. Day -0.60% Month -0.58% Year -3.03%

Bovespa — São Paulo: 104,227.97 → 101,306.59. Day -1.23% Month -3.13% Year -15.37%

EUROPE

FTSE 100 — London: 7,919.48 → 7,662.94. Day 0.37% Month -3.69% Year 0.52%

FTSE Eurofirst 300 — Europe: 1,816.00 → 1,808.55. Day -0.01% Month -1.33% Year -0.17%

CAC 40 — Paris: 7,339.27 → 7,316.30. Day -0.39% Month -0.43% Year 8.69%

Xetra Dax — Frankfurt: 15,559.53 → 15,522.65. Day -0.53% Month 2.50% Year NaN%

Ibex 35 — Madrid: 9,411.10 → 9,254.60. Day 0.78% Month -2.21% Year 8.61%

FTSE MIB — Milan: 27,761.57 → 26,867.39. Day -0.59% Month -3.44% Year 9.40%

ASIA

Nikkei 225 — Tokyo: 28,237.78 → 27,813.26. Day -1.68% Month -0.35% Year 0.33%

Hang Seng — Hong Kong: 20,051.25 → 20,274.59. Day -0.66% Month -1.34% Year -7.93%

Shanghai Composite — Shanghai: 3,322.03 → 3,312.56. Day 0.49% Month -0.48% Year 0.91%

Kospi — Seoul: Day 0.59% Month 2.60% Year -9.53%

FTSE Straits Times — Singapore: 3,245.27 → 3,318.87. Day 0.23% Month 2.47% Year -3.07%

BSE Sensex — Mumbai: 58,909.35 → 59,689.31. Day 0.99% Month -0.19% Year 0.13%

Country	Index	Latest	Previous
Argentina	Merval	250444.59	251488.29
Australia	All Ordinaries	7434.30	7431.50
	S&P/ASX 200	7237.20	7236.00
	S&P/ASX 200 Res	6048.10	6088.80
Austria	ATX	3169.72	3199.13
Belgium	BEL 20	3769.75	3763.92
	BEL Mid	9894.21	9962.75
Brazil	IBovespa	100611.78	101869.45
Canada	S&P/TSX 60	1213.77	1220.16
	S&P/TSX Comp	20156.71	20275.76
	S&P/TSX Div Met & Min	1793.88	1803.11
Chile	S&P/CLX IGPA Gen	26917.64	27004.99
China	FTSE A200	10691.64	10669.65
	FTSE B35	9000.71	8988.96
	Shanghai A	3472.13	3455.15
	Shanghai B	296.18	296.74
	Shanghai Comp	3312.56	3296.40
	Shenzhen A	2238.15	2248.27
	Shenzhen B	1198.45	1195.63
Colombia	COLCAP	1261.61	1260.21
Croatia	CROBEX	2013.05	2011.29
Cyprus	CSE M&P Gen	68.46	68.68
Czech Republic	PX	1366.80	1362.86
Denmark	OMXC Copenhagen 20	1988.05	1998.19
Egypt	EGX 30	16998.35	17056.89
Estonia	OMX Tallinn	1892.00	1887.82
Finland	OMX Helsinki General	10658.26	10739.42
France	CAC 40	7316.30	7344.96
	SBF 120	5575.44	5598.48
Germany	M-DAX	26970.82	27420.99
	TecDAX	3298.61	3290.81
	XETRA Dax	15520.17	15603.47
Greece	Athens Gen	1069.73	1069.32
	FTSE/ASE 20	2588.26	2589.68
Hong Kong	Hang Seng	20274.59	20409.18
	HS China Enterprise	6875.47	6940.45
	HSCC Red Chip	3996.66	3979.21
Hungary	Bux	43878.66	43666.52
India	BSE Sensex	59689.31	59106.44
	Nifty 500	14709.40	14601.95
Indonesia	Jakarta Comp	6819.66	6833.18
Ireland	ISEQ Overall	8043.06	8216.60
Israel	Tel Aviv 125	1731.17	1748.90
Italy	FTSE Italia All-Share	29057.40	29223.34
	FTSE Italia Mid Cap	43494.47	43658.15
	FTSE MIB	26867.39	27026.56
Japan	2nd Section	7228.27	7239.06
	Nikkei 225	27813.26	28287.42
	S&P Topix 150	1703.11	1735.81
	Topix	1983.84	2022.76
Jordan	Amman SE	2555.13	2559.82
Kenya	NSE 20	1632.24	1631.74
Kuwait	KSX Market Index	6633.44	6603.51
Latvia	OMX Riga	1158.32	1160.79
Lithuania	OMX Vilnius	994.99	995.44
Luxembourg	LuxX	1523.30	1541.94
Malaysia	FTSE Bursa KLCI	1429.55	1429.61
Mexico	IPC	53851.66	54176.01
Morocco	MASI	10471.03	10391.39
Netherlands	AEX	755.76	758.36
	AEX All Share	1026.19	1033.63
New Zealand	NZX 50	11866.83	11898.56
Nigeria	SE All Share	54184.34	54232.34
Norway	Oslo All Share	1017.37	1006.88
Pakistan	KSE 100	39717.15	39687.26
Philippines	Manila Comp	6488.51	6472.04
Poland	Wig	58524.69	59027.20
Portugal	PSI 20	6082.12	6059.24
	PSI General	4602.82	4575.52
Romania	BET Index	12334.75	12293.60
Russia	Micex Index	2436.57	2445.30
	RTX	1245.71	1212.57
Saudi-Arabia	TADAWUL All Share Index	10806.89	10636.62
Singapore	FTSE Straits Times	3318.87	3311.12
Slovakia	SAX	317.24	317.24
Slovenia	SBI TOP	-	-
South Africa	FTSE/JSE All Share	76656.42	77458.58
	FTSE/JSE Res 20	67617.79	68008.64
	FTSE/JSE Top 40	70925.80	71693.22
South Korea	Kospi	2495.21	2480.51
	Kospi 200	323.56	321.75
Spain	IBEX 35	9254.60	9183.20
Sri Lanka	CSE All Share	9173.97	9236.93
Sweden	OMX Stockholm 30	2174.94	2215.91
	OMX Stockholm AS	826.35	842.82
Switzerland	SMI Index	11115.40	11073.48
Taiwan	Weighted Pr	15868.06	15849.43
Thailand	Bangkok SET	1571.13	1594.05
Turkey	BIST 100	4967.18	4984.11
UAE	Abu Dhabi General Index	9222.93	9251.11
UK	FT 30	2662.40	2671.30
	FTSE 100	7662.94	7634.52
	FTSE 4Good UK	6936.64	6912.56
	FTSE All Share	4161.56	4155.57
	FTSE techMARK 100	6480.26	6539.98
USA	DJ Composite	11118.18	11100.02
	DJ Industrial	33466.20	33402.38
	DJ Transport	13877.33	14025.97
	DJ Utilities	961.21	938.84
	Nasdaq 100	12936.52	13100.08
	Nasdaq Cmp	11969.07	12126.33
	NYSE Comp	15348.80	15374.11
	S&P 500	4083.78	4100.60
	Wilshire 5000	40283.17	40522.93
Venezuela	IBC	28676.78	28695.26
Vietnam	VNI	1080.86	1078.45
Cross-Border	DJ Global Titans ($)	458.14	459.84
	Euro Stoxx 50 (Eur)	4293.10	4315.32
	Euronext 100 ID	1357.46	1363.60
	FTSE 4Good Global ($)	10303.59	10341.07
	FTSE All World ($)	425.27	427.40
	FTSE E300	1808.55	1808.76
	FTSE Eurotop 100	3592.86	3586.10
	FTSE Global 100 ($)	2727.90	2742.89
	FTSE Gold Min ($)	2041.79	1963.51
	FTSE Latibex Top (Eur)	4440.00	4432.20
	FTSE Multinationals ($)	2889.03	2893.36
	FTSE World ($)	773.05	777.27
	FTSEurofirst 100 (Eur)	4889.95	4883.41
	FTSEurofirst 80 (Eur)	5829.11	5848.44
	MSCI ACWI Fr ($)	647.67	649.20
	MSCI All World ($)	2796.78	2803.63
	MSCI Europe (Eur)	1858.44	1860.92
	MSCI Pacific ($)	2765.20	2754.09
	S&P Euro (Eur)	1902.11	1909.90
	S&P Europe 350 (Eur)	1853.57	1856.38
	S&P Global 1200 ($)	3079.70	3094.19
	Stoxx 50 (Eur)	3963.56	3948.50

