FINANCIAL TIMES

THURSDAY 3 NOVEMBER 2022 — INTERNATIONAL NEWSPAPER OF THE YEAR — ASIA

Paying South Africa to cut its reliance on coal
BIG READ, PAGE 13

US democracy itself is on midterms ballot
EDWARD LUCE, PAGE 15

Israel's choice
Netanyahu set for comeback

Tsafrir Abayov/AP

Benjamin Netanyahu and wife Sara celebrate in Jerusalem yesterday after Israel's parliamentary elections put the former prime minister on course to return to power less than 18 months after he was ousted.

With 86 per cent of votes counted, a bloc combining Netanyahu's Likud party, the extreme right Religious Zionism group and two ultra-Orthodox parties was set to win a majority in the 120-seat Knesset.

The election was widely seen as a referendum on 73-year-old Netanyahu, who has spent the past two years battling allegations of corruption.

Amid jubilant scenes at Likud party headquarters, with supporters chanting "Bibi, king of Israel", Netanyahu said he would form a "stable, national government", adding: "We are on the brink of a great victory."

Israel's kingmaker page 3

Fed advances front against inflation with fourth consecutive big rate rise

- Unanimous 0.75-point increase
- Wall Street stocks swing
- Investors seek clues to future moves

COLBY SMITH — WASHINGTON

The Federal Reserve yesterday raised its benchmark policy rate by 0.75 percentage points for the fourth time in a row as it advanced its long-running battle to bring down persistently high US inflation.

The Federal Open Market Committee voted unanimously to increase the federal funds rate to a new target range of 3.75 per cent to 4 per cent following its latest two-day meeting.

The fourth successive rate rise comes as the US central bank tries to stamp out price pressures in an economy that is proving more resilient than expected in the face of its monetary tightening campaign.

The FOMC highlighted that it would "take into account the cumulative tightening" implemented so far as well as the "lags with which monetary policy affects economic activity and inflation". It said it would also take "economic and financial developments" into account.

Stocks swung in the wake of the Fed decision as investors hunted for clues to whether the central bank would begin slowing the pace of rate increases. The S&P 500 initially rose after yesterday's rate rise, but fell 1 per cent on the day after Jay Powell spoke at a press conference. The Fed chair said: "We still have some ways to go and economic data since our last meeting suggests that the ultimate level of interest rates will be higher than expected."

> Officials and economists are urgently discussing when the Fed should slow the pace of its rate rises

The US central bank said that "ongoing increases" in the fed funds rate would be necessary to have a "sufficiently restrictive" impact on the economy and bring inflation back to the Fed's longstanding 2 per cent target.

The Fed's decision to press ahead with another 0.75 percentage point rate rise comes against a backdrop of mounting evidence that the most acute inflation problem in decades is not abating.

That is despite early signs that consumer demand is starting to cool and the housing market has slowed significantly under the weight of spiralling mortgage rates, which last week rose above 7 per cent.

Data released since September have shown consumer price growth accelerating once again across a broad array of goods and services, suggesting underlying inflationary pressures are becoming more entrenched. The labour market also remains very tight.

Yesterday's decision shifted the federal funds rate further into "restrictive" territory, meaning it will more forcefully stifle economic activity.

Given how far the Fed has already lifted rates — from near zero as recently as March — top officials and economists are having urgent discussions on when the US central bank should slow the pace of its rate rises, particularly since changes to monetary policy take time to filter through the economy.

The Fed first introduced the notion of slowing down "at some point" back in July, and forecasts published at the September meeting suggest support for such a move in December. At September's meeting, most officials projected the fed funds rate reaching 4.4 per cent by the end of the year, indicating a step down to a half-point rise next month.

Economists are concerned that by prolonging its aggressive tightening programme, the Fed risks triggering a more pronounced economic downturn than is necessary, as well as instability in financial markets. Democratic lawmakers have also called on the Fed to back off from its aggressive approach.

Markets pages 8 & 9

Briefing

▸ **Russia rejoins Black Sea grain cargo agreement**
Moscow has returned to the UN-backed deal, ending a stand-off that threatened to ignite a new food crisis. Shipments from Ukraine are set to resume.— PAGE 2

▸ **Qatar backs Credit Suisse**
The Qatar Investment Authority plans to lift its stake by investing alongside Saudi National Bank, as the Swiss lender seeks to raise $4bn.— PAGE 5; LEX, PAGE 16

▸ **Biden appeal to US voters**
The US president was to give a prime-time speech last night on "protecting our democracy", a last-ditch appeal before midterm polls.— PAGE 4; EDWARD LUCE, PAGE 15

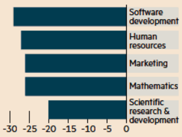
▸ **ECB issues climate alert**
The central bank has warned lenders that failing to tackle their climate-linked risks within two years will result in higher capital requirements and fines.— PAGE 4

▸ **US opioids settlement**
Pharmacy groups CVS Health and Walgreens have agreed to pay almost $10bn to settle most of the outstanding lawsuits over their painkiller prescriptions.— PAGE 6

▸ **Apollo in $1bn UK swoop**
The US private capital group has said it snapped up pension fund assets as it exploited the crisis over the UK's ill-fated "mini" Budget. — PAGE 6; LEX, PAGE 16

Datawatch

Labour market cools
% change in US job postings this year, seasonally adjusted



Sources: Indeed; Axios

The US labour market is beginning to cool off, especially in the tech sector as companies start to rein in hiring plans. Other high-wage sectors friendly to remote work, such as marketing and data science jobs, have also pulled back

Magic mushrooms drug helps to treat depression

Reports ▸ PAGE 3

Glencore flew cash across Africa in private jets to bribe officials, court told

KATE BEIOLEY — LONDON

A middleman paid by Glencore flew cash in private jets across Africa to bribe officials, a London court was told yesterday.

A UK subsidiary of the commodity trader and mining group will be sentenced at Southwark Crown Court this week after pleading guilty in June to seven counts of bribery spanning countries from Nigeria to Cameroon following a Serious Fraud Office probe.

Glencore has set aside $1.5bn to settle a series of global probes, including about $1.1bn for US authorities. Its UK fine will be determined today.

The SFO's investigation focused on Glencore's London office and its west Africa desk, which sourced oil across the continent. Yesterday, a barrister representing the SFO said Glencore had paid a Nigerian middleman more than €4mn disguised as service fees.

Money was transported, often by private jet, from Nigeria to Cameroon to a Glencore oil trader who used it to pay bribes, according to the SFO. About $13.7mn was paid to officials in Cameroon's national oil and gas company and the country's national refinery in the three years to March 2015.

The court heard Glencore had used a Swiss "cash desk" to dispense money to be used for bribery. The trader on the west Africa desk withdrew €6.3mn in cash from this desk through a series of transactions listed as "office expenses".

Clare Montgomery KC, representing Glencore, said the company's conduct was "inexcusable" and "had no place in Glencore" but that "these practices do not exist in any form in any of the Glencore companies" today.

The SFO charged Glencore Energy UK in May with profit-driven corruption in connection with its oil operations in Cameroon, Equatorial Guinea, Ivory Coast, Nigeria and South Sudan. The agency's probe revealed the company paid more than $28mn to agents and intermediaries to secure preferential access to oil, increased cargoes, valuable grades of oil and better delivery dates.

Yesterday, the agency set out a system in which Glencore traders disguised payments to give the appearance that they were for "legitimate services".

The court heard the SFO had received evidence from Anthony Stimler, a UK citizen who worked on the company's west Africa desk until 2019 and pleaded guilty to charges in the US last year. He confirmed that payments to the Nigerian agent were a "sham" to disguise their true purpose.

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Indonesia	Rp45,000
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Pakistan	Rupee 350
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World Markets

STOCK MARKETS

	Nov 2	Prev	%chg
S&P 500	3836.68	3856.10	-0.50
Nasdaq Composite	10784.22	10890.85	-0.98
Dow Jones Ind	32602.18	32653.20	-0.16
FTSEurofirst 300	1635.22	1640.31	-0.31
Euro Stoxx 50	3622.05	3651.02	-0.79
FTSE 100	7144.14	7186.16	-0.58
FTSE All-Share	3910.01	3928.75	-0.48
CAC 40	6276.88	6328.25	-0.81
Xetra Dax	13256.74	13338.74	-0.61

CURRENCIES

Pair	Nov 2	Prev	Pair	Nov 2	Prev
$/€	0.987	0.987	€/$	1.013	1.013
$/£	1.146	1.146	£/$	0.872	0.873
£/€	0.861	0.861	€/£	1.161	1.161
¥/$	147.140	148.115	¥/€	145.256	146.227
¥/£	168.667	169.755	£ index	78.016	78.396
SFr/€	0.986	0.987	SFr/£	1.145	1.146

CRYPTO

	Nov 2	Prev	%chg
Bitcoin ($)	20379.00	20480.07	-0.49

GOVERNMENT BONDS

Yield (%)	Nov 2	Prev	Chg
US 2 yr	4.55	4.51	0.04
US 10 yr	4.04	4.05	-0.01
US 30 yr	4.08	4.12	-0.04
UK 2 yr	2.97	3.11	-0.14
UK 10 yr	3.39	3.46	-0.07
UK 30 yr	3.57	3.58	-0.01
JPN 2 yr	-0.05	-0.05	0.00
JPN 10 yr	0.24	0.25	-0.01
JPN 30 yr	1.53	1.49	0.04

Dubai

Nikkei	27663.39	27678.92	-0.06
Hang Seng	15827.17	15455.27	2.41
MSCI World $	2546.40	2547.72	-0.05
MSCI EM $	867.58	848.16	2.29
MSCI ACWI $	587.47	586.37	0.19
FT Wilshire 2500	5030.20	5046.83	-0.33
FT Wilshire 5000	39310.52	39435.40	-0.32

Ethereum	1553.94	1577.74	-1.51
COMMODITIES			
	Nov 2	Prev	%chg
Oil WTI $	90.10	88.37	1.96
Oil Brent $	96.31	94.65	1.75
Gold $	1645.25	1639.00	0.38

GER 2 yr	1.97	1.93	0.04
GER 10 yr	2.13	2.13	0.00
GER 30 yr	2.09	2.13	-0.04

Prices are latest for edition
Data provided by Morningstar

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INTERNATIONAL

Shipments

Russia ends stand-off over grain accord

Moscow had quit the deal on Saturday after alleging attack on Black Sea fleet

AYLA JEAN YACKLEY — ISTANBUL
MAX SEDDON — RIGA
ROMAN OLEARCHYK — KYIV

Ukraine grain shipments were set to resume yesterday after Russia rejoined a UN-backed deal to allow exports via the Black Sea, ending a stand-off that threatened to reignite a food crisis.

Turkey's President Recep Tayyip Erdoğan said Sergei Shoigu, Russia's defence minister, had phoned his Turkish counterpart to say Moscow was back on board.

Addressing his security council yesterday, President Vladimir Putin said Russia would continue to supply "the volume of grain that was supplied from Ukraine to the poorest countries" even if the latest agreement collapsed.

Many Middle East and African countries have been sympathetic to Moscow's arguments that sanctions, rather than the invasion of neighbour Ukraine, are the main obstacle to grain exports.

The next shipments of grain would head to Somalia, Djibouti and Sudan, Erdoğan said. The Turkish leader, who has maintained close ties with Putin since Moscow launched its full-scale invasion in February, helped broker the original grain deal in July.

Russia quit the pact on Saturday, accusing Kyiv of targeting its naval fleet in the Black Sea following claims of a Ukrainian drone attack on its warships. Moscow's withdrawal threatened a rare example of wartime co-operation that has allowed more than 9mn tonnes of Ukrainian agricultural products to reach international markets, helping forestall a global food crisis.

Putin said Russia "would not hinder grain supplies from Ukraine to Turkey at any point in the future", citing Turkey's neutral stance on the war and Erdoğan's efforts to represent the "poorest countries".

He said Ukraine had given Russia guarantees not to use the grain export routes for "military means" but said Moscow "retained the right to exit the deal if those guarantees are violated".

Serhiy Kuzan, an adviser at Ukraine's defence ministry, said Kyiv "gave no new assurances beyond the ones included in the original agreement", adding that "we have not and will not use this grain shipment corridor for military purposes".

Kyiv has complained that Russia is continuing to use its Black Sea fleet to launch air strikes on Ukraine, including a series of attacks on energy infrastructure in recent weeks — and has repeatedly denied using the grain corridor to conduct its own strikes.

Mykhailo Podolyak, an adviser in Ukrainian president Volodymyr Zelenskyy's administration, told the Financial Times that Russia's attempted "blackmail and ultimatums" had failed after Kyiv, the UN and Turkey showed "that the grain corridor can continue to work even without the Kremlin's participation". Vessels carrying grain continued to leave Ukrainian ports on Monday and Tuesday.

Amir Abdulla, UN co-ordinator for the grain agreement, tweeted he was "grateful for the Turkish facilitation" and that he welcomed Russia's return to the deal. Insurers at Lloyd's of London said they had resumed offering quotes to cover vessels under the grain deal.

Additional reporting by Emiko Terazono

Black Sea. Marine strategy

Kyiv raises stakes with low-tech naval drones

Bomb boats made with simple components breach harbour defences in raid on Crimea

BEN HALL AND JOHN PAUL RATHBONE
LONDON

An audacious assault by unmanned exploding boats on Russia's Black Sea fleet over the weekend has further exposed Moscow's military's shortcomings while ushering in what some analysts said was a new era of naval warfare.

Russia said the raid on the Sevastopol naval port involved seven maritime and nine aerial drones and claimed to have intercepted all of them, though it admitted minor damage to a minesweeper and its harbour protection system.

But naval experts said the attack, seen in unverified footage, demonstrated Ukraine's skill at harnessing new technology, some of it readily available, to offset Russia's superior firepower.

The long-distance attack by multiple maritime drones that penetrated a supposedly protected harbour provided a "glimpse into the future of naval warfare", said H I Sutton, a defence analyst.

Videos posted online showed drones known in naval jargon as unmanned surface vessels (USVs) homing in on targets, including a Grigorovich-class frigate thought to be the Admiral Makarov, flagship of Russia's Black Sea fleet. Other footage showed drones coming under Russian cannon fire.

Reports on Russian social media suggested the Makarov, which appeared in some videos to be at sea, was damaged, though Ukrainian claims that several vessels were sunk were probably wide of the mark, analysts said.

Another clip appeared to show a USV in the port switching direction rapidly as if looking for a target.

Russia said Kyiv prepared the USV attack in Ochakiv, a Ukrainian town about 270km north-west of Sevastopol, suggesting the drones had a remarkably long range. Kyiv, which lost most of its navy when Moscow annexed Crimea in 2014, maintains a policy of ambiguity over its involvement in such attacks, but several analysts said it was almost certainly behind the raid.

"A country with no operational navy has overwhelmed a superior enemy at its home base," Ville Vänskä, a Finnish naval infantry commander, said on Twitter. "Now the war in Ukraine has made unmanned [vessels] an integral part of naval warfare."

Surface tension: Russian naval vessels are facing a new threat in waters in and around Crimea
Alexey Pavlishak/Reuters

Source: FT research; Institute for the Study of War
* Crimea was annexed by Russia in 2014 but this is not recognised by the international community

The Sevastopol attack was the latest in a series of operations against Crimea and Russian military assets, each exploiting gaps in defences by using homegrown Ukrainian technologies.

In April, Ukraine sank the Moskva, a missile cruiser and then flagship of the Black Sea fleet, using a locally developed missile. In August, explosions thought to have been caused by a new Ukrainian missile destroyed several Russian fighter jets at a Crimea air base.

Russia last month blamed a truck bomb for the partial demolition of a bridge over the Kerch Strait connecting Crimea with the Russian mainland, a supply line for Moscow's forces.

The maritime drone attack had a "strategic implication", said Sutton. "It makes Sevastopol feel less and less safe. And that is going to influence how the Russian navy deploys its warships."

Russia pulled its ships further from the Ukrainian coast after the Moskva sinking and, according to British intelligence, moved its Crimea-based submarines eastward to southern Russia after the airfield bombing. The strike also forced Moscow to suspend its involvement in the Black Sea grain export deal.

Unmanned boats have been used as weapons since at least the fire ships of ancient Greece. Unmanned vessels were used in the first and second world wars. More recently, Iran-backed Houthi rebels in Yemen have used modified powerboats to attack Saudi vessels. Many navies have developed USVs, often for intelligence-gathering and defensive purposes.

Alessio Patalano, professor of war and strategy at King's College London, said the Sevastopol raid was the "opposite of a novelty" but wrote on Twitter that it demonstrated Ukraine's ability to use relatively smart, off-the-shelf technology to exploit Russian vulnerabilities.

Russia's lack of anti-drone defences is all the more remarkable given a marine drone washed up near Sevastopol in September. Footage of Saturday's raid featured the same kayak-sized craft.

Russia accused Britain's Royal Navy of helping prepare the raid, a charge the UK Ministry of Defence dismissed.

Britain, the US and Germany have provided Ukraine with USVs for coastal defence but images of the drone washed up in September suggest a more homegrown design. It appeared to use a Canadian jet ski propulsion system and a Soviet-era detonator.

Navigation technology to locate targets was readily available for amateur drone makers, said Samuel Cranny-Evans, analyst at the Royal United Services Institute, the UK think-tank.

"Theoretically it would be quite simple to program a marine drone to target a specific Russian vessel. That would be well within the technological capacity of a country as tech-literate as Ukraine," he said. "War is always a great driver of innovation."

He cited an Amazon product manager who designed a cat flap with machine vision technology that would stop his cat from bringing half-dead prey into his house. "The bottom line is that a lot of [autonomous] technology is very accessible so we should expect more of these autonomous weapons," he added.

Conflict

Kremlin vows to prevent nuclear clash and avoid arms race

MAX SEDDON — RIGA
JOHN PAUL RATHBONE — LONDON

Russia has said that preventing a military clash between nuclear powers is its "highest priority" and, even though it has recently made nuclear threats, called on other countries with the weapons to reaffirm their commitment to avoiding an atomic war.

The Russian foreign ministry said yesterday it "fully reaffirmed" its commitment to preventing nuclear war and avoiding an arms race under a joint statement signed with the US, UK, France and China in January.

"We are firmly convinced that in the current difficult, turbulent situation, which is the consequence of irresponsible and impudent actions aimed at undermining our national security, preventing any military clash between nuclear powers is the highest priority."

Vladimir Putin, Russian president, has repeatedly made veiled threats to use nuclear weapons as his eight-month invasion of Ukraine falters, part of a strategy western officials say is designed to deter western military aid to Kyiv.

Putin's rhetoric has alarmed western powers, particularly after Moscow made baseless claims last week that Ukraine was developing a "dirty bomb" — a conventional weapon laced with radioactive material. He repeated the warnings but then said there was "no military or political sense" in Russia using a nuclear weapon against Ukraine.

Ben Wallace, British defence secretary, said yesterday the UK, the US and France "absolutely felt the obligation to uphold the taboo [on using nuclear weapons]", adding that the Russian claim that Ukraine was developing a dirty bomb was completely untrue.

"The claims by Russia of the preparation of a tactical nuclear weapon by Ukraine, or indeed facilitated by the UK or any other power, is not correct and is not true," Wallace told the House of Commons defence committee.

"It would be abhorrent . . . against international law and it would be totally unjustifiable. We have no intention of doing anything other than . . . stating the truth about that."

Western officials have stepped up their monitoring of Russia's nuclear readiness in recent months but have not reported any changes. Ukraine has said Russia's rhetoric is probably a bluff, aimed at convincing its western backers to pressure Kyiv into accepting a peace deal on Moscow's terms.

Kyiv's forces are advancing on the southern city of Kherson, the only provincial capital Russia has captured since it began its full-scale invasion in February. Putin has vowed to use "all the means at our disposal" to defend territory he considers part of Russia, but Ukraine has continued to beat back his forces — strengthening the conviction of some officials who think Moscow will not follow through on its threats.

One western official said the nuclear threats were intended to distract Ukraine's allies, but had met with little success. "We want them to focus on stopping the war that is happening, and the invasion that is happening, and not try and divert us and others into areas which are not relevant to the fact that they are invading Ukraine."

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Parliamentary election

Denmark braced for political upheaval with centrist coalition

RICHARD MILNE — COPENHAGEN

Winning parliamentary elections may be the easy part for Denmark's Social Democrat prime minister Mette Frederiksen.

Denmark's leftwing bloc won a slender one-seat majority in Tuesday's parliamentary election thanks to three mandates from parties in Greenland and the Faroe Islands.

in Germany, was last used in Denmark in 1978 in a brief but disastrous administration that was quickly ended.

"It will be extremely difficult to form a new, stable government, not least because her goal is to form a centrist government," said Lykke Friis, a former centre-right minister.

It is not just Frederiksen, though, who wants to see a centrist government. Rasmussen, her predecessor, founded a

ment, often at the extremes of both the left and right. Parties need only 2 per cent of votes nationally to enter parliament, a lower threshold than either Norway or Sweden, leading to a flurry of new parties at most elections.

No fewer than 12 parties, a record, will enter parliament from Denmark this time around, with four more coming from the autonomous territories of Greenland and the Faroes.

through. "In order for us to carry a reform of the labour market or tax system we would often need to make concessions on more value-based areas to the far-right parties in parliament, which were not always healthy for Danish society. We'd like to abandon that system."

The difficulty, though, is that several of the leftwing parties that give Frederiksen her majority want a pure red gov-

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Faroe Islands.

But her hopes of cobbling together a coherent government will require an upending of Denmark's decades-old political system and a potential pact with the former centre-right prime minister, Lars Løkke Rasmussen.

The Scandinavian country, like neighbouring Norway and Sweden, traditionally has two blocs: a leftwing "red" one and a rightwing "blue" one that alternates in power.

Frederiksen, who has led a one-party minority administration for the past three years, yesterday repeated her calls for a new centrist government comprised of leftwing and rightwing parties, as she quit as prime minister to begin the difficult process of forming one.

Such a coalition, which has been tried

mussen, her predecessor, founded a new party six months ago with the express aim of forming a left-right government. His Moderates party is the third-largest in parliament after taking 9 per cent of the vote in Tuesday's ballot.

Both Frederiksen and Rasmussen give two reasons for a centrist coalition, one temporary and one permanent. The temporary is the series of crises that Denmark and other European countries face: the sharp rise in inflation and cost of living as well as a deteriorating security situation in the Baltic Sea, where the twin Nord Stream gas pipelines were recently blown up just outside Danish territorial waters.

The permanent reason is a desire by both party leaders to limit the influence of the many smaller parties in parlia-

Greenland and the Faroes.

Jakob Engel-Schmidt, political head of the Moderates, said when he was in government it was often necessary to make compromises to get legislation

Post-election debate: Lars Løkke Rasmussen and Mette Frederiksen

iksen her majority want a pure red government with no rightwing presence. "To build a bridge between the far left and Lars Løkke [Rasmussen] will require a masterpiece in political engineering," said Friis.

Frederiksen starts in a strong position with the best election result since 2001.

But experts predict it will take longer than usual for Frederiksen to assemble a government. For inspiration, she can look to Sweden, where the 2018 government took four months to form.

Friis argued that Denmark might be heading for a bumpy period because of its increasing political fragmentation.

"We may be on the road to a 'new normal' . . . with many changes of government and early elections," she warned.

