

Quake horror

Morocco death toll hits 2,700

A man stands in front of his destroyed home in Amizmiz, Morocco, in the aftermath of the earthquake that has killed nearly 2,700 people so far and injured more than 2,500.

Rescuers continued to race against time yesterday, with search teams from Spain, Britain and Qatar joining Morocco's efforts to find survivors in remote villages that bore the brunt of the 6.8 magnitude quake that struck late on Friday in the High Atlas region.

One aid worker pulled 10 people from the rubble, saying: "They were all dead. I brought them so their families could take them for burial."

The area is home to the conservative Berbers, where often villages of clay houses are only reachable by mule.

Military tents have been set up to offer sanctuary to those who have lost homes, and for treating the injured.

Remote villages upturned page 3



Nacho Doce/Reuters

Briefing

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Lenders underwriting the \$50bn listing will close orders for shares today, a day earlier than planned, because of strong demand for the biggest offering in nearly two years. It is more than five times oversubscribed.— PAGE 5

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► **EU animal welfare rethink**
Concerns over the impact on food price inflation of planned rules to improve welfare in the farming industry have forced a rethink in Brussels. Some officials said the plan had been scrapped.— PAGE 2

EU cuts growth and raises inflation forecasts as region runs out of steam

◆ Price rises deterring consumers ◆ German GDP expected to shrink ◆ Crucial ECB meeting looms

IAN JOHNSTON — BRUSSELS
MARTIN ARNOLD — FRANKFURT

The EU economy will expand by just 0.8 per cent this year and 1.4 per cent in 2024, according to European Commission figures that lowered growth predictions and signalled the persistence of inflation.

Yesterday's figures marked a downgrade from predictions by Brussels in May of 1 per cent growth this year and 1.7 per cent next year, with high prices hitting consumer spending across the bloc and the German economy now expected to shrink this year.

"The EU economy has lost momentum since spring," said Paolo Gentiloni, the European commissioner for the economy. "Economic activity stalled in the second quarter and survey

indicators point to further weakening in the coming months."

The new figures predict a contraction in German real gross domestic product of 0.4 per cent, compared with a previously forecast rise of 0.2 per cent. Germany will still grow by 1.1 per cent in 2024 but at a slower rate than expected in Brussels' spring forecast. "Overall, when the largest economy of the union is in slightly negative growth this is affecting everyone," Gentiloni added.

"The EU economy has lost momentum since spring"

Paolo Gentiloni
Economy commissioner

The EU growth revision comes as the European Central Bank prepares for a pivotal decision on Thursday over whether to raise interest rates to contain high inflation in Europe, or to keep them on hold to prevent worsening the downturn.

The commission added that inflation would fall to 6.5 per cent this year, lower than its previous forecast of 6.7 per cent. But it cautioned that the reading would remain at 3.2 per cent in 2024, 0.1 percentage points higher than previously anticipated.

Europe's economic outlook has weakened in recent months because of a downturn in manufacturing, faltering trade with China, a reduction of government support measures and squeezed consumer spending due to high

inflation and rising borrowing costs.

"High and still increasing consumer prices for most goods and services are taking a heavier toll than expected" in previous forecasts, the commission added.

The deteriorating prospects for the region's economy, underlined by a downward revision to the official eurozone growth figure for the second quarter from 0.3 per cent to 0.1 per cent, have increased expectations that the ECB will pause its interest rate rises on Thursday.

However, concern remains about eurozone inflation, which is well above the ECB's 2 per cent target, even though it has halved from an all-time high of 10.6 per cent last October to 5.3 per cent in August. Pressure on inflation is coming from rising oil prices and a weaken-

ing euro that pushes up import costs, meaning another rate increase by the ECB remains a possibility.

The largely unchanged outlook for global growth and trade means that the EU cannot rely on demand from other countries to support its economy, the commission added.

The estimates also revised Brussels' forecasts for the Italian economy down by 0.3 percentage points for both 2023 and 2024. After rebounding sharply after the pandemic, the country's GDP is now expected to grow by 0.9 per cent this year and 0.8 per cent next year.

Domestic demand has been falling in the country, including investment in construction, after the phaseout of temporary incentives to support the sector.

Knife-edge decision page 2



North Korea emerges from years of Covid isolation

Analysis ► PAGE 4

Austria	€4.50	Morocco	Dh50
Bahrain	Din18	Netherlands	€4.50
Belgium	€4.50	Norway	Nkr45
Croatia	Kn3339/€4.50	Oman	OR160
Cyprus	€4.20	Pakistan	Rupee350
Czech Rep	Kc725	Poland	zł25
Denmark	Dkr146	Portugal	€4.20
Egypt	E£80	Russia	€5.00
France	€4.50	Serbia	NewD530
Germany	€4.50	Slovenia	€4.20
Greece	€4.20	Spain	€4.20
Hungary	Ft1450	Switzerland	Sfr6.70
India	Rup220	Tunisia	Din750
Italy	€4.20	Turkey	TL110
Luxembourg	€4.50	UAE	Dh24
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No: 41,426 ★

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



Sweden to boost defence spending by 30% as Nato membership draws closer

RICHARD MILNE
NORDIC AND BALTIC CORRESPONDENT

Sweden will increase its defence spending next year by more than a quarter to meet Nato's target of 2 per cent of gross domestic product, even though the Scandinavian country is struggling to overcome opposition from Turkey to it joining the western military alliance.

Pål Jonson, Sweden's defence minister, said yesterday that defence spending would increase almost 30 per cent to SKr119bn (\$10.8bn) next year in response to Russia's full-scale invasion of Ukraine.

"Sweden finds itself in the most serious security situation since the end of the second world war, which requires Sweden to have a defence that is ready to protect Swedish territory," said the agreement between the centre-right

government and the nationalist Sweden Democrats.

Sweden has promised Ukraine military support amounting to SKr19bn in total, and said other big investments for 2024 included new artillery systems, transport planes as well as more purchases of fighter jets and submarines.

Sweden and neighbouring Finland responded to Russia's invasion by seeking to join Nato and its promise of collective defence. While Finland became Nato's 31st member in April, Sweden's membership application has been held up by Turkey.

Sweden's move to increase defence spending came as Nato yesterday said it was preparing next year its biggest live joint exercise since the cold war, assembling more than 40,000 troops. Sweden will also be included, bringing the number of nations involved to 32.

Turkey's president Recep Tayyip Erdoğan promised in July that his country's parliament would examine Sweden's Nato application in the autumn and that he would "work closely with the assembly to ensure ratification".

But Erdoğan has sharply criticised a series of Koran burnings in Sweden and Denmark and has hinted at further delays in the ratification, which has been pending for more than a year.

Turkey's president lashed out at his US counterpart Joe Biden at the weekend at the G20 meeting in India. He said that Biden's attempts to link a sale of F-16 fighter jets to Turkey with Ankara's ratification of Sweden's Nato bid "seriously upsets us".

Sweden's government has sought to mollify Turkey by passing a new anti-terrorism law.

Nato exercises page 3

World Markets									
STOCK MARKETS			CURRENCIES			GOVERNMENT BONDS			
	Sep 11	Prev %chg	Pair	Sep 11	Prev	Yield (%)	Sep 11	Prev	Chg
S&P 500	4471.64	4457.49 0.32	\$/£	1.075	1.072	US 2 yr	4.98	4.96	0.02
Nasdaq Composite	13838.49	13761.53 0.56	\$/¥	1.253	1.249	US 10 yr	4.29	4.25	0.04
Dow Jones Ind	34592.76	34576.59 0.05	€/£	0.858	0.858	US 30 yr	4.38	4.34	0.04
FTSEurofirst 300	1805.59	1799.12 0.36	¥/\$	146.415	147.665	UK 2 yr	4.83	4.79	0.04
Euro Stoxx 50	4256.01	4237.19 0.44	W/£	183.436	184.367	UK 10 yr	4.58	4.53	0.05
FTSE 100	7496.87	7478.19 0.25	Sfr/£	0.958	0.956	UK 30 yr	4.73	4.67	0.06
FTSE All-Share	4083.23	4072.74 0.26				JPN 2 yr	0.04	0.01	0.03
CAC 40	7278.27	7240.77 0.52				JPN 10 yr	0.70	0.65	0.05
Xetra Dax	15800.99	15740.30 0.39				JPN 30 yr	1.71	1.67	0.04
Nikkei	32467.76	32606.84 -0.43				GER 2 yr	3.09	3.07	0.02
Hang Seng	18096.45	18202.07 -0.58				GER 10 yr	2.64	2.61	0.03
MSCI World \$	2948.81	2947.11 0.06				GER 30 yr	2.77	2.73	0.04
MSCI EM \$	973.86	973.59 0.03							
MSCI ACWI \$	678.02	677.65 0.05							
FT Wilshire 2500	5768.60	5761.51 0.12							
FT Wilshire 5000	44941.50	44888.70 0.12							

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INTERNATIONAL

National security

China spy scandal spurs call for UK action

Minister says Britain is considering tougher controls on Beijing

GEORGE PARKER, ANNA GROSS AND YUAN YANG — LONDON
JOSEPH LEAHY — BEIJING

A senior UK minister yesterday said there was “a strong case” for tough new action against Beijing, as cabinet tensions over how to deal with China following a spying scandal at Westminster broke into the open.

Cabinet Office minister Oliver Dowden said ministers were looking at whether to include China in an “enhanced tier” of countries under the government’s new National Security Act, intended to “protect the safety or

interests” of the UK. Such a move could require anyone working in the UK “at the direction” of China — potentially covering thousands of people including those employed by Chinese companies — to register with the British authorities or face jail.

The Metropolitan Police has confirmed that two men were arrested in March under the Official Secrets Act over allegations of espionage-related offences.

One of the men — who is in 20s — worked as a parliamentary researcher at Westminster and was arrested on suspicion of spying for China, according to people familiar with the situation.

The Treasury is concerned about any government moves against China that could damage the UK economy and

Prime Minister Rishi Sunak has resisted pressure from Conservative MPs to label Beijing “a threat”.

Business secretary Kemi Badenoch said politicians should not use language that “makes people scared”, while chancellor Jeremy Hunt said the government should not “make people scared”.

Move could require anyone working in the UK ‘at the direction’ of China to register or face jail

cellor Jeremy Hunt said Britain should carry on talking to China.

Dowden’s comments appeared to align him with home secretary Suella Braverman and security minister Tom Tugendhat in pressing for China to be

subject to tougher controls under the National Security Act.

“We are currently reviewing which countries are in the enhanced tier,” Dowden told MPs, adding there was “a strong case” for including China.

An ally of Dowden said no decisions had been taken but that ministers had already been very robust in taking action to defend Britain’s interests.

The prime minister told the Commons that MPs were “rightly appalled” by media reports “of espionage in this building”. “We will defend our democracy and our security,” he said.

But in a statement, Sunak said the UK’s current approach to China was in line with the approach taken by other western countries, including “every other G7 partner”.

Europe. Monetary policy

ECB faces knife-edge decision on interest rates

Central bank divided over how to tackle persistent inflation following weak economic data

MARTIN ARNOLD — FRANKFURT

The European Central Bank’s hawks have their last chance in months to raise interest rates this week, according to analysts, who are divided on whether they will be able to seize it.

There are potential pitfalls for the ECB in whichever decision it makes: keeping rates on hold invites criticism that it is giving up too early in the fight against inflation, but raising them risks making a looming downturn worse.

Ahead of Thursday’s knife-edge decision, Dutch central bank boss Klaas Knot said investors might be underestimating the possibility of a rate rise, as persistent high-wage growth is “pretty far off” the level consistent with inflation falling to the ECB’s 2 per cent target.

Others, such as Germany’s central bank head Joachim Nagel and Belgian governor Pierre Wunsch, agree.

“If they don’t hike in September, the window will close,” said Frederik Ducroz, head of macroeconomic research at Pictet Wealth Management. “GDP growth is on the verge of contracting, and credit growth is slowing fast.”

This week’s decision is seen as the hardest to call since before the ECB started to raise borrowing costs in July 2022, made more tricky by the lack of signals from the central bank on its next move for the first time in over a year.

The ECB, led by president Christine Lagarde, has raised borrowing costs at nine consecutive policy meetings, lifting its benchmark deposit rate from an all-time low of minus 0.5 per cent to a record high of 3.75 per cent to tame the biggest inflation surge for a generation.

More “dovish” members such as Portugal’s central bank boss Mário Centeno say the risk of “doing too much” has become “material” as the outlook for the eurozone has deteriorated recently.

Ignazio Visco, governor of Italy’s central bank, said: “I believe we are near the level where we can stop raising rates,” citing measures of underlying inflationary pressure that show it is declining.

Investors are betting on a pause, with derivatives markets pricing just a 35 per cent chance of the deposit rate going to



Economic cycle: policymakers will gather in Frankfurt on Thursday to decide whether to hold or raise interest rates

Andreas Arnold/EPA

4 per cent on Thursday. The chance of higher rates fell last week after data revealed sliding business activity, falling German industrial output and a downward revision to second-quarter area growth from 0.3 per cent to 0.1 per cent.

Inflation in the eurozone has halved since last year to 5.3 per cent in August but is still running well above the ECB target, while upward pressure is coming from rising oil prices and a weakening euro that pushes up import costs, meaning another rate rise is still on the cards.

Vitor Constancio, former vice-president of the ECB, predicted that the hawks would prevail and hike. “Stagflation is coming to the euro area, which should imply that for quite some time there will not be other hikes,” he said.

The ECB will also publish quarterly forecasts on Thursday, which are likely to show lower estimates for growth this year as well as slightly higher inflation expectations for both 2023 and 2024.

Last year, the ECB was criticised for being too slow to start raising rates after Russia’s invasion of Ukraine sent energy and food prices soaring. The US Federal

Reserve reacted quicker and inflation is lower in the US than in the eurozone.

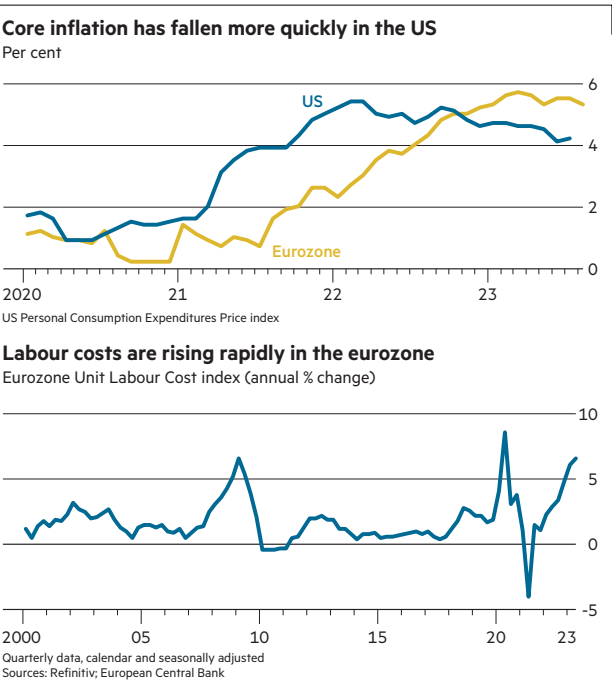
“It looks bad if they pause when inflation is still at 5.3 per cent,” said Ludovic Subran, chief economist at German insurer Allianz. “Is the ECB throwing in the towel too early? It is spooky for people who worry about this narrative of stagflation in Europe.”

Another reason for the ECB to keep raising rates is a concern that rapid wage growth will keep price pressures stubbornly high, particularly for services companies, for which labour makes up the majority of their costs.

ECB data last week showed pay per employee in the eurozone rose at an annual rate of 5.5 per cent in the second quarter, while unit labour costs were up 6.4 per cent; both near all-time highs.

“The hawks will be able to rely on the numbers to support their position,” said Claus Vistesen, chief eurozone economist at researchers Pantheon Macroeconomics, adding that falling productivity risked fuelling inflation.

However, the outlook is increasingly grim, bank lending has slowed sharply,



‘What is the point of tightening monetary policy? It is to slow the economy. Well, that is happening now’

the eurozone’s labour market is starting to weaken. That supports the doves.

Core inflation, which excludes energy and food and is seen as a better indicator of underlying price pressures, looks to have peaked. It is expected to fall further as economic activity slows and discounted German public transport tickets from last summer this month fall out of the year-on-year comparison.

“What is the point of tightening monetary policy?” said Dirk Schumacher, a former ECB staffer now at French bank Natixis. “It is to slow the economy. Well, that is happening now.”

Some predict that, as the ECB nears the peak on rates, it could tighten policy by shrinking its balance sheet quicker via so-called quantitative tightening by bringing forward the end of reinvestments in the €1.7tn bond portfolio it began buying in the pandemic. Another option could be to cut the amount of interest paid to commercial banks or governments on ECB deposits. Yet Lagarde’s biggest challenge could be to convince markets that borrowing costs could still rise if inflation is still high.

Declaration

Yellen denies G20 softened statement on Ukraine at India summit

JAMES POLITI

Janet Yellen has rejected accusations that the G20 watered down its position on Ukraine over the weekend, as the US Treasury secretary touted the summit’s accomplishments in boosting funding for developing economies.

In an interview with the Financial Times, Yellen defended the joint statement agreed at the world leaders’ meeting in New Delhi, saying it was “substantively very strong” in its wording on the war in Ukraine.

The compromise document has been criticised for dropping some of the most aggressive condemnations of Russia’s war in Ukraine compared with the last G20 summit in Bali. The communiqué did denounce territorial acquisitions by force and attacks on civilians and infrastructure, while calling for international law to be upheld.

“The US does not see this language as in any way weakening the G20’s stance on Ukraine,” Yellen said, speaking on a US government jet flying back to Washington from New Delhi.

“Clearly it was hard to find language that would satisfy the US and other countries, but we felt we wanted strong language, and substantively strong language, and this was substantively very strong.”

Yellen accompanied US president Joe Biden to the G20 summit at a time of heightened geopolitical tensions and economic rivalries, which have pitted western nations against Russia and China, with middle-income and emerging powers caught in between.

Still, the US achieved one of its top goals at the meeting when the G20 agreed to boost and reform multilateral development banks for the benefit of struggling nations. This was also a priority of Narendra Modi, the Indian prime minister and summit host.

Biden has sought international backing for a US plan to expand the World Bank’s lending capacity by \$25bn to combat challenges such as climate change and pandemics — a figure that could rise above \$100bn if other countries also participate.

“We care very deeply about the global south and its development and the climate agenda and are doing everything we can to rally support,” Yellen said. “President Biden is trying to put our money where our mouths are.”

Yellen said part of the thinking behind the lending boost to the World Bank was that some countries had been feeling that the US was coming up “suddenly with billions of dollars to support Ukraine” but disregarding “the plight of poor countries” around the world.

“That is not the case, it’s never been the case, it’s not as though our attention was diverted by Ukraine,” she said.

It also reflects a gamble by Yellen that the US can reinvestigate the mission of international financial institutions even as the global economy becomes more fragmented.

“I’m very encouraged by what I see happening, these are institutions that have been around for a long time, they are bureaucratic, they are not that easy to move,” Yellen said.

The plan is also part of a broader effort by the US to counter China’s Belt and Road Initiative.

Agriculture

EU mulls ditching animal welfare reforms over food cost fear

ANDY BOUNDS AND ALICE HANCOCK
BRUSSELS

The EU is considering scrapping plans to impose regulations designed to improve animal welfare in the farming industry over concerns about the impact it could have on food inflation, according to senior officials.

The European Commission has promised to act after public pressure to stop practices such as the use of cages for livestock, the killing of day-old chicks and the sale and production of fur.

But concerns that the proposed changes could add to food costs, which rose sharply after Russia invaded Ukraine last year, have led Brussels to reconsider the plans.

Three EU officials with knowledge of the matter said the commission had dropped the proposals completely — along with a sustainable food law designed to boost green food production across the bloc. But another official said it was reviewing the animal welfare plan and would propose a scaled-back version.

“Some in the commission are worried about the cost,” said Joe Moran, director

of European policy for Four Paws, an animal welfare campaign group.

The legislation is among the few remaining parts of the EU’s Green Deal climate package, laid out in 2019 to pivot the bloc to a more sustainable economy.

But ahead of EU-wide elections in 2024, conservative politicians have pushed back against the environmental regulations.

A draft impact assessment by the commission into the animal welfare proposals, seen by the Financial Times, says farmers’ costs could rise on average by about 15 per cent, which “may result in higher consumer prices” and an increase in imports.

A ban on killing day-old male chicks would add up to 60 cents to the price of a dozen eggs. Expanding the space where broiler chickens are housed would add 12 cents, according to the draft.

Commission president Ursula von der Leyen is expected to speak about the bloc’s progress on green policies when she gives her annual State of the Union speech to the European parliament tomorrow.

The commission said it was still com-

mitted to revising animal welfare legislation this year.

“Preparatory work currently under way covers the legislation for the welfare of animals kept and farmed for economic reasons,” it said.

Pekka Pesonen, secretary-general of Copa-Cogeca, the EU farmer’s group, told the FT it could support many of the changes as long as they received finan-



Pen price: more space for chickens would lift costs, a draft study shows

cial aid to implement them, and if imported meat was subject to the same standards.

That would in effect ban many imports from trading partners such as Brazil, Ukraine and Thailand. Such a measure would also be opposed by trade commissioner Valdis Dombrovskis.

Pesonen said farmers would need time to adjust, should the EU press ahead.

On Friday, Copa-Cogeca warned of an “increasing distance between Brussels and rural areas” and condemned a “punitive approach that does not talk about concrete solutions, enablers and financial feasibility”.

The EU’s pledge to act on animal welfare was the result of a petition dubbed End the Cage Age, which was signed by 1.4mn people in 2020, and another to stop fur farming with 1.5mn supporters.

Moran warned against scrapping or downgrading the welfare proposals.

“Animal welfare is the last straw in the wind that is blowing the Green Deal to bits. It has to remain,” he said. “If it does not happen the commission would be ignoring one of biggest democratic demands in its history.”

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Letters to the editor
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www.exec-appointments.com

Published by: The Financial Times Limited,
Bracken House, 1 Friday Street, London EC4M 9BT.
Tel: +44 20 7873 3000; Fax: +44 20 7407 5700.
Editor: Roula Khalaf.

Germany: Demiroren Media, Hurriyet AS-Branch
Germany, An der Brucke 20-22, 64546 Morfelden-
Waldorf, +49 6105 327100. Responsible Editor, Roula
Khalaf. Responsible for advertising content, Jon Slade.
Italy: Monza Stampa S.r.l., Via Michelangelo Buonarroti,
153, Monza, 20900, Milan. Tel: +39 039 2828201
Owner, The Financial Times Limited; Representante e
Direttore Responsabile in Italia: I.M.D.Srl-Marco Provasi -
Via G. Puercher, 2 20037 Paderno Dugnano (MI), Italy,
Milano n. 296 del 08/05/08 - Poste Italiane SpA-Sped. in
Abb.Post.DL 353/2003 (conv. L. 27/02/2004-n.46) art.1
comma 1, DCB Milano.
Spain: Bermont Impresion, Avenida de Alemania 12, CTC,

28821, Coslada, Madrid. Legal Deposit Number
(Deposito Legal) M-32596-1995.
Dubai: Editor in Chief, Roula Khalaf;
Publishing Director, Roula Khalaf;
Publishing Company, The Financial Times Limited,
registered office as above. Local Representative office:
C/ Infanta Maria Teresa 4, bajo 2, 28016, Madrid. ISSN
1135-8262.
UAE: Masar Printing & Publishing, P.O. Box 485100,
Dubai. Editor in Chief, Roula Khalaf.
France: Publishing Director, Jonathan Slade, 46 Rue La
Boetie, 75008 Paris. Tel: +33 (0)1 5376 8256; Fax: +33 (0)1
5376 8253; Commission Paritaire N° 0919 C 85347; ISSN
1148-2753.
Turkey: Dunya Super Veb Ofset A.S. 100, Yil Mahallesi
34204, Bagcilar- Istanbul, Tel: +90 212 440 24 24.
Sweden: Responsible Publisher - Christen Norlander

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INTERNATIONAL

Remote villages left twisted and upturned by Morocco quake

High Atlas region hit hardest, with scores of dead and trapped hidden under rubble

ALICE MORRISON — OUIRGANE

Hassan stared at the mangled wreck of the café where he worked as a waiter, with sections of the building twisted and turned upside down by the earthquake that struck Morocco's High Atlas region.