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

STOCK MARKET: BIGGEST MOVERS

UK MARKET WINNERS AND LOSERS

CURRENCIES

FTSE ACTUARIES SHARE INDICES

FT 30 INDEX

FTSE SECTORS: LEADERS & LAGGARDS

FTSE 100 SUMMARY

FT WILSHIRE 5000 INDEX SERIES

FTSE GLOBAL EQUITY INDEX SERIES

UK STOCK MARKET TRADING DATA

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

UK RIGHTS OFFERS

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

UK COMPANY RESULTS

UK RECENT EQUITY ISSUES

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Stock	Price	Day Chg	52 Week High	52 Week Low	Yld	P/E	MCap m
Australia (A$)							
ANZ Bank	23.30	0.03	27.96	20.78	6.45	9.80	46966.02
BHP Group	45.24	-0.70	53.72	35.83	9.05	10.66	153812.6
CmwBkAu	99.06	0.08	111.38	86.98	3.52	16.70	112252.71
CSL	293.60	2.13	314.21	254.30	1.02	42.19	95050.68
NatAusBk	28.04	-0.03	33.75	25.43	3.19	14.99	59066.65
Telstra	4.26	0.01	4.30	3.62	2.34	34.78	33035.26
Wesfarmers	51.38	-0.12	51.94	40.03	3.45	26.51	39104.23
Westpac Bank	21.78	-0.02	24.67	18.80	4.06	15.90	51294.46
Woolworths	38.50	0.08	39.63	31.67	2.79	44.07	31432.88
Belgium (€)							
AnBshInBv	61.22	0.23	62.01	45.56	0.83	31.87	116045.63
KBC Grp	63.18	-0.10	72.46	45.53	5.22	10.72	28759.32
Brazil (R$)							
Ambev	14.39	-0.04	16.88	12.60	3.94	21.60	44864.34
Bradesco	11.75	0.01	17.72	11.15	7.10	5.40	12397.76
Cielo	4.65	-0.06	6.22	3.00	3.15	15.64	2500.72
ItauHldFin	20.77	-0.08	26.04	18.86	3.75	8.17	20385.56
Petrobras	26.98	-0.38	42.08	23.61	17.88	3.82	39747.69
Vale	76.30	-1.74	97.78	61.90	17.12	3.38	68555.04
Canada (C$)							
Bausch Hlth	9.92	-0.22	29.75	5.10	-	-3.03	2665.18
BCE	62.65	0.34	74.09	55.66	5.48	21.38	42427.68
BkMontrl	118.56	-1.52	148.96	113.47	3.74	9.29	62761.82
BkNvaS	66.97	-0.10	89.71	63.19	5.43	8.54	59256.08
Brookfield	58.88	11.29	63.88	41.28	1.09	19.91	69946.82
CanadPcR	103.85	0.03	111.43	86.42	0.72	25.34	71772.96
CanImp	56.82	-0.32	75.86	53.58	10.36	4.01	38469.15
CanNatRs	79.26	-0.18	88.18	58.75	2.47	12.52	64750.96
CanNatRy	161.07	-0.69	175.39	137.26	1.50	23.85	79903.7
Enbridge	52.70	0.38	59.69	48.88	6.21	18.73	79229.06
GtWesLif	35.99	-0.01	37.69	27.99	5.26	10.31	24910.64
ImpOil	72.05	-0.61	79.83	52.67	1.40	21.12	31248.2
Manulife	24.87	0.08	27.50	20.81	4.61	7.17	34295.02
Nutrien	95.96	-2.34	147.93	93.43	2.37	14.04	35594.92
RylBkC	130.06	-0.40	140.75	116.75	3.36	11.77	134280.57
SHOP	61.96	-2.06	91.90	33.00	-	2.19	61535.43
Suncor En	43.24	-0.31	53.62	36.39	2.38	15.92	42746.35
ThmReut	176.93	0.43	178.99	119.23	1.13	12.43	61991.68
TntoDom	78.92	-2.49	101.30	76.40	4.06	10.07	107230.17
TrnCan	54.53	0.76	74.44	50.70	6.26	29.91	41404.49
China (HK$)							
AgricBkCh	2.96	0.06	3.06	2.22	7.43	3.76	11591.61
Bk China	3.03	0.02	3.17	2.51	7.57	3.63	32279.87
BkofComm	4.95	0.03	5.73	3.84	7.29	3.95	22079.53
BOE Tech	0.66	0.01	0.85	0.55	-	10.29	16.73
Ch Coms Cons	4.83	0.25	5.32	3.09	4.34	3.87	2718.87
Ch Evrbrght	2.38	0.02	3.00	2.04	10.38	3.11	3844.32
Ch Rail Cons	5.94	0.31	6.38	3.75	4.55	3.05	1571.24
Ch Rail Gp	5.20	0.38	5.88	3.46	4.08	4.04	2787.31
ChConstBk	5.10	0.01	5.97	4.12	7.51	3.56	156208.75
China Vanke	12.12	-0.30	21.50	9.96	12.11	5.28	3407.03
ChinaCitic	4.00	0.03	4.08	2.92	7.23	3.59	7583.95
ChinaLife	12.96	0.02	15.14	8.53	5.43	5.48	12286.05
ChinaMBank	39.45	-0.55	62.70	25.40	3.74	7.03	23073.36
ChinaMob	65.65	1.35	66.10	46.85	5.06	9.79	171131.79
ChinaPcIns	21.55	0.15	23.20	12.10	6.29	6.79	7619.45
ChMinsheng	2.69	-	3.14	2.19	9.43	3.36	2851.37
ChMrchSecs	14.06	0.03	15.98	12.06	3.20	12.18	15166.64
Chna Utd Coms	5.70	0.14	6.45	3.30	2.02	27.74	25650.19
ChShenEgy	24.75	0.35	27.65	20.70	8.54	7.26	10649.64
ChShpbldng	3.89	0.10	4.02	3.36	-	-280.57	12485.52
ChStConEng	6.16	0.31	6.54	4.68	3.59	4.63	36993.73
ChUncHK	5.92	0.15	6.54	3.27	2.74	12.61	23077.11
CNNC Intl	6.64	0.24	8.40	5.78	1.93	16.84	18191.58
CSR	4.57	0.16	4.60	2.37	4.67	12.14	2544.88
Daqin	7.30	0.08	7.54	5.95	6.78	10.73	15773.53
GuosenSec	9.62	0.04	10.55	8.43	2.47	10.72	12341.72
HaitongSecs	5.02	-0.03	6.13	3.77	5.91	5.27	2180.56
Hngzh HikVDT	44.91	2.48	46.34	28.10	1.84	23.94	59454.65
Hunng Pwr	4.00	-0.01	4.80	2.62	5.10	-4.34	2395.32
IM Baotou Stl	1.90	-	2.71	1.75	-	31.38	8747.35
In&CmBkCh	4.15	0.04	4.87	3.37	7.55	3.67	45888.88
IndstrlBk	17.00	0.11	22.42	15.01	4.71	4.52	51328.42
Kweichow	1814.59	12.52	2077	1359	1.10	39.65	331298.73
Midea	0.39	0.01	0.49	0.32	-	-4.09	14.96
New Ch Life Ins	19.02	-0.08	23.00	12.04	8.31	3.49	2505.78
PetroChina	4.82	0.10	4.90	3.01	5.11	9.40	12955.99
PingAnIns	50.70	-0.50	64.15	31.30	5.10	7.79	48104.87
PngAnBnk	12.65	-0.02	16.66	10.39	1.42	7.33	35677.87
Pwr Cons Corp	7.43	0.25	8.45	6.71	1.23	14.98	11869.29
SaicMtr	14.48	0.11	19.29	13.77	4.23	7.03	24587.96
ShenwanHong	0.09	0.00	0.18	0.07	-	2.69	105.53
ShgPdgBk	7.21	0.02	8.18	6.64	6.58	4.48	30758.14
Sinopec Corp	4.71	0.09	4.97	3.06	3.05	5.49	14869.8
Sinopec Oil	2.23	0.09	2.39	1.70	-	719.31	4397.97
Denmark (kr)							
DanskeBk	136.70	-1.10	165.35	91.28	1.40	9.76	17261.25
MollerMrsk	11470	-415.00	22650	11100	2.86	1.95	14064.8
NovoB	1075.6	-8.80	1095	720.40	0.83	54.04	274500.3

