FINANCIAL TIMES

WEDNESDAY 4 JANUARY 2023 INTERNATIONAL NEWSPAPER OF THE YEAR ASIA

Inequality soars in China's Covid generation
BIG READ, PAGE 15

How many board seats is too many?
ANJLI RAVAL, PAGE 6

War dead
Russians find fault in officers

Mourners lay flowers at a ceremony in Samara, Russia, yesterday in memory of Russian soldiers killed in the war against Ukraine.

Russia's defence ministry has admitted that at least 63 soldiers were killed in Ukrainian strikes on New Year's eve at a temporary barracks in Russian-occupied Makiivka.

Russian nationalists and some lawmakers have demanded punishment for commanders they accuse of ignoring risks before one of the deadliest strikes of the Ukraine conflict. Kyiv and some Russian bloggers have put the death toll in the hundreds, though pro-Russian officials deny the estimates.

Meanwhile, diplomats in the EU are growing more concerned that divisions between Ukraine and Hungary might hurt the bloc's ability to help Kyiv beat Moscow's next onslaught.
Hungary-Ukraine feud page 4

Albert Dzen/Reuters

Tesla shares slide after slowdown in demand as Apple's value loses $1tn

● Car deliveries fall short ● Stock plunges 14% ● iPhone maker hits logistics snags ● Fears for tech sector

RICHARD WATERS — SAN FRANCISCO

Tesla shares tumbled on the first day of trading in 2023 after the group's new vehicle deliveries fell short of Wall Street expectations, on a day the US tech rout also pushed Apple's market capitalisation $1tn below its peak.

Fears that the electric-car maker faces a slowdown in demand sent Tesla shares down more than 14 per cent yesterday.

Apple's market value fell below $2tn in early trading, a stark reversal from the first trading day of 2022 when it became the only company ever to reach a $3tn valuation.

The tech sector has been hit by investor fears of looming recession, persistently high inflation and rising interest rates, as well as severe disruption to supply chains because of Covid-19 in China.

Recent months have been chaotic for Apple, which in November said it was experiencing "significant" disruptions in the assembly of high-end iPhones, following an outbreak of Covid at a megafactory in Zhengzhou, which is run by Foxconn, its biggest assembler.

Tom Forte, an analyst at DA Davidson & Co, said the Covid outbreak in China was "the biggest wild card" for the company's results in 2023. Manufacturing problems in China and the uncertain economic outlook in the US have also raised concerns over Tesla's prospects.

> Elon Musk needs to steer the carmaker through a 'dark macro storm' instead of focusing on Twitter

Like Apple, the carmaker struggled with production and logistics challenges in 2022, including the closure of its largest production plant in Shanghai early in the year. Chief executive Elon Musk also warned last month of "stormy weather ahead" as higher interest rates weighed on demand.

Tesla said it had delivered 405,278 vehicles in the three months to the end of December, an 11 per cent increase from the record it hit in the preceding quarter. Most analysts had expected deliveries to reach 420,000-430,000.

Daniel Ives, an analyst at Wedbush, said the "Cinderella ride" was over for Tesla, adding that Musk needed to steer the company through a "dark macro storm" instead of focusing on Twitter, his new purchase, "which remains a distraction".

The disappointment over the fourth-quarter shortfall came despite record quarterly deliveries in the latest three months, as Tesla's new plants in Berlin and Texas continued to increase production.

Apple was the first publicly listed company to reach $1tn in market value in August 2018, before hitting a $2tn valuation in August 2020 and then $3tn last year. There are now no tech companies worth more than $2tn but Apple is the largest, followed by Microsoft at $1.8tn.

The iPhone maker's business performed strongly during the coronavirus pandemic and in the 12 months to September it reported a record $394bn of revenue and nearly $100bn in net profit.

According to Counterpoint Research, the company shipped just 14 per cent of all smartphones globally in the first nine months of the year, but it accounted for 43 per cent of all revenues and 82 per cent of all profits — its highest profit share since 2015.

However, recent months have been chaotic for the tech giant, while the threat to its production has grown in recent months after Beijing loosened its strict Covid restrictions. Cases in the country are soaring.

Shopify ads fill Apple void page 8
Day in the markets page 11
Lex page 18

Briefing

▸ EU to impose Covid tests for travellers from China
The "overwhelming majority" of the 27-country bloc has called for pre-departure tests. Measures are expected in days.— PAGE 3; BIG READ, PAGE 15; ANJANA AHUJA, PAGE 16

▸ German inflation slows
Price pressures in the eurozone's biggest economy have subsided more than expected, providing relief for the European Central Bank in its inflation fight.— PAGE 2

▸ $4bn Blackstone boost
The University of California's endowment has said it will invest in the firm's real estate trust, boosting Blackstone shares by 3 per cent after the news.— PAGE 6

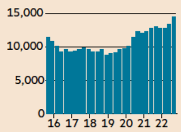
▸ Israel minister stirs anger
New far-right national security minister Itamar Ben-Gvir has visited the al-Aqsa mosque compound in Jerusalem, long a flashpoint for tensions.— PAGE 4

▸ TV show bonanza to end
Media analysts have predicted that the decade-long spending boom will slow as lossmaking streaming sites and traditional channels cut back.— PAGE 6

▸ Asset managers eye cuts
Consultants have reported an increase in requests for advice on "efficiencies" from fund chiefs facing hard choices on where to invest for growth.— PAGE 8

Datawatch

High remand
Prisoners awaiting trial in England and Wales



Sources: MoJ; HM Prison and Probation Service

The number of prisoners in England and Wales awaiting trial or sentencing is at its highest for at least 50 years. A quarter are being held for non-violent drugs offences, while one in eight has been held on remand for more than a year

Meta faces tough choices over Trump and Facebook

Analysis ▸ PAGE 9

Reinsurance costs soar by up to 200% as war and extreme weather take toll

IAN SMITH — LONDON

The war in Ukraine and extreme weather events have driven up the cost of reinsurance by as much as 200 per cent in crucial January renewals, according to a report, threatening to raise premiums and reduce what insurers are willing to cover.

January 1 is the key policy renewal date for reinsurers, which share losses with primary insurers and so have a vital role in what can be insured and at what price. This year's renegotiation of reinsurance policies has been the most challenging in years as reinsurers respond to pressure from spiralling inflation and large losses from natural catastrophes, as well as the fallout from Russia's invasion of Ukraine.

James Kent, global chief executive at reinsurance broker Gallagher Re, which published the report yesterday, described it as a "very late, complex and in many cases frustrating renewal".

The cost of aerospace reinsurance rose by between 150 per cent and 200 per cent, as reinsurers adjusted for past losses, as well as expected payouts from stranded planes and a legal battle with leasing companies in the wake of Russia's invasion of Ukraine.

Property catastrophe reinsurance, which shoulders losses from hurricanes and other natural disasters, also jumped, with rates in the US increasing by between 45 per cent and 100 per cent for loss-hit policies, according to Gallagher Re's figures.

The broker put the rise down to the impact of Hurricane Ian, which struck Florida and South Carolina last year, as well as the threat from inflation, which drives up payouts.

"For property, this is the year that reinsurance has got back in the driving seat and they've been very firm," Gallagher Re's international chair James Vickers said. "They haven't cracked."

He described the reinsurance talks as the "toughest [market] since 9/11".

In another report published yesterday, broker Howden said the cost of property catastrophe reinsurance had increased 37 per cent globally in the January renewals, the largest rise in comparable data since 1992. Howden called it "one of the hardest reinsurance markets in living memory".

Higher reinsurance prices typically feed through to the prices that insurers charge, although they can also choose to write business "net", or without reinsurance cover. The reinsurance price rises are expected to fuel an upswing in insurance prices that has persisted for years.

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

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World Markets

STOCK MARKETS

	Jan 3	Prev	%chg
S&P 500	3805.65	3839.50	-0.88
Nasdaq Composite	10332.51	10466.48	-1.28
Dow Jones Ind	32947.48	33147.25	-0.60
FTSEurofirst 300	1715.28	1695.59	1.16
Euro Stoxx 50	3887.59	3856.09	0.82
FTSE 100	7554.09	7451.74	1.37
FTSE All-Share	4131.41	4075.13	1.38
CAC 40	6623.89	6594.57	0.44
Xetra Dax	14181.67	14069.26	0.80
Nikkei	26094.50	26093.67	0.00

CURRENCIES

Pair	Jan 3	Prev	Pair	Jan 3	Prev
$/€	1.056	1.067	€/$	0.947	0.937
$/£	1.201	1.203	£/$	0.833	0.831
£/€	0.879	0.887	€/£	1.138	1.127
¥/$	130.755	131.945	¥/€	138.019	140.818
¥/£	156.997	158.718	£ index	77.569	77.847
SFr/€	0.990	0.987	SFr/£	1.127	1.113

CRYPTO

	Jan 3	Prev	%chg
Bitcoin ($)	16638.98	16670.31	-0.19
Ethereum	1208.44	1213.85	-0.45

GOVERNMENT BONDS

Yield (%)	Jan 3	Prev	Chg
US 2 yr	4.37	4.42	-0.05
US 10 yr	3.79	3.88	-0.09
US 30 yr	3.90	3.97	-0.07
UK 2 yr	3.63	3.58	0.05
UK 10 yr	3.65	3.66	-0.01
UK 30 yr	3.95	3.95	0.00
JPN 2 yr	0.03	0.03	0.00
JPN 10 yr	0.41	0.41	0.00
JPN 30 yr	1.61	1.61	0.00
GER 2 yr	2.66	2.68	-0.01

INTERNATIONAL

France braced for price headwinds after weathering financial storm

State aid shielded businesses from rising energy costs but many now face renewal of fixed-term contracts

SARAH WHITE — PARIS
MARTIN ARNOLD — FRANKFURT

France has so far avoided the bread price rises sweeping Europe, an indication not just of the baguette's role in the country's culture but also of Paris's relative success in holding down inflation.

"Our prices have gone up at the slowest rate in Europe," said Dominique Antract, who heads France's main federation for its 33,000 pastry makers and bakeries.

From his shop in Paris's well-heeled 16th arrondissement, Antract hails the baguette's "almost . . . sacred status", which has made many producers reluctant to pass on increases despite the rising cost of flour. But he and the country's bakers and bread eaters have also been helped by government measures that shielded the economy from big swings in energy costs.

While Europeans have, on average, seen the price of a loaf rise by almost a fifth, data from Eurostat, the European Commission's statistics bureau, showed annual bread prices in France rose 8.2 per cent.

Economists maintain that energy subsidies to businesses and households lie behind France's relative success in keeping in check the galloping price rises that have afflicted shoppers across the continent.

Other European countries acted to curb prices only after Russia's invasion of Ukraine sparked a surge in energy costs, as well as in the price of wheat.

But French energy subsidies, spearheaded by President Emmanuel Macron ahead of his re-election last April, meant Paris "got in very early", said Ludovic Subran, chief economist at insurer Allianz. "It pretty much worked — it was a good call."

Unlike in other major European economies, including Germany, Spain and the Netherlands, consumer price inflation in France is unlikely to enter double-digit territory, peaking at 7.1 per cent in November, well below the regional average of 11.1 per cent.

"France's specificity is that it intervened much earlier than elsewhere," said Anne-Sophie Alsif, chief economist at consultancy BDO France. The lower level of inflation had meant a less severe cost of living crisis than faced elsewhere, she pointed out.

France is now forecast, unlike most EU countries, to avoid a recession in 2023, according to the country's statistics agency Insee, which even so forecasts that the country's output contracted in the fourth quarter and expects growth to slow sharply this year. The measures appeared to have been inspired by political calculations, analysts said.

In the run-up to last year's election, Macron was keen to avoid a repeat of the *gilets jaunes* protests that followed his attempt to introduce a fuel tax in 2018. He made the decision to freeze consumer gas bills in November 2021, and to offer energy support of €100 to just under 6mn households in December that year.

Since early 2022, rises in power bills have been capped at 4 per cent for consumers and the smallest businesses. The measures, which included discounts at the pump and cuts to electricity taxes, cost the government just over €34bn last year.

On display: sandwiches in the window of a delicatessen in Paris on Monday. Figures out tomorrow are expected to show a small uptick in inflation
Cyril Marcilhacy/Bloomberg

"There was no reason at the time to bring in a power price shield for consumers other than to stop people from taking to the streets just before an election," said Subran.

Other factors helped tame inflation in 2022, economists say. French wage increases were on average lower than elsewhere in the EU, said Eric Dor, director of economic studies at the IÉSEG School of Management. France also had a fiercely competitive supermarket sector, with large retailers using their muscle to obtain low prices from suppliers, he added, although some were now also warning of rising prices.

Paris plans to spend close to €46bn on further household energy protection in 2023, including limiting increases in gas and power bills to 15 per cent. The government has also earmarked €10bn in aid for companies to curb energy bills.

But some businesses are warning the help may not be enough. Cofigeo, a food group known for its William Saurin canned cassoulet, has already said it will temporarily halt production at four of its eight French factories in January, since its renewed electricity contract means its bill is due to jump tenfold.

Some energy-intensive businesses such as steel and glassmakers have also cut output. The largesse with subsidies could store up other problems, given France's debt level, warn economists.

Following the €240bn in state aid rolled out to help French companies in 2020 and 2021 during the pandemic, public debt is far higher than the euro area average of 94.2 per cent, at more than 110 per cent of output.

S&P, which recently revised the outlook for France to negative from stable, said there could be less room to move if further economic shocks materialised.

"Higher interest rates [in 2023] will challenge the strategy taken by the French state," said Sylvain Broyer, S&P's chief economist for Europe.

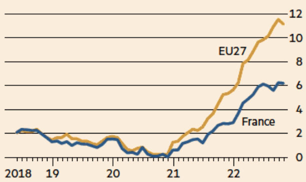
While inflation is falling elsewhere in the eurozone, figures tomorrow are expected to show a small uptick in price growth in France. Inflation is likely to peak in the first quarter of 2023, according to the French central bank.

Many businesses, which do not benefit from the power price caps but have been protected by the fixed terms of their energy deals, face renewal of the contracts.

At Antract's bakery, power costs are set to rise fourfold in 2023 but state subsidies should cover around half the rise. If bakers put up prices by 10 or 20 cents per loaf, he said, most could muddle through. "Some are freaking out, saying they'll have to close . . . but I'm telling breadmakers they need to start passing on some increases."

France is avoiding the worst of the rising prices faced by its European neighbours

CPI annual growth rate (%)



Sources: OECD; National Statistics Offices

Turkey

CPI falls more than expected in boost for Erdoğan before poll

Turkish inflation fell for the second month in a row in December as lower fuel and food costs drove a steep drop in consumer prices and central bank policies eased pressure on the country's currency.

Annual consumer price inflation was 64.3 per cent in December, according to data from the state statistics office yesterday. It was the fastest drop in the annual rate since 1995 after inflation reached 84.4 per cent in November. In October, inflation hit a 24-year high of 85.5 per cent.

Economists polled by Reuters had forecast price growth of 66.8 per cent in December. The lower annual rate benefited from an easing of Turkey's currency crisis.

Measures to prevent price rises, which have included government price inspections at grocery stores, have "protected our citizens' purchasing power", finance minister Nureddin Nebati said on Twitter after the data were released.

Rampant inflation has harmed the government's popularity in opinion polls ahead of elections due by June. President Recep Tayyip Erdoğan recently announced a round of spending measures, including a minimum-wage increase and early retirement for millions, which could shore up support for the ruling Justice and Development (AKP) party.

The party is considering moving the election "slightly forward" to avoid the summer holiday season.

Ayla Jean Yackley, Istanbul

Eurozone

German inflation slows to 9.6% after relief on gas bills

VALENTINA ROMEI — LONDON

German inflation slowed more than expected in December, sliding into single digits for the first time since the summer and providing some relief for the European Central Bank in its battle to control price rises.

Consumer price inflation dropped to 9.6 per cent in the year to December, well down on the 11.3 per cent registered the previous month, after Berlin implemented measures to shield consumers from high gas prices.

The figure, published by the federal statistical agency yesterday, was also lower than the 10.7 per cent forecast by economists polled by Reuters.

The eurozone's largest economy is the latest country to experience a sharper than expected drop in price pressures. The German data, down from a seven-decade peak of 11.6 per cent in October, follows a sharp fall in inflation in Spain and may ease pressure on the ECB, which meets to set rates on February 2.

Together, the German and Spanish figures suggest that eurozone inflation could drop lower than the 9.7 per cent forecast by economists when data are published on Friday. Robin Brooks, chief economist at the Institute of International Finance, a trade body for global finance, said the fall meant that "the peak of ECB hawkishness is behind us".

The euro traded 0.9 per cent lower against the dollar on the day, at $1.056.

"Headline inflation in Germany seems to have reached its peak and, unless there is another large surge in energy prices, double-digit inflation numbers should be behind us for a long while," said Carsten Brzeski, an economist at ING Bank.

But others cautioned that the nature of the slowdown, in large part driven by the government's gas price brake, meant the ECB remained likely to raise rates by 50 basis points in February.

Energy inflation, which soared after Russia's invasion of Ukraine, slowed to 24.4 per cent in December from 38.7 per cent the previous month and well below a peak of 43.9 per cent in September, reflecting the government subsidies. Meanwhile, services inflation, a better measure of underlying price pressures, accelerated to 3.9 per cent from 3.6 per cent in November.

Claus Vistesen, chief eurozone economist at Pantheon Macroeconomics, said the services inflation figure was "unpleasant" and would embolden rate-setters to continue on the hawkish path set out in the December meeting. Vistesen warned that, by boosting demand, the government subsidies risked stoking underlying inflation.

The 9.6 per cent data reflected so-called harmonised prices, a pan-European measure. Separately, the German consumer price index reading was 8.6 per cent, down from 10 per cent in November.

Franziska Palmas, senior Europe economist at Capital Economics, said she expected German inflation to rise in January, when gas and heating subsidies end. "Headline inflation is still likely to decline rapidly in March, but we think the core rate, which probably rose in December, will end the year well above 2 per cent," she added.

Additional reporting by George Steer

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Financial regulation

FSB chief says banks need incentives to tackle climate change

LAURA NOONAN — BASEL

Attempts to convince banks to counter climate change would fall short without financial incentives such as a global carbon tax, a leading regulator overseeing policy in the area has warned.

Dietrich Domanski, who as secretary-general of the Financial Stability Board helped to oversee attempts to put green issues to the fore in banking, said in a valedictory interview with the Financial Times: "In the end we are talking about profit-orientated institutions.

"As long as you do not provide the necessary price signals, which then translate into profits or profit expectations, there is a limit to what one can expect," he said, adding that those "price signals" would "ideally [be] a global carbon tax".

Domanski's remarks come after a bruising year for banks and regulators

Rainforest Action Network. Domanski also took aim at supervisors' increasing use of stress test exercises to police climate risk. He said a "market-based solution" was likely to prove more effective than spending time on "detailed and very expensive planning" exercises into the cost of climate change.

The BoE carried out stress tests that predicted up to £225bn of climate-related losses among the UK's top banks, while the ECB reviewed its banks' exposure and warned they had "significantly" understated climate risks.

The outgoing secretary-general of the FSB, which is responsible for studying global risks to financial stability and devising policies to mitigate them, said climate change was one of the topics that dominated last year's meetings of finance ministers, regulators and central bankers in Basel. Others were

a sea change in how banks assessed and prepared for risks.

The final piece of the post-crisis package, known as Basel 3.1 to regulators but often referred to as Basel 4, was due to come into force this month. But its implementation has been delayed by two years in big markets, including the EU and the UK.

The EU has proposed so many deviations to the original deal that its own regulators warned the bloc risked being deemed "materially non-compliant".

Asked if the EU's deviations could cast doubt on the coherence of post-crisis

global policymaking, Domanski said that if a main jurisdiction departed from the global framework "my view is that it does raise questions". He added that the impact would depend on a "separate question" on the extent of the deviations, and how "important" those differences were.

"After a global crisis in 2008, in the face of this huge unprecedented shock, there was a clear and very strong sense of the need to act [decisively] at global level," Domanski said. "As the memory of that crisis fades, that sort of momentum becomes less strong."

The FSB's key climate change road map, published in 2021 and updated last year, called for regulators to seek better climate-related data from the financial sector, to conduct analysis of financial institutions' vulnerabilities to climate change and to monitor risks.

INTERNATIONAL

Jerusalem

Israel's security minister raises tensions with visit to holy site

Netanyahu coalition ally Ben-Gvir in surprise trip to al-Aqsa mosque compound

NERI ZILBER — TEL AVIV

Israel's new national security minister made a surprise visit to a flashpoint holy site in Jerusalem yesterday, less than a week after the new far-right government led by Prime Minister Benjamin Netanyahu assumed office.

Itamar Ben-Gvir arrived at the al-Aqsa mosque compound, Islam's third-holiest site known to Muslims as the Noble Sanctuary and to Jews as the Temple Mount, just after dawn under heavy Israeli security protection. His tour lasted about 15 minutes and passed without incident, authorities said.

Ben-Gvir, a far-right politician convicted of anti-Arab incitement in 2007, was appointed national security minister in Netanyahu's new coalition government, with expanded powers over the Israel police. He has long called for Jewish prayer at al-Aqsa.

The site is historically a flashpoint for Israeli-Palestinian tensions. Hamas, the Palestinian militant group, fought an 11-day war with Israel in 2021 after weeks of escalating clashes at al-Aqsa.

Five years of violence and bloodshed, known as the second intifada, or Palestinian uprising, erupted after an inflammatory visit to the site in 2000 by Ariel Sharon, then Israeli opposition leader.

Yesterday's visit comes as tensions have mounted again between Israelis and Palestinians in the West Bank, with the past year the deadliest for Palestinians in the territory since the end of the second intifada, and the most lethal for Israelis in at least six years, according to Palestinian human rights organisations and the Israeli military.

Ben-Gvir last visited the site in October as an MP, just before the November 1 election that returned Netanyahu to power at the head of a coalition government considered the most rightwing in Israel's history. No Israeli minister had ascended to Jerusalem's holiest site in about five years, analysts said.

Ben-Gvir later tweeted: "The Israeli government of which I am a member will not surrender to a vile murdering organisation . . . if Hamas thinks if it threatens me it will deter me, let them understand times have changed."

