FT Weekend

Asia edition

INTERNATIONAL NEWSPAPER OF THE YEAR

SATURDAY 5 NOVEMBER / SUNDAY 6 NOVEMBER 2022

21st century cave woman
Property special
HTSI

How to impose windfall taxes
Good politics, tough policy
BIG READ

Katie Martin
Behind the bear market rally
THE LONG VIEW

The elusive Châteauneuf
Jancis Robinson
LIFE & ARTS

Twitter job cuts begin as Musk warns of 'massive' revenue drop

- Thousands face axe
- Angry staff file lawsuit
- New owner rails at withdrawal of ads

HANNAH MURPHY — SAN FRANCISCO
TIM BRADSHAW — LONDON

Elon Musk has begun to slash Twitter's 7,500-strong workforce as the social media platform's new billionaire owner warned of a "massive drop in revenue" following his $44bn buyout of the group.

As Musk embarked on his cost-cutting cull, he said yesterday that Twitter "has had a massive drop in revenue, due to activist groups pressuring advertisers, even though nothing has changed with content moderation and we did everything we could to appease the activists".

Brands such as General Motors, Mondelez, Carlsberg, Volkswagen and General Mills have paused marketing on the platform since Musk took the helm, with some advertisers fearful he will allow a wave of hate speech and misinformation to spill on to the site.

The lay-offs come amid job cuts across Silicon Valley as companies grapple with the macroeconomic slowdown.

"In an effort to place Twitter on a healthy path, we will go through the difficult process of reducing our global workforce on Friday," a company-wide email seen by the Financial Times said.

The email did not clarify the scale of the job cuts. However, Musk has drawn up plans to axe about 3,700 jobs, or half of the workforce, according to two people familiar with the plans, who added that the final figure could change.

The email added: "This action is unfortunately necessary to ensure the company's success moving forward."

The move was immediately met by a class-action lawsuit from a small group of Twitter employees, alleging the company had violated labour laws by failing to give the required advance notice.

The job losses cap a chaotic first week for Twitter under Musk's command, during which the world's richest man overhauled the management team, asked staffers to work round the clock on new products and publicly brainstormed plans to shake up the business via his own Twitter account.

In an indication that the cuts had begun, two workers said many employees lost access to their corporate email on Thursday night.

Although Musk has not publicly discussed the lay-offs, Twitter itself lit up with staff announcing their departure. "I am officially out," wrote Irene Font Peradejordi, a Twitter researcher. There has been turmoil inside the company for months since Musk first made his bid to buy it, before trying to back out while publicly mocking Twitter's staff. After a legal battle, the deal closed last week, with Musk paying his original offer of $54.20 a share.

Musk has made no secret of his plans to overhaul Twitter, which has been criticised for sluggish innovation. He has previously said he could cut jobs and costs to make the platform "healthy".

Musk's war room page 14

Pause for thought: a number of big advertisers have withdrawn from Twitter for now, while they assess Elon Musk's approach to hate speech
FT montage/AP

Qatar reforms fall to stop abuse of migrant workers

Struggle to shift focus ▸ PAGE 4

Rapid pace of US employment growth hinders Fed's battle to curb inflation

COLBY SMITH — WASHINGTON
ERIC PLATT — NEW YORK

The US jobs market grew at an unexpectedly rapid clip in October, defying economists' predictions of a greater slowdown despite the Federal Reserve's aggressive efforts to curb demand.

The economy added 261,000 positions last month, according to data released by the Bureau of Labor Statistics yesterday. The figure was down from an upwardly revised 315,000 in September and 292,000 in August, but more than economists' consensus forecasts of 200,000.

On average this year the economy has added 407,000 jobs each month, compared with a monthly increase of 562,000 in 2021. Despite these gains, the unemployment rate ticked up to 3.7 per cent, just above its pre-pandemic low.

The labour market's solid performance has been a source of discomfort for the Fed as the US central bank seeks to bring decades-high inflation under control. Acute worker shortages have helped to drive up wages as employers seek to fill positions, helping to stoke inflation.

Thomas Simons, an economist with Jefferies, said payroll growth and wages were not slowing quickly enough. "This keeps another 75 basis point hike on the table for the December [Fed] meeting, though obviously we have lots more data between now and then," he said.

Earlier this week Fed chair Jay Powell described the labour market as "overheated" following the central bank's decision to lift the federal funds rate by 0.75 percentage points for the fourth time in a row. He warned that he did not "see the case for real softening yet".

However, top Fed officials yesterday backed a slower future pace of rate increases. Richmond Fed president Thomas Barkin said: "Sometimes you act a little bit more deliberatively . . . the implication of that is probably a slower pace of rate increases."

Susan Collins of the Boston Fed said it was "time to shift focus" from the pace of rate rises to how high they ultimately need to go; as such, "smaller increments will often be appropriate".

The share of Americans either employed or seeking a job — known as the labour force participation rate — failed to improve in October, at 62.2 per cent. Average hourly earnings rose 0.4 per cent month-on-month, more than expected and an acceleration from September. The annual pace steadied at 4.7 per cent.

On Wall Street page 16

World Markets

STOCK MARKETS

	Nov 4	Prev	%chg
S&P 500	3717.46	3719.89	-0.07
Nasdaq Composite	10304.78	10342.94	-0.37
Dow Jones Ind	32011.97	32001.25	0.03
FTSEurofirst 300	1649.94	1620.90	1.79
Euro Stoxx 50	3688.39	3593.18	2.65
FTSE 100	7334.84	7188.63	2.03
FTSE All-Share	4001.84	3926.87	1.91
CAC 40	6416.44	6243.28	2.77
Xetra Dax	13459.85	13130.19	2.51

CURRENCIES

Pair	Nov 4	Prev	Pair	Nov 4	Prev
$/€	0.990	0.976	€/$	1.011	1.025
$/£	1.128	1.118	£/$	0.887	0.895
£/€	0.877	0.873	€/£	1.140	1.146
¥/$	147.245	148.190	¥/€	145.706	144.611
¥/£	166.093	165.677	£ index	76.668	78.032
SFr/€	0.988	0.989	SFr/£	1.126	1.133

CRYPTO

	Nov 4	Prev	%chg
Bitcoin ($)	20825.07	20206.75	3.06

GOVERNMENT BONDS

Yield (%)	Nov 4	Prev	Chg
US 2 yr	4.68	4.72	-0.04
US 10 yr	4.16	4.15	0.01
US 30 yr	4.24	4.17	0.08
UK 2 yr	3.06	3.04	0.02
UK 10 yr	3.53	3.51	0.02
UK 30 yr	3.77	3.71	0.06
JPN 2 yr	-0.05	-0.05	0.00
JPN 10 yr	0.25	0.24	0.01
JPN 30 yr	1.56	1.53	0.03

Australia	A$10.00(inc GST)
Brunei	B$8.00
China	RMB30
Hong Kong	HK$45
India	Rup260
Indonesia	Rp48,000
Japan	¥650(inc JCT)
Korea	W5,000
Malaysia	RM12.50
Pakistan	Rupee 450
Philippines	Peso 150
Singapore	S$7(inc GST)
Taiwan	NT$150
Thailand	Bht160
Vietnam	US$5

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Dubai

Nikkei	27199.74	27663.39	-1.68
Hang Seng	16161.14	15339.49	5.36
MSCI World $	2467.89	2499.78	-1.28
MSCI EM $	860.90	873.02	-1.39
MSCI ACWI $	570.77	578.22	-1.29
FT Wilshire 2500	4849.95	4898.74	-1.00
FT Wilshire 5000	37902.71	38280.81	-0.99

Ethereum	1624.97	1530.63	6.16
COMMODITIES			
	Nov 4	Prev	%chg
Oil WTI $	92.21	88.17	4.58
Oil Brent $	98.34	94.67	3.88
Gold $	1628.75	1649.55	-1.26

GER 2 yr	2.11	2.07	0.04
GER 10 yr	2.30	2.24	0.05
GER 30 yr	2.22	2.17	0.06

Prices are latest for edition
Data provided by Morningstar

A Nikkei Company

INTERNATIONAL

WORLD
WEEK IN REVIEW

Netanyahu returns as Israeli prime minister after bloc secures 64 seats

Benjamin Netanyahu is back in power to lead one of the most rightwing governments in Israel's history.