He was outside collecting his motorbike when the 6.8-magnitude quake hit on Friday night, razing rural villages south-west of ancient Marrakech.

“The whole building fell down. The owner, his wife and two children were inside but we pulled them out,” said Hassan. “They’re safe.”

Others were less fortunate. As three members of a rescue team walked past, covered in dust and grime, sweating in the heat, one said he pulled 10 people out of nearby destroyed buildings.

“They were all dead. I brought them so their families could recognise them and take them for burial,” he said.

Some 2,681 have been killed so far in the most powerful quake to strike the north African country in 120 years. More than 12,000 were killed in 1960 when a smaller-magnitude quake struck Agadir on the western coast.

While Marrakech, the country’s leading tourist destination, suffered some quake damage on Friday, most of the devastation and deaths occurred in mountain villages such as Ouirgane, where the café was. Along the road from Ouirgane to Ijoukak, another village that bore the brunt of the quake, there was destruction. Streams of people walked between villages to check on loved ones.

Military tents were set up to offer sanctuary to those who had lost homes and others who were scared to sleep in their houses for fear of aftershocks.

Medical workers at a field hospital treated the hundreds injured as they were ferried in from outlying villages.

The remote area is home to Berbers, who follow a traditional, conservative culture. Most live in small villages, many of which are only reachable on foot or by mule, despite the government spending heavily on a huge road building scheme in the region.

Many houses are still made in the traditional style with baked clay and were unable to withstand the tremors.

Communities tend to rely on farming and tourism. Crates of crushed apples, freshly harvested, littered the area, while clay walls built around olive groves were turned to dust. Many areas had lost phone signals and electricity,

while roads were blocked by boulders and peppered with deep holes, underscoring the challenges rescue workers face as they battle to find survivors beneath the rubble in isolated villages.

Aid workers warn the death toll will rise as rescuers make their way to the villages and search destroyed homes.

King Mohammed VI, Morocco’s ruler, has instructed senior officials to set up a committee to organise emergency reconstruction and rehabilitation of damaged homes, and to provide aid and shelter to survivors. He also decreed three days of national mourning.

“We came out from Marrakech as soon as it was light on Saturday,” said a police officer who had joined the rescue efforts in Ouirgane. “We got to a small village . . . it was as if the mountain had fallen on it. It was completely destroyed.”

Nearby, a group of men stood on a pile of rubble that was all that remained of a neat row of clay houses. Ossama Akhraz, a neighbour, sifted through the destruction to see if anything could be salvaged.

He looked up from his work to point at a dazed teenager standing by a pile of bricks that used to be his home. “That is the son; his mother and brother were here,” said Akhraz, indicating that they had died in the quake.

As night fell, many people prepared to camp out again. Beside the local mosque, the imam laid out carpets. The mosque had big cracks running through it, so given the risks of it collapsing, the faithful gathered and the imam’s voice rang out into the mountains.

Two tented camps were set up close by, one for men and another for women.

Among the region’s homeless was Habiba, a hotel worker who rushed back from Marrakech to check on her family. She doubled over in anguish and broke down in tears as she explained that on her return to the village she discovered that her father, mother and her son were among those who had died.

She held hands with a surviving brother, who said they slept out in the cold on Saturday. A day later, they buried their mother. The bodies of her father and son were still buried beneath the rubble.

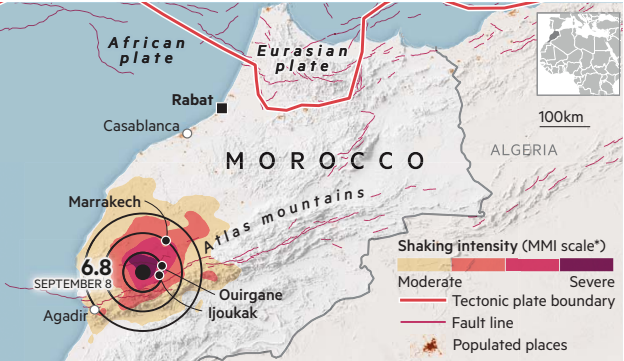
But the more immediate concern was where they would sleep. “We need a tent, some blankets and mattresses,” the brother pleaded. “We need everything.”



‘We got to a small village . . . it was as if the mountain had fallen on it. It was completely destroyed’

Rising toll: emergency workers carry the body of a woman from a collapsed building in Ouirgane in the High Atlas region — Carl Court/Getty Images

Where the earthquake struck



Sources: Ahlenius, Nordpil and Bird; USGS; European Commission; Bachmanov, Trifonov, Kozhurin and Zelenin
*Modified Mercalli Intensity scale Cartography: Steven Bernard

European defence

Nato in biggest exercise since cold war

ALICE HANCOCK — MONS

Nato is preparing its biggest live joint command exercise since the cold war next year, assembling more than 40,000 troops to practise how the alliance would attempt to repel Russian aggression against one of its members.

The Steadfast Defender exercise comes as part of Nato’s push to transform from crisis response to a fighting alliance, sparked by the invasion of Ukraine.

It will start in spring and is expected to involve from 500 to 700 air combat missions, more than 50 ships and about 41,000 troops, Nato officials said. It is designed to model potential manoeuvres against an enemy modelled on a coalition led by Russia, named Occasus for the purposes of the drill.

The exercise is also a first in terms of using real world geographical data to create more realistic scenarios.

Sweden, whose Nato bid is yet to be ratified by Turkey and Hungary, will also be included, bringing the total number of nations involved to 32.

The drill will occur across Germany, Poland and the Baltics in February and March and forms part of a new training strategy that will see the alliance stage two big exercises every year, instead of one. Nato will also train to counter terrorist threats outside its borders.

Nato secretary-general Jens Stoltenberg said in June last year that the alliance would increase the number of its high-readiness forces from 40,000 to “well over 300,000”. It forms part of a shift in the alliance towards heavy military capabilities as opposed to the light and mobile forces deployed in the Balkans and Afghanistan.

Nato leaders agreed at a summit in the Lithuanian capital Vilnius in July to new regional defence plans.



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INTERNATIONAL

Bilateral accords

US and Vietnam seal deals to deepen ties

Biden hails agreements worth billions as countries upgrade strategic relations

MERCEDES RUEHL — SINGAPORE

The US and Vietnam have agreed billions of dollars in business deals and partnerships led by companies including Boeing, Microsoft and Nvidia, after the former foes upgraded their ties in a historic shift in response to China's growing influence.

Joe Biden, US president, hailed the move to strengthen co-operation in areas including cloud computing, semiconductors and artificial intelligence

while in Hanoi on a two-day trip to mark the formal upgrading of the countries' relationship.

"We are deepening our co-operation on critical and emerging technologies, particularly around building a more resilient semiconductor supply chain," said Biden in a joint press conference late on Sunday with Nguyen Phu Trong, general secretary of the ruling Communist party of Vietnam. "We are expanding our economic partnership, spurring even greater trade and investment between our nations."

Senior executives from Google, Intel, Amkor, Marvell, GlobalFoundries and Boeing joined a Vietnam-US Innovation and Investment Summit yesterday led

by Biden, US secretary of state Antony Blinken, Vietnam's prime minister Pham Minh Chinh and investment minister Nguyen Chi Dung.

The summit was also attended by executives from Vietnamese companies, including VinFast, the electric vehicle maker whose valuation overtook those of Ford and General Motors after its Nasdaq listing last month.

The agreements unveiled are expected to be the first of a wave of investment deals between Vietnam and the US after the countries' leaders signed a "comprehensive strategic partnership" on Sunday.

The shift raised Washington two levels to the top status in Hanoi's bilateral

ties hierarchy, which was previously reserved for China, Russia, India and South Korea. Vietnam had long refrained from upgrading ties to avoid upsetting China.

In addition to significant security implications — the US views developing countries in Asia as crucial to countering China's power in the Indo-Pacific region — the upgraded ties would bring significant economic opportunities, both sides said.

Since Vietnam, which was Asia's fastest-growing economy last year, has moved from centralised economic control to a more open model, the US has become its largest export market.

Leading technology groups including

Apple, Google and Dell have expanded their presence in the country in recent years as they seek to diversify supply chains away from China.

Among the agreements announced yesterday was a \$7.8bn deal for Vietnam Airlines to buy 50 737 Max jets from Boeing, artificial intelligence projects in the country involving Nvidia and Microsoft and the construction of semiconductor design centres by California-based groups Synopsys and Marvell in Ho Chi Minh City.

The agreement also includes a new US-Vietnam chip partnership to "support resilient semiconductor supply chains for US industry, consumers and workers".

Middle East

Iran-UAE trade surges after business restrictions rolled back

SIMEON KERR — DUBAI
NAJMEH BOZORGMEHR — TEHRAN

Trade between Iran and the United Arab Emirates has risen sharply as the Gulf's commercial capital eased restrictions on business activity between the two neighbours, business people and officials say.

Executives said the UAE had in recent months rolled back limits on corporate registrations and the issuance of visas to companies from Iran, which remains subject to tough US sanctions. Iranian financiers are also exploring how to enhance bilateral trade by creating financial mechanisms to fund legitimate transactions, they added.

Flourishing trade relations between Iran and the UAE, the traditional centre for re-exports into the Islamic republic, forms part of the Gulf state's pivot towards regional de-escalation and a focus on business. This comes after a decade of muscular interventionism after the Arab spring uprisings of 2011.

"UAE foreign policy seems to have shifted towards one that is primarily driven by economic statecraft," said Afshin Molavi, senior fellow at Johns Hopkins University School of Advanced International Studies in the US, while adding that sanctions on Iran would temper this growth.

UAE diplomatic outreach to Iran since 2019, in response to attacks on international shipping around the Gulf, has been enhanced by a China-brokered breakthrough this year that re-established relations between the Islamic republic and its traditional foe Saudi Arabia. This has helped to ease a decade of cold war-style tensions between the rival Gulf powers.

The Saudi-Iranian rapprochement has raised hopes that negotiations could extend into a lasting political settlement. The release of US prisoners held in Iran could also presage talks towards a new, perhaps unofficial, agreement, with Iran to barter a reduction in sanctions for limits on its nuclear activity.

While China is Iran's premier trade partner, the UAE is the second largest. Trade between Iran and the UAE has recovered from a pandemic slump of \$11bn in 2020-21 to \$24bn in the 12 months ending in March, according to Iranian data.

The increase surpasses the \$22bn recorded in 2012 before US-led sanctions started to bite. Iranian officials have said they are now targeting a further increase in bilateral trade towards \$30bn in the next two years.

"Pressure from the UAE central bank has decreased and some Emirati banks have started opening bank accounts," said Masoud Daneshmand, a former head of Iran-UAE chamber of commerce. "Currently, some Iranian companies which used to be in the UAE but had become inactive have become active again. Some new companies have also started business."

US sanctions on Iran have created anxiety around Iran-linked transactions because of the risk of US fines. Although the UAE is keen to extend its hand to Iranian business, there are still concerns about provoking a hostile reaction from the US. Molavi said upcoming elections in the US could also "give pause to UAE investors" because of another potential swing in US policy.

North Korea. Reopening

Pyongyang slowly eases pandemic self-isolation

Nation seeks firmer ties with

Beijing and Moscow but is set

to keep many Covid-era curbs

CHRISTIAN DAVIES — SEOUL

North Korea's flag carrier returned to the skies last month for the first time in more than three years, as Air Koryo resumed flights between Pyongyang and Beijing and the eastern Russian city of Vladivostok.

The flights, which allowed North Korean citizens sent abroad before the pandemic to return home, came as satellite imagery showed road passenger transport across the Yalu river that separates North Korea and China had also picked up.

Even Kim Jong Un himself is preparing to make his first trip abroad since 2019, travelling to Vladivostok this week to meet Russian President Vladimir Putin and discuss weapons sales to Moscow, US officials have said.

North Korea is embarking on a belated reopening from some of the most stringent Covid-19 restrictions in the world, ending a years-long period of self-imposed isolation that was unprecedented even by the reclusive regime's standards.

The reopening will help replenish state coffers and strengthen diplomatic engagement with neighbours Russia and China. But experts said any loosening was likely to be cautious and narrowly defined as the regime sought to keep many of its pandemic-era controls.

"The surveillance and control instituted by Kim Jong Un in response to the pandemic will be dismantled only partially, selectively and gradually," said Andrei Lankov, a North Korea expert at Kookmin University in Seoul.

Kim reacted quickly to the emergence of coronavirus in early 2020, sealing borders, tightening restrictions on internal movement and ejecting most foreign diplomats and aid workers.

Pyongyang also built more fences, barricades and electronic surveillance along its once relatively porous border with China, which Chinese authorities mirrored. "The pandemic also gave Kim a pretext to institute measures he would have liked to have carried out anyway, in a way that he could justify internationally and domestically," said Lankov.

North Korea, which never instituted a vaccination programme, declared "victory" over the virus in August last year. The following month, it started to allow



Back in the air: a queue for an Air Koryo flight to Pyongyang at Beijing's Capital International Airport last month. Below, Kim Jong Un

Ichiro Ohara/The Yomiuri Shimbun



a limited number of freight transports from China through disinfection hubs.

But as the regime begins to reintegrate thousands of citizens who spent the pandemic exposed to foreign ideas and practices, it will look to restrict the flow of information to minimise threats.

Hyun-seung Lee, a former North Korean businessman who operated in the Chinese port city of Dalian before his defection in 2014, said returning overseas workers were normally subjected to "two or three months of ideological indoctrination and re-education".

Lee predicted: "They may be required to report everything they have seen and heard over the past three years, and to report on each other."

But Lankov said workers and students sent abroad by the regime were unlikely to prove a destabilising force given their status in the hierarchy.

"These are often extremely well-paid members of the labour aristocracy," he said. "Their indoctrination sessions will remind them . . . [of] the importance of keeping their mouths shut."

On Wednesday, South Korean president Yoon Suk Yeol urged Asian leaders not to take more overseas North Korean

workers, which he said helped raise foreign currency to fund Pyongyang's nuclear weapons programme.

As for North Korean refugees detained as "illegal migrants" in China, last month, human rights groups wrote to the Office of the UN High Commissioner for Human Rights expressing alarm that Beijing was set to restart forced repatriations of up to 2,000 North Koreans.

Meanwhile, the routes for escape have tightened. Su Bobae, at the Database Center for North Korean Human Rights in Seoul, said China's deployment of facial recognition and biometric technologies had made it harder for North Koreans to cross a border. "It will be difficult to secure useful testimonies or information from defectors who can vividly explain the current situation in North Korea," said Su.

Analysts warned that Kim's border closures would also stifle the trade and smuggling networks that underpinned North Korea's informal economy before the pandemic and eased food shortages.

The regime admitted in 2021 that the country had a "food crisis" as it faced border closures, international sanctions and a poor harvest. A UN report this

'The pandemic gave Kim [Jong Un] a pretext to institute measures he would have liked to have carried out anyway'

year estimated hundreds of thousands of North Korean children were malnourished. Go Myong-hyun, at the Asan Institute for Policy Studies in Seoul, said satellite imagery and agricultural output trade data suggested "many [North Koreans] are now likely to be starving".

He noted that after reasserting state control over the grassroots market, Kim would seek to raise funds through state-run activities such as Chinese tourism, obtained within closed resorts.

While Pyongyang has begun to resume diplomatic contact with Beijing and Vladivostok, it has not welcomed back western diplomats or aid workers. Lankov added that Kim's reopening strategy means "fewer westerners".

"In the past, westerners were tolerated [as] a source of aid and investment," said Lankov, arguing that Kim had been given more room for manoeuvre by geopolitical tensions between China, Russia and the west.

Rachel Minyoung Lee, at the Open Nuclear Network in Vienna, noted: "Kim's message is that defence must come first, even if that means citizens continuing to tighten their belts."

Additional reporting by Kang Buseong

Obituary

Polarising prince who played kingmaker in South Africa

Mangosuthu Buthelezi

Inkatha Freedom Party leader
1928-2023



Mangosuthu Buthelezi, the Zulu prince, nationalist leader and kingmaker who has died age 95, played a polarising role in South Africa's transition from apartheid. Buthelezi was the traditional prime minister to three generations of Zulu kings but arguably the figure who dominated the Zulu nation as founder of the Inkatha Freedom Party.

His death coincided with the annual traditional Zulu reed dance, one of the institutions buttressing the monarchy Buthelezi remade. Last year, he played a crucial role in elevating King Misuzulu kaZwelithini.

Many in South Africa view Buthelezi as a figure who threatened to boycott 1994's first democratic election until relenting days before the vote, the culmination of decades of rivalry with the African National Congress and the IFP.

Buthelezi said an accord with Nelson Mandela and FW de Klerk, apartheid's last leader, for the IFP to join the post-apartheid poll might have saved South Africa "from disastrous consequences of unimaginable proportions".

But by that point, his Inkatha loyalists had already fought a bloody civil war in all but name against the ANC and the anti-apartheid United Democratic Front as the white minority regime crumbled in the 1980s. Thousands died. The IFP "sought and received training and arms from the security forces,

which aided it in forming death squads", according to the post-apartheid Truth and Reconciliation Commission.

"Although I have not orchestrated one single act of violence against one single victim of the political violence that has cost us many lives, as the leader of the Inkatha Freedom party, I know that the buck stops in front of me," Buthelezi told the commission in 1996. The IFP has always denied it instigated violence. "History attests to Buthelezi's progressively strained relationship with the ANC, exacerbated by the hostile political climate of the era," the ANC said on Saturday, acknowledging the "horrific bloodshed" in the 1980s and 1990s.

"But the ANC recognises his contribution to the liberation struggle and the post-apartheid political environment."

Born in 1928 to a mother who was granddaughter of King Cetshwayo, who fought and lost against the British in the Anglo-Zulu war of 1879, Buthelezi was marked out to be a royal powerbroker. As clan chief, he took the role of royal premier in the 1950s to King Cyprian Bhhekuzulu and loomed large over the reign of Cyprian's successor, Goodwill Zwelithini, until his death in 2021.

Buthelezi formed early links with the ANC against apartheid, but later rejected its methods of armed struggle and pursuit of sanctions, seeking instead concessions from within the system.

He agreed to head KwaZulu, one of the "bantustan" or "homeland" statelets created by the apartheid regime, but added he opposed the "Balkanisation" of South Africa's body politic. Before his murder in 1977, the activist Steve Biko attacked Buthelezi's decision to accept the homelands while still posing as a critic of the regime.

In 1978, Buthelezi was chased from the funeral of the anti-apartheid leader Robert Sobukwe, his contemporary, amid mounting tensions.

With the advent of democracy, Buthelezi served as home affairs minister in Mandela's government after 1994. As acting president in 1998, he launched an invasion of Lesotho, surrounded by South Africa, to crush a rebellion. It remains a controversial episode.

At apartheid's end, Buthelezi also secured the formation of the Ingonyama Trust, which now owns vast traditional lands in KwaZulu-Natal province, officially on behalf of the king. In latter years, the trust has been mired in corruption scandals and power battles. Buthelezi portrayed himself as an elder statesman but there were also reports of rifts between him and the new king.

The party he stepped back from in 2019 is the fourth-biggest party in South Africa's national assembly, and will play a key role in potentially knife-edge elections for the ANC in 2024. Joseph Cotterill

Energy supply

Europe's solar industry warns of risks from Chinese imports

ALICE HANCOCK — BRUSSELS

Europe's solar power industry has warned that a glut of cheap Chinese imports has pushed some manufacturers to the brink of bankruptcy, hampering the EU's efforts to boost local production of green technologies.

SolarPower Europe, a trade group for the industry, wrote to the European Commission yesterday saying that soaring stockpiles and "fierce competition" among Chinese manufacturers to gain market share in Europe had pushed down the prices of solar modules by more than a quarter on average since the beginning of the year.

"This is creating concrete risks for companies to go into insolvency as their significant stock will need to be devalued," the letter said.

Norwegian Crystals, a producer of the ingot used in solar cells, had already filed for bankruptcy last month, it added. NorSun, another Norwegian solar company, this month said it would

suspend production until the end of the year.

The EU is hoping that solar power will become the biggest generator of energy within the bloc as it tries to reach a target of having 45 per cent of energy generated by renewables by 2030 — a goal set to be voted on by the European parliament this week.

But China's dominance of the solar supply chain means that Chinese products account for about three-quarters of the bloc's solar power imports.

The EU has already sought to limit unfair competition from China by placing tariffs on Chinese imports in 2012, after Beijing ploughed massive subsidies into its solar industry. However, the bloc lifted them again in 2018 in an effort to boost installations of renewable energy, just a year before the commission declared that China was a "systemic rival".

A spokesperson for the commission did not immediately respond to a request for comment.

Companies & Markets

Strong demand for Arm leads banks to close orders early

- Books to shut today on Nasdaq IPO
- SoftBank in line for potential \$4.9bn

ARASH MASSOUDI AND IVAN LEVINGSTON — LONDON

The banks underwriting Arm’s \$50bn listing will close orders for shares a day earlier than planned due to strong demand for the biggest initial public offering in nearly two years.

People familiar with the matter said the IPO for the UK-based chip designer, which is more than five times oversubscribed, will close today, instead of tomorrow as previously intended.

They added that shares in Arm were still expected to be priced tomorrow, and could land towards the top end of the initial range of \$47 to \$51 a share — or even higher.

At the top end of the range, the IPO would raise \$4.9bn for Arm’s parent

Demand for the chip designer’s shares has held up in spite of concerns about profits and China

SoftBank and value the company at \$54.5bn, on a fully diluted basis. The people warned yesterday that the price was still to be set.

Arm declined to comment. Strong demand from investors for Arm’s listing has helped to crack open the window for listings in the US after a dearth of such deals this year, encouraging other companies to pursue a public offering.

Yesterday, the San Francisco-based ecommerce company Instacart announced its price range for an IPO that would raise up to \$616mn.

On a fully diluted basis, if all stock options and other rights are exercised, the IPO would value Instacart at up to \$9.3bn, less than a quarter of its private valuation two years ago. Marketing automation company Klaviyo also

announced its IPO pricing yesterday. It said it would sell 19.2mn shares at a range of \$25 to \$27 a share. This would value the company at up to \$6.3bn. It was last valued at \$9.5bn.

Arm’s current owner, SoftBank, plans to sell about 10 per cent of its stake in the company via a Nasdaq listing. It had originally hoped the deal would value Arm at as much as \$70bn.

Despite reporting flat sales in its most recent financial year, Cambridge-based Arm has forecast accelerating revenue growth boosted by the artificial intelligence boom.

Demand for its shares has held up in spite of some investors’ concerns about a drop in profits in Arm’s most recent quarter and the company’s exposure to multiple risks in China.

Arm’s core market of smartphone chips has stagnated this year but it is hoping for growth from artificial intelligence and data centre customers, despite playing only a peripheral role in the technology required to build the kinds of large language models that power ChatGPT and other generative AI systems.

“AI is going to be everywhere and it all runs on Arm,” Rene Haas, the SoftBank-owned chip designer’s chief executive, told prospective investors in a pitch video seen by the Financial Times.

SoftBank, which paid \$32bn to acquire Arm in 2016, will still own 90.6 per cent of the company following the listing. Cornerstone investors include Apple, Google, Nvidia, Samsung, Intel and TSMC.