Stock	Price	Day Chg	52 Week High	52 Week Low	Yld	P/E	MCap m
Finland (€)							
Nokia	4.51	0.02	5.20	4.18	-	16.24	27729.43
SampoA	43.85	0.47	49.97	39.86	3.74	9.74	24707.29
France (€)							
Airbus Grpe	124.38	-1.06	126.78	86.52	-	23.79	107270.81
AirLiquide	155.26	0.82	155.66	114.48	1.70	29.90	88690.49
AXA	28.27	-0.05	30.34	20.34	4.85	9.93	70725.8
BNP Parib	55.83	-0.51	67.02	40.67	4.59	8.39	75194.48
ChristianDior	821.00	-2.50	830.50	516.00	0.82	31.27	161705.55
Cred Agr	10.47	0.00	11.94	8.09	7.32	5.97	34759.4
Danone	59.49	0.58	59.99	46.78	3.12	21.12	43870.55
EDF	11.90	0.02	12.07	7.27	3.93	9.55	51951.12
Engie SA	14.93	0.18	14.98	10.07	3.40	10.97	39662.46
EssilorLuxottica	166.90	3.40	184.70	132.70	0.62	53.11	81522.75
Hermes Intl	1909.2	15.20	1918.8	957.60	0.23	86.52	219925.72
LOreal	423.70	3.35	424.15	300.45	0.90	53.86	247428.74
LVMH	844.60	-6.40	855.20	535.00	0.79	36.90	462682.58
Orange	11.28	0.29	11.94	9.08	5.10	3905.72	32728.96
PernodRic	209.20	1.60	210.10	166.60	1.43	32.96	58881.55
Renault	36.76	-1.62	43.96	21.20	-	-28.65	11861.68
Safran	134.70	-0.98	138.38	87.85	0.31	1405.92	62798.15
Sanofi	101.40	1.80	106.08	76.45	3.02	21.39	139502.81
Sant Gbn	49.38	-2.34	58.53	35.20	2.64	12.32	27791.01
Schneider	142.86	-5.60	159.62	110.02	1.74	26.30	89023.35
SocGen	21.05	-0.11	28.39	18.97	2.52	3.71	18563.6
Total	57.14	0.41	60.93	44.01	4.53	11.46	155264.35
UnibailR	48.44	-1.24	73.09	39.68	-	-7.20	7334.22
Vinci	105.66	1.10	109.92	80.84	2.44	24.45	68082.02
Vivendi	9.23	-0.09	12.04	7.59	6.23	-17.20	11107.45
Germany (€)							
Allianz	213.10	-0.10	224.55	156.22	4.32	14.05	93780.65
BASF	48.36	-0.65	54.18	37.90	6.54	8.36	47167.17
Bayer	59.52	0.70	67.99	47.01	3.22	60.91	63804.07
BMW	99.09	-2.25	103.70	68.44	1.84	5.51	65089.26
Continental	64.86	-3.52	79.24	44.44	-	10.43	14154.89
Deut Bank	9.30	-0.03	12.36	7.46	-	9.55	20703.86
Deut Tlkm	23.05	0.67	23.13	16.71	2.49	27.65	125387.84
DeutsPost	42.16	-0.38	43.21	29.68	3.14	11.14	57000.57
E.ON	11.63	0.05	11.74	7.28	3.87	6.74	33504.28
Fresenius Med	39.70	0.47	63.66	26.19	3.23	12.52	12692.61
Fresenius SE	24.93	0.17	36.09	19.76	3.46	8.23	15192.65
HenkelKgaA	69.00	0.28	69.18	56.55	2.54	19.15	19559.95
Linde	324.70	-2.15	344.00	261.20	1.10	52.65	174371.62
Mercedes-Benz	68.43	-2.01	75.92	50.19	1.89	7.14	79882.34
MuenchRkv	324.80	2.90	334.10	212.70	2.89	16.20	49652.07
SAP	116.26	-0.08	117.68	81.35	1.52	27.21	155845.21
Siemens	143.94	-3.62	152.20	93.67	2.33	22.59	125648.69
Volkswgn	154.45	-1.55	233.40	144.35	2.98	5.45	49731.16
Hong Kong (HK$)							
AIA	83.50	-0.10	93.65	57.25	1.49	20.60	124141.67
BOC Hold	24.70	0.15	31.85	23.55	4.68	12.22	33270
Ch OSLnd&Inv	20.05	-0.15	27.35	14.58	5.57	4.80	27957.06
ChngKng	47.80	-0.05	57.00	42.90	3.45	10.54	21878.22
Citic Ltd	9.12	-0.01	9.44	7.01	5.49	4.07	33799.39
Citic Secs	17.18	-0.04	19.18	11.82	2.59	8.53	5734.61
CK Hutchison	49.65	0.65	57.90	36.80	4.27	6.06	24226.41
CNOOC	12.30	0.36	12.68	9.22	3.42	10.35	69852.23
HangSeng	112.10	-	154.00	110.00	5.06	17.39	27303.87
HK Exc&Clr	343.00	-4.20	404.20	208.20	2.48	37.28	55401.8
MTR	38.35	0.25	43.70	33.45	2.96	26.77	30301.72
SandsCh	29.25	0.05	30.70	12.50	-	-31.14	30158.9
SHK Props	109.10	0.60	115.90	83.10	4.22	12.02	40276.94
Tencent	385.00	-3.20	411.00	188.69	0.39	14.60	469323.33
India (Rs)							
Bhartiartl	763.45	2.90	860.55	628.75	-	160.93	55553.78
HDFC Bk	1653.75	43.20	1702.4	1271.6	-	27.68	112520.2
Hind Unilevr	2582.75	46.65	2741.6	2047	1.26	68.31	73998.19
HsngDevFin	2705.95	77.00	2780	2026	0.86	22.74	60533.71
ICICI Bk	884.60	0.80	958.20	669.95	0.23	27.71	75319.12
Infosys	1423.55	12.70	1857.5	1360	2.16	27.77	72013.94
ITC	386.40	7.50	394.00	249.15	2.82	31.70	58557.84
L&T	2257.75	87.60	2273.3	1456.35	0.81	36.97	38690.38
OilNatGas	152.90	-0.75	179.80	119.85	6.04	4.27	23455.43
RelianceIn	2325.85	-5.60	2856.15	2180	0.31	26.28	191896.1
SBI NewA	523.00	-3.75	629.55	430.70	0.78	14.40	56916.44
SunPhrmInds	997.15	16.10	1072.15	789.90	0.76	36.69	29174.13
Tata Cons	3239.8	39.80	3809.3	2950.1	1.14	30.55	144555
Israel (ILS)							
TevaPha	32.47	0.46	38.52	23.83	-	25.96	10029.32
Italy (€)							
Enel	5.66	0.08	6.42	3.96	6.20	27.49	62810.97
ENI	13.43	0.12	14.98	10.43	4.81	5.90	52852.9
Generali	18.41	0.12	20.46	13.67	7.65	10.90	31760.79
IntSPaolo	2.31	-0.02	2.60	1.56	1.52	74.69	48954.66
Unicred	17.74	-0.21	19.77	7.87	0.65	27.49	37567.81
Japan (¥)							
AstellasPh	1894	-28.00	2205	1823.5	2.54	27.95	26189.12
Bridgestne	5233	-86.00	5509	4428	3.31	11.67	28537.02
Canon	2929	-47.00	3516	2790.5	3.48	13.89	29849.8
CntJpRwy	16015	-170.00	17920	14730	0.85	-29.44	25207.95

FT500: TOP 20

FT500: BOTTOM 20

BONDS: HIGH YIELD & EMERGING MARKET

BONDS: GLOBAL INVESTMENT GRADE

INTEREST RATES: OFFICIAL

INTEREST RATES: MARKET

BOND INDICES

VOLATILITY INDICES

BONDS: BENCHMARK GOVERNMENT

GILTS: UK CASH MARKET

GILTS: UK FTSE ACTUARIES INDICES

COMMODITIES

BONDS: INDEX-LINKED

BONDS: TEN YEAR GOVT SPREADS

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

Sports shoe tale treads lightly

FILM

Danny Leigh

Writing *1984*, George Orwell pictured a boot stamping on a human face — forever. Ben Affleck has a more upbeat vision: the entire world buying the same basketball shoe. His perky new movie **Air** is a period piece, set in that same year, with Matt Damon and Viola Davis among the stars. It tells the origin story of the Nike Air Jordan. The film is a love letter to consumerism wrapped in a corporate legend, inside a feelgood workplace comedy. The result is so deeply un-dystopian, it even makes a gag of the literary association.

"So Mr Orwell was right," sighs Nike marketing chief Rob Strasser (Jason Bateman), his gloom triggered by limp sales projections. The line might have been written for Steve Carrell in *The Office*, but Strasser was real. The tone is that of the underdog story; the Nike of 40 years ago imperilled by lack of cool.

The cure is youthful rookie Michael Jordan, though the film limits him to glimpses, seen only with his back to camera. (The logic of not making an accidental biopic is sound. The execution looks barmy.) The genius the movie is really made to salute is Sonny Vaccaro (Damon), Nike's tucked-away basketball guru who alone sees the scale of Jordan's pending greatness. And so we follow him dragging his bosses into what is hoped may be a modestly lucrative partnership with the new king of the court.

Sonny duly doorsteps family matriarch Deloris Jordan (Viola Davis). Etiquette be damned in a tale of maverick spirit. The mood is knockabout, but Damon gets a rousing speech, Davis a couple of meaty scenes, and Affleck plenty of screen time himself as Nike co-founder Phil Knight, played as an exasperated dad in '80s leisurewear.

Affleck the director cranks the nostalgia hard. The jukebox soundtrack (ZZ Top! Cyndi Lauper!) suits smoothly efficient comedy. Fun is had with foul-mouthed agents and the Nazi past of Adidas founder Adi Dassler. But for all the seeming mischief, the film treads carefully. Jordan is not all that is minimised. Other versions of events make Strasser a more valuable player.

But missing altogether is the wider, complicated context that makes Air Jordan such a transfixing story: the rougher edges of Nike's reputation; the violent crime in American cities later sparked by desire for the shoe. (For those insights, Yemi Bamiro's 2020 documentary *One Man and His Shoes* comes highly recommended.)

> It's refreshing in 'The Super Mario Bros Movie' to see a children's movie made for actual children

Every deal is defined by what it leaves out. But once *Air* is done redacting, it can be hard to say what's left. The clearest sense of why any of this matters boils down to royalty payments for athletes.

Air pitches the simple pleasure of Damon and Affleck shooting good-natured actorly hoops, with Bruce Springsteen cued in time for the credits. The finished product is painlessly watchable with an occasional likeness to the facts. In that, it is not unlike *Argo*, the true-ish story of the Iranian hostage crisis Affleck directed in 2012. That movie won the Best Picture Oscar, a history the scrappy mavericks behind this one, Amazon, will be hoping repeats itself. Now as in 1984, everyone loves a happy ending.
In cinemas from April 7

Ben Affleck as Nike co-founder Phil Knight in 'Air', which tells the story of the Air Jordan

Can being ploddingly risk-averse become an active selling point? The answer might come with **The Super Mario Bros Movie**, an animated riff on the beloved Nintendo intellectual property, haunted by a brutal past. Back in 1993, sibling plumbers Mario and Luigi inspired Hollywood's first real attempt to tap the emerging market of the games industry. The result, *Super Mario Bros*, starred a visibly regretful Bob Hoskins in a doomed live-action folly. It became a cautionary tale for 30 years of nervous efforts at fusing games and movies.

No coincidence, then, that the pointedly adequate new film appears made with its baroque forebear as a blueprint of how not to do things. Or that it comes as a redemption story. We first meet the brothers, voiced by Chris Pratt and Charlie Day, as the laughing-stock of their Brooklyn-Italian family. But a new start awaits in the trans-dimensional Mushroom Kingdom, where Princess Peach is mooned over and menaced by lovestruck monster turtle Bowser. (They are played respectively by Anya Taylor-Joy and Jack Black, though perhaps they switched roles in the booth.)

The movie is made by Illumination, the company behind the all-conquering *Minions* films. At least some of the same formula is applied here: unfussy animation; endless comic sidebars with small, colourful characters; a pace that is brisk without evoking a sugar rush; a wilful lack of the meta-textual curlicues that please middle-aged film critics in screening rooms on Monday mornings.