A bloc combining Netanyahu's Likud, the extreme-right group Religious Zionism and two ultraorthodox parties, Shas and United Torah Judaism, won 64 seats in Israel's election. The bloc led by the Yesh Atid party of outgoing prime minister Yair Lapid won 51 seats in the 120-seat Knesset.

Netanyahu's comeback follows two years battling allegations of corruption and falling out with former allies. After two stints as prime minister covering 15 years, he was ousted last year by a sprawling coalition united in their desire to be rid of him. It collapsed after just over a year in power, paving the way for the fifth election in three-and-a-half years.

Spain's plan to raise €3bn in windfall tax on banks attacked by ECB

The European Central Bank criticised Spain's proposed windfall tax on banks. Pedro Sánchez's Socialist-led coalition government wants to use the temporary measure to raise €3bn from lenders to cushion the impact of the surge in energy prices.

Hungary and the Czech Republic plan similar schemes. But the ECB warned Spain's proposed 4.8 per cent tax, charged on banks' income from interest and commissions for two years, could be levied even if a bank was lossmaking, as it did not consider provisions for bad loans or operational expenses. Madrid argues rising interest rates are yielding "extraordinary" profits for the sector. The ECB says Madrid needs to review the impact on profitability, financial stability, competition and resilience of banks.

Peace deal struck between Ethiopia and Tigray after 2 years of civil war

Ethiopia's Redwan Hussien, left, and Tigray delegate Getachew Reda pass documents at the signing of a peace deal in Pretoria, South Africa, after two years of civil war in northern Ethiopia that left thousands dead and millions on the brink of famine.

Iranian protesters call for theocracy to be replaced with secular system

Iranians chanted anti-regime slogans and fought with riot police, in widespread protests against the Islamic republic.

In Karaj, west of Tehran, mourners got out of their cars and marched towards the grave of Hadis Najafi, a 22-year-old woman who was shot dead at a protest in September. Videos on social media showed people overturning a police car and setting it alight. Other protests took place in Qazvin, Arak, Amol and Fuladshahr.

Young Iranians have led calls for Iran's theocracy be replaced by a secular government. Amnesty International has said more than 200 protesters, including 30 children, have been killed.

Diplomatic visit

Scholz and Xi discuss nuclear dangers

German leader talks about Ukraine and Taiwan with his Chinese counterpart

GUY CHAZAN — BERLIN
EDWARD WHITE — SEOUL
YUAN YANG — LONDON

Olaf Scholz, German chancellor, said he and China's President Xi Jinping had agreed during talks in Beijing that nuclear threats over the war in Ukraine were "irresponsible and extremely dangerous".

Russian president Vladimir Putin has made repeated warnings about using nuclear weapons as his eight-month invasion of Ukraine falters, part of a strategy western officials say is designed to deter military aid to Kyiv. Scholz told reporters he was "glad" he and Xi had "reached an understanding . . . that there can be no escalation through the use of tactical nuclear weapons".

In an earlier statement after the talks, Scholz said he and Xi agreed that "nuclear-threatening gestures are irresponsible and extremely dangerous".

Xi and Scholz met yesterday in the Great Hall of the People in Beijing against a backdrop of rising tension between the west and China. Xi's administration has come under increasing criticism from Europe and the US over its stance on Ukraine, crackdowns in Xinjiang and Hong Kong, and military aggression towards Taiwan.

Xi's criticism of the nuclear threat was less direct, according to Beijing's readout of the meeting. It said Xi told Scholz the international community should oppose the threat or use of nuclear weapons and "prevent a nuclear crisis in Eurasia".

In his first face-to-face talks with Xi since becoming chancellor late last year, Scholz said China should "assert its influence on Russia" to end the war in Ukraine. "As a geopolitical actor and permanent member of the UN Security Council, China is responsible for peace in the world," Scholz said. "It's about abiding by the principles of the UN charter, which we have all agreed on."

Xi has been heavily criticised for his refusal to condemn Russia's invasion and for not using his personal relationship with Putin to push him to reverse course on the war. China has opposed sanctions against Russia and at times echoed Kremlin talking points that blame the conflict on Nato and the US.

Yu Jie, senior China research fellow at Chatham House in London, said it was "unsurprising" that Xi agreed with Scholz over the need to prevent nuclear war in Europe. "It is in line with China's long-term nuclear and disarmament policies," she added.

> 'It's about abiding by the principles of the UN charter, which we have all agreed on'

Scholz is the first western leader to meet Xi since the Communist party congress this month, which established Xi as the most powerful Chinese leader since Mao Zedong.

Scholz said he had addressed the issue of Taiwan in his talks with the president, conveying the message that any change in its status could happen only "peacefully and by mutual consent".

He also said he had raised the subject of China's treatment of Uyghur Muslims in Xinjiang, insisting it was not "interference in [China's] internal affairs" to point out Beijing's obligation to respect the rights of minorities.

Additional reporting by Xinning Liu and Maiqi Ding in Beijing and William Langley in Hong Kong

Egypt. COP27

Dark clouds overshadow climate summit

Rich nations' financial squeeze tests readiness to pay poorer countries to ditch fossil fuels

CAMILLA HODGSON — LONDON

Going green: Egypt has billed the summit as one where climate pledges will begin to be delivered
Michael Probst/AP

A moment of cheer ahead of the UN climate summit in Egypt was provided by Luiz Inácio Lula da Silva, who put protecting the Amazon rainforest at the heart of his winning campaign for the Brazilian presidency.

But as delegates from nearly 200 countries prepare for the start of the COP27 conference tomorrow, the mood is one of gloom, reflecting the clouds that have gathered since the last summit a year ago in Glasgow.

Russia's war in Ukraine has ignited an energy crisis that has stoked inflation and threatened food security. Squeezed budgets in wealthy countries are testing their willingness to pay poorer nations to ditch polluting fossil fuels that contribute to dangerous climate change. Serious debt problems are afflicting a number of big developing nations.

"There's no doubt that the 'polycrises' . . . could all combine to make it very difficult to make progress," said Alden Meyer, senior associate at think-tank E3G.

The Sharm el-Sheikh summit is set to be a more low-key and procedural affair than the plenary that led to the Glasgow Climate Pact, or the summit in Paris seven years ago that produced the deal to limit the global temperature rise to 1.5C. Temperatures have already risen at least 1.1C since pre-industrial times.

Glasgow's objective to "keep 1.5C alive" looks in jeopardy after the latest UN Environment Programme report concluded that national emissions reduction pledges implied a rise of between 2.4C and 2.6C. However, the next fortnight is expected to play a key role as a forum for turning words into action and building support for more ambitious climate commitments.

Egypt has billed the summit as the "implementation COP" where climate promises will begin to be delivered. But the hosts will need deft negotiating skills to stage-manage a meeting at which decisions are made by consensus.

"We gather this year at a critical time of cascading risks and overlapping crises," incoming COP27 president Sameh Shoukry said this week.

World leaders expected include US president Joe Biden and French counterpart Emmanuel Macron. New UK prime minister Rishi Sunak will attend, having earlier declined to be there. Lula will also make an appearance, despite not taking office until January.

Africa's presence will be larger than at previous summits, which observers say should put a greater focus on the needs of developing nations. Russia is also expected to send a delegation.

The to-do list for negotiators is lengthy. Countries must work out how to make good on existing pledges, including a promise by rich nations to deliver $100bn in climate finance annually by 2020 to developing countries. The total deployed in 2020 was about $83.3bn, according to the OECD.

New decisions to be made include agreeing on a "work programme" for countries to co-operate better and cut emissions faster over the next seven years. The most vulnerable nations are also pushing for a new pot of money to compensate for destruction already wrought by climate change. UN secretary-general António Guterres said the creation of a "time-bound road map" to address this would be a "litmus test for success at COP27". While big polluters, led by the US, have resisted the notion of "loss and damage" financing, this stance has softened amid an outcry from poorer economies. US climate envoy John Kerry this week said he was "anxious to see the loss and damage issue dealt with".