The IPO is being sold by a consortium of 28 banks, including Goldman Sachs, JPMorgan Chase and Mizuho. Raine Group — a boutique investment bank with ties to SoftBank and whose co-founder, Jeffrey Sine, sits on Arm’s board — is lead adviser on the deal. **Instacart to test appetite** page 6

Power failure Pratt & Whitney engine recall hits RTX with \$3bn third-quarter charge



The US group disclosed in July that 1,200 engines would need to be inspected earlier — Nathan Laine/Bloomberg

STEFF CHÁVEZ — CHICAGO SYLVIA PFEIFER — LONDON

Hundreds of aircraft worldwide will be grounded over the next few years due to issues with Pratt & Whitney engines, in a \$3bn hit to parent RTX and a setback for airlines struggling to meet soaring travel demand.

The US aerospace and defence group, formerly known as Raytheon, said P&W will recall 600-700 engines from 2023 until end-2026, leading to the grounding of an average of 350 aircraft a year.

RTX said it would post a charge of up to about \$3.5bn in the third quarter, mostly due to compensating its customers, and \$1.5bn less in free cash flow in 2025, a greater hit than it initially signalled in July.

The Arlington, Virginia-based company now expects full-year sales of \$67.5mn to \$68.5bn compared with \$67.1bn in 2022. It had raised guid-

ance in July for sales between \$73bn and \$74bn.

Shares in RTX, which have been declining since it disclosed the metal issue in July, were down almost 7 per cent in morning trading in New York.

The group disclosed in July that contaminants in the powdered metal used to make its PW1100G-JM geared turbofan engines installed in Airbus aircraft meant that 1,200 engines would need to be inspected earlier than expected.

The metal issue could cause cracks in the high-pressure turbine discs during manufacturing, and the company “found cracks that were larger than we had anticipated”, the company’s chief operating officer Chris Calio told analysts yesterday.

Greg Hayes, chief executive, described the disruption as “frustrating” adding it will “have a significant impact on our customers, on our partners and on RTX”. Once each engine is

removed from the wing of an A320neo narrow-body jet, it will take an average of 250 to 300 days for the plane to be returned to its airline.

Calio warned that the engine inspections and any replacements “will create more congestion” in the company’s maintenance, repair and overhaul network, which have already delayed turnaround times because of trouble getting materials.

RTX said its “plan currently is to continue to meet our commitments to Airbus” with new engine and spare parts deliveries.

The fallout from the issue, however, could yet hamper Airbus’s plans to raise output of its A320 family over the next two years.

The European group said yesterday it remained in “constant dialogue” with P&W and its customers, and that it did not expect an impact on its “2023 deliveries nor on our 2024 ramp-up plan”.

Norway’s \$1.4tn oil fund becomes top UBS investor

OWEN WALKER — LONDON

Norway’s \$1.4tn sovereign wealth fund has become the biggest shareholder in UBS, as the Swiss lender tries to win over international investors to the benefits of its historic takeover of Credit Suisse.

Norges Bank Investment Management, which runs the world’s biggest sovereign wealth fund, increased its stake in UBS to more than 5 per cent this month, having been a shareholder in the group for almost 20 years.

UBS executives have come under pressure over the past six months to prove to investors they can make a success of the \$3.4bn state-orchestrated rescue of former rival Credit Suisse. Many big fund managers are focused on how well UBS negotiates a complex integration process and how early it restarts shareholder returns.

NBIM — already a top-10 UBS shareholder — has overtaken US investors Dodge & Cox and BlackRock to become the largest investor, claims S&P Capital IQ. NBIM was also a top-10 investor in Credit Suisse when it collapsed in March, but was selling down its stake.

At Credit Suisse’s final annual meeting in April, NBIM voted against most of the board and the chair, Axel Lehmann, saying: “Shareholders should have the right to seek changes to the board when it does not act in their best interest.”

After the takeover was agreed, Nicolai Tangen, chief executive of NBIM, told Swiss publication Finews: “The Swiss government took the right steps to rescue Credit Suisse. In doing so, it prevented an uncontrollable situation in the Swiss financial centre and beyond.”

Since he became UBS chair 18 months ago, Colm Kelleher has focused on winning over large, mainly American, active fund managers to close the bank’s valuation gap with Wall Street peers.

While Switzerland-listed UBS trades at just over one times its book value, Morgan Stanley — where Kelleher spent most of his career — trades at twice that.

Senior executives at UBS believe that the bank is seen by investors as Europe-focused, while Wall Street rivals benefit from being listed on the more widely traded US stock market.

Since UBS agreed to rescue Credit Suisse, its shares have risen more than 30 per cent.

UBS and NBIM declined to comment. **Additional reporting, Richard Milne in Oslo Credit Suisse departure** page 6

US lenders in China are no longer immune to geopolitical rivalry

INSIDE BUSINESS FINANCE

Patrick Jenkins



There was a time not that long ago when foreign banks in China were prospering in spite of the growing tensions between Beijing and the west. The beginnings of today’s hostile geopolitics had come to the fore by the autumn of 2020 — the language of decoupling and cold war II had been forged. Yet the financial services and professional services sectors had seemed strangely immune to the new permafrost.

That exceptionalism is clearly waning, US officials and bankers say. The clearest evidence has been the freezing out of US consultancies, in particular the April raid on Bain & Company.

It is surprising that this hasn’t happened sooner. Ever since sanctions were imposed on Russia after the country’s invasion of Ukraine, Russian banks were frozen out of dollar-based international financial markets. The backlash has seen large parts of the world become increasingly angry about the weaponisation of the dollar. China and other Brics countries have been explicit about wanting to challenge dollar supremacy.

Anecdotal accounts suggest western banks in China, though not yet the subject of open hostility, may soon become so. “Go back a year or two and US banks were being actively courted,” says one senior US diplomat. “Then Bain hap-

pened. I think US banks will suffer next.”

Last week came news that could spur that financial decoupling. The Financial Times reported that Chinese banks had suddenly become some of the biggest foreign financiers of Russian banks — taking the place of western institutions restricted by sanctions and regulatory pressure.

The Industrial and Commercial Bank of China, Bank of China, China Construction Bank and Agricultural Bank of China in aggregate nearly quintupled Russia exposure to \$10bn in the 14 months to March, denominating lending in renminbi, not dollars. It is unclear whether they are then using their easy access to dollars, through reserves and commercial relationships with western banks, to convert the currency.

Either way it will raise new questions for US and European banks that do business in China. “Western banks will be rethinking their own China risk appetite,” said one senior banker, pointing to three potential areas of concern in their dealings with Chinese banks: cash management and clearing; investment banking; and lending.

If bank risk committees are not proactive in re-examining this and other risks from China’s more belligerent attitude to western interests, they will be nudged by regulators and policymakers.

This will be particularly relevant for big US banks as well as the likes of Standard Chartered and HSBC — probably the most hamstrung western institution given how crucial greater China is to its global business.

The Chinese banks’ rise in Russia

Anecdotal accounts suggest western banks in China, though not yet the subject of open hostility, may soon become so

should not obscure another troubling fact revealed by the Kyiv School of Economics data: they remain smaller players in the country than several western banks. Austria’s Raiffeisen and Italy’s UniCredit remain the two biggest financiers, according to the KSE.

Despite the banks’ claims that they are seeking to withdraw, regulators say more effort is needed: any bank that lends to Russia is de facto funding the war against Ukraine. Raiffeisen disputes the KSE data and says its Russian assets are down by a third since the war began. It says it is committed to shrinking the business or selling it. UniCredit did not respond to a request for comment.

Citigroup also retains substantial Russian exposure. Although the tally is down 30 per cent, it retains the third-largest international exposure to Russia, ahead of China’s ICBC, according to the KSE. The bank says it is not funding Russian banks. And it stresses the exposure relates to local dividends that cannot legally be distributed, and client custody balances that cannot legally be abandoned. It is winding down its consumer business, having been thwarted in an attempt to sell it.

Assuming that western banks continue the withdrawal trend and China’s banks fill the gap, the Sino-Russia axis will only be further strengthened. But it will certainly not aid recent efforts by the US to drop the talk of decoupling from China and staff off a fracturing of the global economy. And it may also backfire for President Xi Jinping’s long-held ambitions to internationalise the renminbi. “The more that China cosies up with Russia,” says a former HSBC executive, the more the west is unlikely to take up the renminbi. “They’re just going up a cul de sac.”

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Legal Notices

UNITED STATES BANKRUPTCY COURT, DISTRICT OF DELAWARE	
In re: iMedia Brands, Inc., et al.’s Debtors.	Chapter 11 Case No. 23-10852 (KBO) (Jointly Administered)
NOTICE OF BAR DATES FOR FILING PROOFS OF CLAIM AND REQUESTS FOR PAYMENT	
THE GENERAL BAR DATE IS OCTOBER 13, 2023 AT 4:00 P.M. PREVAILING EASTERN TIME.	
PLEASE TAKE NOTICE OF THE FOLLOWING:	
Entry of the Bar Date Order. On September 5, 2023, the United States Bankruptcy Court for the District of Delaware entered for the filing of proofs of claim (“Proofs of Claim”) and each a “Request for Payment” in the chapter 11 cases (the “Chapter 11 Cases”) of the above-captioned debtors and debtors in possession (collectively, the “Debtors”). The table below lists the respective case number for each Debtor: DEBTOR, CASE NO.: iMedia Brands, Inc., 23-10852 (KBO); ValueVision Media Acquisitions, Inc., 23-10851 (KBO); ValueVision Interactive, Inc., 23-10853 (KBO); Portal Acquisition Company, 23-10854 (KBO); VVI Fulfillment Center, Inc., 23-10855 (KBO); ValueVision Retail Inc., 23-10856 (KBO); JWH Acquisition Company, 23-10857 (KBO); PW Acquisition Company, LLC, 23-10858 (KBO); EP Properties, LLC, 23-10859 (KBO); FL Acquisition Company, 23-10860 (KBO); Norwell Television, LLC, 23-10861 (KBO); 867 Grand Avenue, LLC, 23-10862 (KBO).	
EXCEPT AS TO CERTAIN EXCEPTIONS EXPLICITLY SET FORTH IN THE BAR DATE ORDER, ANY PERSON OR ENTITY WHO FAILS TO FILE A PROOF OF CLAIM OR REQUEST FOR PAYMENT ON OR BEFORE THE APPLICABLE BAR DATE SHALL BE: (1) FOREVER BARRED FROM ASSERTING THAT CLAIM (OR FILING A PROOF OF CLAIM OR REQUEST FOR PAYMENT WITH RESPECT TO THAT CLAIM) AND (2) BARRED FROM RECEIVING ANY DISTRIBUTION OR VOTE IN THESE CHAPTER 11 CASES ON ACCOUNT OF THAT CLAIM.	
Who Must File a Proof of Claim. Pursuant to the Bar Date Order, all persons and entities, including individuals, partnerships, estates, and trusts, but not including governmental units (as defined in section 101(27) of the Bankruptcy Code) (“Governmental Units”), who have a claim or potential claim against the Debtors that arose on or before June 28, 2023, no matter how remote or contingent such right to payment or equitable remedy may be, including holders of claims allowable under section 503(b)(9) of the Bankruptcy Code, MUST FILE A PROOF OF CLAIM on or before October 13, 2023 at 4:00 p.m. prevailing Eastern Time (the “General Bar Date”). For claims held by governmental entities, this date shall be December 26, 2023 at 4:00 p.m. prevailing Eastern Time (the “Governmental Bar Date”).	
Who Must File a Request for Payment. Pursuant to the Bar Date Order, all persons and entities, including individuals, partnerships, estates, trusts, but not Governmental Units who have administrative claims pursuant to section 503 of the Bankruptcy Code arising between the Petition Date (as defined below) and August 31, 2023 (the “Administrative Claims Deadline”), excluding (i) claims for professional fees and expenses in these proceedings; (ii) claims arising under section 503(b)(9) of the Bankruptcy Code against any of the Debtors; and (iii) claims for which Governmental Units are exempt from filing Requests for Payment pursuant to section 503(b)(1)(D) of the Bankruptcy Code. MUST FILE A REQUEST FOR PAYMENT on or before October 13, 2023 at 4:00 p.m. prevailing Eastern Time (the “Administrative Claims Bar Date”).	
Filing a Proof of Claim. Each original Proof of Claim, including supporting documentation, must be filed so as to be actually received by the Debtors’ notice and claims agent, Stretto, Inc. (“Stretto”) on or before the General Bar Date or the Governmental Bar Date (or, where applicable, on or before any other Bar Date set forth in the Bar Date Order) (i) via the electronic filing interface available at https://cases.stretto.com/iMediaBrands/filing-a-claim or (ii) by United States mail or other hand delivery system at the following address: For First Class Mail or Overnight Mail to: iMedia Brands, Inc., et al. Claims Processing, c/o Stretto, 410 Exchange, Suite 100, Irvine, CA 92602. PROOFS OF CLAIM SUBMITTED BY FACSIMILE OR ELECTRONIC MAIL WILL NOT BE ACCEPTED.	
Filing a Request for Payment. Each Request for Payment must be filed with the Court and served on the Debtors on or before the Administrative Claims Bar Date. Requests for Payment should not include an objection deadline or be set for hearing. Requests for Payment must specify by name and case number of the Debtor(s) against which the Claim is filed, but all Requests for Payment must be filed with the Court in Case No. 23-10852 (KBO).	
Contents of Proofs of Claim. Subject to the Bar Date Order, each Proof of Claim must: (i) be written in English; (ii) include a claim amount denominated in United States dollars and to the extent such claim is converted to United States dollars, the conversion rate used in such conversion; (iii) clearly identify the Debtor against which a claim is asserted; (iv) conform substantially to Official Form 410; (v) be signed by the holder of the claim or by an authorized agent of the holder of the claim (and the Proof of Claim bearing the original signature must be the form filed); and (vi) include as attachments any and all supporting documentation on which the claim is based.	
Contents of Requests for Payment. Each Request for Payment must: (i) be written in English; (ii) include a claim amount denominated in United States dollars and to the extent such claim is converted to United States dollars, the conversion rate used; (iii) clearly identify the Debtor against which the Request for Payment is being sought; (iv) be signed by the holder of the claim or by an authorized agent of the holder of the claim; (v) not include an objection deadline or be set for hearing; (vi) be filed with the Court in Case No. 23-10852 (KBO); and (vii) include as attachments any and all supporting documentation on which the claim is based.	
Additional Information. If you have any question regarding the claims process and/or if you wish to obtain a copy of the Bar Date Order (which contains a more detailed description of the requirements for filing Claims Forms), a Proof of Claim Form, or related documents, you may do so by (i) visiting the website of the Debtors’ notice and claims agent, Stretto, at https://cases.stretto.com/iMediaBrands , (ii) calling Stretto at (855) 794-3801 (US & Canada tollfree) or +1 (949) 340-0398 (International), or (iii) inquiring via email at MediaInquiries@stretto.com . Please note that Stretto cannot advise you on how to file, or whether you should file, a Proof of Claim.	
The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor’s federal tax identification number are: ValueVision Media Acquisitions, Inc. (8670); iMedia Brands, Inc. (3770); ValueVision Interactive, Inc. (8730); Portal Acquisition Company (3403); VVI Fulfillment Center, Inc. (5552); ValueVision Retail Inc. (2155); JWH Acquisition Company (3109); PW Acquisition Company, LLC (0154); EP Properties, LLC (5951); FL Acquisition Company (3026); Norwell Television, LLC (6011); and 867 Grand Avenue, LLC (3462). The Debtors’ service address is 6740 Shady Oak Road, Eden Prairie, MN 55344-3433.	

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COMPANIES & MARKETS

Banks

Former BoI chief to leave Credit Suisse

McDonagh's departure is among the biggest since Swiss rival UBS's takeover

OWEN WALKER
EUROPEAN BANKING CORRESPONDENT

Former Bank of Ireland chief executive Francesca McDonagh is leaving her role at Credit Suisse in one of the biggest departures since UBS completed the takeover of its ailing rival in June. McDonagh, who joined Credit Suisse as chief operating officer a year ago, missed out on a big role at UBS over the summer. Her exit was announced yesterday

morning in an internal memo seen by the Financial Times. People with knowledge of the situation added that McDonagh had agreed to join another unnamed company as chief executive in a role that will begin in January. She was under early consideration for the chief executive job at NatWest after the departure of Alison Rose, the FT reported last month. NatWest last week announced it had appointed former Mastercard boss Rick Haythornthwaite as chair and he will lead the process of recruiting a CEO when he starts in January. McDonagh was originally hired by Credit Suisse to run Europe, the

Middle East and Africa but before starting was promoted to chief operating officer. In that role, she was responsible for

'I am very appreciative of her leadership . . . and the energy she brought to the executive board'

starting a wide-ranging cost-cutting programme at the bank. After UBS agreed to rescue Credit Suisse in March, she oversaw preparation for the integration of the banks in the run-up to the deal being completed in June.

"I am very appreciative of her leadership, partnership, focus and the energy she brought to the executive board during a period of challenge and change," wrote Credit Suisse chief executive Ulrich Körner in the staff memo released yesterday. Credit Suisse is being run as a separate subsidiary within UBS until the pair are legally combined next year, at which point Credit Suisse customers will transfer to UBS. McDonagh had been chief executive of BoI, the country's biggest lender, for five years when she announced her surprise departure last year. She had been a critic of Ireland's cap on bank executive pay, which was intro-

duced following the financial crisis, when the country's two biggest banks — including BoI — were bailed out by the government. Within hours of the deal completing in June, UBS announced five senior Credit Suisse executives would be leaving, including Dixit Joshi, chief financial officer, Markus Diethelm, general counsel, Edwin Low, head of the Asia-Pacific region, David Miller, co-head of the investment bank, and Ken Pang, co-head of markets. UBS's integration of former rival Credit Suisse is expected to lead to thousands of job cuts, with 3,000 redundancies in Switzerland already announced.

Financials

SocGen and Brookfield unite to launch €10bn private credit fund

SARAH WHITE — PARIS

Société Générale and Brookfield Asset Management are to team up for a €10bn fund in the fast-growing, private credit market as the French bank's chief executive Slawomir Krupa looks to shake up the lender.

The groups said the fund, to launch with €2.5bn in capital, would grow to €10bn over the next four years. It would target renewable energy and transport companies as well as the finance sector, SocGen and Brookfield said.

The move follows a big expansion of private credit markets as rising interest rates push up borrowing costs and hamper access to bank loans for some small and mid-sized companies. Large hedge funds have been increasing their presence in the \$1.5tn sector, which had already developed strongly as an alternative to bank loans, partly due to tightening financial regulation. For SocGen, the tie-up marks a shift under Krupa after the French lender gradually exited its asset management operations in recent years. It ended its involvement with the asset manager Amundi when it was listed in 2015, leaving rival bank Crédit Agricole as the controlling shareholder. It sold most of its Lyxor operations to Amundi in 2021. Krupa, who is set to unveil the pillars

Investment managers have flagged a 'golden moment' for private credit in recent months

of his new strategy next week, took the reins at SocGen after 15 years of Frédéric Oudéa's tenure, with pressure to try to lift the bank's shares after years of relative underperformance compared with peers. The company's shares have never recovered to the levels reached before the 2008 financial crisis and a rogue trading scandal the same year. The former head of SocGen's investment bank and a veteran of the lender, Krupa is expected to take a slightly different tack, including with some of the partnerships he is forging. He has close relationships with a number of large New York-based fund managers after a period working in the city, say people close to him, including Brookfield's chief executive Bruce Flatt. In November last year, when Krupa was already chief executive-in-waiting, SocGen agreed to merge its equities research and cash equities business with US investment company AllianceBernstein, in a deal he also shepherded. In the new private credit partnership, SocGen and Brookfield said they would provide "investment-grade financing options". They said they would combine their expertise, including the bank's capabilities in assessing and approving loans and the asset manager's in marketing the products to end investors. SocGen and Brookfield said the fund was expected to meet the needs of insurance companies for investment-grade products. Investment managers such as Blackstone flagged a "golden moment" for private credit in recent months, including in the US as regional banks pull back on some of their lending. But that has prompted calls for more oversight of the industry. In the EU, member states are looking at new legislation with some restrictions on the amount of borrowed money that private debt funds can invest.

Automobiles. Wage demands

Detroit stand-off spells trouble for Biden

Deadlocked talks between car industry and union create flashpoint for US president

CLAIRE BUSHEY — CHICAGO

Auto workers and the top three Detroit carmakers are hurtling towards a strike that could deliver a multibillion-dollar blow to the US economy and complicate Joe Biden's re-election campaign. Two months into bargaining and the United Auto Workers and manufacturers remain far apart on how much the 150,000 autoworkers at Ford, General Motors and Stellantis should be paid. The current contract expires at 11.59pm on Thursday, raising the possibility the UAW could launch a strike against one, two or all three carmakers. It has never taken strike action against all three in its 88-year history.

A 10-day strike against them all has the potential to cause a \$5bn economic loss, says Michigan consultancy Anderson Economic Group. It also could create problems for Biden, who has touted his pro-labour credentials, by forcing him to publicly pick a side in a dispute.

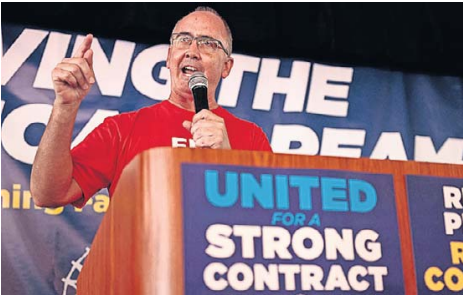
"This whole thing is going to be a mess," said John Truscott, a Republican strategist in Michigan. "President Biden has to be very careful in how he approaches this. He has been very supportive of labour but, if this stretches out, he's going to own it as far as the economic impact."

Presidential politics, the auto industry's shift towards electric vehicles and a new, outspoken leader at the UAW have made this year's negotiations between the union and carmakers unusually tense. The UAW has proposed raising workers' wages by 46 per cent over four years, reinstating cost of living adjustments and ending the two-tiered employment structure that privileges longtime employees.

Pay for UAW employees starts at \$16.67 per hour for temporary workers and tops out at \$32.32 per hour, according to Kristin Dziczek, a policy adviser at the Federal Reserve Bank of Chicago. (At 40 hours a week, that ranges from \$35,000 to \$67,000 a year.) Labour costs per employee, including all compensation, statutory costs and retiree benefits, are estimated at \$66 per hour. The Detroit Three's share of the US auto market has fallen from 67 per cent in 1999 to 39 per cent today. Autoworkers made significant concessions during the global financial crisis and the bankruptcies that followed at GM and Chrysler, now known as Stellantis. They went



Standing firm: United Auto Workers members rally in Detroit last week. Below, UAW president Shawn Fain — Bill Pugliano/Getty Images; Jeff Kowalski/AFP via Getty Images



on strike in 2019 against GM for nearly six weeks, costing the company \$3.6bn. The three carmakers have proposed, over the life of the contract, pay increases ranging from 9 to 14.5 per cent, with one-off payments that range from \$10,500 to \$12,000. Ford and GM also offered lump sum payments equal to 6 per cent of wages. The UAW has pointed to carmakers' profits to support their demands for higher pay. Ford, Stellantis and GM have booked a combined \$161bn in net income in the past decade. UAW president Shawn Fain said on Friday in a video that "while the Big Three executives and shareholders got rich, UAW members got left behind". These negotiations, unlike in the past,

have largely been conducted in public, which can lock both sides into their positions, said Marick Masters, a labour relations professor at Michigan's Wayne State University. The union also has filed unfair labour practice charges against the companies with the National Labor Relations Board. "It will take an extraordinary turn of events to avoid a strike at this point," he said. Biden said last week he did not think a strike would happen, prompting Fain to reply: "He must know something we don't know." White House press secretary Karine Jean-Pierre said on Thursday that the president is "an optimist" who "believes in collective bargaining . . . In some of the most contentious situations, we've seen it work." Biden calls himself "the most pro-union president" Americans have seen, and his appointees to the NLRB, a federal agency that protects workers' rights, have resulted in a pro-labour majority. Still, he has spent his career as a centrist, and the typical presidential script for strikes is neutrality coupled with warnings about harm to consumers, said Jason Kosnoski, a professor who studies politics and labour at University of Michigan-Flint. Only 11 per cent of the US workforce is unionised but inequality and stagnant wage growth have contributed to a surge

'This whole thing is going to be a mess. Biden has to be very careful in how he approaches this'

of enthusiasm for unions, particularly among the young. This has made it "very difficult for the president to figure out how to go down the middle of the road", Kosnoski said. Fain said on Wednesday that Biden will need "to pick a side". Michigan is a critical battleground state that voted for former president Donald Trump in 2016 and Biden four years later. It also has a seat in the finely balanced US Senate up for grabs in 2024. If Biden sides against the union it could discourage the state's conservative-leaning Democrats from voting, Kosnoski said, as well as depress youth turnout nationwide. If the UAW secures a good deal for members and Biden supports it, he could benefit, said Susan Demas, a former Democratic strategist who is now editor of the non-profit news site Michigan Advance. So far the UAW has withheld its endorsement in the presidential race. But Fain has shown he is unafraid of confrontation, she said. "If he doesn't feel the president is in their corner enough, that could create a pretty damaging rift in the Democratic party with one of its core constituencies, which is something that President Biden does not need going into 2024." Additional reporting by Lauren Fedor in Washington See Lex

Technology

Instacart tests appetite for VC-backed IPOs

GEORGE HAMMOND — LONDON
TABBY KINDER — SAN FRANCISCO

Instacart has set a price range for its initial public offering that values the online grocery delivery company at up to \$9.3bn, less than a quarter of the private valuation it enjoyed two years ago, in a litmus test for new tech listings.