INTERNATIONAL

Netanyahu on verge of return to power with help from ultranationalist party

Religious Zionism set to more than double seats in parliament and become third-biggest grouping

JAMES SHOTTER — JERUSALEM

Less than 18 months after being ousted by a sprawling eight-party coalition, Benjamin Netanyahu appears poised to return to power — thanks to a large extent to the rise of an extreme-right grouping spearheaded by Itamar Ben-Gvir, an ultranationalist once convicted of incitement to racism.

With 86 per cent of votes counted, barring a late surprise, a bloc uniting Netanyahu's Likud party, Ben-Gvir's Religious Zionism and two ultra-Orthodox groups was on course for a majority in yesterday's election, giving Netanyahu the chance to form what would be one of the most rightwing governments in Israeli history.

The rapid comeback would be a personal triumph for Netanyahu, who has dominated the past two decades of Israeli politics but seen his fortunes wane over the past two years as he has battled allegations of bribery, fraud and breach of trust, and fallen out with former allies.

But it would also be the latest sign of the rightward drift of Israeli politics, with Religious Zionism on course to more than double its number of seats in parliament and become the third-biggest grouping, propelled by a surge in support for the hardline messages propagated by Ben-Gvir.

A disciple of Meir Kahane, a rabbi who wanted to strip Arab Israelis of citizenship and whose party was designated a terrorist organisation by the US, Ben-Gvir was, until recently, a fringe figure in Israeli politics.

But since entering parliament last year, he has enjoyed a rapid ascent, courting hardline voters with proposals such as expelling Palestinians he deems traitors and giving Israeli soldiers engaged in confrontations with "terrorists" immunity from prosecution.

Last month, during a stand-off between Arab and Jewish youths in East Jerusalem, he brandished a handgun and urged police to shoot at Palestinians who were throwing stones.

Last year, Netanyahu said Ben-Gvir — who until a couple of years ago kept a picture of Baruch Goldstein, who massacred 29 Palestinians in a mosque in 1994, in his house — was not fit to serve as a minister. But, as support for Religious Zionism surged in the run-up to Tuesday's election, Netanyahu conceded that Ben-Gvir, who has said he will demand to be minister of public security in the new government, could serve in his cabinet.

Eran Amsalem, a scholar of political communication at the Hebrew University, said the most important reason for Religious Zionism's surge was the vacuum to the right of Likud created by the collapse of the Yamina party of Naftali Bennett.

But he said Ben-Gvir's ability to generate media attention, and concerns about security among Jewish voters in the wake of clashes in Israel's mixed Jewish-Arab cities, which erupted during Israel's 11-day war with militants in Gaza last year, had also played a role.

At a rally in Tel Aviv shortly before Tuesday's vote, several supporters of

Fervent support: Netanyahu backers in Jerusalem celebrate early results. Below, Itamar Ben-Gvir
Abir Sultan/EPA-EFE; Corinne Kern/Reuters

Ben-Gvir said concerns about security were their main reason for backing him. "Ben-Gvir will protect the Jewish people. The Jews became a people who are persecuted in their own country," said Elisheva. "The Jewish people have to protect themselves."

Ellie, another supporter, said he had been drawn to Ben-Gvir by his time in Israel's military, where he said the rules of engagement prevented soldiers from dealing properly with terrorists.

"Four years ago I was on the other side," he said gesturing to a group of protesters outside the building where Ben-Gvir's rally was held brandishing placards. "But in the army I saw what really happens. I was in shock."

Centrist and leftwing voters, however, are appalled by the rise of Ben-Gvir and his allies in Religious Zionism. "In a civilised country, [Ben-Gvir] should not be legal or even legitimate," said Jonathan, a Jerusalemite who voted for the largely Arab Hadash party.

"Religious Zionism, the Knesset list that distorted the Zionist project and transformed it from the national home of the Jewish people into a project of conservative, rightwing, racist, religious Jewish supremacism in the spirit of Ben-Gvir's teacher and rabbi, Meir Kahane, is now the third-largest political force in Israel," ran an editorial in the Haaretz newspaper. "That is the true, chilling significance of the election."

One of the most contested aspects of Religious Zionism's platform is a proposal for a radical overhaul of the judiciary that would weaken the Supreme Court's ability to strike down laws and give politicians control over appointing judges. It would also scrap the offence of breach of trust, which is among the charges facing Netanyahu.

Bezalel Smotrich, Religious Zionism's co-leader, has insisted that the proposals would not be used to terminate the cases against Netanyahu, and the party argues the changes are needed to curb excessive "judicial activism".

> 'In a civilised country, [Ben-Gvir] should not be legal or even legitimate'

Critics see the proposals as a threat to Israel's institutional checks and balances that could pave the way for the slide into illiberalism that has taken place in Viktor Orbán's Hungary.

"While some of these proposals seem aimed at extracting . . . Netanyahu from his ongoing criminal trial, there is much more at stake," said Yohanan Plesner, head of the Israel Democracy Institute. "If implemented, these proposals would threaten the independence of our judiciary and could expose Israel's political system to systematic corruption."

Likud officials have played down the influence Religious Zionism will hold over a future coalition, and Netanyahu said yesterday that he planned to form a "stable" government and avoid "unnecessary adventures".

But other observers say the idea that Likud will be able to control Religious Zionism is fanciful. "[There are some who think Religious Zionism] will be quieter if they are in the rightwing tent," said one western diplomat. "But it is delusional to think that they won't have demands."

Partial count

Stability promised should Likud leader form government

JAMES SHOTTER

Benjamin Netanyahu hailed a "huge vote of confidence" in yesterday's parliamentary elections, with a partial count putting his rightwing bloc on course to win a majority that would seal a dramatic comeback for Israel's former prime minister.

With 86 per cent of votes counted, a bloc combining Netanyahu's Likud, the far-right Religious Zionism and two ultra-Orthodox parties was on course to win a majority in the 120-seat Knesset.

Results could vary as the last votes are counted and will depend on whether small parties such as the Arab nationalist Balad and leftist Meretz clear the 3.25 per cent electoral threshold.

But if the trends continue, Netanyahu stands to return to power less than 18 months after he was ousted by Yair Lapid's eight-party coalition, thanks to a large extent to a strong showing from Religious Zionism and Itamar Ben-Gvir, its ultranationalist leader who was convicted of incitement to racism.

Netanyahu said he would form a "stable, national government", adding: "We are on the brink of a great victory."

As his jubilant supporters chanted "death to terrorists" at his party's post-election event, Ben-Gvir said he would take part in a "completely rightwing" government but work for all of Israel, including "those who hate me".

The election was the fifth in three-and-a-half years and like the previous four was seen as a referendum on Netanyahu, who has ruled for 15 of the past 26 years.

For his supporters, the pugnacious former premier is a guarantor of stability in a volatile region. But for his critics, Netanyahu, who has spent the past two years battling allegations of corruption, and his extreme-right allies, who want to overhaul the judiciary, represent a threat to democratic institutions.

"Netanyahu is ready to bend all standards of good governance to get to power," said one.

Netanyahu has dismissed the charges of bribery, fraud and breach of trust for which he is standing trial as a witch hunt. But in combination with feuds with former allies, they have limited his options for coalition building and left his fortunes increasingly dependent on the fast-growing far right.

The prospect of a coalition involving the far right has prompted concerns from some US politicians. During last year's election cycle, Netanyahu said Ben-Gvir, who kept a picture in his home of Baruch Goldstein, an extremist who killed 29 Palestinians in a mosque in 1994, was not fit to be a minister.

But he has now conceded that Ben-Gvir, who has ambitions to be public security minister, could serve in his cabinet. Netanyahu's allies have sought to play down the influence Ben-Gvir would wield, but other observers are sceptical about the extent to which Netanyahu will be able to control him.

"Ben-Gvir . . . has everything to gain by being more radical," said one diplomat. "I don't think that paying him off with a ministerial rank will be enough."

Mental health

'Magic mushrooms' drug helps depressives

DONATO PAOLO MANCINI — LONDON

One dose of psilocybin, the active ingredient in the psychedelic drug

"off-label" in cases of treatment-resistant depression, while esketamine, a related compound, is approved in the UK and US as a nasal spray.

mental health. Some 233 participants with depression resistant to treatment took part in the study, receiving 1mg, 10mg, or 25mg of psilocybin. Those in

US deterrence

Republicans attack plan to rotate Okinawa jets

DEMETRI SEVASTOPULO — WASHINGTON

Republican lawmakers have criticised a plan by the Pentagon to replace F-15

Biden administration's talking points on the Indo-Pacific and America's actual commitments in the region".

"We are concerned that the Depart-

term solution undermined the mantra from the Pentagon that it viewed China as "the pacing threat" to the US.

After publication of the previous FT

"magic mushrooms", has a sustained and significant effect in treating cases of depression that are unresponsive to other drugs, according to a new study.

A peer-reviewed, mid-stage trial published in the New England Journal of Medicine yesterday found one 25mg dose of the drug, alongside psychotherapeutic support, "significant[ly]" reduced symptoms of depression in patients who did not respond to other medication.

Researchers said the study, led by UK-based pharmaceutical group Compass Pathways, was the largest to date on the use of psilocybin as a treatment for depression and that its findings paved the way for regulatory approval.

The use of psychedelics to treat mental health conditions has been widely debated. At present a very limited number are approved by global regulators for medical use.

But more companies have in recent years begun to explore different ways of treating mental health conditions with psychedelics. The study is a step towards their regulation for medical use.

Ketamine is sometimes prescribed

Micro-dosing, or taking small quantities of psychedelics, has also been anecdotally reported as beneficial, although researchers say more research on its effects is needed.

James Rucker, senior lecturer at King's College London and an author of

'New paradigms of treatment are needed, and clinical research of new treatments is important'

the NEJM study, said the lack of effective treatments available to people with treatment-resistant depression could "seriously impact on patients and the people around them".

"Treatment options are often limited, coming with troublesome side effects and/or stigma. Therefore, new paradigms of treatment are needed, and clinical research of new treatments is important."

The study was conducted across 22 international sites, including KCL and the South London and Maudsley NHS Foundation Trust, which specialises in

the first group acted as a control group, and neither researchers nor patients knew what strength of dose the latter took.

Patients were tracked for 12 weeks, with their symptoms rated the day before administration and at intervals thereafter.

Co-author Nadav Liam Modlin said the research had found that the drug enabled "powerful emotional breakthroughs" for patients and helped them develop "a sense of connection to themselves".

Some side effects of psilocybin, including headaches, nausea, dizziness, fatigue and suicidal ideation, were reported across all dose groups.

Researchers said only one patient had a "bad trip", which was managed with sedatives.

The psychedelic part of the experience lasted hours and occurred under supervision, after which patients were free to go about their business.

Guy Goodwin, Compass's chief medical officer and a co-author of the study, said that the company planned to start its own late-stage, or phase 3, trial this year.

fighter jets permanently based in Okinawa, Japan, with a temporary rotating force, saying it would send the wrong signal to China about US deterrence.

The criticism followed a report in the Financial Times that the US Air Force would withdraw two squadrons of F-15 Eagles from Kadena air force base in Okinawa as part of a modernisation programme.

The air force will temporarily replace the 48 F-15s with more advanced F-22 stealth fighters from Alaska but critics have raised concern that the Pentagon has not established a long-term solution to replace the jets in Japan.

In a letter to US defence secretary Lloyd Austin, Marco Rubio, Republican vice-chair of the Senate intelligence committee, and Mike Gallagher, an influential Republican congressman, said the plan to replace the jets in the short term with rotational deployments would "lead to a tangible reduction in American forward combat power in the Indo-Pacific".

They said it would result in "lowering the bar for aggression and demonstrating a continuing mismatch between the

ment of Defense's decision sends the wrong signal, not only to the Chinese Communist party but also to our allies and partners in the Indo-Pacific."

In the letter — which was also signed by Bill Hagerty, a Tennessee senator and former US ambassador to Japan, and Michael McCaul, the top Republican on the House foreign affairs committee — the lawmakers asked the Pentagon to brief Congress on the development.

Critics have suggested the move to withdraw the F-15 Eagles without a long-

On way out: an F-15 Eagle assigned to Kadena air base in Okinawa, Japan

story, the air force said it would keep a "steady-state presence" at Kadena as it looked at long-term solutions. It added that "the transition to more capable aircraft at Kadena exemplifies our continued commitment to enhancing our posture and building on the strong foundation of our alliance with Japan".

The Republican lawmakers said they understood the need to modernise aircraft but said they were "concerned with reporting that indicates that there will be no permanent presence to replace the Okinawa F-15s".

The debate over US force readiness at Kadena, one of the most important American bases in the Indo-Pacific, comes as concerns mount about China's assertive military activity near and around Taiwan.

Washington and Tokyo are in the middle of negotiations that could see the US approve the sale of Tomahawk cruise missiles to Japan, which would give the country a new capability to strike targets in eastern China.

The US is also preparing to deploy B-52 nuclear-capable bombers to Australia as part of a long-term strategy to work with allies to deter China.

INTERNATIONAL

Stress test

ECB steps up climate pressure on lenders

Banks face capital hit and fines if they fail to meet deadline on financial risk

MARTIN ARNOLD — FRANKFURT

The European Central Bank has warned banks that failing to tackle their financial risks from climate change in the next two years will result in higher capital requirements and fines.

All large eurozone banks have been sent letters by the ECB identifying 25 areas, on average, where it believes they fall short in addressing climate risks and setting the deadline to address them.

The central bank said yesterday it had raised the capital requirements of a "small number" of banks because of concern about their failure to address climate risks sufficiently. This was under what is known as "pillar two" capital requirements that are binding and are calibrated for the risk of each bank.

Progress in meeting its 2024 deadline "will be closely monitored and, if necessary, enforcement action will be taken", the ECB added. It said 30 banks were set "binding qualitative requirements", such as to improve governance or assessment of climate risks, in the latest annual review.

The warning intensifies pressure on lenders to do more to detect, manage and disclose climate risks in their balance sheets. "The glass is filling up slowly but it is not yet even half full," Frank Elderson, vice-chair of the ECB's supervisory board, wrote in a blog.

The ECB published the results of its latest "thematic review" into how the 186 lenders are tackling climate and environmental risks. It found "blind spots" at 96 per cent of the banks in "key sectors, regions and risk drivers" of which 60 per cent had "major gaps".

'Too many banks are still hoping for the best while not preparing for the worst'

"Most banks have thus not yet answered the question of what they will do with clients who may no longer have sustainable revenue sources because of the green transition," said Elderson.

"In other words, too many banks are still hoping for the best while not preparing for the worst."

Banks are expected to "adequately categorise" climate risks and assess how they affect their activities by March 2023. The ECB wants them to include climate risks in their "governance, strategy and risk management" by the end of next year, and to incorporate climate risks into their internal capital adequacy assessment process and stress tests by the end of 2024.

More than 80 per cent accepted that climate risks would have a "material impact on their risk profile and strategy" — up from 50 per cent last year — while 85 per cent had "at least basic practices" in the key areas.

The ECB published a list of "good practices" of which it said a quarter of banks were implementing at least one. These included linking executive pay to managing climate risks, allocating capital to account for specific climate risks or ditching clients that rely on coal for more than a quarter of their energy.

However, Elderson said: "Most banks' strategy documents are full of references to climate change, but actual shifts in revenue sources remain rare.

"We also find that certain banks have ignored clear warnings from their own specialists," he said. "These banks risk serious repercussions on their balance sheets, particularly where they publicly make 'green' claims."

The ECB carried out its stress test this year to model the impact of global warming and extreme weather on bank balance sheets. The top 41 estimated they could suffer €70bn of losses from these risks over three years but the ECB warned this "significantly underestimates the actual climate-related risk".

Elections

Biden pins midterm hopes on Capitol Hill speech

LAUREN FEDOR — WASHINGTON

Joe Biden was to deliver a prime-time speech last night about "preserving and protecting our democracy", an eleventh-hour appeal to voters before next week's midterm elections.

The US president, who has battled persistently low approval ratings for more than a year, has largely shied away from the campaign trail. But with less than a week to go until the midterms, and control of both chambers of Congress hanging in the balance, the White House announced plans yesterday morning for the hastily arranged speech.

"You can expect to hear from him . . . that there is a lot at stake, including democracy," said White House deputy chief of staff Jen O'Malley Dillon.

Opinion polls suggest Democrats are on course to lose control of the House of Representatives, while the balance of power in the Senate will probably be decided by a handful of key states. Democrats have struggled to refine their "closing argument" to voters, as surveys suggest inflation and the economy are weighing heavily on voters' minds.

O'Malley Dillon said Biden would point out that the results of next week's elections could take days to be finalised, in an effort to pre-empt any claims that the elections had been mishandled.

Non-partisan analysts have already said that counts in swing states such as Pennsylvania are unlikely to be completed on election night, thanks to tight margins and state laws that prevent tallying mail-in ballots before polling day.

"In some places, where we will have a lot of attention focused, the votes will be counted and will take a few days to be counted because that is how democracy works, to make sure that every vote is counted," O'Malley Dillon said.

Donald Trump claimed, without offering any evidence, that the 2020 presidential election was "rigged" and "stolen" from him, repeatedly questioning why, in some states, initial vote counts showed him leading Biden but the gap closed as mail-in ballots and other early votes were tallied.

Anita Dunn, a senior adviser to Biden, said the president had chosen to speak from Capitol Hill in part to draw a connection to January 6, when mobs of Trump supporters stormed the US Capitol and interrupted the certification of Biden's election victory.

"Why will he be making the speech from Capitol Hill? Because on January 6 we saw violence geared towards subverting democratic processes there," Dunn said.

Financial Times analysis of candidate statements and legal action has found that at least 22 Republican nominees for governor, secretary of state or attorney-general have denied the results of the 2020 election. They include Kari Lake and Doug Mastriano, the Republican candidates for governor in Arizona and Pennsylvania respectively. Both states are key battlegrounds where contests are expected to be close not only in next week's midterms but also in the next presidential election in 2024.

O'Malley Dillon and Dunn were both speaking at an event hosted by Axios in Washington. The two declined to con-

Trade tension. Energy policy

US encourages EU to join green subsidy push

Biden official seeks to mollify Brussels' anger at package that benefits American industry

ANDY BOUNDS — PRAGUE
AIME WILLIAMS — WASHINGTON

Katherine Tai, the Biden administration's most senior trade official, has called on the EU to introduce subsidies as she offered a trenchant defence of the US's bumper green energy package that critics say unfairly supports its own manufacturers.

The White House's Inflation Reduction Act, a $369bn flagship package to spur investment in green technologies, was signed into law in August, offering subsidies and tax credits for US-manufactured products ranging from solar panels to electric vehicles.

Tai, the US trade representative, told the Financial Times after a meeting with European ministers in Prague that she was "extremely proud of the investments [in a clean future] that we have made as the Biden administration".

However, Tai's counterparts in the EU and other US allies, including South Korea and Japan, have criticised the act, claiming it contravenes World Trade Organization rules and risks robbing them of investment in green technologies. The combination of the act and higher European energy prices is leading some manufacturers to consider shifting their operations from the EU to the US, exacerbating transatlantic trade tensions at a time of global uncertainty.

Tai countered criticism of the act by calling on the EU to step up support for its manufacturers and reduce reliance on China for strategically important products in the process.

Alongside the act, Washington passed a $52bn Chips and Science Act over the summer, aimed at reducing the US's reliance on imports of crucial goods such as semiconductor chips by bolstering domestic investment. The EU has announced similar measures, which Tai suggested Brussels should build on to develop a new industrial policy alongside the US to counter the threat China posed.

"Our vision is for an industrial policy that isn't just about us but is about

Cleaner future: a solar panel farm in the Mojave desert, California. Katherine Tai, below — Patrick T Fallon/ AFP/Getty Images

She added: "Avoiding a race to the bottom on subsidies will help us to deconflict so that we are not each reinventing the wheel on our own and to look at our comparative strengths so that we can build this resilience together." Japan and South Korea could be included in this effort, Tai said.

Her remarks are unlikely to smooth ties with EU officials, who will next week meet their US counterparts in a task force set up to broker a deal over the Inflation Reduction Act. Josef Sikela, the Czech economy minister chairing Monday's meeting of EU ministers in Prague, said the act was "unacceptable" and the EU wanted the same treatment as Canada and Mexico, whose companies are treated as American for the purposes of a $7,500 consumer discount on electric vehicles.

Tai refused to say whether that concessions could be made to the EU and other allies without involving Congress, which is unlikely to revisit the act.

EU officials recognise that President Joe Biden wants to rebuild his country's industrial base, a policy seen as essential in shoring up the Democratic vote.

But they believe Washington must offer concessions to EU companies. A joint meeting of the Trade and Technology Council, a transatlantic forum set up to align regulations, on December 5 is seen as a deadline for progress, one EU official said.

Valdis Dombrovskis, Brussels's trade commissioner, on Monday said the Inflation Reduction Act "may discriminate against EU automotive, renewables, battery and energy-intensive industries". He said he favoured a negotiated settlement but could pursue a complaint at the WTO as a last resort.

Todd Tucker, a director at the left-

'The EU and US have to be very candid with each other . . . because no single one of us can or should go it alone'

son to be complaining about each other's subsidies."

The EU said Brussels did not want to bring the case to the WTO and risk a trade war when the US's and the EU's foreign policy priority was presenting a united front against Russia.

Tai said the EU and US had a shared view on "the economic competitive challenge from China".

However, Brussels has not joined in on punitive measures aimed at Beijing, such as US controls on chip exports, instead preferring to rely on domestic incentives to counter China. German chancellor Olaf Scholz recently pushed for Chinese state-owned shipping group Cosco to be able to buy a stake in a container terminal in Hamburg.

Tai said the administration was "following closely" the developments but added that policymakers in Berlin were not "naive" about China. "The EU and complementing the work with our friends and allies to allow us to together build a resiliency and to wean us off some dependencies and concentrations that have proven to be so economically harmful over the last couple of years," Tai said.

would be possible. However, she claimed there was "political will and commitment from the highest levels of our government" to reach a deal. "I have every confidence that we will be able to work towards a resolution."

However, it remains unclear what

leaning Roosevelt Institute think-tank, played down the EU's complaints. "There's a lot of market share on the table as production shifts away from China," said Tucker.

"Until we have way too many EVs on the market, there's not really a lot of rea-

US have to be very candid with each other, very open and communicative to ensure that we are maximising our co-operation because no single one of us can or should go it alone."

See FT Big Read
Brooke Masters see Opinion

firm whether Biden was planning to seek re-election in 2024. The president, who will turn 80 this month, has not formally declared his intention to run but is widely expected to announce a decision after the midterms.

Edward Luce see Opinion

Investment summit

Hong Kong struggles to lure back global executives as Covid-19 regulations linger

PRIMROSE RIORDAN, CHENG LENG AND CHAN HO-HIM — HONG KONG

"We're back!" said Hong Kong's financial secretary, Paul Chan, to a conference intended to show the Chinese city was open for business after the lifting of coronavirus measures that undermined its status as a hub for international finance.

But Chan was not back at all. After catching Covid-19 on a work trip, he was stranded in the Middle East owing to Hong Kong's remaining pandemic restrictions and appeared at the fintech gathering on Monday via a video link.

The incident encapsulated the challenge Hong Kong faces in persuading global investors to return to a territory that imposed weeks-long quarantines and unpredictable flight bans through much of the pandemic.