After a year of floods, fires and heatwaves, the urgency of the climate crisis is clear. Yet the geopolitics of COP27 remain awkward.

Europe, one of the largest emitters, faces accusations of hypocrisy over its rush to replace the gas that it is no longer buying from Russia, potentially undermining its ability to act as a bridge builder between developed and developing nations.

One test of co-operation between rich and poorer countries will be the release of the blueprint for how the wealthiest economies will help South Africa transition from coal to clean energy.

Another concern is the breakdown in US-China relations since House Speaker Nancy Pelosi's visit to Taiwan enraged Beijing. Neither the US nor China, the world's two largest emitters, have updated their emissions reduction targets this year and Beijing has yet to publish a plan for cutting methane emissions that it committed to developing. The US boosted its credibility with a $369bn climate package to spur domestic green technology development and cut emissions, but the exclusion of foreign industry from the schemes has drawn complaints.

Yet neither the US nor China want to be seen as impeding progress and Kerry maintains dialogue with his Beijing counterpart, Xie Zhenhua.

Then there is the gas lobby, which looks set to have a larger presence this year and at next year's summit in the United Arab Emirates. At the Gas Exporting Countries Forum in Egypt last month, officials said the two COPs "present a great opportunity to make a case for gas in the energy transition".

Additional reporting by Aime Williams in Washington and Alice Hancock in Brussels

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Corruption claims

Indian bridge collapse stirs anger over infrastructure failures

JYOTSNA SINGH — MORBI
CHLOE CORNISH — MUMBAI

It should have been a perfect outing. Last Sunday, Divya, 21, and her family took her excited niece and nephew to cross the famous pedestrian suspension bridge that since colonial times had swayed above the Machchu river in the western Indian city of Morbi.

The bridge had just reopened after a

thought it was fragile," said Divya, who asked to be identified only by her first name, as she visited her injured sister at a local hospital. "My nephew and niece will never come back. But let them punish those behind this tragedy. That's all I want to see."

Modi, who was in Gujarat on a three-day visit when the disaster happened, has called for a special investigation into the tragedy, widening an inquiry started

ture," said Sanjay Kumar, a professor at the Centre for the Study of Developing Societies in Delhi, who recently completed a study on public perceptions of corruption in Gujarat. "Government can claim that they are making all effort to curb corruption in public life," he said, "but I think the reality is that there is corruption in various fields."

Now Gujarat-based Oreva, founded in Morbi, is at the centre of police inquiries

year-old photograph of the company's late founder, Odhavji Raghavji Patel, presenting Modi with flowers.

The incident comes at a sensitive time for the BJP, which dominates in its heartland of Gujarat but is facing a challenge from the Aam Aadmi party, led by Delhi chief minister Arvind Kejriwal.

Kejriwal called for the BJP Gujarat chief minister to resign, alleging at a press conference — without giving evi-

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Representative, Anjali Mahindroo

The bridge had just reopened after a renovation overseen by its operator, a subsidiary of a corporate group better known for making electric clocks.

But as hundreds of holidaymakers crowded on to the narrow walkway, it collapsed. Divya was hurled into the water below and 135 others were killed — including her niece and nephew, aged six and four.

The disaster has sent shockwaves through Prime Minister Narendra Modi's home state of Gujarat ahead of legislative assembly elections next month. It has also sparked calls for accountability as the latest in a long series of infrastructure failures many Indians blame on poor government oversight and pervasive corruption.

"The bridge was old, but we never the tragedy, widening an inquiry started by the state's chief minister.

Police have arrested several junior employees of Oreva Group, the clock producer whose subsidiary, Ajanta Manufacturing, had been contracted to operate and maintain the bridge. Ajanta had contracted the seven-month repair work to another company; The Indian Express reported that the two owners of the contractor were in custody.

The incident follows the collapse of a highway flyover in Varanasi in 2018 that killed 18 people and another flyover failure in Kolkata in 2016 that killed 27. This year Bangalore, one of India's richest cities, suffered extensive flooding caused by infrastructure failures.

"Morbi's disaster is another example to suggest how poor is India's infrastruc- Morbi, is at the centre of police inquiries — and political mudslinging. Opposition politicians have sought to link the company to Modi's governing Bharatiya Janata party, circulating a more than 10-

Grim search: rescuers look for bodies in the Machchu river

press conference — without giving evidence — that "the Morbi bridge collapse was a result of massive corruption".

Narendra Taneja, a New Delhi-based former BJP national spokesperson, dismissed the opposition allegations. Oreva did not respond to requests for comment.

Modi visited Morbi on Monday, promising a "detailed, impartial and extensive" probe.

But some people who went to see the remains of the bridge for themselves were sceptical justice would be done.

"We are being told that a full investigation will take place to find the culprits. But the inquiry will reveal nothing," said Himanshu Rasikbhai, a banker, as he watched search boats look for bodies on the river.

INTERNATIONAL

Kherson residents reveal Russian reign of terror

Ukrainians in occupied region recount instances of murder, torture and property confiscation by Moscow's troops

CHRISTOPHER MILLER — KYIV

Natalia Chorna had warned her more outspoken twin sister to be careful after Russian forces occupied their home town of Skadovsk near Kherson, southern Ukraine, in February. But Tetyana Mudryenko found it hard to keep her anger about the war to herself.

Last month, Mudryenko paid the ultimate penalty for proclaiming Skadovsk Ukrainian territory. According to several witnesses, she was dragged into the street by the self-appointed pro-Moscow authorities and hanged. "In occupied Skadovsk, you can't have your own opinion," said Chorna, 56.

As Ukraine pursues its counteroffensive in Kherson and Russia forcibly relocates tens of thousands of people, those living in the southern region have said the occupying authorities are terrorising anyone who defies them.

Residents of Skadovsk, a Black Sea port of some 15,000 inhabitants, told the Financial Times that people were being jailed and having their possessions confiscated for speaking out against Russian occupiers. Russian soldiers are also seizing the homes of Ukrainians who had moved to territory controlled by Kyiv, or who have been deported to Russia or occupied Crimea.

The Ukrainian military said on Tuesday that Russian forces had expanded the area from which they were forcing residents to evacuate, ostensibly to protect them from the fighting but also to make it easier to defend the region.

Moscow has also moved its occupation administration from Kherson to Skadovsk as it reinforces its positions on the east bank of the Dnipro river.

Despite reports of a potential Russian withdrawal from Kherson, Ukraine's military said in a statement yesterday that some 1,000 newly mobilised Russian troops had arrived, setting the stage for what will probably be a difficult and crucial battle in Kyiv's bid to recapture territories from Moscow.

The Kherson region is of strategic importance to Russia because it connects to Crimea, the peninsula annexed by Russia in 2014, with fresh water.

Following sham referendums last month, Russian president Vladimir Putin claimed to "annex" Kherson, along with the eastern provinces of Donetsk, Luhansk and Zaporizhzhia.

Chorna said Mudryenko, a former paediatric nurse who was as passionate about helping disabled children as she was about being Ukrainian, had had several confrontations with Russian troops during their occupation.

On a walk near the seaside one spring day, the sisters ran into a group of Russian soldiers wearing balaclavas and Mudryenko confronted them.

"She looked at the orc, right in his eyes, and asked: 'Why are you here? Will you shoot me?'" said Chorna, referring to Russian troops by a derogatory term used by Ukrainians since the invasion.

The most recent incident before her death came in early October, when Mudryenko scolded Ukrainian police for collaborating with Russian forces and cried out: "Skadovsk is Ukraine!"

On October 7, Chorna, who had left Skadovsk in April for the twins' hometown of Dnipro in Ukrainian-controlled territory, called Mudryenko to see how she was after the altercation. But the call dropped out.

Some time later, according to Chorna and local witnesses, Mudryenko and her partner, 60-year-old Anatoliy Oryekhov, were abducted from the front yard of their home by Ukrainian police collaborating with Russia.