The San Francisco-based ecommerce company is being watched closely by other private tech groups and their investors who believe it could trigger a wave of IPOs at far lower equity valuations than those paid by venture capitalists in an industry-wide boom during the coronavirus pandemic. Instacart announced yesterday that it would offer 22mn shares, or 8 per cent of the company's stock, at a range of \$26 to \$28 a share. This would raise up to \$616mn and value the company at between \$7.17bn and \$7.73bn. Shares are expected to begin trading next week. On a fully diluted basis, if all stock

options and other rights are exercised, the IPO would value the company at up to \$9.3bn. This price range is bruising for VC groups that bought \$265mn worth of shares in the company based on a \$39bn valuation in 2021. The Instacart offering, which will begin its investor roadshow this week, is one of the first tests of investor sentiment for VC-backed tech start-ups on public markets in about two years. It comes as a window for IPOs has been opened by British chip designer Arm, which will list this week at an expected valuation of up to \$52bn, making it the largest listing of the year. Many VC companies see Instacart as a better barometer of Wall Street's appetite for tech listings than Arm, which is a mature and profitable business. "[Instacart] would be a good indicator of what public-market investors are looking for," said Kyle Stanford, lead analyst at private market data company PitchBook. "If it does poorly, it will shut

the door for VC-backed companies. If it does well, a couple more might file." The group, led by former Facebook executive Fidi Simo, slashed its valuation to \$12bn as part of an internal accounting exercise earlier this year. That would have prompted some VC investors to write down some of the value of their holdings. However, those investors will be forced to recognise any losses on their investments in Instacart when the company goes public. Sequoia Capital and Khosla Ventures, two of Silicon Valley's top VC groups, have participated in the bulk of Instacart's funding rounds since its first big one in 2013 and still stand to gain from the IPO despite the drop in valuation. More funds invested in later years as the company's valuation grew. D1 Capital started investing in 2018, for example, while mutual funds such as Fidelity and T Rowe Price first joined in 2020, according to data from PitchBook.

Technology

Qualcomm strikes Apple deal on 5G modems

JOHN AGLIONBY AND ALEXANDRA WHITE
LONDON

Qualcomm has extended a deal to supply 5G modems for Apple's smartphones, in a sign the iPhone maker is still struggling to perfect the technology in-house.

Apple has been trying to make modems — which govern how its devices communicate with cellular mobile networks — for its iPhones since 2018. The plan is an extension of its multibillion-dollar effort to develop more of its semiconductor components itself instead of relying on external suppliers. Apple has long sought to develop its own solutions for key technologies that power its products, and in this case Apple sued Qualcomm in 2017, complaining of what it considered to be onerous licensing fees. It then purchased Intel's 5G unit for \$1bn, to "expedite" its own competing technology with the hopes of displacing Qualcomm after

2023. Qualcomm said yesterday that it will supply Apple with its chips for its smartphone launches in 2024, 2025 and 2026. The terms of the deal were not made public but Qualcomm said they were similar to the original deal struck in 2019, the same year Apple withdrew its "This agreement reinforces Qualcomm's record of sustained leadership across 5G technologies" legal claims against the chip group and signed a multiyear, multibillion-dollar supply agreement. The new contract extends the arrangement. "This agreement reinforces Qualcomm's record of sustained leadership across 5G technologies and products," the San Diego-based chipmaker said. Apple is Qualcomm's largest cus-

tomaker, accounting for nearly 25 per cent of its revenue, and it was expecting that the iPhone 15 — which is being launched today — would be among the last to rely on its modems. The two companies were locked in a range of high-profile intellectual property and contract disputes around the world until striking an accord in 2019. At that time, they said they had struck a "multiyear chipset supply agreement". Months later, however, Apple stepped up its modem development plan when it bought Intel's smartphone chip business in a \$1bn deal. The new Qualcomm deal leaves open the prospect of Apple phasing in its own chips into its smartphones over the next three years if they are ready. Qualcomm said its long-term financial planning assumption was that it would supply a 20 per cent share of the relevant chips for the smartphone launch in 2026.

SEC reforms provoke finance sector backlash

US watchdog’s ambitious regulatory agenda under Gensler prompts accusations the body is overstepping its authority

STEFANIA PALMA — WASHINGTON

Securities and Exchange Commission chair Gary Gensler’s ambitious regulatory agenda is igniting fierce opposition from the financial industry, which is challenging what it views as egregious overextension of the securities watchdog’s legal authority.

In recent months, the SEC has been targeted in lawsuits from the US Chamber of Commerce, a business lobby, over a rule expanding stock buyback disclosures, and a coalition of private equity, venture capital and hedge fund groups last week sued to block sweeping new rules for private fund managers adopted by the SEC last month.

Its crackdown on the crypto industry has also encountered resistance, as the company backing the Ripple digital token challenges an SEC civil lawsuit on the basis that it goes beyond the agency’s power to regulate securities.

And, last month, the regulator suffered a loss when a federal appeals court in Washington ruled it had been wrong to reject asset manager Grayscale’s application to launch a US-listed exchange traded fund tracking the price of bitcoin, calling the denial “arbitrary and capricious”.

Gensler is among a set of senior regulators appointed by Joe Biden’s administration who have taken a tougher rule-making and enforcement stance. The SEC chair argues this is necessary to fulfil the regulator’s mandate and protect US investors.

Gensler has built a reputation as an active regulator. He served as chair of the Commodity Futures Trading Commission while the commodities regulator was moving to formulate and implement its response to the 2008 financial crisis. In 2021, he was appointed by Biden to chair the SEC.

The agency’s chair has taken his new regulatory mission seriously. Under his leadership the agency has put forward more significant rules and regulatory proposals than any of his predecessors since the aftermath of the 2008 global financial crisis.

According to the Committee on Capital Markets Regulation, known for being critical of regulation, Gensler’s SEC has presented 47 proposals that substantially affect market participants and adopted 22 of them in the first 850 days of his leadership, ending on August 15.

That marks a record in both categories since ex-SEC chair Mary Schapiro steered the regulator’s response to the financial crisis after becoming chair in January 2009. She put forward 59 proposals and 18 final rules.

To detractors, including Republican policymakers and market participants, Gensler has gone well beyond the limits of the SEC’s authority. To supporters, he is proposing long overdue rules that



Tougher line: with Gary Gensler as chair, the SEC has put forward more regulatory rules and proposals than under any of his predecessors — Al Drago/Bloomberg

more accurately reflect modern-day markets after decades of insufficient regulation.

The SEC said that each of its “proposals is grounded in authorities granted by Congress and the agency’s three-part mission”.

It added: “We’re updating our rules for the technology and business models of the 2020s with an eye towards ensuring the markets work for investors and

While ‘Gensler is seen as aggressive, and to a degree he is, the SEC is actually paralysed on some issues’

issuers alike, not the other way around.”

The proposals put forward by Gensler stand out for their breadth, with the SEC crafting rules for areas ranging from mutual fund pricing to cyber security and public companies’ climate disclosures.

John Coffee, professor at Columbia Law School, argued that while “Gensler

is seen as aggressive, and to a degree he is, the SEC is actually paralysed on some issues because of the new limits that the courts have placed on agency rulemaking”. Coffee was referring to the “major questions doctrine” embraced by the US Supreme Court in recent rulings, which holds that regulators “cannot take a significant new step that has not been authorised by Congress”.

Patrick McHenry, the Republican chair of the House financial services committee, told Gensler during a hearing in April that he was pursuing an “overly aggressive rulemaking agenda”. McHenry cited “serious concerns that the rulemaking process is being rushed, undermining the quality of our securities laws and risking negative unintended consequences”.

Bryan Corbett, president and chief executive of the Managed Funds Association, the US hedge fund trade group, said the regulator’s agenda, “by and large, is not informed by market data, a market failure or a congressional mandate. It will impede the US capital markets, hurt the economy and decrease the investment returns for pen-

sions, foundations and endowments.”

The private fund rules were the latest example of the SEC “exceeding its statutory authority”, he added. The MFA was among the plaintiffs that earlier this month began a legal battle against the agency over rules that broadened disclosure and imposed new limits on how private funds handle customers, including institutional investors.

The lawsuit filed by six industry groups to block the new rules argued that the package was “unwarranted, unlawful and will harm the private fund industry and hamper the jobs, innovation and other benefits private funds bring to the economy”.

Consumer groups, however, said the rules would improve accountability and transparency in a ballooning \$27tn

industry. They hailed measures to bar side agreements that give some investors more favourable terms on critical matters such as redemption limits.

Gensler last month said the rules would “promote private fund advisers’ efficiency, competition, integrity and transparency. That benefits investors, issuers, and the markets alike.”

Carter Dougherty, spokesman at Americans for Financial Reform, a progressive non-profit, said that “rather than reading Gensler’s energy as a problem, let’s open our minds to the idea that his work is long overdue.

“The fact that previous SEC chairs either pulled away from that mission or actively thwarted it only underscores how urgent his work is. And Gensler knows Wall Street, which scares a lot of people who’ve gotten rich under the current system,” Dougherty added, ref-

‘Anti-investor practices are very profitable and the industry will do what it can to protect those profits’

erencing Gensler’s 18-year stint at Goldman Sachs.

Dennis Kelleher, chief executive of the Better Markets campaign group, said the SEC “is decidedly not engaged in regulatory over-reach”, adding that the agency’s relatively small size meant it was “usually outgunned and out-manned by a gigantic financial industry with virtually limitless resources and allies that can easily overwhelm the SEC”.

SEC rulemaking often dents the industry’s profits and bonuses, Kelleher said, but it fulfils the regulator’s mandate of seeking disclosures and limiting conflicts of interest and other illegal conduct.

“Those anti-investor practices are very profitable and the industry will do whatever it can to protect those profits, including filing frequent lawsuits,” he added.

Technology

Australian pension fund invests €1.5bn in Vantage Data Centers’ European unit

ANTOINE GARA — NEW YORK
NIC FILDES — SYDNEY

Australia’s largest pension fund is investing €1.5bn in one of the largest data centre businesses in Europe, as institutional investors plough billions into the digital infrastructure needed for cloud computing and the artificial intelligence boom.

AustralianSuper is making a minority investment in Vantage Data Centers at what sources said was an \$11bn valuation, its first foray into data centres that is intended to kick-start a broader involvement.

The pension fund, which manages nearly \$300bn in assets, is investing in Vantage’s Europe, Middle East and Africa businesses after its US private equity owner, DigitalBridge, hired advisers this spring to raise funds for the construction of new data centres, the two groups confirmed to the Financial Times. They declined to comment on the valuation.

Data centres, where stacks of servers and computing hardware are stored, have become favoured by investors over office buildings and malls because of the need among large technology companies such as Microsoft, Facebook and Google to manage rising data demands.

The properties carry few outside aesthetic features but are coveted for customised details such as complex cooling systems and their closeness to programmers handling data loads.

DigitalBridge itself highlights the shift towards the sector. The Florida-based investment group contains the remnants of Colony Capital, once a large investor in offices and luxury hotels, which was founded by Tom Barrack, an

ally to former US president Donald Trump. In 2019, Colony acquired data centre investor Digital Bridge Holdings and named its founder, Marc Ganzi, as Barrack’s successor. Ganzi sold tens of billions of dollars worth of Colony’s real estate to fund investments in data centres such as Vantage Emea. The group was renamed DigitalBridge in 2021.

Vantage Emea is a collection of 12 data centre locations in European cities including London, Berlin, Zurich, Milan, Frankfurt and Warsaw. In London, Vantage is spending £750mn to build two centres, one near Park Royal and the other in North Acton, which are expected to be completed in late 2024 and early 2025.

AustralianSuper, which is being sued by its Australian regulator over its alleged failure to deal with multiple member accounts, said it is planning additional investment in Vantage.

“We expect that Vantage Emea will require more capital as part of our commitment here,” said Nik Kemp, head of



Vantage Data Centers is among those hoping to benefit from tech trends

infrastructure at AustralianSuper. The firm plans to “continue investing in this platform for many years”, he added. Kemp said the fund will also target properties owned by other private capital groups.

Jon Mauck, a senior managing director at DigitalBridge, predicted growth in the asset class would last for many years. “This is a fundamental change in the economy,” he said. “We are in the early innings of a fairly long-term growth outlook, whether it is the digitisation of the economy, the growth of the cloud or the proliferation of AI.”

The deal is the latest sign that Australian pension funds, called superannuation funds, are looking overseas and towards private assets for growth.

The industry is the world’s fifth-largest pension system at A\$3tn (\$1.9tn) and has started to invest directly in companies and assets, having previously relied on specialist asset managers such as Macquarie to lead investments.

The A\$23.6bn sale of Sydney airport was a turning point for the superfund sector with a number of funds, including AustralianSuper, participating in one of the largest buyouts of a listed Australian company. Mobile towers, telecoms networks and data centres have also become targets for super funds.

Deals have included the takeover of Australian telecoms and subsea cable company Vocus by Aware Super and Macquarie’s infrastructure arm, AustralianSuper and Singtel’s A\$3.5bn purchase of Telstra’s mobile masts and UniSuper’s acquisition of a stake in Vodafone’s tower arm. Aware Super also paid \$500mn to acquire a stake in DigitalBridge’s Switch asset this year.

Additional reporting by Josephine Cumbo

YOUR
GREAT IDEAS
SHOULD
AND CAN
COME
TO LIFE
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COMPANIES & MARKETS

Fixed income. Diplomatic progress

Venezuela debt rallies as traders bet on detente with Washington



Hopes of easing in sanctions trigger gains for bonds priced at a fraction of their face value

MICHAEL STOTT — BOGOTÁ
ARJUN NEIL ALIM — LONDON

Venezuelan government bond prices have climbed in recent weeks as investors speculate that the revolutionary socialist government of President Nicolás Maduro is nearing a diplomatic breakthrough that could lead to a softening of US sanctions.

The oil-rich country's debt trades at a tiny fraction of its face value following Venezuela's default on \$60bn of debt in 2017 and subsequent curbs placed on secondary trading that have frozen US investors out of the market.

Prices plummeted further in 2019 when JPMorgan ejected the bonds from its widely followed emerging markets index.

Now, bondholders say leaks from Washington pointing to progress in the secretive, long-running talks with Caracas have helped ignite a rally in the bonds, which are trading at 10 to 11 cents on the dollar, up from 8 to 9 cents a few weeks ago.

"The US government would like to reach a deal with Maduro because this would solve two issues related to President Biden's re-election: the migration of Venezuelans to the US and Russian-Saudi attempts to squeeze the oil market," one bondholder said.

The Biden administration inherited a strategy of "maximum pressure" economic sanctions against Venezuela from former president Donald Trump, which critics say failed to dislodge Maduro from power, helped trigger the exodus of more than 7mn refugees from Venezuela and pushed Maduro closer to

longtime allies Iran, Russia and China. Biden's Latin America team has pursued a different approach, offering an easing of sanctions in return for guarantees from the Maduro government of a free and fair presidential election in Venezuela next year.

Maduro's last election victory in 2018 was boycotted by the opposition and criticised by the west as rigged.

Juan González, Biden's top Latin American adviser, led a delegation to Caracas in March 2022 to open high-level talks with Maduro but progress since then has been slow.

Hans Humes, CEO of emerging market investment firm Greylock Capital, said speculation about progress in the US-Venezuela negotiations had buoyed prices in recent weeks.

"We know [talks] could fall apart at any time but the interests [of the two governments] have been aligned for a long time," he said.

Asked about talks at a press briefing last week, President Biden's national security adviser, Jake Sullivan, said the US was "prepared to engage in discussions about specific sanctions relief in return for concrete steps that lead us

towards a free and fair election" but that he would not "characterise any current diplomatic discussions in that regard".

The National Security Council declined to comment further.

Although debt issued by Venezuela and state oil company PDVSA is not paying regular interest, some buyers are keen to snap it up as a claim in an eventual restructuring of the nation's bonds.

Although such a prospect remains distant, even a relaxation of the US trading ban would be likely to result in large price increases, they argue, given that it would open up the bonds to demand from a much wider group of investors.

Nick Lawson, chief executive at London-based brokerage Ocean Wall and a Venezuelan bondholder since the end of 2021, said he believed debt issued by the South American nation could go much higher, adding: "Cuba trades at 6 cents [in the dollar]. Lebanon, which has no natural resources, is at 11 cents. We think, on a three- to four-year view, we could get 75 cents back. The asymmetry between risk and reward is compelling."

One source close to the talks insisted that positive news could come in the next week or two. "There is the potential for a deal on a broader basis," he said, explaining that this would consist of a series of steps taken by the US and Venezuela towards normalising relations, rather than a single announcement.

The US closed its embassy in Caracas in 2019 and American diplomats working on Venezuela have operated from neighbouring Colombia since then.

The sanctions imposed by Trump included a ban on Venezuelan oil, on business with PDVSA and on US citizens or entities trading Venezuelan debt.

Investors have complained that the effect of the bond trading sanctions has been to force US funds to sell their Venezuelan holdings to buyers whose

Bearing fruit: Caracas has been the venue of high-level talks between the US and Nicolás Maduro's government that started in March 2022

Carlos Becerra/Bloomberg

operations are less transparent, for instance those located in the Middle East or Turkey.

"These bonds end up in unfriendly jurisdictions," said Claudio Zampa, founder and chief investment officer of Mangart Capital, a Swiss-based hedge fund invested in Venezuelan debt. "The US is giving away its leverage and its ability to be a player in the restructuring of Venezuelan debt."

Republicans in the US Congress have opposed relaxing sanctions on Maduro but the mood has been shifting since Russia invaded Ukraine and western sanctions on Moscow forced Washington to search for alternative sources of oil to supply world markets.

Edward Cowen of Winterbrook, who has co-invested in a fund to buy Venezuelan debt, was optimistic that Venezuela was "very close to an inflection point".

He added: "European interest has certainly increased in the last months as the thaw between Venezuela and the US starts to take hold."

However, those who have followed the US-Venezuela talks closely say there is no guarantee of an agreement. A similar bond rally earlier in the year fizzled out with the debt falling back into single-digit cents on the dollar.

The Maduro government has shown no public sign of relaxing its hardline stance, which has included banning María Corina Machado, the opposition presidential candidate currently leading polls.

With presidential elections expected next year and the opposition planning a nationwide primary on October 22 to choose its candidate, time for a deal is ebbing fast. "If the primaries come and go and there's no deal, then there isn't going to be a deal," said another person close to the talks.

'We know talks could fall apart at any time but the interests have been aligned for a long time'

Fixed income

Mexico's \$8bn backing for Pemex leaves problems unresolved, say bondholders

CHRISTINE MURRAY — MEXICO CITY
HARRIET CLARFELT — NEW YORK

Mexico's injection of billions of pesos into state oil company Pemex to help it meet debt payments should calm markets in the short term but does not address deeper issues at the indebted group, analysts and bondholders warn.

In its draft budget on Friday, the government for the first time set aside explicit financial support — 145bn pesos (\$8.2bn) — which will help Pemex meet \$11.2bn in payments due next year on its \$110bn debt pile.

The strategy allows Mexico to fund the company's bond payments using cheaper sovereign debt. But while this may soothe the concerns of lenders in the short term, investors and analysts warned that operational problems at Pemex demand fundamental reform. The company's debt is in junk territory and in July rating agency Fitch downgraded it further while Moody's put it on a negative outlook.

"This is the first time there is explicit support carved out for the company in the budget, which should help resolve market and (more importantly) credit

rating agency concerns of the government being more reactive than proactive," said Aaron Gifford, emerging markets sovereign analyst at T Rowe Price, a Pemex bondholder.

"That doesn't mean it's going to be a silver bullet," he added. "There's still a lot of issues that need to be resolved," he said, pointing to the company's negative free cash flow, a large capital expenditure budget and big tax payments to the government. The problems are likely to attract deeper scrutiny as Mexico pre-

pares for general elections in June 2024.

The change in leadership will bring fresh questions about the future of the state-owned company, which has relied heavily on government support under incumbent president Andrés Manuel López Obrador.

The oil nationalist López Obrador vowed to "rescue" Pemex and has given the company some 1.32tn pesos of financial help since taking office in 2018, according to data from think-tank Instituto Mexicano para la Competitividad. Despite that, oil production has continued to fall and hit lows of 1.5mn barrels a day in 2022, down from more than 2.1mn b/d in 2016.

Some investors and analysts expected direct governmental support for Pemex earlier this year. But the company instead issued a 10-year bond in February worth \$2bn, with a yield of 10.375 per cent, relatively high compared with previous years. The bond maturing in 2033 was priced at just over 91 cents on the dollar on Friday — well above a level of 70 cents seen as a signifier of distress.

But some of Pemex's longer-dated bonds — including one maturing in 2050 — trade below 70 cents.



President Andrés Manuel López Obrador aims to strengthen Pemex

Fixed income

Credit hedge funds profit as weaker groups face soaring borrowing costs

COSTAS MOURSELAS AND WILL LOUCH

Credit hedge funds that focus on distressed debt are making bumper profits this year as the rise in borrowing costs hits weaker companies.

Central bank rate increases have put pressure on some small and medium-sized corporate borrowers considered riskier credit, forcing them to offer significantly higher rates to tempt potential lenders.

It has also made riskier debt cheaper, increasing yields and offering the chance for better potential returns.

After a more challenging 2022, the Eurekahedge distressed debt hedge fund index was up 5.9 per cent on Friday, the highest-performing strategy of the year so far.

"The higher-for-longer [interest rate] environment that we're in has created attractive opportunities in the credit spectrum," said Danielle Poli, portfolio manager and managing director at \$172bn credit investor Oaktree.

Analysis from the special situations team at credit fund Alcentra shows that about €120bn in European bonds and loans are trading at distressed levels,

above interest rates of 12 per cent, double the about €50bn or €60bn seen in 2019. The analysis considered debt with an issue size of more than €100mn.

Richard Deitz's hedge fund VR Capital returned 18.2 per cent by the end of July, making it one of the year's best-performing funds, according to a person who has seen the numbers. The fund has \$4.9bn in assets under management

'I think this is a golden age for fresh credit because legacy credit has a lot of flaws in it'

and mainly focuses on distressed companies in emerging markets.

Jimmy Levin's Sculptor has seen his Credit Opportunities fund, which manages \$1.4bn in assets, return 8 per cent to the end of August.

About two-thirds of the fund is invested in corporate debt while the remaining third is invested in structured credit vehicles that contain loans.

The better performance marks a reversal from last year when credit

Currencies

China warns against wagers on renminbi depreciation

HUDSON LOCKETT AND CHENG LENG
HONG KONG
JOE LEAHY — BEIJING

Beijing gave a strong warning against bets on renminbi depreciation and released a batch of positive lending data earlier than usual, spurring China's currency to bounce back from a 16-year low touched last week.