The fintech conference is part of a week of gatherings — including a global forum for financial institution chief executives and the return of the celebrated rugby Sevens tournament — that the government hopes will announce Hong Kong's re-engagement with the business world.

But at least three senior executives have pulled out of the Global Financial Leaders' Investment Summit that opens this week, with two more missing from its schedule. Blackstone said its president, Jonathan Gray, could no longer attend because of a coronavirus infection and would be replaced by chief financial officer Michael Chae. Jane Fraser, chief executive of Citigroup, also pulled out after contracting Covid, to be replaced by wealth management head Anand Selva.

CS Venkatakrishnan, Barclays chief executive, "made changes to his travel plans", while Timothy Armour, chair of US fund manager Capital Group, and Valérie Baudson, chief executive of Amundi, one of Europe's biggest asset managers, were also missing from a revised agenda for yesterday. Capital Group said Armour was "experiencing Covid-like symptoms" and could not travel, while Amundi did not respond to a request for comment.

Some executives say Hong Kong's remaining coronavirus rules, which include pre-departure and on-arrival Covid tests, risk undermining the city's return to the world stage.

Johannes Hack, president of Hong Kong's German Chamber of Commerce and a banker, said measures such as on-arrival tests should be scrapped. "I can't ask my boss to come to Hong Kong as long as he has to worry about testing positive and having his trip disrupted," Hack said. "If I say, 'Come for two days but potentially be stuck for a week', [they are] going to say no."

Visitors arriving in Hong Kong must take PCR tests for a week and cannot visit restaurants or bars for at least the first three days. If they test positive, they must isolate for seven days. Some attendees of the financial forum and fintech conference were exempted from certain requirements. Banking chiefs who test positive, for example, will be allowed to leave the city by private jet.

Hong Kong leader John Lee on Tuesday dismissed concerns about the turnout for the global forum, with the chief executives of Goldman Sachs and Morgan Stanley still attending.

Hong Kong: a financial leaders' event will be without some big names

"[Those] who cannot attend the event only account for a small number of people . . . We still see over 200 attendees, which matches our expectations," Lee said.

But the physical absence of mainland Chinese panellists highlighted the impact of the tight travel restrictions imposed by Beijing as part of its zero-Covid approach.

Regulators, including the governor of the People's Bank of China and vice-chair of the China Banking and Insurance Regulatory Commission, joined the fintech conference via recorded speeches or live-stream video links.

Still, Liu Jin, president of the Bank of China, attended the global forum in his first appearance outside mainland China since taking office in 2021. Chan, the financial secretary, also attended after he made a belated return to Hong Kong on Tuesday. Local health authorities said yesterday that Chan had passed a rapid Covid test before departure, and although he had a positive PCR test upon arrival in Hong Kong had been determined a "recovered case".

Hong Kong is desperate to repair the damage to its reputation from the long coronavirus isolation and the tough crackdown on civil liberties that followed pro-democracy protests in 2019.

The city's economy contracted 4.5 per cent year on year in the third quarter, much worse than the 0.8 per cent fall expected by economists and the worst decline since 2020.

At the fintech conference, many executives said they were excited to return to Hong Kong and thrilled by the city's proposal to allow retail trading in crypto assets. But others bemoaned its Covid rules. "It was so annoying not being able to do much in the first few days, and then all the tests," said one attendee. "Hong Kong could really come back, but it's just being held back by these rules."

Profits of doom How businesses stoke inflation by using higher input costs as an excuse to widen margins ● MARKETS INSIGHT

Companies & Markets

Credit Suisse set for capital injection from Gulf investors

- Qataris join Riyadh to bolster stake
- Lender seeks $4bn to fund revamp

OWEN WALKER — LONDON
SAMER AL-ATRUSH — RIYADH

The Qatar Investment Authority plans to increase its stake in Credit Suisse by investing in a share sale alongside Saudi National Bank, according to people with knowledge of the talks.

The deal will result in up to a quarter of Credit Suisse stock being owned by Middle Eastern investors, as the scandal-plagued lender seeks to raise SFr4bn ($4bn) to fund a radical restructuring.

Last week, the Swiss bank announced that it would strip back and spin off its investment bank, reduce its global workforce by 9,000 and cut SFr2.5bn of costs in a three-year strategic revamp aimed at moving on from a succession of crises and quarterly losses.

> After the sale, the QIA, Saudi National Bank and Olayan will command up to a quarter of the stock

Saudi National Bank — whose own largest shareholder is the Public Investment Fund, the Saudi sovereign wealth fund — has agreed to invest SFr1.5bn in Credit Suisse for a 9.9 per cent stake.

While the majority of the investment will be made through a SFr1.76bn initial share placement, to be signed off at an extraordinary general meeting on November 23, Saudi National Bank will also take part in a SFr2.24bn rights issue later in the year.

Saudi National Bank will be joined by two other investors in the share placement, including QIA, which already owns 5 per cent of Credit Suisse stock.

One person with knowledge of the deal said the third investor was a Swiss group, though not a rival bank.

Credit Suisse's largest investor, US investment group Harris Associates, will not take part in the share placement but is expected to buy more stock as part of the rights issue, according to people with knowledge of the deal.

Olayan Group, an investment company owned by a wealthy Saudi family, is also not expected to take part in the share placement, but would retain its stake of about 5 per cent in the bank by participating in the rights issue.

After the share sales, Saudi National Bank, QIA and Olayan will own between 20 and 25 per cent of Credit Suisse stock.

Saudi National Bank was keeping its stake in the bank at less than 10 per cent to avoid complications with the Swiss regulator, according to people with knowledge of the plans.

The QIA started investing in Credit Suisse during the financial crisis. Olayan first acquired its stake in 1988.

Credit Suisse is acting as global co-ordinator on the rights offering and has enlisted Deutsche Bank, Morgan Stanley, RBC Capital Markets and Société Générale as lead underwriters.

Over the weekend, Credit Suisse added 14 other banks to the syndicate.

"This was done as a show of strength to give comfort to the market," said one of the bankers involved in the discussions.

Credit Suisse executives had been in discussions with some banks over the summer about a potential capital raise, according to people with knowledge of the plans.

However, those talks were formalised at the start of October as the bank fought back against social media rumours about its financial strength and new chief financial officer Dixit Joshi started his job.

Credit Suisse and the QIA declined to comment.

See Lex

Royalty negotiations Hollywood seeks a cut as Netflix launches ad-supported streaming

'The Crown', starring Imelda Staunton and Jonathan Pryce, will be available on the ad-supported service — Netflix

CHRISTOPHER GRIMES — LOS ANGELES
AND ANNA NICOLAOU — NEW YORK

Netflix's new advertisement-supported service will launch today without the full range of programmes found on its premium platform, as studios negotiate with the streaming service for higher revenues for the rights to their shows.

Consumers will be able to pay a lower fee of $6.99 a month for the service in exchange for watching ads, as Netflix attempts to entice more people to its platform amid growing competition.

The service is rolling out in 12 markets this week, seven months after Netflix shocked investors by reversing longstanding opposition to an ad-supported tier. Rivals including Hulu, Peacock and Paramount Plus have ad-supported versions, and Disney Plus plans ads from next month.

Selling ads is one way Netflix plans to generate new sources of revenue. Its subscriber base shrank for two consecutive quarters this year, leading to a halving of its market value.

In a presentation to investors, the company acknowledged that not all of its premium tier content would be available on the ad-supported plan. But it says shows that receive 85 to 90 per cent of the viewing time spent on the service will be available, including popular fare such as *The Crown*.

Some studios may want to see how well Netflix's ad-based service works before agreeing on whether to place shows on the service, said a person with knowledge of the discussions.

"It could be weeks after they launch, when they know more about what's working and what's not" before deals are signed, the person said.

Netflix does not own some of its most popular programmes, but licenses them from rival studios such as Sony, Warner Bros and Universal.

Some of these licences — drafted when Netflix was against ads — do not allow the content to run on this new service. In some cases contracts explicitly prohibit programmes from being shown on an ad-supported tier.

Studios have been negotiating with Netflix for months about licences for the service, said people familiar with the matter. Among them is Sony, which does not have a streaming service but has taken an "arms dealer" strategy of selling film and TV rights to the highest bidder.

"If you're Sony, they're going to take a pound of flesh out," said an executive at an investment group that acquires media copyright royalties. "It's like going to a hotel. This [room] has a view of the ocean as opposed to a view of the mountains. You're going to have to pay more money."

Netflix said the new ad-supported service was not "a revenue sharing model" at the moment, but the industry expects it will shift that position.

Price curbs slow rollout of renewables, argues Vestas

SHOTARO TANI — LONDON

EU efforts to curb energy prices are slowing the adoption of renewable power just as the region tries to step it up, the chief executive of Vestas, the wind turbine maker, has warned.

"Every indication is that the EU and governments have spent more time in finding taxation methods or trying to limit energy prices, which has actually slowed the process and project accruals," said Henrik Andersen.

"Now there is an uncertainty of what you can expect to achieve on your electricity pricing," said the chief of the Danish group. "That is actually damaging the speed of renewables being brought on.

"It is not enough to talk about ambitions for increasing renewables," he said. "The energy crisis is only solved by having real tangible actions, which means you need to speed up your permitting and get more prime energy sources in your grid and in your supply to the consumer."

European energy ministers agreed in September to limit revenues from wind, solar and nuclear power generation to $180 per megawatt hour as part of their plans to curb the rise in energy prices across Europe, caused by high gas prices.

Andersen's comments come as Vestas, which had the most installed wind turbines in 2021, trimmed its full-year earnings guidance in the face of supply chain woes and cost inflation.

Earnings in the three months to the end of September were down 29 per cent on a year earlier to €3.9bn and the company now expects full-year revenue of €14.5bn to €15.5bn, down from its previous outlook of as much as €16bn.

Inflation and the rising cost of materials such as steel and copper have made turbine-making more expensive, while the industry is facing supply chain delays related to the effects of the pandemic and the conflict in Ukraine.

"The dilemma is the output from the wind turbines has never been higher. The value of [wind turbines] has never been higher," Andersen said.

"From an operational point of view it is a slightly toxic operating environment because if the customer has delays or slowdown, then we have tense discussions, because you can have a very attractive return on getting the turbine commissioned earlier or on time."

See Opinion

China has thrown out a challenge to European policymakers

INSIDE BUSINESS
EUROPE

Peggy Hollinger

Enough China-bashing, said Martin Brudermüller, BASF chief executive, last week as he reacted to critics of the group's plans to expand in the country while downsizing in sluggish Europe.

Instead of fretting about the chemical giant's $10bn investment in China, Europe would do better to examine its own "deficits and weaknesses", he said.

Brudermüller, who is leading a trade delegation to China with German Chancellor Olaf Scholz this week, is not wrong. European industrial companies struggle against some pretty fierce headwinds — not just the unusually high energy prices that have forced the shutdown of swaths of energy-intensive industrial production since Russia's invasion of Ukraine.

There are also the mounting costs of Europe's green ambitions, the accompanying web of environmental regulation, and the unfinished project of the single market. All these can make life difficult when facing competition from countries with plentiful and cheaper energy supplies, looser regulations or more consistent and generous government support for business.

But BASF's decision to build a state-of-the-art integrated chemicals plant in China — rivalling its unique Ludwigshafen facility in Germany — is no simple substitute for a lack of growth or competitiveness in Europe.

Designed to run entirely on renewable energy, the plant is the latest sign that China, once content to be the world's factory, is fast becoming the world's innovator with the help of some of Europe's biggest companies.

The old trade bargain that allowed European companies to access China's vast market while still retaining control of the most innovative technologies is changing, and the longer-term consequences could be serious for Europe's industrial base.

Just look at the example set by Germany's carmakers. Despite rising global tensions over Beijing's claims on Taiwan and the risks that poses for operation in China, Mercedes-Benz, Volkswagen and BMW have substantially stepped up research and development investment there, according to a study by think-tank Merics.

> It is not enough to focus on buoying up a select few strategic sectors; wider barriers to competitiveness need to be addressed

The investments have been spurred by China's support for electric vehicle development. Today some 55 per cent of all EVs are sold in China, and if Germany's carmakers are to remain competitive globally, they have to access not just the country's consumers, but the technological expertise that has been developed there.

In the decade from 2007-17, Mercedes-Benz, Volkswagen and BMW set up just five R&D centres in China. But in the four years since 2018 they have opened 11. "China is not only a sales market for Germany's carmakers; it has become the world's leading EV market, and it may well be the linchpin for their global competitiveness," says Merics' Gregor Sebastian, author of the report.

Along the way, German car companies have integrated Chinese suppliers into their global supply chains, sought out China's tech companies for software partnerships and begun developing new models for export to the global market from the country. The result has been the creation of new players no longer content to sell just in China, but ready to compete globally, with consequences for supply chains that stretch across Europe.

The decisions to innovate in China's growing market are not irrational. For companies like BASF, there may even be little alternative. Europe, hobbled by high energy costs, has seen its share of the global chemicals market fall by nearly a fifth over the past decade to 14.4 per cent, and it is predicted to decline to just over 10 per cent by 2030. This year Europe became a net importer of chemicals by value as well as volume for the first time, implying that even its traditional strength in the speciality segment is eroding.

Meanwhile China will account for close to 50 per cent of global chemicals sales by 2030. If BASF isn't there to exploit that growth, someone else will take its place.

But even as BASF doubles down on China, it has thrown out a challenge to European policymakers. It is not enough for Brussels to focus on buoying up a select few strategic sectors deemed critical to Europe's industrial autonomy. Europe urgently needs to address wider barriers to competitiveness.

Brudermüller is right. China-bashing will not stop the inevitable. The focus now has to be on creating the conditions that will allow European companies to outcompete the very rivals they have helped to create.

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COMPANIES & MARKETS

Pharmaceuticals

CVS and Walgreens settle opioid suits

US pharmacy chains to pay out nearly $10bn over painkiller prescriptions

JAMIE SMYTH — NEW YORK
DONATO PAOLO MANCINI — LONDON

US pharmacy groups CVS Health and Walgreens have agreed to pay almost $10bn to settle most of the outstanding lawsuits over their prescription of powerful opioid painkillers.

They are the first settlements by pharmacy chains linked to their role in the opioids crisis in the US, which has led to hundreds of thousands of deaths.

Other pharmacy chains, including Walmart, are also in settlement talks over the claims, which have been filed by US states and native American tribes. Walmart declined to comment.

CVS said yesterday it had agreed "in principle to a financial resolution designed to substantially resolve all opioid lawsuits". If all conditions are met, it will pay $4.9bn to states and $130mn to tribes over the next 10 years, it said.

"The agreement would fully resolve claims dating back a decade or more and is not an admission of any liability or wrongdoing," the company added, as it released third-quarter results. "CVS Health will continue to defend against any litigation that the final agreement does not resolve."

Finalisation of these agreements is dependent on a sufficient number of states signing up to the deal as well as agreements with the pharmacy chains on changes to work practices to improve safety over prescription of opioids, said people close to the negotiations.

Walgreens said it had reached an agreement in principle to cover a "substantial majority" of opioids lawsuits filed against it by states, which would result in payments of about $4.79bn over 15 years. It expects to pay an additional $154mn to native American tribes under the settlement. Walgreens said the settlements included no admission of wrongdoing or liability.

Bloomberg News reported on Tuesday that CVS, Walmart and Walgreens had reached a tentative $12bn opioid settlement deal.

The negotiating team in the National Prescription Opiate Litigation, a group of senior lawyers working on the opioids lawsuits, said the in-principle agreements reached with CVS and Walgreens "are an important step in our efforts to hold pharmacy defendants accountable for their role in the opioid epidemic".

"Once effectuated, these agreements will be the first resolutions reached with pharmacy chains and will equip communities across the country with the much-needed tools to fight back against this epidemic and bring about tangible, positive change," said NPOL.

In November 2021 a US federal jury delivered a landmark verdict against CVS, Walmart and Walgreens, finding they had contributed to the opioids crisis. The judgment found that pharmacy chains had created a public nuisance in the way they dispensed opioids and dismissed arguments that doctors and drugmakers were primarily to blame.

The agreements with CVS and Walgreens are the latest in a series of settlements. In February, US states finalised a $26bn settlement with Johnson & Johnson and three of the biggest drug distributors in the US — McKesson, Cardinal Health and AmerisourceBergen — to resolve allegations that the companies contributed to the epidemic.

Retail. Ecommerce

Rivals seek to ride on Shein's coat-tails

ByteDance and others play catch-up behind China group set to be biggest in fast-fashion

ELEANOR OLCOTT, QIANER LIU AND GLORIA LI — HONG KONG

The ascent of China's Shein, set to become the world's largest fast-fashion specialist retailer, has spawned imitators looking to profit from Gen Z's growing appetite for cheap clothing.

Chinese ecommerce group Pinduoduo and ByteDance, owner of the popular video app TikTok, have launched Shein-like platforms in recent months — Temu and If Yooou, respectively.

Shein has rapidly become the brand of choice in the US and Europe for young women, who are attracted by the vast array of bargain-priced clothes and accessories that are shipped from the company's warehouses in China.

It was valued at just over $100bn at its last fundraising round in April, making it the world's third-most valuable private company at the time, behind Elon Musk's SpaceX and ByteDance.

Analysts said that Temu, an online marketplace that launched in September armed with Pinduoduo's supply chain expertise, was well-positioned to muscle in on Shein's territory.

Shanghai-based Pinduoduo launched in 2015 as an ecommerce platform and has experience of growing rapidly in a

Fashion leader: Shein has first-mover advantage over its rivals
Stephanie Keith/Bloomberg

based merchant said: "Temu's prices are too low. This isn't good for merchants. It reduces our profit."

Meanwhile, ByteDance launched a trial of fast-fashion platform If Yooou in

Guangdong-based consultancy iiMedia predicts that Chinese ecommerce exports will grow from Rmb2tn in 2021 to Rmb3tn by 2024.

According to an investor briefed on

> 'Temu's prices are too low. This isn't

find it easy to replicate Shein's success.

Founded in 2008, Shein spent a decade building its supply chain and perfecting its prediction algorithms before experiencing explosive growth in the

Financials

Apollo bought $1.1bn of assets from UK pension funds in meltdown

ANTOINE GARA — NEW YORK
SUJEET INDAP — PHOENIX
HARRIET AGNEW — LONDON

Apollo Global snapped up $1.1bn of assets from UK pension funds as the US-based private capital group took advantage of a crisis triggered by the UK's disastrous "mini" Budget.

Scott Kleinman, co-president at Apollo Global, said on an earnings call yesterday that Apollo's Athene unit accounted for about a third of the collateralised loan obligations sold by pension funds as they desperately raised cash to meet collateral calls in the past few weeks.

"There was nothing inherently wrong with the CLO tranches we were buying," said Kleinman. "[They] happened to be the most liquid asset that those entities had to liquidate in order to cover their leverage and margin issues."

Most of the UK's 5,200 defined-benefit schemes, which promise to pay employees' pensions at a fixed level, use liability-driven investment strategies, which use derivatives to increase exposure to UK government bonds while offering protection against moves in interest rates and inflation.

When gilt prices fell after September's announcement of unfunded tax cuts, counterparties demanded more cash as collateral to keep the hedging arrangements in place. Pension funds became forced sellers of assets to meet these collateral calls. They dumped gilts, causing prices to fall further, and slashed their holdings in the most liquid securities, such as corporate bonds and equities.

> Investors have said there is an opportunity to buy cut-price assets from UK pension funds

As the dust settles on the LDI crisis, many pension funds are now planning to sell more illiquid holdings, including property, private credit and stakes in buyout funds. Investors — including Goldman Sachs Asset Management, Partners Group and Pantheon — have said there is an opportunity to capitalise on this repositioning to buy cut-price assets from UK pension funds.

Over the past 12 months, Apollo's various lending platforms, which include crowded field. It expanded its market share by focusing on consumers in less affluent cities ignored by dominant performers Alibaba and JD.com through its bargain bulk-purchase offerings.

Allison Malmsten, a Hong Kong-based analyst at Daxue Consulting, said Temu had made a "promising start", with influencers boosting the platform on social media.

Temu has launched a charm offensive to attract garment manufacturers to the platform, using sweeteners such as subsidies and waiving sales commissions and marketing fees to help merchants promote their goods. Pinduoduo has pledged to invest Rmb10bn ($1.4bn) to help Chinese brands grow their presence overseas.

It is targeting manufacturers in Panyu, a garment-making district in Guangzhou where Shein has concentrated its supply chain.

However, its knockdown prices are squeezing margins for retailers forced to accept the platform's demands. Sally, who owns a womenswear line that retails on Temu, questioned the sustainability of its prices. The Guangdong-

the first quarter of this year, initially targeting shoppers in Europe. Like Shein, if Yooou adjusts production orders with manufacturers based on live feedback from shoppers on its website.

Despite its huge TikTok audience, essential to Shein's growth, ByteDance has a lacklustre record with its own fast-fashion ventures. Dmonstudio, the Beijing-based internet company's previous clothing venture targeting western consumers, shut in February.

The rush to imitate an incumbent's innovative business model is common in China, said Mark Greeven, IMD China professor of innovation and strategy.

"We see it in numerous contexts and industries where start-ups with venture capital backing or larger companies copy new and successful business models," he said, pointing to the proliferation of electric vehicle, bike-sharing and ride-hailing start-ups that emerged after the business models had initial success.

Despite mounting concerns from environmental activists about the impact of fast fashion, analysts forecast the market will continue to grow.

Shein's growth figures, the company sold $16bn worth of merchandise in the first half of this year, a more than 50 per cent increase from 2021. It forecast $30bn in sales in 2022, which would make it the world's largest speciality apparel retailer. "Their numbers are extraordinary," the person said.

Spanish fashion group Inditex, which owns Zara and in 2021 was the world's largest apparel retailer, pulled in €27.7bn ($27.4bn) in sales in 2021.

Battered consumer confidence in China because of Covid-19 lockdowns has spurred the push overseas, experts said. "Competition in China's ecommerce space is fierce. Companies are eagerly looking for new markets, with slowing domestic demand," said Fan Di, a fashion supply chains expert and professor at Hong Kong Polytechnic University's School of Fashion and Textiles.

Pinduoduo, which has seen its share price see-saw, is also testing its retail platform in Hong Kong.

Shein declined to comment. Pinduoduo did not respond to a request for comment.

Analysts warn that imitators will not

> 'This isn't good for merchants. It reduces our profit'

west. The company also uses artificial intelligence to predict fashion trends.

"Shein has the first-mover advantage, which puts them in a good position" as newcomers flood into the market, Greeven said.

Ally He, head of the overseas marketing team for a womenswear factory in Guangzhou, said Shein had been "lucky". "Its success has been predicated on digital marketing, paying influencers and pushing adverts on social media," he said. "The marketing costs for Temu buying advertisements and collaborating with influencers are three to five times more than when Shein started."

Despite stellar growth figures, Shein, which is backed by Sequoia and General Atlantic, has shed up to a third of its value in private markets.

Inflation has squeezed Shein's profits. The group's net profit margin, a measure of profit as a percentage of revenue, was 6 per cent in 2021. The investor briefed on Shein's financial figures, which are not made public, said that number had deteriorated slightly with increased procurement costs.

operations spanning equipment finance, mortgages and mezzanine real estate loans, have originated more than $100bn in debt, including more than $20bn during the third quarter.

Apollo's chief executive Marc Rowan said the migration of assets from traditional banks was "not fully appreciated". "Securitisation is now how America banks," he said. "We estimate that less than 20 per cent of debt capital to US businesses and consumers is provided directly by the banking system."