Neighbours told Chorna the home had also been ransacked by occupiers, who stole the couple's car and bicycles.

For days, no one knew of their whereabouts. Then, on October 15, Chorna got a call from a woman who said Mudryenko was not only dead but she had been dragged into the street by occupation authorities and killed in a public display of terror.

"She told me that Tanya was hanged," said Chorna, using her sister's nickname. "They poured something into her mouth and then hanged her in front of the courthouse."

The woman who called went on to say that Oryekhov had been released from captivity with a broken arm and other signs of being beaten and allowed to bury Mudryenko's body. But he then disappeared again and has not been seen or heard from since.

When Chorna called the local morgue to confirm Mudryenko's death, an employee at first declined to speak to her. But eventually the worker sent her a death certificate that stated Mudryenko's cause of death was "mechanical asphyxiation", meaning severe physical pressure had been applied to her neck.

Some of the details surrounding Mudryenko's alleged abduction and death could not be independently verified because they happened in areas off-limits to western reporters. But the FT reviewed Mudryenko's death certificate as well as text messages and discussions between local residents and witnesses that support Chorna's story.

The Media Initiative for Human Rights, a Ukrainian non-governmental organisation, has documented the case. Ukraine's state security service, the SBU, wrote on Telegram on October 14 that it "had established numerous instances of murder and torture of local residents during the temporary occupation" of the Kherson region.

Ukrainians still in occupied Kherson and some who have recently fled and asked not to be named said Russian forces had intensified their cruelty toward locals in recent weeks.

One woman lamented the "concentration camp" and "military base" she said Skadovsk had become. "But everything will be Ukraine," she said, adding that most Ukrainian residents who stayed were defiant. "Today, I refused to pay [for my groceries] in roubles."

Opinion see the FT View page

Occupying force: Russian soldiers look out at the Black Sea from Skadovsk in May. The port city was taken in February
Sergei Ilnitsky/EPA-EFE

'They poured something into her mouth and then hanged her in front of the courthouse'

Military setback

Putin demands evacuation of civilians from contested city

MAX SEDDON IN RIGA AND CHRISTOPHER MILLER — KYIV

President Vladimir Putin has called for the evacuation of civilians from Russian-occupied Kherson, his first acknowledgment that Ukraine's bid to recapture the city is gaining ground.

"The people who live in Kherson need to be taken out of the zone of the most dangerous [combat] operations, because the civilian population shouldn't suffer," Putin told a group of volunteers in Red Square yesterday.

Putin has never publicly called for the evacuation of civilians, although his subordinates have been urging this for weeks. Ukraine has mounted a fierce counter-offensive to take back Kherson, the only regional capital that Russia has been able to capture nine months into its full-scale invasion of Ukraine.

Battlefield setbacks have coincided with renewed efforts to target Ukraine's energy infrastructure, just as winter approaches. Ukraine's President Volodymyr Zelenskyy accused Putin of resorting to "energy terror", saying that 4.5mn people were without power across the country. The outages are the result of Russian missile barrages and drone attacks on Ukrainian power facilities over recent weeks that have plunged much of Kyiv and the rest of the country into night-time darkness. Kyiv mayor Vitali Klitschko said yesterday that 450,000 residents of the capital were without power.

Russian defence minister Sergei Shoigu admitted this week that his country's armed forces were targeting critical infrastructure in an attempt "to neutralise military infrastructure facilities, as well as the facilities that influence the reduction of Ukraine's military capacity".

The Pentagon yesterday announced a $400mn package of military aid for Ukraine, for the delivery of Hawk air defence systems and tactical Phoenix Ghost drones as well as the refurbishment of advanced tanks to be sent from the Czech Republic.

In Kherson, Russia has continued to lose territory to Ukraine's larger and better-equipped forces, despite annexing the surrounding province and three other south-eastern Ukrainian regions.

INTERNATIONAL

Qatar struggles to shift focus away from workers' rights

World Cup host nation's assurances contrast with labourers' testimonies

Tiring routine: a worker rests in front of Khalifa International Stadium, Doha. Mahmoud Qutub, below
Nariman El-Mofty

SIMEON KERR — DOHA
PRAMOD ACHARYA — DHANUSHA, NEPAL

Jeevan, a Nepalese worker, took out a high-interest loan worth $1,400 to secure a job in Qatar, after struggling to find employment in his native county.

He paid a recruitment agent who found the 27-year-old a position among foreign labourers working on the infrastructure for this month's Fifa World Cup. But six months into a two-year contract offering $275 a month, he was told to leave Qatar and go home.

"They forcefully sent workers away, including me. It was not my choice to return to Nepal," Jeevan, who did not want to use his real name for fear of reprisals, told the Financial Times from his village in the municipality of Ganeshman Charnath. "They used me and threw me out when they didn't need me any more."

Preparations for the World Cup have been dogged by long-running accusations that the imported workers who have built the stadiums and infrastructure have endured miserable conditions, including low wages, non-payment of salaries and unsafe workplaces. A number have also died during the construction process, although the exact figure is disputed.

Jeevan's accusation, echoed by other South Asian workers abruptly sent home having borrowed large sums to get to Qatar, suggests workers' rights continues to be a problem despite assurances from the host country.

In his case, the Nepalese moneylenders are demanding their money back, plus annual interest of 36 per cent. "I don't have a penny. How can I repay?"

Qatar, the smallest host in World Cup history, has been clearing space for the estimated 1.5mn football fans expected to arrive over the month-long tournament that begins on November 20.

But Mahmoud Qutub, director of workers' welfare and labour rights at the Supreme Committee for Delivery and Legacy, the tournament organisers, said "a lot of effort" had gone into tackling the "global pandemic" of recruitment fees which have caught out people such as Jeevan. The payments, while illegal in Qatar, are common.

Companies operating in Qatar had reimbursed about $23mn to workers who paid recruitment fees to secure work in the country, he said. These were actual sums that had "gone back into the pockets of workers even before the World Cup started", he added.

The treatment of foreign workers is a dark shadow over the World Cup. Qatar disputes media reports that thousands have died during the 12-year construction phase, while rights groups say gauging the true figure is impossible because fatalities are not investigated properly.

International Labour Organization research found 50 work-related deaths across Qatar in 2020, 506 severe injuries and 37,000 injuries that were mild to moderate. Qatar's organising committee confirmed three deaths since the construction began, with 37 non-work-related fatalities.

Even critics agree that relentless scrutiny of Qatar's human rights record has delivered reforms, including a dismantling of the *kafala* sponsorship system that binds workers to their employer. It has also established the region's first minimum wage, set up tribunals to facilitate better access to justice, established the unpaid wages compensation fund and legislated to regulate conditions for live-in domestic staff.

Human rights groups are nonetheless calling for more effective enforcement and a commitment to a remedy fund to reimburse workers who suffered abuse.

"The authorities have made significant reforms, but implementation has been quite weak and come too late for many workers who faced wage abuses, death or injury with no compensation," said Rothna Begum, senior researcher at Human Rights Watch.

Qatar has engaged with bodies including the ILO and International Trade Union Confederation. Other Gulf states dependent on foreign labour, such as the United Arab Emirates, have refused to engage or have banned researchers.

By contrast, Qatar has requested that its temporary ILO office, scheduled to close next year, becomes permanent.

Although Qatari law does not allow foreign workers to form or join trade unions, joint workers-management committees that promote the voice of employees to management had been introduced by some companies. These are the first elected migrant worker representatives in the region.

Qatar's labour reforms had a positive trajectory, Max Tuñón, head of the ILO office in Qatar, said. He added: "Everyone agrees the work is not yet done."

Fifa said it was in "positive ongoing dialogue with the ILO, the ITUC and all relevant authorities in Qatar over initiatives that will benefit migrant workers in Qatar long after the final game of the World Cup".

> Reforms 'come too late for many workers who faced wage abuses, death or injury'

Yet despite improvements, workers' rights and basic issues such as the payment of salaries continue to be a problem, as evidenced by strikes.