The People's Bank of China said in a statement yesterday that authorities "are capable of and feel confident in . . . keeping the renminbi exchange rate at a reasonably stable level".

The renminbi rose as much as 1 per cent to an intraday high of Rmb7.2698 against the dollar.

"We will act when we act, resolutely correcting one-sided speculation," the central bank added, referring to mounting bets against the currency's dollar exchange rate driven by a string of underwhelming economic readings as China's economy struggles to regain momentum.

Traders said the rhetoric from the central bank was much stronger than usual and that state-run banks, which have frequently supported the Chinese currency this year through purchases on the open market, were more actively buying renminbi in exchange for dollars yesterday. "The central bank showed its muscle this time and made a difference," said a Shanghai-based trader.

Beijing also released better than expected lending figures to build on

'The People's Bank of China showed its muscle this time and made a difference'

positive economic data released over the weekend showing that the country edged out of deflation in August.

China's statistics bureau distributed credit data shortly after the noon trading break yesterday in Shanghai rather than after the closing bell.

The figures showed that Chinese banks extended Rmb1.36tn (\$186bn) of new renminbi loans in August — rising sharply from just Rmb345.9bn in July and beating market expectations.

The larger than expected rise in new renminbi loans spurred a surge of equities buying that drove the benchmark CSI 300 index of Shanghai and Shenzhen stocks as much as 1.3 per cent higher — later pulling back to close the session up 0.7 per cent.

Morgan Stanley analysts said the strong credit rebound was driven by a rise in local government special bonds issuance.

They expected broad credit growth to edge up further by 10 to 20 basis points in September on continued strong government bond issuance and the easing of requirements for minimum mortgage interest rates nationwide.

However, they warned that the sustainability of the credit growth improvement would hinge on policy efforts and said stronger central government-led fiscal stimulus was "needed to help prevent the risk of a debt-deflation loop".

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COMPANIES & MARKETS

The day in the markets

What you need to know

- Tesla leads Wall Street higher as megacap fervour reignites
- European equities lifted by gains in basic materials sector
- Hong Kong property shares fall on poor sales of new homes in China

Global stocks rose yesterday as a rally in Tesla shares reignited enthusiasm for megacaps on Wall Street while investors awaited the closely watched US inflation report later this week.

Wall Street's benchmark S&P 500 advanced 0.3 per cent by midday in New York while the technology-focused Nasdaq Composite gained 0.6 per cent.

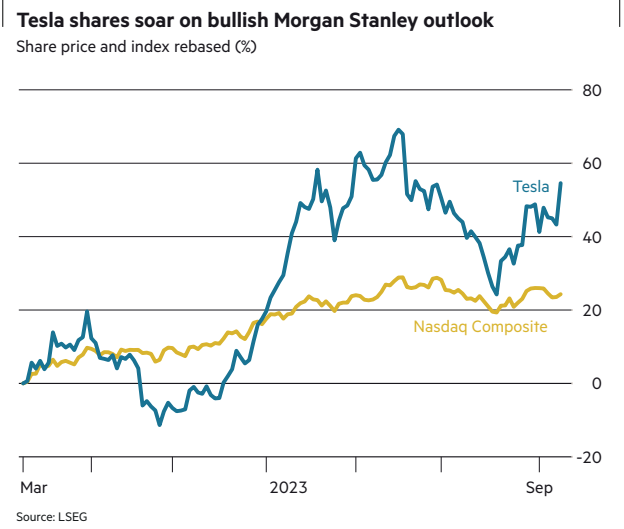
Tesla rose after Morgan Stanley analysts said the electric-car maker could add \$500bn in value as its supercomputer, Dojo, opened new markets to the company.

Tesla shares have more than doubled this year with investors turning to large US tech companies amid heightened enthusiasm for artificial intelligence and concerns about global growth. Other heavyweight technology groups also rose, including Microsoft and Amazon.

Meanwhile, traders were waiting for US consumer inflation data due tomorrow with fears mounting that higher oil prices could make inflation harder to tame.

"We have seen pretty large increases in WTI or Brent in August relative to August of the previous year, so we are going to see a bounce in inflation everywhere attributable to that energy effect," said Chris Jeffery, head of rates and inflation strategy at LGIM.

Brent crude slipped 0.3 per cent to \$90.37 a barrel, remaining near its highest



levels of the year after Opec+ producers Russia and Saudi Arabia announced more supply cuts last week.

US equivalent West Texas Intermediate fell 0.5 per cent to \$87.08 a barrel.

European natural gas futures jumped 5.5 per cent in Amsterdam as strikes continued at a liquefied natural gas production site in Australia, threatening to disrupt global supplies.

The region-wide Stoxx Europe 600 equities index rose 0.4 per cent, lifted by gains in the basic materials sector, which was boosted by positive economic data from China at the weekend.

Paris's Cac 40 added 0.5 per cent and Frankfurt's Xetra Dax gained 0.4 per cent.

In China, the benchmark CSI 300 index of Shanghai and Shenzhen stocks added 0.7 per cent after Saturday's inflation data showed consumer prices rose 0.1 per cent in August after July's deflationary figures.

But Hong Kong's Hang Seng index slid 0.6 per cent, dragged lower by steep declines in property stocks as sales of new homes in China's biggest cities fell by half in the first week of this month.

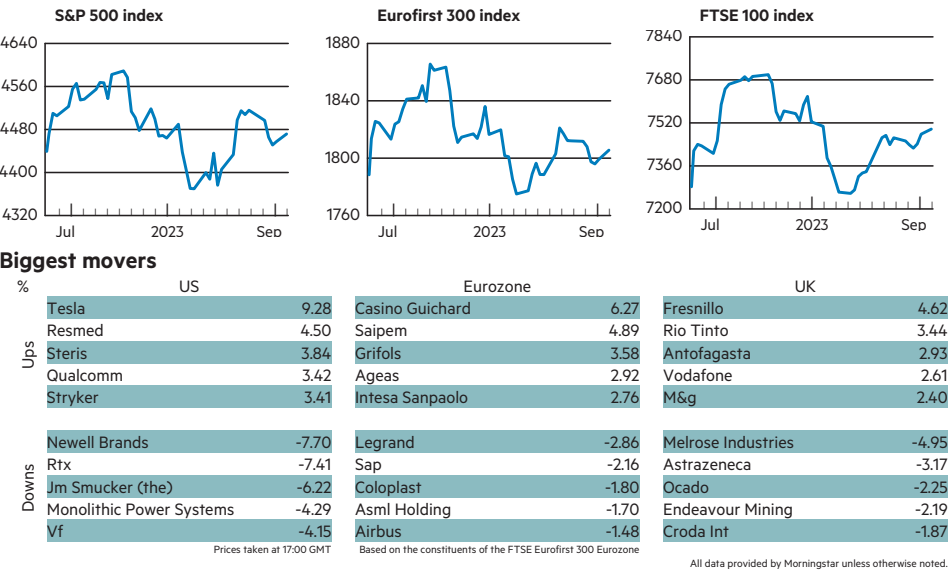
The Hang Seng Properties index, a gauge of Hong Kong's top developers, retreated 3.3 per cent. **Daria Mosolova**

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	S&P 500	Eurofirst 300	Nikkei 225	FTSE100	Shanghai Comp	Bovespa
Level	4471.64	1805.59	32467.76	7496.87	3142.78	116092.77
% change on day	0.32	0.36	-0.43	0.25	0.84	0.68
Currency	\$ index (DXY)	\$ per €	Yen per \$	\$ per £	Rmb per \$	Real per \$
Level	104.685	1.075	146.415	1.253	7.290	4.938
% change on day	-0.385	0.280	-0.847	0.320	-0.720	-1.066
Govt. bonds	10-year Treasury	10-year Bund	10-year JGB	10-year Gilt	10-year bond	10-year bond
Yield	4.292	2.636	0.700	4.575	2.663	10.951
Basis point change on day	3.980	2.800	5.460	4.700	-0.200	-6.700
World index, Commods	FTSE All-World	Oil - Brent	Oil - WTI	Gold	Silver	Metals (LMEX)
Level	449.41	90.74	87.55	1927.80	23.01	3664.00
% change on day	0.46	0.10	0.05	0.49	0.00	-1.03

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



Opportunities lie at the other end of the see-saw

Richard Bernstein

Markets Insight



Experiencing the ups and downs of a see-saw is a fun part of many childhoods. But sitting on the fulcrum of a see-saw is no fun, since it doesn't move relative to the levered ride at both ends.

The equity market over the past several years has acted like a see-saw with "the market" representing the fulcrum of that see-saw. Overall market statistics mask the significant performance disparities at the see-saw's ends.

Technology, cryptocurrencies, innovation, disruption, artificial intelligence and other attention-grabbing investments sit on one side of the see-saw, whereas everything else in the global equity markets sits on the other side.

Market rotations over the past several years have mimicked our see-saw portrayal. In 2020, the exciting side of the see-saw rose. Technology, consumer discretionary and communications were the three top performing sectors.

Cryptocurrency returns were measured in hundreds of per cent and seven large tech-related groups (now dubbed the Magnificent 7) more than doubled.

The see-saw began to level in 2021 and the everything-else-in-the-world side rose in 2022. Seventy per cent of non-US markets outperformed the US in dollar terms in 2022. The broad-based US Russell 2000 outperformed the Nasdaq 100 by 12 percentage points and outperformed the Magnificent 7 by a decisive 25 percentage points.

The see-saw has dramatically shifted back in the other direction so far in 2023. Bitcoin, despite its re-pullback, is up more than 50 per cent.

Communications, tech and consumer discretionary are again the best performing sectors by wide margins.

Most important, the number of stocks sitting on the rising side of the see-saw has shrunk dramatically. The Magnificent 7 are up 95 per cent this year to August 31 and just those seven companies contributed a whopping 71 per cent of the S&P 500's rise this year.

Research I worked on with colleagues at Merrill Lynch in the early 1990s showed that financial markets become "Darwinistic" and leadership narrows when profit cycles decelerate.

Survival of the fittest describes the environment as investors gravitate to the fewer and fewer companies that can continue to grow earnings. But markets

The Magnificent 7's outperformance is unique but there are clearly more growth stories out there

broaden when profit cycles accelerate because lower quality and more cyclical companies have greater operating and financial leverage. Using the hackneyed analogy, a rising tide lifts all boats.

According to that framework, the Magnificent 7's unique outperformance during 2023 implicitly incorporates an extraordinarily dire forecast of corporate profits, the global economy and even overall corporate survival in which only seven companies will grow.

There clearly are many more than seven growth stories in the entire global stock market so there may be many ignored opportunities on the other side of the see-saw.

US small caps, Europe, Japan, China and US themes focusing on real productive assets and rebuilding America's

manufacturing capacity all seem particularly attractive.

Artificial intelligence is not included in the list of attractive themes. AI will undoubtedly change the economy as new technologies always do.

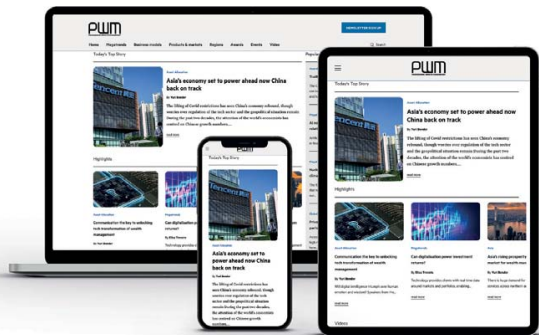
However, investors must dispassionately separate hype from an investment opportunity. The internet meaningfully changed the global economy but, if one had bought Nasdaq a full year before the tech bubble peaked, it would have taken 11 years just to break even. Because they already sit on the exciting side of the see-saw, AI investments are likely to similarly disappoint investors.

Individual investors appear to have become risk-takers as they rode upward on the see-saw. Take a look at the "beta" of their portfolios — a measure of how volatile their positions are relative to the market. A beta below one indicates less volatile holdings and reading above one more volatile.

According Bank of America's strategy team, the typical equity beta within private client portfolios in 2009 was about 0.75 and the equity allocation was 39 per cent. Today, the beta is 1.20 and allocation is 60 per cent. Total equity exposure (allocation times beta) suggests individual investors are confident and show few signs of the fearfulness seen in the early years of the bull market.

Individual investors are enthusiastically riding the see-saw upward but their increased risk-taking suggests that they have forgotten see-saws have two ends. The better and wide-ranging investment opportunities may be on the side of the see-saw closer to the ground.

Richard Bernstein is chief executive and chief investment officer of Richard Bernstein Advisors



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Wall Street

Near the top of the S&P 500 index was chipmaker **Qualcomm**, which announced that it would be supplying 5G chips for Apple's smartphones until 2026.

Further details were not disclosed.

At the tail-end of the blue-chip benchmark was **RTX**, the aerospace and defence company formerly known as Raytheon.

It revealed that 600 to 700 engines would be removed for maintenance owing to issues with its Pratt & Whitney engines.

RTX said it would subsequently take a pre-tax charge of about \$3bn in the third quarter and cut its guidance, forecasting sales of \$67.5bn-\$68.5bn for the full year, down from the \$73bn-\$74bn stated in July.

Food group **JM Smucker**, behind such brands as Crosse & Blackwell soup and Carnation condensed milk, fell sharply on announcing that it was buying **Hostess Brands** for \$5.6bn including debt.

The cash-and-stock deal represented a 54 per cent premium to Hostess's closing price on August 24 — the last trading before rumours of the bid surfaced.

The acquisition strengthens Smucker's position in the sector for affordable treats, such as the Ding Dongs and Ho Hos that Hostess makes. Hostess surged on the news as Smucker's purchase price was considered at the high end of expectations. **Ray Douglas**

Europe

New business buoyed Norway's **Kongsberg Automotive**, which secured a contract worth more than €73mn.

The vehicle parts manufacturer said it had won an eight-year deal from a "global auto tier-one supplier" to produce a new product: a "dog clutch actuator" designed for a four-speed electric axle used in heavy-duty trucks.

Another deal lifted Swiss solar cell maker **Meyer Burger Technology**, which announced that it had entered into a strategic partnership with sector peer Helion.

Helion parent company AMAG would be among the first customers of this tie-up with plans to build around 75,000 sq m of solar installations at its own sites by 2025. These stations, where possible, would be equipped with solar panels from Meyer Burger.

Sweden's **Embracer** rallied after a report said it was weighing options for its US game developer Gearbox Entertainment, which included a sale.

The video games group was working with Goldman Sachs and Aream & Co to explore the sale of the company behind the popular **Borderlands** franchise, said Reuters.

Embracer's shares have fallen sharply this year triggered by news that a major strategic partnership would "not materialise". **Ray Douglas**

London

Sinking to the bottom of the FTSE 100 index was **Melrose Industries**, which had its rating lowered from "outperform" to "sector perform" by RBC Europe.

The good news expected by markets was priced into shares that were already up more than 70 per cent this year, said the broker.

The former turnaround specialist, which was now an aerospace company, was "growing well" and "we expect further earnings upgrades and a share buyback" in October, said analysts. This, however, was "all known", they added.

Heading the FTSE 250 mid-cap index was housebuilder **Vistry**, which unveiled a significant shift in strategy.

It would "focus solely on the more defensive, high-return 'partnerships' business, which focuses on affordable housing", said Aarin Chiekrie, analyst at Hargreaves Lansdown.

This would allow Vistry to return £1bn to shareholders during the next three years, said the company.

Metals explorer **Cobra Resource** jumped on announcing that test work at a project in South Australia confirmed that rare earth elements were "easily recoverable" and could be retrieved cost-effectively.

Rare earth metals are expected to form a big part of the world's transition to green technologies. **Ray Douglas**

MARKET DATA

WORLD MARKETS AT A GLANCE

Change during previous day's trading (%)



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

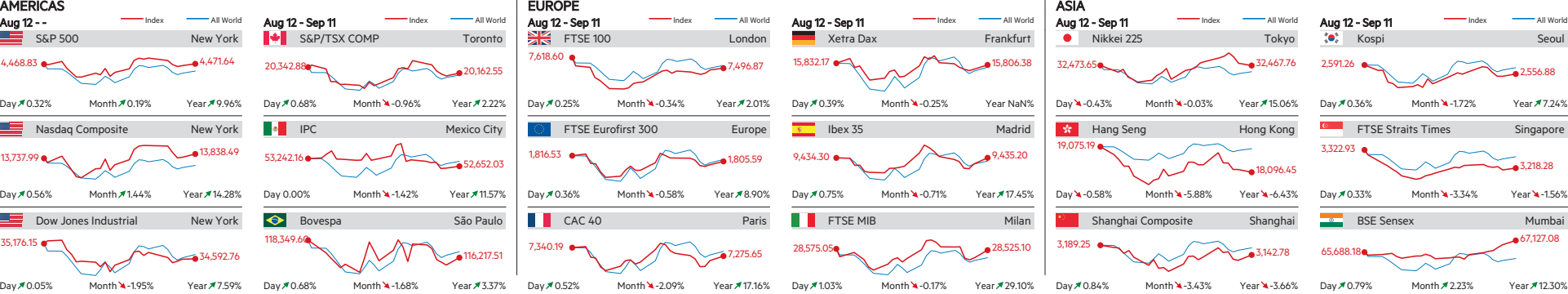


Table with 4 columns: Country, Index, Latest, Previous. Rows include Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Colombia, Croatia, etc.

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

STOCK MARKET: BIGGEST MOVERS

Table with 4 columns: AMERICA, LONDON, EURO MARKETS, TOKYO. Rows include Tesla, Nvidia, Apple, Amazon, etc.

Table with 4 columns: CURRENCY, DOLLAR, EURO, POUND. Rows include Argentina, Australia, Bahrain, Bolivia, Brazil, Canada, Chile, China, Colombia, Costa Rica, Czech Republic, Denmark, Egypt, Hong Kong, Hungary, India, etc.

Rates are derived from WM Reuters Spot Rates and Morningstar's latest rates as at time of production. Some values are rounded. Currency redenominated by 1000. The exchange rates printed in this table are also available at www.ft.com/marketsdata.

FTSE ACTUARIES SHARE INDICES

Table with 10 columns: £ Str11, £ Str12, £ Str13, £ Str14, £ Str15, £ Str16, £ Str17, £ Str18, £ Str19, £ Str20. Rows include FTSE 100, FTSE 250, FTSE 350, etc.

UK RESOURCES

Table with 10 columns: £ Str11, £ Str12, £ Str13, £ Str14, £ Str15, £ Str16, £ Str17, £ Str18, £ Str19, £ Str20. Rows include FTSE 100, FTSE 250, FTSE 350, etc.

FT 30 INDEX

Table with 10 columns: £ Str11, £ Str12, £ Str13, £ Str14, £ Str15, £ Str16, £ Str17, £ Str18, £ Str19, £ Str20. Rows include FTSE 100, FTSE 250, FTSE 350, etc.

FT WILSHIRE 5000 INDEX SERIES

Table with 10 columns: £ Str11, £ Str12, £ Str13, £ Str14, £ Str15, £ Str16, £ Str17, £ Str18, £ Str19, £ Str20. Rows include FTSE 100, FTSE 250, FTSE 350, etc.

FTSE SECTOR: LEADERS & LAGGARDS

Table with 10 columns: £ Str11, £ Str12, £ Str13, £ Str14, £ Str15, £ Str16, £ Str17, £ Str18, £ Str19, £ Str20. Rows include FTSE 100, FTSE 250, FTSE 350, etc.

FTSE 100 SUMMARY

Table with 10 columns: £ Str11, £ Str12, £ Str13, £ Str14, £ Str15, £ Str16, £ Str17, £ Str18, £ Str19, £ Str20. Rows include FTSE 100, FTSE 250, FTSE 350, etc.

UK STOCK MARKET TRADING DATA

Table with 10 columns: £ Str11, £ Str12, £ Str13, £ Str14, £ Str15, £ Str16, £ Str17, £ Str18, £ Str19, £ Str20. Rows include FTSE 100, FTSE 250, FTSE 350, etc.

Order Book Turnover (m), Order Book Bargains, Order Book Shares Traded (m), Total Equity Turnover (m), Total Mkt Bargains, Total Shares Traded (m).

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Table with 10 columns: £ Str11, £ Str12, £ Str13, £ Str14, £ Str15, £ Str16, £ Str17, £ Str18, £ Str19, £ Str20. Rows include FTSE 100, FTSE 250, FTSE 350, etc.

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

UK COMPANY RESULTS

Table with 10 columns: £ Str11, £ Str12, £ Str13, £ Str14, £ Str15, £ Str16, £ Str17, £ Str18, £ Str19, £ Str20. Rows include Cadogan Energy Solutions, Firax Price Group, Inspired, etc.

The FTSE Global Equity Series, launched in 2003, contains the FTSE Global Small Cap Indices and broader FTSE Global All Cap Indices (large/mid/small cap) as well as the enhanced FTSE All-World Index Series (large/mid/small cap).

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

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

[illegible]

FT 500: TOP 20							
	Close price	Prev price	Day		Week		Month change %
			change	change %	change	change %	
Tesla Mtrs	271.55	248.50	23.05	9.28	3.49	10.8	11.90
Citic Secs	16.68	15.78	0.90	5.70	0.46	8.1	-0.95
Centene Corp	68.26	65.41	0.85	1.30	4.14	8.9	0.95
ChinaPdfs	19.50	19.38	-0.08	-0.41	1.42	7.5	13.1
SonomaTmf	7295.00	6925.00	370.00	5.34	135.00	7.4	13.11
LT&T	2694.20	2901.60	-74.40	-2.6	199.50	7.1	48.6
GlaxoSmith	1468.80	1444.20	24.60	1.70	70.60	6.9	1.5
Lilly (E)	595.63	586.46	9.17	1.56	29.35	6.9	12.75
Lilly (E)	595.63	586.46	9.17	1.56	29.35	6.9	12.75
Novartis	1284.00	1212.00	52.00	4.27	46.00	6.8	12.0
Swiss Re	90.34	88.92	1.42	1.60	3.84	6.2	3.75
ValeroEnergy	141.81	142.06	-0.25	-0.18	8.48	6.2	1.91
PetrolChina	6.00	6.02	-0.02	-0.33	0.36	6.0	1.69
Nomura	610.60	599.50	11.10	1.92	20.70	5.6	12.58
Alibaba Fin	269.50	247.20	18.30	7.20	5.4	10.6	19.9
Straker	298.40	289.14	9.88	3.41	5.09	5.3	1.9
ChinaM&Bk	42.60	32.70	10.00	-0.31	1.70	5.2	-6.44
Renault	38.59	35.99	0.61	1.68	1.19	5.2	-4.8
Wizzair	272.12	272.00	0.00	-0.37	138.00	4.9	5.72
China500	455.00	455.00	1.00	-0.22	232.00	4.5	6.10

Based on the FT Global 500 companies

FT 500: BOTTOM 20	Close price						
	Close price	Prev price	Day		Week		Month change %
			change	change %	change	change %	
VF Cp	18.02	18.80	-0.78	-4.15	-1.66	-11.9	-12.59
asVegasSD	48.81	48.87	-0.06	-0.12	-6.06	-11.1	-13.47
VenusiusMed	39.87	40.00	-0.23	-0.58	-4.42	-10.5	-10.45
7729	77.29	83.46	-6.19	-7.41	-23.80	-10.4	-10.89
SNK Procs	79.95	88.30	-8.35	-9.46	0.00	9.5	-13.47
DCX Laborato.	470.17	465.79	4.38	0.94	45.50	8.0	9.99
Shenward	892.80	896.60	-3.80	-0.42	-73.00	-7.9	-11.83
PrudentiaHong	0.09	0.10	-0.01	-8.74	0.00	7.8	-18.45
Thrmofair	515.21	518.27	-3.07	-0.59	-38.95	-7.5	-6.74
Watergen	21.68	21.69	-0.31	-1.41	-1.44	-7.5	-26.15
0133	0.33	0.33	0.00	0.00	-0.03	-7.0	-18.16
ockheed	47.17	423.09	-5.82	-1.38	-25.09	6.9	-8.13
AIA	66.23	68.00	-1.70	-2.50	-3.20	6.9	-10.10
Richeimont	117.00	117.00	0.00	0.00	-8.60	6.8	-12.75
SNK Hst	276.70	596.70	-10.00	-1.30	-61.5	6.5	-7.61
2093	209.03	211.27	-2.24	-1.06	-12.31	6.4	-13.75
lumina	157.82	158.36	-0.54	-0.34	-10.10	6.3	-12.56
Janasher	249.11	248.36	0.75	0.30	-17.23	6.2	-22.66
Applied Mater.	144.84	147.53	-2.70	-1.83	-6.46	5.9	-4.59
2110	21.10	20.75	0.35	1.71	-1.69	5.9	5.29

Based on the FT Global 500 companies in local currency.