Apollo's comments came after the group reported third-quarter earnings results that exceeded analysts' estimates. The New York-based group reported record quarterly fee-related earnings of $365mn, a proxy for the money it receives from base management fees, and adjusted net income of $801mn, just beating consensus estimates of analysts polled by Bloomberg.

Assets under management at the group reached $523bn as the firm raised $34bn in new investor commitments during the quarter, including $13bn from its Athene annuities unit.

See Lex

Financials

UBS head says bankers remain bullish on China

HUDSON LOCKETT, CHENG LENG, PRIMROSE RIORDAN AND WILLIAM LANGLEY — HONG KONG

Bankers are all "very pro-China", UBS chair Colm Kelleher has said at a forum in Hong Kong where Chinese officials have been wooing rattled investors.

Hong Kong is seeking to boost its status as a financial centre at the conference after a clampdown on civil society and years of strict pandemic curbs sparked an exodus and raised fears the city was losing business to rival Singapore.

China officials used pre-recorded video interviews to reassure investors of the country's economic strength as it fights a property crisis and flagging growth induced by its Covid policy.

Kelleher, chair of the biggest wealth manager, said: "We're not reading the American press. We actually buy the [China] story. But it is a bit [of a matter of] waiting for zero Covid to open up in China to see what will happen."

His quip about the media followed remarks by Fang Xinghai, vice-chair of the China Securities Regulatory Commission, during a pre-recorded segment of the event. Fang said: "I would advise international investors to find out what's really going on in China and what's the real intention of our government by themselves. Don't read too much of the international media."

Fang's comments, which came after a record sell-off of China equities last week after Xi Jinping's consolidation of power, aroused laughter.

"Don't bet against China and Hong Kong," he said.

Kelleher was speaking on a panel with Goldman Sachs chief David Solomon, Morgan Stanley chief James Gorman, Blackstone chief financial officer Michael Chae, and Bank of China president Liu Jin.

Earlier in the day, Yi Gang, governor of the People's Bank of China, said he hoped to "achieve a soft landing" when asked about the central bank's support and outlook for the property market, which has been battling a liquidity crisis and wave of defaults.

Media in China have pushed a narrative of economic resilience and recovery since Xi secured a record third term. But analysts say China's economic outlook has been deteriorating as Xi's zero-Covid policy has led to lockdowns across large parts of the country.

"China's overall lockdowns have been steadily tightening since August and ratcheted further over the past month," said Ernan Cui, an analyst at Gavekal Dragonomics in Beijing.

The Hong Kong government has made a point of ensuring that the forum goes forward as planned, allowing attendees some respite from certain pandemic restrictions.

Financial secretary Paul Chan mingled with the crowd of financiers and spoke without a mask, despite having recently testing positive for Covid.

Automobiles

Ferrari lifts outlook while Aston Martin suffers

PETER CAMPBELL — LONDON

Italian sports car maker Ferrari raised its annual profit forecasts after bumper results, while UK rival Aston Martin suffered an earnings downgrade that sent its shares plummeting.

Debt payments and costs from unfinished vehicles more than doubled quarterly losses for Aston in the third quarter as supply chain disruptions hampered its turnround efforts.

The losses sparked a 15 per cent tumble in Aston's share price to 89.58p in London yesterday. They have lost more than 80 per cent of their value this year.

The sports car maker had expected to sell 6,600 cars in the year and increase its adjusted profit margin by 3.5 to 4.5 percentage points. Yesterday, it said it would only sell 6,200 to 6,600 cars and margins would increase by 1 to 3 percentage points during the year.

The outlook was more buoyant for Ferrari, which said pre-tax profit would be above €1.73bn for the year, higher than the €1.7bn-€1.73bn range it had given previously. Revenues are expected to hit €5bn, up from €4.9bn.

Pre-tax profit for the Italian group rose 11 per cent to €299mn in the third quarter, although this fell slightly once currency movements were stripped out. Its share price fell 1 per cent to €196.40.

One in five Ferraris sold in the third quarter were hybrids, with the rest powered by traditional engines.

Pre-tax profit for the Italian group rose 11% to €299mn in the quarter

Aston's revenues in the third quarter rose a third to £315.5mn as average prices increased by 28 per cent to £189,000. But pre-tax losses mounted, rising to £225.9mn, from £97.9mn in the same quarter a year earlier, after costs for new investments and a non-cash revaluation of some of its debt that is priced in US dollars.

Aston took a £245mn accounting hit on the value of its debt because of the falling pound in the first nine months of the year and paid out £65mn in debt interest payments.

"No amount of sugar-coating will help here: Q3 is not the quarter Aston Martin turns the corner," said Bernstein analyst Daniel Röska, who drew the contrast with its Italian cousin beating expectations. "Are we surprised? No, it's Ferrari."

Separately, Volkswagen-owned Bentley, which competes with Aston, said its third quarter operating profit had doubled to a record €575mn.

COMPANIES & MARKETS

Shortages hold back aerospace sector recovery

Skilled workers and precision parts are scarce, leading to delayed sales and higher costs at a time of resurgent demand

CLAIRE BUSHEY — CHICAGO
SYLVIA PFEIFER — LONDON

At a shopping mall near Clackamas, Oregon, a new recruitment centre is trying to sign up workers for a Warren Buffett-owned company that makes jet engine parts.

Two years after Precision Castparts laid off 40 per cent of its workers in response to a pandemic-induced collapse in aeroplane demand, the group is back in hiring mode. It is making too few castings and forgings for engine makers, which are struggling to satisfy the demands of the biggest plane makers, Airbus and Boeing.

A lack of workers at the Berkshire Hathaway subsidiary is but one factor fuelling a shortage of engines and the high-precision parts needed to make them, which is hampering the recovery of the aviation industry as passengers flock back to air travel.

During a downturn, "the easiest call to make is to cut heads, with no thought at all as to what I'm losing", said Dave Coates, a former human resources manager at Precision Castparts who retired last year. The attempt to attract recruits would not improve production anytime soon, given that it took up to three years for production line workers to hone their skills.

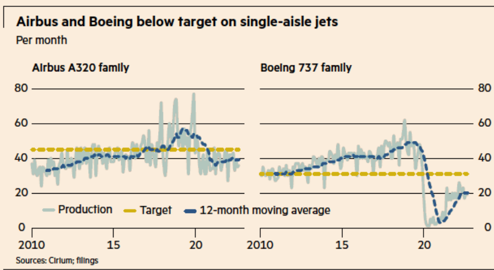
Persistent supply chain disruptions were on display during third-quarter earnings updates from aerospace and defence companies. The situation was dubbed "a ride on the struggle bus" by Rob Spingarn, analyst at Melius Research.

Although supply of parts and workers had "modestly improved", Spingarn wrote in a note to clients, "it still seems that most companies are playing whack-a-mole", leading to delayed sales and higher costs.

Boeing's top executives told investors last week that a paucity of engines was the main factor preventing it from delivering much more than 20 of its 737 Max planes each month, even though airlines were clamouring for them.

At an investor day yesterday, the company forecast it would deliver between 400 and 450 Maxes next year.

Ellen Banner/AP



Faury expected supply chain bottle-

chief executive Olivier Andriès.

pear . . . it makes the job of finding an alternative extremely challenging".

On an earnings call last week, Greg Hayes, chief executive of Raytheon, which owns engine maker Pratt & Whitney, said the lack of castings stemmed from labour shortages.

Ron Epstein, analyst at Bank of America, said: "Aerospace has had, on average, an older workforce. If you accelerated your retirement because of Covid, a lot of those folks are just gone. And it's highly skilled labour. You can't just take someone off the street and have someone do this."

Companies were also reluctant to start making castings and forgings because the list of potential customers was limited, said Epstein, unlike, for instance, the car industry.

The next six months will be critical as the industry navigates the recovery at a time of persistently high inflation.

A push by Boeing and Airbus to boost production will continue to put strain on the inherently tricky relationship with their suppliers.

> 'Aerospace has had . . . an older workforce . . . a lot of those folks are just gone'
> Ron Epstein, BofA

There was always "tension" between the two, said Nick Cunningham, analyst at Agency Partners in London.

"The airframers can probably often add more capacity by hiring some more assembly labour and working more shifts, but the suppliers may need to add hard tooling and skilled people, and don't want to invest big dollars to meet a brief peak in demand."

Frank Perryman, chief executive of a privately held titanium mill in Pittsburgh that sells metal products to parts makers, said aerospace suppliers had reduced headcount and needed to see more orders before stepping up recruitment. "You can't slow the world down and expect it to speed back overnight."

and between 70 and 80 of the wide-body 787 Dreamliner.

Chief financial officer Brian West said Boeing was aiming to raise monthly Max deliveries from the "low 30s" in the first half of 2023 to the "low 40s" by the second half.

Commercial plane deliveries would help to generate free cash — a crucial metric for investors — in the range of $3bn-$5bn for 2023, Boeing said.

Stan Deal, head of Boeing's commercial planes division, said the company needed to "reinvest" in the supply chain and at times had deployed its own employees to distressed suppliers.

"The path to normalisation is largely built around things we control," said chief executive David Calhoun. "And I do suggest we control the supply chain."

Matters at Airbus have improved since the summer, when chief executive Guillaume Faury said the group still had 26 "gliders", newly built planes without engines. Now there were fewer than 10.

necks, which forced Airbus to scale back plans to increase production of the A320 family, to last well into next year.

Deliveries of Leap engines by CFM International, a venture between France's Safran and GE Aviation of the US, were still behind schedule, executives said last month.

> 'It still seems that most companies are playing whack-a-mole'
>
> Rob Spingarn, Melius

The Leap engine powers Boeing's 737 Max and is an option for Airbus's A320neo jets. Shipments rose to 347 in the third quarter, up 54 per cent on the previous three-month period but still lower than planned.

CFM had not yet made up for delays and was still "struggling on castings, especially in the US", said Safran

Castings are made by pouring molten metal into moulds to form parts such as engine blades and "structural" elements that hold an engine together. The process is difficult to master. Even experienced workers can be forced to throw away 5 per cent of a production run, and for newer products, the proportion can be as much as half.

Indy Rattu, vice-president for European operations at UK-based Doncasters, said the high levels of qualification and certification needed in the industry were a challenge.

The high-precision manufacturer, which traces its roots to Sheffield in 1778, makes blades and structural castings for engine makers. But it has found that some of its suppliers either have not survived the pandemic or are struggling to source materials and parts.

Although the number of suppliers that folded was relatively small, Rattu said that "many are qualified for very specific products, so when they disap-

Food & beverage

Climate summit sponsor Coca-Cola found to have increased plastic use

JUDITH EVANS

Coca-Cola has increased its use of newly manufactured plastic by 3.5 per cent since 2019, casting doubt over its ability to cut "virgin" plastic use and heaping more pressure on the world's largest soft drinks group as it prepares to sponsor the COP27 UN climate summit.

Data from the Ellen MacArthur Foundation, which has drawn together a group of multinationals in a "global commitment" to cut plastic waste, show that Coca-Cola, PepsiCo and Walmart were among the worst offenders increasing virgin, non-recycled plastic use in 2021.

Companies will need to "exponentially" increase their use of recycled plastic to reach an aggregate target of 26 per cent recycled content by 2025, the foundation said, after they collectively lifted their use of virgin plastic back to 2018 levels.

As part of the push to cut pollution and emissions, the companies are also targeting 100 per cent reusable, recyclable or compostable packaging by 2025, which the foundation said was "becoming unattainable for most signatory businesses".

"All their great progress [on increasing the use of recycled plastic] has been completely undone by the sheer growth of their overall packaging use," said Sander Defruyt, who leads the New Plastics Economy Initiative at the foundation. "It's another illustration of the fact that we will not recycle our way out of this."

The choice of Coca-Cola as a sponsor for the COP27 climate summit in Egypt this month has faced opposition from climate activists, as it is one of the world's largest plastic polluters. It also faces pressure over recycling from activist investor Engine No. 1. Over the 2019 to 2021 period, Coca-Cola's total plastic use rose 8.1 per cent to 3.2mn tonnes.

Georgia Elliott-Smith, managing director of sustainability consultancy Element Four and founder of an online petition with 235,000 signatures for the company to be ousted as a sponsor, said the increase in the use of virgin plastic was "another failure by Coke to keep their promises". "For over 30 years, they have left a trail of missed targets and abandoned pledges," she said, adding that the sponsorship enabled them to "greenwash their brand".

Coca-Cola's 'virgin' plastic use has increased 3.5% since 2019

Coca-Cola said it was "committed to do more, faster so we grow our business the right way. We are focused on continued action across our goals, including making 100 per cent of our packaging recyclable globally by 2025." It said the figure was currently at 90 per cent. It is also seeking to cut virgin plastic use by a fifth during the same period. Coca-Cola added its "support for COP27 is in line with our science-based target to reduce absolute carbon emissions 25 per cent by 2030, and our ambition for net zero carbon emissions by 2050".

Among the largest users of plastic packaging taking part in the Ellen MacArthur Foundation's initiative, PepsiCo increased its use of virgin plastic by 4.5 per cent in 2021 from the previous year, while Walmart raised its use by 3.4 per cent over the same period.

Other big consumer groups, such as Unilever, Danone and Nestlé, reduced theirs.

Defruyt said greater regulation — such as a planned global treaty on plastics — and better recycling infrastructure were needed to accelerate progress, along with greater investment in reuse rather than recycling schemes.

COMPANIES & MARKETS

Crypto. Bankruptcy fears

Miners are hit hard in digital asset industry downturn

Surging energy costs and flat prices for coins push groups close to the financial cliff edge

Coining it in: many miners were initially enticed by rising prices for tokens, which caught many out and punctured miners' ambitions.

Miners race against each other to solve complex mathematical puzzles and earn bitcoin.

They expend large amounts of energy

Equities

China stocks boosted by CanSino's Covid vaccine

ELEANOR OLCOTT AND WILLIAM LANGLEY — HONG KONG

Chinese pharmaceutical stocks and the broader market received a boost yesterday after local authorities approved a new vaccine to tackle coronavirus, amid rumours that Beijing was looking at relaxing its zero-Covid policy.

Shares in CanSino Biologics rose as much as 70 per cent in Hong Kong after the Chinese pharma group said its inhaled Covid-19 vaccine had been approved for use in some cities.

Its mainland China-listed shares added as much as 20 per cent.

The wider Chinese market rallied for a second day with the Hang Seng index adding as much as 2.6 per cent and the CSI 300 gaining up to 1.9 per cent after unsubstantiated claims on social media that Beijing was preparing a road map to loosen lockdown measures and travel restrictions.

CanSino said 13 cities in the eastern province of Jiangsu were preparing to roll out the vaccine.

The announcement comes after Shanghai authorities greenlit the product last month to improve inoculation rates in China's most populous city.

The company has developed the world's first approved inhaled vaccine against Covid, which some experts believe could appeal to sections of the

> 'Investors panicked before. Valuations are

MARTHA MUIR AND SCOTT CHIPOLINA

Crypto mining companies are coming under heavy pressure from this year's digital asset downturn as the high cost of energy and flatlining price of coins pushes more names close to the financial cliff edge.

Nasdaq-listed Core Scientific warned last week that it could file for bankruptcy protection as its cash resources would be depleted by the end of the year.

London-listed Argo Blockchain echoed that gloomy outlook on Monday, saying it may be forced to cease operations after a key fundraising fell through.

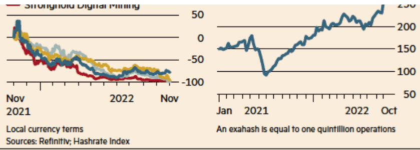
Those warnings came only weeks after the US's Computer North, which operated data centre services for miners, filed for bankruptcy, owing up to $500mn and blaming tough market conditions.

Their dire financial situations show how crypto mining — the process by which new coins are generated and transactions are verified — is next in line to feel the impact of the crash in the price of popular cryptocurrencies such as bitcoin over the past 12 months.

The downturn has already claimed a series of once-prominent crypto firms such as lending platform Celsius Network and Three Arrows Capital, the hedge fund.

"The crypto winter is having negative ramifications for the overall ecosystem including the miners," said Dan Ives, managing director of Wedbush Securities. "It's a chain reaction as this long cold crypto winter continues."

Industry analysts and executives have



questioned the sustainability of mining, especially after prices of leading tokens have been rangebound since June.

Bitcoin has rarely risen above $21,000 after reaching a high of almost $70,000 late last year

Miners play a crucial role in the operation of so-called "proof of work" tokens such as bitcoin.

Token reward

Solving puzzles on the blockchain

Mining is the act of employing a large network of computers to work together to solve cryptographic calculations that verify cryptocurrency transactions.

Typically, one party will solve the puzzle, known as a hash, that creates the next block in the chain. The others will verify it.

In return for maintaining the blockchain, miners are rewarded with new tokens for being the first to solve the cryptographic proof. They also collect transaction fees.

They verify new blocks on blockchains, effectively taking on the role as guarantor that deals are trustworthy in a system that bypasses third parties such as banks and exchanges.

In return for mining, they are rewarded with new tokens. Ether, the world's second-biggest crypto token, recently moved away from the type of system that requires miners.

Many miners were enticed by ever-rising prices for coins. When the price of Bitcoin spiked in 2021, companies poured money into buying mining equipment, including fast computers that suck up large amounts of power.

Hut 8, a mining company, added 9,592 machines for mining in the first quarter of 2022, increasing its capacity by nearly a third.

The extra mining capacity has arrived on the market just as the price has tumbled, meaning miners are racing harder to win the token.

Bitcoin's total hashrate, the computing power directed towards mining, has increased 57 per cent in the past year to a record 260 exahash — or quintillion — operations a second, according to Hashrate Index.

The high cost of energy has also

have fallen since

FT montage/Dreamstime

'I think they are still profitable but the profit spreads are shrinking'

regardless of whether or not they claim the bitcoin before their competitors.

Argo admitted that energy costs for its Texas facility were nearly three times the average price for August.

That has been exacerbated by the threat of energy blackouts in the US.

In July, Argo, Core Scientific and Riot Blockchain scaled back their Texas operations as demand for energy threatened to overwhelm the power grid.

"The bottom line is the competition has been increasing recently, even though power costs are high and the bitcoin price is kind of stable," said Chris Brendler, a senior research analyst at DA Davidson, an investment bank. "I think they are still profitable but the profit spreads are shrinking."

He remained positive on some miners including Stronghold Digital Mining, which has shed more than 95 per cent of its value in the past year.

Conditions may not improve in the short term. Since the Ethereum "Merge" in September made Ethereum mining effectively obsolete by switching to a different system for transaction verification, companies such as Hive and Hut 8 said they planned to fill their capacity with bitcoin mining.

Moreover, in less than two years' time, the rewards for mining bitcoin are expected to halve — in a four-yearly event that is preset into bitcoin's code.

"The only way for miners to increase their bitcoin production through the upcoming halving is to grow capacity much faster than their competitors," said Jaran Mellerud, an independent crypto mining analyst.

'cheap and companies have had stable performance'

vaccine-hesitant population and boost the country's vaccination uptake.

Proponents of the technology argue that the delivery method could improve protection as it produces an immune response in the respiratory system, where the virus first enters the body.

Jin Dong-Yan, a virologist at the University of Hong Kong, said CanSino's approval was "a step in the right direction" because data indicate that the technology behind its adenovirus vector vaccine provides better protection than the inactivated vaccine technology used by China's existing Covid vaccine makers, Sinovac and Sinopharm.

Shares in other mainland vaccine makers also rose, with Shijiazhuang Yiling Pharmaceutical and Shanghai Junshi Biosciences up as much as 10 per cent and 24.5 per cent in Shenzhen and Hong Kong, respectively.

Zhao Bing, a Shanghai-based analyst at Huaxing Securities, said that, following a bruising year for Chinese pharmaceutical stocks, "investors are re-evaluating" the sector.

He added: "Investors panicked before. Valuations are cheap and companies have had stable performance. It's time for a rebound."

Beijing points to China's large elderly population and insufficient medical resources as the main justification for its adherence to zero-Covid.

Additional reporting by Xueqiao Wang in Shanghai, Edward White in Seoul and Ryan McMorrow in Beijing

Crypto

Huobi exchange prepares to join sector trend for headquarters in Caribbean

WILLIAM LANGLEY AND CHAN HO-HIM
HONG KONG

Huobi Global, one of the biggest cryptocurrency exchanges founded in China, is planning to move its headquarters to the Caribbean, marking the latest migration to the region as global regulators crack down on the industry.

Justin Sun, who was appointed to the company's board in October, said the region's "super-friendly" crypto stance, common law systems and English language adoption made the countries attractive bases. "These days, one of the biggest targets we have here is to go all in the Caribbean," Sun said. Dominica, Panama and the Bahamas were the frontrunners, he added.

The migration would make Huobi the latest big crypto company to move to the Caribbean. Sam Bankman-Fried's FTX, the world's second-largest crypto exchange, moved to the Bahamas from Hong Kong last year.

Other crypto groups registered in the region include C-Trade in the British Virgin Islands and PrimeBit in Saint Vincent and the Grenadines. Binance, the world's largest crypto exchange, is registered in the Cayman Islands, while exchange Crypto.com acquired a licence to operate there in August.

Huobi's shift would involve encouraging dozens of employees at its Seychelles headquarters to move to the Caribbean. It hopes to have up to 200 employees in the region, Sun said. The company at present has about 1,600 staff, he added.

Sun, who is also Grenada's permanent representative to the World Trade Organization, said he met Dominica's prime minister Roosevelt Skerrit last

Huobi's Justin Sun is attracted by the region's stance on digital assets

year and that Huobi would work closely with the country of 72,000 people to develop its crypto infrastructure.

In October, Skerrit signed an ordinance making cryptocurrencies on the Tron network, founded by Sun, legal means of payment in the country.

"The Caribbean . . . is a very crypto-friendly community . . . and, I believe, right now Dominica is one of the frontrunners," Sun said.

Henri Arslanian, co-founder and managing partner of crypto hedge fund Nine Blocks Capital Management, said early moves by Caribbean states such as the Bahamas and Bermuda to roll out regulatory regimes for digital assets helped attract global players.

Huobi remains among the 10 largest crypto exchanges by daily trading volume, according to cryptocurrency tracker CoinMarketCap, though it has slipped from its number two spot after China, once its biggest market, banned cryptocurrency transactions last year.

Sun said he was "very bullish" on China softening its stance. "The Chinese government leadership is under ongoing changes," he said, adding policies would cool "maybe after Q1 next year".

Asset management

SEC proposes mutual fund pricing rule to protect long-term investors

STEFANIA PALMA — WASHINGTON
BROOKE MASTERS — NEW YORK

Wall Street's top regulator has proposed changes to the way stock and bond mutual funds set their daily prices in order to protect buy-and-hold investors from having to bear the cost of rapid inflows or outflows — a move that drew immediate pushback from asset managers.

Gary Gensler, chair of the US Securities and Exchange Commission, said the proposal would "build resiliency" for US open-end funds, which faced a liquidity squeeze in March 2020 as investors scrambled to redeem shares at the start of the pandemic.

"A goal of today's proposal is to ensure that redeeming shareholders, rather than remaining shareholders, bear the cost of redemptions, particularly during stress times," he said.

The SEC proposal would require US funds that together hold more than $16tn in assets to adopt so-called swing pricing, a practice common among European funds.