There are vapour trails of *The Wizard of Oz*, but if a basic boob in 1993 was straining to make cinema of a game no one involved had ever bothered playing, now the actual Mario of it all is central. Adventures unfold amid floating platforms and power-ups. The 8-bit world is faithfully reimagined for the modern under-10.

Much of this will be slightly dull for anyone else. But it can also feel refreshing when a children's movie is this squarely made for actual children, rather than with one eye on the reviews. And for gaming nostalgics, something authentically sweet informs the care with which nuggets of the Mario universe are gently scattered: shuffling Shy Guys, massed Yoshis, a Karting interlude on Rainbow Road. A pale blue Luma star even voices morbid thoughts, while jailed by a Bowser consumed by jealousy over Princess Peach: a touch of sex and death, after all, for supervising adults.
In cinemas from April 7

A lot of film business money is currently being spent on the immersive: finding the technology to make an audience feel they're physically inside a movie. Maybe industry leaders should watch **Godland**, a dazzling slab of Icelandic arthouse made without a single computer effect. Yet the stark landscape and punishing climate are rendered so vividly, you could swear you're right there on the island's south-east coast, drenched and shivering.

The film is the story of a callow 19th-century Danish priest, Lucas (Elliott Crosset Hove), dispatched to build a church in the old Norse colonial outpost. He at least goes forewarned. Beware the impossible rivers, stinking volcanoes and midnight sun.

But Lucas descends not just with a cross but a camera, taking wet plate photographs of the pitiless country. Treat with a certain wariness the claim of a title card that the film is based on real pioneering snapshots taken by a visiting priest. As evidenced by a scene of unnerving folktales told around a fire, not every Icelandic story is to be taken literally. And if he finds them compelling subjects, Lucas also comes to loathe the taciturn locals. Mistrust cuts both ways. They are just as sceptical of the "Danish devil" in their midst, priggish and too hard on the horses. Language is a barrier. Mortality stalks. In time, love blooms as well, but the weather is still unspeakable.

Director Hlynur Pálmason passes judgment on neither his characters nor the country. "Terribly beautiful," Lucas says. "Terrible and beautiful," a native replies. If a film this filled with indelible images needs a mission statement, there it is: the eternal double-edge of things. And in Hove, it has a great lead, an actor with a permanent look of shock, and a gift for brilliantly unlikely slapstick. Just every now and then, he and Pálmason channel the ghost of Buster Keaton, a comic whose hallmark joke was an indifferent world making punchlines out of people. *Godland* gives that world a name: Iceland.
In UK cinemas and on Curzon Home Cinema from April 7

Air
Ben Affleck
★★★☆☆

The Super Mario Bros Movie
Aaron Horvath & Michael Jelenic
★★★☆☆

Godland
Hlynur Pálmason
★★★★☆

From left, Mario, Princess Peach and Toad in 'The Super Mario Bros Movie'

Elton serves up ham and beefy dexterity

POP

Elton John
O2 Arena, London
★★★★☆

Ludovic Hunter-Tilney

Resolute goodbyes find the fabled British stiff upper lip at its most untrembling. To the annals of such plucky leave-takings as Captain Oates stepping into the icy wastes of Antarctica or Celia Johnson and Trevor Howard in *Brief Encounter* can be added a valiant new adieu: Sir Elton John's gargantuan farewell tour.

It was long ago in 2018 when the singing knight of the realm embarked on his valedictory series of concert dates. The Farewell Yellow Brick Road tour was meant to last three years, but Covid shutdowns and a hip replacement have extended it even further. The second of 10 scheduled appearances at London's O2 Arena was the 287th date he has played on this tour. In January, the tour became the most lucrative ever, the first to gross more than $800mn. A Glastonbury headlining slot beckons this summer, with the final curtain due to fall in Stockholm in September.

After so long on the road, it was a well-honed affair. Twenty-four songs, two and a half hours, all killer and no filler. One of the biggest-selling artists in pop history kept the action focused on his 1970s heyday, with only four numbers from later decades. Installed at his grand piano, he was accompanied by old compadres, including percussionist Ray Cooper, white-gloved drummer Nigel Olsson and guitarist Davey Johnstone.

Elton, 76, pounded the ivories and belted out vocals with undimmed heartiness. He wore heart-shaped tinted glasses and sparkly eveningwear like a high-society swell. His singing accent was mid-Atlantic, the Americanised inflection that Briddish pipple of his generation were drawn to, linguistic escapees from drab postwar Blighty. But there were no emotional fireworks in the grand tradition of US showbiz. His elaborate specs never looked in danger of being fogged up by lachrymosity.

"Bennie and the Jets" was the opener, from the album that has given the tour its name, 1973's *Goodbye Yellow Brick Road*. The song's lyrics, by Elton's regular collaborator Bernie Taupin, tell of a druggy, flamboyantly sci-fi rock band that the kids adore and their parents detest: a very 1970s set-up, although not exactly a portrait of the song's maker. For all the drugs and wacky outfits in Elton's history, his routine has always been that of the traditional piano man, not some futuristic pop oddity.

Throughout the night, piano parts boogied and honky-tonked, performed by Elton with beefy dexterity. A pounding rendition of the gospel-rocker "Levon" ended with him collapsing over the lid of his grand as though exhausted, before reviving to grin and point at the audience while mouthing "Oh yeah" and "Thank you" — pure ham, of the highest grade.

His voice can be wobbly now; on really bad days, he resembles a seal doing an Elton John impersonation. But he was in good form here, muscling his way through "I Guess That's Why They Call It the Blues" and crying out vigorously during a suitably fiery "Burn Down the Mission". The encore juxtaposed hits 51 years apart, "Cold Heart" and "Your Song". Then came some folderol about holding us in his soul forever, uttered in the no-nonsense style of a parent packing a child off to boarding school. A closing version of "Goodbye Yellow Brick Road" sent us on our way, dry-eyed but thoroughly entertained.

eltonjohn.com

Piano man: Elton John on stage at the O2 Arena, London
Simone Joyner/Getty

The FT View

FINANCIAL TIMES
'Without fear and without favour'

ft.com/opinion

The war in Ukraine will define EU-China relations

Xi's support for Putin brings home what it means for Beijing to be a systemic rival

Beijing's "no-limits partnership" with Moscow during Russia's war of aggression against Ukraine has hammered home to many Europeans what it means for China to become a systemic rival. Russia has violated Ukraine's sovereignty and territorial integrity with barbaric force. Rather than uphold these fundamental tenets of the global order and the UN charters, China looks like it wants to subordinate them to its own ambitions. As Xi Jinping told Vladimir Putin in Moscow last month: "Right now, there are changes, the likes of which we have not seen for 100 years. And we are the ones driving these changes together."

Beijing has helped bankroll the Kremlin's war machine by buying vast quantities of Russian oil and gas at knockdown prices. Western intelligence agencies concur it has not yet provided weaponry to Russia in significant quantities. But it is unclear whether the restraint will prevail if Ukraine gets the upper hand on the battlefield. China has presented a set of principles for a negotiated end to the war. But its claim to act as a peace broker is empty if it fails to recognise Russia has breached those very principles and as long as Xi refuses to talk to Ukrainian president Volodymyr Zelenskyy.

Russia's war against Ukraine has been a transformative moment for the EU, forcing wrenching change on energy, economic and security policy. Whether Beijing bolsters Russia's war effort or genuinely mediates will be a "determining factor" in EU-China relations for years to come, as European Commission president Ursula von der Leyen said in a candid and clear-sighted speech last week. It is a message that should be conveyed without ambiguity when von der Leyen and French president Emmanuel Macron visit Beijing this week.

EU attitudes to China have been hardening for several years — over its unfair trade and restrictive investment practices, its coercive diplomacy towards countries it deems "unfriendly" and its human rights abuses. In 2019, the commission said the EU should treat China as a partner, competitor and systemic rival. It was a clever framework for relations at the time, but not one embraced by the EU's most powerful countries, above all Germany, which continued to prioritise its commercial ties.

The EU needs to redefine the terms of its engagement with China. As von der Leyen put it, China has "turned the page on the era of 'reform and opening' and is moving into a new era of security and control". For the EU that means treating China first of all as a systemic rival and adopting policies to mitigate risks that stem from it. It does not mean abandoning partnership on issues such as climate change or nuclear proliferation (or Russian nuclear brinkmanship). Nor does it mean economic decoupling, which is neither realistic nor desirable. On the other hand, the breaking of trade ties with Russia has shown that European businesses cannot ignore their reliance on China's vast market for sales and profits.

> Russia's invasion has been a transformative moment for Europe, forcing wrenching change on its energy, economic and security policy

A de-risking approach allows the EU to be more proactive and discerning. It must identify its own vulnerabilities and supply chain dependencies. It should use its trade and other defences to stop China exploiting the EU's market openness. It should add new ones, such as EU-wide review powers on outward investment in sensitive and dual-use technologies. The question is whether EU governments are prepared to unite behind a new China strategy.

German chancellor Olaf Scholz appears less accommodating to China than his predecessor Angela Merkel, but commercial interests still hold sway. Macron's conception of France as a "balancing power" in world affairs brings unhelpful ambiguity. Now more than ever the EU needs a single voice on China.

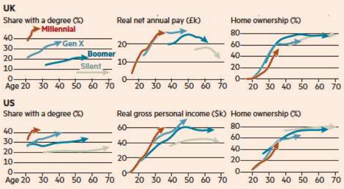
Opinion Data Points

Millennials are better off than they think — but success is bittersweet

John Burn-Murdoch

Millennials are the most educated generation ever, but this hasn't translated into economic success as it did for past generations

Generational trends in socio-economic attainment



Source: FT analysis of Labour Force Survey (1981-2022) and US Current Population Survey (1976-2022)

For most of the past two centuries, if you asked a young adult in the west whether they had a better standard of living than their parents enjoyed at the same age, you would have been drowned out by a unity of yesses. More money, more things to spend it on, longer and healthier lives to look forward to.