The Palestinian Authority foreign ministry called the visit "an unprecedented provocation", while Hamas said it was "a continuation of the Israeli occupation's aggression against the holy sites and its war on its Arab identity . . . al-Aqsa mosque was and will remain Palestinian, Arab and Islamic, and no fascist force or person can change this".

Hamas has so far refrained from threatening to respond with rocket fire on Israel. The Israeli military said no special deployments, such as increased air defence cover, had taken place.

Yair Lapid, Israel's former prime minister and current opposition leader, on Monday called Ben-Gvir's planned visit a "deliberate provocation that will put lives in danger and cost lives".

Arab states, including Jordan, which holds special custodianship at the site, had warned the new government against any steps perceived as altering the "status quo" arrangements at al-Aqsa.

Under arrangements at the site, Jewish worshippers are allowed to visit the compound but not pray, but ultranationalist groups recently have stretched the meaning of "visit", walking with police escorts and chanting incantations.

"Jordan condemns in the severest of terms the storming of the Aqsa mosque and violating its sanctity," its foreign ministry said yesterday. The US said its ambassador had "been very clear in conversations with the Israeli government on the issue of preserving the status quo in Jerusalem's holy sites. Actions that prevent that are unacceptable."

Middle East. Dollar outflows

Business goes on: an Egyptian street vendor waits for customers in old Cairo — Amr Abdallah Dalsh/Reuters

Foreign currency crunch frustrates key imports for Egypt's businesses

Country struggles to bring in food and goods essential for industry as reserves falter

HEBA SALEH — CAIRO

With foreign currency in short supply in Egypt, importer Rafik Clovis spent December anxiously waiting to find out whether his bank would be able to provide the $67,000 he needed to fund the purchase of a consignment of car parts from Europe.

But by the end of the year, the dollars were still not available. As a result, Clovis's imports last year were just a tenth of a normal year's amount.

"Conditions are catastrophic," he said. "There are no dollars and I have no idea how it will be resolved. I have five employees, and now we are surviving off what we made in previous years."

The importer's predicament is shared by many businesses as Egypt struggles with a foreign currency crunch. The first three weeks of Russia's full-scale invasion of Ukraine in February led to $20bn of outflows from the Arab world's most populous country as foreign portfolio investors rushed to safe havens.

Despite $13bn in deposits from the United Arab Emirates, Saudi Arabia and Qatar and another $3.3bn in asset sales to the UAE in 2022, foreign currency has remained in desperately short supply for the import-dependent country.

A week ago, President Abdel Fattah al-Sisi said banks would secure the foreign currency necessary to clear a backlog of imports within four days, without going into detail. According to Mostafa Madbouly, prime minister, $9.5bn worth of goods are still held up at Egypt's ports.

The Ukraine war's inflationary impact on prices for basic commodities such as wheat — Egypt is the world's biggest importer of the grain — has added to pressures on the country's foreign currency reserves, forcing the Central Bank of Egypt to devalue the pound twice, in March and October. Inflation in November reached 18.7 per cent, its highest rate in five years.

For the fourth time in six years, Egypt has had to go to the IMF, which last month approved a $3bn loan over four years. At the heart of the agreement is a commitment by Cairo to move to a flexible exchange rate regime in which market forces determine the currency's value — something Egyptian governments have long resisted.

In an effort to conserve foreign currency, the central bank placed restrictions on imports in March. A requirement to use letters of credit slowed the process and created a backlog of unfulfilled demand for dollars. The bank cancelled the requirement on December 29.

The two devaluations have reduced the value of the pound from about E£16 to the dollar to E£24.7. The black market rate is even lower.

The central bank increased interest rates by 300 basis points on December 22, taking the overnight deposit rate to 16.25 per cent. The rise surpassed analysts' expectations and reflected increasing concern about inflation and the falling pound, according to London-based consultancy Capital Economics.

Businesses have been badly hit in a country that imports most of its food and many of the inputs for its industries. As policymakers ponder when and how to move to a flexible exchange rate regime where the pound is not propped up by the central bank, entrepreneurs complain they have no certainty.

"We are working day by day," said the head of a poultry business who said shipments of grain, mainly soya and corn used for feed, were stuck at ports because of the dollar shortage. "Every day we have to find feed, and we sometimes run out and the birds are not fed."

> 'Conditions are catastrophic. There are no dollars and I have no idea how it will be resolved'

He said the agribusiness had been forced to "depopulate" some flocks by selling birds at a loss. "The price is way below cost and we know some of our competitors have had to kill chicks." The lower supply of chickens being sold for meat had increased prices by more than 50 per cent, he said.

Mohamed Abu Basha, head of macroeconomic analysis at Cairo-based investment bank EFG-Hermes, said the shift to a flexible exchange rate could not "happen overnight" and that the authorities needed to "ideally first build up a buffer of foreign currency to help clear the backlog of demand".

Farouk Soussa, economist at Goldman Sachs, outlined the difficult options facing Cairo as it sought to build up liquidity to deal with near-term demand for dollars.

"The CBE could clear the market by continuing to raise rates, floating the currency and restricting the money supply, but the implications for prices and growth are problematic," he said. "The authorities' preferred option is to wait for inflows from the Qataris, the Emiratis and the Saudis to buy assets in Egypt, but that is also uncertain."

As policymakers weigh up the options, the outlook for many businesses is uncertain. A senior manager in a multinational car components company said his business had fared better than most because it was also an exporter, giving it access to foreign currency. But those reserves were being depleted and the company was unsure whether to accept new orders.

"I am not certain that I will be able to clear imported inputs for a new order and have to pay thousands in [holding fees] as I wait for dollars," he said. "If my supplier abroad agrees to defer payment and I can get the goods out of the port, maybe the dollar will have gone up by the time I have to pay."

He added: "It is also possible the automobile manufacturer I am supplying here will have problems because [supply] of a different part has fallen through, so there is no final product and we all fail."

Europe

Hungary-Ukraine feud threatens EU unity on Russia

MARTON DUNAI — BUDAPEST

Ten months ago, Hungarian premier Viktor Orbán denounced Russia's invasion of Ukraine and sheltered refugees from its neighbour.

But since then, he has done little to change his reputation as a friend to President Vladimir Putin and a threat to European unity in its support for Kyiv.

The populist prime minister has diluted sanctions against Russia, denied the transfer of weapons and other military assistance to Ukraine and blocked Kyiv's talks on drawing closer to Nato.

So when Budapest lifted its veto on an €18bn EU aid package to Ukraine last month, diplomats and experts saw it as just a temporary respite in a fraught relationship between Hungary and Ukraine. They said the countries' divisions could hit the EU's ability to help Ukraine beat Russia's next onslaught.

"Ukrainian ties in Hungary's thinking have always been subordinated to Russian ties," said András Rácz at the German Council on Foreign Relations. "Hungary was ready to ditch Ukraine

any issue that requires unanimous agreement, such as further aid to Ukraine, might again fall hostage to Hungary, other member states fear.

"The basic disagreement with Hungary is unchanged and this will resurface as an issue in the spring," said one EU diplomat of the talks. "The EU was willing to tolerate that unfinished business now. The alternative would have been complete isolation for Hungary."

"An independent and sovereign Ukraine is in Hungary's national interest," Orbán said last month. "[But] we're not interested in decoupling the European and Russian economies once and for all, so we try to save all we can from Russian-Hungarian co-operation."

Hungary found itself in a precarious position at the start of the full invasion of Ukraine in February. It is among the most dependent in the EU on Russian oil and gas, and has been embroiled in long disputes with Kyiv, especially over minority rights for ethnic Hungarians.

Still, after securing exemptions on aspects such as energy import bans, Budapest has voted for every EU sanctions

Hungary last month threatened to sink the EU's ninth sanctions package until it won exemptions for Russia's energy, health and sports ministers. "Orbán is openly offering escape routes for Kremlin officials," said one senior EU official.

While other countries expelled scores of Russian diplomats over allegations of spying, Hungary hosts an embassy with twice the staffing of Moscow's missions in Warsaw, Prague and Bratislava combined, according to Political Capital director Péter Krekó in Budapest.

Many Hungarians harbour a mistrust of their eastern neighbours. Kyiv's ban on minority-language education, mainly targeting Russian speakers, has affected more than 100 schools for ethnic Hungarians in western Ukraine. Budapest has blocked Ukraine's hope to draw

closer to Nato, demanding it restores these minority rights. At a November meeting of Nato foreign ministers, Hungary opposed the invitation of Ukraine's Dmytro Kuleba to formal sessions.

One Budapest retiree said the Ukrainians "brought this war on themselves" as its effort to join western alliances provoked Russia, parroting a line often seen in Hungary's pro-Orbán media.

Zsolt Bayer, a publicist and associate of the premier, has railed against Ukrainian president Volodymyr Zelenskyy as "an arrogant, dumb, corrupt, chauvinistic pig fed from America . . . "

Ukrainians mistrust Hungary: 42 per cent in a recent survey saw Hungarians as hostile to Ukraine. Kuleba said last week that bilateral ties would not improve while Orban remained in power. "Ukrainian-Hungarian ties are at a minimum level," the EU diplomat said. "EU-Hungary ties are also abysmal and Budapest turns to the Russians, who welcome them and send them gas."

Orbán anticipates a Russian victory, saying in July that "the Ukrainians will never win a war against Russia".

FTX fallout Platform's implosion sees global sports sector rethink lucrative sponsorship deals with digital asset groups ➲ MARKETS

Companies & Markets

US university invests $4bn in Blackstone property fund

- California move locked in until 2028
- Outlay shores up confidence in Breit

ANTOINE GARA — NEW YORK

One of the largest endowments in the US is making a $4bn investment into Blackstone's private real estate investment trust, in a move intended to shore up confidence in a $69bn fund that put limits on investor withdrawals last year after suffering heavy redemptions.

The University of California's endowment, which manages more than $150bn of assets, said yesterday that it would make the investment in the Blackstone Real Estate Income Trust, or Breit, at its current net asset value. That means that it is taking a large position at the same valuation as more than 200,000 existing investors in the fund.

But Blackstone will in effect guarantee an 11.25 per cent minimum annual return for six years. In exchange, the endowment has agreed to lock up its capital in the fund until 2028 while paying higher overall fees if the vehicle performs well. Other investors do not benefit from the same arrangement.

> 'We consider Breit to be one of the best positioned, large-scale real estate portfolios in the US'

The investment was a "validation" of Breit's investment portfolio and performance, said Blackstone chief executive Stephen Schwarzman.

In November, Blackstone limited investor withdrawals from Breit after breaching monthly and quarterly limits on redemptions, an announcement that cast doubt on the future expansion of the fund and prompted a sharp slide in the private equity group's shares.

Breit has grown quickly in recent years and accounts for a fifth of the group's fee-based earnings, according to analysts. Blackstone shares increased more than 3 per cent in early New York trading following the announcement. Its stock price has plunged more than 40 per cent over the past 12 months.

After the restriction on withdrawals was put in place, Jagdeep Singh Baccher, chief investment officer at the University of California, contacted Blackstone to propose making a large direct investment in the fund. On December 8, he spoke to Blackstone president Jonathan Gray to propose the investment.

"We consider Breit to be one of the best positioned, large-scale real estate portfolios in the US, managed by one of the world's top real estate investors," Singh added. "This is an opportunity that comes only through strong, trusted partnership."

While the university will be buying common shares in Breit, it will then move the investment into a strategic venture it has created alongside Blackstone. Its $4bn investment will be combined with $1bn in shares Blackstone already owns in Breit and moved into a separate fund that carries a performance fee above an 11.25 per cent hurdle rate. Blackstone would receive a 5 per cent cash performance payment on any returns in excess of that hurdle rate, the group said in a statement.

Those fees would be on top of Breit's costs for all investors, including the University of California. Investors pay a 12.5 per cent performance fee to Blackstone above a 5 per cent annual hurdle.

If the fund does not achieve an 11.25 per cent annual return, Blackstone will return fees to the university until it receives its guaranteed return.

Blackstone said that the investment was advantageous to the firm and its shareholders. It said it would make money on the investment if Breit returned an annualised return of at least 8.7 per cent over the next six years.

Down stream Decade-long spending boom on original television content expected to slow

Despite hit series such as 'Stranger Things', Netflix plans to cut back on commissions for shows — Tina Rowden/Netflix

ALEX BARKER — LONDON

A decade-long spending boom on original television shows is expected to slow to a crawl this year as loss-making streaming platforms moderate budgets and traditional channels cut back on commissions.

Analysts predict 2023 will be a pivotal year for the video media industry, which has been hammered by the deteriorating economy and an expensive transition from traditional television to streaming, where most platforms' soaring content costs have yet to be matched by revenue gains.

Overall spending growth on original content is expected to fall from 6 per cent last year to just 2 per cent in 2023, according to research group Ampere Analysis.

Excluding production shutdowns during the pandemic, the rate of expansion is the lowest in more than a decade where total worldwide spending jumped from $128bn to $243bn.

Commercial broadcasters such as RTL, Mediaset and ITV face some of the most severe pressure. Ampere predicts total original spending will fall by 3 per cent as the sector tries to cope with an advertising downturn, rising production costs and declining audiences.

But streaming services have also begun to enter more straitened times, as media groups rein in costs to manage slower than expected subscriber growth and ballooning losses.

Total content spending for subscription streaming services, such as HBO Max, Disney Plus and Netflix, will continue to increase but at a rate of 8 per cent rather than the 25 per cent breakneck growth in 2022.

"Services will continue to focus on original content to compete in a crowded, cost-sensitive market, but we are already seeing a shift in content commissioning to incorporate a greater volume of cheaper unscripted formats," said Hannah Walsh, research manager at Ampere.

Netflix, which accounts for about 25 per cent of spending on original streaming shows, said it was holding spending steady at about $17bn a year, while trying to make its shows more "impactful".

Meanwhile, big legacy media companies such as Disney, Paramount and Warner Bros Discovery are facing another year of heavy streaming losses, with Morgan Stanley estimating content costs per subscriber will be almost double that of Netflix while revenue per member will be lower.

Excluding Netflix, Morgan Stanley estimates streaming services suffered operating losses of about $10bn in 2022. Losses are expected to peak for some services in what analysts called a "tipping point year" where it will be clear costs are reaching "unsustainable levels". "Streamers are raising prices and cutting costs," the Morgan Stanley analysts wrote in a note to clients. "If these moves do not deliver meaningful streaming profits, we see two options (not mutually exclusive): give up and/or consolidate."

H2O hit with record €75mn fine by French regulators

CYNTHIA O'MURCHU AND ROBERT SMITH
LONDON

French regulators yesterday imposed a record €75mn fine on asset manager H2O and banned its chief executive Bruno Crastes from the industry for five years over investments in illiquid debt linked to controversial financier Lars Windhorst.

The Autorité des Marchés Financiers announced the fine on the same day that H2O Asset Management said it would start paying back investors some of the €1.6bn trapped in its funds for more than two years, in response to a repayment by Windhorst's firm, Tennor Holding.

The French asset manager said yesterday that Tennor last month made a "partial repayment" on a bond H2O holds, which would reduce the amount of debt outstanding by €250mn.

H2O added that this would allow it to begin the "first repayment phase" in the coming days, more than two years after the asset manager hived off illiquid assets linked to Windhorst, trapping the savings of thousands of smaller investors.

"With this new milestone, H2O reaffirms its commitment to the full disposal of the segregated assets," the company said.

The announcement suggests that investors will initially receive only a portion of the €1.6bn frozen in specially created sub funds that H2O set up to hold Windhorst-linked assets in 2020, after France's financial watchdog asked it to suspend several of its flagship funds because it was worried about the valuation of these assets.

The AMF also said yesterday that it would fine Crastes €15mn, plus a €3mn penalty for chief investment officer Vincent Chailley, over what it has previously described as "grave" rule breaches related to the Windhorst-linked investments.

H2O is also under investigation by the UK's Financial Conduct Authority and is facing litigation in France from a group of more than 3,000 clients, which last year obtained a court order to appoint an expert to review H2O trades linked to Windhorst.

H2O said yesterday that all of its investors would be "treated equally in the execution of these repayments".

H2O did not respond to a request for comment. Windhorst declined to comment.

Investors move to limit 'overboarding' roles of company directors

INSIDE BUSINESS
TECHNOLOGY
Anjli Raval

One of Silicon Valley's biggest names in venture capital learned the hard way last year the limit of investor acceptance over how thinly company directors can stretch their time.

In May, the majority of Twitter shareholders decided that Silver Lake's chief executive, Egon Durban, who made bets on companies such as Alibaba and Airbnb, was juggling too many directorships on top of the day job and voted against his reappointment.

It was a sign of how "overboarding", as it is put in corporate governance speak, is a growing issue. But how many board seats are too many? The answer depends on who you ask. One UK business leader I spoke to quivered at the use of the word, wondering if I was going to name and shame him as a serial director. Others are pre-emptively declining offers of board seats for fear of investor wrath. Chairs are also turning away high-calibre candidates.

The UK Corporate Governance Code

have taken a harder line, adopting a points-based system to assess whether an individual is overcommitted.

In the US, Institutional Shareholder Services says it largely recommends voting against or withholding votes from directors who sit on more than five public company boards; or are CEOs of public companies who sit on the boards of more than two public companies besides their own. In the UK, it has a five-mandate limit where a non-executive directorship counts as one mandate, a non-executive chair counts as two, and a position as executive director is counted as three.

Most directors say numerical limits are arbitrary. They do not account for an individual's own ability to manage their time, the different requirements of each board and the demands on individual directors — for example, whether that person is on a committee or not.

> 'The expectations and demands of the role have increased even as the social credit is probably less'

Those who serve on multiple boards say frequently overlooked is their ability to share experiences and expertise. "There are a million shades of grey here that are not being recognised," said Kit Bingham, head of the UK board practice at Heidrick & Struggles.

"The need to have sufficient time to perform all your duties is sensible. But when you put rules around this, that's where it gets tricky. It requires a more

panies and not those at private firms, charities or public institutions.

But the business world needs to get to grips with overboarding. Not least because the workload is increasing and board meetings are more frequent. The pandemic, the war in Ukraine and a global energy crisis are just a few factors destabilising corporations.

A heightened regulatory environment has also meant that the oversight role of a board has grown and companies need greater support from their directors in navigating issues, such as shaping a corporate response to political matters. "When the company has a crisis, then it can be daily calls and meetings," said Patricia Lenkov, an expert on board recruitment.

While board positions can be lucrative, the reputational risk has also risen. A string of scandals in recent years — from Boeing to Theranos — has brought to light how a poorly functioning board can lead to corporate disasters. "The expectations and demands of the role have increased even as the social credit is probably less," said Patrick Dunne, who advises boards globally.

So what next? There is no easy maths on overboarding. Ideally, there should be a more nuanced conversation on roles rather than strict limits. Keeping tabs on attendance and the acceptance of new board seats — which requires more work for a director — is also key.

As for Twitter, Durban offered to resign but was retained despite the shareholder vote.


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COMPANIES & MARKETS

Financials

Asset managers face a squeeze on costs

Hiring freezes and cuts in bonuses loom after falling markets put a dent in fees

BROOKE MASTERS — NEW YORK
HARRIET AGNEW — LONDON

Global asset managers are facing a long-delayed reckoning in 2023 as falling assets force them to cut costs and make tough decisions about where to invest for growth.

Revenues were down across the industry last year, after a record 2021, as falling markets across almost all asset classes hit both management and performance fees. In the US, total assets in mutual and exchange traded funds dropped 17 per cent between the start of 2022 and the end of October, the most recent figures available from the Investment Company Institute showed.

Further, most money managers are under pressure to find money to upgrade their technology and win new customers. As a result, they are squeezing personnel costs through hiring freezes and bonus cuts in the hope of avoiding mass job losses. Consultants also reported a sharp uptick in requests for advice on "efficiencies".

"There has been a lot of complacency. A lot of players now really need to get their act together," said Markus Habbel, a partner at Bain who focuses on the sector. "If you don't have scale, it is getting tougher."

While the initial reaction to last year's turmoil has largely been generic belt-tightening and small across-the-board cuts, analysts predict this year will require more strategic decisions.

"The temptation is to take a little bit off everything. In reality, it doesn't move the dial," said Julia Hobart, a partner in the wealth and asset management practice at Oliver Wyman. "Managers will need to decide what they will and won't focus on. Big structural changes need to be made to take costs out of a business."

Jeremy Taylor, who heads Lazard Asset Management's UK-based business, added: "What does an asset manager do as revenues go down? You tend to do less of what hasn't worked over the past three to five years and put greater scrutiny on things that haven't grown . . . you don't give up on any scale product."

In fact, the stronger asset managers are keen to press for gains while their weaker rivals are making cuts.

"We continue to invest via the market cycle into long-running trends that are strategic priorities for us, including sustainable investing, alternatives, active management and exchange traded funds," said Patrick Thomson, chief executive for Europe at JPMorgan Asset Management.

"If you invest significantly into those trends through a downturn, it puts you at an advantage where others may have to cut back."

Many asset managers are hopeful that bond funds, which saw big price drops and massive outflows as interest rates rose, will start to recover in 2023.

Some also predict the downturn will accelerate the shift by clients from traditional mutual funds and brokerage accounts to newer ways of investing, including ETFs, separately managed accounts and model portfolios.

"Whenever there are super shocks in the market, people make big changes to portfolios. This is when people do deferred maintenance," said Martin Small, who heads BlackRock's US wealth advisory business and is its incoming chief financial officer. "In US retail markets, there's a move from brokerage accounts to fee-based advisory, that means more model portfolios and more ETFs."

Technology

Shopify plans advertising push to fill void left by Apple crackdown

TIM BRADSHAW — LONDON

Shopify is seeking to fill a lucrative gap in marketing data left by Apple's privacy crackdown by offering retailers a new way to target potential customers through the world's largest ad platforms.

Harley Finkelstein, Shopify's president, said that after striking alliances with Meta and Google in 2022, its "Audiences" marketing tool was a key area of focus at a time when an ecommerce industry slowdown was forcing the $46bn company to make cutbacks in other parts of its business.

The new tool allows retailers to pool their customer data and upload it to Meta and Google's advertising platforms. Marketers are then able to target ads at "lookalike" customers who might be more likely to buy their products because they bought similar items from another retailer.