BONDS: HIGH YIELD & EMERGING MARKET											
Yield	Sep 11	Red date	Coupon	Ratings			Bid price	Bid yield	Day's chg yield	Mth's chg yield	Spread vs US
				S*	M**	F*					
High Yield U.S.											
ICA Inc.	04/24	8.36	BB-	Ba2	BB	BB	113.75	4.24	0.00	0.12	-
High Yield Euro											
Miles Financial Services S.A.	04/21	7.25	-	-	B	B	71.10	28.23	0.00	0.64	25.98
Emerging U.S.											
China	01/29	7.13	BBB+	A	BBB+	BBB+	104.40	2.60	-	-	0.34
Colombia	02/16	4.50	-	Ba2	BBB-	BBB-	109.50	2.30	0.16	0.52	1.28
France	04/26	6.00	-	Ba2	BB-	BB-	115.15	2.78	-0.01	0.05	1.73
Poland	04/26	3.25	-	A2	A-	A-	111.22	0.98	-0.03	0.16	-0.07
Mexico	05/26	6.50	-	Ba1	BBB-	BBB-	149.00	1.61	0.00	-0.12	0.56
G3 Turkey	03/27	11.00	-	Ba2	BB+	BB+	101.10	5.92	0.12	0.17	0.07
UK	03/27	8.00	-	B2	B2	B2	102.88	5.43	0.14	0.83	4.26
Peru	08/27	12.13	BBB+	A	BBB+	BBB+	103.50	3.66	0.01	-0.02	0.80
Russia	08/28	12.75	-	Ba3	BBB	BBB	168.12	2.48	0.07	0.05	-
Emerging Euro											
China	02/47	5.63	-	Ba2	BB-	BB-	101.08	5.52	0.08	-0.80	-
Emerging Euro											
China	02/1	2.88	BB-	Ba2	BB	BB	103.09	0.05	0.01	0.89	-
Mexico	04/23	2.75	BBB+	A	BBB+	BBB+	107.76	0.76	0.00	-0.07	-1.55
Poland	04/23	2.75	-	Ba1	BBB-	BBB-	106.49	-0.26	-	-	-0.36

BONDS: GLOBAL INVESTMENT GRADE										
	Red date	Coupon	Ratings			Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
			S*	M*	F*					
Sept 11										
JUST										
Rooster Financial Corp.	01/28	6.88	BBB+	Baa1	A-	129.00	2.54	-0.01	-0.05	-
Golden Sachs Corp. Inc.	02/28	5.00	BBB+	A3	A-	117.21	2.47	-0.00	-0.32	-
NationsBank Corp.	03/28	6.80	BBB+	Baa1	A-	127.69	2.72	-0.01	-0.06	-
GTLC LLC	04/28	6.94	BBB+	Baa2	A-	128.27	2.80	-0.00	-0.11	-
United Utilities PLC	02/28	6.88	BBB	Baa1	A-	130.43	2.62	-0.07	-0.22	-
Barclays Bank PLC	01/29	4.50	A	A1	A+	96.46	5.02	0.00	-0.02	-
Euro										
Edifinance de France (EDF)	04/30	4.63	A-	A3	A-	137.45	0.82	-0.01	-0.10	-
The Golden Sachs Group, Inc.	02/31	3.00	BBB+	A3	A-	124.42	0.68	0.00	-0.11	-
The Golden Sachs Group, Inc.	02/31	3.00	BBB+	A3	A-	121.70	0.93	0.00	-0.02	-
Yankee Bond B.V.	04/31	0.75	AAA	Aaa1	AAA	111.08	0.27	0.00	-0.05	-0.87
Yen										
Moody's	06/26	1.09	-	Baa1	BBB-	98.73	1.34	-0.02	-0.14	0.27
Starting										
Rooster Financial B.V.	06/30	6.25	BBB	Baa2	A-	137.45	2.19	-0.03	0.02	-
Golden Sachs B.V.	06/30	6.25	BBB	Baa2	A-	128.69	3.20	0.00	-0.01	0.40

Interactive Data Pricing and Reference Data LLC, an Fitch Data Services company. US \$ denominated bonds NY close, all other London close. *S - Standard & Poor's, M - Moody's, F - Fitch.

INTEREST RATES: OFFICIAL				
Sep 11	Rate	Current	Since	Last
US	Fed Funds	5.25-5.50	26-07-2023	5.00-5.25
US	Prime	8.50	26-01-2023	8.25
US	Discount	5.25	04-06-2023	5.25
Euro	Repo	3.438	01-08-2023	3.424
UK	Repo	5.25	03-08-2023	5.00
Japan	Overnight Call	0.00-0.10	01-02-2016	0.00
US/Euro/JP Yen	US/Euro/JP Yen	1.750/5.75/0.00	15-01-2015	-0.75/5.75/0.00

BOND INDICES						
	Index	Day's change	Month's change	Year change	Return 1 month	Return 1 year
Market Index						
ABF Pan-Asia unhedged	203.07	0.07	-1.08	-0.32	-1.72	3.18
Corporates (€)	326.29	0.36	-0.25	0.98	-0.14	0.87
Corporates (€)	213.35	0.16	-0.41	2.92	-0.51	1.09
Corporate Sovl (€)	210.98	0.14	-0.94	1.67	-0.83	-0.65
	258.38	0.19	-0.15	0.15	-0.03	1.24

CBOE VIX: S&P 500 index Options Volatility, VIX: DJIA Index Options Volatility, VIXN: NASDAQ Index Options Volatility,
 Deutsche Börse: VDAX: DAX Index Options Volatility.

GLT's: UK CASH MARKET									
Sep 11	Price £	Red Yield	Change in Yield				52 Week		Armt
			Day	Week	Month	Year	High	Low	
	-	-	-	-	-	-	-	-	-
Trp 0.125pc '24	98.15	5.05	1.00	-0.20	1.81	61.34	98.15	94.34	35.55
Trp 2pc '25	94.60	4.88	1.04	-2.20	-0.41	65.99	97.82	92.80	39.93
Trp 0.125pc '26	89.97	4.63	1.31	-0.86	-0.43	54.85	92.38	86.33	35.32
Trp 2pc '27	85.62	4.67	3.93	-1.01	-0.10	51.60	89.40	83.40	35.32

INTEREST RATES: MARKET								
Sept 11 (Libor: Sep 08)	Over night	Change			One month	Six month	One year	
	Day	Week	Month					
US\$ Libor	5.06157	0.010	4.136	0.000	5.44394	5.67208	5.90023	6.04143
Euro Libor	-0.49457	-0.004	-0.243	0.001	-0.61943	-0.58057	-0.55600	-0.58167
UK\$ Libor	0.18063	-0.005	-0.024	0.001	0.20130	0.54640	0.74440	0.81353
Yen Libor					-0.002	-0.77540	-0.75300	-0.55320
Euro Euribor					0.001	-0.60005	-0.02617	0.07165
Sterling CDs					0.331	3.68200	3.80000	3.95200
US\$ CDs					0.000	5.00000	0.63000	0.78500
					0.010	5.45000	5.59000	5.73000

Overall (%)	208.05	0.14	-0.75	1.89	-0.85	-2.50
FTSE						
Sterling Corporate (%)	-	-	-	-	-	-
Euro Corporate (%)	104.47	-0.05	-	0.54	-1.73	-
Euro Emerging Mkts (%)	752.24	-0.37	-	6.66	-0.01	-
Eurozone Govt Bond	110.04	-0.19	-	-0.34	-0.34	-0.64
CREDIT INDICES						
	Index	Day's change	Week's change	Month's change	Series high	Series low
Market Traxx						
Crossref 5Y	394.97	-4.01	3.55	-1.81	510.17	376.12
5Y	70.20	-0.72	0.76	-1.36	101.15	38.16

	Red	Bid	Bid	Wk	Month	Year
	Date	Price	Day	Day	Month	Year
	Order	Coupon	Yield	Yield	Yield	Yield
Australia						
	05/02	1.25	79.58	4.06	-0.07	0.08
	02/50	1.00	96.56	1.86	-0.06	0.04
Austria	07/29	0.50	87.39	3.05	-0.02	0.08
	07/47	1.50	69.23	3.22	-0.05	0.18
Belgium	09/27	0.80	92.26	3.00	-0.02	0.10
	06/47	1.60	68.47	3.59	-0.02	0.05
Canada	03/25	1.25	95.01	4.81	0.06	0.11
	06/30	1.25	85.15	3.77	0.03	0.13

11.1pc 32	76.09	4.45	1.60	4.54	2.77	43.02	110.34	74.53	35.68
12.1pc 32	98.63	4.59	1.55	4.65	2.77	43.02	110.34	74.53	35.68
14.1pc 32	76.09	4.45	1.50	4.54	2.77	43.02	110.34	74.53	35.68
16.1pc 32	98.63	4.59	1.55	4.65	2.77	43.02	110.34	74.53	35.68
18.1pc 32	76.09	4.45	1.50	4.54	2.77	43.02	110.34	74.53	35.68
20.1pc 32	98.63	4.59	1.55	4.65	2.77	43.02	110.34	74.53	35.68
22.1pc 32	76.09	4.45	1.50	4.54	2.77	43.02	110.34	74.53	35.68
24.1pc 32	98.63	4.59	1.55	4.65	2.77	43.02	110.34	74.53	35.68
26.1pc 32	76.09	4.45	1.50	4.54	2.77	43.02	110.34	74.53	35.68
28.1pc 32	98.63	4.59	1.55	4.65	2.77	43.02	110.34	74.53	35.68
30.1pc 32	76.09	4.45	1.50	4.54	2.77	43.02	110.34	74.53	35.68
32.1pc 32	98.63	4.59	1.55	4.65	2.77	43.02	110.34	74.53	35.68
34.1pc 32	76.09	4.45	1.50	4.54	2.77	43.02	110.34	74.53	35.68
36.1pc 32	98.63	4.59	1.55	4.65	2.77	43.02	110.34	74.53	35.68
38.1pc 32	76.09	4.45	1.50	4.54	2.77	43.02	110.34	74.53	35.68
40.1pc 32	98.63	4.59	1.55	4.65	2.77	43.02	110.34	74.53	35.68
42.1pc 32	76.09	4.45	1.50	4.54	2.77	43.02	110.34	74.53	35.68
44.1pc 32	98.63	4.59	1.55	4.65	2.77	43.02	110.34	74.53	35.68
46.1pc 32	76.09	4.45	1.50	4.54	2.77	43.02	110.34	74.53	35.68
48.1pc 32	98.63	4.59	1.55	4.65	2.77	43.02	110.34	74.53	35.68
50.1pc 32	76.09	4.45	1.50	4.54	2.77	43.02	110.34	74.53	35.68
52.1pc 32	98.63	4.59	1.55	4.65	2.77	43.02	110.34	74.53	35.68
54.1pc 32	76.09	4.45	1.50	4.54	2.77	43.02	110.34	74.53	35.68
56.1pc 32	98.63	4.59	1.55	4.65	2.77	43.02	110.34	74.53	35.68
58.1pc 32	76.09	4.45	1.50	4.54	2.77	43.02	110.34	74.53	35.68
60.1pc 32	98.63	4.59	1.55	4.65	2.77	43.02	110.34	74.53	35.68
62.1pc 32	76.09	4.45	1.50	4.54	2.77	43.02	110.34	74.53	35.68
64.1pc 32	98.63	4.59	1.55	4.65	2.77	43.02	110.34	74.53	35.68
66.1pc 32	76.09	4.45	1.50	4.54	2.77	43.02	110.34	74.53	35.68
68.1pc 32	98.63	4.59	1.55	4.65	2.77	43.02	110.34	74.53	35.68
70.1pc 32	76.09	4.45	1.50	4.54	2.77	43.02	110.34	74.53	35.68
72.1pc 32	98.63	4.59	1.55	4.65	2.77	43.02	110.34	74.53	35.68
74.1pc 32	76.09	4.45	1.50	4.54	2.77	43.02	110.34	74.53	35.68
76.1pc 32	98.63	4.59	1.55	4.65	2.77	43.02	110.34	74.53	35.68
78.1pc 32	76.09	4.45	1.50	4.54	2.77	43.02	110.34	74.53	35.68
80.1pc 32	98.63	4.59	1.55	4.65	2.77	43.02	110.34	74.53	35.68
82.1pc 32	76.09	4.45	1.50	4.54	2.77	43.02	110.34	74.53	35.68
84.1pc 32	98.63	4.59	1.55	4.65	2.77	43.02	110.34	74.53	35.68
86.1pc 32	76.09	4.45	1.50	4.54	2.77	43.02	110.34	74.53	35.68
88.1pc 32	98.63	4.59	1.55	4.65	2.77	43.02	110.34	74.53	35.68
90.1pc 32	76.09	4.45	1.50	4.54	2.77	43.02	110.34	74.53	35.68
92.1pc 32	98.63	4.59	1.55	4.65	2.77	43.02	110.34	74.53	35.68
94.1pc 32	76.09	4.45	1.50	4.54	2.77	43.02	110.34	74.53	35.68
96.1pc 32	98.63	4.59	1.55	4.65	2.77	43.02	110.34	74.53	35.68
98.1pc 32	76.09	4.45	1.50	4.54	2.77	43.02	110.34	74.53	35.68
100.1pc 32	98.63	4.59	1.55	4.65	2.77	43.02	110.34	74.53	35.68

FTSE benchmarks & non-run-up prices. Closing mid-price in pounds per £100 nominal of stock.

GILTS: UK FTSE ACTUARIES INDICES

Price Index	Fixed Coupon	Sep 11	Day's chg %	Total Return	Return 1 month	Return 1 year	Yield
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Exp 11	Short term	7 days notice	One month	Three months	Six months	One year						
Spain	3.38	3.68	3.44	3.74	3.59	3.89	3.64	3.94	3.72	4.02	3.75	4.05
Stirling					0.45	0.55	0.50	0.60	0.71	0.68	0.90	1.05
US dollar	5.13	5.33	5.15	5.35	5.51	5.51	5.40	5.69	5.80	5.83	6.00	5.98
Japanese yen	-0.30	-0.10	-0.30	-0.10	-0.25	-0.05	-0.15	-0.05	-0.05	-0.15	0.00	0.20

Lard rates come from ICE (www.theice.com) and are fixed at 11m UK time. Other data sources: US \$, Euro & CDs: Fullert Prebid; SDR, US Discount: IMF; EONIA: ECB; Swiss Lard: SNB; EURONIA, RONIA & SONIA: WMBA.

Senior Financials 5Y	80.96	-1.00	1.48	-0.62	124.01	76.46
Market CDX						
Emerging Markets 5Y	201.90	0.52	3.33	-0.75	265.81	189.34
Nth Amer High Yld 5Y	430.39	-0.66	7.91	0.32	511.98	408.40
Nth Amer Inv Grade 5Y	64.37	0.11	1.00	-1.69	88.71	62.55

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

[illegible]

Index Linked	Sep 11	Day's chg %	Month chg %	Year's chg %	Total Return	Return 1 month	Return 1 year
3 Up to 5 Years	227.92	-0.10	0.91	25.59	2796.30	0.91	3.76
4 Up to 5 Years	497.25	-1.31	-0.56	-17.53	3805.33	-0.56	-1.04
3 5 to 15 Years	535.45	0.54	0.79	5.56	3625.16	0.79	2.47
4 5 to 15 Years	442.17	-1.82	-1.45	-24.76	3548.07	-1.45	-4.72
3 Over 15 Years	690.06	1.05	0.91	11.51	4169.69	0.91	3.61

COMMODITIES				www.ft.com/commodities			
Energy		Price*	Change	Copra's & Cattle futures		Price*	Change
Crude Oil†	Oct	87.02	-0.48	Corn‡	Dec	485.50	1.75
Brent Crude Oil‡		90.74	0.09	Wheat‡	Dec	592.50	-3.25
Brent Crude Oil‡		90.74	0.09	Soybean‡	Nov	1368.75	-6.75
Gasoline‡	Oct	2.86	0.01	Soybean Meal‡	Oct	408.80	8.10
Natural Gas‡	Oct	2.58	-0.03	Cocoa (ICE Future)	Dec	3038.00	-12.00
Base Metals (± LME 3 Months)							
Aluminium		2204.00	23.00	Coffee (ICE US*)	Dec	3640.00	-17.00
Aluminium Alloy		1525.00	25.00	Coffee(Robusta*)	Sep	2620.00	18.00
Copper		8405.00	175.00	Coffee (Arabica)♥	Sep	152.50	5.00

BONDS: INDEX-LINKED							
	Price	Yield		Month	Value	Market	Of stocks
	Sep 08	Sep 08	Prev				
Can 4.25% 26	106.52	2.141	2.085	0.01	52.75	67395.22	8
+ 0.10% 25	99.50	0.953	0.921	-0.09	12.79	248950.48	18
UK 5.00% 26	128.08	1.450	1.460	0.07	35.53	27367.03	7
UK 0.125% 26	97.43	1.156	1.294	0.43	13.45	504153.74	31
				-	-	-	-
JD 2.00% 35	240.47	0.770	0.807	-0.29	9.08	504153.74	31
US 3.00% 26	95.40	2.660	2.678	-0.11	42.02	162490.21	48

	02/25	03/30	95/50	1.71	-0.02	0.06	0.13	1.25
Italy	05/30	0.40	91.60	3.74	0.02	0.04	0.19	0.27
	03/48	3.45	83.12	4.61	0.01	0.10	0.24	0.60
Japan	04/25	0.50	98.00	3.05	-0.01	-0.02	-0.08	0.04
	12/29	0.10	98.59	3.23	0.01	0.01	0.00	0.14
	12/49	0.40	75.36	1.54	0.01	0.02	0.08	0.33
Netherlands	07/27	0.75	92.36	2.88	-0.02	0.10	0.16	1.22
	01/47	2.75	96.12	2.98	-0.02	0.05	0.17	0.90
New Zealand	05/31	1.50	78.24	4.94	-0.06	0.10	0.16	1.02
	09/40	2.50	115.51	2.98	0.00	0.15	0.19	0.58
Norway	08/30	1.38	84.36	4.00	0.00	0.12	0.04	0.61
Poland								

Yield Indices	Sept 11	Sept 08	Yr ago	20 Yrs	Sept 11	Sept 08	Yr ago
5 Yrs	4.46	4.39	2.86	20 Yrs	4.77	4.69	3.48
10 Yrs	4.51	4.44	3.15	45 Yrs	4.55	4.46	3.21
15 Yrs	4.69	4.62	3.40				

Real yield	inflation 0%				inflation 5%			
	Sept 11	Dur yrs	Previous	Yr ago	Sept 11	Dur yrs	Previous	Yr ago
Up to 5 yrs	1.06	2.57	1.02	-0.78	0.77	2.59	0.72	-1.30
Over 5 yrs	1.14	19.92	1.07	-0.28	1.12	18.97	1.05	-0.31
1-15 yrs	0.82	15.48	0.76	-0.70	0.73	9.49	0.68	-0.76
16-15 yrs	1.22	24.94	1.15	-0.71	1.21	24.85	1.14	-0.21
All durations	1.14	15.35	1.07	-0.29	1.11	15.43	1.04	-0.32

Nickel	25,920	200	Sugar Tr▼	Oct	26.08	-1.23
Tin	25,800	400	Corn▼	Oct	84.64	1.02
Zinc	2,590.50	89.50	Ground Coffee▼	Nov	31.25	1.65
Precious Metals (PM Londen Fx)						
Gold	1927.80	9.45	Feed Cattle	Oct	183.0	-0.25
Silver (US cents)	230.10	0.00	Lean Hog	May	134.88	-
Platinum	900.00	-4.00		Oct	81.63	-1.20
Palladium	1207.00					
Base Commodities						
				Sep 08		
Bulk Ore	116.90	-0.50	S&P 500 SPI	609.01	3.07	-6.31
Baltic Dry Index	1209.00	23.00	DU/USC	106.57	9.92	-10.09
Richards Bay ICE Futures	114.25	0.00	JR CB CRB TR	319.64	2.95	-7.16

Representative stocks from each major market source: Merrill Lynch Global Bond Indices & Local currencies: * Total market movement. 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 Bund T-Bonds	Spread vs T-Bonds		Bid Yield	Spread Bund T-Bonds	Spread vs T-Bonds
Australia	4.06	1.53	-0.30	Netherlands	2.88	0.35	-1.48
Austria	3.05	0.52	-1.31	New Zealand	4.94	2.41	0.58
Canada	3.77	1.24	-0.59	Norway	4.00	1.47	-0.36

Portugal	04/47	4.10	78.00	5.72	-0.09	0.18	0.19	-0.27	1.13
	04/27	4.13	103.61	3.04	-0.02	0.08	0.12	1.13	0.95
Spain									
	10/29	0.60	85.09	3.33	-0.02	0.08	0.13	0.95	0.90
	10/46	2.80	82.79	4.08	-0.02	0.05	0.16	0.90	0.84
Sweden	06/30	0.33	112.80	1.39	-0.03	0.04	0.26	1.02	0.96
	03/29	3.50	105.73	2.95	-0.01	0.10	0.23	1.02	0.96
Switzerland	04/28	0.40	113.15	1.04	0.02	0.09	0.09	0.28	0.96
	04/29	0.00	94.22	1.03	0.01	0.08	0.10	0.27	0.96
United Kingdom									
	07/27	1.25	88.69	4.47	-0.10	-0.04	-0.08	1.47	0.96

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Sources: † NYMEX, ‡ ECK/ICE, ★ CBOT, ✱ ICE LIFFE, ▼ ICE Futures, ◆ CME, ◆ LME/London Metal Exchange.* Latest prices, \$, unless otherwise stated.

Finland	3.01	0.48	-1.35	Spain	3.33	0.79	-1.04
Germany	2.53	0.00	-1.83	Sweden	1.19	-1.34	-3.17
Italy	1.74	-0.79	-2.83	Switzerland	1.03	-1.50	-3.33
Japan	0.33	-2.21	-4.04	United States	4.36	1.83	0.00

United States	03/25	0.50	93.08	5.20	0.03	0.11	0.21	1.67
	02/20	1.50	84.09	4.38	0.01	0.09	0.28	1.05
	02/50	0.25	63.45	2.05	-0.04	-0.02	0.11	0.83

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ARTS

A São Paulo festival celebrates the culture of Portugal's former colonies, especially Angola's tender kizomba. Oliver Basciano reports

Dino D'Santiago is whipping up the audience with the *ferrinho*. The musician and rapper plays the instrument, a metre-long length of iron with regular notches hacked into it, with a knife, just as his parents and grandparents did in Cape Verde. The crowd, crammed into Casa de Francisco, an art-nouveau townhouse turned concert venue in downtown São Paulo, starts bouncing to the fast metallic rhythm.

D'Santiago is in Brazil for the Kizomba Design Museum, a three-day festival coinciding with the Bienal de São Paulo, which celebrates the interlaced culture of Portugal's former colonies and their diaspora, from food and music to the slow, sexy, Angolan dance which gives the event its name. It is the initiative of two Angolan creatives: Kalaf Epalanga, who became famous in his band Buraka Som Sistema and has since become a celebrated writer, and Nástio Mosquito, an artist who has shown at art galleries and biennials internationally. In Kimbundu, the Bantu language spoken in Angola, kizomba translates as "party" but Epalanga explains, "When we use the word kizomba, we don't mean one thing, but the whole culture of the diaspora."