But that has all changed. Today, almost one in four US millennials — the cohort born between 1981 and 1997 — say their lives are materially worse than their parents' were, a record high for any generation of Americans asked that question.

On the other side of the Atlantic, almost half of the UK population says today's youth will have a worse life than their parents, up from 13 per cent 20 years ago, according to an Ipsos Mori survey. The malaise is clearly deeply felt, but does it reflect reality? One statistic that is often wheeled out in support of the millennial plight is the wealth deficit. A widely shared chart from the US shows that young adults held only 3 per cent of US household wealth in 2019, while baby boomers owned 21 per cent at roughly the same age.

> Pity the non-graduate under-40s in London, just 20 per cent of whom own a home

At first glance it's a slam dunk, but this example has a flaw, as first explained by Jeremy Horpedahl, an economist at the University of Central Arkansas. Boomers are so-called because they are a very large generation. At the time they held 21 per cent of the wealth, they made up almost twice as large a share of the adult US population as millennials do today. If we instead take Horpedahl's suggestion and compare inflation-adjusted per capita wealth within each generation over time, millennials are in fact almost perfectly tracing boomers' footsteps.

So, are millennials wrong to complain? I fear not. The per capita measure is a beautifully simple rejoinder, but it misses one crucial detail. Wealth accumulation — just like income — matters primarily to millennials today as a means to home ownership, especially as we move into an era of high interest rates. If we deflate wealth by the index of house prices instead of the CPI, millennials' assets only go about half as far as boomers' once did. We're left with a smaller millennial deficit than the original chart implied, but a deficit nonetheless.

One area of undeniable progress is education. Millennials entered the labour market with more degrees under their belt than any generation before them, and they're happy to acknowledge it. But where has this got them? Britain's millennial workforce boasts twice as many graduates as Gen X at the same stage, yet its incomes are tracing exactly the same path. For boomers and Gen X, more education than their predecessors translated into higher incomes. For millennials these benefits are yet to emerge.

And that leads us back to home ownership. Here we have a generation more educated than any before it, earning as much as any of its predecessors (and indeed on track to out-earn boomers in real terms). Yet in Britain, this translates into a home-ownership rate which lies 23 per cent below where boomers were at the same age, and 10 per cent lower in the US.

Those aggregates mask significant differences beneath the surface, too. Degree-educated millennials in London are 41 per cent less likely to own a home than degree-educated boomers were at the same age. And if you think that's bad, pity the non-graduate under-40s in London, just 20 per cent of whom own a home (among non-graduate boomers of the same age, 60 per cent were homeowners).

It's a similar story in the US. Outside the hottest graduate job markets, millennials have done fairly well at catching up with boomers on home ownership. But in particularly expensive real estate markets such as New York and San Francisco, America's most skilled and highest-earning generation cannot afford to put down roots in the way its parents did.

By one definition, millennials have no less money in their thirties than boomers did at the same age — but boomers got there first and bought the best houses in a cheaper market. Millennials have done everything they were told to do, but the fruits of their labours are proving elusive.

john.burn-murdoch@ft.com

Letters

Email: letters.editor@ft.com
Include daytime telephone number and full address
Corrections: corrections@ft.com
If you are not satisfied with the FT's response to your complaint, you can appeal to the FT Editorial Complaints Commissioner: complaints.commissioner@ft.com

Trophy hunting — the conservationist's defence

Stephen Bush's column "Hunting trophy ban shows our epicurean hypocrisy" (Opinion, April 4) highlights the exact issue I encounter as a conservation scientist and life-long animal lover.

In my work and personal life, my guiding principle is to reduce animal suffering and death wherever possible. Being a vegetarian is an obvious choice. Some decisions, however, are more challenging. Decades working on African conservation has given me first-hand experience of a counter-intuitive truth: trophy hunting saves more animals than it kills. This is because a substantial proportion of the revenue trophy hunting generates goes towards the conservation of wildlife and habitat. Without this income, far more animals are likely to suffer far worse deaths through poaching and habitat loss.

This gives me, and everyone else who cares deeply about animal welfare, a difficult choice: put our feelings first and oppose trophy hunting in all forms, or recognise trophy hunting can, surprisingly, reduce animal suffering? As someone who cares more about impact than virtue-signalling, I will always choose the latter.

That is why I oppose the hunting trophies (import prohibition) bill in its current form, and support an exemption for trophy hunting with conservation benefits.

Amy Dickman
Professor of Wildlife Conservation, University of Oxford, Oxfordshire, UK; Joint Chief Executive, Lion Landscapes; Member, International Union for Conservation of Nature's Sustainable Use and Livelihoods Specialist Group; Member, Darwin Expert Committee

Italy's Ethiopia invasion and sanctions fallout

There is nothing new under the sun we read in the bible (Ecclesiastes 1:9).

The recent op-ed by Gideon Rachman ("China, Japan and the Ukraine war", Opinion, March 28) reminds us of that idiom by pointing out the parallel with the rising international tensions of the 1930s and 1940s.

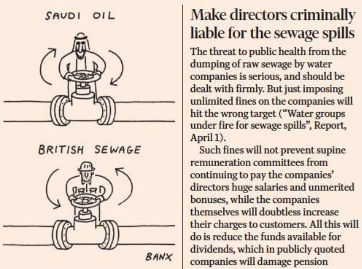
Anyone who read Nicholas Mulder's book *The Economic Weapon: The Rise of Sanctions as a Tool of Modern War* can draw another, more worrying parallel.

When Fascist Italy invaded Ethiopia in 1935, the League of Nations imposed economic sanctions. These triggered a consequential response by Nazi Germany and Imperial Japan as both feared they could be next.

"Sanctions exploited the economic networks of interwar globalisation but ultimately undermined its political foundations", Mulder wrote. "That sanctions are intended to promote international stability is, unfortunately, no defence against this risk."

If there really is nothing new under the sun, the good news is that in 2023 we have plenty of history to learn from. In the interests of avoiding another global tragedy, we should do so.

Stefan Legge
University of St Gallen, St Gallen, Switzerland



Make directors criminally liable for the sewage spills

The threat to public health from the dumping of raw sewage by water companies is serious, and should be dealt with firmly. But just imposing unlimited fines on the companies will hit the wrong target ("Water groups under fire for sewage spills", Report, April 1).

Such fines will not prevent supine remuneration committees from continuing to pay the companies' directors huge salaries and unmerited bonuses, while the companies themselves will doubtless increase their charges to customers. All this will do is reduce the funds available for dividends, which in publicly quoted companies will damage pension funds and pensioners. Surely the appropriate way to deal with the sewage scandal is to make directors and managers of water companies criminally liable and subject to imprisonment for illegal discharges of sewage into lakes and rivers?

Robert Rhodes KC
London WC2, UK

African urban planning could avoid west's mistakes

In his column "What the World Bank needs to do now" (Opinion, March 17), Ajay Banga, the US nominee for president of the World Bank, describes the objectives he would pursue as president, and fortunately he seems to put climate change and green development high on his list.

He is reassuringly in favour of green tech and sustainable trucking, but he seems to overlook the problems created by weaknesses or absence of urban planning.

In Africa, a major area for the future of the planet and for the bank, population growth is encouraging a kind of spontaneous development of large cities that are very spread out, where sustainable collective transport is scarce, and an over-reliance on individual vehicles (mostly fossil fuel powered for the foreseeable future) creates ever-increasing traffic jams and pollution. Devoting substantial means to urban planning and the way to implement it might help those countries and those cities.

An important complement to good urban planning comes from transport infrastructures like tramways in and around cities, and trains between cities, which might help their development and encourage populations to concentrate around those infrastructures and use them, resulting in more dense, more friendly and more liveable cities: rail and tram lines and stations help mobility and structure communities in a sustainable way.

But currently Africa risks repeating the car-centric mistakes that the US, Europe and Asian countries have made since the 1960s and which they now have grave difficulties correcting, when they try.

Eric De Keuleneer
Professor, Université Libre de Bruxelles Brussels, Belgium

OUTLOOK

NORTHERN IRELAND

Titanic NFTs are latest token of Belfast's difficult history

by Jude Webber

Near the yard that built the Titanic in Belfast, a giant mural pays tribute to history's most famous ship and the 1,500 who perished on her maiden voyage in April 1912.

The city also boasts a Titanic museum, recently reopened after a £4.5mn upgrade. It displays poignant relics of the tragedy, including the violin played by band leader Wallace Hartley as the ship went down and one of only six surviving deckchairs bearing the White Star Line's logo.

But perhaps you want a more personal connection — something that will, to quote the song from the eponymous movie, go "on and on". If so, RMS Titanic Inc (RMST), the firm with sole rights to the wreck that has lain on the north Atlantic seabed since sinking en route to New York on April 15 more than a century ago, has you covered: crypto collectibles.

History is everywhere in Northern Ireland, from the Titanic to the Troubles — the three decades of sectarian conflict that ended 25 years ago this Easter with the Good Friday Agreement, signed on April 10 1998. Preserving the past is taken seriously in a place where the future often feels out of reach.

Crypto offers a 21st-century way to keep the Titanic alive. But some see RMST's efforts to pitch non-fungible tokens, or NFTs — a blockchain instrument used to collect digital art — as both financially uncertain and morally dubious. The company launched some NFTs last year with crypto platform Crypto.com, billing the venture as a "once-in-a-lifetime opportunity to collect these unique pieces of history".

RMST has now teamed up with two Hong Kong-based companies — virtual asset manager Venture Smart Financial Holdings, and Artifact Labs, a firm on a self-styled mission to "preserve and connect history on the blockchain" — to enable 5,500 artefacts to be sold as tokens.