The system is designed to skirt Apple's rules against tracking iPhone users, which put a multi-billion-dollar dent in the online advertising industry last year, and compete with Amazon's fast-growing ads business.

Though Shopify Audiences is not yet a significant money-spinner, it could offer a much-needed growth opportunity at a time when a looming recession and cash-strapped consumers are squeezing retailers. "Especially right now, merchants want to be able to find more customers," said Finkelstein.

'Especially right now, merchants want to be able to find more customers'
Harley Finkelstein

Shopify's stock price increased almost fivefold between the start of the pandemic and November 2021, as lockdowns forced retailers and consumers to turn to ecommerce in unprecedented numbers. But its shares have lost three-quarters of their value since 2021's peak, leaving them close to where they were before the pandemic hit.

Finkelstein said Shopify was prioritising initiatives with a "much shorter-term payback", including expanding its business lending arm, Capital, to new regions, and its fulfilment network, which was boosted by its $2.1bn acquisition of Deliverr in July. While fulfilment and lending are years-old initiatives, Shopify's Audiences marketing tool is its newest project.

Advertising has already become a big business for Shopify's rival Amazon, which allows third-party merchants to promote their products on its site. Amazon's advertising revenue grew by 30 per cent, excluding currency fluctuations, in the third quarter of 2022 to $9.5bn.

Shopify's pitch is that it can offer retailers similar targeting capabilities as Amazon but beyond the confines of the Seattle-based retailer's online store, including through Instagram, Google search results and YouTube. Merchants can opt in to adding their customers' information to a pool that Shopify says also constitutes "first party" data.

But some retailers are nervous about sharing data with a larger group that might include rivals, who could then target their customers. "There's always going to be some apprehension about sharing data," Finkelstein said. "But that's often offset by, net net, am I making more money, am I selling more?"

Media. Regulation

Warner Music sidesteps ex-staffer's board battle

Former talent scout fails to win seat but US groups face wave of challenges under new SEC rules

ANDREW EDGECLIFFE-JOHNSON, PATRICK TEMPLE-WEST AND ANNA NICOLAOU — NEW YORK

Warner Music has dodged a former employee's attempt to nominate herself to its board, the highest-profile attempt to date to use new governance rules to wage a board fight, as US companies brace themselves for a wave of similar activist challenges.

Former WMG executive Dorothy Carvello launched a campaign in early December to put herself forward for a board seat, relying on Securities and Exchange Commission rule changes that went into effect last year.

Carvello, who has separately sued the company behind Lizzo and Bruno Mars, has alleged a culture of sexual assault and harassment going back to her time as a secretary and then talent scout for its Atlantic Records label in the 1980s.

But Carvello had failed to meet the paperwork requirements for the company's board nomination process, WMG told the Financial Times. She intended to try again this year, her spokesperson said.

In September, the SEC made it easier for even small activist shareholders to canvas large investors. It also allowed investors to vote for any combination of board nominees, rather than having to choose between rival slates picked by the company and its antagonists.

"The SEC made this law that a minority shareholder can run for the board of directors and I'm a shareholder of the Warner Music Group and I wanted to take advantage of it," Carvello told the FT last month.

Although WMG gave Carvello more time to remedy errors in the notice nominating her to its board, she did not fulfil certain requirements under its bylaws, a company spokesman said. She was not a registered shareholder, having bought her shares through Robinhood, the online brokerage.

Carvello had been all but certain to fail to secure a board seat, as WMG vice-chair Leonard Blavatnik holds a controlling stake. Even so, Elizabeth Gonzalez-Sussman, a partner in Olshan Frome Wolosky's activist investment practice, described her tactics as "a smart strategic move", probably costing less to raise awareness of her claims than pursuing them through litigation would do.

Lizzo, a star under Warner Music's Atlantic Records label. Former WMG employee Dorothy Carvello, below
Timothy Norris/Getty Images, Amy E. Price/Getty Images

WMG said it had made "significant enhancements" to its policies and procedures in recent years, adding that it took allegations of misconduct seriously and was "consistently working toward eliminating all forms of discrimination and harassment".

The SEC rule changes heralded "a more active proxy [voting] campaign season with many more entrants and new insurgents," said John Coffee, a Columbia Law School professor.

"We are going to see a lot of new, smaller insurgents who could not afford the cost of a traditional proxy battle, but [now] could nominate a single candidate," he said. "So we are going to see a lot of one-shot, single-candidate [nominee] slates being pushed by often a public interest firm or someone who is not an established player in this field."

Shareholder activism had slowed in the US early in the coronavirus pandemic and in 2021, as a roaring stock market kept aggrieved investors at bay. But 2022 saw a resurgence as stocks faltered.

Many companies have a window open until spring to nominate new directors, raising expectations that the coming weeks will bring more campaigns fuelled by the SEC's changes.

Aimco, a $5bn real estate investment company, said last week that activist investor Land & Buildings had secured enough votes for one of its two board nominees to replace the company's investment committee chair.

The new rules had also been used in a campaign at a small biotech company, Aim ImmunoTech, but the Aimco vote marked the first time that they had played a role in toppling a sitting director.

These campaigns have caught the attention of law firms that advise large companies on defending themselves against activist attacks, leading some companies to rewrite their bylaws to make it harder for activists to nominate directors.

SEC rule changes herald 'a more active proxy [voting] campaign season with many more entrants'

Carvello's campaign also illustrated a looming fear for companies: that the SEC's new rules offer activists an inexpensive way to gain the attention of large institutional investors even if their campaigns are likely to fail.

Strive Asset Management — a conservative-leaning investor that has criticised sustainable investing — claimed victory at ExxonMobil last month when the oil major announced two new board directors. Last year Strive had called on the company to replace directors it characterised as being excessively focused on climate change risks. Although it said ExxonMobil had pushed back on its proposals, Strive greeted the directors' appointment as evidence of its "shareholder impact".

"[Companies] are worried about these single-issue directors," said Melissa Sawyer, a partner at law firm Sullivan & Cromwell.

The SEC's rule change "significantly lowers the cost of running a campaign for activists" because they could now mail a postcard to solicit shareholder votes rather than a big package of materials, she said. Activists "still have to mail something, but it is now two pages versus 100 pages. When you have to mail to 100,000 shareholders, that cost is actually a meaningful difference."

Industrial goods

Panasonic targets growth in US and China

ERI SUGIURA AND KANA INAGAKI
TOKYO

Panasonic will pursue growth in the US and China as the Tesla supplier bolsters cash management to navigate the headwinds of the technology dispute between the world's two largest economies.

Chief executive Yuki Kusumi said the Japanese conglomerate would also conduct a review to streamline its vast business portfolio, which spans car batteries, air conditioners and microwave ovens, after two years of trying to make its operations more nimble and cost-efficient.

The US is a particularly important market for Panasonic's car battery business. The Japanese group runs a $5bn gigafactory in Nevada with electric vehicle maker Tesla.

Panasonic plans to invest $4bn to build a plant in Kansas, a decision Kusumi said was aided by the passage of US president Joe Biden's Inflation Reduction Act, which includes $369bn of incentives to fund clean energy.

The Kansas factory is likely to be partly funded by the ¥400bn ($3bn) Panasonic has set aside to invest in growth areas such as EV batteries, supply chain software and air conditioners until March 2025. Another ¥200bn has

not fall under US export controls designed to obstruct Beijing's access to advanced semiconductors.

"To be frank, we cannot be optimistic about the market conditions," Kusumi said, adding that the tougher outlook would increase the need for each of Panasonic's divisions to be more vigilant about inventory management.

In late October, Panasonic downgraded its annual operating profit forecast by 11 per cent to ¥320bn, blaming a slowdown in its automotive business and US supply chain specialist Blue Yonder, which it acquired for $7bn in 2021.

The geopolitical challenges have emerged as Kusumi tries to take Pana-

Travel & leisure

Cineworld to seek a buyer for all its assets

ALISTAIR GRAY — LONDON

Cineworld, the cinema operator in US bankruptcy protection, is to sound out prospective buyers as the London-listed company tries to avoid being picked apart piecemeal.

The world's second-biggest cinema operator said it would launch a formal sales process this month to find potential buyers for all of its assets, not just some of them.

The company's larger US-based rival AMC said last month that it had held talks with some lenders to Cineworld, which have an influential role in determining its future, to buy some of its cin-

credit facility nor its advisers were party to discussions with AMC."

Despite the recent release of blockbusters including the *Avatar* sequel and *Black Panther: Wakanda Forever*, Cineworld warned that shareholders were still at risk of having all their financial interests wiped out. There was still "no guarantee of any recovery" for equity

'[Cineworld] has not initiated a . . . process for the sale of any of its assets on an individual basis'

lems have been compounded by its debt burden, which was accumulated in part to fund the acquisition of Regal Cinemas in the US in 2017 and stood at $5.2bn at the end of June. An abandoned takeover of Canadian rival Cineplex, and ensuing legal battle, added to the pressure.

Cineworld, which runs Picturehouse and the namesake chain in the UK as well as cinemas in several countries in eastern Europe, burnt through $145mn of cash in the first half of last year.

It filed for Chapter 11 protection in the US in September after its recovery in admission numbers fell short of those required to avoid bankruptcy.

AMC, which owns Odeon in the UK,

COMPANIES & MARKETS

Meta prepares for divisive decision on lifting Trump's Facebook ban

Former president's potential return to social media platform raises issues of free speech and censorship

Above, from left: Mark Zuckerberg, who imposed the ban; Donald Trump, who was accused of inciting violence; and Nick Clegg, who will oversee the decision on whether to reinstate the ex-president. Below: Monika Bickert, head of Meta's content policy team
FT montage/AFP via Getty Images/Dreamstime

HANNAH MURPHY — LONDON

Meta is preparing to announce whether it will allow Donald Trump back on to Facebook and Instagram, in what is the most polarising moderation decision that the US tech giant has made to date.

Trump, whose use of social media helped him secure the presidency in 2016, was suspended from Meta's platforms for inciting violence soon after a group of his supporters stormed the US Capitol in January 2021.

The $300bn company has previously said it will decide whether to allow the former president to return by January 7. But that decision is now expected to be announced later in the month, according to a person with knowledge of the deliberations.

Trump's fate, just as he ramps up a 2024 bid for the White House, will be the biggest test of authority yet faced by Meta's president of global affairs Nick Clegg, according to insiders. The former UK deputy prime minister is to oversee the decision after taking on an expanded role, leading the company on policy matters.

Meta chief Mark Zuckerberg, who has previously made the final decision on moderation matters, is now focused on product and his metaverse vision — but could yet step in as chief executive, chair and controlling shareholder.

The company has set up a working group to focus on the matter, according to people with knowledge of its operations. The group includes staffers from the public policy and communications teams, the content policy team headed by Monika Bickert and the safety and integrity teams led by Guy Rosen.

Clegg declined to comment. In October, he said at a conference held by the Council for Foreign Relations: "We believe that any private company — and this is really regardless of one's personal views about Donald Trump — should tread with great thoughtfulness when seeking to, basically, silence political voices."

The outcome will be divisive. Experts say that continuing to bar Trump from the platform will inflame tensions with Republican allies of the former president who accuse Meta of censoring conservative views; other left-leaning groups argue that it is irresponsible and harmful to democracy to allow his return.

"It's still a judgment call," said Katie Harbath, fellow at the Bipartisan Policy Center and a former Facebook public policy director managing elections.

"It's an impossible trade-off and both decisions come with some tricky consequences."

It comes after Elon Musk, Twitter's new owner, recently revoked a permanent ban of Trump on his platform after polling users, although the former president has yet to post anything there since the reversal.

Trump has mainly posted messages on Truth Social, a rival social media site that he set up and controls.

The decision will also have implications for Meta's $118bn-a-year business, potentially driving away advertisers if Trump's content is viewed as dangerous, while also bringing in more business if his campaign chooses to advertise on the platform ahead of the 2024 election.

The former president was suspended "indefinitely" the day after the attack on the US Capitol building in Washington, for what Zuckerberg described as his decision "to incite violent insurrection against a democratically elected government" and "condone not condemn".

That decision was upheld by Meta's oversight board, a Supreme Court-style body made up of academics and experts that assesses moderation decisions and that Clegg was instrumental in setting up. But the board took issue with the lifetime ban, ordering Meta to revisit its decision within two years.

Meta has said it would consult experts and undo its strongest rebuke of a global leader only when the risk to public safety had receded. If lifted, there would be a "strict set of rapidly escalating sanctions that will be triggered if Mr Trump commits further violations in future", it said in June, citing the permanent removal of his pages and accounts as the harshest potential punishment.

Meta declined to comment further on its process for deciding whether Trump is to remain barred, and which experts it has been consulting.

Some academics argue that Trump's rhetoric remains a risk to public safety. Last month, a study by left-leaning advocacy group Accountable Tech suggested that 350 posts from Trump's account on Truth Social would violate Facebook's policy rules.

Among them, there were more than 100 posts amplifying followers and sympathisers of QAnon, the pro-Trump conspiracy group that Meta banned from its platforms after the FBI labelled it a domestic terror threat. Around 240 posts were peddling "harmful election-related disinformation", according to the report.

> 'If Facebook looks at what Trump has put out, it is clear he is not a reduced threat to safety'

"If Facebook looks at what Trump has been putting out publicly in the past few years, it is clear he is not a reduced threat to safety. If anything, he has gotten more emboldened," said Nicole Gill, co-founder and executive director of Accountable Tech. "Facebook has a huge responsibility here."

Anupam Chander, a professor in global internet regulation at Georgetown University, agreed but noted one difficulty for Meta was that Trump's speech was often vague enough that it could be "read in more ways than one".

He said: "It depends on how you want to read the statement. The internet platforms are in an impossible place."

Some of Trump's Republican supporters argue there is no clear imminent threat to safety linked directly to the former president. Other experts raise concerns around the implications for free speech.

> 'If they do keep him off . . . I really worry about the direction this is going to send us in'

"If they do keep him off . . . political speech is among the most protected and I really worry about the direction this is going to send us in," said Harbath, who is also the director of technology and democracy for the International Republican Institute.

She and others warn that barring a presidential candidate from a platform sets a dangerous precedent that could embolden leaders in other countries to try to suppress speech from rivals.

"Meta is making these decisions in the context of US politics," said Casey Mattox, senior fellow for free speech at the right-leaning Charles Koch Institute. "But the reality is that the decision that it makes in US circumstances has implications outside of the US context."

Mattox added: "Authoritarian governments are no doubt looking at arguments made by democracies that are intended to protect the democracy — but that also provide tools for authoritarian governments to . . . protect their own power."

Technology

Google builds free tool to police online terrorism

CRISTINA CRIDDLE — LONDON

Google is developing a free moderation tool that smaller websites can use to identify and remove terrorist material, as new legislation in the UK and EU compels internet companies to do more to tackle illegal content.

The software is being developed in partnership with the search giant's research and development unit Jigsaw and Tech Against Terrorism, a UN-backed initiative that helps tech companies police online terrorism.

"There are a lot of websites that just don't have any people to do the enforcement. It is a really labour-intensive thing to even build the algorithms [and] then you need all those human reviewers," said Yasmin Green, chief executive of Jigsaw. "[Smaller websites] do not want Isis content there, but there is a tonne of it all over [them]," she added.

The move comes as internet companies will be forced to remove extremist content from their platforms or face fines and other penalties under laws such as the Digital Services Act in the EU, which came into force in November, and the UK's Online Safety bill, which is expected to become law this year.

The legislation has been pushed by politicians and regulators across Europe who argue that Big Tech groups have not gone far enough to police content online.

But the new regulatory regime has led to concerns that smaller start-ups are not equipped to comply and that a lack of resources will limit their ability to compete with larger tech companies.

"I have noticed a big shift in the [leading] platforms becoming much more effective at moderating, and that pushes terrorist content and Covid hoax claims to [other sites]," Green said.

A report by the Global Internet Forum to Counter Terrorism in 2021 estimated that for every 10,000 posts on Facebook, six would contain terrorist or extremist content. On smaller platforms, this figure could be as high as 5,000, or 50 per cent of content.

GIFCT, a non-governmental organisation founded by Facebook, Microsoft, Twitter and YouTube in 2017 to foster partnerships between many tech platforms, is supporting the project by Jigsaw. The non-governmental organisation has a database of terrorist content shared across its membership of tech companies, which moderation systems can use to detect existing materials.

On December 13, Facebook and Instagram owner Meta launched open-source software that other platforms can deploy to match terror content to existing images or videos in the database and highlight them for urgent human review.

Jigsaw's tool aims to tackle the next step of the process and help human moderators make decisions on content flagged as dangerous and illegal. It will begin testing with two unnamed sites at the beginning of this year.

Jigsaw has about 70 staff, primarily based in Google's offices in New York. Green, who became chief executive in July, said the lossmaking division was not expected to become profitable, adding: "There's an understanding that there's a long-term business return . . . Google needs a healthier internet. We are helping Google and helping the internet in a way that delivers value even though it isn't monetary."

Energy. Investment

US nuclear industry enjoys revival as public and private funding pours in

Backers hail 'inflection point' after carbon reduction drive brings sector in from the cold

MYLES MCCORMICK — NEW YORK

The US nuclear industry has hailed 2022 as an "inflection point", with surging private investment and unprecedented government support breathing new life into a sector that fell from favour in recent decades.

Federal legislation enacted in the past 18 months will pump about $40bn into the sector over the coming decade, according to industry estimates, while roughly $5bn in private funds has

energy future," he said. "No matter how you cut it, we're talking about billions of dollars being poured into these advanced reactor companies."

The influx of funding comes as nuclear power, long dogged by safety concerns and investor skittishness over costs, has re-emerged as a central element in the fight against climate change.

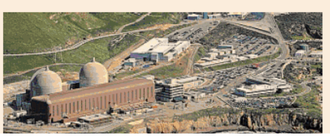
Nuclear can provide a baseload of carbon-free power at scale 24 hours a day, regardless of weather, making it much more reliable than intermittent renewable sources such as wind and solar.

"What we're going through now isn't so much a renaissance as it is an enlightenment," said Craig Piercy, head of the American Nuclear Society. "Leaders in industry and in government are really

bines, cheap natural gas and renewable generation supported by subsidies have driven down wholesale power costs. Nuclear, where costs are largely fixed, has found it difficult to compete. Thirteen reactors have been closed since 2013, prompting warnings that without intervention half the existing fleet would be out of action by the end of the decade.

But a concerted push by the federal government to support the sector has stemmed the decline. The Bipartisan Infrastructure Law passed in late 2021 set aside $6bn to prop up ailing reactors through a civil nuclear credit programme. California's Diablo Canyon plant in November became the initiative's first beneficiary, staving off shutdown with a $1.1bn award.

The passage of the Inflation Reduction Act in August offered more federal handouts to struggling reactors, introducing a production tax credit of up to $15 per megawatt hour to prop up plants.



The Diablo Canyon nuclear power plant in California has been saved from imminent closure by a $1.1bn federal

"What we've witnessed in the last 12 to 18 months is a generational investment," said Piercy, who estimates the two pieces of legislation combined could provide as much as $40bn in support. That would be the most since the industry's infancy in the 1950s and 1960s, when the Department of Defense invested heavily in naval reactors that were later spun out into commercial power-generation technology.

"I think this year will be remembered as a positive inflection point for nuclear," he added.

Private funds are also flowing rapidly into the sector as companies look to

Capping the year off, US government scientists achieved a breakthrough in the development of nuclear fusion technology, seen by many as the holy grail of energy generation, by achieving a net energy gain for the first time.

Unlike the fission process used in modern reactors, which splits atoms to create power, fusion melds them together and could in theory provide limitless power without creating long-lived radioactive waste.

Despite the breakthrough, adoption of fusion and the infrastructure to support it remains years off. But support for the technology has taken off in the past two years, according to Chris Kelsall, chief executive of UK-based fusion developer Tokamak Energy.

"It's been a palpable inflection in the

Fixed income. Reduced exposure

US junk loan investors braced for jump in defaults and downgrades

Shrinking demand for risky corporate debt could threaten ability of groups to refinance

HARRIET CLARFELT — NEW YORK

Walking back: Wall Street's big banks have pulled away from the top triple A tranches of CLO debt this year, analysts are warning
Michael Nagle/Bloomberg

The biggest buyers of US junk loans are expected to shrink their exposure to the $1.4tn market in 2023 as the Federal Reserve's campaign of interest rate rises sparks rating downgrades and defaults.

Collateralised loan obligation vehicles own roughly two-thirds of America's low-grade corporate loans — but may be forced to reduce their exposure because of credit downgrades, which could unsettle the markets and make it harder for companies to obtain financing.

CLOs, which package up such loans into various risk categories before selling the slices on to investors, have performed well during tough economic times but analysts say mechanisms designed to protect investors holding higher-quality tranches could reduce the vehicles' appetite for loans to risky, highly indebted borrowers.

US CLO issuance ballooned during the depths of the pandemic, reaching an unprecedented $183bn in 2021 as near-zero borrowing costs sparked a broader explosion of capital market activity.

Even as the Fed tightened monetary policy last year to tackle inflation and other parts of the global fixed income market stuttered, CLOs raised a further $126bn — the third-largest annual figure on record, according to data from Refinitiv.

But CLOs have caps on how much very low-grade debt they can hold with a typical threshold of 7.5 per cent for triple C buckets containing highly risky loans carrying ratings near the bottom of the quality spectrum.

Against a backdrop of higher borrowing costs sparked by Fed rate rises and fears of recession, analysts are warning that those limits will be breached.

When these protective switches are tripped, cash flows to investors holding the riskiest CLO tranches, known as "equity", can sometimes be cut off, redirecting payments to investors higher up the pecking order.

Such a situation could also potentially reduce demand for fresh leveraged lending just as many riskier borrowers start to think about how to refinance themselves after a burst of debt issuance during the cheap money days of the Covid crisis.

"Leveraged loans, the underlying collateral in CLOs, are expected to face increased stress as interest costs are rising and earnings are likely to drop simultaneously," analysts at Barclays wrote in December. "In our view, issuers will likely face cash flow pressure, eventually resulting in rising downgrades and defaults."

For some CLOs, that would mean an uncomfortable overflow of triple C buckets and a desire to reduce exposure to corporate borrowers at risk of downgrade.

"We're not talking about breaching the 7.5 per cent threshold by just a little bit," said Steve Caprio, head of European and US credit strategy at Deutsche Bank Research. "We're talking about CCCs potentially going as high as 12 to 15 per cent in the worst-case scenario."