Essentially, fund administrators must wait until they know exactly how much money has come in or out before calculating the daily "net asset value" (NAV).

That way, the cost to the fund of having to buy or sell securities during a volatile trading session can be included in the per-share price that departing and arriving customers receive.

In Europe, funds that use swing pricing tend to require purchase and sale orders to arrive well before the deadline

'A goal today is to ensure that redeeming shareholders bear the cost of redemptions'

for setting the NAV. In the US, all funds set their NAV at 4pm New York time.

Fund clients must place buy and sell orders before that time to receive that day's price but their brokers do not have to transmit the orders to the fund until later.

A 2017 Bank for International Settlements study found funds that used swing pricing had better returns during the 2013 "taper tantrum" — when the US Federal Reserve shook markets by signalling a change in monetary stimulus — than those that did not.

The practice did not substantially reduce volatility, however.

The agency yesterday officially proposed the new requirements with a 3-2 vote of its commissioners.

The measure will move to a public comment period before coming back to the SEC for final approval and implementation. The SEC's two Republican commissioners voted against it.

Adding swing pricing would force US fund managers to substantially revamp their procedures and is likely to make it more costly to run mutual funds.

If the proposal is enacted, brokers and other intermediaries would need to make changes to meet the 4pm deadline and most brokers would likely set earlier cut-off times on placing orders, the SEC said.

This will be unwelcome news to a fund industry that is experiencing substantial fee compression and a shift by investors to exchange traded funds because they change prices more frequently and offer lower fees.

The proposed rules would not apply to ETFs or money market funds.

COMPANIES & MARKETS

The day in the markets

What you need to know

- **Wall Street stocks rise as investors bet US central bank may slow rate increases**
- **Fed mindful of lag between increase in borrowing costs and economic effects**
- **Chinese equities extend gains on optimism over limits to zero-Covid policy**

US stocks swung higher yesterday after the Federal Reserve announced its fourth consecutive 0.75 percentage point increase in interest rates but hinted that it could slow the pace of future hikes.

Wall Street's benchmark S&P 500 jumped as much as 0.7 per cent shortly after the decision was announced compared with a 0.4 per cent decline immediately beforehand.

The tech-heavy Nasdaq Composite rose 0.6 per cent.

In a statement alongside the widely expected rate rise, the central bank said that it expected to continue raising rates but would "take into account . . . the lags with which monetary policy affects economic activity and inflation".

Markets have rallied in recent weeks on any signs that policymakers will rein in the pace of further rate rises.

"The front loading [of rate increases] is essentially over and rate hikes from here will be more cognisant of the new economic environment we're in with respect to the much higher cost of capital and economic clouds that are circling," said Peter Boockvar, chief investment officer at Bleakley Financial Group. "This

The Fed has sharply lifted borrowing costs this year

Federal funds target rate (upper bound) %

Source: FactSet

stubbornly high inflation, but fears have grown that the central bank will tighten policy too far and push the US and global economy into a recession.

After yesterday's increase, the federal funds rate stands at 3.75 per cent to 4 per cent, from near zero at the end of last year.

Government bond prices also picked up after the Fed decision, pushing yields

Elsewhere, Chinese equities rose, consolidating gains made in the previous session as unsubstantiated rumours that the country was looking to end its strict zero-Covid policy boosted investor sentiment.

Hong Kong's Hang Seng index was up 2.4 per cent while China's CSI 300 added 1.2 per cent. The two indices closed 5.2 per cent and 3.6 per cent higher,

Fed must be clear that inflation is spurred by profits

Paul Donovan

Markets Insight

In the world's financial markets, US Federal Reserve chair Jay Powell is increasingly cast in the role of playground bully — looming over the prostrate form of the global economy and chanting "hike, hike, hike" with malicious glee. US policy rates are rising relentlessly.

However, Powell's public remarks offer little insight into how he expects higher rates to tame inflation.

The omission matters as the current policy tightening will have an impact through an unusual route. That is because today's price inflation is more a product of profits than wages.

Broad-based inflation is normally a labour-cost problem. The rule of thumb is that labour costs are about 70 per cent of the price of a developed economy's consumer prices.

If wage increases are not offset by greater efficiency or reductions in other costs, the consumer will pay a higher price for the labour they are consuming.

has risen roughly 13 per cent. The real output of the sector has risen 7 per cent.

So US restaurants and hotels are paying fewer people more money to work harder. The rise in wage costs adjusted for productivity since the end of 2019 is somewhere between 5 and 6 per cent. Restaurant and hotel prices have risen 16 per cent.

This is the current inflation story. Companies have passed higher costs on to customers. But they have also taken advantage of circumstances to expand profit margins. The broadening of inflation beyond commodity prices is more profit margin expansion than wage cost

Companies have passed costs on to customers but also taken advantage by expanding their margins

ently over their morning toast and point out that only 10 to 15 per cent of the price of bread is attributable to the cost of wheat — the cost of food in developed economies is not about food; it is labour costs. But the narrative might seem plausible to many a consumer.

Consumers seem to be buying stories justifying price rises but which really serve as cover for profit margin expansion. The soundbite economics of the Twitter era helps this process along.

This unconventional inflation means higher unemployment and lower wages are not the only possible cure for it.

Policy has more routes to lower inflation if the cause is about profits. Of course, higher unemployment and lower wages would weaken demand and squeeze profit margins.

But any softening of demand — for instance through slowing the leverage of household balance sheets — would also affect pricing power. The slowing demand for consumer durable goods is the Fed's way of telling us that a slowdown in the pace of future hikes is upon us."

The Fed has been aggressively lifting rates this year in an attempt to tame

lower. The yield on the 10-year US Treasury note slipped 6 basis points to 3.99 per cent. The two-year yield, which is particularly sensitive to monetary policy, fell 8bp to 4.46 per cent.

respectively, on Tuesday.

Elsewhere in Asia, Tokyo's Topix added 0.1 per cent. The pan-regional Stoxx Europe 600 fell 0.3 per cent. **George Steer and Nicholas Megaw**

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	3836.68	1635.22	27663.39	7144.14	3003.37	116928.66
% change on day	-0.50	-0.31	-0.06	-0.58	1.15	0.77
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	111.257	0.987	147.140	1.146	7.282	5.145
% change on day	-0.201	0.000	-0.658	0.000	0.149	0.662
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	4.041	2.132	0.242	3.393	2.681	11.438
Basis point change on day	-0.800	0.100	-0.520	-6.900	1.700	0.700
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	386.12	96.31	90.10	1645.25	20.00	3578.40
% change on day	-0.29	1.75	1.96	0.38	4.36	2.62

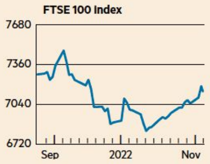
Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets

S&P 500 index

Eurofirst 300 index

FTSE 100 index



Biggest movers

%	US		Eurozone		UK	
Ups	Dupont De Nemours	5.30	Novo Nordisk	7.44	Rolls-royce Holdings	1.91
	Cvs Health	4.79	Merck	2.02	Airtel Africa	1.81
	Boeing	4.25	Unicredit	2.01	B&m Eur Value Retail S.a.	1.75
	Electronic Arts	3.75	Omv	1.67	Astrazeneca	1.68
	Trane	3.25	Erste Bank	1.61	Next	1.59
Downs	Extra Space Storage	-9.75	A.p. Moller - Maersk B	-5.79	British American Tobacco	-5.51
	Estee Lauder Companies (the)	-8.13	Thyssenkrupp	-3.84	Antofagasta	-4.47
	Devon Energy	-6.86	Cap Gemini	-3.25	Croda Int	-3.67
	Broadridge Fin Solutions	-6.64	Christian Dior	-3.05	Anglo American	-3.47
	Public Storage	-6.56	L'oreal	-2.96	Melrose Industries	-2.67

Prices taken at 17:00 GMT

Based on the constituents of the FTSE Eurofirst 300 Eurozone

All data provided by Morningstar unless otherwise noted.

Wall Street

Dating giant **Match**, which owns apps such as Tinder, Plenty of Fish and OkCupid, rallied off the back of better than expected results.

Revenue reached $810mn in the third quarter, topping the Refinitiv-compiled estimate of $793mn, aided by a 6 per cent year-on-year rise in Tinder sales.

Tupperware, the maker of the plastic storage for food, dived after issuing a warning about its ability to comply with covenants.

Tupperware said it was "probable that the company will not be able to maintain compliance with the covenants in its credit agreement . . . for the next 12 months, which raises substantial doubt about the company's ability to continue as a going concern".

The group was negotiating with its lenders to amend the credit agreement but added that there could "be no assurance that the company will be successful in such efforts".

A below-par performance pushed **Paramount Global** lower with the entertainment conglomerate posting third-quarter revenue of $6.92bn, which fell short of Wall Street estimates.

Hitting sales was a 2 per cent year-on-year slide in advertising revenues, reflecting "unfavourable" foreign exchange rates and a broader softness in markets, it said. *Ray Douglas*

Europe

A turnround in its balance sheet sent cloud computing group **Sinch** surging.

The Swedish group reported cash flow from operating activities of SKr727mn ($66mn) for the quarter ending September, up from minus SKr491mn for the same period a year earlier.

German software company **TeamViewer** rose sharply after delivering "an encouraging slight beat", said RBC Europe.

Group billings and adjusted core profits came in 1 per cent and 4 per cent above consensus, respectively, as management reiterated its full-year guidance.

The broker said TeamViewer, which specialises in providing remote access to devices, was "relatively well-placed to weather an economic downturn given the affordability and stickiness of its products".

Denmark's **Demant** sank following the release of an unscheduled update in which the hearing aid group lowered its full-year outlook.

Operating profit was expected to land between DKr3.15bn ($418.5mn) and DKr3.45bn, down from a previous range of DKr3.5bn to DKr3.8bn, to reflect a "weaker-than-expected performance", it said.

Sonova and **Amplifon**, Demant's sector rivals, also slid following the release. *Ray Douglas*

London

Oil and gas group **Hurricane Energy** jumped after revealing that it had received an unsolicited takeover offer of 7.7p per share, representing a 13 per cent premium on Tuesday's closing price.

The board did not recommended the bid to shareholders, arguing that Hurricane was in a "very strong financial and operational position". Instead, directors have launched a formal sale process to establish whether they could invite an "attractive" offer, it said.

A cut to its guidance weighed on **Aston Martin**, the luxury carmaker, which expected to sell between 6,200 and 6,600 units in 2022, down from an earlier estimate of more than 6,600 vehicles.

Lawrence Stroll, executive chair, said the group had "encountered specific supply chain challenges that have delayed our ability to meet customer demand".

Upmarket estate agent **Foxtons** rose on news that it would be returning money to investors through a share buyback programme of up to £3mn.

Challenger bank **Metro** climbed sharply on announcing that it had "recorded a profit on both an underlying and statutory basis" in September.

RBC Europe said: "The profit was likely small and may not be repeated every month going forward but the sentiment the announcement carries is more important than the magnitude." *Ray Douglas*

With normal inflation, central banks would need to create spare capacity in labour markets to push wages lower.

Wages have been rising but prices have been rising faster, so real wage growth is catastrophically negative.

This is far removed from the 1970s-style wage price spiral; apart from the wage and price control debacle of Richard Nixon's presidency, US real average earnings rose for much of the decade.

The US restaurant and hotel sector helps explain why wage costs have played a limited role in today's inflation.

Since the end of 2019, the average earnings of a worker in this sector have risen just under 20 per cent. But the number of employees has fallen more than 5 per cent. Paying fewer people more means that the sector's wage bill

pressures. How is this happening? Two forces have combined.

Despite negative real wages, consumers have carried on consuming. Strong post-Covid household balance sheets have allowed lower savings and higher borrowing to offset the sorry state of real wages. The resulting resilience in demand has given companies the confidence to raise prices faster than costs.

In addition, the power of storytelling has conditioned consumers to accept price rises. Imagine a story about a farmer who takes wheat to the windmill, where it is ground into flour and then baked into bread. In that fantasy world, a rise in the cost of wheat of say 22 per cent might be used to justify a 15 per cent rise in the price of bread.

An economist might splutter incoher-

this year turned the fastest ever inflation in prices for those products into the most dramatic deflation since data started being collected in the 1950s.

So the prices that drove the early 2021 inflation story were transitory after all. By understanding that, the narrative used to justify today's higher prices could also be attacked.

Social media memes work both ways; a narrative of "rip-off Britain" and intense media focus in the UK in 2010 may have damped inflation at that time.

Ending Fed chair Powell's sphinx-like silence on what higher rates are supposed to achieve could help turn around the inflation story.

Paul Donovan is chief economist at UBS Global Wealth Management

MARKET DATA

WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)

S&P 500	Nasdaq Composite	Dow Jones Ind	FTSE 100	FTSE Eurofirst 300	Nikkei	Hang Seng	FTSE All World $	$ per €	$ per £	¥ per $	£ per €	Oil Brent $ Sep	Gold $
-0.50%	-0.98%	-0.16%	-0.58%	-0.31%	-0.06%	2.41%	-0.29%	No change	No change	-0.658%	No change	0.16%	0.38%

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

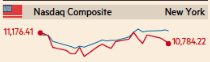
AMERICAS

Oct 03 - - Index All World

S&P 500 New York

Day -0.50% Month -9.22% Year -13.41%

Nasdaq Composite New York



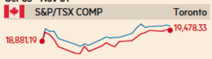
Day -0.98% Month -15.07% Year -28.27%

Dow Jones Industrial New York

Day -0.16% Month -3.21% Year -5.67%

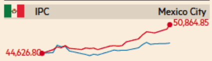
Oct 03 - Nov 01 Index All World

S&P/TSX COMP Toronto



Day -0.20% Month -3.07% Year -4.86%

IPC Mexico City



Day 1.89% Month 4.96% Year -0.86%

Bovespa São Paulo

Day 0.77% Month 4.87% Year 7.43%

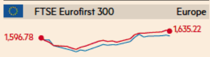
EUROPE

Oct 03 - Nov 02 Index All World

FTSE 100 London

Day -0.58% Month -5.32% Year 3.54%

FTSE Eurofirst 300 Europe



Day -0.31% Month -5.07% Year -6.54%

CAC 40 Paris

Day -0.81% Month -3.37% Year -4.46%

Oct 03 - Nov 02 Index All World

Xetra Dax Frankfurt

Day -0.61% Month 1.29% Year NaN%

Ibex 35 Madrid

Day -0.38% Month -4.50% Year -9.11%

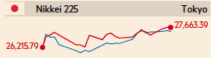
FTSE MIB Milan

Day 0.03% Month 1.23% Year -11.27%

ASIA

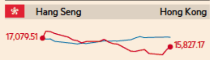
Oct 03 - Nov 02 Index All World

Nikkei 225 Tokyo



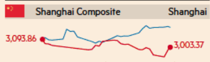
Day -0.06% Month -4.36% Year -9.28%

Hang Seng Hong Kong



Day 2.41% Month -19.96% Year -36.49%

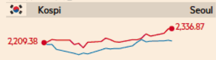
Shanghai Composite Shanghai



Day 1.15% Month -7.82% Year -16.90%

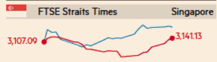
Oct 03 - Nov 02 Index All World

Kospi Seoul



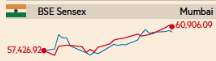
Day 0.07% Month -6.25% Year -25.59%

FTSE Straits Times Singapore



Day 0.34% Month -3.46% Year 2.05%

BSE Sensex Mumbai



Day -0.35% Month 2.08% Year 3.17%

Country	Index	Latest	Previous
Argentina	Merval	151625.02	153002.14
Australia	All Ordinaries	7177.80	7169.60
	S&P/ASX 200	6986.70	6976.90
	S&P/ASX 200 Res	5462.50	5388.40
Austria	ATX	2971.59	2949.37
Belgium	BEL 20	3553.44	3589.65
	BEL Mid	9197.21	9188.02
Brazil	IBovespa	116928.66	116037.08
Canada	S&P/TSX 60	1180.95	1181.74
	S&P/TSX Comp	19478.33	19517.71

Country	Index	Latest	Previous
Cyprus	CSE M&P Gen	68.46	68.68
Czech Republic	PX	1185.42	1184.92
Denmark	OMXC Copenahgen 20	1700.28	1647.03
Egypt	EGX 30	11242.07	11432.79
Estonia	OMX Tallinn	1704.50	1683.93
Finland	OMX Helsinki General	10402.30	10450.26
France	CAC 40	6276.88	6328.25
	SBF 120	4823.67	4864.05
Germany	M-DAX	23751.12	24019.05
	TecDAX	2838.80	2857.47

Country	Index	Latest	Previous
Italy	FTSE Italia All-Share	24736.29	24727.67
	FTSE Italia Mid Cap	37491.40	37624.35
	FTSE MIB	22802.97	22795.64
Japan	2nd Section	7228.27	7239.06
	Nikkei 225	27663.39	27678.92
	S&P Topix 150	1669.78	1666.78
	Topix	1930.17	1935.49
Jordan	Amman SE	2440.20	2460.26
Kenya	NSE 20	1680.37	1677.76
Kuwait	KSX Market Index	6633.44	6603.51

Country	Index	Latest	Previous
Philippines	Manila Comp	6206.24	6153.43
Poland	Wig	51307.24	50432.55
Portugal	PSI 20	5734.11	5827.92
	PSI General	4356.40	4418.75
Romania	BET Index	10875.83	10834.90
Russia	Micex Index	2436.57	2445.30
	RTX	1245.71	1212.57
Saudi-Arabia	TADAWUL All Share Index	11530.29	11530.44
Singapore	FTSE Straits Times	3141.13	3130.50
Slovakia	SAX	338.97	335.54

Country	Index	Latest	Previous
Taiwan	Weighted Pr	13100.17	13037.21
Thailand	Bangkok SET	1625.02	1625.73
Turkey	BIST 100	4071.87	4071.87
UAE	Abu Dhabi General Index	9222.93	9251.11
UK	FT 30	2386.30	2391.40
	FTSE 100	7144.14	7186.16
	FTSE 4Good UK	6394.87	6412.01
	FTSE All Share	3910.01	3928.75
	FTSE techMARK 100	6067.34	6084.76
USA	DJ Composite	10779.29	10804.22

Country	Index	Latest	Previous
Cross-Border	DJ Global Titans ($)	402.43	405.28
	Euro Stoxx 50 (Eur)	3622.05	3651.02
	Euronext 100 ID	1194.23	1205.29
	FTSE 4Good Global ($)	9205.04	9227.31
	FTSE All World ($)	386.12	387.26
	FTSE E300	1635.22	1640.31
	FTSE Eurotop 100	3219.72	3229.26
	FTSE Global 100 ($)	2383.39	2397.25
	FTSE Gold Min ($)	1463.93	1449.83
	FTSE Latibex Top (Eur)	4440.00	4432.20

STOCK MARKET: BIGGEST MOVERS

UK MARKET WINNERS AND LOSERS

CURRENCIES

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

FTSE ACTUARIES SHARE INDICES

Hourly movements	8.00	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High/day	Low/day
FTSE 100	7203.00	7192.42	7186.77	7160.25	7174.42	7165.34	7141.64	7152.09	7157.13	7203.00	7131.04
FTSE 250	18244.19	18170.83	18133.60	18136.82	18176.79	18216.20	18213.92	18230.36	18220.59	18248.61	18108.15
FTSE SmallCap	5940.38	5924.41	5915.16	5913.80	5919.82	5916.95	5918.79	5917.08	5918.33	5940.38	5905.87
FTSE All-Share	3938.19	3930.86	3926.99	3914.99	3922.77	3919.80	3908.97	3914.18	3916.22	3938.19	3903.71

Time of FTSE 100 Day's high:08:03:00 Day's Low14:39:45 FTSE 100 2010/11 High: 7672.40(10/02/2022) Low: 6826.15(12/10/2022)
Time of FTSE All-Share Day's high:08:03:00 Day's Low14:30:00 FTSE 100 2010/11 High: 4296.96(10/02/2022) Low: 3712.50(12/10/2022)
Further information is available on http://www.ftse.com © FTSE International Limited. 2013. All Rights reserved. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. † Sector P/E ratios greater than 80 are not shown. For changes to FTSE Fledgling Index constituents please refer to www.ftse.com/indexchanges. ‡ Values are negative.