Details are scant but Artifact Labs also promises a decentralised autonomous organisation for users to participate in future Titanic initiatives, including dives to the wreck site.

"In some ways, NFTs are like the Titanic," Robert Norton, chief executive of Verisart, a platform that verifies the authenticity of digital assets, tells me. "They were a very big thing — but they completely collapsed." NFTs had plunged about 90 per cent in volume and value since peaking in 2021, he adds.

Should the public be able to own some kind of digital title to an artefact recovered from a wreck where so many lost their lives? Titanic Belfast, the museum, says it does not display anything from the seabed "mass grave" and only shows items found at the surface.

Tom McCluskie, a former Harland & Wolff archivist who painstakingly preserved documents from the shipyard, is emphatic in his condemnation. "Under international law and agreements, nobody can 'own' any artefact removed from the wreck of the RMS Titanic, so what is the point in 'owning' a spurious financial interest in such an item?" he says, blasting it as "vanity-driven" and the quest to recover still more items as "grave robbing".

Titanic Belfast is even more dismissive. "There is no substitute for seeing the original pieces in real life," said a spokesman, calling the city's top tourist attraction "the guardians of her [Titanic's] truth".

For Northern Ireland, created by the partition of Ireland a decade after the Titanic sank, preserving history and telling all sides' truth is an enduring challenge. The region remains riven by cultural and political divides and lingering paramilitary violence, even though the decades of conflict between republicans aiming to oust UK rule and loyalists battling to keep it British have long since ended.

Crypto cannot crack that, but old-school audio and video can preserve the feelings and emotions in a tangible link to Northern Ireland's recent past.

For that, I recommend *Lost Lives*, a haunting evocation of some of the 3,700 victims of the Troubles — from which its protagonists are eerily absent. And *Lyra*, a mesmerising film portrait of journalist Lyra McKee, shot dead by dissident republicans in 2019, painstakingly stitched together from fragments of her voice on tape and her writing.

jude.webber@ft.com

Opinion

The dovish case for the BoJ to abolish yield curve control

ECONOMICS
Robin Harding

When Kazuo Ueda takes over as governor of the Bank of Japan this weekend, he should move quickly to dump its policy of yield curve control.

The reason is not because the policy is unsustainable or because it is time to "normalise" Japanese monetary policy. Rather, the reasons are the opposite: it is a sound tactical move that will make it easier to maintain the supportive policy Japan's economy requires.

The difficulty of Ueda's task and the limits of his room for manoeuvre are obvious to all. His is the toughest job in central banking.

What he does have as he starts out, though, is goodwill from the markets, the public and the institution itself. To sustain that support, his first job will be to clear up the unfinished business left last December by his predecessor, Haruhiko Kuroda, when the outgoing governor lifted a control cap on 10-year government bond yields from 0.25 per cent to 0.5 per cent, creating a wave of speculation about the future of YCC, and forcing the BoJ to buy trillions of yen in bonds to defend that level.

The BoJ pioneered yield curve control in 2016 as a way to support the economy, promising to buy as many bonds as needed to cap yields at a certain level, instead of buying a particular quantity every month

Being forced to defend the yield curve cap does not by itself make YCC unsustainable — indeed, if the cap can never bind, the whole thing has been a charade in the first place. A similar point applies to complaints that YCC has destroyed market liquidity for bonds the BoJ targets. That is true, and it is undesirable, but the side effect is inherent to any policy of price control.

Markets have focused on the dramatic daily buying the BoJ had to conduct during a short period in December and January when speculators attacked in force. Yet the BoJ's balance sheet is still far smaller than if it had never adopted YCC and had instead kept buying bonds at the previous pace of ¥80tn a year. Since there is no intrinsic limit on the ability of a central bank to buy bonds in its own currency, the question will always be whether the BoJ should continue, not whether it can.

> A widening interest rate gap across the Pacific would once again put the yen under intense downward pressure

Why then should it dump YCC now?

To start with, there is a good tactical window of opportunity, while markets digest the collapse of Silicon Valley Bank and fret about the risk of recession and therefore of a decline in US interest rates. Speculative pressure on Japanese bonds has relaxed and at 0.47 per cent, 10-year yields are hovering a little below the control level. The moment when market pressure is absent is exactly the time to move.

And Ueda cannot assume the lull will last. If US inflation remains high, and the Federal Reserve goes back to raising rates aggressively, then a widening interest rate gap across the Pacific will once again put the yen under intense downward pressure.

A study by economists Callum Jones and Mariano Kulish of policy in Australia, another country to experiment with yield curve control, points to this as a central flaw of the policy: the control level can suddenly become inappropriate because of changes in inflation abroad, rather than developments at home. YCC is unlikely, therefore, to become part of the standard toolkit for central banks.

A falling yen has some merit in pushing Japan towards its 2 per cent inflation target, but not if the weakness is extreme, as it became during 2022.

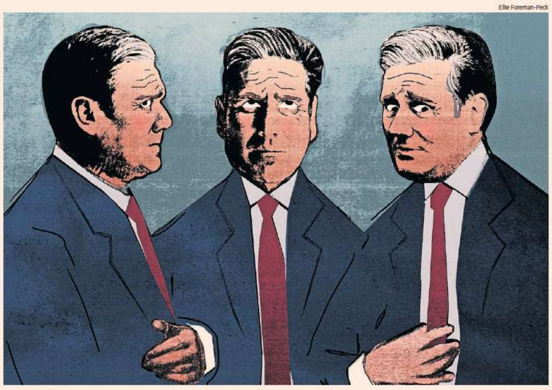
It is also the case that any fixed price regime becomes unstable once there is a prospect of ending it, because there are incentives to bet against it for instant speculative gains. Better for Ueda to remove the cap right now, at a moment when it does not bind.

At the same time, however, ending YCC need not — and should not — mark the start of a pre-determined retreat from easy monetary policy. The BoJ expects inflation to fall below target later this year, there are considerable risks to the economic outlook and Ueda is surely alert to Japan's long history of snatching deflationary defeat from the jaws of victory because of premature policy tightening.

Even with YCC removed, the BoJ's enormous stock of bond holdings will continue to exert downward pressure on yields, but the central bank will regain flexibility over their management. That will buy governor Ueda some time to think about his real task: how to steer Japan's economy to a happy equilibrium where policy can manage economic shocks without constantly increasing public debt, even as population ageing reaches its apogee in the decades ahead.

robin.harding@ft.com

Starmer's values remain a work in progress



Ellie Foreman-Peck

BRITAIN
Robert Shrimsley

Sir Keir Starmer was never supposed to win the next election. The Labour leader himself may have thought differently — you do not get to the top of politics without an immense sense of destiny — but even close allies doubted it was possible. However low one's opinion of Boris Johnson, few predicted how rapidly his government would unravel.

Suddenly, Starmer faces the terrifying prospect of victory. Instead of having a decade to rescue his party from the catastrophe of Corbynism, Starmer must now be Neil Kinnock, John Smith and Tony Blair combined; their 14-year trek from the unelectable left to the political mainstream must be squeezed into a single parliament. And yet this novice leader, who took over just five years after entering parliament, seems on course to complete the mission.

For all that, Starmer marks his third anniversary as leader knowing doubts about him are Labour's major obstacle to victory. Opinion polls suggest that voters are susceptible to the Tory criticism that he is slippery.

These doubts are fortified by his record. He resigned from Jeremy Corbyn's front bench in protest at his leadership, only to return in an enhanced role at the same time as his current close shadow cabinet allies refused to serve. Other MPs left the party while he campaigned to make Corbyn prime minister then, during the contest to succeed him, pledged to stick with his predecessor's core policies — only to ditch them and ban Corbyn from standing again as a Labour candidate.

To some, he remains contaminated by collaboration. Against this is the unarguable utilitarian case: a Corbyn-refusenik could not have won the leadership. By staying on the front bench, Starmer was able to play the unifier and then start salvaging the party. No one doubts his ruthlessness; many justifiably wonder about his true beliefs.

There are other instances. Having initially argued that Labour had to accept the Brexit vote, he led the fight for a second referendum. Now he promises only incremental reforms to the Brexit deal.

His peregrinations on social issues, from trans rights to immigration, have been similarly and painfully visible. Starmer's actions suggest a man who blithely took the prevailing line and who now, suddenly charged with setting the course, is learning on the job. But where Blair, clear in his own mind, triangulated between the electorate and the party, Starmer is still triangulating with himself.

Again, there's a case for the defence. The job of parties is to win elections. They operate in a market and cannot ignore consumer sentiment. But voters want to know that a leader shares their values. They like that Starmer is not Corbyn. Beyond that, they are unclear.

Starmer asks that people trust his three-stage process. The first two, fix the party and expose Tory failings, are going well even if the government can claim most of the credit for the latter. But on the third — make the positive case for Labour — even frontbenchers lament a lack of definition. The challenge is made harder by a weak economy. But the void kills the message.

He is also determined to avoid the wrong bold vision. One recent shadow cabinet meeting was characterised as a gentle effort by those close to Ed Miliband to adopt the "approach which worked so well for him in 2015".

The problem has now been emphasised by detailed voter research by the sympathetic Labour Together think-tank, which suggests the strategy has been overly aimed at the wrong target. Labour has tried to soothe the doubts of socially conservative, former Labour voters in the Midlands and north whom the research calls the "patriotic left". This was a necessary step.

> If he cannot answer voters' questions, his opponents will answer them for him — this could limit any victory

But now, Labour Together argues, the key target is a voter it calls "Stevenage woman": a working mother, concerned about the cost of living, who likes Rishi Sunak but is disillusioned with his party. The key point about this cohort is that they are cynical and disengaged from politics. When they do pay attention they need to hear Labour's solutions, not just criticisms.