Analysts at Bank of America expect triple C buckets to increase to "8-10 per cent in a stress and potentially even 15 per cent in a severe stress scenario", noting that the peak Covid triple C concentration in CLOs was 10 per cent.

Swiss bank UBS also said "a surge in leveraged loan credit deterioration should increase [triple C] holdings in CLOs to [about] 15 per cent, drying up demand from CLOs".

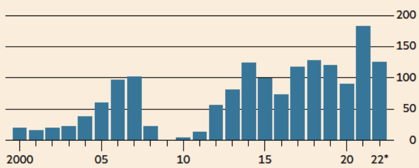
Caprio added that it would be "difficult to entice a new investor" to wade into the lowlier rated CLO tranches when the risk of having regular payments turned off is "actually quite elevated".

CLOs' risk exposure varies and many managers have built up protection against overflowing low-grade debt buckets.

The share of triple C rated loans in CLO portfolios has fallen to about 4 per cent, Barclays said. "Thanks to CLO managers' active trading, defaulted assets in CLO portfolio has always been lower than the broader leveraged loan default rate."

2022 was third-strongest year on record for US CLO issuance

$bn



* Year to Dec 16
Source: Refinitiv

"There's a lot of cushion before it really is a problematic dynamic for CLOs," said Jeff Stroll, chief investment officer at Post Advisory Group.

Stroll added that to reach a situation where cash flows are diverted from the riskiest CLO tranches there would need to be "a lot of downgrades", noting: "In our deals, we'd probably have to see close to 20 per cent [triple C] baskets."

Still, "there has been this kind of sentiment shift you can feel towards proactively trying to manage this as best as possible", he said.

Concerns about overflows of low-quality loans in CLOs were "probably more valid for pre-Covid and especially vintages from the 2016 commodity crisis", said Rishad Ahluwalia at JPMorgan. "The [triple C] ratios in the last two to three years of CLOs are a lot lower than the average."

Ahluwalia said CLOs are now also buying fewer loans from the ratings category just above triple C out of concerns that if they are downgraded, they will move down a notch and count against the threshold.

Anticipating "very, very elevated" downgrade rates for B and B minus rated loans into triple C buckets, Caprio concurred that CLO managers "will probably try to avert the problem" of breaching 7.5 per cent thresholds by reducing their demand for loans ranked just above this level.

But "that in and of itself, before the problem emerges, will actually cause some issues within the loan market".

The pace of CLO issuance has slowed in recent months while leveraged loan sales were last year just over a third of what they were in 2021. Even at the top of CLOs' capital structures, demand has weakened.

"The US big banks have really pulled back" from the top triple A tranches of CLO debt this year, Stroll said, "and have basically been out of the market for a host of reasons". That "buyer base on the [triple As] is just much, much smaller and so the ability to get transactions done is much more difficult".

Many corporate borrowers refinanced and issued new loans when interest rates were low, loading up on cash and pushing out debt maturities.

However, "it is critical to note the majority of US and EU loan demand originates from CLO managers", Deutsche Bank said in a report last month. "CLO formation depends on the availability of investors to buy tranches ranging from [triple A] rated to B rated credit quality. And that demand for [triple B] rated tranches and below in particular will be severely tested in the next recession."

Crypto

FTX failure forces rethink on global sports sponsorship by digital asset groups

SAMUEL AGINI

The collapse of FTX is reverberating beyond the worlds of crypto and finance as the global sports industry contemplates the future of lucrative sponsorship deals with digital asset companies.

Sam Bankman-Fried, the now-disgraced founder of the crypto trading shop once valued at $32bn, targeted new audiences through brand-boosting partnerships with top sports teams across basketball, motorsport and baseball.

Before filing for bankruptcy in November, FTX plastered its logo on the uniforms of Major League Baseball umpires and the Mercedes Formula 1 cars driven by Lewis Hamilton and George Russell.

In a 19-year deal inked last year worth $135mn, the home of the Miami Heat basketball team was renamed the FTX

result of cancelled events and the crypto industry found itself flush with cash.

This included the likes of Crypto.com, which struck a deal to sponsor this year's Fifa World Cup while blockchain provider Tezos slapped its brand across the training kit of English Premier League club Manchester United.

Many European sports groups were "quick to take the money", said Steve Martin, global chief executive of M&C Saatchi Sport & Entertainment, especially as they sought to replace betting partners due to bans, or potential bans, of gambling advertisements in some jurisdictions.

"When crypto started to come in, it felt like it was new and about innovation," Martin said. You have to question how much due diligence was done."

Clubs and leagues began to pin their hopes on such partnerships for future

total $46bn that sports marketing agency Two Circles said was spent on sports sponsorship globally in 2019 — the final full year before the pandemic.

Nielsen warned it would be "vital for organisations to properly vet sponsors and not let revenue impede due diligence".

The threat is twofold: sports businesses are at greater risk of reputational damage if FTX-style blow-ups become more prevalent. In addition, crypto companies themselves are less able to splash out on sponsorship deals as the price of tokens falls and faith in the industry wanes.

FTX's implosion has set back the trajectory of crypto sports sponsorship by as much as five years, said Haider Rafique, marketing chief at crypto group OKX, which sponsors English Premier League champions Manchester City and the F1 motor racing team, McLaren.

Rafique predicted a slowdown in new sports sponsorships, though he expected OKX to remain active in the sector. "I think you're going to see few and far between," he said. "There's not many of those companies that are able to afford, you know, $50mn, $100mn, $300mn deals over the course of a few years."

On top of the loss of trust associated with FTX, a December report by sports media company IMG and its digital agency, Seven League, said the collapse in crypto prices had weakened the appetite for digital sports collectibles — tokens known as NFTs that are issued in

it's likely in 2023 that the innovation won't be focused on using these new technologies to solely make money but instead to improve the relationship with fans and customers," the IMG-Seven League report stated.

A December survey by the European Sponsorship Association showed that many in the sports industry said they felt cautious about crypto partnerships "or said they had already been negatively affected by an alliance that did not last".

Rating agency Fitch also said it could prove harder for sports clubs and leagues to strike deals with potential sponsors from all sectors this year in the "worsening macroeconomic environment" as cost pressures forced companies to cut marketing budgets.

The pressure on sports clubs and leagues to heavily scrutinise potential sponsors will mount in the wake of FTX's collapse, said M&C Saatchi's

The day in the markets

What you need to know

- Tesla leads S&P 500 lower in downbeat start to year on Wall Street
- European equities post broad gains as German inflation eases
- Nickel prices jump, extending a long period of volatile trading

US stocks started 2023 on a downbeat note as shares in electric-car maker Tesla continued falling, drawing a contrast with the more optimistic new year's performance across the Atlantic.

Wall Street's benchmark S&P 500 and the tech-heavy Nasdaq Composite fell 0.7 per cent and 1.2 per cent, respectively.

Tesla's shares have declined since mid-September by about 65 per cent and were the worst-performing member of the S&P 500 yesterday, the first US trading day of the new year.

In contrast, the pan-regional Stoxx Europe 600 gained 1.2 per cent, extending gains from an upbeat start to 2023 the previous day.

London's FTSE 100, which was closed on Monday, kicked off the year by rallying 1.4 per cent.

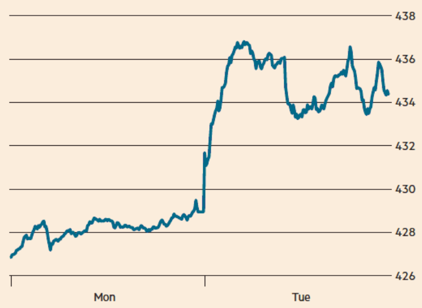
Outside of the US, yesterday was "a case of new year, new optimism, even if there's nothing specific [investors] are going off", said Neil Birrell, chief investment officer at Premier Miton.

The moves came in a trading session during which fresh data showed German inflation slowed more than expected in December with consumer prices increasing 9.6 per cent on the year, from 11.3 per cent in November.

A survey by Reuters showed economists had expected a reading of 10.7 per cent.

European stocks begin 2023 with a bang

Stoxx Europe 600 index is up 2 per cent this week



Source: Bloomberg

In currency markets, the dollar gained 0.9 per cent against a basket of six other currencies though it has fallen almost 9 per cent from its September peak.

The pound fell 0.3 per cent against the dollar to $1.20 while the euro slipped 1 per cent to $1.054.

Nickel prices jumped, continuing an extended period of volatile trading since the market for the metal was plunged into chaos last March.

The benchmark three-month contract in London for the metal used in stainless steel and electric car batteries shot up as much as 4.9 per cent yesterday to $31,475 per tonne, versus an average of $15,000 per tonne in the years before the nickel market crisis. Prices later cooled to $30,500 per tonne.

Asian stocks rallied, with Hong Kong's Hang Seng index up 1.8 per cent, taking its gains since the start of November to 37 per cent.

China's CSI 300 index of Shanghai- and Shenzhen-listed shares added 0.4 per cent as the country continued to battle large outbreaks of Covid-19 following the relaxation of measures designed to slow the spread of the virus. **George Steer and Harry Dempsey**

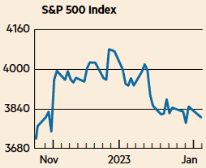
Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	3805.65	1715.28	26094.50	7554.09	3116.51	105627.60
% change on day	-0.88	1.16	0.00	1.37	0.88	-0.70
Currency	**$ Index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	104.592	1.056	130.755	1.201	6.904	5.395
% change on day	1.034	-1.031	-0.902	-0.166	-0.683	2.186
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	3.792	2.382	0.411	3.650	2.865	13.697
Basis point change on day	-8.610	-6.500	0.000	-1.200	0.200	137.400
World Index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	398.83	82.70	77.48	1813.75	23.95	3983.80
% change on day	-0.43	-3.74	-3.46	0.58	0.38	-0.61

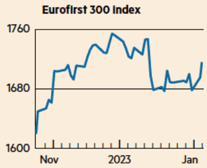
Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets

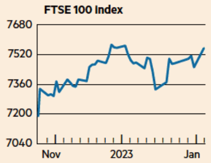
S&P 500 index



Eurofirst 300 index



FTSE 100 index



Biggest movers

%	US		Eurozone		UK	
Ups	Paypal Holdings	4.21	Swatch	5.64	Rolls-royce Holdings	6.13
	Newmont	3.95	Brenntag	4.98	Ocado	5.16
	Dxc Technology	3.36	Casino Guichard	4.48	Persimmon	4.56
	Wynn Resorts	3.27	Commerzbank	4.02	Barratt Developments	4.44
	Las Vegas Sands	3.18	Caixabank	3.53	Prudential	4.39
Downs	Tesla	-13.40	Rwe	-4.52	Centrica	-4.75
	Etsy	-6.29	Tenaris	-3.45	Sse	-2.83
	Enphase Energy	-5.20	Oci	-3.39	Coca-cola Hbc Ag	-1.75
	Apa	-5.01	A.p. Moller - Maersk B	-2.51	Beazley	-1.69
	Molina Healthcare	-4.96	Thales	-2.38	Glencore	-1.45

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

Lodged at the bottom of the S&P 500 index was electric-car maker **Tesla**, which delivered more than 405,000 vehicles in the fourth quarter — short of the 420,000 units Wall Street had expected.

Russ Mould, investment director at AJ Bell, said that there was "genuine concern about demand" for Teslas — with waiting lists "shortening fast" for new vehicles.

"Add in the competitive threat from the established car manufacturers and new challengers in Asia and you can understand why sentiment towards Tesla has undergone such a gear shift," he noted.

Plant-based milk producer **Oatly** surged on news that it would be transferring its leases and production capacity at two US facilities as part of a co-packing agreement.

Canada's Ya YA Foods would be acquiring a majority of the assets and take on the property lease of Oatly's production facility in Utah and assume responsibility for completing the construction of another facility in Texas.

Europe

German chemical distributor **Brenntag** rallied on news that it was pulling out of talks to acquire its US peer, Univar.

Back in November, when the move was first mooted, Brenntag slid more than 9 per cent. Since then, activist shareholder PrimeStone Capital, which owns a 2 per cent stake, has argued against the deal.

Among PrimeStone's concerns was a possible exodus of Brenntag customers, spooked that their options to source supplies would be reduced following the takeover of a smaller rival.

France's **Gaztransport & Technigaz**, which specialises in supplying maritime tanks for liquefied natural gas, sank after announcing that it was "ceasing its activities in Russia".

This followed "an in-depth analysis of European sanction packages . . . notably prohibiting engineering services with Russian companies", it said.

A downgrade weighed on Sweden's **Getinge**, with JPMorgan lowering its recommendation of the healthcare product provider from "neutral" to

London

Hotel Chocolat rallied on announcing that it had signed a new strategic partnership with Japan's Eat Creator Corporation.

The chocolatier would hold a 20 per cent stake in the newly established vehicle that would initially include 21 branded Hotel Chocolat stores.

Eat Creator would provide "growth capital, new supply-side knowhow and proven expertise in food brand development", said the group.

GENInCode, which is developing genetic tests to predict which patients are at risk of developing heart disease, soared after gaining licensing approval and clinical certification for its laboratory in California.

Matthew Walls, chief executive, said the green light would enable it to begin selling "products across the US market".

Home Reit, which invests in sheltered housing for homeless people, suspended trading after missing a regulatory deadline to publish its annual report.

The delay was blamed on "an enhanced set of audit procedures" following a short

Venture capital's day of reckoning looms closer

Daniel Rasmussen

Markets Insight

After about a decade of significant outperformance culminating in a Covid boom, tech investors faced a sharp reversal last year. By the end of June, Nasdaq was down 29.5 per cent and the Goldman Sachs Unprofitable Tech index was down 52 per cent.

Yet one corner of the tech market was strangely unaffected. The US Venture Capital index compiled by Cambridge Associates was down only 12.5 per cent through the end of June (the last available data). This gap between private markets and public markets is the largest since the dotcom bubble burst.

Few would argue that these venture capital marks are accurate in aggregate in any meaningful way — though probably most venture capitalists believe their own portfolio valuations to be right. They reflect an accountant's appraisal of value, rather than the market's capricious judgment — and thus tend to be significantly less volatile.

Academics have found that venture capital returns tend to lag behind public markets; the venture capital index looks roughly like an average of the past five quarters of public market benchmarks.

There aren't many investors in VC funds complaining. Both they and the fund managers seem quite happy with the smoothed marks. Yet perhaps this is not the costless ploy that it appears on the surface. Consider an institutional investor looking to add growth/tech exposure at the start of 2020.

They could choose between allocating to Cathie Wood's Ark Innovation exchange traded fund or to a VC fund. The ETF was on a great run, beating both the Nasdaq and VC indices by about 15 per cent annually over the previous three years. But, other than the State of Wisconsin Investment Board, endowments, foundations and pensions do not appear on the list of top 100 investors in the ETF, according to Capital IQ. Scepticism about Ark was so widespread that Tuttle Capital launched an ETF (SARK) explicitly designed for investors who wanted to short Ark.

But despite the doubts about Ark, which had handily outperformed the venture index during the bull market, institutional investors dumped money into VC funds. In 2021 and 2022, investors allocated an unprecedented $270bn to US VC, according to Preqin. Back in 2014-17 there was only $30bn-40bn of VC capital raised per year.

> Scepticism about Ark was so widespread that an ETF was launched explicitly designed to short Ark

Hating Ark and loving venture capital seems intellectually inconsistent. The underlying companies are similar.

The valuations of companies should be comparable across both the private and public markets. Ark was outperforming venture in the good years but it presented a problem that venture does not: true mark-to-market volatility on small and unprofitable groups' equity.

While most institutional VC managers acknowledge the smoothing effect and make internal adjustments, we think the reported marks are what truly drives decision making. Just think: if an institution told you they had 15 per cent of their portfolio in Ark, you might question the degree of the bet. But many institutions have well over that allocation to venture capital. The average buyout and VC allocations for a university with a $1bn endowment were 16.6 per cent and 13.4 per cent, respectively, at the end of June last year, according to the US National Association of College and University Business Officers.

Some investment consultants recommend that clients should take private allocations (which also include private real estate and other private assets) higher than 40 per cent, arguing that institutions with higher allocations to privates do better in market downturns.

Perhaps investors have been lulled into complacency, paying an illiquidity premium for the "phoney happiness" of private marks.

By doing so — instead of receiving a premium as economic theory suggests — there is bound to be a drag on returns.

As research from Harvard economist Andrei Shleifer has shown, there are three ingredients to a financial crisis: consensus optimism, leverage and illiquidity. And private markets exhibit all three characteristics. Illiquidity may be fine on the way up but, as investors in the Blackstone Real Estate Income Trust are discovering, it's not ideal when market conditions change. Blackstone limited withdrawals from its $125bn real estate investment fund last month following a surge in redemptions.

After the dotcom bubble burst, it took all the way until the end of 2014 for the VC index to regain the high water mark it set in early 2000. If the current listed equity market downturn persists, marks will eventually converge nearer to reality, leaving institutions nursing very real and illiquid losses.

Daniel Rasmussen is founder and chief investment officer of Verdad Advisers

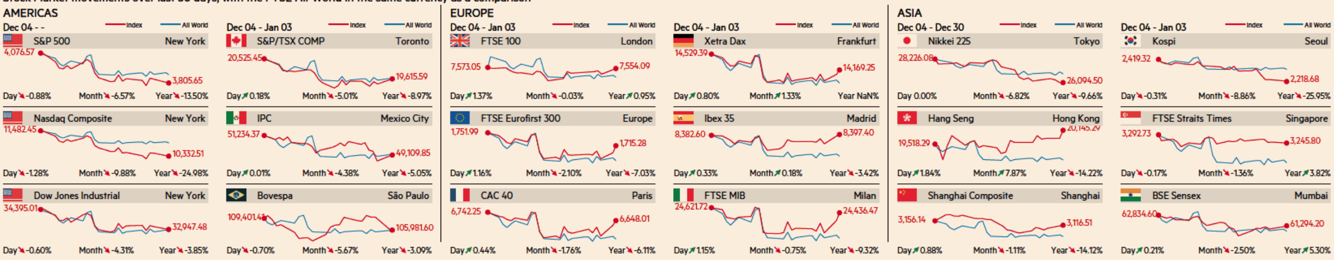
MARKET DATA

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 $
-0.88%	-1.28%	-0.60%	1.37%	1.16%	No change	1.84%	-0.43%	-1.031%	-0.166%	-0.902%	-0.902%	-1.20%	0.58%