A Nepalese plumber, who also did not want to be named, had been in Qatar for less than a year when colleagues went on strike over unpaid salaries. Although he did not join them, he and hundred of others were sent home in August, dashing his hopes of building a home.

"I didn't get a salary for about two months," he said. "Where can I complain? I'm here [in Nepal], far away."

Human Rights Watch's Begum said she feared what would happen after the final ball was kicked and the global attention on Qatar faded away. "The real concern is that when the spotlight leaves Qatar, the authorities may roll back on reforms. The fact that they and Fifa are not yet committed to remedying abuses of the past 12 years leaves us in doubt as to whether they are truly committed to reform."

INTERNATIONAL

Lobbying charge

Trump friend cleared of acting as foreign agent

Prosecutors said financier tried to influence policy on behalf of UAE backers

MARK VANDEVELDE — NEW YORK

Veteran financier Tom Barrack has been cleared of illegal lobbying charges stemming from his alleged efforts to sway US foreign policy during the administration of his longtime friend Donald Trump.

The verdict delivered by a New York jury yesterday marks a defeat for prosecutors who had argued that Barrack passed sensitive information to the government of the United Arab Emirates and tried to nudge foreign policy in directions favoured by his financial backers in Abu Dhabi.

He had been charged with acting as an unregistered agent of a foreign government, obstruction of justice and lying to federal investigators.

During a six-week trial in Brooklyn federal court, jurors reviewed hundreds of emails and texts detailing Barrack's contacts with UAE officials over a three-year period beginning in 2016, including one in which he told an Emirati contact: "I nailed it . . . for the home team."

Prosecutors accused Barrack of trying to undercut diplomatic efforts to resolve an economic blockade of Qatar that had been put in place by the UAE and other Middle Eastern governments. His firm, Colony Capital, received $374mn from the UAE in 2017 and 2018, an influx in investment funds that prosecutors characterised as a reward for Barrack's undisclosed lobbying.

Witnesses in the case included Trump's first secretary of state, Rex Tillerson, and Steven Mnuchin, his Treasury secretary, who offered contrasting accounts of Barrack's interactions with Trump administration officials.

Tillerson, a former chief executive at oil major ExxonMobil, recalled that Trump had suggested representatives of Qatar and its adversaries should meet at Camp David to work out their dispute.

Prosecutors said Barrack had worked to stop the meeting, which would have undermined the UAE's diplomatic policy, but Mnuchin testified that Barrack had instead supported Qatar.

Barrack's lawyers cast doubt on the idea that a successful businessman with a vast fortune and wide-ranging Middle Eastern interests would have aligned himself with Abu Dhabi for money. "He was his own man," defence attorney Michael Schachter said in court. "He said things [on the subject of Middle Eastern policy] because he wanted to."

President Joe Biden's justice department has brought a series of high-profile prosecutions against Trump acolytes while intensifying an investigation into potential record-keeping violations and obstruction of justice by the former president.

Despite that investigation, Trump is expected to announce another White House bid shortly after next week's midterm elections. Kellyanne Conway, a longtime adviser to the former president who ran his successful 2016 presidential campaign, on Thursday said Trump would announce another run at the White House "soon".

Barrack was arrested last year, along with former Colony executive Matthew Grimes, who was also on trial. Grimes was acquitted on charges of acting as a foreign agent and conspiracy.

Rashid Al-Malik, an Emirati citizen who left the US shortly after a meeting with the FBI in 2018, was also charged in the case. He remains at large.

Additional reporting by Lauren Fedor in Washington

Hobbled Khan recovers from gun attack

Imran Khan, Pakistan's former premier, speaks to media at a hospital in Lahore yesterday, a day after a gunman shot him at a rally in Wazirabad — Arif Ali/AFP/Getty Images

Midterms

Republicans poised to prosper in first 'post-pandemic' election

KIRAN STACEY — WASHINGTON

The midterm elections on Tuesday are the first "post-pandemic" polls in the US, with the virus slipping down voters' list of concerns and President Joe Biden still winning some credit for his handling of the Covid-19 crisis.

But the issues voters are most concerned about, from high inflation and poor school test results to rising levels of crime, have all been exacerbated to some degree by the pandemic and its aftermath. And it is Republican candidates who are reaping the benefits.

"Covid-19 is declining as an issue for the American public," said Chris Jackson, senior vice-president at research group Ipsos. "People have gone back to normal, but they are not giving the Democrats credit for that — they want to know what both parties are going to do for them next."

Top of the list of voters' worries is inflation, many polls have shown, which is running at 8.2 per cent.

While high prices have been exacerbated by the war in Ukraine, economists say the problem stems from the pandemic. A study by Adam Shapiro, an economist at the Federal Reserve Bank of San Francisco, shows nearly three-quarters of core inflation can be traced back to the supply chain and demand disruptions caused by the virus.

When voters do link issues such as inflation to the pandemic, it can work against Democrats. For instance, some blame the stimulus bill passed in the early days of the Biden administration, which helped boost demand just as the economy was recovering.

Rich Thau, a moderator of the Swing Voter Project who has been conducting regular focus groups during the campaign, said: "Voters say the pandemic has fuelled inflation mostly through the money that was shovelled out the door by the federal government."

The after-effects of the pandemic are also rippling through in other areas: notably education and crime.

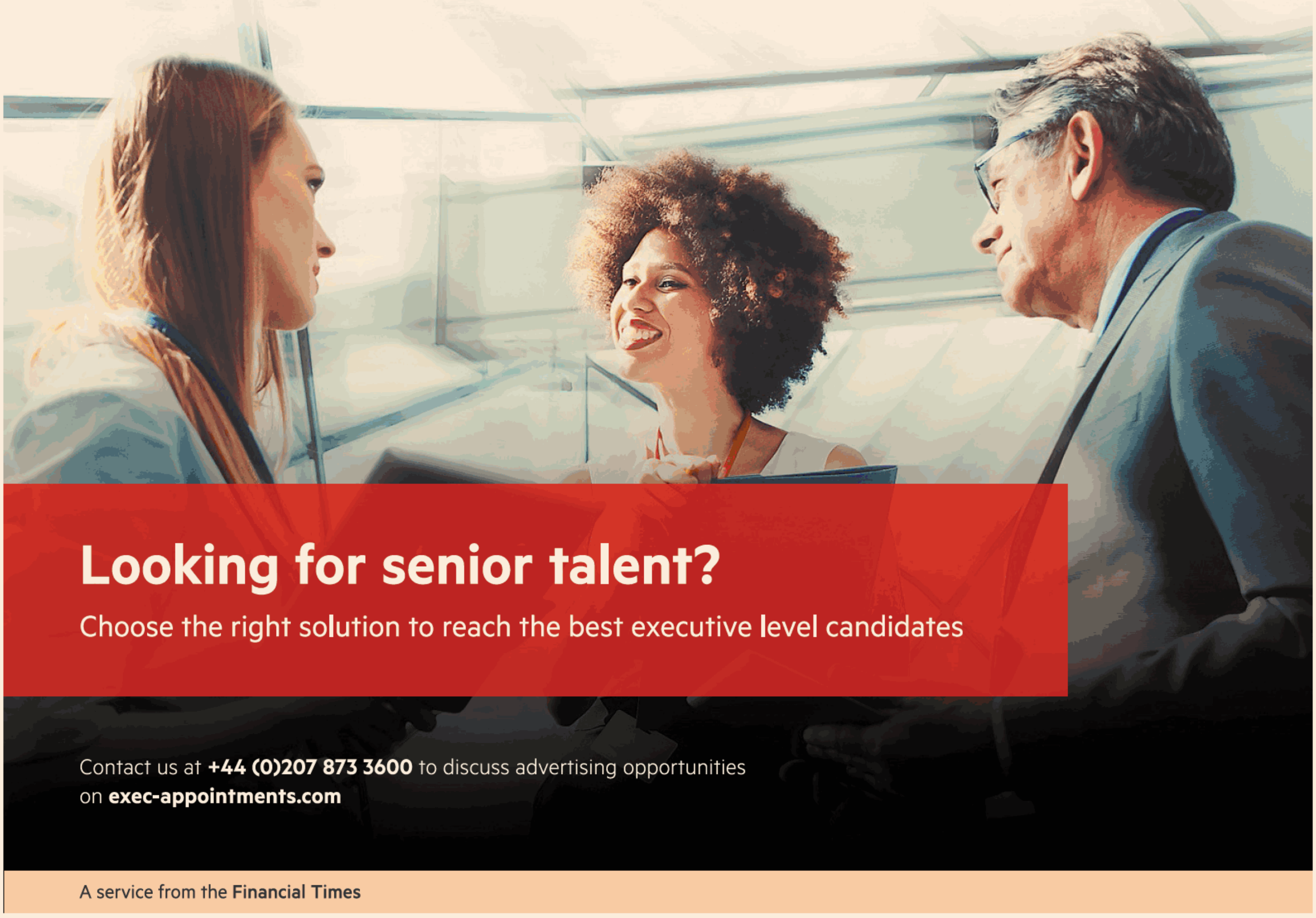
Last week, the first National Assessment of Educational Progress since 2019 showed a drop in schoolchildren's reading scores and the biggest fall ever in maths results, reigniting the debate over Covid-related school closures.