FT 30 INDEX

	Nov 02	Nov 01	Oct 31	Oct 28	Oct 27	Yr Ago	High	Low
FT 30	2386.30	2391.40	2340.60	2314.50	2343.10	0.00	2880.10	2152.10
FT 30 Div Yield	-	-	-	-	-	0.00	3.93	2.74
P/E Ratio net	-	-	-	-	-	0.00	19.44	14.26

FT 30 hourly changes

8	9	10	11	12	13	14	15	16	High	Low
2391.4	2393.9	2389.7	2383.3	2388.1	2390	2384.9	2386.2	2388.5	2402.2	2380.4

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

FT WILSHIRE 5000 INDEX SERIES

	Nov 01		Nov 01
FT Wilshire 5000	39310.52	FT Wilshire Mid Cap	5320.01
FT Wilshire 2500	5030.20	FT Wilshire Small Cap	4875.84
FT Wilshire Mega Cap	4993.98	FT Wilshire Micro Cap	4868.59
FT Wilshire Large Cap	5048.28		

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FTSE GLOBAL EQUITY INDEX SERIES

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

FTSE SECTORS: LEADERS & LAGGARDS

FTSE 100 SUMMARY

UK STOCK MARKET TRADING DATA

	Nov 02	Nov 01	Oct 31	Oct 28	Oct 27	Yr Ago
Order Book Turnover (m)	142.29	119.17	90.05	90.05	90.05	59.16
Order Book Bargains	704395.00	606149.00	661246.00	661246.00	661246.00	760436.00
Order Book Shares Traded (m)	1560.00	1389.00	1208.00	1208.00	1208.00	1548.00
Total Equity Turnover (£m)	6101.48	4738.97	5027.15	5027.15	5027.15	5342.59
Total Mkt Bargains	902316.00	815479.00	875575.00	875575.00	875575.00	1000654.00
Total Shares Traded (m)	6445.00	6432.00	5627.00	5627.00	5627.00	7610.00

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

All data provided by Morningstar unless otherwise noted. All elements listed are indicative and believed accurate at the time of publication. No offer is made by Morningstar or the FT. The FT does not warrant nor guarantee that the information is reliable or complete. The FT does not accept responsibility and will not be liable for any loss arising from the reliance on or use of the listed information.
For all queries e-mail ft.reader.enquiries@morningstar.com

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

POWERED BY MORNINGSTAR

UK RIGHTS OFFERS

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

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

UK COMPANY RESULTS

Company		Turnover		Pre-tax		EPS(p)		Div(p)		Pay day	Total	
Aston Martin Lagonda Global Holdings	3rd	857.200	736.400	511.300L	188.600L	156.100L	49.800L	0.00000	0.00000	-	0.000	0.000
Greatland Gold	Int	0.000	0.000	3.589L	2.674L	0.090L	0.070L	0.00000	0.00000	-	0.000	0.000
GSK	3rd	21948.000	17620.000	4002.000	3296.000	322.000	90.800	0.00000	23.75000	-	62.500	100.000

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

UK RECENT EQUITY ISSUES

Issue date	Issue price(p)	Sector	Stock code	Stock	Close price(p)	+/-	High	Low	Mkt Cap (£m)
10/31	4.00		BWN	Bowen Fintech PLC	5.75	0.90	5.90	5.90	316.3
10/27	10.00		UMR	Unicorn Mineral Resource PLC	18.50	0.50	19.50	10.00	513.5
10/24	1.00		ATN	Eastinco Mining and Exploration PLC	0.95	0.00	1.00	0.90	916.5
10/21	55.00	AIM	SND	Sondrel (Holdings) PLC	58.50	0.86	59.94	51.67	5116.5
10/07	10.00		ACG	ACG Acquisition Company Ltd	9.83	0.40	10.10	9.85	153.5
10/04	1.00		MII	Milton Capital PLC	1.03	0.08	1.20	1.00	102.5

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

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

FT 500: TOP 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
Naspers N	205516.00	205635.00	-119.00	-0.06	203652.89	10930.8	-16.91
MTN Grp	13201.00	13072.00	129.00	0.99	13076.13	10471.8	-4.67
Firstrand	6410.00	6419.00	-9.00	-0.14	6344.80	9731.3	-5.48
SandsCh	17.12	15.28	1.84	12.04	3.40	24.8	1.90
DanskeBk	123.20	121.35	1.85	1.52	21.15	20.7	22.16
SHOP	46.61	47.43	-0.82	-1.73	7.15	18.1	5.51
Panasonic	1254.00	1142.50	111.50	9.76	186.50	17.5	10.06
Keyence	58080.00	58260.00	-180.00	-0.31	7780.00	15.5	1.70
JapanTob	2800.00	2698.00	102.00	3.78	346.50	14.1	17.49
Softbank	6705.00	6574.00	131.00	1.99	756.00	12.7	16.20
ImpOil	74.98	75.13	-0.15	-0.20	8.26	12.4	21.77
ChinaPcIns	13.70	13.38	0.32	2.39	1.50	12.3	-15.64
Chna Utd Coms	3.75	3.41	0.34	9.97	0.41	12.3	4.75
Boeing	149.48	143.38	6.10	4.25	15.69	11.7	-7.83
Tencent	230.60	227.40	3.20	1.41	24.20	11.7	-26.79
GileadSci	79.06	79.34	-0.28	-0.35	8.24	11.6	21.25
RollsRoyce	83.06	81.50	1.56	1.91	8.59	11.5	2.22
LasVegasSd	39.35	38.64	0.71	1.84	3.88	10.9	5.06
Caterpillar	218.23	218.50	-0.27	-0.12	21.27	10.8	11.65
HyundMobis	219000.00	217000.00	2000.00	0.92	20000.00	10.1	2.10

Based on the FT Global 500 companies in local currency

FT 500: BOTTOM 20

INTEREST RATES: OFFICIAL

INTEREST RATES: MARKET

Nov 02	Short term		7 Days notice		One month		Three month		Six month		One year	
Euro	0.87	1.17	1.02	1.32	1.20	1.50	1.46	1.76	1.89	2.19	2.29	2.59
Sterling					0.45	0.55	0.58	0.68	0.71	0.86	0.90	1.05
US Dollar	2.86	3.06	3.64	3.84	3.75	3.95	4.36	4.56	4.79	4.99	5.14	5.34
Japanese Yen	-0.15	0.05	-0.20	0.00	-0.20	0.00	-0.15	0.05	-0.10	0.20	-0.05	0.25

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

BOND INDICES

COMMODITIES

www.ft.com/commodities

Energy		Price*	Change	Agricultural & Cattle Futures		Price*	Change
Crude Oil†	Dec	88.51	0.14	Corn♦	Dec	684.00	-13.75
Brent Crude Oil‡		96.31	1.66	Wheat♦	Dec	849.75	-52.75
RBOB Gasoline†	Dec	2.60	0.01	Soybeans♦	Nov	1425.50	-10.25
Natural Gas†	Dec	6.10	0.38	Soybeans Meal♦	Dec	420.50	-4.30
Base Metals (♠ LME 3 Months)				Cocoa (ICE Liffe)⊕	Dec	1958.00	29.00
Aluminium		2259.00	2.00	Cocoa (ICE US)♥	Dec	2366.00	18.00
Aluminium Alloy		1675.00	-905.00	Coffee(Robusta)⊕	Nov	1910.00	59.00
Copper		7626.50	-33.50	Coffee (Arabica)♥	Dec	179.40	4.80
Lead		1954.00	-32.00	White Sugar⊕		536.30	3.60
Nickel		23770.00	320.00	Sugar 11♥		18.34	-0.09
Tin		18000.00	30.00	Cotton♥	Dec	77.12	2.12
Zinc		2730.00	-32.00	Orange Juice♥	Jan	205.90	1.70
Precious Metals (PM London Fix)				Live Cattle♣	Dec	151.95	-0.53
Gold		1645.25	6.25	Feeder Cattle♣	May	134.88	-
Silver (US cents)		2000.00	83.50	Lean Hogs♣	Dec	85.25	0.33
Platinum		950.00	15.00				
Palladium		1919.00	80.00		Nov 01	% Chg Month	% Chg Year
Bulk Commodities							
Iron Ore		80.03	2.25	S&P GSCI Spt	647.58	-3.36	20.18
Baltic Dry Index		1321.00	-56.00	DJ UBS Spot	114.54	-6.37	17.41
Richards Bay ICE Futures		219.30	4.70	TR/CC CRB TR	297.73	-4.73	26.12
				LEBA EUA Carbon	58.91	-1.98	129.94
				LEBA UK Power	1048.00	-37.43	-39.60

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

BONDS: INDEX-LINKED

BONDS: TEN YEAR GOVT SPREADS

BONDS: HIGH YIELD & EMERGING MARKET

VOLATILITY INDICES

BONDS: BENCHMARK GOVERNMENT

BONDS: GLOBAL INVESTMENT GRADE

GILTS: UK CASH MARKET

GILTS: UK FTSE ACTUARIES INDICES

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

When mortality meets morality

dark heart: the shaming of Hero at her wedding by credulous men who believe a villain over a woman veers close to the tragedy of *Othello* before resolving with a more-or-less happy ending.

In Robert Hastie's production (first seen at Sheffield Crucible), that shocking moment becomes even more upsetting, as in this staging Hero is deaf. Watching Claire Wetherall's touching Hero learn through British Sign Language what the men are saying about

THEATRE

Sarah Hemming

There's a body all right. But is there a death? That's the question posed at the outset of **A Dead Body in Taos**. In David Farr's fascinating new play, Sam, a 33-year-old journalist from the UK, arrives in the New Mexico desert to bury her estranged mother, Kath. But the task turns out to be rather more complex than she'd envisaged.

First, there's the will, changed very recently to benefit Future Life Corporation, a mysterious biotech facility. Then there's the even more jaw-dropping discovery that the same institution has worked with her mother, uploading her thoughts and memories to create a post-life AI Kath. When the enraged Sam threatens to contest the will, undead Kath pleads with her. If Sam succeeds, the technology will be switched off and Sam will have "killed" her mother. Soon Sam, understandably, is thrashing round her mother's empty house, drinking heavily.

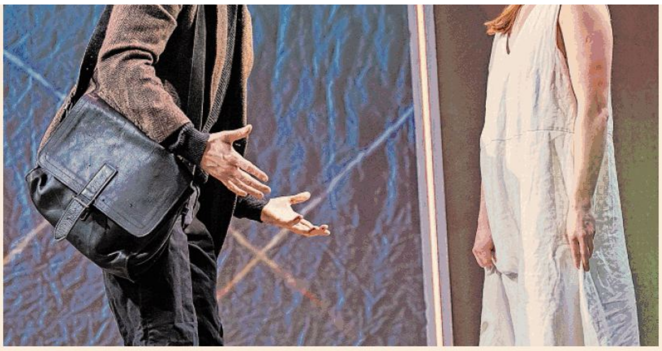
Farr's play is a gripping mix of moral thriller, philosophical debate and psychological study. The playwright, inspired by film-maker Adam Curtis's documentary series *The Century of the Self*, explores the growth of individualism, the nature of self and the illusion of choice. Through flashbacks, we watch Kath morph from radical young 1970s student to sleek 1980s designer marketing water to gullible consumers. Campaigning zeal gives way to self-development.

The drama also has echoes of Caryl Churchill's *A Number*, delving into science fiction to ask thorny ethical questions. Churchill's play uses cloning to consider identity, parenting, relationships and to ask: if you had the chance to start over, would you take it? Similar dilemmas emerge in Farr's drama. Kath's motives for "living" on, we learn, include the desire to repair her relationships with Sam and with former lover, Leo. Meanwhile, the digital world brings a new twist to existential issues that in previous centuries have fuelled religious debate. Where is the essence of a human being? Can you outwit mortality? Can you find redemption?

On stage, dry ideas become vivid, as various versions of young Kath burst across the stage, with Eve Ponsonby's wonderful, fluid performance bringing out the stark contrast between them and the strangely absent cyborg she has become. There's great work too from Gemma Lawrence as the truculent Sam and David Burnett as Leo, both bruised by their failed relationships with Kath. Apart from anything else, this is a study in grief. Rachel Bagshaw, directing this Fuel production, plays with layers of reality, using multiple screens and sending text cascading down a side panel, as if we are watching online.

Emotionally, the play is slightly held back by the fact that Kath is, in essence, fairly unlikeable. But it's clever, clear and compelling.

To November 12, wiltons.org.uk



Above: David Burnett and Eve Ponsonby in 'A Dead Body in Taos'. Left: Guy Rhys as Benedick in 'Much Ado About Nothing' Tristram Kenton

A Dead Body in Taos
Wilton's Music Hall, London
★★★★☆

Mary
Hampstead Theatre, London
★★★☆☆

Much Ado About Nothing
Theatre Royal Stratford East, London
★★★☆☆

In *The James Plays*, Rona Munro wrote a pulsating, epic trilogy about three generations of Stewart kings: a Scottish response to Shakespeare's history cycle. A fourth *James* drama is currently touring Scotland. But it's a different rank of James who takes centre stage in her latest play. This time it's Sir James Melville, influential diplomat and adviser to Mary Queen of Scots — and while the play is called **Mary**, it's his painful journey that we watch unfold.

This is a quieter piece than those earlier works. A tightly focused political chamber drama set in 1567, it's played out in panelled rooms, while the monarch òf the title is a spectral individual (Meg Watson) only glimpsed from time to time. But the idea of her is ever present, inspiring loyalty in some, loathing in others. It's what happened to her behind another set of closed doors that is the crux of the drama.

Munro pitches the action on either side of a contested episode at the Earl of Bothwell's castle. Was Mary abducted and raped? Or was the sex consensual? Melville feels strongly that it was the former (as does the playwright). But the queen's enemies cite her subsequent marriage to Bothwell as evidence to the contrary and spot a route to her downfall. The play works up to a tight, knotty exploration of the way genuine beliefs entwine with personal frailty, vested interests and political expediency.

Douglas Henshall is excellent as Melville. At first, confident in his position and in his principles, he lords it over Thompson, a fictitious lowly servant. But, when we rejoin them some months later, it is Thompson in command, having ridden the tide as it turns against Mary (Brian Vernel is first-rate as this slippery, self-serving arriviste). By the play's end, Henshall's Melville is a broken man, undone by the shocking realisation that he is, after all, capable of betraying his queen. Between them flits Agnes (Rona Morison), a fiercely Protestant serving woman, whose scorn for Catholic Mary gives way to horror as she watches the two men argue over what happened to the queen's body.

The play has much contemporary resonance: the question of how Scotland defines its political future; the backroom deals in the corridors of power; above all, the grim spectacle of two men dissecting a woman's behaviour as "proof" of whether consent was given. It's an intelligent, incisive play. But it's also dense and very dialogue-heavy and Roxana Silbert's muted, often static production becomes almost becalmed in places. Thoughtful rather than thrilling.

To November 26, hampsteadtheatre.com

From left, Douglas Henshall, Brian Vernel and Rona Morison in 'Mary' — Manuel Harlan

Men crowing over the virtue of a woman is also the unedifying spectacle at the centre of Shakespeare's **Much Ado About Nothing**. This is a romcom with a

her only adds to the awfulness of the scene. It's one of many intelligent and insightful moments in this co-production between Sheffield Theatres and Ramps on the Moon (a company committed to putting deaf and disabled artists at the centre of its work). And it's an example of the way inclusivity can be artistically expansive: integrated into the action, signing and description often deepen the meaning.

Elsewhere this is an upbeat, warm-hearted, welcoming production, that begins with the cast introducing their characters and rolls forward with many

'A Dead Body in Taos' asks: where is the essence of a human being? Can you find redemption?

deft comic touches. Guy Rhys's Benedick learns of Beatrice's affection for him as he pretends to be a masseur, responding to key revelations with over-emphatic pummelling; Dan Parr's playboy Don Pedro is excruciatingly funny as he tries to retreat gracefully from an ill-judged proposal to Beatrice.

What the production doesn't do is find a social context that makes sense of the plot (unlike Lucy Bailey's recent Globe production, set in a war-torn, deeply conservative 1940s Italy). Without that, the play loses a fair deal of its shape and bite: we don't feel, for instance, the battle-forged bond between the men that helps drive the deception. But it's packed with witty performances, and at its heart are Rhys and Daneka Etchells, excellent as Benedick and Beatrice. Both suggest that beneath their breezy banter lies a wealth of buried hurt; when they get together, following Hero's humiliation, they bring a quiet emotional intensity to the moment that has the audience leaning forward in concern.

To November 5, stratfordeast.com

Mayerling finds its feet in Paris

DANCE

Mayerling
Paris Opera Ballet, Palais Garnier, Paris
★★★☆☆

Laura Cappelle

Rudolf's beard comes unstuck; a gun misfires. There were tell-tale signs on the opening night of *Mayerling* at the Paris Opera Ballet that it will take time for Kenneth MacMillan's tale of Austro-Hungarian dysfunction to flow in its French incarnation.

The Royal Ballet's original 1978 production, currently on in London, was always going to be a tough act to follow, because its dancers perform it often enough to squeeze every last drop of drama out of MacMillan's uneven choreography. Nicholas Georgiadis's parade of tiara-ed wigs, trains and fur hats looked luxurious on the stage of the Palais Garnier — craftsmanship at its finest from the Paris Opera's workshops — but *Mayerling* only really works as a canvas for scorching, no-holds-barred performances from its leads.

They are likely to come once this production starts to feel lived in. Hugo Marchand has the makings of an outstanding Crown Prince Rudolf, his mind visibly fraying as his mother shuns him, and his lover Mary Vetsera (Dorothée Gilbert) plays along with his macabre obsessions, all the way to their murder-suicide. Marchand's role is so demanding, with acrobatic pas de deux galore, that his first-night turn was still careful; his young bride Stephanie (Silvia Saint-Martin) seemed as scared of the choreography as she was of Rudolf in Act One.

A tiara went rogue in the opening ball two nights later, but by then some nerves seemed to have settled. With a technically solid but green Rudolf in Paul Marque, the women around him did sterling work to convey his many troubled relationships. As Stephanie, Marine Ganio threw herself fully into their non-consensual wedding night, while Héloïse Bourdon brought dramatic clarity to the role of the scheming Countess Larisch. Éléonore Guérineau followed in the footsteps of the feisty opening-night Mitzi Caspar, Valentine Colasante, with a bright spring in her step in the tavern scene.

Still, MacMillan's seedy drama — which includes rape, drugs and cringe-inducing harlots — isn't quite natural territory for the Paris Opera Ballet's aloof style. *Mayerling* is one of those 20th-century narrative ballets with meaty roles for principals, like John Cranko's *Onegin*, that companies started clamouring for in the 2000s, a moment of convergence between classical repertoires worldwide. Yet while four pesky Hungarian officers keep hinting at the (unintelligible) political context, *Mayerling* often seemed without purpose in Paris, other than to feed our cultural fascination with aristocratic decadence.

Then came a revelation in the form of Hohyun Kang, sailing through her first dramatic lead as Mary Vetsera. In this awkward role of a naive teenager who turns into a morbid vixen seemingly without transition, Kang found tension in MacMillan's knotty lines from her first backbend over Marque's body. Here was justification for *Mayerling*; whether it's enough for the ballet to endure in Paris will be a question for POB's new director, former company star José Martinez, whose appointment was announced on Friday.

To November 12, operadeparis.fr

Dorothée Gilbert and Hugo Marchand in 'Mayerling' — Ann Ray

FT BIG READ. CLIMATE CHANGE

Rich countries pledged $8.5bn to help South Africa shift away from dirty energy. But a year on, talks are strained amid claims of double standards and with Pretoria wary of upsetting industry.

By David Pilling

The cost of giving up coal

Miners wait to start their shift at the Khutala Colliery mine in Kendal, South Africa. Coal accounts for 85 per cent of the nation's electricity Luca Sola/AFP/Getty Images

Dumisani Mahlangu sits in the cab of a dragline excavator, digging 40-tonne shovels of coal from an opencast mine outside Johannesburg. "Coal has made me what I am," he says of his well-paid job in a country where one in three people lacks work. "I wanted to be a doctor, but God put me in the mines."

South Africa is among the world's most coal-dependent nations. Coal accounts for roughly 85 per cent of its electricity, making the country of 60mn people the world's 13th-biggest emitter of carbon, bigger than Britain.

That puts South Africa, with income per capita of roughly $7,000, among the most inefficient at turning fossil fuels into economic output. But it also means there are quick wins to be had if finance can be found to help South Africa — and other countries like it — transition more quickly to clean energy.

"Mitigating a tonne of carbon in South Africa is a tenth the cost of mitigating a tonne of carbon in Europe," says André de Ruyter, chief executive of Eskom, South Africa's coal-hungry state power utility. "So the value proposition for the German [or other rich-country] taxpayer is, because carbon is a global phenomenon, let's give our money to a country where you get more tonnes of decarbonisation per euro than anywhere else."

That proposition was taken up a year ago at the COP26 UN climate conference in Glasgow when a group of rich countries — the UK, Germany, France and the US — as well as the EU banded together to pledge $8.5bn to help South Africa shift from coal.

The so-called Just Energy Transition Partnership, or JETP, was presented as a model of north-south co-operation and a template for future partnerships with other heavily coal-dependent countries such as Indonesia, Vietnam and India.

A year on, with COP27 due to start in Egypt on November 6, the South African partnership is taking shape. Terms of the $8.5bn financing have been hammered out. Meanwhile, South Africa has come up with its own $95bn five-year energy transition plan, in which the $8.5bn is to play a catalytic role by attracting private-sector investment.

"This is the first five years of a multi-decade journey," says Daniel Mminele, the former head of Absa bank who was recruited by Cyril Ramaphosa to run South Africa's presidential climate finance task team. As well as slowly replacing coal with renewable energy, the plan envisages green hydrogen and electric-vehicle production.

Yet negotiations between the two sides have been fraught. The governing African National Congress is wary of damaging the coal industry, one of the few in the country that is black-majority owned. "We have to do this right," says Rudi Dicks, a former trade union leader who now advises Ramaphosa. "In Britain you just closed down the mines and said: 'Go to hell.'"

South Africa also wants a higher proportion of grant money, wary that loans will merely add to its debt. "Some countries must be lauded for their readiness to put money on the table, but others regrettably are still in the narrative stage," says Pravin Gordhan, South Africa's minister for public enterprises.

Pretoria has also complained that Europe is slowing its energy transition while pressing South Africa to accelerate its own. "Europe, which was the chief protagonist of the hardest line in terms of emissions, is now in trouble. It is keeping its own coal-fired power stations going and importing coal, including from South Africa," Gordhan says.

Decrepit infrastructure

Still, the logic for South Africa to move to renewables is strong. Its decrepit coal-fired power stations, with an average age of 42 years, are juddering to a halt. The electricity system, with peak demand of 38 gigawatts, is operating at 58 per cent capacity — not enough to keep the lights on.

Rolling power cuts of up to five hours a day are crippling industry and making life unbearable. Traffic lights stop, jamming up roads. Abattoirs lose power. When power goes down, criminals steal overhead cable, further wrecking the system.

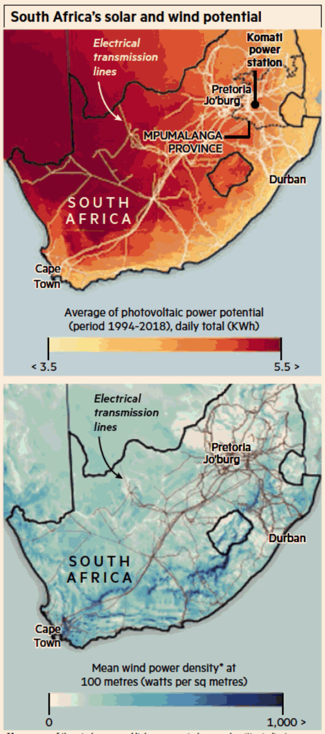
The obvious solution is to add cheap renewable energy as quickly as possible. With an average 2,500 hours of sunshine a year, South Africa is among the world's top three in solar potential. It is estimated to have enough wind to generate 6,700GW of power, roughly 175 times current needs.

South Africa has experience of the havoc extreme weather can wreak. In April, more than 250 people died and car plants were inundated with mud and water when 200 millimetres of rain fell on Durban, a coastal city, in one day.

South Africa is one of 17 megadiverse countries, meaning climate change affects its ecosystems differently. "Northern KwaZulu-Natal is going to have cyclones," says Barbara Creecy, environment minister. "The Western Cape is going to get drier . . . which is very serious because it is the country's breadbasket. And the rest of the country is going to get so wet and so hot you won't be able to grow maize anymore. So how are you going to feed people?"

And when Europe starts taxing so-called embedded carbon at its borders from 2035, nearly half of South Africa's mineral and manufactured exports will be at risk.

South Africa's solar and wind potential



*A measure of the wind resource. Higher mean wind power densities indicate better wind resources
Sources: Global Wind Atlas; Global Solar Atlas; Open Street Map

With these dangers looming, South Africa last year presented the UN with an improved emissions target, promising to cut total greenhouse gases from 550 megatonnes to between 420 Mt and 350 Mt by 2030. The upper end of that range was compatible with limiting global temperature rises to 2C. The lower end was roughly consistent with 1.5C. South Africa was sending a message, Creecy says: "To get to the bottom of the range, we would need help."

The international response was the $8.5bn JETP. "We believe this will accelerate the decommissioning of coal," says Mafalda Duarte, head of Climate Investment Funds, a multilateral fund that is part of the group. In October, the CIF agreed a $500mn loan for South Africa's energy transition, as well as $500mn for Indonesia. Yet in the year since the deal was unveiled, at times, each side has claimed, at least in private, that the other is acting in bad faith.

"This is peanuts," says Crispian Olver, executive director of South Africa's presidential climate commission, referring to the fact that most of the $8.5bn is concessionary finance and loan guarantees, not grants. "Even if it was all grant, [it] would not settle the debt," he says, arguing that the global north, which built its wealth on fossil fuels, must pay for transition in the global south.

Western lenders say it was made clear that grant money would be limited. One accused South Africa of engaging in "theatre". Duarte says that, because of long grace periods and very low interest rates, "this is much more cost-effective" than borrowing on the markets.

Still, suspicion remains. "You're going full throttle on coal in Europe," says Tiro Tamenti, general manager of New Vaal colliery, a huge opencast mine that, like much of South Africa's coal industry, is majority black-owned. "Are you offering pills that you don't want to swallow yourself?"