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



STOCK MARKET: BIGGEST MOVERS

UK MARKET WINNERS AND LOSERS

CURRENCIES

FTSE ACTUARIES SHARE INDICES

FT 30 INDEX

FT WILSHIRE 5000 INDEX SERIES

FTSE SECTORS: LEADERS & LAGGARDS

FTSE 100 SUMMARY

FTSE GLOBAL EQUITY INDEX SERIES

UK STOCK MARKET TRADING DATA

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

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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$)							
ANZ Bank	23.01	-0.65	28.33	20.78	-	-	46602.61
BHP Group	45.33	-0.30	53.72	35.83	8.67	11.13	154746.46
CmwBkAu	101.05	-1.55	109.20	86.98	3.31	19.87	115053.67
CSL	281.75	-6.01	304.70	240.10	1.03	42.19	91620.13
NatAusBk	29.42	-0.64	33.75	25.43	2.92	16.39	62524
Telstra	3.95	-0.04	4.17	3.62	2.42	33.60	30777.3
Wesfarmers	45.46	-0.45	55.19	40.03	3.74	24.44	34763.6
Westpac Bank	22.73	-0.62	24.67	18.80	3.73	17.29	53787.03
Woolworths	33.09	-0.47	39.63	31.67	3.12	39.47	27144.74
Belgium (€)							
AnBshInBv	56.84	-0.06	58.72	45.56	0.90	29.68	104227.43
KBC Grp	62.18	1.80	81.70	45.53	5.28	10.59	27361.88
Brazil (R$)							
Ambev	14.35	0.16	16.88	12.81	4.07	20.91	41892.43
Bradesco	12.81	-0.38	17.72	12.03	6.71	5.72	11564.46
Cielo	5.00	-0.10	6.22	2.01	3.01	16.33	2517.84
ItauHldFin	21.19	-0.26	26.04	18.86	3.78	8.09	19474.18
Petrobras	26.00	-0.17	42.08	23.61	19.11	3.58	35866.23
Vale	89.71	0.31	107.11	61.90	14.99	3.86	79462.89
Canada (C$)							
Bausch Hlth	8.53	0.03	33.39	5.10	-	-2.67	2263.5
BCE	59.47	-0.02	74.09	55.66	5.63	20.78	39769.7
BkMontrl	124.12	1.46	154.47	113.73	3.49	9.96	64001.98
BkNvaS	65.27	-1.07	95.00	63.19	5.44	8.52	57025.39
Brookfield	58.88	11.29	63.88	41.28	1.09	19.91	69948.82
CanadPcR	101.78	0.83	111.43	86.12	0.71	25.44	69438.64
CanImp	55.32	0.55	137.34	53.58	10.39	4.00	36765.85
CanNatRs	73.01	-2.18	88.18	58.75	2.62	11.81	59201.33
CanNatRy	162.03	1.19	175.39	137.26	1.45	24.57	80162.28
Enbridge	53.22	0.30	59.69	48.88	6.01	19.38	79021.27
GtWesLif	31.51	0.21	41.50	27.99	5.86	9.24	21531.34
ImpOil	64.22	-1.73	79.83	48.63	1.53	19.28	27509.19
Manulife	24.32	0.17	28.09	20.81	4.60	7.18	33435.71
Nutrien	97.90	-0.95	147.93	85.62	2.27	14.67	36943.56
RylBkC	127.78	0.48	149.60	116.75	3.33	11.85	129839.47
SHOP	47.74	0.73	125.50	33.00	-	1.72	35021.94
Suncor En	42.09	-0.86	53.62	32.08	2.39	15.88	41582.18
ThmReut	156.02	1.56	159.82	119.23	1.26	11.22	54631.06
TntoDom	87.88	0.21	109.08	77.27	3.56	11.49	117393.52
TrnCan	53.37	-0.61	74.44	53.18	6.24	29.98	39839.06
China (HK$)							
AgricBkCh	2.68	-	3.15	2.22	7.83	3.56	10544.34
Bk China	2.86	0.02	3.20	2.51	7.66	3.59	30611.61
BkofComm	4.58	0.09	5.74	3.84	7.52	3.83	20524.65
BOE Tech	0.65	0.01	0.86	0.57	-	10.61	16.55
Ch Coms Cons	3.85	0.10	5.17	3.09	5.20	3.23	2177.38
Ch Evrbrght	2.42	0.04	3.11	2.04	9.74	3.31	3927.24
Ch Rail Cons	4.89	0.22	5.95	3.75	5.28	2.63	1299.55
Ch Rail Gp	4.22	0.10	5.88	3.48	4.80	3.44	2272.62
ChConstBk	4.93	0.04	6.23	4.12	7.42	3.63	151708.14
China Vanke	15.52	-0.28	21.70	9.96	9.03	7.08	3787.31
ChinaCitic	3.50	0.04	4.08	2.92	7.89	3.29	6667.06
ChinaLife	13.66	0.26	15.04	8.53	4.92	6.05	13010.45
ChinaMBank	44.50	0.85	70.80	25.40	3.16	8.31	26149.08
ChinaMob	52.50	0.75	58.65	46.85	6.04	8.20	137488.12
ChinaPcIns	17.62	0.24	25.90	12.10	7.34	5.81	6259.13
ChMinsheng	2.74	0.04	3.29	2.19	8.84	3.59	2918.01
ChMrchSecs	13.25	-0.05	17.24	12.06	3.27	11.92	14243.72
Chna Utd Coms	4.93	0.45	5.25	3.30	2.25	24.92	22109.02
ChShenEgy	23.05	0.50	27.65	18.20	8.75	7.08	9964.65
ChShpbldng	3.52	0.03	4.17	3.36	-	-263.74	11258.99
ChStConEng	5.49	0.06	6.40	4.67	3.88	4.29	32471.06
ChUncHK	5.18	0.35	5.25	3.27	2.99	11.55	20287.17
CNNC Intl	6.09	0.09	8.40	5.78	2.03	16.04	16627.37
CSR	3.17	0.02	3.73	2.37	6.43	8.82	1773.56
Daqin	6.62	-0.06	7.25	5.95	7.20	10.10	14255.02
GuosenSec	8.85	-0.03	11.70	8.43	2.58	10.25	11314.87
HaitongSecs	4.80	-	7.34	3.77	5.90	5.28	2094.77
Hngzh HikVDT	34.29	-0.39	49.88	28.10	2.32	18.99	45571.34
Hunng Pwr	4.06	0.37	4.80	2.62	4.79	-4.61	2442.65
IM Baotou Stl	1.93	0.01	2.75	1.75	-	33.12	8855.05
In&CmBkCh	4.06	0.04	4.94	3.37	7.37	3.77	45104.26
IndstrlBk	17.77	0.18	23.22	15.01	4.33	4.91	53468.75
Kweichow	1730.01	3.01	2077	1359	1.11	39.27	314770
Midea	0.42	0.02	0.58	0.32	-	-4.56	15.99
New Ch Life Ins	19.74	0.64	24.70	12.04	7.64	3.79	2612.84
PetroChina	3.60	0.03	4.49	3.01	6.53	7.35	9722.16
PingAnIns	52.85	1.20	69.40	31.30	4.67	8.50	50380.1
PngAnBnk	13.77	0.61	17.56	10.39	1.26	8.29	38703.2
Pwr Cons Corp	7.10	0.02	9.81	6.65	1.24	14.87	11303.12
SaicMtr	14.41	-	20.07	13.77	4.09	7.27	24385.02
ShenwanHong	0.10	-	0.18	0.05	-	2.90	109.41
ShgPdgBk	7.23	-0.05	8.80	6.64	6.32	4.66	30737.3
Sinopec Corp	3.82	0.05	4.28	3.06	3.60	4.66	12116.64
Sinopec Oil	2.00	0.02	2.37	1.70	-	670.17	3930.78
Denmark (kr)							
DanskeBk	143.00	3.05	143.00	91.28	1.34	10.26	17499.08
MollerMrsk	15895	-410.00	24070	13185	2.04	2.71	18888.88
NovoB	968.30	26.30	973.10	604.40	0.92	48.89	239484.61
Finland (€)							
Nokia	4.43	-0.01	5.35	4.12	-	15.98	26615.27
SampoA	48.99	-0.18	49.97	35.85	3.34	10.91	27565.44
France (€)							
Airbus Grpe	114.54	0.68	120.36	86.52	-	21.98	95296.45
AirLiquide	134.66	-0.34	153.40	114.48	1.95	26.01	74399.69
AXA	26.66	0.18	29.09	20.34	5.12	9.40	66180.49
BNP Parib	56.01	1.08	68.07	40.67	4.57	8.44	72975.62
ChristianDior	699.50	12.50	734.50	513.00	0.96	26.73	133279.51
Cred Agr	10.11	0.13	14.27	8.09	7.56	5.78	32475.56
Danone	49.96	0.38	58.24	46.48	3.71	17.79	35637.06
EDF	12.00	-	12.04	6.64	3.88	9.66	49244.37
Engie SA	13.51	-0.05	14.68	9.79	3.75	9.96	34723.32
EssilorLuxottica	170.10	-0.85	184.70	132.70	0.61	54.30	80374.94
Hermes Intl	1490	17.00	1585.5	957.60	0.29	66.96	166036.95
LOreal	338.40	1.30	385.25	300.45	1.13	43.16	191168.32
LVMH	702.80	8.70	739.40	535.00	0.95	30.80	373338.04
Orange	9.53	0.13	11.94	9.08	6.01	3310.77	26753.04
PernodRic	184.45	-0.45	203.50	166.60	1.62	29.15	50221.55
Renault	33.19	-0.22	38.07	20.47	-	-25.94	10358.72
Safran	118.00	-0.54	120.32	87.85	0.35	1235.54	53215.57
Sanofi	92.33	0.65	106.08	76.45	3.31	19.54	123528.57
Sant Gbn	48.19	1.23	64.82	35.20	2.70	12.07	26235.12
Schneider	133.90	1.16	159.94	110.02	1.85	24.73	80717.5
SocGen	24.57	0.39	37.68	18.34	2.15	4.35	22041.7
Total	58.98	-1.04	60.93	43.60	4.37	11.86	163058.1
UnibailR	50.88	0.15	73.09	39.68	-	-7.59	7452.31
Vinci	94.84	-0.11	103.74	80.74	2.71	22.02	59002.81
Vivendi	9.32	0.25	12.16	7.59	6.15	-17.43	10910.44
Germany (€)							
Allianz	205.20	2.15	232.50	156.22	4.47	13.57	87357.67
BASF	48.89	0.91	69.15	37.90	6.45	8.48	46128.3
Bayer	49.23	-0.27	67.99	47.01	3.88	50.53	51046.4
BMW	85.83	0.03	97.60	67.58	2.11	4.79	54539.67
Continental	59.66	0.56	93.29	44.44	-	9.63	12595.24
Deut Bank	11.11	0.17	14.64	7.46	-	11.45	24241.82
Deut Tlkm	19.04	0.11	19.86	14.47	3.01	22.91	100216.55
DeutsPost	36.27	0.26	55.21	29.68	3.64	9.61	47430.77
E.ON	9.66	0.19	12.54	7.28	4.65	5.62	26921.46
Fresenius Med	30.25	-0.15	63.66	26.19	4.23	9.57	9355.78
Fresenius SE	27.08	0.64	38.11	19.76	3.18	8.96	15964.45
HenkelKgaA	61.05	0.75	74.75	56.55	2.86	17.00	16741.65
Linde	299.65	-0.45	334.70	244.00	1.19	48.74	155795.34
Mercedes-Benz	64.05	0.27	77.90	50.19	2.01	6.71	72329.81
MuenchRkv	307.70	3.90	310.20	205.15	3.04	15.39	45503.28
SAP	98.51	1.09	122.06	81.35	1.79	23.13	127743.06
Siemens	130.94	1.12	149.26	93.67	2.55	20.62	117482.08
Volkswgn	155.35	1.25	266.40	144.35	2.95	5.50	48388.91
Hong Kong (HK$)							
AIA	88.30	1.50	92.50	57.25	1.34	22.81	133145.31
BOC Hold	26.80	0.20	32.75	23.55	4.12	13.89	36267.91
Ch OSLnd&Inv	21.00	0.40	27.35	14.58	5.08	5.27	29419.08
ChngKng	48.10	0.05	57.00	42.90	3.27	11.11	22195.86
Citic Ltd	8.23	-0.01	9.26	7.01	5.81	3.84	30643.97
Citic Secs	15.78	-	21.32	11.82	2.69	8.20	5292.01
CK Hutchison	47.30	0.45	60.45	38.80	4.28	6.05	23188.05
CNOOC	10.10	0.12	12.54	8.54	3.98	8.90	57627.5
HangSeng	129.90	0.10	169.50	110.00	4.17	21.10	31787.77
HK Exc&Clr	343.00	5.80	483.60	208.20	2.37	39.04	55661.7
MTR	41.80	0.45	43.70	33.45	2.61	30.55	33182.64
SandsCh	26.90	1.00	28.20	12.50	-	-29.99	27865.74
SHK Props	109.20	2.40	110.00	83.10	4.03	12.59	40502.97
Tencent	345.20	11.20	488.00	198.60	0.41	13.71	423124.49
India (Rs)							
Bhartiartl	817.60	4.10	860.55	628.75	-	176.82	58756.79
HDFC Bk	1639.35	10.65	1722.1	1271.6	-	28.15	110297.12
Hind Unilevr	2542.05	-16.35	2741.6	1927	1.24	68.98	72058.86
HsngDevFin	2664.7	12.30	2933.8	2026	0.85	22.98	58701.31
ICICI Bk	901.35	-1.10	958.20	642.15	0.22	28.97	75863.9
Infosys	1522.55	-1.45	1923.3	1360	1.97	30.47	77297.69
ITC	331.10	-1.75	361.45	207.00	3.21	27.87	49581.84
L&T	2088.95	-0.50	2211.6	1456.35	0.85	35.10	35415.82
OilNatGas	149.55	-0.90	189.80	119.85	6.01	4.29	22697.97
RelianceIn	2557.05	-18.85	2856.15	2222	0.27	29.64	208728.55
SBI NewA	612.40	0.20	629.55	430.70	0.65	17.30	65937.98
SunPhrmInds	1009.1	12.10	1070.95	784.80	0.73	38.09	29210.3
Tata Cons	3311.35	49.90	3920	2950.1	1.08	32.04	146178.85
Israel (ILS)							
TevaPha	31.79	-0.21	37.23	23.83	-	26.70	10005.51
Italy (€)							
Enel	5.30	0.13	6.99	3.96	6.60	25.81	56876.88
ENI	13.79	0.08	14.85	10.43	4.67	6.08	52468.11
Generali	16.85	0.08	21.55	13.67	8.33	9.91	28121.02
IntSPaolo	2.17	0.05	2.92	1.58	1.61	70.50	44557.74
Unicred	13.91	0.46	15.93	7.75	0.82	21.62	32849.16
Japan (¥)							
AstellasPh	2006.5	-18.50	2205	1782	2.33	30.41	27917.96
Bridgestne	4691	-15.00	5509	4042	3.60	10.74	25373.89
Canon	2855.5	-6.50	3516	2538.5	3.48	13.91	28864.76
CntJpRwy	16205	20.00	17920	14660	0.82	-30.58	25300.16
Denso	6536	-36.00	8917	6486	2.18	18.03	39031.48
EastJpRwy	7520	3.00	8280	6373	1.35	-7.59	21539.67
Fanuc	19835	-135.00	24930	18740	2.32	23.75	30352.59
FastRetail	80530	1530	88230	54310	0.66	38.05	64739.94
Fuji Hvy Ind	2027.5	12.50	2684	1664.5	2.81	23.45	11819.35
Hitachi	6691	-51.00	7463	4750	1.75	9.87	47570.68
HondaMtr	3032	-2.00	3755	3001	4.33	6.46	41625.3
JapanTob	2661	-15.00	2871.5	2000	5.23	13.64	40334.98
KDDI	3982	-14.00	4636	3486	3.07	13.43	69494.11
Keyence	51420	-170.00	63120	44880	0.40	43.25	94779.94
MitsbCp	4283	2.00	4845	3740	3.28	9.62	47851.48
MitsubEst	982.82	2.48	1013.24	876.51	-	-	-
MitsubishiEle	1313.5	-11.00	1504.5	1225.5	3.10	11.82	21375.2
MitsuiFud	868.58	7.22	1007.12	684.38	-	-	-
MitUFJFin	889.00	7.50	911.80	632.60	2.98	9.07	86666.98
Mizuho Fin	1856	5.50	1894	1436.5	4.28	8.93	35718.28
Murata Mfg	6588	-16.00	8944	6533	1.85	13.31	33742.17
Nippon TT	3762	-16.00	4128	3199	2.84	11.92	103270.39
Nissan Mt	418.10	3.00	643.00	408.60	-	13.36	13374.35
Nomura	488.60	-0.20	562.20	460.30	4.79	-33.07	11974.08
Nppn Stl	2292	-2.50	2336	1787	3.55	3.56	16507.91
Panasonic	1110.5	-9.50	1325	1006.5	2.29	11.05	20654.3
Seven & I	5660	-	6083	5041	1.85	21.20	38025.4
ShnEtsuCh	16225	-35.00	20000	14185	1.82	15.29	50533.12
Softbank	5644	26.00	7180	4210	0.79	4.77	73700.03
Sony	10035	-80.00	13425	9213	0.61	12.61	95910.84
SumitomoF	5296	34.00	5422	3672	3.84	10.14	55177.27
Takeda Ph	4111	-19.00	4203	3250	4.46	14.52	49299.31
TokioMarine	2827.5	-1.50	2970.5	2037	7.92	4.52	43715.94
Toyota	1812.5	-4.50	2375.5	1791	2.86	8.05	224115.39
Mexico (Mex$)							
AmerMvl	17.67	-0.23	21.45	15.67	1.86	14.18	38465.5
FEMSA UBD	150.45	-1.89	169.96	120.63	1.36	122.04	16737.41
WalMrtMex	69.03	-0.12	82.93	64.81	0.74	34.13	62047.17
Netherlands (€)							
ASML Hld	520.30	3.40	642.00	376.10	0.62	42.06	221404.52
Heineken	89.34	1.34	100.95	77.50	1.05	16.21	54318.88
ING	11.95	0.28	14.00	7.90	4.79	10.17	47013.91
Unilever	47.62	0.39	49.09	39.36	3.01	24.45	144775.43
Norway (Kr)							
DNB	197.80	1.85	220.50	168.05	8.88	12.52	30713.74
Equinor	333.80	-19.75	410.95	239.55	1.49	14.26	105549.67
Telenor	94.84	2.24	148.80	87.60	9.58	15.87	13216.43
Qatar (QR)							
QatarNtBk	18.21	-0.08	27.00	17.50	2.75	14.79	46185.28
Saudi Arabia (SR)							
AlRajhiBnk	76.20	0.70	117.40	71.80	2.80	14.53	81106.96
Natnlcombnk	50.40	-0.30	82.00	45.75	2.56	19.03	60056.2
SaudiBasic	90.00	-	141.40	79.20	3.21	13.17	71846.73
SaudiTelec	37.50	0.30	48.88	35.05	9.48	7.45	49893.55
Singapore (S$)							
DBS	33.88	-0.04	37.49	29.45	3.21	14.84	64890.69
JardnMt US$	50.06	-0.84	62.10	42.60	3.05	9.40	14508.6
OCBC	12.24	0.06	13.54	11.20	3.03	13.04	40934.38
SingTel	2.55	-0.02	2.88	2.38	2.59	46.00	31326.55
UOB	30.70	-	33.33	25.91	2.85	14.60	38260.4
South Africa (R)							
Firstrand	62.46	0.34	79.34	59.16	3.97	11.82	20643.31
MTN Grp	130.70	3.40	211.49	115.46	-	18.63	14510.18
Naspers N	2990	165.66	3008.89	1392.5	0.19	16.81	76722.82
South Korea (KRW)							
HyundMobis	202000	-500.00	241000	189500	1.88	8.31	14983.55
KoreaElePwr	19500	150.00	25100	16500	5.96	-12.01	9848.4
SK Hynix	75600	-100.00	134000	73100	1.93	5.70	43298.7
SmsungEl	55400	-100.00	75800	51800	2.47	10.12	260188.79
Spain (€)							
BBVA	5.87	0.09	6.12	3.97	6.04	8.36	37356.87
BcoSantdr	2.86	0.01	3.48	2.32	2.56	5.99	50647.21
CaixaBnk	3.84	0.13	3.84	2.45	0.67	26.42	32655.45
Iberdrola	10.98	-0.04	11.49	8.47	3.67	19.71	73702.95
Inditex	25.38	-0.22	28.44	18.55	0.83	28.03	83494.98
Repsol	14.85	-0.34	16.23	10.33	3.86	9.48	21590.64
Telefonica	3.45	0.01	5.06	3.22	9.57	2.64	21055.82
Sweden (SKr)							
AtlasCpcoB	112.72	1.04	124.00	22.08	6.69	7.35	16679.33
Ericsson	62.69	0.19	117.32	58.81	3.70	9.02	18259.34
H & M	116.58	0.40	191.86	98.25	5.58	15.69	16143.07
Investor	192.42	1.92	212.90	158.22	1.88	8.08	33234.79
Nordea Bk	114.04	0.48	115.22	85.25	13.23	12.99	39876.06
SEB	121.40	0.45	125.75	91.64	8.59	9.91	24796.4
SvnskaHn	106.55	-0.40	107.80	80.88	4.84	10.21	19644.12
Swedbank	180.40	0.40	185.70	124.50	8.33	9.41	19359.52
Telia Co	27.40	0.17	41.70	26.04	7.54	9.44	10622.94
Volvo	193.24	1.36	218.65	148.24	3.47	12.29	29099.38
Switzerland (SFr)							
ABB	28.74	0.68	32.54	23.84	2.64	14.35	60183.07
CredSuisse	2.90	0.14	8.77	2.65	3.15	-4.74	8193.09
Nestle	108.92	1.78	127.00	103.42	2.30	19.69	319243.27
Novartis	85.83	2.24	88.42	73.32	3.21	9.71	219889.58

FT 500: TOP 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
Hunng Pwr	4.06	3.69	0.37	10.03	0.96	31.0	17.34
ChinaLife	13.66	13.40	0.26	1.94	1.10	8.8	15.57
New Ch Life Ins	19.74	19.10	0.64	3.35	1.54	8.5	8.82
Naspers N	2990.00	2824.34	165.66	5.87	230.20	8.3	12.54
RollsRoyce	98.91	93.20	5.71	6.13	7.23	7.9	9.07
Tencent	345.20	334.00	11.20	3.35	25.00	7.8	16.62
SandsCh	26.90	25.90	1.00	3.86	1.90	7.6	26.00
SHOP	49.17	47.01	2.16	4.59	3.34	7.3	-15.11
ChinaMBank	44.50	43.65	0.85	1.95	2.85	6.8	15.58
Renault	33.50	33.40	0.10	0.28	2.13	6.8	-3.16
Midea	0.42	0.40	0.02	3.75	0.03	6.4	22.06
Meta	124.02	120.34	3.68	3.06	7.14	6.1	0.45
PngAnBnk	13.77	13.16	0.61	4.64	0.79	6.1	5.68
OilNatGas	149.55	150.45	-0.90	-0.60	8.25	5.8	6.14
Continental	59.38	59.10	0.28	0.47	3.22	5.7	4.84
Illumina	199.58	202.20	-2.62	-1.30	10.81	5.7	-8.71
ChConstBk	4.93	4.89	0.04	0.82	0.26	5.6	5.79
E.ON	9.62	9.47	0.15	1.61	0.50	5.5	4.97
BASF	48.78	47.99	0.79	1.65	2.54	5.5	4.46
Richemont	127.30	119.90	7.40	6.17	6.60	5.5	3.71

Based on the FT Global 500 companies in local currency

FT 500: BOTTOM 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
KoreaElePwr	19500.00	19350.00	150.00	0.78	-2200.00	-10.1	-2.01
Equinor	333.80	353.55	-19.75	-5.59	-31.70	-8.7	-8.87
Petrobras	26.04	26.17	-0.13	-0.50	-2.43	-8.5	-12.05
Devon Energy	58.68	61.51	-2.83	-4.60	-4.56	-7.2	-14.26
ArcherDan	89.73	92.85	-3.12	-3.36	-6.18	-6.4	-2.13
JapanTob	2661.00	2676.00	-15.00	-0.56	-164.00	-5.8	-5.52
Occid Pet	60.98	62.99	-2.01	-3.19	-3.35	-5.2	-10.57
EOG Res	125.23	129.52	-4.29	-3.31	-6.85	-5.2	-9.88
Sempra Energy	151.05	154.54	-3.50	-2.26	-7.80	-4.9	-8.90
ANZ Bank	23.01	23.66	-0.65	-2.75	-1.06	-4.4	-6.99
SmsungEl	55400.00	55500.00	-100.00	-0.18	-2500.00	-4.3	-8.28
Cigna	319.74	331.34	-11.61	-3.50	-14.37	-4.3	-2.24
CardinalHlth	75.81	76.87	-1.06	-1.38	-3.34	-4.2	-6.25
HumanaInc	493.15	512.19	-19.04	-3.72	-21.23	-4.1	-9.95
Apple	124.74	129.93	-5.19	-3.99	-5.29	-4.1	-15.61
Linde	315.75	326.18	-10.44	-3.20	-13.21	-4.0	-6.39
PublStor	272.09	280.19	-8.11	-2.89	-10.96	-3.9	-7.99
Marathon Ptl	112.53	116.39	-3.86	-3.32	-4.29	-3.7	-4.84
CmwBkAu	101.05	102.60	-1.55	-1.51	-3.77	-3.6	-6.31
HyundMobis	202000.00	202500.00	-500.00	-0.25	-7500.00	-3.6	-5.39