Tudor Dixon, who is running to unseat the Democrat Gretchen Whitmer as governor of Michigan, said: "Gretchen [and] not the pandemic is responsible for plunging test scores and record low education achievement. It didn't have to be this way."

Several midterm races are hinging on rising crime, including Democrat Kathy Hochul's campaign to remain New York governor. Although Republicans blame rising crime on Democrats' policing policies, some criminologists argue it has been fuelled in part by the economic scars left by lockdowns.

Data collated by the political website FiveThiryEight show broad approval of the way Biden has handled the pandemic. But Tom Cochran at public relations firm 720 Strategies said that would hold little sway. "Things are getting back to normal, but that is exactly why many people do not want to talk about it. Bringing it up on the campaign trail is just giving voters PTSD."

See The FT View & Person in the News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SEIZE A RARE OPPORTUNITY
TO OWN A BRANDED RESIDENCE
IN ASIA'S NEW TIGER
GRAND MARINA

FT BIG READ. CORPORATION TAX

Oil majors are posting record profits as war rages in Ukraine and consumers struggle to make ends meet. Higher levies on these buoyant companies are a hit with voters – but not a guaranteed revenue raiser.

By Tom Wilson, Mary McDougall, Nathalie Thomas and Derek Brower

Windfall taxes: good politics, tricky policy

In the past nine months inflation has surged, stock prices have fallen and global growth has stalled. Everyone seems to be hurting — everyone, that is, except oil companies.

Amid the energy crisis sparked by Russia's invasion of Ukraine, profits at the largest US oil company, ExxonMobil, tripled in the third quarter to a record of nearly $20bn. Shell, Europe's largest, has made $30bn this year, including $9.5bn in the three months to September. BP is on course for possibly the most profitable year in its history.

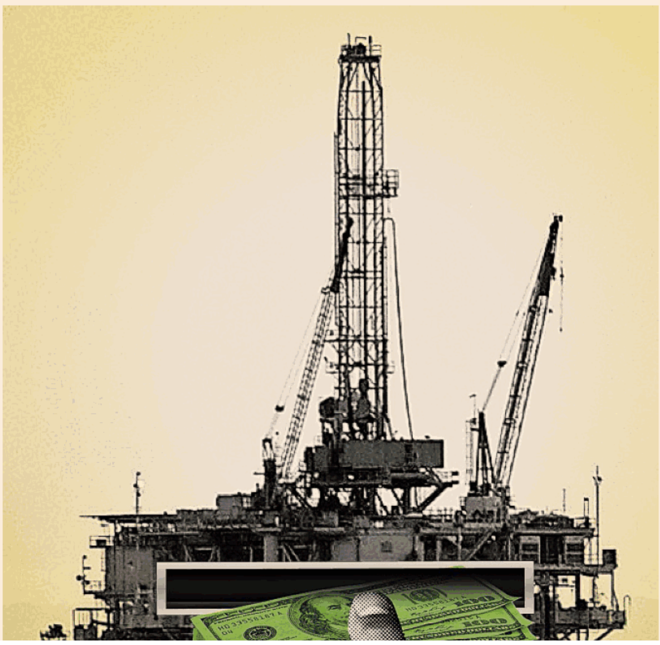
In response, politicians from Washington to London have found themselves threatening or enacting the same policy response: windfall taxes.

"Their profits are a windfall of war — a

In the UK, which taxes profits rather than production, the Treasury has regularly tweaked the tax rate over the past 50 years depending on the oil price, explains Graham Kellas, head of fiscal policy research at energy consultancy Wood Mackenzie.

"The UK oil and gas tax policy since it began has basically been to keep an eye on what's happening with prices and adjust the tax rates when you feel that the price level has shifted," he says.

Most recently, then chancellor George Osborne in 2011 raised the supplementary tax rate paid by oil and gas producers from 20 per cent to 32 per cent after oil prices spiked. It was then cut to 10 per cent between 2014 and 2016 as prices fell.



erating a transition from oil is now threatening to penalise companies unless they power up more rigs. "If they don't, they're going to pay a higher tax on their excess profits and face other restrictions," Biden said this week.

Yet most analysts see the threat of new federal taxes on US oil company profits as little more than campaign rhetoric ahead of midterm elections next week.

State-level interventions are more plausible, particularly if high prices — persist, says Kevin Book, managing director at Clearview Energy Partners, a Washington advisory firm.

"High prices tend to make governments grabby, and a recession could strain state and local government finances," he says. "In that context, even some producer states might begin to eye industry profits — potentially leading to a recession or modification of existing incentives, if not new levies."

Sowing the windfall

Windfall taxes are often not a guaranteed revenue raiser. Italy's levy brought in billions less than anticipated, as many energy companies simply refused to pay and brought legal challenges against the government.

Part of the challenge for governments is that the eye-popping earnings figures from the likes of BP and Shell, which

A protester at a demonstration in Rome calls for the government to appropriate oil industry profits

windfall from the brutal conflict that is ravaging Ukraine and hurting tens of millions of people around the globe," US president Joe Biden said this week as he promised increased levies on producers unless they help cut US fuel costs.

Rishi Sunak, as UK chancellor, said it was "fiscally responsible" to tax oil and gas producers' "extraordinary" earnings when he announced an energy profits levy in May.

Five months later, Sunak, now prime minister, is considering increasing the levy from 25 per cent to 30 per cent and extending it to 2028.

In Europe, the EU introduced a "solidarity contribution" levy of at least 33 per cent of "surplus taxable profits" made by fossil fuel companies. Italy has also introduced a 25 per cent windfall tax on energy company profits.

The politics of windfall taxes are simple: few voters object to corporations — particularly oil majors — being squeezed after profiting during hard times. But designing and implementing them is less so, particularly when companies have global earnings and investment in new, greener sources of energy is needed.

A recurring theme

Windfall taxes are not new. In the first years of the first world war at least 22 countries, including the UK, US, France, Italy and Germany, adopted some form of tax on "excess" corporate profits.

During the second world war, an excess profits tax in the US generated 22 per cent of government tax receipts in 1943, equivalent to 2.2 per cent of gross domestic product, according to the IMF.

In the energy industry, government efforts to capture greater tax revenue during periods of high prices are a recurring theme. Many producing countries, such as Australia, Nigeria and Brazil, have tax regimes that include a mechanism to ensure the state gains if prices rise.

Taxing profits rather than production enables the UK to "take more later" and continue to attract investment, but the "ad hoc" rate changes also create uncertainty, says Kellas.

So far the energy profits levy in the UK has had a mixed impact. This week, BP, which is the third-largest oil and gas producer in the North Sea, said its UK business expected to pay about $2.5bn in taxes in 2022, including about $800mn under the new levy.

In contrast, Shell, which like BP produces about 120,000 barrels of oil equivalent a day in the UK, has paid no UK taxes at all this year.