"There were certain jobs that the African communities abroad could do," Epalanga says of their reasons for calling this venture a "design museum". "You had music, you had sports, and then you had aesthetics — design. Kizomba was the driving force of those places: hairdressers, beauty salons, fashion places, that's where the music was also playing."

The next day I attend a dance workshop held on a plaza busy with drinkers marking Brazil's independence day. The original kizomba music, on which the likes of D'Santiago base their pop and rap, is slower, with lyrics of love and loss. It is danced with a partner, the couples' bodies as tight as can be, in a smooth continuous flow. The feet of the most skilful kizomba dancers here barely seem to lift from the floor and all the movement happens in the hips and knees as they twirl across the pavement.



Dance of love, loss and war



Above: singer Kady. Top: kizomba dancers at the festival — Davi Reis and Helen Salomão, courtesy Kizomba Design Museum

Don't ask an Angolan person how they got into kizomba; Mosquito laughs when I do. "It's not so much getting *into* the music. I came *out* of the music. It's what my parents, my uncles, my peers and my friends were listening to."

Epalanga agrees that an interest in kizomba was non-negotiable as a teenager. "Even if you weren't really a good dancer you had to dance to meet girls, and you had to dance together because there's no other way to dance. Dancing by yourself: that's something that I learned in Europe."

From 1975 onwards, as their country's bitter civil war dragged on, Epalanga's parents continued to organise parties at

their home in Luanda, which would last through to the next morning to beat the military curfew in place. "There weren't any clubs, but we'd stay up dancing. So that was me growing up — in a war but the music kept playing," Epalanga says.

It is a fool's game to attempt to identify with any certainty the origin of the genre. Ask the enthusiasts dancing cheek-to-cheek in the street and you'll be hailed with a bewildering range of music terms and history. While all agree there are godfather figures such as Angolan singers Eduardo Paim and Paulo Flores, who closes the festival, some will tell you that kizomba sprang from Angola's semba music and the romantic songs of Ruy Mingas, Artur Nunes and David Zé. Others will shake their heads and argue that it emerged more from the zouk music of the French Antilles or the joyful celebration of Cape Verde's coladeira music. In truth it's a product of all of these, blended in the immigrant bairros of Lisbon and exported back to Africa and beyond.

More than 400,000 people left Angola to escape the 30-year conflict, and many went to Lisbon to look for work, joining an established Cape Verdean community. At night they went to the kizomba nightclubs. Although the atmosphere was celebratory, the clubs were also a refuge for the homesick, says Epalanga, who was among their number, then working as a waiter. "War is such a weird animal, it makes us do things we never

thought we could do," he says. "But then comes a song, then comes a dance, a plate of food from home, someone's favourite drink, you will see grown men cry like babies." Mosquito agrees: "For everybody in those clubs, it was not their first choice to be there, to be in that country working in construction, cleaning houses, washing dishes."

The original kizomba clubs of 1990s Lisbon used to close relatively early, many of the patrons working seven days a week to make ends meet. A hardy few, however, who were happy to carry on into the night, moved on to the city's discos where they were exposed to European pop and electronic dance music.



The festival is the initiative of Nástio Mosquito, left, and Kalaf Epalanga

Influenced by this, sub-genres appeared including kuduro, with the rhythm of disco and EDM. In Portugal, the African musicians had access to the latest equipment too, such as synthesisers and mixing desks, that created yet more possibilities.

Though they recall those days wistfully, the idea of the Kizomba Design Museum is not an exercise in nostalgia, the organisers say, pointing out that fans of the music do not prize purity but embrace it for its constant evolution. Instead the festival had a political impetus. The pair say that black immigrant culture is often sidelined or not taken seriously as an economic force.

"If you look at the Portuguese charts, it's all rappers, and they're all using kizomba beats. They don't call it that, but it's kizomba. The economy of kizomba is big, people are putting their kids through universities off the back of this, people are buying their houses," says Mosquito.

They point out too that there is no way of knowing the spending power of the African diaspora in Portugal as the collection of data on race is illegal. "We are just trying to contextualise that and give it a cultural shape, to give us some power when it comes to negotiating with the government, with the economy," says Mosquito.

They have plans to tour the event before one day establishing a permanent home. "We visit European museums and it's full of our stolen shit," Epalanga says. "This isn't about asking for that stuff to be returned, but it's trying to rewrite the story of what a museum can be, what gets celebrated."

kizombadesignmuseum.com



Dancers practise kizomba at a class in Luanda, Angola — AFP via Getty Images

Chorus of approval for the Last Night

CLASSICAL MUSIC

BBC Proms

Royal Albert Hall, London

Richard Fairman

The 2023 BBC Proms season is over and the end-of-term report is a good one. Average attendance across the concerts was 90 per cent, up from 85 per cent in 2019, the last pre-pandemic season. In a venue the size of the Royal Albert Hall that is impressive at any time, but even more so today.

The issue of whether audiences are returning to classical music after the lockdowns is a hot topic. Some places — Glynedebourne, reporting a stunning year, and now the Proms — are fully back in business, while others are facing half-empty halls and financial challenges. There seems to be no logic who falls into which category.

In general, popular favourites seem to be the music selling best. This was not the most adventurous Proms season, but it had its moments, including the first UK performance of Kurtág's endurance-testing opera *Endgame* and a scalding semi-staging of Berlioz's *Les Troyens* from John Eliot Gardiner's period specialists, but without Gardiner himself after the punch-in-the-face episode.

There were no fisticuffs at the Last Night, despite some audience members being provoked by the Royal Albert Hall's policy of allowing drinks and popcorn into the auditorium — an ongoing source of complaints online.

Ten years after she made history as the first woman to conduct the Last Night of the Proms, Marin Alsop was back with the BBC Symphony Orchestra and Chorus for the usual patriotic programme. She is the best of speakers and

deserves a thank-you for pushing the three-hour concert along at a brisk pace.

There were two premieres, James B Wilson's noisy *1922* and Laura Karpman's *Higher. Further. Faster. Together*, which draws on her score for the forthcoming superhero film *The Marvels*. A further item — Roxanna Panufnik's *Coronation Sanctus* — harked back to the coronation of King Charles III in May.

Some elements were carried over from the 2022 Last Night, which was cancelled following the death of the Queen. Lise Daviden and Sheku Kanneh-Mason took up their postponed star spots as the evening's two soloists. The Norwegian soprano was impressively loud in her Italian arias, soggily conducted, and "Rule, Britannia!". Cellist Kanneh-Mason was at his best in Bruch's lyrical *Kol Nidrei* and gamely played from the middle of the arena in a cloud of dry ice for an arrangement of Coleridge-Taylor's version of *Deep River*.

The biggest cheer of the evening went to the BBC Singers, currently under threat of extinction. Before the season started there was a theory that the BBC was holding off from the final chop until

the Proms were over. What will happen next? ★★★★★

Two sold-out concerts led up to the Last Night. On Thursday, a huge audience saw a gripping performance of Mozart's *Requiem* by Pygmalion, conducted by Raphaël Pichon. It was interspersed with short items by Mozart, but these odds and ends detracted from the powerful trajectory of the *Requiem*, rather than adding to it. ★★★★★

It was an inspired idea for the Royal Liverpool Philharmonic Orchestra to start its Prom with Honegger's rumbustious *Rugby* on the day that the Rugby World Cup started. Rachmaninov's 150th anniversary was also marked, when Japanese pianist Nobuyuki Tsujii gave an impetuous, pounding performance of the Third Piano Concerto.

With Gabriela Ortiz's *Clara* and the *Symphonic Dances* from Bernstein's *West Side Story* to end, conductor Domingo Hindoyan let rip his Latin American flair. This is the kind of concert that never works better than at the Proms. ★★★★★

bbc.co.uk/proms



Marin Alsop conducts Sheku Kanneh-Mason and the BBC Symphony Orchestra at the Last Night of the Proms
BBC/Chris Christodoulou

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The city-state has long prospered as a global hub, but some question whether the model is still working. Along with rising inequality, its trade-reliant economy now faces a high-wire geopolitical balancing act.

By Mercedes Ruehl

On a hot day in August, Singaporean police arrived at one of the city’s swankiest addresses, made their way past a miniature golf course in the courtyard, and charged inside. At homes across the city — always in the wealthiest neighbourhoods — similar scenes were repeating as police rounded up people suspected of belonging to a billion-dollar money-laundering ring.

Once upstairs, the officers banged on the bedroom door. When they entered, Su Haijin, a 40-year-old man of Chinese, Cambodian and Cypriot nationality, was gone. But not very far. On hearing the police, Su had hurled himself off the second-floor balcony, fracturing his hands and legs. Police found him hiding in a nearby drain.

The case, in which Su and nine others have been charged so far, has captivated a public wholly unused to seeing the insalubrious side of their country laid bare. It is not just the trappings of the S\$1.8bn (\$1.3bn) bust — gold bars, designer handbags, luxury cars, lavish property and digital fortunes — that have fascinated. Global banks, precious metal dealers, property agents and one of the country’s most famous golf clubs have also been sucked into the scandal.

Singapore has for decades prospered in no small measure due to its reputation as the “Switzerland of the east” — a safe and neutral haven for business in an at-times intractable part of the world.

The investigation has captured global attention, “not just due to its size and links to Chinese money,” says Chong Ja Ian, associate professor of political science at the National University of Singapore, “but also because it underscores the risks as Singapore tries to reshape itself in a more competitive and fragmented world”.

Singapore, he adds, wants to be “a premium place for premium business, not



just a Cayman Islands or a Mauritius, a place where global capital can come in and be reinvested elsewhere. But a raid of this scale shows the model has serious drawbacks.”

While Singapore’s open, trade-reliant economy has proved resilient to external shocks such as rising global protectionism and supply chain fragmentation, the raid comes at a sensitive and destabilising time.

The city-state is wrestling with rising inequality — linked to unrestrained capital inflows from the US, Europe and especially China — as it prepares for its first change of leader in almost 20 years. Some are questioning whether an economic model so reliant on foreign capital is benefiting citizens in the way it once did.

There is also the delicate matter of deteriorating Sino-US relations. As more mainland Chinese cash and influence seeps into Singapore, the country’s high-wire balancing act between Beijing and Washington becomes even more precarious. All 10 accused in the money-laundering sting share one thing in common: possession of a passport believed to be issued in China.

The test for Singapore’s ruling People’s Action party, analysts say, will be its ability to keep citizens convinced of the merits of remaining pro-globalisation and welcoming of foreign capital. Navigating the US-China split will depend on it.

“All foreign policy is domestic policy,” says Donald Low, a professor at the Hong Kong University of Science and Technology and a former civil servant in Singapore. “What will shape how Singapore manages its international agenda is how they can manage these domestic tensions.”

‘The money is pouring in’

Under the iron leadership of Lee Kuan Yew, the founder of modern Singapore who died in 2015, the city-state was propelled after independence from Malaysia in 1965 from a south-east Asian backwater into one of the world’s most successful economies.

Lee understood that encouraging foreign investment, the immigration of skilled workers and swift adoption of new technology was part of nation-building. At a time when many countries were suspicious of global multinational corporations, Lee welcomed them with low taxes and subsidies, marrying capitalism with a welfare state that protected citizens and provided housing, medical care and education.

Singapore benefited from a period of rapid industrialisation and globalisation worldwide, its strategic location making it an ideal hub for trade and



Singapore needs to navigate the US-China split if it is to keep its citizens convinced of the merits of globalisation and welcoming foreign capital

FT montage/AFP/Getty Images

commerce. In 1965, per capita gross domestic product was a mere \$516 compared with \$91,000 today — higher than the US, Australia, France and the UK, and not far behind Switzerland.

The economic boom continued under Lee’s successors, first Goh Chok Tong and then Lee’s son, Lee Hsien Loong, who came to power in 2004.

Even the US-China decoupling and other global shocks, such as Russia’s invasion of Ukraine, have not derailed its progress. Stable Singapore has even benefited from the external disorder.

“There is a paradox that smaller open economies benefit from worsening bilateral relations,” says David Bach, a professor at the International Institute for Management Development in Switzerland. “As a result of recent dynamics Singapore has become a lot safer for investors and multinationals to conduct business.”

Singapore’s “safe hub” reputation — coupled with its low taxes — has helped the city-state to compete with the massive industry subsidies on offer across large developed economies in the US and Europe.

Singapore receives a bigger percentage of US foreign direct investment into

Asia-Pacific than China and Hong Kong combined. Overall foreign direct investment inflows surged to S\$195bn last year, its highest level ever and a 10 per cent increase from S\$176bn in 2021. Singapore attracted a record S\$22.5bn in fixed asset investments in 2022 despite the global headwinds.

Many think the money-laundering scandal will have little long-lasting impact on Singapore’s reputation overseas. “The money is pouring in,” says Parag Khanna, founder and managing partner of FutureMap, a global strategic advisory firm. Investors want somewhere “genuinely open, home to everyone and that isn’t dominated by one power. Hong Kong has long since ceased to be that pan-Asian hub.”

Among the multinationals that call Singapore home is German conglomerate Siemens. Roland Busch, chief executive, said in June that it chose Singapore over places with cheaper labour and property costs such as India and Indonesia to build a high-tech factory. Globally connected Singapore, Busch said, was a “lighthouse of stability”.

Even with slowing global growth and weak local demand, Singapore has avoided a recession. Core inflation slowed for a third straight month in July to a year-on-year rate of 3.8 per cent. Unemployment was 1.9 per cent in the second quarter of this year. By comparison, in the same quarter Hong Kong recorded a rate of 2.9 per cent, London was at 5.1 per cent and, in June, New York’s rate was 5.4 per cent.

Singapore-washing

Yet while it thrives as a global power, Singapore has domestic concerns. The long-ruling People’s Action party is grappling with only its third change in leadership since independence, with finance minister and deputy prime minister Lawrence Wong — the so-called 4G or fourth generation leader — likely to take the reins.

Wong will take over at a time when the PAP’s share of the popular vote is at historic lows. The timing of the hand-over remains unknown and whether Lee or Wong will lead the PAP through the next general election — due to be held by November 23, 2025 — is unclear. While the PAP’s grasp on power in the quasi-authoritarian democracy remains firm, the opposition Workers’ party won a record 10 out of 93 contested seats in the 2020 general election for Singapore’s parliament.

For Singaporeans preparing for this next era, the opacity of the succession plan adds to an underlying sense of unease about the city-state’s identity. “Philosophically and emotionally, it’s the sense that the ‘Switzerland of the

east’ is actually designed more for global plutocrats than ordinary Singaporeans,” says Sudhir Vadaketh, editor of Jom, a Singaporean weekly magazine.

Some see Singapore as a way station, others a nation home, others a bit of both, Vadaketh adds. “There’s an inherent existential tension between the two that expresses itself in different ways, and requires perpetual management from politicians and bureaucrats. [August’s] money-laundering case, for many people, reminds us that we may be leaning too much towards ‘global city.’”

Singapore, whose own population is ageing, has become a favoured home for Asia’s millionaires, prompting local pushback to foreign workers and immigration. House prices and rents have skyrocketed, with the median price of a private home hitting \$1.2mn in 2022, the highest among cities in the Asia-Pacific, according to data from the Urban Land Institute Asia Pacific Centre for Housing. Rents for private homes outpaced even New York City at the end of last year.

Many Singaporeans are somewhat shielded thanks to a government housing scheme. Close to 80 per cent live in state flats and the majority own their home via long-term leases from the government. But even here higher costs are trickling through.

“I am moving back in with my parents because the landlord at the Housing Development Board flat I was renting with a friend lifted the rent from \$3,000 per month to \$5,000. That is crazy for a two-bedroom apartment,” says Nicole, a Singaporean living in Tiong Bahru who did not want to give her full name.

Fuelling a large part of this spike in housing costs, especially since the Covid-19 pandemic, has been the movement of rich Chinese, not just tycoons but also talented citizens with specific skills. Many are fleeing a “common prosperity” campaign — aimed at redistributing more of China’s wealth — and a crackdown on multiple industries.

“Singapore-washing”, where mainland Chinese companies redomicle and

‘The more money and people that come in [from China], the more Beijing might start to feel that it can get involved in Singapore’s affairs’

Below: a court illustration of 10 of the people alleged to have involvement with the money-laundering operation that has attracted global attention

The Straits Times Illustrations/Cel Gulapa/Reuters



rebrand as Singapore-based international businesses as a hedge against geopolitical risk, has increased. Of 63,801 new corporate entities formed in Singapore last year, 29 per cent had majority foreign ownership, according to analytics group Handshakes. Of those 7,312 were from China, up from 4,951 in 2021.

“It used to be they all fled to Hong Kong but now Singapore has unintentionally become a favoured destination for rich Chinese but also Chinese professionals,” says Low, the former civil servant. “Of course there is a reaction to that [in Singapore]. They raise prices all around and fuel the politics of envy.”

The city-state drew in more money than ever before in 2021, with S\$448bn in new funds, according to the most recent data available from its central bank, a number expected to be even higher for 2022.

But the S\$1.8bn money-laundering scandal will reinforce some critics’ view that Singapore acts as a bolt-hole for less-than-respectable money or flight capital. Since the pandemic, Singapore has seen an explosion of activity in its decentralised financial market: family offices, private banking and new discreet, lightly taxed funds. These are harder to regulate and to justify as benefiting the mainstream Singaporean economy, for instance there has not been a parallel jump in stock market listings.

“I think the money-laundering probe barely scratches the surface of the illicit activity that has gone on here for years,” says the Singaporean head of a large international investment bank in the city, referring to wealthy Indonesians and other rich south-east Asian individuals who have used the city-state to keep their wealth. “It is something the government must manage better or risk the rise of populism and xenophobia that has swept through so many other countries.”

Balancing act

The flow of money into Singapore is not only from China, nor is it the only country affected by the way elite Chinese people are shifting money overseas. But it does provide a colourful, timely example of how Singapore’s neutrality could eventually be affected.

Kenneth Jeyaretnam, the secretary-general of the opposition Reform party, on his Facebook page noted that the money-laundering raids took place days after a visit by China’s foreign minister, Wang Yi, and suggested there was “foreign pressure”.

The PAP has rejected this assertion and issued Jeyaretnam with a correction order under its online falsehoods or so-called fake news law. The financial regulator said that suspicious fund flows and other inconsistencies with documentation prompted banks in the city-state to file reports to the authorities.

One Washington-based policymaker tells the Financial Times that the Biden administration is “watching more closely than ever before” the Chinese companies and people moving to Singapore. “The more the volumes of money and people that come in, the more Beijing might start to feel it can intervene in Singaporean affairs,” they say.

The Chinese Communist party is often accused of using its soft power machine to influence Singaporeans — the majority of whom are ethnic Chinese — and the mainland Chinese who have emigrated there.

A recent Washington Post report suggested Beijing was using the Singaporean Chinese Lianhe Zaobao newspaper to sway opinions in the city-state. When asked about the report, Singapore’s ambassador-at-large Chan Heng Chee in August said the government was “well aware of these activities” and was “vigilant against agents of influence of all countries”.

The Singapore newspaper said in a statement that the Washington Post’s article “made biased comments and unfair statements about Lianhe Zaobao”. The media organisation added that it “takes its mission of delivering information seriously and remains committed to neutrality”.

The PAP formally upgraded its relationship with Beijing this year in areas including technology as well as supply chains. The two launched a new bilateral defence hotline in June and restarted military drills after a pandemic-related pause. Singapore has at the same time maintained its close relations with the US military.

But the party admits Singapore’s position is tricky. Wong, the prime minister-in-waiting, this year said the rift between Beijing and Washington “appears insurmountable”.

Singapore has “one foot firmly in each canoe, gaining benefits from both [the US and China],” says Drew Thomson, a visiting senior research fellow at National University of Singapore’s Lee Kuan Yew School of Public Policy. “But those canoes are drifting apart, can you really play both sides forever?”

The FT View



FINANCIAL TIMES

"Without fear and without favour"

ft.com/opinion

Britain's failed offshore wind auction

The government needs to restore confidence in its renewables pricing regime

Anyone who has visited Britain can vouch for its breezy weather. The gusts off the Atlantic Ocean and North Sea, and shallow coastal waters, means it has the greatest wind energy potential in Europe. So far, it has capitalised well on that advantage. The UK is a genuine world leader in wind: a third of its electricity came from the renewable energy source in the first quarter of 2023, and it is second only to China for its offshore wind energy capacity globally. Britain's gale-force winds will be vital to meet its 2050 net zero target. This makes its failure last week to attract any bids from offshore wind developers in its annual renewable energy auction both worrying, and embarrassing.

Last year the government committed to raise its offshore wind capacity to 50

gigawatts by 2030. After receiving zero offshore wind bids at its fifth auction the UK is about 36GW short of its goal with seven years to go. Onshore wind projects are, meanwhile, stymied by planning rules despite last week's partial easing of a de facto ban. If Britain cannot harness its abundance of wind effectively, it will face an uphill battle to meet its emissions targets.

Britain has allocated low-carbon electricity capacity via its contracts for difference scheme since 2014. The government sets a maximum guaranteed price, and firms bid at auctions at a price they can produce at. Under CFD schemes, when the market electricity price falls below the agreed contract price, the government pays the difference to the producer. This has been an effective mechanism. It has given developers of renewables, who face high upfront capital costs, clarity over their future revenue streams.

But the latest auction failed primarily due to the government not promising a

high enough maximum unit price for electricity. With high inflation, developers' costs, including for turbines, cabling and wages, have risen sharply. Higher interest rates make capital-intensive projects less attractive too. Yet the maximum £44 per MWh in 2012 prices offered by the government in last week's auction – little changed on the previous auction – is considerably below wholesale prices in today's terms. Vattenfall, a Swedish firm, had recently paused work on a 1.4GW site due to high costs: this should have been a warning sign.

The government must of course balance the need to develop renewable energy with costs for bill payers and taxpayers. This may explain why it tried to lowball the maximum price. But with electricity generated from offshore wind set to remain notably cheaper than gas for the foreseeable future, the failed auction in effect locks households and businesses into the more expensive and volatile fossil fuel for longer. RenewableUK, a trade body, said the lost wind

This latest round in effect locks households and businesses into more expensive and volatile fossil fuels for longer

farms eligible for the auction could have saved consumers £2bn a year.

The industry is also partly to blame. Many developers have squeezed suppliers to deliver projects at a low price, but now companies in the supply chain are trying to recover margins alongside high raw material costs.

But ultimately, the government needs to learn from this failure. Its processes for setting price caps ought to be reviewed. It should be more flexible and incorporate significant shifts in costs and interest rates into its offer. Providing information in advance on how prices will be set will help developers plan ahead too. It should also consider accelerating its future wind auctions.

Last week's failure puts the UK's net zero journey at risk and sends a bad signal to investors, who may now look for projects elsewhere. Tempestuous weather is indeed a mixed blessing. But when it comes to energy security and cutting emissions, wind is a strength Britain must lean into.

Opinion Society

The history wars have a big casualty – the past



How much should adults lie to children? For the majority of parents, the answer is seldom “not at all”. Instead, it is an issue that they – and all those around them – have to navigate on a case-by-case basis.

Some of these lies are about metaphysics (what happens to us when we die, for example) and some of them are about the past. Many people's parents present a sanitised account of how they met, at least at first.

These domestic untruths are part of why pooled family holidays so often end in disaster: differing levels of candour about what exactly happened to the pet hamster and how babies are made can sometimes explode into unexpected points of tension during a shared getaway in even the largest of villas.

They are also a microscopic version

Outside of dictatorships, most states don't actively lie, but they do tend to engage in acts of omission

of a debate that every institution has about its own history, whether a small business, an arm of the state, or an entire country.