Based on the FT Global 500 companies in local currency

INTEREST RATES: OFFICIAL

Jan 03	Rate	Current	Since	Last
US	Fed Funds	4.25-4.50	15-12-2022	3.00-3.25
US	Prime	6.25	22-09-2022	5.50
US	Discount	3.25	22-09-2022	2.50
Euro	Repo	0.53	01-11-2022	0.374
UK	Repo	3.50	15-12-2022	3.00
Japan	O'night Call	0.00-0.10	01-02-2016	0.00
Switzerland	Libor Target	-1.25-0.25	15-01-2015	-0.75--0.25

INTEREST RATES: MARKET

Jan 03 (Libor: Dec 30)	Over night	Change Day	Change Week	Change Month	One month	Three month	Six month	One year
US$ Libor	4.31800	0.006	0.001	0.023	4.39157	4.76729	5.13886	5.48214
Euro Libor	-0.64957	-0.064	0.000	0.001	-0.61943	-0.58057	-0.55600	-0.48571
£ Libor	0.18063	-0.005	0.000	0.004	3.46830	3.87400	4.37150	0.81363
Swiss Fr Libor				-0.002	-0.77540	-0.75300	-0.70280	-0.55320
Yen Libor				0.000	-0.06005	-0.02617	0.07165	0.04867
Euro Euribor				-0.001	1.88300	2.16200	2.73200	3.31600
Sterling CDs				0.000	0.50000	0.63000	0.78500	
US$ CDs				0.020	4.33000	4.70000	5.05000	
Euro CDs				-0.010	1.85000	2.23000	2.65000	

Jan 03	Short term		7 Days notice		One month		Three month		Six month		One year	
Euro	1.64	1.94	1.71	2.01	1.70	2.00	2.08	2.38	2.50	2.80	2.92	3.22
Sterling					0.45	0.55	0.58	0.68	0.71	0.86	0.90	1.05
US Dollar	4.00	4.20	4.15	4.35	4.23	4.43	4.60	4.80	4.95	5.15	5.16	5.36
Japanese Yen	-0.15	0.05	-0.20	0.00	-0.20	0.00	-0.15	0.05	-0.10	0.20	-0.05	0.25

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

COMMODITIES

www.ft.com/commodities

Energy		Price*	Change	Agricultural & Cattle Futures		Price*	Change
Crude Oil†	Jan	79.30	-0.96	Corn♦	Mar	678.50	-1.00
Brent Crude Oil‡		82.70	-3.21	Wheat♦	Mar	791.00	17.00
RBOB Gasoline†	Jan	2.42	-0.06	Soybeans♦	Jan	1519.25	10.50
Natural Gas†	Jan	4.05	-0.43	Soybeans Meal♦	Jan	478.50	14.40
Base Metals (♠ LME 3 Months)				Cocoa (ICE Liffe)⊕	Mar	2044.00	-18.00
Aluminium		2343.50	-45.00	Cocoa (ICE US)♥	Mar	2548.00	-52.00
Aluminium Alloy		2225.00	50.00	Coffee(Robusta)⊕	Jan	1924.00	55.00
Copper		8432.00	58.00	Coffee (Arabica)♥	Mar	166.10	-1.20
Lead		2270.00	-22.00	White Sugar⊕		547.60	-6.80
Nickel		31360.00	1440.00	Sugar 11♥		19.89	-0.15
Tin		25685.00	785.00	Cotton♥	Mar	84.79	1.42
Zinc		3004.50	37.00	Orange Juice♥	Mar	201.35	-2.85
Precious Metals (PM London Fix)				Live Cattle♣	Feb	157.93	-0.93
Gold		1813.75	10.40	Feeder Cattle♣	May	134.88	-
Silver (US cents)		2394.50	9.00	Lean Hogs♣	Feb	87.98	-0.70
Platinum		1031.00	14.00				
Palladium		1775.00	-20.00		Dec 30	% Chg Month	% Chg Year
Bulk Commodities							
Iron Ore		117.15	2.04	S&P GSCI Spt	593.27	-3.00	-2.36
Baltic Dry Index		1250.00	-265.00	DJ UBS Spot	110.74	-3.28	5.09
Richards Bay ICE Futures		186.10	-19.45	TR/CC CRB TR	301.33	-0.36	21.16
				LEBA EUA Carbon	58.91	-1.98	129.94
				LEBA UK Power	1048.00	-37.43	-39.60

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

BOND INDICES

	Index	Day's change	Month's change	Year change	Return 1 month	Return 1 year
Markit IBoxx						
ABF Pan-Asia unhedged	203.66	-0.03	-0.03	-0.03	1.21	-7.34
Corporates(£)	-	-	-	-	-	-
Corporates(€)	-	-	-	-	-	-
Eurozone Sov(€)	-	-	-	-	-	-
Gilts(£)	-	-	-	-	-	-
Overall(£)	-	-	-	-	-	-
Overall(€)	-	-	-	-	-	-
FTSE						
Sterling Corporate (£)	-	-	-	-	-	-
Euro Corporate (€)	104.47	-0.05	-	-	0.54	-1.73
Euro Emerging Mkts (€)	787.38	0.07	-	-	14.00	-1.02
Eurozone Govt Bond	110.04	-0.19	-	-	-0.34	-0.64

CREDIT INDICES	Index	Day's change	Week's change	Month's change	Series high	Series low
Markit iTraxx						
Crossover 5Y	460.79	-13.36	-16.61	16.19	688.92	426.04
Europe 5Y	88.46	-1.99	-4.60	0.70	142.08	81.55
Japan 5Y	87.19	0.00	-0.66	10.55	119.29	75.61
Senior Financials 5Y	96.99	-2.26	-5.90	-0.81	155.06	89.99
Markit CDX						
Emerging Markets 5Y	238.71	0.00	-2.32	-1.68	335.29	222.68
Nth Amer High Yld 5Y	484.88	0.00	7.72	6.40	625.47	450.15
Nth Amer Inv Grade 5Y	81.88	0.00	0.95	1.70	110.98	75.62

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

BONDS: INDEX-LINKED

	Price Dec 29	Yield Dec 29	Yield Prev	Month return	Value stock	Market	No of stocks
Can 4.25%' 26	110.40	1.505	1.499	0.30	5.25	73257.12	8
Fr 0.25%' 24	100.83	-0.276	-0.326	-0.72	17.92	248578.50	17
Swe 1.00%' 25	125.85	-0.223	-0.210	0.22	35.38	218597.31	6
UK 0.125%' 24	101.84	-1.361	-1.381	0.14	15.24	563941.54	31
UK 2.50%' 24	376.44	-0.459	-0.443	-0.13	6.82	563941.54	31
UK 2.00%' 35	239.89	0.420	0.405	-5.30	9.08	563941.54	31
US 0.625%' 24	97.92	2.657	2.662	0.32	40.98	1619363.34	47
US 3.625%' 28	109.34	1.767	1.801	-0.64	16.78	1619363.34	47

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

BONDS: TEN YEAR GOVT SPREADS

	Bid Yield	Spread vs Bund	Spread vs T-Bonds		Bid Yield	Spread vs Bund	Spread vs T-Bonds
Australia	4.05	1.63	0.19	Netherlands	2.60	0.19	-1.26
Austria	2.94	0.53	-0.92	New Zealand	4.45	2.04	0.59
Canada	3.29	0.88	-0.57	Norway	3.10	0.69	-0.76
Denmark	2.66	0.24	-1.20	Portugal	2.90	0.48	-0.96
Finland	2.93	0.52	-0.93	Spain	3.19	0.78	-0.67
Germany	2.41	0.00	-1.45	Sweden	0.30	-2.11	-3.56
Italy	2.16	-0.25	-1.70	Switzerland	1.52	-0.89	-2.34
Japan	0.43	-1.98	-3.43	United States	3.86	1.45	0.00

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

BONDS: HIGH YIELD & EMERGING MARKET

BONDS: GLOBAL INVESTMENT GRADE

VOLATILITY INDICES

BONDS: BENCHMARK GOVERNMENT

GILTS: UK CASH MARKET

GILTS: UK FTSE ACTUARIES INDICES

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

Charming memoir of a pop shrine

Amid a starry cast of contributors, The Beatles loom large in a new documentary about Abbey Road Studios, writes Peter Aspden

Top: George Martin at Abbey Road Studios, 1965. Above: Paul McCartney in the live 'Our World' TV broadcast in 1967
David Magnus/Shutterstock

A venerable collection of musical grandees are summoned by Mary McCartney in *If These Walls Could Sing*, her new documentary on Abbey Road Studios. Most of them call on a variety of supernatural descriptions to capture the place's special qualities: "magical", "spiritual", "like a church". McCartney's famous father is more down-to-earth in his praise. "All the microphones work," he says with pragmatic fervour. "It sounds silly but you can go to studios where they don't."

The oddly formal conversations between Paul and his photographer daughter are dispensed with quickly at the beginning of this charming, but not hugely revealing, memoir of a pop shrine. That story is after all well-established: Abbey Road made The Beatles, and vice versa, with more than a little help from producer George Martin.

As motorists navigating north-west London will attest, the zebra crossing outside the studio remains an irritating touristic talisman to this day. It could have been so different: the cover of the group's final studio album might have been shot on a volcano, or among the pyramids of Cairo, reveals a lugubrious Ringo Starr. Instead, "We thought, 'sod it, let's just cross the road'," — the apotheosis of late-1960s ennui.

But there are some lesser-known nuggets here too, put together with visual flair, in a shamelessly nostalgic tone. Led Zeppelin's Jimmy Page recalls playing acoustic guitar on Shirley Bassey's recording of "Goldfinger", and watching her collapse after overextending her final note to liaise perfectly with the projection of the film.

There is a touching account of a 1971 session by cellist Jacqueline du Pré, who was struggling with what she thought was nervous exhaustion, but turned out to be the beginnings of multiple sclerosis. She played a few bars of a Beethoven sonata, remembers producer Suvi Raj Grubb, before stopping and announcing: "That ends the entertainment for the day." She never recorded at Abbey Road again.

There is much talk of the studio's sound, but little attempt to define it. The most eloquent comes from film composer John Williams, who recorded his score for *Return of the Jedi* with the London Symphony Orchestra at the studio. "It was dry enough, not too reverberant," he explains, "but not so dry that it didn't have a nice bloom about it. It's a gift to music."

By the time the powerhouses of Britpop discovered Abbey Road in the 1990s, the studio's distinguished alumni had already cast their own spell on its lauded rooms. Oasis's Noel Gallagher remembers the group being "asked to leave" during their *Be Here Now* sessions in 1997, not because of any orgiastic partying, as was rumoured, but because they had been playing all The Beatles' albums back-to-back in darkness at "excruciating" volume, and had blown a piece of equipment.

There was no further trouble. Not for the first time, the sacred space had tamed a bunch of rowdy iconoclasts into glorious submission.

On Disney Plus from January 6

Soprano at the peak of her powers

OPERA

Fedora
Metropolitan Opera, New York
★★★★☆

George Loomis

New York's Metropolitan Opera recently announced a reorientation of repertory priorities in favour of new operas, such as Kevin Puts's *The Hours*, which have recently outperformed standard works in generating badly needed revenues. Umberto Giordano's 1898 opera *Fedora* might seem the kind of work the company would now shun. A product of the *giovane scuola* of young composers that succeeded Verdi, it has hovered on the fringe of the repertoire while tending to be associated with ageing prima donnas. Mirella Freni chose it for her last Met appearances, in 1996.

The new production on New Year's Eve won hearty cheers, and it can't have hurt that (apart from Freni's performances) the Met hadn't staged the opera for nearly a century: here is proof, as if it were needed, that neglected operas can provide audiences with engaging experiences as surely as works recently written.

Based on an 1882 play by Victorien Sardou, Arturo Colautti's libretto merits close reading as an international mystery-thriller played out in St Petersburg, Paris and the Swiss Alps, each adroitly characterised. More entertaining than profound, the short opera arrestingly and often amusingly depicts a cultural cross-section of Europe as it portrays the brief but tumultuous love affair between Princess Fedora Romazov and Count Loris Ipanov — the killer of her betrothed, Count Vladimir.

In a choice moment, Fedora cagily interrogates Loris at a Parisian party while a pianist entertains guests with a nocturne *à la* Chopin. Director David McVicar ensures that onstage applause for the pianist coincides with Fedora's manifest satisfaction with her questioning. Despite the temptation to update — Russia is presented as a forbidding police state (*plus ça change*) — McVicar keeps the action steadfastly in the late 19th century, and Charles Edwards's sets are traditionally opulent.

Each act includes a portrait of Vladimir — even, oddly, the third, by which he is thoroughly discredited in Fedora's eyes, while Loris has advanced from an object of revenge to the recipient of her love. Similarly, McVicar has Vladimir (otherwise seen only as a dying body) make fleeting ghostly appearances; this works in act two, when Fedora's feelings about him are in flux, but disastrously enervates the final scene, when she dies in Loris's arms.

Giordano's well-crafted score excels in its manifold depiction of local colour but also has juicy love themes that keep the central couple alluringly engaged, even as arias remain brief. In Sonya Yoncheva, the Met has a Fedora at the peak of her career, who sings glowingly, balances imperiousness with vulnerability, and looks regal in Brigitte Reiffenstuel's lavish gowns, complete with tiara. Piotr Beczała, singing with sterling tone, is a superlative Loris. Rosa Feola delights as Countess Olga, not least in her song comparing Parisian men to the pleasures and pitfalls of champagne (Veuve Clicquot, to be precise), and Lucas Meachem shines in De Siriex's song about Russian women. Marco Armiliato is the excellent conductor.

To January 28, metopera.org

Sonya Yoncheva and Piotr Beczała in 'Fedora'
Ken Howard 2021

Laughter in the face of deep-frozen death

PODCASTS

Fiona Sturges

When Mike Darwin was eight years old, he was passing the home of his elderly cousin in Indianapolis when he noticed cartons of milk and newspapers piled up on her doorstep. Concerned about her welfare, he broke into the house through an unlocked window and found her dead on the bathroom floor. From the condition and smell of his cousin's body, it was clear she had been there for some time. "I had a real clear view of what death was and I didn't like it — and I still don't," he recalls.

In the new Wondery podcast *Frozen Head*, we hear how Darwin's quest to cheat death led him to become one of the leading lights of the cryonics movement in the US. In the 1980s he was president of the Alcor Life Extension Foundation, which freezes human heads in readiness for a future in which science will have found a way to defrost them and attach them to a younger, fitter body.

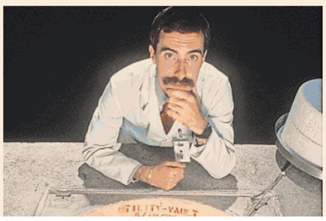
In 1987, the company found itself in hot water following the death of Dora

concrete container. When Alcor applied for a permit to cremate what remained of Kent's body, the coroner's office suspected foul play and launched an investigation into her death, demanding that Darwin and his colleagues hand over the head for testing. When they refused, the police were called and they were arrested, though charges were never brought. Eventually, a judge decreed that Kent's head should stay sealed and, three years later, the case was closed.

The series is hosted by Alaina Urquhart and Ash Kelley, the wisecracking duo behind *Morbid*, the hit anthology podcast devoted to telling grisly true-crime stories. Much like *Morbid*, *Frozen Head* knows how to tell a story and delights in the gorier aspects of its subject matter. Certainly, those of a squeamish disposition would be advised to skip the part where Urquhart and Kelley reveal, in fastidious detail, what happened to Dora Kent's body in the hours following her death — suffice to say, there are saws involved.

There are surface similarities here to another hit podcast, *My Favorite Murder*, which maintains a jolly, jokey tone while grappling with pitch-black topics. But while *My Favorite Murder* mining violent crimes for laughs can feel, at best, morally dubious, in *Frozen Head*, where the subject is cryonics, the tone works well, underlining as it does the madcap optimism, egotism and absurdity of individuals wanting to have their brains frozen in a quest for eternal life. For a podcast about death, *Frozen Head* is, improbably, a lot of fun.

wondery.com



Mike Darwin, former president of Alcor Life Extension Foundation, photographed with a cryonic chamber in 1988
Sipa/Shutterstock

FT BIG READ. CORONAVIRUS PANDEMIC

Xi Jinping's zero-Covid policy sharpened China's already high levels of social inequality. Lockdowns have often been stricter in rural areas, upending the education of millions and blocking social mobility.

By Edward White and Eleanor Olcott

Long lockdowns, tough learning conditions and family separations have made inequality worse for China's children and teenagers
FT montage: VCG/Getty Images/AFP

China's Covid generation

In late September, Tashi, a student in a rural village of fewer than 100 people in south-eastern Tibet, returned to school after a six-week lockdown.

The 15-year-old's grades had deteriorated markedly after weeks of trying to take classes on a smartphone with patchy internet in a crowded house while being cared for by ageing grandparents. His parents were 750km away in Lhasa, the capital, working.

"It was very difficult to concentrate during the lockdown. My three younger siblings were also taking classes in a noisy house," he says, sitting next to baskets of dried fungi and herbal medicines, which are his village's main trade.

"Now we're back at school, I'm still lagging behind after months of trying. It's very demoralising."

Tashi, whose name has been changed to protect his identity, is one of the hundreds of millions who make up China's "Covid generation" — the children whose lives have been upended through cycles of lockdowns under Xi Jinping's hallmark zero-Covid policy.

In December, Xi's administration embarked on a stunning U-turn. The pandemic controls of relentless lockdowns, mass testing and quarantine and fastidious electronic contact tracing are being rapidly unravelled.

The change of course has many causes — from the spontaneous protests that broke out in apartment buildings across the country to the toll the policy was taking on the economy. But one of the least discussed factors has been the way that the zero-Covid policy has sharpened China's already high levels of social inequality, especially between urban and rural residents — one of the most important political faultlines in society.

Many young people from rural areas or the urban lower classes have been forced to study online and have been separated from their parents for long periods over the past three years. The result is that their education — hitherto their only path to upward social mobility — hangs in the balance.

The sudden abandonment of the zero-Covid playbook has led to an alarming rise in Covid-19 infections and, according to some forecasts, could lead to millions of deaths over the winter. Before the reopening, Chinese doctors and nurses warned that the country was unprepared for an exit wave given thinly resourced hospitals and medical clinics, and nearly 90mn Chinese aged 60 and over who had not received three vaccine doses. Now, the healthcare system is being overwhelmed with a deluge of sick patients and funeral providers cannot keep up with demand for their services.

Beyond the immediate health crisis, which could persist for months, the true extent of the damage wrought upon Chinese society by Xi's hallmark policy is only just emerging.

For large swaths of the country's 1.4bn people, the pandemic shattered the fragile balance that once supported the back-and-forth movement of people such as Tashi's parents from rural areas to large cities. Zero-Covid's vast web of intersecting restrictions hammered low-income families and in many cases left people cut off from their loved ones.

China-focused economists, market analysts and media have mostly paid attention to the hit to consumer spending and disruptions to factories and supply chains. China's more developed eastern and southern megacities, such as Shanghai, Chongqing, Shenzhen and Guangzhou have dominated headlines. But many of the areas that have been locked down for the longest have been largely out of sight.

By the time Beijing unveiled its policy pivot, heightened restrictions were still being enforced across more than a dozen regions, including Inner Mongolia, Shaanxi, Heilongjiang and Liaoning in China's northern rustbelt, as well as Xinjiang in the west and central Hubei.

But as the restrictions have been unwound, it is becoming clear that the pandemic's scars are deepest among children in many of these areas, experts say. Rising inequality, which is heavily influenced by access to education, will in the coming years carry long-term repercussions for Xi and the ruling Chinese Communist party. Adding to the bleak outlook, China's youth unemployment rate has been near-record levels and the brunt of the impact is shouldered by those born into poorer households.

The Financial Times spoke to more than 20 children, teachers, academics and mental health experts. Most asked

'The zero-Covid policy has impacted the poor more than the rich. It exacerbates the Dickensian divide between the haves and have-nots in China'

Institution think-tank. "When young people can't find jobs, small business owners go bankrupt, migrant workers are evicted and infected children are separated from their families, it makes people question whether the government is holding up its end of the bargain."

Scars of lost learning

The coronavirus pandemic has exacerbated educational inequalities globally. At the height of the nationwide lockdowns in 2020, the UN estimated that nearly 1.5bn school children were affected by school closures, a third of which did not have access to remote learning facilities.

However, the problems facing China's 291mn students stand out because of just how long Beijing persisted in using lockdowns to try to contain the virus. Before the pandemic struck, China was making progress towards narrowing the educational gap between the country's urban rich and rural poor. This involved huge state investments in schools in rural areas and fiscal reforms to pay teachers' wages from the central government coffers rather than strained local accounts.

"It moved from being very, very, very unequal to very, very unequal," says Scott Rozelle, an expert on educational inequality in China at Stanford University.

In early 2020, as the first outbreak of coronavirus exploded from the central Chinese city of Wuhan, Beijing's education officials rushed to expand network connectivity to rural areas to ensure schools across the country could shift online.

Yet despite these efforts, Nancy, a maths teacher at a middle school in Qujing, a small town in Yunnan, near the southern border with Myanmar and Vietnam, says there has been a noticeable decline in the quality of her students' English and maths skills, two subjects that require "high levels of teacher intervention".

"We are teaching easier maths now than prior to the pandemic," she adds, noting: "Students from better-off families have done better, especially when parents are around to help them study."

"The internet supply was there mostly in rural areas, but the quality of the connection wasn't great, and many of the children in rural areas did not have exclusive access to a mobile or laptop like their urban counterparts," says Terry Sircular, an economist and expert on social inequality at the University of Western Ontario.

Shelly Lin, an English teacher at a

After the arrival of the Omicron variant in late 2021, Xinjiang — the western region where Beijing has been accused of widespread human rights abuses against Uyghurs and other ethnic minority groups — was among the places to return to lengthy periods under lockdown.

Lily, a high-school student from Hotan, in Xinjiang's south-west, says a stark divide also emerged between students attending China's equivalent of a grammar school attended by children — both from the majority Han ethnicity and Uyghur Muslims — with good grades and Mandarin skills, and those at the local schools in small cities populated predominantly by Uyghur students.

"The quality of the classes for us who stayed at home for online classes was really poor. Our school buildings were even turned into quarantine facilities," she says.

Children left behind

China's household registration system, the "*hukou*", has long been derided as a source of entrenched inequality, preventing migrant families from equal access to basic services when they move

Covid school test: the divide between students able to attend classes and those forced to study online is stark

from rural to urban areas. While there have been some reforms to lower the threshold for *hukou* registration in some areas, the system still means the vast majority of migrant workers are forced to leave their children in the countryside, typically in the care of grandparents — the so-called left-behind children.