$9.5bn	$8.2bn
Latest quarterly profits from Shell, Europe's largest oil company	BP's 3Q earnings, as it is headed for possibly its most profitable year

Investments in new production and costs associated with decommissioning old fields have cancelled out all UK profits, it said. In fact, Shell has paid no taxes on its UK oil and gas production since 2017.

Perhaps aware of the poor optics of paying no tax in the UK while returning billions of dollars of record profits to shareholders, outgoing chief executive Ben van Beurden has said his UK-headquartered company is willing to pay more. "I think we have to accept it and we have to embrace it," he said last week

That view, however, is not shared across the industry. While Shell generates profits around the world, many North Sea producers are more dependent on their UK revenues.

"It won't be the oil majors who will bear the brunt of the impact of unpredictable windfall taxes," says Iain Pyle, investment director at UK-based asset manager Abrdn, a top 10 shareholder in the North Sea gas group Serica Energy.

Oil companies are enjoying record profits as the price of crude climbs amid troubled economic times, prompting calls for higher taxes
FT montage: Getty Images/ Dreamstime

'Their profits are a windfall of war — a windfall from the brutal conflict that is ravaging Ukraine'
Joe Biden

"Instead, the burden will fall on smaller domestic producers and on local service companies and private contractors," he says. "These companies and their supply chains are less able to withstand a five-year period of high taxation and cannot simply relocate."

Sam Laidlaw, founder and executive chair of Neptune Energy, which produces about 12 per cent of its oil and gas in the UK, says introducing higher taxes is OK if it is clear why they are being introduced and for how long.

"We have had one change [in the UK tax regime] already this year, which was introduced at pretty short notice with very limited consultation," Laidlaw says. "If we have further changes, that really undermines the whole stability question."

There's a contradiction at the heart of many western governments' approach to the fossil fuel industry since the start of the crisis.

After years of calling on the sector to reduce emissions, policymakers now want companies to boost supply, while still urging the same executives to deliver a long-term transition to greener fuels.

Despite a commitment to cut emissions to net zero by 2050, the UK still wants to encourage investment in oil and gas production, which it says is necessary for the country to have sufficient sources of energy until it can fully transition to greener forms of power.

As a result, the energy profits levy includes a generous "super deduction" for investments in new oil and gas production that rewards companies with an overall 91p tax saving for every £1 they invest.

Professor Michael Devereux at the Oxford university Centre for Business Taxation says this has, in effect, created a subsidy for fossil fuel projects that otherwise would not go ahead. "A subsidy could be justified for investment in renewables, but it is much harder to justify for investment in oil and gas," he says.

In the US, a White House that initially talked of curbing new drilling and accel-

provoke the most outrage from voters, are global profits and the portion subject to UK tax is much smaller. Convention dictates that countries do not tax foreign profits, which are normally taxed in the jurisdiction where those profits are made.

BP reported quarterly earnings of $8.2bn this week but perhaps 10 per cent was generated in the UK, says Kellas at Wood Mackenzie. (BP, like Shell, does not break down its profits by geography.)

Murray Auchincloss, BP's chief financial officer, says that although people are "understandably focused on our global profit levels" at a "difficult time for society", his company does not shirk its responsibilities to the UK taxpayer.

He says that in the UK, $2 out of every $3 the company makes goes to the government. Worldwide, BP paid $5bn in taxes in the third quarter at an average tax rate of 37 per cent, he adds. "I get that governments have a very difficult challenge right now," he says, "but really we are just focused on trying to invest and pay taxes."

Still, as the social costs of the crisis grow, some are calling for more radical solutions. Dan Neidle, a former tax specialist at Clifford Chance who founded the non-profit Tax Policy Associates, argues that although taxing foreign profits is normally considered "bad manners", a one-off exception could be made if taxing the domestic profits of UK-headquartered energy companies proves insufficient.

It could be done, he says, "if we credibly say it's a one-off and won't be repeated". The risk of companies relocating their headquarters to avoid taxation would be lower than people think, he argues, adding that double taxation treaties could be used to prevent any group paying tax twice on the same profits. "Shell is crying out to be taxed more," he says.

Additional reporting by David Sheppard

Obituary

Doctor who pioneered vital therapy during a refugee crisis

Dilip Mahalanabis
Paediatrician
1934-2022

When Dilip Mahalanabis died last month aged 87, it was scarcely remarked upon outside India. Yet the distinguished paediatrician deserved a less muted valediction.

His pioneering medical work among refugees fleeing war in the 1970s demonstrated that oral rehydration therapy — a simple solution of glucose, salts and water designed to replace vital fluids lost during bouts of infectious disease — could be successfully administered at scale even during a desperate humanitarian crisis. The Lancet estimates this treatment has helped save 54 million lives over the past half century.

Mahalanabis was born in East Bengal, now Bangladesh, in 1934 and educated at a medical school in Kolkata. After a spell working for the NHS in London, he returned to the city in 1966 to begin research into oral rehydration treatments at Kolkata's Johns Hopkins University International Centre for Medical Research and Training. But in 1971, the Bangladesh war of independence broke out: thousands fled to refugee camps on the country's border with India. Infectious disease spread rapidly in these close confines, and Mahalanabis decided to put his theory into practice.

In an interview published in a 2009 bulletin of the World Health Organization, he painted a graphic picture of the conditions he encountered while attempting to use traditional intravenous methods. "There were two rooms in the hospital in Bangaon that were filled with severely ill cholera patients lying on the floor. In order to treat these people with IV saline, you literally had to kneel down in their faeces and their vomit".

Within 48 hours he realised he was fighting a losing battle "because there was not enough IV and only two members of my team were trained to give IV fluids". He decided to deploy a simple, low-cost solution and to allow people without medical training, including family members, to administer it. "He told me that 'necessity was the mother of innovation and the necessity was that people were dying in front of our eyes and we had to save them'," said Raj Ghosh, an infectious disease specialist who for 25 years counted Mahalanabis as a mentor and friend.

The no-frills approach quickly proved highly effective. Ghosh recalled Mahalanabis telling him that a member of the army had asked about the length of time the oral solution should be administered for. "He told him they can keep on taking it as long as they are thirsty and when they are no longer thirsty that means they have become well and they can stop."

Mahalanbis did not discover ORT. Richard Cash, senior lecturer at Harvard's TH Chan School of Public Health, played a key role in the first clinical trial of the treatment on severe diarrhoea patients during an epidemic in Dhaka in the 1960s. He noted: "It's not simply the discovery of something, but the application of that technology that also needs to be recognised . . . And [Mahalanabis] had the foresight to say, 'There's no way we can handle this situation with the intravenous solution. So let's do this. And let's try it on a large scale.'"

Mahalanbis's work in the camps, during a crisis, lacked the attributes of a scientifically robust trial. He initially struggled to have his findings published and encountered some scepticism from the medical establishment. But ultimately, his intervention helped spur the WHO's adoption of the approach.

Mahalanabis went on to work as a medical officer in the WHO diarrheal disease control programme and served as the director of clinical research at the International Centre for Diarrhoeal Disease Research, Bangladesh.

Mahalanabis stayed fundamentally modest despite his achievements

He showed people could be successfully treated even amid a humanitarian disaster

He became a member of the Royal Swedish Academy of Sciences and a co-recipient of the Pollin Prize in Pediatric Research in 2002, as well as receiving the Prince Mahidol Prize which recognises exceptional contributions in public health, alongside Cash and another physiologist, David Nalin.

Yet Ghosh, who now works as a senior adviser to the Gates Foundation in India, says Mahalanabis remained a fundamentally modest man, always keen to promote others if there was a seminar to be led or an article to be penned. "He would say, 'Others should do it,'" he recalled.

Mahalanabis delighted in developing the next generation in his field, and was as keen to receive knowledge as to transmit it, Ghosh said. "He was one of those persons who really connected very well with young researchers because he would speak to them as almost a peer."

Ghosh added: "I had many times told him he should write a memoir and he would laugh and say, 'The time hasn't come yet.'"