Outside of dictatorships, most states don't actively lie about their past, but they do tend to engage in acts of omission. When Rishi Sunak depicts his own rise as part of a broader story of British tolerance and decency, nothing he is saying is untrue, but he is also leaving out the more unflattering parts about imperial avarice and post-war labour market shortages. When Narendra Modi's government uses the word 'Bharat', they aren't inventing a new history: but they are downplaying an equally real Indian alternative.

These sins of omission have the same intention: to guide a modern audience by presenting a flattering narrative about the past. Whether it is Ron DeSantis seeking to amend accounts of the slave trade in Florida school curriculums or the New York Times trying to reframe the history of the US in the 1619 project, what they both want to do is change how we think about what is happening now – and what is to come.

When Sunak talks about the UK's proud liberal past he is arguing that the country he leads works well and that sticking with the status quo (ie

him) is a good move. When Modi renames institutions and places to de-emphasise his country's Muslim and British past, he is arguing that India's future should be Indian. And when DeSantis seeks to remove “wokery” from the curriculum, he is trying to end present-day debates about what the US's past means for the future.

What we don't know is what, if any, real effect this actually has on everyone else. We have some idea that our understanding of national and International history shapes how we think about our present and future, but we don't really understand what the effect is, other than at the extreme end.

We can say with a high degree of confidence that if you lock your child in the basement and teach them the world is going to end in ten years, you are going to create a pretty odd child. And we know that if you seize control of the curriculum and the media, while curtailing the right to protest, you can reshape how a country feels about itself. But we have less idea what the inevitably-contested popular histories of a democracy do to a country's sense of itself and its future actions.

Instinctively, countries, organisations and households might be better off telling a sanitised and flattering account of their pasts. After all, the benefit of a business talking up its zero-tolerance approach to sexual harassment or expenses fraud to new employees seems greater than disclosing all its past mistakes in its induction week if the goal is to encourage good behaviour in the future. The number of successful politicians who have run for office offering an unvarnished account of their country's past is not very long.

The same unanswerable question lies at the heart of every nation's argument about popular history – about what is said in and by public institutions, and taught in schools. It leaves real historians in a difficult position: their work, rightly, doesn't involve sorting the past actions of a person or a country into good and bad in some macabre accounting exercise. Nor does it, or should it, involve highlighting only the flattering parts of a nation's or organisation's past.

As a result, academic historians – like the ones producing the National Trust's list of which of its properties had links to the slave trade, for instance – are often caught in the crossfire. Politicians who want to present a sanitised version of the past pillory historians for sitting in moral judgment of it (they don't), while others criticise history's failure to prevent dreadful mistakes in the present. But the real and important value of history is something completely different: the joy of finding things out.

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Letters

Don't let private equity investors fly below the radar

Your article about National Air Traffic Services (“Air chaos raises questions on passenger rights”, Report, September 2) neatly illustrates a gap in the way private equity is understood and reported.

You write that some airlines “control a 42 per cent stake in Nats, the second biggest after the British state”. This is technically correct. However, it also overlooks a key point.

In 2014, the Universities

Superannuation Scheme (USS) bought a 49.9 per cent stake in the vehicle through which the airlines own 42 per cent of Nats. This means the second-largest investor in Nats after the British state is in reality the USS. Given the USS is also the second largest owner of Thames Water, your readers would likely have been interested to learn that the USS is now the second-largest investor in two UK monopoly utilities that have come

under pressure recently for letting their customers down.

The USS cannot argue that it is just a passive, hands-off investor. In 2014 Nats itself declared that “USS's insight and expertise will undoubtedly benefit the continued growth of the business”. And the link could not be clearer: the same USS employee serves as a director of the holding companies for both Nats (since 2014) and Thames Water (since late 2022).

First Thames Water and now Nats raise similar questions for policymakers and investors about the trade-off between financial returns and operating resilience. Your coverage of Nats illustrates a related point. It shows the unhealthy way in which private equity investors like the USS continue to be allowed to fly – no pun intended – below the radar.

Peter Morris
London N5, UK

Missing piece in Swiss whistleblower jigsaw

Your article “Swiss unveil dirty money clampdown to repair image” (Report, August 31) should mention the critical lack of whistleblower laws in Switzerland. Because of the country's reputation as a safe haven for corrupt gains, Switzerland lags far behind other European nations in encouraging and protecting whistleblowers.

With some limited exceptions, Swiss whistleblowers remain largely unprotected against retaliation, and the country offers no whistleblower rewards for reporting money laundering and other financial crimes. In fact, in some sectors, such as banking, secrecy laws mean whistleblowers can and are held criminally liable for making disclosures.

The country has tried numerous times to pass legislation offering greater protections for whistleblowers, without success.

Given the secret nature of money laundering, people with insider knowledge – the whistleblowers – can be crucial in combating such financial crimes. While the new reforms designed to crack down on money



laundering could increase transparency and close some loopholes, without a proper whistleblower programme in place, Switzerland is missing a critical piece of the enforcement puzzle.

Erika Kelton
International Whistleblower Attorney
Phillips & Cohen
Washington, DC, US

This water option merits Singapore-on-Thames tag

In the debate about how to cope with Britain's looming crisis over water supply (The Big Read, September 5), one technological option is being strangely neglected, as pointed out in 2019 by the Commons environment committee in its report on water resources infrastructure. That technology is water reuse.

Water reuse uses fine-filter membranes to a level where the cleaned water can be used to top up reservoirs. It thus reduces abstraction and the need to build new reservoirs. It does not involve the transport of water from one region to another, so freeing supply from the vagaries of regional weather patterns. And it uses half the energy of desalination. Singapore has relied on reuse technology for decades, producing water so clean it is used by the electronics industry for which the water needs to be ultrapure. This is one case where adopting a policy of Singapore-on-Thames makes eminent sense.

Professor Robert Field
Durham, UK
Professor Albert Weale
Cambridge, UK

Public tends to be more sceptical than forecasters

John Eaton (Letters, September 6) makes several good points in comparing economic forecasts with weather forecasting. But I question his final sentence where he suggests the public treats economic forecasts “as accurate over months or years ahead”.

Oskar Morgenstern, the German-born economist, pointed out that “the professional users of economic and social statistics strangely enough often seem to be less sceptical than the public”.

(I myself have written about the margins of error in accounting!)

DR Myddelton
London W9, UK

Pillow talk

Regarding your piece on mattresses, here is how I would spend a spare \$660,000 for a good night's sleep (FT Weekend, September 9): buy a house in the south of France, preferably surrounded by vineyards and not much else; furnish it with an Ikea mattress.

Jem Eskenazi
London N3, UK

OUTLOOK

THE UK

How I fell for a social media scam



by Matthew Garrahan

If it seems too good to be true then it probably is, goes the old maxim, and so it proved in the dying days of my summer holiday when, after an enjoyable dinner and in a moment of weakness, I began idly flicking through Instagram on my phone.

There, among the clips of people falling off surfboards or jaguars fighting alligators that Instagram's algorithm has determined I enjoy, was an ad for a clearance sale at Paul Smith. I once bought a raincoat online in a Paul Smith sale and ever since, ads for the brand had regularly appeared in my Instagram feed.

But none offered the discount I was seeing now – 80 per cent off everything in the shop. I quickly began filling the shopping cart with cut-price shirts, socks, a questionable hat and even a suit bag, excitedly telling my family that I had stumbled across the deal of the century.

“Sounds like a scam,” said my son, looking over my shoulder as I put four loud ties into the cart. Silently despairing at his youthful cynicism, I showed him the website, the detail on each page – it was clearly legitimate! And I'd been sent to it by an Instagram ad. So it had to be Paul Smith.

Except of course it wasn't, as I found minutes after completing my order when an email in badly written English from a peculiar address arrived in my inbox confirming the purchase. I'd been had, conned, done up like a kipper. This sparked an anxious call to my bank, shame at

being duped and relentless mockery from my family. Their jibes landed with extra potency as I have a new job overseeing the FT's digital output, which they were keen to highlight.

It turns out that social media advertising, in the UK at least, regularly breaches rules set by the Advertising Standards Authority, the independent UK advertising regulator, on ads that make misleading claims. There is much more rigour around television advertising: broadcasters in the UK can be referred to the media regulator Ofcom and ultimately lose their licence unless they enforce ASA rules on their advertisers. This is why you're unlikely to see a fake commercial during *Coronation Street* for a fake shop selling stripey socks.

The ASA has fewer tools to force social media companies to comply with its rules. It has in recent years spent more time ensuring that social media influencers disclose when they are being paid to hawk products than clamping down on outright fraud. Still, its rules clearly prohibit misleading advertising. “Marketing communications must not materially mislead or be likely to do so,” states item 3.1 of the ASA code.

Instagram's owner, Meta, denies that it allows scam ads on its platforms, which judging by my experience is patently untrue. On Instagram, all ads are subject to a review system, “which relies on automated, and in some cases manual review”, a spokesperson tells me. She adds that “it is an industry-wide

issue . . . scammers are constantly finding new ways to trick people, which is why our systems aren't always perfect”.

This is putting it mildly. Days after falling for the Paul Smith scam I was being shown other fake ads, with Ray-Ban sunglasses particularly popular. A colleague found a very convincing one for cut-price kitchen goods at Wilko – convincing because it touted a clearance sale at the retail chain, which is going bust in real life. At least the scammers are keeping up with the news agenda.

Such ads must work for the fraudsters, or why would they spend money with Instagram? Fakes are promptly removed once detected but the company's automated systems are seemingly not up to the task, judging by the number I found.

Instagram is projected this year to generate more than 40 per cent of owner Meta's ad revenue, which hit \$113.6bn in 2022. It is unclear how much of this is from fraudulent bookings but it is also unclear how long the company can continue to hide behind claims that it is doing all it can to stamp out scam ads.

Maybe the social media companies will get their act together when regulators finally sharpen their teeth. Until then, be wary of ads for amazingly priced sunglasses, suit bags or food processors. If it seems too good to be true, then . . . well, you know the rest.

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Opinion

Experiments are key for more grown-up industrial relations

EMPLOYMENT

Sarah O'Connor

I am puzzled when people complain that the UK’s opposition Labour party under Sir Keir Starmer is bland and boring. When it comes to the labour market, at least, the party’s plans are more radical than many seem to realise, even after recent moves to water them down. One example is the promise to launch sectoral collective bargaining: a system that is common in continental Europe but would represent a big change in the way the UK economy works.

Labour has been inspired, at least in part, by the example of the Labour government in New Zealand, which introduced what it calls “fair pay agreements” at the end of last year. New Zealand’s labour market has similar strengths and weaknesses to the UK’s: it

is very flexible and tends to sustain high employment rates, but productivity and wage growth have typically been weak. FPAs are the New Zealand government’s proposed answer. The idea is to get employers and unions to sit down and negotiate minimum floors for pay and conditions across different sectors or occupations.

For Craig Renney, director of policy at the New Zealand Council of Trade Unions, the hope is to persuade employers to compete on “product innovation” or “quality”, rather than by taking the “low road” by shaving down labour costs. “If I look at countries that have sectoral agreements [such as] Germany, Denmark, Sweden – they have industrial peace and higher productivity levels,” he says.

But Renney might never find out if he was right. Employers’ associations in New Zealand did not buy into the idea and the country’s opposition parties have promised to repeal the policy if they unseat the Labour government in next month’s election, which the polls suggest is likely.

The UK Labour party seems to have

drawn a lesson from this. If it wins the election expected next year, it now plans to focus on just one sector – social care. The plan is to get the system running smoothly so it can bear fruit before the country goes to the polls again.

Even this downscaled ambition would be a big challenge. When I spoke to David Hopper, a lawyer at Lewis Silkin who specialises in industrial relations,

Companies and unions could treat each other as negotiating partners rather than adversaries

he reeled off a series of questions that would need to be answered. How would employers in the sector co-ordinate themselves, before they even sit down with the unions? Different employers might well have competing interests, particularly between the largest and smallest. What mechanism would there be if the parties failed to agree? How would the agreement extend to

companies that didn’t want to take part? Who would enforce it, and how?

And perhaps most important: if the agreement succeeded in raising low pay and improving working conditions in the sector, who would pay for those higher labour costs? The fundamental problem in the social care sector is inadequate government funding. A fair pay agreement might well make sure any extra funding goes to improve working conditions rather than to fatten profit margins, but it can’t magic that extra money into existence.

That said, I think it is a worthwhile experiment. Partly, because I think improvements to low pay, poor training and zero-hour contracts in the social care sector would benefit both staff and the people they look after.

Negotiating this way could be good for employers, too. In Sweden, which has a longstanding system of sectoral collective bargaining, Mattias Dahl of the employer body the Confederation of Swedish Enterprise believes it is better for businesses to negotiate pay and conditions with unions than to be regulated by employment laws. “We

have been able to be more flexible – we can change regulations faster than the law could. We can renegotiate each third year – from a business point of view that’s much better,” he says.

More ambitiously, it might start the UK down the road towards a more grown-up system of industrial relations, in which employers and unions treat each other as negotiating partners rather than adversaries. There are plenty of European economies such as Sweden in which constructive industrial relations are the norm. These countries have very different histories and traditions, of course. For Britain, it is a long way from here to there. But that’s no reason not to take the first step.

There will be those who fear that empowering unions in this way will lead to more strife, but Dahl argues the opposite is the case. “The worst thing from an employer’s point of view is small and weak unions,” he says. “This puts stress on a union. That’s when they might try to attract members by burning tyres and screaming.”

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Ukraine will not let war stop its anti-corruption efforts

Daria Kaleniuk

Ukraine has been resisting unprovoked Russian aggression for more than 500 days. Today the world’s attention is on the progress of its counteroffensive, launched in June. At the same time, there is growing global interest in the internal politics of Ukraine and in the workings of its democracy.

Sometimes this interest is politicised and potentially harmful to the war effort – discussion of corruption in Ukraine could become a bargaining chip when its allies are weighing their future support for the resistance to Russia. And all this comes at a time when we Ukrainians need unconditional military assistance from our American partners and other Nato countries.

Russian propaganda contends that Ukraine is a corrupt state not worth investing political and financial capital in. Yet at this decisive moment, one of maximum jeopardy, the country is also managing to make progress in the fight against corruption at home.

Consider some recent developments. A petition launched by a soldier calling on President Volodymyr Zelenskyy to allow open access to the asset declarations of government officials attracted more than 80,000 signatures in one day.

Meanwhile investigative journalists, operating under the constraints of martial law, have exposed graft in defence procurement. Defence minister Oleksiy Reznikov was replaced by the president after sharp criticism of his handling of these allegations.

In May, Vsevolod Kniaziev, chief jus-

Recent graft scandals should be seen as a sign that checks and balances are functioning well

tice of Ukraine’s Supreme Court, was arrested on corruption charges by an independent law enforcement agency – at the same time as Russian troops were targeting civilians, schools and hospitals. Finally, a few days ago the same agency froze the assets of oligarch Ihor Kolomoisky as part of an embezzlement investigation.

A poll taken in June shows that nearly 34 per cent of Ukrainians consider government corruption to be a significant security threat in the coming months, against almost 31 per cent who mention the risk of Russia using nuclear weapons. Tolerance of corruption is falling now that it is rightly considered a danger to national security.

The Kremlin has long considered Ukraine’s anti-corruption agencies to be an obstacle to taking over the country from inside – as Russia arguably did with Belarus by penetrating corrupt and authoritarian state security and defence institutions.

It is hardly surprising that President Vladimir Putin cited anti-corruption institutions and judicial reform in his speech on February 21 last year, just ahead of the invasion. Having failed to establish control over the country from the inside, Putin decided to destroy it by military means.

Recent corruption scandals in Ukraine should be seen as a sign that internal checks and balances are functioning well in a society that faces existential challenges. Such episodes should not be regarded as a reason for ceasing to assist Ukrainian resistance to Russian aggression.

On the contrary, by exposing and dealing with corruption in wartime, Ukraine shows its gratitude for the financial and military assistance it is receiving from the international community. Government officials who do not show such respect will lose their posts sooner or later under pressure from wider society.

Over the coming months, there will be efforts, backed and sometimes fomented by the Kremlin, to undermine Ukraine’s international reputation and to portray it as one of the most corrupt countries in the world. I fear that we could become a political football in the next American presidential election. But I also believe that most Americans support us in our struggle for fundamental democratic values against the Russian Goliath.

The writer is co-founder and executive director of the Anti-Corruption Action Center

Trump’s trials will fuel rash of ‘whataboutism’

GLOBAL AFFAIRS

Gideon Rachman

The many trials of Donald Trump will have an unpredictable effect on American politics. But they are already having an all too predictable impact on world affairs. The various prosecutions faced by the former president are fuelling a global surge in “whataboutism”.

Trump tried to subvert democracy and he deserves to be held to account. But the spectacle of a leading candidate in the next US presidential election facing possible imprisonment is still a gift for authoritarian governments. They have long resented western lectures on human rights and democracy. Now they can say, “You criticise us for locking up our opponents? What about Trump?”

It is tempting for liberals to wave away these kinds of arguments as obviously insincere or absurd. But simply accusing the Russians or the Chinese of whataboutism, and changing the subject, is a mistake for two reasons.

First, whataboutery is often very effective. The US and its western allies are at risk of losing the battle for global opinion if they refuse to engage in the debate. America’s efforts to rally global support for Ukraine have foundered in

part because of the failure to find a convincing reply to the question “What about America’s invasion of Iraq?”

Second, although whataboutism is an irritating style of argument, it is not illegitimate. When people make political and moral judgments, they naturally compare different situations to clarify their thinking. You think X is wrong? What about Y?

I had my own internal “what about” debates in Hong Kong last week. I am instinctively hostile to the many current prosecutions of activists who took part in the Hong Kong protest movement from 2019 to 2020. But what about the long sentences that have just been passed on pro-Trump activists who stormed the US Capitol on January 6 2021? At one point, during the Hong Kong protests, protesters stormed the legislative council.

So what is the difference? One crucial distinction is that the US rioters were seeking to overturn a democratic election. The Hong Kong protest movement was demanding democracy. The defendants in the huge number of cases brought under Hong Kong’s new national security laws face vague, sweeping charges of sedition and collusion with foreign powers. Their alleged crimes include such offences as running primary elections to establish a slate of pro-democracy candidates.

The fact that Trump’s prosecution will take centre stage in the coming year means that similar debates will keep coming back all over the world. When I referred in the FT recently to Turkey as



a democracy “where leading opposition politicians are in jail”, a reader instantly shot back “Have you seen the news out of the US lately?”

Russian television is also delighting in Trump’s trials. Does that not make it harder for the Biden administration to criticise the imprisonment of the Russian opposition leader Alexei Navalny? Viktor Orbán, the Hungarian prime minister, recently used an interview with the pro-Trump pundit, Tucker Carlson, to tut-tut that it would be “impossible to imagine” indicting the leader of the opposition in Hungary.

So what about these cases? In every instance, there are good answers – but they require knowledge and the ability to make distinctions.

The imprisonment of Selahattin

America and western allies risk losing the battle for world opinion if they refuse to engage in the debate

Demirtaş, a leading Turkish politician, has been condemned as politically motivated and based on flawed evidence by the European Court of Human Rights and the International Commission of Jurists. One of the jail sentences against Demirtaş was for “insulting the president”. By contrast, no reputable international legal body has taken issue with the cases against Trump or the independence of the courts trying him.

There was never any doubt that Navalny would be convicted of the charges hurled at him because Russia’s courts are firmly under the control of the Kremlin. By contrast, Trump has a real chance of acquittal in the cases against him as his legal team tests the charges and evidence.

As for Orbán, he has spent the past decade gradually squeezing the life out of Hungary’s democracy. There is little need to jail his opponents when the political system is already thoroughly stacked against the opposition.

In the global south, the most potent form of whataboutism remains the Iraq war. Most US politicians, including

Biden and Trump, now accept that the war was a mistake. It clearly had tragic consequences. But it is still not “the same” as Russia’s invasion of Ukraine.

Saddam Hussein’s Iraq was a brutal dictatorship that was responsible for mass atrocities. Ukraine was a peaceful democracy. The US had no intention of annexing Iraq. Russia, by contrast, wants to erase Ukraine’s independence and has annexed large parts of its territory.

Do I expect that making these points will ensure the triumph of reason, justice and democracy? Obviously not. Even among those who engage in these debates in good faith, there are people who will remain unconvinced. Many others will not be swayed, because their positions are dictated by emotion or self-interest, and underpinned by false information or propaganda.

It is unrealistic to expect that reasoned argument can defeat all forms of whataboutism. But the surest way to lose the debate is to refuse to engage in it in the first place.

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Peak fossil fuel demand will happen this decade

Fatih Birol

There’s a taboo in the traditional energy sector against suggesting that demand for the three fossil fuels – oil, gas and coal – could go into permanent decline. Despite recurring talk of peak oil and peak coal over the years, both fuels are hitting all-time highs, making it easier to push back against any assertions that they could soon be on the wane.

But according to new projections from the International Energy Agency, this age of seemingly relentless growth is set to come to an end this decade, bringing with it significant implications for the global energy sector and the fight against climate change.

Every year, the IEA’s World Energy Outlook maps out potential pathways the global energy system could take in the coming decades to help inform

decision-making. This year’s report, to be released next month, shows the world is on the cusp of a historic turning point. Based only on today’s policy settings by governments worldwide – even without new climate policies – demand for each of the three fossil fuels is set to hit a peak in the coming years. This is the first time that a peak in demand is visible for each fuel this decade – earlier than many people anticipated.

These remarkable shifts will bring forward the peak in global greenhouse gas emissions. They are primarily driven by the spectacular growth of clean energy technologies such as solar panels and electric vehicles, the structural shifts in China’s economy and the ramifications of the global energy crisis.

Global demand for coal has remained stubbornly high for the past decade. But it is set to peak in the next few years, with big investments drying up outside China as solar and wind dominate the expansion of electricity systems. Even in China, the largest coal consumer, the impressive growth of renewables and nuclear, alongside a slower economy, point to a decrease in coal use soon.

Some pundits suggested global oil demand might have peaked after it plunged during the pandemic. The IEA was wary of such premature calls, but our latest projections show that the growth of electric vehicles around the world, especially in China, means oil demand is on course to peak before 2030. Electric buses and

The drop in advanced economies will be partially offset by continued growth in some emerging ones

two- and three-wheelers are also growing strongly, especially in emerging economies, further eating into demand.

The “Golden Age of Gas”, which we called in 2011, is nearing an end, with demand in advanced economies set to fall away later this decade. This is the result of renewables increasingly outmatching gas for producing electricity, the rise of heat pumps and Europe’s accelerated shift away from

gas after Russia’s invasion of Ukraine.

Peaks for the three fossil fuels are a welcome sight, showing that the shift to cleaner and more secure energy systems is speeding up and that efforts to avoid the worst effects of climate change are making headway. But there are some important issues to bear in mind.

For starters, the projected declines in demand we see based on today’s policy settings are nowhere near steep enough to put the world on a path to limiting global warming to 1.5C. That will require significantly stronger and faster policy action by governments.

Demand for the different fuels is set to vary considerably among regions. The drop in advanced economies will be partially offset by continued growth in some emerging and developing economies, particularly for gas. But the global trends are clear: low-emissions electricity and fuels, as well as energy efficiency improvements, are increasingly taking care of the world’s rising energy needs.

The declines in demand also won’t be linear. Although fossil fuels are set to hit their peaks this decade in structural terms, there can still be spikes, dips and

plateaus on the way down. For example, heatwaves and droughts can cause temporary jumps in coal demand by pushing up electricity use while choking hydropower output.

And even as demand for fossil fuels falls, energy security challenges will remain as suppliers adjust to the changes. The peaks in demand we see based on today’s policy settings don’t remove the need for investment in oil and gas supply, as the natural declines from existing fields can be very steep. At the same time, they undercut the calls from some quarters to increase spending and underline the economic and financial risks of major new oil and gas projects – on top of their glaring risks for the climate.

With today’s policies already bringing the fossil fuel peaks into sight, decision makers need to be nimble. The clean energy transition may well accelerate even further through stronger climate policies. But the energy world is changing fast and for the better.

The writer is executive director of the International Energy Agency