The issue for Labour is not lack of policy, but clarity of signal. Trust is built by a coherent, easy-to-grasp narrative that projects how the party might start to fix the nation's problems along with a sense of Starmer's core values and whose interests he will prioritise. Winning policies, soundbites and slogans must spring from those strategic principles. The vagueness around how Labour would improve or fund key public services fosters the hunch that it either has no answers, or none it wishes to share.

In truth, the Tories have probably already gifted Labour the election, so Starmer may be right to focus on eliminating negatives. But if he cannot answer voters' questions, his opponents will answer them for him — at the very least, this could limit any victory.

Since everyone inside Labour recognises this problem, there are three possible explanations. The first is that Starmer is as shifty as his opponents suggest. The second is that he knows what he is doing and maybe it's time for allies to trust the process.

There is a third, not entirely comforting explanation. It is that Starmer's ideological trajectory points in the right direction, but he looks like a man whose core values are unclear because, three years into what ought to have been a 10-year process, he is still working them out for himself.

robert.shrimsley@ft.com

US media are still Trump's unwitting allies

AMERICA
Edward Luce

When it comes to Donald Trump, the media seem to have learnt nothing and forgotten nothing. Coverage of Trump's journey to and from the New York court was a cross between the death of Diana, Princess of Wales and the OJ Simpson car chase. You could be forgiven for thinking a conviction was pending, although Trump's next court date is not until December. Before then, television will have to come up with a synonym for "unprecedented".

To be sure, history is being made. This was the first indictment of a former US president. It could also lead to the first conviction. But the nature of the Trump charge sheet did not validate the build up. Trump's indictment is based on the novel legal theory that his hush money payments to cover up an affair amounted to conspiracy to win an election. The legal world is divided on that. "Elephant gives birth to mouse" would be a stretch, but not outrageously so.

The danger is that this is the kind of game that Trump relishes. In 2015, few sensible people thought Trump could beat Hillary Clinton in a general election, though the media found him endlessly good for ratings. Trump's "earned media" — the amount he received without paying for it — was off the charts compared with any other candidate.

Today's conventional wisdom is almost a carbon copy. Trump is seen as the easiest Republican for Joe Biden to beat next year and TV channels are once again chronicling his every move.

The climate would change if Trump were indicted for serious crimes, such as obstructing Congress, withholding highly classified documents, or attempting to subvert an election. The consensus is that one or more of these investigations will result in charges.

The risk is that since Trump's one relatively trivial indictment has been so hyped, the words to capture the remaining ones would already be used up. If everything is an outrage, eventually nothing is. The only data so far is that this indictment has boosted Trump's standing among Republican voters.

Trump has an ability to bring out the worst in liberals as well as conservatives. Republicans are almost entirely on his side over the New York charge sheet. This includes his chief rivals for the nomination, which is a good measure of the helplessness of their dilemma. But it also includes figures like Mitt Romney, the Utah senator, and Bill Cassidy from Louisiana, who both voted to convict Trump in one of his impeachment trials. They can hardly be accused of spinelessness. Perhaps they learnt the wrong lessons from the failure of both convictions.

> He lost the presidency, yet his grip on Republicans and the public's mindshare has not lessened

Did the media too? Though Trump depicts journalists as servants of a crooked state, the symbiosis between Trump and mainstream news outlets is deep. The cable TV channels boomed during the Trump years and saw ratings drop sharply after he left office. The same applies to much of the print media.

Though White House counsellor Kellyanne Conway coined the phrase "alternative facts" as a euphemism for Trump's lies, his presidency led to a surge in subscriptions to non-alternative media sources. In 2016 Les Moonves, the then head of CBS, said that Trump's campaign "may not be good for America, but it's damn good for CBS." There is no reason to think that has changed.

We are thus faced with the paradox of American politics today. Trump keeps losing elections; yet his grip over the Republican party and America's mindshare has not lessened. It is not obvious what can be done about it. Jailing him would provide an obvious resolution: plenty of other democracies, including Brazil, South Korea, Israel and South Africa, have imprisoned former heads of government or state on lesser charges than Trump potentially faces.

But almost any realistic timetable for convicting Trump comes after the 2024 election. Moreover, there is nothing to stop a jailed Trump from running for the White House.

Which leaves Biden. The president is sticking to his knitting. He has not commented on Trump's legal woes. The view among Democratic cognoscenti is that this has been a good several days for Biden — and there are many more to come. Trump's chances of winning his party's nomination have grown, which gives a commensurate boost to Biden's re-election prospects.

That is probably true. But the costs of Biden slipping up are also higher. Trump would be the biggest beneficiary from whatever setback befell Biden. The US media would also benefit. The latter is still Trump's worst enemy and his best friend.

edward.luce@ft.com

Rising number of non-active young people is a global problem

Phyllis Papadavid

Global youth unemployment is soaring. China's rate is at a record high. Even more problematic is the lesser-known Neet rate, measuring the share of youngsters not in employment, education or training.

A rising Neet rate should be ringing alarm bells everywhere. It has quietly risen above 20 per cent globally, a level not seen in almost two decades. And even when employment is offered, it is often the wrong kind, poorly paid, and mostly informal, according to the International Labour Organization.

As I walk my son to school through the construction boom of southern Athens, I think about affordability. I wonder about my young neighbour, who, with a newly minted PhD, has just accepted a part-time position as a junior restaurant manager. "It's better than no job," she says.

This job downgrading is a form of economic scarring in which the quality of employment deteriorates even as economies recover. Scarring is pervasive in lower income economies. Advanced economies, including parts of the US, have not been immune either.

The stakes are highest for the poorest, most fragile economies, such as Niger, Yemen and Somalia, where soaring Neet rates lead to catastrophic economic and social outcomes. This is now exacerbated by exorbitant food and energy prices.

In an era of multiple shocks, higher Neet rates further embed acute vulnerability. This is true for undiversified, resource-dependent and gender-imbalanced economies. Globally 32 per cent of young women are Neets compared with roughly 15 per cent of young men. Southern Asia's Neet gap is an eye-watering 53 per cent of young women to 6 per cent of young men.

> Higher Neet rates will trigger the productivity shortfalls that bring the middle-income trap

The economic consequence of this imbalance is stark. Rising Neet rates will trigger the productivity shortfalls that bring the so-called middle-income trap. When countries' productivity falls short, the whole economy never reaches higher income status. Compare Ireland and South Korea's economic dynamism with Mexico and Argentina's chronic turmoil.

Digitalisation, and the "platinum economy" jobs that come with it, could reverse rising Neet rates globally. A high-tech job is more than a job. For every new high-tech job, five additional non-high tech jobs are generated in a city, according to the economist Enrico Moretti.

Yet, in multiple emerging economies, digital access remains staggeringly low, especially in rural areas, including in economic giants such as India. Digital innovation is also fickle for workers in that it can depress wages, rapidly shift work tasks or eliminate jobs altogether.

Policymakers are taking some notice. South Korea has put forward its Human New Deal that seeks to address the labour market impacts from its energy transition and greater digitalisation. It aims to do this largely through training and insurance for non-standard forms of employment.

Ultimately, success in lowering the Neet rate will be context-specific. For some economies, such as Mexico's and India's, an improved investment climate for foreign firms — and the knowledge spillover they bring — would align with prioritising education. While Greece could be devoting much more to its think-tank sector, so that PhD graduates can innovate.

Better education and labour market outcomes to spur innovation and productivity matter. Without further understanding and tackling the Neet rate, growth and wellbeing will stagnate.

Elevated financial volatility, rising borrowing costs and geopolitical turmoil could mean successive and multiple shocks ahead. In this context, the Neet rate is an essential bellwether for a broad array of vulnerabilities for the young — and an essential barometer of wellbeing for the next generation.

The writer is director of research and advisory at the Asia House think-tank

Lex.

Twitter: @FTLex

J&J/talc: Texas forever

To paraphrase Winston Churchill, Chapter 11 bankruptcy is the worst way of resolving product liability — except for all the others. Late on Tuesday, an affiliate of Johnson & Johnson filed for bankruptcy protection. This was a second attempt to resolve thousands of claims for the alleged carcinogenic properties of talc powder.

The first case was dismissed earlier this year. A federal appeals court said the bankruptcy process could not be used by an enterprise that was not facing "financial distress".

J&J had attempted to ringfence the liability by placing it in a special vehicle. This was seeking bankruptcy protection as part of negotiating a settlement with alleged victims. Critics of this "Texas two-step" gambit said it was an improper way for a company worth more than $400bn to shirk responsibility.

This time around, J&J has attempted to avoid a technical violation of the financial distress requirement. More importantly, it has persuaded 60,000 plaintiffs to support a settlement worth $8.9bn, up $6.9bn from $2bn previously. The creation of this group of alleged victims is a seismic shift. It suggests that US bankruptcy may be a tolerable, if imperfect, forum for these cases to be sorted out.

J&J inevitably denies that the bankruptcy is a means of disadvantaging alleged victims. It has committed at least $61.5bn to this broader group. The bankruptcy, it says, was merely a way to substitute a single, focused proceeding for scattered trials that could ramble on for years.

You might add that a narrow bankruptcy filing heftily funded by a wealthy parent company allowed the latter to continue to function with far less disruption to its business.

Alleged victims who have signed up for the settlement like the idea of a near-term resolution. Through negotiation they have earned a bigger payout pot that may still increase in order to attract holdouts.

Apart from sweetening the deal, J&J lawyers have done some gymnastics to create technical financial distress in the subsidiary. This should please the appeals court without reducing the cash contribution from J&J.

Judges have pushed back on "mass tort" bankruptcies involving 3M and Purdue Pharma. But when victims and companies strike compromises voluntarily, the US legal system should be prepared to go along with that.

Pirelli/Sinochem: fool's gold

Italy has been an enthusiastic recipient of Chinese investment. It even signed up to the controversial Belt and Road Initiative. Might it be whiplashing in the opposite direction?