Experts say that this has compounded the hurdles facing poorer children during the pandemic, threatening students' chances of obtaining a prized place at one of China's top universities — a setback with potentially life-long consequences.

"They are already at a disadvantage. Add to those months of not being able to access online education. In a highly competitive schooling system, that will have an impact on their ability to get into a good high school and then go to college," says Rozelle.

In August, a region-wide lockdown was quickly introduced in Tibet following the emergence of dozens of positive coronavirus cases. The school term was delayed and students began to take

"Of course I hoped to find a decent job by studying." Tashi, suddenly switching from his native Tibetan to Mandarin to emphasise the point, adds: "But after the lockdown, I felt there was no hope for my education . . . when I finish middle school, I'll quit school and get a job."

Such despondence among the youth is setting off alarm bells among people involved in mental health services.

Dr George Hu, chair of the mental health department at Shanghai United Family Pudong Hospital, has been on the frontline of psychiatric care in China during the pandemic and says researchers are only "just beginning to scratch the surface" of the period's long-term impact on mental health.

Hu notes that provision of psychiatric services in Chinese hospitals and counselling in the country's education system had been "tacking in the right direction" with greater accessibility and oversight. But for most people, accessing mental health services requires the ability to both pay upfront and to take the necessary time off work.

Suicide data is patchy in China — data collection is based on certain municipalities as a sampling station and national statistics are not published — making it impossible to know the pandemic's full toll.

Hu says that in China — and other parts of east Asia — suicide is often linked to a feeling of "perceived burdensomeness" where people feel their presence is a strain for their family and wider community.

"I'm trying to be sensitive here, but the pandemic has increased stress, stress is not good for coping or 'perceived burdensomeness'. There is a correlation between that and suicide. The exact numbers, I wouldn't know. But attention has to be paid to this."

Party legitimacy on the line

China's success in tackling poverty in the decades after Mao Zedong's death — lifting 800mn people over 40 years — has long served to bolster the legitimacy of the Chinese Communist party and its leaders.

Now the collateral damage to the Covid generation is sowing seeds of doubt in the wisdom of the party — and its leader.

Despite the dangers inherent in public displays of dissent, frustration among younger Chinese and opposition to Xi's policies have become increasingly evident over recent months.

Simmering angst boiled over in November when a fire in a locked-down apartment complex in Ürümqi, the

'After the lockdown, I felt there was no hope for my education . . . when I

the number and location of the protests, including the initial spark in remote western Ürümqi, highlighted just how widespread frustrations had become.

No clear explanation has been given by Xi or his top lieutenants for the stunning about-turn. But it came days after the protests and followed months of slowing growth in the world's second-biggest economy as well as acute financial pressure from local governments who were on the hook for paying for the policy's draconian enforcement.

"Prior to the protests, Chinese citizens had largely complied with the zero-Covid policy as citizens under any authoritarian system would. However, the protests showed that not all Chinese people are greengrocers; some are daring to dissent for the first time."

Recent online discussion in China has centred increasingly on the folly of the government's lack of preparation for the zero-Covid U-turn. But for weeks, discussions with sharper political undertones have also raged. On the microblogging site Weibo, a topic entitled, "What would university life be like without the Covid?" received more than 550mn views. In another, a discussion based on a popular claim by college students that the pandemic has "stolen their youth" was read more than 4.3mn times on the question-and-answer website Zhihu.

"[Students] were like birds in chains, walking down the road, coming and going with masks, unable to recognise whether each other was crying or laughing," said a Zhihu user Julya, who offered one of the most popular answers.

As teachers and students are caught up in the overwhelming Covid wave, schools across the country are being forced back to online classes and life-defining exams have been postponed or cancelled.

Yu Jie, a China expert with Chatham House think-tank, observes that there is also a sense of exhaustion among much of China's middle class, dashing hopes of an economic recovery based on pent-up consumer demand.

"We're going to enter a very long phase of stagnation of the Chinese economy . . . For me, that's the biggest uncertainty," Yu says, adding that the resulting inequality appears to be "very Dickensian".

Fu says that ultimately Xi's zero-Covid policy has put on the line a fundamental pillar of the party's legitimacy: the promise of a basic living standard for Chinese citizens.

"The party's social contract with 1.4bn people is that it would provide

The FT View

FINANCIAL TIMES
'Without fear and without favour'

ft.com/opinion

A breakout year for artificial intelligence

Generative AI has big implications that we do not fully comprehend

Farewell crypto, hello generative AI. With the selective amnesia that is one of the defining characteristics of their trade, venture capital investors have already moved on from their unfortunate dalliance with the imploding FTX crypto exchange and fallen in love with the next big thing. This year, they say, will be the breakout year for artificial intelligence. Although that statement might have been made in any of the past few years, this time they really mean it.

There are some good reasons to believe this assertion may be true. The launch in November of OpenAI's ChatGPT language-generation model, with its astonishing ability to generate paragraphs of convincing text at remarkable speed, has opened users' eyes to the power of generative AI. Large language models, such as ChatGPT, have been trained on vast amounts of data ingested from the internet and are almost instantaneously able to recognise and replicate patterns of text, images, computer code, audio and video. No one is quite sure yet what exactly their killer application will be. But more than 160 start-ups have already been launched to explore the answer.

The promise of generative AI is that it can boost the productivity of workers in creative industries, if not replace them altogether. Just as machines augmented muscle in the industrial revolution, so AI can augment brainpower in the cognitive revolution. This may be particularly good news for jaded copywriters, computer coders, TV scriptwriters and desperate school children late with their homework. But it may also have a big impact on areas as diverse as the automation of customer services, marketing material, scientific research and digital assistants. One intriguing open question is whether it will reinforce the dominance of existing search engines, such as Google's, or usurp them.

Generative AI is a good example of a broader trend that is taking powerful technologies out of the hands of experts and putting them in those of everyday users. This democratisation of access may have huge implications, and create extraordinary opportunities, for many businesses. The increasing popularity of "low code/no code" software platforms, for example, will enable increasing numbers of non-expert users to create their own powerful mobile and web apps. No longer will product managers be so beholden to their tech teams setting their own agenda.

> Just as machines augmented muscle in the industrial revolution, so this technology can augment brainpower in the cognitive revolution

This obviously carries risks, as well as opportunities. One of the biggest is that the output of generative AI is often wrong, or hallucinatory. Such models can sometimes give different answers to the same question depending on their human inputs and training data. Deterministic technologies, such as a pocket calculator, will always give you the same answer when you tap in 19 x 37. Probabilistic technologies, such as generative AI, will only give you a statistically probable approximation of an answer. They are "stochastic parrots" as the former Google researcher Timnit Gebru described them. For that reason, Stack Overflow, a Q&A website for computer programmers, has already banned ChatGPT-generated responses because they cannot be trusted.

The clear imperfections of generative AI put a particular responsibility on those who are developing these models to consider how they may be abused, before releasing them into the wild. But that is becoming increasingly difficult given the speed at which these models are developing. Users may well enjoy and profit from their use but they should always treat them with caution. While generative AI can help inspire the first thought, it should never be relied upon for the last word.

Opinion Science

This may be Covid's least predictable year yet

Andy Carter

Anjana Ahuja

The Covid outbreak is officially three years old on January 30, which marks the moment in 2020 when the World Health Organisation declared the respiratory disease a public health emergency of international concern. But this month's anniversary offers little to celebrate in the wake of China's chaotic and abrupt lurch from zero-Covid to full-Covid.

Beijing has dramatically reduced testing, junked contact tracing and is scrapping most quarantine requirements; some regions now permit infected people with mild or no symptoms to go to work. The pandemic virus is thus free to circulate unobserved in a sixth of the world's population — just as the rest of the globe is clamouring for normality. As the third year of the outbreak closes amid reports of overflowing hospitals in China and fresh restrictions on air travellers, and with the Chinese new year holiday fast approaching, the pandemic seems somehow both more familiar and less predictable than ever.

> One question is whether unrestrained transmission in China will give rise to a vaccine-resistant variant

China is right to abandon its inhumane and unworkable zero-Covid policy but has done so from a position of relative weakness. A headline 90 per cent vaccination rate masks the reality that its homegrown vaccines are less effective than the mRNA ones used widely elsewhere, and that around 30 per cent of the country's 260mn over-60s (and more than half of its over-80s) have not received a third dose. Those factors have led to hair-raising projections, ranging from 1mn deaths this year to 1.7mn deaths by the end of April — and has prompted the EU to offer free vaccines to China.

Tellingly, China recently altered the way it counts its Covid dead, including in its tally only those who expire directly from respiratory failure. This situation feels surreally different from last year, which saw serious discussion over whether WHO should declare an end to the Covid emergency.

Leaving aside the domestic tragedy, one question for the rest of the world in 2023 is whether unrestrained transmission in China will give rise to a new variant that is able to sneak past the immunity conferred by existing vaccines. Some variants can drive new waves of infection, as happened in late 2021 when Delta was usurped by Omicron. That created Omicron surges around the world in 2022 and accelerated vaccine reformulation.

Data indicate that the two commonest strains currently circulating in China are Omicron subvariants descended from BA5, the strain that plagued the US and Europe last year. Scientists, particularly those on WHO's technical advisory group on Sars-Cov-2 evolution scheduled to meet yesterday, are now on the lookout for 'pi', Omicron's potential successor.

What matters is whether any new viral incarnations are able to spread more easily or make people sicker (or both), meriting designation as a "variant of concern". Professor Eddie Holmes, the Sydney University evolutionary biologist who helped colleagues in China to share the genome of the original Wuhan strain in early 2020, speculated that the low Covid transmission to date in China offered less pressure for the virus to evolve, limiting the chances of a dangerous variant emerging in the region.

"My take is that Sars-Cov-2 in China has an open goal in front of it: a population with very low levels of standing immunity," he told me in an email, suggesting that the dominant variants in the country would most likely be those that gained a foothold at the start of the outbreak. "It's not obvious to me that there will be strong immune selection for antigenically distinct variants because so little of the population [in China] has prior immunity." Populations with larger but waning immunity, Holmes wrote, were more likely to be sources of new variants, adding "it is notable that XBB1.5 was first detected in the US".

XBB 1.5, a subvariant of Omicron, is fast becoming the dominant strain in the US, now accounting for around four in 10 cases according to the US Centers for Disease Control and Prevention. The good news, at least for now, is that XBB 1.5 is not causing an uptick in hospitalisations and deaths, despite being nicknamed the Kraken.

Letters

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Why Amazon's advertising revenue is not what it seems

Regarding Patrick McGee's article "Meta and Alphabet lose dominance of US digital ads as tech rivals make gains" (Report, December 24) I would like to offer a comment about the data used.

The primary trend depicted on the chart accompanying the report is the growth in Amazon's advertising revenue, but paradoxically, this growth is an illusion. In reality, the vast majority of Amazon's advertising revenue comes from advertising by sellers on its marketplace, with the redistribution of traffic between them. Merchants pay to be higher in the search rankings. This is an internal mechanic of the service. It is legally documented as advertising, but in fact, it is simply good old-fashioned commission for using the platform.

To illustrate, imagine that as of tomorrow, Amazon cancels all advertising but instead puts the store that offers the maximum discount to the customer at its own expense at the top of the search results. This is a regular feature, and some marketplaces do this. So yesterday, the item cost $10, the commission was 10 per cent, the advertising click cost $1, Amazon received $2 from each sale and the seller received $8. Today, the item costs $20, the discount is $10, the commission is 10 per cent of $20, or $2, the buyer pays $10 again and the seller is left with $8 again. Nothing has changed in the world; an important player in the advertising market has disappeared on paper.

It was not advertising. Or, on the contrary, we should include all the revenue of all marketplaces in advertising in general. There is no fundamental difference between the two ways a marketplace makes money from its merchants.

And if you look without Amazon, the old leaders are doing well. Without it, the combined share of Google and Meta is larger, not smaller, than it was in the record year of 2017. But this type of chart benefits everyone in PR. Regulators get the signal — look, competition is growing. Amazon is telling its investors about capturing new market share.

Alexander Gornyi
Co-founder, Mo Meditation
Ramat Gan, Israel

China's decoupling could be to the west's benefit

Gideon Rachman misses the crucial fact that the Chinese leadership is itself compromising China's growth and needs no help from the west in this self-destructive enterprise (Opinion, January 3).

Xi Jinping's authoritarian turn coincides with a shift towards state enterprises occupying centre stage in the economy, while entrepreneurs are bashed and put at risk of extinction. Xi's decoupling with the west is being matched by a retreat by foreign investors — such as Apple's shifting of some production facilities to Vietnam.

Foreign businesses are increasingly concluding that it is in their interest to disengage. Xi's aggressiveness in foreign relations is merely the other side of this internal drift towards a more Stalinist polity.

China's economy is on a self-inflicted path of implosion, following the trajectory of the Soviet Union. Its gradual disengagement from the world economy will impose some initial hardship, especially on developing countries dependent on Chinese trade and investment, but adjustments will be made, and the world will be better off in the long run.

Emeritus Professor Albion M Urdank
University of California, Los Angeles
CA, US

Of late, Beijing has been good at halting growth

Gideon Rachman says halting China's growth cannot be a goal for the west (Opinion, January 3). Indeed it needn't be. It has usually been the job of the Chinese government, especially of late.

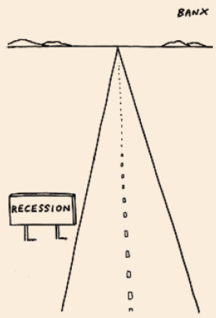
Zhao Xiaoou
Shanghai, China

Here's a Nasa idea from 1980s for power in space

Rana Foroohar's comments on a commercial space race (Opinion, December 28) misses an opportunity to discuss the possibility of generating power in space, a subject ignored for decades.

Back in 1989, I served on Nasa's Lunar Energy Enterprise Case Study Task Force. We were supposed to evaluate the commercial prospects for fusion reactors on the moon, but we were intrigued by another proposal, to put up solar power satellites that would beam energy down to the earth, a proposal not novel even then.

There are still entrepreneurs who



Enabling grid connections for electric vehicles is key

As you report in "Europe must invest more in electricity grid, warns Eon chief" (December 12), investment in the grid is crucial for Europe to meet its net zero goals.

More broadly, distribution system operators (DSOs) must be empowered to play their full part in supporting Europe's green transition by enabling the efficient management of distributed energy resources and the integration of transport (along other sectors) into the grid. It can take up to three years for an electric vehicle (EV) charging station to be connected to the electricity grid in Europe. We do not have that kind of time.

If we want to meet our net zero goals, decarbonise the transport sector and drive EV uptake, there needs to be a laser-sharp focus on the number one bottleneck: the amount of time it takes to establish a grid connection point, the complexity of the process to get one and access to sufficient grid capacity.

These delays weigh on organisational, financial and hardware resources that could be deployed elsewhere to support the growth of EV charging infrastructure. Meanwhile, charging stations sit idly on a piece of land, servicing the needs of precisely zero EV drivers.

All the targets in the world, all the funding in the world, will be useless if the grid connection and permitting processes are not fixed.

Charge point operators have a clear vision of what efficient grid connection and permitting processes look like: standardisation, transparency, predictability, harmonisation and

Some facts omitted in tale of Dostoyevskian intrigue

In the attempt to craft a tale of Dostoyevskian intrigue in "Fall of the House of Sergei Leontiev" (FT Magazine, December 17) you omit critical facts. Over several months, Leontiev and his colleagues provided the FT with reams of verified evidence on the record. This included court decisions from respected judiciaries of rule-of-law countries across three continents, all of which vindicated Leontiev's account of events. In those proceedings where the Russian government appeared as a litigant, US and European courts identified the criminal allegations against Leontiev as politically motivated and described the scant evidence produced by Russia as "hearsay declarations", "unconvincing" and "inconsistent".

The narrative offered by "Peter", the purported whistleblower, is likewise as flimsy as the linguine he dined on with FT reporters. "Peter" alleges that the "incriminating" documents he delivered to his central bank handler could not be filed in a Russian court, as they were illegally obtained. But the Russian authorities seized all of Probusinessbank's files and records when they stormed bank in August 2015; those documents have been under the legal possession of the Russian government for years and could have been filed in court without restriction. The article also fails to acknowledge that Russia's pursuit of Leontiev has been led by Russian officials and agents sanctioned for their roles in the Magnitsky affair — another episode of Russian expropriation where the perpetrators sought to incriminate their victims.

Viktor Grin, sanctioned for leading the posthumous prosecution of Sergei Magnitsky, was lead prosecutor in criminal proceedings against Leontiev and his colleagues. Andrei Pavlov, a lawyer sanctioned for his role in the Magnitsky affair, led Russia's Deposit Insurance Agency's legal efforts against Leontiev for years.

Given the benefit of this context, readers may reasonably question whether the fantastic tale of "Peter" is just one more of Russia's deceptions and whether the FT is its latest prey.

Jonathan D Reich
New York, NY, US

How a king's mistress made a bubbly impression

Regarding Janan Ganesh's article "What to look for in a restaurant" (Life

Your rail analysis suffers from leaves on the tracks

I enjoyed Camilla Cavendish's article on Britain's dysfunctional railways (Opinion, December 10) but her analysis seemed to come to an early halt. Maybe there were leaves on the tracks.

While she is absolutely right to point out that nationalisation is preferable to the current system — where risks are borne by government and profits are reaped by the operators even when service standards are poor — her criticism of the RMT union misses the fact that Mick Lynch and his strike threats are merely a symptom of this broken system. Should a union be demanding pay rises in line with inflation, when they see the operators making millions of pounds in profits? Of course they should. Accusing Lynch of being "bent on fomenting chaos" looks ironic when chaos is a feature, not a bug of Britain's railway system, as she herself has pointed out so eloquently.

Britain could have well-funded railways run for the benefit of passengers and staff. It's a political decision not to. Focusing her criticism on those who have been making the case for nationalisation for decades (the unions) looks like an old reflex, not the product of thorough analysis.

Hendrik Kerkhoff
London SE18, UK

The divergence in UK life expectancy is disturbing

In your article discussing technologies to combat the ageing process (The Big Read, January 3) you write that "life expectancy at birth almost doubled between 1841 and 2011" in the UK.

I assume the selection of 2011 as the endpoint was deliberate, since it was at almost exactly this time that a worrying divergence between life expectancy for the rich and the poor started to become apparent. While better-off Britons continued to benefit from increased life expectancy, the poorest have experienced declines. The pandemic has brought these pre-existing trends into even sharper relief.

These developments evoke a dystopian vision of a society divided between a long-lived elite benefiting from the newest medical technologies while a stranded underclass sinks into Dickensian impoverishment. It's a disturbing sign of the times.

Luke Powell
Charing, Kent, UK

Opinion

Overstretched US foreign policy raises risks for Washington and its allies

Stephen Wertheim

Last year was a time of redemption for America's national security establishment. Washington had closed out 2021 reeling from its chaotic retreat from Afghanistan. Today US global power feels vital again. Hand-wringing over "endless wars" has given way to a familiar sense of purpose: beating back the aggression of autocrats in Moscow and Beijing.

Some satisfaction is warranted. In Europe, President Joe Biden has achieved what few thought possible. After anticipating Russia's invasion and uniting the west, he has enabled Ukraine to preserve its sovereignty and regain some of its territory, all without getting Nato into a direct war with Russia.

But take a longer view, and the conventional wisdom starts to look suspect. Leaving Afghanistan freed America to focus on higher priorities. By contrast, 2022 made every strategic challenge worse. America's allies should wonder if an overstretched superpower will be able to come to their rescue in a moment of need.

The chief source of trouble is the freefall in US-Chinese relations. Some in Washington entered 2022 hoping to ease tensions and make progress on shared challenges. Instead, Xi Jinping proclaimed a "no limits" partnership with Vladimir Putin. The US went on the offensive, too. Presidential "gaffes" vowing to defend Taiwan antagonised Beijing, and House Speaker Nancy Pelosi's visit to Taipei sparked a cross-Strait crisis.

Now a war between the world's top two powers, though a low probability, is no less likely than a return to Obama-era "engagement". After Biden's decision to cut off Chinese access to advanced semiconductors, US-China competition will remain cut-throat even if not catastrophic.

The need to invest more resources in Asia was one reason Biden pursued a "stable and predictable" relationship with Moscow upon taking office. So much for that. The invasion of Ukraine turned Russia into America's outright adversary. Instead of encouraging Russian-Chinese divisions, the US finds itself setting out to contain both powers at once.

This prospect disturbs US leaders less than it should. With the Russian military degraded in Ukraine, the US could insist that Europe deliver a real *Zeitenwende*: develop the capability to defend itself by, say, the end of a second Biden term. Biden has done the opposite. His administration surged roughly 40,000 US troops into Europe in 2022 and championed the expansion of Nato.

> Burdens and dangers will continue to mount unless hard strategic adjustments are made

Meanwhile, North Korea remains nuclear and menacing. Pyongyang fired a record number of missiles in 2022, lofting some over Japan and into South Korean territorial waters. After a four-year pause, it resumed testing intercontinental ballistic missiles capable of striking North America. China and Russia for the first time vetoed a UN resolution to tighten sanctions on North Korea over its missile tests. Washington's toolkit is shrinking, and Pyongyang's nukes are here to stay.

On top of everything, efforts to restore the nuclear accord with Iran fell apart in 2022 — perhaps definitively. US officials say that President Ebrahim Raisi's government simply does not want to rejoin the agreement. Biden may soon face a daunting choice: allow an Iranian nuclear bomb or bomb Iran.

The post-cold war world wasn't supposed to turn out like this. In 1991, Pentagon planners argued that US global primacy would produce peace. By maintaining overwhelming military supremacy, America would dissuade potential rivals from "even aspiring to a larger regional or global role". A benevolent sole superpower — what Madeleine Albright dubbed the "indispensable nation" — would suppress security competition, benefiting the world while keeping costs low for itself.

The wars in Afghanistan and Iraq dealt a blow to this theory by showing that the US could use power unwisely and cause instability. America's adversaries have multiplied in numbers and gained in strength. The burdens and dangers will continue to mount unless the US makes difficult strategic adjustments.