In South Africa, mineworkers, truckers, coal companies and the mafia-like syndicates that have infiltrated parts of the industry oppose a rapid shift to renewables. Gwede Mantashe, the energy minister and a former coal miner, has described himself as a "coal fundamentalist", although he has acknowledged South Africa's need to transition, albeit at its own pace.

Even those who support a quicker adoption of renewables insist it must be handled carefully. "This must be a 'just' transition where just means workers, just means communities, just means miners," says Gordhan.

International lenders support the "just" concept. But privately some question Pretoria's ability to take on vested interests and deliver a plan that is politically sensitive for the ANC, which has strong links to mining unions. "For South Africa," says one western official involved in the finance negotiations, "it was always a political problem."

Jobs at risk

Mpumalanga is coal country. The eastern province has more coal mines and more fume-enshrouded coal-fired power stations than the rest of South Africa combined. Poorer and with higher jobless levels even than the national average of 34 per cent, it relies on coal for 100,000 direct jobs, plus thousands more in ancillary industries.

One of Mpumalanga's oldest power stations is Komati. Commissioned in 1961, at its peak a decade ago it was generating nearly 1GW of power. Since then its nine units have been gradually decommissioned. On Monday, at precisely 12.41pm, the last one was switched off.

As the countdown to decommissioning has approached, Komati has been busy with visits from bigwigs and consultants trying to figure out what comes next. Mandy Rambharos, who manages Eskom's just energy transition, says: "We could have put on a padlock and walked away." Instead, she says, Komati is being used to demonstrate how old power plants can be repurposed and a fair transition realised. By 2035, Eskom plans to shut down nine power stations, most of them in Mpumalanga, terminating 15GW of power and putting up to 55,000 jobs at risk.

Among the stream of visitors to Komati is David Malpass, president of the World Bank, who will come this week bearing a cheque for $497mn to help repurpose the plant. Eskom plans to install 150MW of solar power, with some panels placed directly on the old ash heaps, as well as 150MW of battery storage and 70MW of wind power. It wants to grow plants under some of the solar panels in a technique known as agrivoltaics, though this plan has been stalled by cumbersome local content rules. Still, all 193 employees have been offered alternative Eskom jobs.

Plans are also in train to open a factory on the site to produce micro-grids, mobile solar-power units built on old shipping containers. The idea is to employ 500 full-time workers churning out 900 units a year. "As we decommission these power stations we create new blood," says project lead Nick Singh.

Not everyone in the local community is convinced jobs will materialise. "We don't have information," complains Thomas Mnguni, a community activist in Mpumalanga. "We cannot have a just transition without labour being on board."

'We have to do this right. In Britain you just closed down the mines and said: 'Go to hell''

There is another threat: obstruction from within Eskom itself. By the time Komati was shut down, neither solar nor wind power had been installed. The person overseeing the repurposing has been suspended, says Rambharos.

Behind the scenes, something more sinister may be going on. Eskom was one of the main targets for "state capture", the systematic ransacking of institutions during Jacob Zuma's near-decade in power. Eskom increased the number of coal supply contracts to small mines, expanding the scope for dodgy deals and criminal activity.

De Ruyter, appointed chief executive in 2020 to sort out the mess, describes how one scam works. Coal bound for power stations is loaded on to trucks that are tracked by GPS. During the journey from mine to power station, the tracking system is jammed and the truck is diverted or hijacked. Good coal is sold abroad where, since the Ukraine war, it fetches triple the price. Trucks are reloaded with discarded coal, essentially rock, from disused mines and the weight made up with water and scrap. When this detritus is fed into power stations it causes havoc.

When he took the job, de Ruyter recalls being congratulated for becoming "the head of South Africa's biggest organised crime syndicate". "I was quite offended at the time," he says. "But looking back I think he might have had a point."

When de Ruyter took over at Eskom, he recalls being told he had become 'the head of South Africa's biggest organised crime syndicate'

The future's in renewables

Assuming Eskom can clean up its act, there are other problems to solve. One is encouraging private power companies to generate renewable energy. In July, faced with worsening power cuts, Ramaphosa doubled the year's procurement of renewable energy to 5GW.

André de Ruyter, chief of Eskom, was appointed to sort out challenges with the coal-hungry state power utility

He also removed limits that, until last year, had — almost inexplicably, given the chronic power shortages — restricted the amount of power private operators could produce. Critics blamed the restrictions on government suspicion of the private sector and the influence of the powerful coal lobby. De Ruyter has a simpler explanation. "It's difficult to steal sun and wind," he says.

The next problem is where renewable power should be generated. Northern Cape, where the sun shines brightest, is far from Mpumalanga and poorly served by transmission lines. It's the same story for wind. It will cost billions of dollars to build new transmission lines to take power to the urban centres.

Eskom is encouraging solar and wind operators to set up in Mpumalanga by auctioning off spare land. The first round was three times oversubscribed and resulted in contracts for 2GW of power.

South Africa hopes to move by 2035 to an energy mix dominated by renewables but with some coal, gas and nuclear to meet peak demand. In time, that will evolve, says Gav Hurford, Eskom's national control manager. Known as the King of Darkness because of his role in scheduling power cuts, Hurford says pump storage technology — essentially huge natural batteries — can solve problems associated with the intermittency of renewable power.

Ebrahim Patel, minister of trade and industry, says that to make the transition complete, South Africa must build an electric vehicle industry — or risk being shut out of European markets. He also wants to export green hydrogen by turning sunshine into liquid, a field where South Africa has proprietary technology. Still, some question the wisdom, or even the feasibility, of exporting hydrogen from energy-starved South Africa to faraway markets in Europe.

Patel is not deterred. Initially, he says, rich countries will need to buy South Africa's green hydrogen even at uncompetitive prices as part of the international effort to help bankroll its green transition.

His view of how it will be subsidised, at least initially, goes to the heart of the friction between Pretoria and the JETP lenders. "Blaming us may be their happy place, but it won't address the issues," says one person familiar with the lenders' position.

For South Africa, by contrast, the $8.5bn on offer is a small downpayment on a much bigger moral obligation. Speaking not only for his country, but for most developing nations, Patel says: "If we have to carry the burden of transforming our economies on our own, it will essentially be unaffordable."

The FT View

FINANCIAL TIMES
'Without fear and without favour'

ft.com/opinion

Britain's skills agenda must not be overlooked

The UK urgently needs a more agile training and education system

One of the more specific shortcomings of former British prime minister Liz Truss's flawed "Growth Plan" was its sparse mention of skills, training and education. The latter was not referenced at all. The omissions were odd, given their importance to economic growth. As Rishi Sunak, the new premier, and Jeremy Hunt, his chancellor, now attempt to fill the £50bn hole left behind by Truss's plan with spending cuts and tax rises, they must not sideline the growth agenda. Indeed they should extend its ambit to help improve the fiscal arithmetic: supporting skills and education should be central to that.

There are signs the new Westminster government understands the importance of investing in human capital. As chancellor, Sunak cited "capital, people, ideas" as part of a three-pronged approach to growth. His appointment of Gillian Keegan — a former skills minister and apprentice — as education secretary seems an appropriate choice. Yet Sunak needs to make tough trade-offs ahead of the Autumn Statement on November 17. The skills and education agenda could fall by the wayside. That would only further weaken the UK's productivity.

Funding for training and education in England is already under extreme strain. There has been a decline in per-student spending across colleges and school sixth forms since 2010-11, according to Institute for Fiscal Studies research. Spending on adult education has also been squeezed. International observers might find it peculiar that while UK universities compete well globally, there are limited vocational and technical training options. UK business investment in training per employee is half the EU average too.

A more effective system must focus on three key areas. First, it should ensure education curricula are preparing students for the evolving demands of work, including greater emphasis on digital and financial literacy. Second, with 80 per cent of the country's 2030 workforce already in work, improving on-the-job training will be vital. And lastly, developing an effective retraining system will be crucial as lifelong learning becomes ever more critical.

The 2021 skills for jobs white paper made some sensible recommendations. These included developing higher-level technical skills and a lifelong loan entitlement, giving people a right to four years of post-18 education funding. Recommitting to these will be important, but not easy, as the government faces a tight budget and a cost of living crisis. As inflation eats into spending plans, Hunt will need to recognise that further slippage in skills and education funding now will only slash Britain's growth potential. After a decade of squeezes, the college system has been enfeebled.

> As inflation eats into spending plans, the chancellor will need to recognise that further slippage in funding now will only reduce the country's growth potential

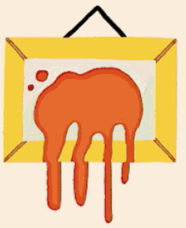
In England the apprenticeship levy — a tax on businesses to fund their apprenticeship training — also needs rethinking. Businesses say it is not flexible enough, and want better access to shorter courses. But it is also failing to deliver training for the lower-skilled and young. Bandwidth to reform the levy will be limited, but training investment by UK employers is down more than a quarter since 2005. Improved tax incentives for training expenditure could be a more direct route to explore. Meanwhile, ensuring unspent levy funds are deployed to firms and regions with an actual need is crucial.

Much work is needed to ensure the UK's skills system can effectively respond to economic shifts, including the green transition and technological changes. With employers facing severe skills shortages, it is already well behind. Talking about the importance of skills is positive, but it is meaningless without action.

Opinion Culture

The case for creative destruction

Ben Hickey



Jemima Kelly

The public destruction of art seems to be having a bit of a moment. In the last three weeks alone, Just Stop Oil protesters have thrown tins of tomato soup over a Van Gogh painting in London; a separate group of climate activists has hurled mashed potato at a Monet in Potsdam; and artist Damien Hirst has burnt hundreds of his own artworks after buyers chose to hold them virtually as NFTs instead.

So in vogue does this trend seem to be, in fact, that Britain's Channel 4 last week aired a programme called *Jimmy Carr Destroys Art*, which it described as a "unique TV experiment where the audience decides whether to cancel controversial artists and offensive artworks".

The reviews were universally terrible — "the stupidest take on cancel culture yet" — but I seem to have been a little more sympathetically disposed to it. The programme was certainly crass, not least because of the jarring asymmetry in the list of "problematic artists" whose work the audience was asked to save or to destroy — Pablo Picasso, Rachel Donezal, and . . . Adolf Hitler. But I think it marks a cultural moment, and as such has value and should be considered worthy of preservation — just as artworks and other historical artefacts should be.

> Simply removing art because it makes us feel uncomfortable is a bad idea

The vandalism of works of art is of course nothing new. Hitler himself was a fan of destroying art he considered "unGerman" or "degenerate". But whether you love or loathe the phrase "cancel culture", it is hard to argue that we are not living through an era of heightened censoriousness. So having a conversation on primetime TV about the extent to which we should separate art from the artist, and whether we should preserve the works, is worthwhile.

Lives Matter protest in 2020 was the former. Not only was it an important historical moment in itself — it was art. I found it powerful, moving and quite beautiful to see Colston's likeness wobbling and being pulled down into the crowd, before being tipped headfirst into Bristol harbour.

The statue has since been pulled out of the water and was put on display again last year in a Bristol museum, but this time lying down, graffiti-covered, with several chunks missing and accompanied by descriptions of the 2020 protests. This has not diminished our understanding of the role that Colston had in the slave trade. On the contrary, it has expanded it.

But the freshness and significance of that moment makes it not easily replicable, and we shouldn't let it set a precedent for removing all tributes to heinous historical figures or their work. The worst moment for me in the Jimmy Carr show was when a watercolour that had purportedly been painted by Hitler was destroyed by a row of chainsaws.

Does reducing Hitler to a man who simply had a single-minded goal to do evil in this way not limit our ability to understand others who might commit atrocities in the future? Might it not be interesting for future generations to know that terrible men can also have an artistic side? Might being able to see his paint strokes, and be close to something he touched, make his wickedness feel more real?

The destruction of "problematic art" should be separated from vandalism that is done to draw attention to a broader point — arguments about climate change, for instance — much of which is done without damaging the artwork itself. It should also be separated from the kind of publicity stunt that Hirst's art-burning constitutes, which at least is an attempt to do something interesting (though I'm not sure how successful it was on this score).

Simply removing art from the cultural landscape because it makes us feel uncomfortable is a bad idea. Even the legal owners of important artworks do not have the moral or societal right to destroy them. As the philosopher Kwame Anthony Appiah puts it to me, "the people who own these important works are just trustees".

Art is something that we humans own collectively. Works might be produced by solitary creators, but they are themselves the products of a whole range of ideas, traditions and mean-

Letters

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Ukraine needs Nato heavy weapons now

Edward Luce's perceptive article about the impact of American politics on support for Ukraine notes the hope that Ukraine's recent run of military successes will mean that Russian president Vladimir Putin's partial mobilisation will fail to reverse the war's direction when large-scale campaigning resumes in the spring ("America's brittle consensus on Ukraine", Opinion, October 27).

But what if Russia gets organised and uses the winter's relative lull in hostilities to train its mobilised forces to be ready for a spring offensive? At that point, the sheer weight of Russian numbers may tell.

The west will then wish that Ukraine had Nato's modern heavy weapons. But these need months to train soldiers to use them and move them to the front line.

So western governments should now announce the delivery of such weapons and start training Ukraine's forces to use them.

Putin already sees the west as a party to the war so delivery would not be an escalation.

Concerns about depleting Nato stocks are also misplaced. The main purpose of these weapons in western armies is to deter and, if necessary, defeat Russia.

If they are used by Ukraine to destroy Russia's expeditionary force they will fulfil that function better than in exercises on Salisbury Plain.

Michael Romberg
London W1, UK

A cynical way to deal with UK's political problems

Chris Giles and George Parker in "Hunt eyes election war chest with options for finding £50bn savings" (Report, November 2) point out the political "difficulties" of failing to raise benefits or pensions in line with inflation.

There is arguably a meaningful, in economic terms, but also cynical way of dealing with this.

According to the Office for National Statistics, a measure of "core" consumer price index inflation, which excludes energy, rose by 7.5 per cent in the year to September 2022. The rise was much less than the 10.1 per cent rise recorded by the latest CPI measure of inflation targeted by the Bank of England.

Therefore, Jeremy Hunt, the chancellor, could argue that pensions (or even benefits) will rise in line with the core measure of inflation, which excludes energy, on the grounds that all households will be given economic help that takes into account the sharp increase in energy prices.

Politically, of course, this move will be "suicidal". It will also be extremely tough (and unfair) on the financially weakest ones who rely on benefits to make ends meet.

Professor Costas Milas
Management School
University of Liverpool
Liverpool, UK

'Desk-bombing' can help let off steam in the office

The article by Pilita Clark ("The world needs more 'desk-bombers'", Opinion, October 17) was not only hilarious but simultaneously raised concerns about how phone conversations, which generally seem a trivial issue, become a cause of anxiety in office life — an additional stress.

Before mobile phones, the telephone had a special place in the home and office. From children to older people, whoever passed nearby just picked up the phone and started communicating. No thought process was involved.

As Clark's headline states, the world needs more desk-bombers. That is absolutely true because it is good for emotional and physical wellbeing. Walking up to the desk and speaking to a colleague about work is not only helpful for releasing stress, but it also breaks the virtual walls that people build these days.

I enjoyed Clark's article. She always writes about simple things in Business Life but raises serious issues.

Aisha Amjad
Dubai, UAE

Multiculturalism has proved its value in society

If you look back to when Sicily, Byzantium and Venice flourished, it was when their societies were at their most multicultural.

Whereas "multicultural democracies" may be a "unique social experiment" as suggested by Sunny Hundal ("Britain must not be complacent about its multiculturalism", Opinion, October 31), multiculturalism in these enlightened societies proved its value.

As he concludes, it takes a "nation confident in its own skin". I would add, not one lured by the siren calls of aggressive nationalism that so lacks that quiet self-confidence.

Edward Watson
Letcombe Bassett, Oxfordshire, UK

How this name has been the butt of many jokes

Jacob "Jake" Wilson (Letters, November 1) bemoans the fact that his (nick)name is the same as one used for toilets in the 16th century. He should be so lucky.

I can think of at least four current uses of John that are less than desirable. There is the one that is used in the same way as jakes; then there is its use as the male partner of a female prostitute. On top of those two, there are all those "Dear John" letters, and then we have "John Doe" for police files when an accused's name is unknown.

There are doubtless other uses of the name that your readers may be able to provide.

I can only assume (hope) that my parents were unaware of these (and other?) uses when they named me.

I am sure that they didn't intend that I be the butt of so many jokes over more than seven decades.

John Joisce
Berkeley, CA, US

OUTLOOK

IRELAND

Sordid realities behind the shimmer of 'Riverdance'

For the past couple of weeks, a trial in Dublin has heard the details of a sensational gangland killing in which an AK-47-toting gunman dressed as a police officer and a hitman in drag stormed a boxing weigh-in, killing a member of Ireland's most notorious drug cartel.

Ireland is regularly hailed as a great, safe place to live, but the fact that it is home to an international cartel run by gangsters with $5mn bounties on their heads might be news to visitors lured by the country's easy-going reputation for *craic*, or fun.

Irish dancing, on the other hand, is a globally-recognisable symbol of Celtic culture made famous by the hypnotic, high-kicking extravaganza, *Riverdance*. But while the gangster trial got under way in Dublin last month, another scandal was unfolding that has sent the apparently genteel world of Irish dancing literally reeling.

A whistleblower tipped off the Irish Independent newspaper about alleged competition fixing and cheating involving teachers lobbying — on occasion with the apparent promise of sexual favours — to get their dancers bumped up the rankings in prestigious competitions.

Screenshots of text messages dance competition industry — where ornate dresses can cost €6,000 and families can spend €20,000 a year taking their children to compete around the country — appeared surprised.

Only former dancers, freed from what they called a Mafia-like cult of *omertà*, felt able to speak out about the industry's grubby open secret: cheating. Rigged results, they allege, bring prestige to complicit academies for whom a shiny championship record translates into more students and more money.

Ireland considers its native dancing an art form, integral to many children's lives. Aficionados can study it to doctoral level. Then there is the financial benefit: cities hosting the glossy world championships can rake in €14mn in economic impact, according to evidence to a committee in the Irish Dáil, or parliament.

The industry has come a long way from the ancient Celtic ritual of dancing around trees. Jigs became a feature of country life, with dancers' arms pinned to their sides reflecting a lack of space in cramped cottages, according to some accounts. With the late 19th-century Gaelic revival that fostered Irish language, dancing and sports, it flourished. But it was viewers who were transfixed by Irish-American dancer Michael Flatley and his co-star Jean Butler, this was Irish dancing as it had never been seen before. It has not looked back since.

Riverdance turned into a sellout global phenomenon, Flatley moved on to star in *Lord of the Dance* in 1996 and An Coimisiún Le Rincí Gaelacha, or CLRG, the governing body at the centre of the scandal, reaped the benefits of the explosion of interest in Irish dancing.

Deputy prime minister Leo Varadkar has warned of the risk of "reputational harm" to Ireland over the championship-fixing allegations. He will take over as taoiseach, or prime minister in December after clearing his own name earlier this year in a scandal over his leaking of a confidential document on doctors' pay. Irish dancing, he has said, must face a proper investigation and be held to account.

A former Court of Appeal judge has investigated the allegations and CLRG, which was set up in 1927 as a commission of inquiry into the organisation of Irish dance, has promised disciplinary action and to restore "integrity".

But for Gráinne Conroy, a former Irish dancer, the scandal is an opportunity to take stock and focus on

But there is a difference between the destruction of art that is done in a way that expands the cultural landscape and adds to our understanding of history, and that which is done so as to restrict it.

The toppling of the statue of slave trader Edward Colston during a Black

ings. The spiritually minded among us might even think that art is divinely inspired or directed. At any rate, destroying it can only be justified when to do so expands, rather than limits, our collective horizons.

jemima.kelly@ft.com

by Jude Webber

between teachers and judges shone a rare light into a sordid underworld behind the sequins, massive curly wigs and mesmerising fancy footwork of one of Ireland's biggest soft power cultural exports. No one in the multimillion euro, international Irish

Riverdance — the stage sensation that began as an intermission act when Ireland hosted the Eurovision Song Contest in 1994 — that really put it on the map.

Eurovision songs are often famously forgettable, but for the 300mn

"what Irish dancing really means to us". "This controversy could be the best thing to happen . . . since *Riverdance*," she wrote in an editorial in the Irish Times. "It's time to begin again."

jude.webber@ft.com

Opinion

Energy crisis gives US a chance to woo European companies

BUSINESS

Brooke Masters

European heavy industry has endured a grim few months. Sky high energy prices and fuel shortages sparked by Russia's invasion of Ukraine have left close to 10 per cent of crude steel production and half of primary aluminium idle. The fertiliser industry has recently clawed its way back to half capacity and groups such as Norway's Yara are warning that slashed production will lead to food shortages.

The fuel crisis appears to be easing. But the strictures that it caused will hang over European corporate decisions for years. Even as companies invest in green energy and improve energy efficiency, some are also rethinking their geographic footprint.

BASF, the German chemicals maker, said last week that it planned to downsize "permanently" in Europe as it opened a new plant in China. Packaging groups Smurfit Kappa and DS Smith are importing paper from North America.

The US now has a rare opportunity to woo European multinationals at a time when supply chains are already in flux. Pandemic-related shortages combined with efforts to reduce carbon emissions are leading corporate executives to reconsider far-flung suppliers in low-cost jurisdictions. Growing tension between China and the west is also changing the calculus — German direct investment in China tailed off during Covid and has not rebounded.

As companies decide which plants to modernise and when it makes sense to start over somewhere else, energy costs will clearly play a role. And here, the US has a crucial advantage over Europe: natural gas supplies are local, reliable and consistently cheaper, although the price gap has fluctuated wildly.

Consider Shell, which took the decision in 2016 to build a $6bn petrochemical plant near Pittsburgh, Pennsylvania, in part because it was close to sources of natural gas. The UK-headquartered energy group has just completed construction and expects to start making plastics there by the end of the year.

Outgoing chief executive Ben van Beurden described it as part of "a shift to the Americas, which look to be more structurally advantaged certainly now and maybe some years to come".

Like many other European companies, Shell also chose a plant site that was near potential US customers. But other companies that have invested in local production for Americans have found that the US can be a good base for exports. When Mercedes opened a plant outside Tuscaloosa, Alabama in the 1990s it was looking to tap the US market. Now five times larger, the facility makes all of the German company's large SUVs, and two-thirds are exported. That early decision to choose Alabama continues to resonate. Mercedes recently opted to make its electric SUVs at the same site, opening a local battery factory to supply them.

> The country has a crucial advantage: natural gas supplies are local, reliable and consistently cheaper

It is ironic that energy is now a draw for companies contemplating a US expansion. Back in the 1970s and 1980s, rising energy costs helped drive the decline of American steel production. But the shale revolution changed the dynamics, and Russia's invasion of Ukraine has provided a wake-up call on reliability of supplies.

"In 20 years, this might all even out," says Stephen Schork, an energy analyst. "But the known known is that US natural gas is the cheapest in the world and it is going to stay that way for a while."

As companies cut their carbon footprints, fossil fuel prices should become less important. But the US is seeking to extend its energy advantage with the recently passed Inflation Reduction Act. Enthusiasts believe the US's wind and solar power as well as green hydrogen, which is generated with renewable energy, are on track to become among the cheapest in the world. "The IRA magnifies the strategic advantages the US already holds . . . and enables the industry to become a dominant energy supplier in the low carbon economy," write analysts at Credit Suisse.