Giorgia Meloni's government is scrutinising Sinochem's shareholding in tyremaker Pirelli. Any limitation of the shareholder rights of the Chinese group would be unprecedented, with implications for other Italian companies with big Chinese investors.

The legal basis for an Italian intervention would be its "golden power". This means the government must be notified when foreign investors make a move on strategic Italian companies. Ministers can veto transactions or impose remedies.

At Pirelli, a golden power notification has been triggered by the extension of a shareholder pact. This brings together Sinochem and longtime boss Marco Tronchetti Provera.

Pirelli is waiting to see what the government decides to do. This might be nothing. But Meloni, who leads the nationalist Brothers of Italy party, may pounce to restrict Sinochem's voting rights and access to data.

Former prime minister Mario Draghi used the golden power to block the Chinese takeover of LPE, a chipmaker. But deploying it at Pirelli would mean locking horns with an existing investor — one that has offered no provocation.

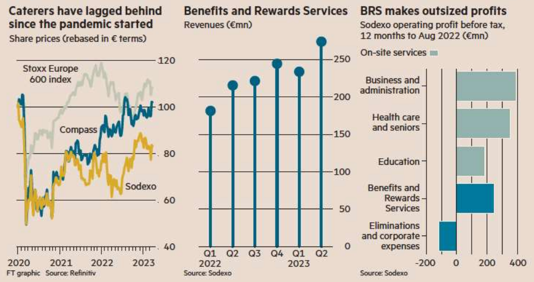
Sinochem owns 37 per cent of Pirelli and has been an investor since 2015.

Tyres are hardly strategic assets. And the Chinese chemicals group has ceded operational control to Tronchetti Provera. If Italy restricts Sinochem, Tronchetti Provera's hold would strengthen. A bigger impact would be a weakening of trust with investors. An example: State Grid of China owns 35 per cent of the holding company CDP Reti, which controls energy networks.

That shareholding may cause deeper suspicion in Rome than Sinochem's stake in Pirelli. Energy supply has been politicised in Italy by Russian blackmail attempts. Meloni should beware of opening a can of worms.

Sodexo: mood's up

The French catering group's shares have begun to close the gap with UK rival Compass in the past year. Sodexo plans to spin off its BRS payments unit where growth is accelerating. Despite a small group contribution to sales, high margins mean that profits are significant.



Institutional catering sounds like a simple business; hot and cold food served at reasonable prices. But for some years Sodexo of France has struggled to get the recipe right. Its share price has trailed British rival Compass. Its plan to spin out and list its Benefits and Rewards Services division is intended as a much-needed *bonne bouche* for investors. Its stock price leapt a tenth on the day.

Until recently, Sodexo's management had a matrix style of regional management with multiple divisions. Even today, only about two-thirds of its on-site division's revenues derive from catering. The rest comes from supplying cleaners, receptionists and other staff.

In contrast, Compass has stuck to its cooking. That partly explains the valuation gap. Sodexo trades at 16 times 2023 earnings against 24 times for Compass. Aramark, a US peer that plans to split out its uniform rental division, trades in between the two.

This is a family-controlled business. Sophie Bellon, daughter of late founder Pierre Bellon, took over as chief executive in October 2021. She has been simplifying the business that predecessor Denis Machuel had elaborated.

It makes sense to split out and list BRS as part of that drive. BRS contributes only 4 per cent to the top line last year. But it has high underlying operating profit margins of 28.6 per cent, more than six times the group total. It is essentially a payments business with catering connections. Very likely the market has not priced in its full value.

Carving out BRS could bring a meaty top-up. Consider that the closest peers of BRS, such as Paris-based Edenred and US-listed WEX, trade at 12 to 18 times forward operating profits. Even at the lower bound, Visible Alpha's 2024 earnings estimate would value BRS at €4bn. Sodexo's market value is more than €14bn after the rise in its share price.

Bellon has made a step forward with her plan for BRS. Strong group first-half results showed that Sodexo can pass input cost rises on to clients. To narrow the share price discount with peers, the business now needs to hit earnings targets with regularity.

FedEx/cost cuts: easy, tiger

FedEx has a habit of overpromising and underdelivering. This is something for investors to keep in mind as they parse ambitious cost-cutting and restructuring plans announced by the US logistics giant yesterday.

Best known for its orange, purple and white livery, the group is aiming to slash $4bn in costs over two years. It is targeting $2bn more in savings from revamping its delivery network by 2027. These are big numbers. Analysts reckon the implied earnings per share contribution from the $4bn of cost cuts is nearly $15.

That is more than the $14.33 in diluted EPS FedEx generated for the fiscal year that ended last May.

FedEx plans to combine its two main delivery networks. Unlike rival UPS, FedEx operates two distinct systems. The Express unit handles air deliveries. The Ground division specialises in low-cost deliveries. Inefficiencies abound.

These include separate sorting facilities and trucks delivering in the same area at the same time.

FedEx has therefore traded at a discount to UPS. FedEx's struggles to integrate TNT Express are another. The two companies are close in revenues. But UPS is more profitable. It reported an operating margin of 11.8 per cent in its most recent quarter, compared with 4.7 per cent at FedEx.

That helped UPS bank $11.5bn in net income last year. FedEx is expected to pull in just $3.8bn for the fiscal year that ends in May.

In practice, combining Express and Ground requires FedEx to merge two distinct labour models. Express drivers are employees. Ground drivers work for third-party contractors. This unit has been plagued by labour shortages.

UPS's unionised workforce enjoys high wages and disruption is low. This makes its higher prices easier to justify.

FedEx should bear this in mind as it cuts costs. Savings programmes can be blunt instruments when workers are on the receiving end.

Juicing returns in the short term is pointless if gains are unsustainable.

China banks: the urge to purge

In the west, the job of government is to prop up wobbly banks. In China, the role of government is seemingly to destabilise lenders. US and European bank bosses, at worst, face losing their jobs. In China, they may lose their liberty, too.

The Chinese authorities escalated their attack yesterday with a probe into former chair and party chief of state-owned financial conglomerate China Everbright. A one-line statement said Li Xiaopeng is suspected of "serious violations of discipline and law". That familiar line often signals a prolonged investigation. Stock price declines typically ensue.

The same words heralded the removal of Liu Liange of Bank of China last week as chair following a rare investigation into one of China's "Big Four" state-owned lenders.

The authorities have recently placed more than 20 executives in the financial sector under investigation. Bao Fan, chair of investment bank China Renaissance is still missing. He is presumed to be in state custody.

Chinese banks were previously safe from state crackdowns. The largest lenders are state-owned and the industry is strictly regulated. This year, shares of big banks such as Bank of China, Agricultural Bank of China and China Construction Bank are all up 8 per cent. This is despite rising non-performing loans, which hit a record Rmb3tn ($436bn) last year.

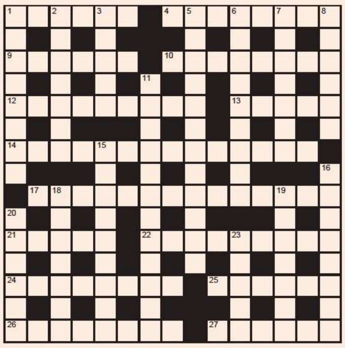
Lenders were called on to bail out the property sector, offering more than $160bn in fresh credit in November. The Big Four are facing a Rmb3.7tn shortfall on total loss-absorbing capital. Net interest margins shrank last year.

For smaller banks, Beijing's tone shifted in 2020 when it retreated from its previous implicit guarantee of state-owned companies. The current purge should rattle investors. Corruption may be a pretext or a genuine motive for ousting out-of-favour bosses. But clear-outs undoubtedly make lenders more obedient politically and less commercial in their motives.

FT Lex on the web
For notes on today's stories go to www.ft.com/lex

CROSSWORD

No 17,379 Set by JULIUS



ACROSS

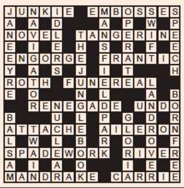
1 "Flip" — mild oath when ingesting outsize quantity of medication? (6)
4 Taxi reversed, ruining cake with hot filling — what a pain! (8)
9 Retired prima donna cleaned out library with relish (6)
10 Celtic inn amontillado infused with spice (8)
12 Disgusting little dog granny put in to soak (9)
13 Make fast tea at home (5)
14 Undemocratic land in which lots of hands get chopped off? (6,8)
17 Does it drop down from heaven? (4,2,8)
21 Son married European national (5)
22 Brouhaha hot, racy nude stirred up? (3,3,3)
24 Husband's excessively weird yen for a winter warmer (3,5)
25 Notable section of design album (6)
26 Aargh! Wife carelessly forgot island harbour fee (8)
27 Smart, bad-tempered woman, Democrat (6)

DOWN

1 Harangue political clan following elevated financial help (8)
2 Dad supporting second child on new area which is slippery (7)
3 Camp joke about upper-class Liberal (5)
5 A noble prince, he's embracing a new Greek comic writer (12)
6 One might be spitting mad after spraining back and groin (4,5)
7 Conservative politician Maria undressed to guzzle a bitter drink (7)
8 Linen needs changing, start to open source of warm water (2,4)
11 Hangover cure sorely testing her good faith (4,2,3,3)
15 Having blanked the king, Ken Dodd — drunk rotten — fell asleep (6,3)
16 Got on one's bike again and went to the bottle bank (8)
18 After extra time, December 1st, served up cold beverage (4,3)
19 Charlie's in for tons of highly concentrated combustible material (7)
20 Shun English school we set up (6)
23 Whinny from 7, 8? (5)

JOTTER PAD

Solution 17,378



You can now solve our crosswords in the new FT crossword app at ft.com/crosswordapp*