That hardly means withdrawal from the world. It means the US should combine pulling back (from the Middle East) with shifting the burden (to European allies) and seeking competitive coexistence (with China). The US and its allies should aim for balances of power, not overmatching power.

Washington may think its global leadership is back, but if it keeps trying to defend everything, America will end up defending nothing.

The author is a senior fellow in the American Statecraft Program at the Carnegie Endowment for International Peace and a visiting lecturer at Yale Law School

We must dismantle the barriers GDPR creates for science

Robert Eiss

The lifesaving work of the biomedical science community is caught in an unsettling — and unintended — crossfire over global data sharing. Last year, Joe Biden and Ursula von der Leyen committed to a transatlantic framework to restore commercial data flows, which were abruptly halted in 2020 by the European Court of Justice. But the US and EU must now take a further pivotal step to dismantle the data-sharing silos in medicine and public health that arose from Europe's General Data Protection Regulation.

The GDPR represents the most progressive measure in decades when it comes to giving individuals greater control over their personal data. Its territorial reach arguably demonstrates what has been coined the Brussels effect — the capacity of the EU to forge sectoral standards as a condition of market access, that are then adopted by international firms.

But unintended — and problematic — consequences come when general principles that apply to marketing industries and other forms of data processing are also applied to publicly funded biomedical research. Applications and interpretations of GDPR fail to consider adequately how research uses of personal data differ from other types, particularly as the data are pseudonymised.

The present state of play is uneasy. Scientists are struggling to find a legal basis for sharing data under the regulation. US federal agencies such as the National Institutes of Health, the largest global funder of biomedical research,

> This state of play is uneasy. Scientists are struggling to find a legal basis for sharing data under the regulation

and its sister public agencies have no pathway available to receive pseudonymised data collected by research partners in the EU. Without an adequacy decision, US agencies and many publicly supported research universities are legally barred from agreeing to GDPR data-transfer requirements.

Longstanding research collaborations that included appropriate consent are stalled. Forty-seven clinical research sites in the EU could not enrol in NIH-sponsored Covid therapeutic trials. Thirty-five projects in the EU assessing genetic and environmental influences on cancer risk cannot progress. Moreover, GDPR is having direct effects on patient care in a research setting. Colleagues at NIH's Clinical Center were unable to secure matched donor samples from Europe to offer stem-cell transplantation treatment to some cancer patients despite donor consent.

The implications for European clinical research are consequential. When data collected from patients cannot be exported, EU-based trial sponsors cannot submit evidence to third-country regulatory agencies, including the US Food and Drug Administration. As a result, they may be compelled to relocate clinical sites outside the EU to access more markets. One estimate indicates that this may lead to €8.9bn less a year spent by companies within the EU on trials.

Building on the emerging US-EU framework to restore legal certainty for commercial data flows is a chance to forge a compact that both keeps GDPR's robust privacy safeguards, and allows science to deliver vital medicines and preventive care. Remedies could take the form of an international agreement, amendments to the GDPR to recognise scientific data sharing as a public interest or expanded guidelines on GDPR transfer mechanisms.

There is an urgency to this. Genomics and other potent tools create extraordinary opportunities to advance curative treatments based on precise molecular knowledge and to intervene to preempt disease. Resolving these frustrating barriers to data sharing will enable scientists to power clinical trials, identify promising drug targets and realise the potential of precision or person-

A new world energy order is taking shape

COMMODITIES
Rana Foroohar

Matt Kenyon

On Valentine's Day in 1945, US president Franklin Delano Roosevelt met Saudi King Abdul Aziz Ibn Saud on the American cruiser USS Quincy. It was the beginning of one of the most important geopolitical alliances of the past 70 years, in which US security in the Middle East was bartered for oil pegged in dollars.

But times change, and 2023 may be remembered as the year that this grand bargain began to shift, as a new world energy order between China and the Middle East took shape.

While China has for some time been buying increasing amounts of oil and liquefied natural gas from Iran, Venezuela, Russia and parts of Africa in its own currency, President Xi Jinping's meeting with Saudi and Gulf Co-operation Council leaders in December marked "the birth of the petroyuan", as Credit Suisse analyst Zoltan Pozsar put it in a note to clients.

According to Pozsar, "China wants to rewrite the rules of the global energy market", as part of a larger effort to de-dollarise the so-called Bric countries of Brazil, Russia, India and China, and many other parts of the world after the weaponisation of dollar foreign exchange reserves following Russia's invasion of Ukraine.

What does that mean in practice? For starters, a lot more oil trade will be done in renminbi. Xi announced that, over the next three to five years, China would not only dramatically increase imports from GCC countries, but work towards "all-dimensional energy co-operation". This could potentially involve joint exploration and production in places such as the South China Sea, as well as investments in refineries, chemicals and plastics. Beijing's hope is that all of it will be paid for in renminbi, on the Shanghai Petroleum and Natural Gas Exchange, as early as 2025.

That would mark a massive shift in the global energy trade. As Pozsar points out, Russia, Iran and Venezuela account for 40 per cent of Opec+ proven oil reserves, and all of them are selling oil to China at a steep discount. The GCC countries account for another 40 per cent of proven reserves. The remaining 20 per cent are in regions within the Russian and Chinese orbit.

Those who doubt the rise of the petroyuan, and the diminution of the dollar-based financial system in general, often point out that China doesn't enjoy the same level of global trust, rule of law or reserve currency liquidity that the US does, making other countries unlikely to want to do business in renminbi.

Perhaps, although the oil marketplace is dominated by countries that have more in common with China (at least in terms of their political economies) than with the US. What's more, the Chinese have offered up something of a financial safety net by making the renminbi convertible to gold on the Shanghai and Hong Kong gold exchanges.

While this doesn't make the renminbi a substitute for the dollar as a reserve currency, the petroyuan trade nonetheless comes with important economic and financial implications for policymakers and investors.

For one thing, the prospect of cheap energy is already luring western industrial businesses to China. Consider the recent move of Germany's BASF to downsize its main plant in Ludwigshafen and shift chemical operations to Zhanjiang. This could be the beginning of what Pozsar calls a "farm to table"

> The oil marketplace is dominated by countries that have more in common with China than America

trend in which China tries to capture more value-added production locally, using cheap energy as a lure. (A number of European manufacturers have also increased jobs in the US because of lower energy costs there.)

Petropolitics comes with financial risks as well as upsides. It's worth remembering that the recycling of petrodollars by oil-rich nations into emerging markets such as Mexico, Brazil, Argentina, Zaire, Turkey and others by US commercial banks from the late 1970s onwards led to several emerging market debt crises. Petrodollars also accelerated the creation of a more speculative, debt-fuelled economy in the US, as banks flush with cash created all sorts of new financial "innovations", and an influx of foreign capital allowed the US to maintain a larger deficit.

That trend may now start to go into reverse. Already, there are fewer foreign buyers for US Treasuries. If the petroyuan takes off, it would feed the fire of de-dollarisation. China's control of more energy reserves and the products that spring from them could be an important new contributor to inflation in the west. It's a slow-burn problem, but perhaps not as slow as some market participants think.

What should policymakers and business leaders do? If I were chief executive of a multinational company, I'd be looking to regionalise and localise as much production as possible to hedge against a multipolar energy market. I'd also do more vertical integration to offset increased inflation in supply chains.

If I were a US policymaker, I'd think about ways to increase North American shale production over the short to medium term (and offer Europeans a discount for it), while also speeding up the green transition. That's yet another reason why Europeans shouldn't be complaining about the Inflation Reduction Act, which subsidises clean energy production in the US. The rise of the petroyuan should be an incentive for both the US and Europe to move away from fossil fuels as quickly as they can.

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Bank of Japan needs the courage to change course

MARKETS
Megan Greene

The Bank of Japan shocked markets in December by widening the band in which 10-year government bonds could trade from 25 to 50 basis points. Investors responded by pushing two- to 10-year yields to their highest since 2015, betting that the widening was the first step in ending yield curve control, the bank's pledge to buy as many bonds as necessary to cap borrowing costs.

consistently above its 2 per cent target. The core inflation rate (excluding fresh food but including energy) rose to 3.7 per cent in November — the highest in 40 years. It's time for the BoJ to summon up the courage to change course.

Based on the experience of other central banks that will be painful, with investor losses and market ruptures. The longer the wait, the worse those may be. Because liquidity in some Japanese government bonds is already thin, at a time when global liquidity is falling, market dislocations may be bigger and swifter than usual. The BoJ should push ahead anyhow.

Markets, so far, seem to agree. JGB futures show investors expect the 10-year trading band to widen by another 50 points this year. Index swaps, a market the BoJ doesn't influence directly,

10-year JGBs over the next 12 months is roughly three times what it was a year ago. The yield curve is kinked, with the 10-year yield falling below 9- and 11-year yields. That affects commercial bank profits, creating a disincentive to lend, potentially sapping growth.

The government of Prime Minister Fumio Kishida has suggested it will call for a BoJ policy review when Kuroda retires in April. That's another reason

> It should tighten monetary policy before many developed economies are pitched into recession

for the central bank to act now. Markets

inflation is unsustainable. As elsewhere, the current rise was driven by global energy and food prices and a weak currency — so-called cost-push inflation. BoJ officials contend deflation won't be vanquished until wages rise faster, but this year's spring *shunto* trade union pay negotiations are expected to bring larger wage increases to compensate for higher inflation. This would generate the kind of demand-pull inflation that the BoJ wants to see.

The BoJ should also tighten policy before many developed economies are pitched into recession later this year. Risk-off markets tend to spark a flight to quality into yen. Shifting the policy stance as the global economy weakens would reinforce yen appreciation, dragging on Japan's export competitiveness and contributing to disinflation.

longer-term bonds and sharp dislocations in mortgage markets. The Reserve Bank of Australia practised YCC from March 2020 to November 2021. In a postmortem of its policy, the RBA admitted keeping it in place after market participants stopped believing in it meant "the exit in late 2021 was disorderly and caused some reputational damage to the Bank".

To minimise disorder, the BoJ should be clear about its reaction function and move slowly but deliberately by first further widening the YCC band or targeting a shorter duration. Ultimately, it must announce that it is abandoning YCC entirely and will instead aim to minimise rapid changes in debt prices, such as those seen in the UK government bond market in September.

It is inevitable that there will be mar-

Lex.

Twitter: @FTLex

China banks: Covid eclipses property woe

Foreign news bulletins have recently featured grim footage of Chinese hospitals filled with Covid-19 patients. Nearly half the passengers on China to Milan flights have tested positive.

China's economy is correspondingly sickly itself. Banks will bear a heavy financial burden as a result. Data show that Beijing's reversal of its restrictive zero-Covid policies is causing damage worse than widespread lockdowns.

China's factory activity shrank at its sharpest pace in nearly three years in December. The non-manufacturing index, measuring construction and services sector activity, declined to 41.6 from 46.7 the previous month. That was well below the 50-point mark separating contraction and growth.

Chinese health authorities estimate that 250mn people, or about 18 per cent of the population, caught the virus in the first few weeks of December. The real percentage must be closer to those reported by Italian health officials monitoring flights from Beijing.

That points to dire labour shortages and supply chain pain. Manufacturing will continue slowing and corporate financial distress will rise.

The real estate sector is already in deep trouble. Property prices and sales volumes have been slumping amid a consumer demand slowdown. The retail and leisure sectors are exposed, too. They could usually expect to make $110bn in sales over the lunar new year holidays. This year, infections are the only surge that matters.

Outside real estate, most big businesses have the resilience to weather the storm. Smaller companies are more vulnerable. Chinese authorities will expect big banks to support struggling enterprises with soft loans and outright rescues.

The non-performing loans of Chinese banks already stood at a record Rmb3tn ($436bn) by the middle of 2022. Beijing asked big lenders to step in to support the housing market with another Rmb1.9tn last year. Other sectors are increasingly leveraged. China's debt as a percentage of GDP hit a historic record in the first half.

Shares of the largest banks, including Bank of China and China Construction Bank, have dropped in the past six months. Industrial and Commercial Bank of China, the biggest, is down a tenth and trades at 0.4 times tangible book — less than half the price of foreign peers such as HSBC. China's recovery will come at the expense of local lenders and their shareholders.

Cineworld: roll the credits

It is easier to reprise your glory days in a movie than in business. Tom Cruise did so last year in *Top Gun: Maverick*, portraying a dashing airman.

But global box office takings for 2022 are likely to be well below those of $42bn in 2019. UK-listed Cineworld, in US bankruptcy proceedings since September, does not expect its own ticket sales to revive fully until 2024.

Cineworld shareholders are hanging on to their equity by a thread. The UK-listed group has a market capitalisation of £50mn, compared with more than £4bn in 2019. It hopes to sell its assets, although rumoured talks with rival AMC never took place, it says.

Its movie theatres are useful only to a buyer who wants to run a cinema chain. The prospects for that industry have been diminished by streaming businesses, which are still paying steeply for content. Even at book value, Cineworld's assets would barely cover outstanding borrowings. A sale of the whole business seems unlikely. A restructuring is a more realistic option. Creditors would then take the place of current shareholders.

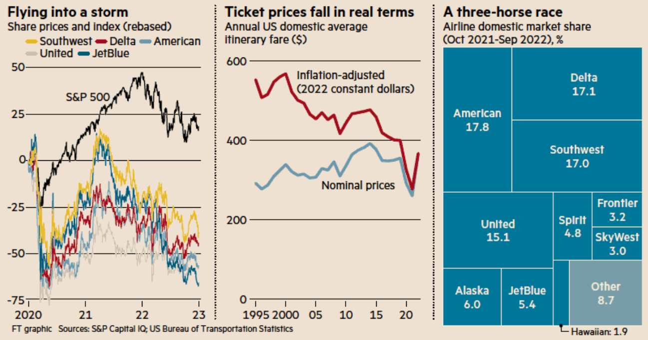
Net of depreciation Cineworld had $1.5bn worth of property and equipment at the end of June last year. An offer for the Plc, which no one expects, would mean taking on $5bn of borrowings and almost $4bn of lease obligations. On top of that, the company has $1.9bn of debtor in possession (DIP) financing to see it through its Chapter 11 proceedings.

Despite a cash burn rate down to $145mn in the first half of 2022, the company now has plenty of liquidity. But even on Cineworld's optimistic assumptions of a recovery, net debt would still be too high this year, at about seven times ebitda.

Leverage needs to fall to half that amount to become sustainable. This would mean shedding $2.5bn of borrowings, on top of repaying the DIP financing. New investors willing to cover that bill will be as scarce in the real world as septuagenarian combat pilots.

Southwest Airlines: winter of discontent

Shares in the discount airline have dipped following the Christmas cold snap and storms, after weathering the pandemic better than peers. Southwest has been instrumental in pushing down ticket prices and is one of three carriers at the top of the US airline industry.



FT graphic Sources: S&P Capital IQ; US Bureau of Transportation Statistics

For commercial pilots, no journey is over until they have safely landed the aircraft and taxied to a halt. Tell that to executives of Southwest Airlines, the US discount carrier.

At an investor presentation in December, bosses boasted about operating performance during the US Thanksgiving holiday in November, when Southwest cancelled only 70 out of more than 26,000 flights — an industry-leading performance.

The 2022 Christmas holiday provided a humbling comeuppance. Following a cold snap and storms, Southwest cancelled thousands of flights. Passengers and their luggage were left scattered across America.

This failure has been blamed on the airline's "point-to-point" flight routing. Antiquated technology may have prevented flight crews from knowing where to redeploy.

Southwest is a victim of its own success. Since 1995, the average airline fare dropped from $553 to $367 when expressed in 2022 dollars, according to the US Department of Transportation. Disrupters such as Southwest and JetBlue and ultra low-cost carriers like Spirit and Frontier are responsible. They have brought down prices and boosted passenger growth. Southwest's share price jumped nearly seven times.

The airline had argued that 2023 would be the year that it would escape the effects of the pandemic. Proving that will be harder now. The stock price exceeded its pre-pandemic level in early 2021. Since then, the shares have nearly halved. Wall Street fears a long-term debt load that has jumped from $1.4bn to more than $8bn in three years. Southwest's market cap is now $20bn, after its stock price fell 7 per cent last week.

Last month, the airline reinstated its pre-pandemic dividend and committed to paying down its debt load. But Southwest now has additional financial priorities. First, it may have to pay compensation to passengers whose holidays were disrupted. Second, the business plainly needs to upgrade systems to forestall further crises.

These expenses will weigh on earnings this year. But in IT as in aviation, there is only so long you can fly by the seat of your pants.

Airbus: beware geeks bringing gifts

The Ukraine war has revived the threat of conventional conflicts for developed nations. That has boosted the defence sector, in which Airbus participates. But the interest that the Toulouse-based group is reportedly taking in the cyber security and big data arm of Atos is incongruous.

The French software group is the kind of vendor that acquirers like: distressed. But there is a further incongruity in talk of Airbus buying a minority stake in the Evidian division of Atos. It would hardly be material to the aerospace and defence group.

Defence and space activity makes up just over a quarter of Airbus's top line, though its separate helicopters unit has defence exposure, too. Within defence and space, the software units make up an even smaller part. Diversifications into cyber security are tricky for defence investors to value. Competence and cash flows are harder to assess than in military hardware.

In the nine months to September 2022, jet-building accounted for over 90 per cent of group operating profits. Airbus has dabbled in software via its Skywise project, with US partner Palantir. Not much has come of this so far, says Jefferies. Perhaps Airbus boss Guillaume Faury believes stakebuilding could pave the way to a purchase of Envidian.

Atos chief executive Guillaume Belmer may have resigned last year because the board resisted a trade sale and favoured a demerger.

Atos has already entertained at least one offer for Envidian. A bid led by consultants Onepoint valued Envidian at €4.2bn, which Atos rejected. That looks low compared with an estimate from Citi of €4.6bn including net debt and pension liabilities.

In its current form, the software group is burning cash flow at an average of €385mn annually through to 2025, S&P Global estimates. There is a danger that Airbus would help fund a rescue if it becomes embroiled with Atos. That would please the French government but harm shareholders.

SpaceX/Musk: to boldly grow

Rocket science is famously exacting and social media is infamously facile. Could it be that the former is easier for Elon Musk than the latter? His $44bn Twitter takeover has been a disaster.

It has even infected confidence in Tesla, contributing to a drop of nearly three-quarters in the shares of the electric-car group in the past year.

But SpaceX, another venture of the billionaire provocateur, seems to be in better shape. The space exploration company is reportedly in talks to raise $750mn in a new round of funding that would value it at $137bn. That would represent a 10 per cent rise from the $125bn that it was valued at last June.

Valuations derived from private fund raisings tend to be misleading — doubly so when no financing has closed. But completing an up round in a down market would reflect surging space-related spending as much as Musk's compromised charisma. Morgan Stanley reckons expenditure could reach $1.1tn by 2040. Nasa's budget for its Artemis moon programme alone is expected to reach $94bn.

SpaceX is well placed to benefit. It already has contracts to handle rocket launches for the US government and makes money from Starlink, its broadband-satellite fleet. The business has partnered with T-Mobile to provide wireless phone coverage in remote areas of the US and is pitching for deals to improve the satellite capabilities of national security agencies.

SpaceX's diversified revenue streams are one reason why its valuation has defied gravity, even as those of rivals have cratered. Shares in Virgin Orbit and Rocket Lab lost 75 and 68 per cent of their value last year. Private ownership has shielded SpaceX from the kind of valuation volatility seen at Tesla. Even so, Musk's unpredictability and the distraction Twitter creates are a risk for SpaceX. Musk is the space company's chief executive, chief technology officer and chief designer.

Any new investors in SpaceX should use the Tesla stock price as a gauge of confidence in him — or the lack of it.

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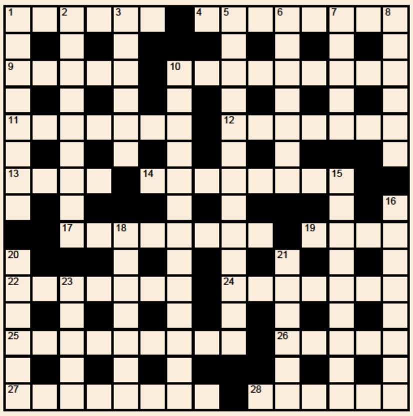
CROSSWORD

No 17,296 Set by AARDVARK



ACROSS

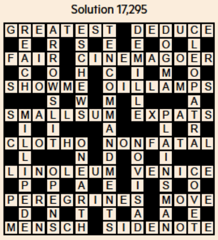
1 Fellow conservative enthralled by Aussie resident's artistic style (6)
4 A Welshwoman travelled by plane, broadcasting ailment (5,3)
9 Eagerly take in Grand Canyon maybe (5)
10 Oral rendering by daughter had bowled over liberal author (5,4)
11 Bull pub's in centre, on river (7)
12 Ancient region vets drug trial, repeatedly ignoring extremes (7)
13 Busy person taking Victor out of Channel port (4)
14 Proud to go around north-east entering vegetable, without introduction (8)
17 Parasite wanted mirror owned by couple emptying room (8)
19 Ready for opening of Ulysses? Carry on reading (2,2)
22 Varying article by Hugo as freelance, essentially (7)
24 International sponsorship Pat avoided for a period (4,3)
25 Lady at pub with skimpy attire two characters joined (9)
26 Freshwater fish cook in simmering liquid, right for papa (5)
27 Heading off guard, female pair of Europeans charge at gate? (5,3)
28 Maestro Australian parked in marketplace (6)

DOWN

1 Newspaper rated new clothing business (3,5)
2 Roly-poly, I'm amazed, climbed up fast (9)
3 Scarred regularly by effect of sun on Mediterranean island (6)
5 Movement on deck, with fish entering boat (13)
6 Country artist supporting The Conjunctions? (7)
7 Talent show: beginning in lounge between one and two (5)
8 At college, youngster digests band put on Facebook? (6)
10 Nick and Walter organised staff for PM once (6,7)
15 Star entertainer to be advised about work by Charlie (3,6)
16 Rather strange meows by hot cat, scratching head (8)
18 Turkey etc of poor quality, according to report (7)
20 Quietly crowd together in Hackney, as a consequence of rain? (6)
21 Newsman Jack loves to nip home for the Ashes? (6)
23 Retired postman perhaps who settles abroad (5)

JOTTER PAD

Solution 17,295



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