However important, energy prices are not dispositive in investment decisions. European corporate executives also want stable politics and appropriately skilled labour.

US culture wars over everything from abortion to diverse hiring to vaccines are painful for outsiders to navigate, and the American labour market also remains tight, exacerbated by political gridlock over immigration policy. Some executives also fear growing partisan conflict over environmentally driven investing will cause problems for EU companies that must comply with Brussels-driven climate change mandates.

The Russians have handed the US a chance to win substantial foreign direct investment into its industrial sector — unless politicians blow the opportunity.

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Sustainability in turbulent times: some lessons from Italy

Lorenzo Fioramonti

Arriving in the UK from Italy, where I was until recently a member of parliament and a minister, I have been confronted with a level of political instability that reminded me all too well of my own country. Italy has seen 68 governments since the end of the second world war — roughly one new administration every year. Britons have been traditionally accustomed to more stable leadership, but the past few years indicate that something may be changing here, too.

How can we ensure that governments deliver even with frequent shifts at the helm? Here are some lessons from Italy.

During my years in politics, first as a member of a centre-right government and then a centre-left one, I learned that building coalitions around shared policy goals is crucial to ensure continuity of action and implementation. In particular, I found that the concept of sustainable wellbeing as an overarching economic framework can secure support from both progressives and conservatives: it speaks to the former's commitment to a more balanced economy and the latter's attachment to a small state and national autonomy.

In 2018, I launched a new public office to scrutinise policies not only in terms of their impact on economic growth but on how they affect wellbeing as well. Our conservative coalition partners agreed because they wanted to support businesses through a drive to "buy local" and to reduce taxation. A year later, when we formed a government with the left, they liked the idea as a practical way to promote environmental sustainability and social justice.

> If the UK wants to achieve long-term growth, it should focus on what unites rather than what divides

Similarly, when I made Italy the first country in the world to adopt mandatory courses in sustainability from the beginning of primary school until university, it was a centre-right majority that spearheaded the bill in parliament. It was then enacted unanimously under a centre-left majority. The right supported a reform that asked schools to focus on personal and civic responsibility, the left because they wanted green education.

Vague references to "growth, growth and growth", as Liz Truss described her shortlived government's priorities, do exactly the opposite. First, they come across as naive and even anachronistic, given that economic development is only possible these days through more investment in social cohesion and sustainability. In this, the UK is behind many other nations, with its rising inequality and scant attention to the environmental crisis. Second, such references can be perceived as divisive, given that too many have not shared the benefits of past growth.

A sustainable wellbeing agenda helps us reconnect values such as national resilience, community and local autonomy, which resonate among conservatives, with progressive principles such as solidarity and climate action. When you apply this framework to the current energy crisis, for instance, you immediately realise that dependence on international energy markets makes us very vulnerable to price fluctuation, with a terrible impact on utility bills: we need homegrown sustainable energy, which can only be achieved through a massive rollout of renewable sources nationwide, on every rooftop and every possible field, on and offshore.

This can empower communities, cre-

Tough talk can't mask home affairs failures

Ellie Foreman-Peck

BRITAIN

Robert Shrimsley

The home secretary talks of invasions and "dreams" of deporting asylum seekers to Rwanda. The prime minister's allies brief he will crack down on "woke" policing, telling forces to fight crime, not social media abuse. Conservatives are adopting a familiar political playbook that engages their voters while shifting blame for their own failings.

Opponents lament the brutishness of Suella Braverman, the embattled home secretary, but they know such talk aligns with public sentiment, especially with the voters Tories wish to reach. The UK has seen the political price of ignoring public views on immigration and no government can ignore 40,000 people a year arriving illegally in cross Channel boats. This includes up to 10,000 Albanian men, many of whom claim asylum as victims of modern slavery. The policy of sending asylum seekers to Rwanda may alienate liberal-minded Tories, but the issue is rarely the main determinant of how such people vote.

Likewise, ministers cannot sit back as confidence in policing crumbles. It was patently unacceptable for the police in London to fail to attend up to 50 per cent of burglaries, as its new commissioner recently acknowledged.

But this is also a form of "alibi Conservatism". Voters are presented with headline-grabbing stances designed to show ministers share their values. Failures are blamed on supposed proxies for the opposition such as leftwing lawyers using the European Convention on Human Rights to block deportations or politically correct policing.

Yet one recent home office minister cautions that "voters don't want toughness or cruelty, they want rigour". The same ex-minister sees a shared underlying cause in asylum arrivals and crime — the sense that it is worth the risk. Migrants bank on a sclerotic system preventing or delaying their removal. Criminals believe they will not get caught. Harsh deportation schemes or stiffer sentences are all very well, but the only true deterrent is efficiency.

Ministers offer two main defences on the asylum chaos: a global migration crisis and a failing system. The first is indisputable, though the UK benefits from its isolated geography. Germany had 46,000 claims in the last three months of 2021. The EU saw a 66 per cent rise in first-time asylum applications over the same period. It too seeks to offshore refugees. As to organisational failures, how sustainable is it for a home secretary to tell MPs that "the system is broken" and illegal entry is "out of control" when the Tories have been in power for 12 years?

The Commons home affairs committee highlighted outdated IT, understaffing and delays of well over a year for rulings, resulting in £6.8mn a day spent on hotel rooms for asylum seekers. Caseworkers make an average of just 1.3 decisions a week. Failure here also makes it politically harder to ease legal immigration to meet skills shortages.

On crime, the "woke" policing excuse is unconvincing. Detection rates are not down because police pursued a few abusive tweets, or an officer took the knee at a demo. Data for 2021 show just 6.6 per cent of robberies and 4.2 of thefts in England and Wales led to a charge or summons. For rape it is 1.3 per cent. An HM Inspectorate report on policing of robbery and burglary points to call handling failures, a lack of experienced investigators and pressure on resources. Emergency phone services are deluged as non-emergency calls go unanswered.

> The problem with Braverman is less that she is hardline than that her zeal exceeds her ability

Police are diverted by mental health cases that they struggle to hand quickly to stretched care services. Though the promise of 20,000 extra police is on track, this only restores numbers to 2010 levels.

The notion of zero tolerance policing is long gone. Offences are marked down as "volume" crimes and barely investigated before being closed. The chair of the National Police Chiefs Council has now said police will turn up to all burglaries because it is part of their "contract" with the public. This would be reassuring had its predecessor body not said the same thing in 2011. With a former director of public prosecutions as leader, it is surprising Labour has yet to make progress on an issue the Tories can't afford to lose.

In both instances the shouty, headline-grabbing style only works if underpinned by real advances — gains that come through focus on details and incremental change. As the committee notes: "There is no magical single solution." Post Brexit, EU nations are uninterested in bilateral deals to take back migrants. Progress demands speedier decision-making, investment in IT and staff, Anglo-French co-operation to tackle smuggling gangs (though this has improved markedly), processing centres in France and disrupting Albanian arrivals with fast-track removal. Reforms must prevent abuse of the UK's modern slavery laws.

Getting a grip lies not in organising a few flights to Rwanda, but in processes that make the UK look a poorer bet. On crime, ministers need to show police respond to public priorities. The problem with Braverman is less that she is hardline, than that her zeal exceeds her ability, a point the prime minister highlights by making his ally, Robert Jenrick, her deputy and minder. Spending constraints make this difficult enough already. They demand a home secretary who does not require a babysitter. There is an added risk for Rishi Sunak. Without visible progress, every effort to talk up the government's resolve serves only to remind voters of its failures.

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This will be the mother of all American midterm elections

POLITICS

Edward Luce

Midterm defeats can upend

would portend for the US republic. By most historic measures, Biden's party should be heading for a drubbing. Inflation is at a 40-year high. The murder rate is on the rise. And the president's approval rating is stuck far below the 50 per cent that has previously been needed for his party to retain control of Congress. Most polls suggest Republicans will capture both chambers. But US

The only real damage Republicans could wreak is if they follow through on their threat not to raise the US debt ceiling. That could trigger a market crash. Most of the rest is ghoulish posturing.

What happens in the states, on the other hand, could alter the course of American history. This specifically means the gubernatorial and legislature races in Pennsylvania, Arizona, Wiscon-

week have signed up to doing so in 2024.

The more sophisticated backers of Trump's stolen election myth subscribe to the "independent state legislature theory", which says the US constitution gives a state's assembly the power to decide the outcome of federal elections, including the presidency. The doctrine has no basis in constitutional law. But that has not stopped revisionists from

as it is disturbing. But the danger to US liberal democracy is more top down than bottom up. It comes from state capitols and the judicial bench, not the mushrooming of citizen armies. The latter remains highly improbable. The former is on next week's ballot.

So why do so many voters seem not to care? The brutal reality is that most voters see a healthy democracy as nice

M US presidencies. Think of Newt Gingrich's new model Republicans in 1994, Nancy Pelosi's Democratic wave in 2006, or the Tea Party sweep of 2010. These sounded the death knell for the domestic agendas of Bill Clinton, George W Bush and Barack Obama respectively. If Democrats lose next week, a similar fate would befall Joe Biden. Yet the 2022 race belongs in a class of its own. Roughly half the Republicans running for federal or statewide office believe the presidency was stolen from Donald Trump in 2020. That means America's system itself is on the ballot next Tuesday.

The main thing Democrats have going for them is a dread of what their defeat

pollsters are suffering from a crisis of self-confidence. Their models may be overcompensating for having missed the strength of Republican turnout in the past three cycles.

A good night for Republicans would have two consequences. The more trivial one would be a return to toxic gridlock in Washington. Republicans would pretend to impeach Biden and Democrats would pretend to care. It is largely discounted in the price. Washington's political theatre is getting progressively nastier. But the real-world impact is limited. Such kabuki may even benefit Biden if he stands again in 2024. The more of a madhouse Congress chooses to be, the more Biden could make a virtue of his advancing maturity.

sin and Michigan. Each of these swing

> Dangers to democracy come from state capitols and the judicial bench, not growing citizen armies

states has a Republican gubernatorial candidate who claims Biden stole the presidency. In 2020, three out of four had Democratic governors. The other, Arizona, had a Republican, Doug Ducey, who is now treated as a traitor by Trump's Maga base. Ducey refused to contest Biden's victory two years ago. Any of these Republicans who win next

succeeding in the past. America's second amendment, for example, protects the existence of "well-regulated militias", not unregulated private arsenals. Yet the latter still morphed into conservative judicial consensus. Interpretation of US election law could be heading in a similar direction.

Anxiety about the spectre of a US civil war has been growing since the storming of Capitol Hill on January 6 2021. Last Friday's attempted attack on Nancy Pelosi — in which a hammer-wielding would-be kidnapper broke into her San Francisco home and hospitalised her 82-year-old husband — has stoked such fears. The fact that Trump and many senior Republicans failed to condemn the attack is as unsurprising

to have rather than decisive. Protecting the US republic from itself is primarily an elite concern. Petrol prices and physical security rank far higher on voter priorities. Millions on the right, however, have swallowed the canard that US elections are riddled with mass fraud. This is the type of belief that takes root among those who go down the rabbit hole of conspiracy internet. Their candidates claim to stand for "election integrity", which is code for "if we lose we were cheated".

Should 2024 turn into another contested election, popular sentiment would count for little. The US Supreme Court would decide.

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ate millions of jobs and improve the environment. We launched a financial incentive for every household in Italy to improve their energy efficiency. It was a major boost for the economy and a useful measure to reduce Italy's national dependence on fossil fuels.

If the UK wants to achieve long-term, quality growth, it should focus on what unites rather than what divides. You need collaboration to forge the economy of tomorrow rather than hold on to vague notions of what worked — for some — in the past.

The writer is founding director of the University of Surrey's Institute for Sustainability and former Italian minister of state for education

Lex.

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Apollo Global Management: gilt trip

Capital markets around the world are on fire. And Apollo Global Management could not be happier. During its earnings call yesterday, the US investment manager revealed that it had bought a third of the collateralised loan obligations that UK pensions had to dump during the liquidity-driven investment mess of early October.

Top investment performance often begins with a low entry price. Apollo's biggest wins in its 40-year history have come in the midst of market unrest.

Last month, it bought more than a billion dollars worth of the highest tranches of the CLOs, generating a staggering yield of 8 per cent. Rapidly rising interest rates have caught investors off-guard, creating opportunities for nimble investors such as Apollo.

But today it has left behind its historic focus on taking over entire distressed companies. It prefers to grow, with more than $500bn of assets under management, by becoming a lender and purchaser of credit. It has usurped the role of banks and insurers hobbled by the 2008 financial crisis and constrained by the regulation that followed.

Apollo's other recent big deal underscores this. It confirmed yesterday that it would soon complete a purchase of Credit Suisse's securitisation products business. With the CS unit, Apollo will have its 14th vehicle originating some form of corporate loans.

Much of Apollo's asset base depends on annuities that its Athene unit has sold. Apollo now has "spread-related" earnings, between the 4 or 5 per cent it aims to earn on investments, less the 2 or 3 per cent promised to annuity holders.

Perhaps it lacks the glamour of its LBO business, but Apollo still clocked nearly $600mn of "spread" profits in the third quarter.

Apollo shares are down 15 per cent for the year. Markets may wonder how the existing portfolio will withstand current stresses. Even as the firm has shifted away from lumpy buyout profits, those can be massive.

Meanwhile, realised performance fees from Apollo's principal investing business fell from $600mn to $100mn, year on year. Still, Apollo believes that even as volatile markets favour its skills, traditional institutions will not be rendered completely obsolete, if only as sources for more easy wins.

Petrobras: pump trumps

To see why Luiz Inácio Lula da Silva worries some investors, look at the share price of Petrobras. São Paulo's stock market staged a small rally on Monday, the day after the leftwinger won Brazil's presidential election. The state-controlled oil group tumbled, falling 8.5 per cent.

Petrobras is a touchstone of uncertainty about the Lula government that will take office on January 1. Its stock price reflects fears of big-state intervention of the kind that did damage in the past. This was particularly serious under the presidency of Dilma Rousseff, Lula's chosen successor following his previous two presidential terms in 2003-2010.

The hope is that pragmatism will prevail. Petrobras has long been a symbol of Brazilian national pride. Producing 2.6mn barrels per day ranks it as one of the world's largest oil producers. It is regarded as a global specialist in deepwater exploration.

But its local dominance — 73 per cent of revenues are sourced in Brazil — has invited governments to control pump prices, subdue inflation and boost popularity. Campaigning this year, Lula promised to do the same again.

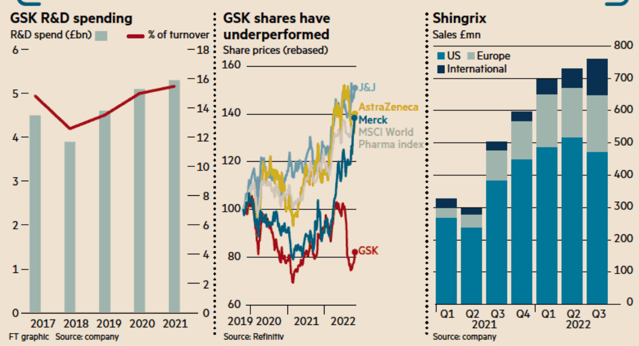
Campaign talk is easy. Delivering would be harder. Jair Bolsonaro, the outgoing rightwing president, fired three Petrobras presidents for refusing to bend fuel prices to his will. If Lula tries, he will find markets and a largely conservative Congress against him.

However, there is a risk Petrobras will be pushed to make commercially unsound investments, such as in refining and fertilisers. Despite soaring profits and record dividends — $17bn in the second quarter, more than other majors — and very reasonable debt, Petrobras is inexpensive. Its forward enterprise value to ebitda of under 2 times is well below European peers.

Even with the threat of windfall taxes hanging over energy companies, Petrobras already suffers a big gap due to past state interventions. Lula will need to clarify his intentions towards the business before that gap can close.

GSK: acid test

GSK is increasing investment in R&D as part of its turnround strategy. Third-quarter results were strong, boosted by uptake of the group's shingles vaccine. However, fears over potential liabilities relating to an acid reflux drug, Zantac, continue to weigh on the share price



FT graphic Source: company
Source: Refinitiv
Source: company

Zantac is making GSK investors feel distinctly dyspeptic. Claims that the stomach ulcer drug causes cancer are resulting in litigation risk. Until that subsides, the unloved UK pharma will continue to lag rivals. Strong third-quarter results yesterday did little to settle investor fears.

Chief executive Emma Walmsley has been looking for the right prescription after sustained underperformance. The gap with AstraZeneca, which has a leading immunotherapy portfolio, is growing wider. Despite strength in vaccines, GSK was nowhere in the fight against Covid. A spin-off of its consumer division — Haleon — is the latest experiment to disappoint.

The group's market capitalisation was around £80bn in February before the Haleon demerger was announced. Today, investors own a GSK worth £58.5bn plus £12.3bn of Haleon stock for a total of about £71bn — down more than 10 per cent. The MSCI World Pharma index has returned almost 20 per cent over the same period.

The stock screens pretty cheaply if GSK's growth forecasts are to be believed, on a price/earnings multiple of some 10 times 2023 earnings. AstraZeneca — admittedly with a much better record of picking winners — trades at a 50 per cent premium, on Barclays estimates.

The outlook remains far from terminal. R&D spending is growing, up 20 per cent since 2017. That will help boost annual sales and earnings growth to more than 5 per cent and 10 per cent respectively to 2026, GSK thinks. Blockbuster drugs are far from guaranteed. But uptake of GSK's shingles jab, Shingrix, has driven the second increase in 2022 guidance, with operating profits now expected to be up between 15 per cent and 17 per cent this year. A new vaccine for respiratory syncytial virus has shown strong trial results.

The issue for GSK is its exposure to legal risk from Zantac. The potential cost is hard to estimate. When news broke, investors wiped tens of billions of combined value from exposed stocks, including GSK, Pfizer and Haleon. Until a line is drawn under this threat, it will continue to overshadow GSKs turnround efforts.

Airbnb: checking out

As with guests, Airbnb's shareholders do not always feel at home. The rental platform has just delivered its most profitable quarter ever. Despite headwinds from the stronger dollar, revenue grew 29 per cent year-on-year to $2.9bn, a new high. Net income — up 46 per cent at $1.2bn — stood in stark contrast to the steep earnings declines reported by tech darlings Meta, Alphabet and Amazon this season.

Still, Airbnb shares fell nearly 10 per cent yesterday, taking its year to date losses to 43 per cent.

Part of the problem is that Airbnb remains a pricey stock. While its valuation multiple has descended from the heady 283 times forward earnings of a year ago to 43 times, it is still almost twice what Apple and Microsoft are trading on. Airbnb's caution that bookings would "moderate slightly" in the fourth quarter did not help.

"Revenge travelling", following two years of Covid-19 restrictions, has delivered a bonanza to the industry. At Airbnb, bookings in the third quarter rose by a quarter despite a 5 per cent rise in the average daily rental rate.

But tourists increasingly balk at the higher prices and not just because inflation squeezes consumer wallets. Complaints about high cleaning fees and extensive to-do lists before checking out have also prompted some customers to return to hotels.

Then again, Airbnb can hope the strong dollar encourages more Americans to go abroad. Long-term stays — a fifth of all nights booked and a way for Airbnb to differentiate itself from hotels — have held up. Plus tighter cost control has helped deliver nearly $1bn in free cash flow during the quarter. Unlike clothing or home furnishing, travel is something people will be loath to give up. US credit card spending trends suggest as much.

But investors will need to get comfortable with tough comparisons against the growth surge of recent quarters. That suggests lower top line growth and more valuation compression to come.

Credit Suisse: Qatar long story short

The Qatar Investment Authority is once again stepping in to support a struggling European universal bank.

Last time, back in 2008, it was Barclays. We all remember how well that went. Qatari money saved Barclays from a UK state bailout but embroiled the lender in lengthy misconduct investigations and legal ructions.

Unabashed, the gas-rich Gulf state now plans to increase its stake in the permacrisis that is Credit Suisse.

The Swiss bank needs to raise SFr4bn to fund its latest restructuring, which includes splitting off part of its investment banking business. The QIA would invest alongside Saudi National Bank and family-run conglomerate Olayan Group. The bloc is expected to own between a fifth and a quarter of Credit Suisse after the deal completes.

The QIA has shifted away from a strategy of owning big, well-known companies. It sold stakes in Barclays and Glencore this year. Instead it has favoured investments that can aid its development, particularly tech start-ups. Credit Suisse very loosely fits that description via its promise to set up a "tech hub" employing 100 in Qatar.

The QIA is already the third-largest shareholder in the Swiss bank, with 5 per cent of outstanding stock. It could buy a portion of the new shares as well as taking up a rights issue. At under 0.4 times book value, Credit Suisse is one of the cheapest European banks.

At a minimum, any deal will maintain the QIA's existing stake. "The QIA is getting two birds with one stone," says David Aserkoff at JPMorgan.

The investment should be manna from heaven for Credit Suisse. Gulf investors have typically held large stakes in UK businesses without rocking the boat. The Swiss bank has a large wealth management business. Getting closer to Gulf institutions could help its salespeople get closer to the wealthy families that control them.

Credit Suisse compliance staff will doubtless swarm all over the capital injection. It will have no wish to fall into the same elephant trap as Barclays.

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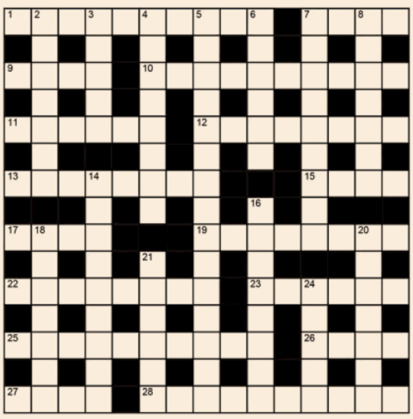

ACROSS
1 I'm amazed: Greek character put to work in agency and mine (10)
7 Exist without cold water in farm unit (4)
9 Innocent monkey's first secured in place for experimentation (4)
10 Genetic structure doctor thus covered in shiny coat (10)
11 Going out for example on ship (6)
12 English lord stirring trouble in fabulous location (8)
13 Husband a broken cheat leaving daughter and wife abroad (8)
15 Wise perhaps to avoid one bird of prey (4)
17 Alliance formed when bar not closed (4)
19 Guitar lost in extremely large band (8)
22 Westminster denizen's game up: one jerk imprisoned (8)
23 Australia's Air Force: impressive (6)
25 Something of golden colour in little shaped cases? (10)
26 Said to be in power shower (4)
27 Take time in fine weather to bowl over (4)
28 Idiot's returned to new satellite city (3,7)

DOWN

JOTTER PAD

Solution 17,241

DOWN
2 Problem with ears and homesickness poles apart? (7)
3 Head seen on pound, English coin (5)
4 Bird with crow certain to be arrogant (8)
5 It's always going up: more potential for development (9,6)
6 Spanish force maiden into a drama school (6)
7 Porous breastbone all but shattered (9)
8 Fast 6's taken right up north (7)
14 Sexton in constant danger almost snatched by Devil (9)
16 Rural river feeds into Niagara explosively (8)
18 Appearance in public produces concern (7)
20 Composer admits small error to French king (7)
21 Scene at first shocking in WC (6)
24 Actor once filling sugar bowls and cigar boxes (5)