Sarah Neville

The FT View

FINANCIAL TIMES
'Without fear and without favour'
ft.com/opinion

The stark message of the US midterm elections

Biden must tackle median voters' concerns to safeguard democracy

If, as polls suggest, Democrats end up losing control of Congress next Tuesday an urgent postmortem would be required. Joe Biden has rightly said Americans "can't take democracy for granted any longer". Election denialism has spread rapidly among Republicans since the January 6 2021 storming of the Capitol and injects existential doubt into the 2024 presidential election. Yet if midterm voters nevertheless ignore the president's warnings, he will have to go back to the drawing board.

There is nothing misleading about Biden's diagnosis of the threat to the future of the republic. But he must take the median US voter's concerns as his starting point. America's middle is preoccupied with "kitchen table" issues, notably sharply rising inflation, crime and illegal immigration. Democrats must treat these concerns with the utmost seriousness if they want voters in turn to take their warnings seriously. The dilemma is stark: a majority of voters agree that US democracy is imperilled, yet democracy does not rank high on their list of concerns.

It would be negligent to berate them for getting their priorities wrong. The whole point of democracy is that it is voters who give politicians their marching orders, not the other way round. The clear message to Democrats is that they must govern from the centre. At key points in the past two years, Biden's Democrats have swung too far to the left. The cultural signalling from the party's progressive wing smacks of campus disdain for the less educated. That has to stop. Implying that large chunks of the country are hidebound or immoral is electoral malpractice.

One driver of Democrats' declining popularity has been the shift of Hispanics to the Republicans. Polls show that Hispanic voters are just as concerned about illegal border crossings as everyone else. Their anxieties are similar to other Americans'. The Democratic party's instinctive habit of tailoring messages for arbitrarily assigned groups is suffering from diminishing returns. Voters of all stripes have economic pessimism in common. This will only become truer as the economy faces a likely recession between now and 2024.

> Democrats need to treat 'kitchen table' preoccupations with the utmost seriousness if they want the electorate to take their warnings seriously

So what should Biden do? A wholly or partially Republican-controlled Congress will try to sink the second half of his presidency. Republican over-reach is almost guaranteed. The party has no solution to inflation and would indeed make it worse by seeking to pass large tax cuts. These would almost certainly be vetoed by Biden. But he needs to spell out what Democrats would do instead. Large spending bills would be equally inflationary. There is no doubt that Biden's $1.9tn American Rescue Plan Act has contributed to rising prices. The reality is that fighting inflation will be almost entirely in the hands of the US Federal Reserve. But Democrats must show they grasp popular concern about runaway prices.

Once the midterm results have sunk in, the focus will quickly shift to the question of whether Biden and Trump will run again. If the latter declares, as seems likely, Biden will probably follow. That would set up a macabre rematch of 2020 in which Biden would not necessarily hold the advantage this time. Indeed, his poll ratings are often below Trump's. The best domestic strategy Biden can pursue in a situation of divided government is signal that he has control of his party. He should show zero tolerance for its "defund the police" wing and demonstrate over and again his focus on the economic trials of the median American.

The only way Democrats can safeguard the republic is by winning elections. That means actually listening to voters. Telling them "it's the democracy, stupid" is by itself not enough.

Opinion Defence

Undersea cables are the west's Achilles heel

Rory Griffiths/FT/AP

Edward Stringer

Late last month, the undersea cable that supplies internet to the Shetland Isles was cut in two places. Such incidents are usually accidents, but the presence of a Russian underwater research ship, and the recent trio of underwater explosions severing the Nordstream gas pipeline, make Moscow sabotage far more plausible.

Ever since the collapse of the Soviet Union, the west has been able to luxuriate in security through technical superiority. Nato comprehensively outcompeted the Warsaw Pact. We excelled in aerospace technology and built superior submarines. The digital revolution, largely driven from Silicon Valley, further widened the gulf. The Five Eyes intelligence partnership, with eyes and ears in space, reigns supreme. But space and cyber space are increasingly being democratised and can now be accessed at low cost.

Holding these at risk is a guaranteed way of driving a wedge between Kyiv and the west

Hostile powers have calculated that this is where they can attack Nato countries to great effect.

Few are aware just how dependent we are on a limited number of fibre-optic cables that form the internet's spine and electronically link our continents and islands. Currently 95 per cent of international internet traffic is transmitted by undersea cables; satellites, in comparison, convey very little. There are still only about 200 cables around the world, each the size of a large hosepipe and capable of data transfers at about 200 terabytes per second. These cables — which carry an estimated $10tn worth of financial transactions every day — come together at 10 or so international chokepoints, which are particularly vulnerable.

As the Ukraine invasion is reminding us, all wars are economic. Our adversaries have realised that being able to threaten the sanctity of our information and financial systems is a huge strategic advantage. And as Vladimir Putin has long known, the single, physical point of failure in the system that can be overtly threatened is undersea cables. Holding these at risk is a guaranteed way of driving a wedge between Kyiv and the west.

Initially Russian forces targeted energy supply, deploying drones and missiles against the Ukrainian power grid and turning off Nordstream's gas supply to Europe. When these measures were not immediately effective, the Kremlin upped the ante. Three unexplained explosions ripped apart Nordstream I's undersea pipeline off the coast of Denmark, and less than a month later, the Shetlands cable incidents occurred. It is almost certain that Russia blew the pipeline, but breaches of undersea cabling are much harder to attribute as they can be damaged accidentally by trawlers or earthquakes. Indeed this ambiguity helps Putin: he has reminded the west that he has the capacity to cut pipes and cables should he choose, while challenging them to prove that Moscow was responsible.

The problem for Nato and its allies is that the threat is not felt equally. Russia and China, the continental superpowers that are most hostile to the west, are more controlling of their territorial internet and are less reliant on cables linked across oceans, so are not as vulnerable. Even in the satellite age, geography matters.

And so Moscow has developed several naval capabilities to work at depths that Nato considered irrelevant or uneconomic. Russia's flotilla of quasi-military vessels includes specialist survey and support ships for unmanned submersibles and advanced bathyscaphes that can descend to even lower depths. One, the *Boris Petrov* scientific research ship, was tracked in the vicinity of the Shetland Isles cables when they were cut. Most impressive are the old nuclear submarines that have been revamped to act as mother ships to newer, smaller submarines. They are hard to detect and can place explosive charges on the ocean-floor ready for detonation months or years later.

China too is exploiting network vulnerability by muscling into the undersea cable market and offering to lay cables at preferential rates. This has become the nautical arm of the Belt and Road Initiative. Australia and New Zealand have both passed legislation to prevent interfering with or loitering around undersea cable infrastructure. Canberra also took precautions by installing its own cable to the Solomon Islands.

Western Europe, by contrast, has been less vigilant about who makes or installs its cables. One who spotted this vulnerability early was the then backbencher MP Rishi Sunak, who wrote a paper in 2017 on the growing sabotage threat. Now he is prime minister and the risk has become a reality, will he invest in protective maritime and submarine capabilities as he recommended back then?

The writer is a retired RAF Air Marshal who was formerly director-general of Joint Force Development and director of operations at the UK Ministry of Defence

Letters

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Pensions are taxed twice but feel free to target my bonus too

"Those with the broadest shoulders", says Camilla Cavendish, "must surely bear the biggest burden" (Opinion, October 29). So far, so excellent. But she then targets the state pension.

Average state pension paid is still less than £200 a week. Millions of married women have a reduced pension of £85 and the basic state pension is £141.85 for millions. Universities were only for the elite and today's pensioners usually worked (and cared, unpaid) from 16 till 60+. Let the poor claim pension credit, she says. But you need an income under £185.60 (single) or £278.70 (couple) for that and savings under £10,000 (administrative costs are horrendous: claimants can wait months). I've twice heard (10 years apart) Sir Steve Webb, a former pension minister, call the state pension a contributory pension run by the state. Yes, it also fulfils a welfare function. It saves billions a year in benefit payments and administration. Contributions are paid out of after-tax income but it is taxable in receipt: so the income that pays for it is taxed twice. It's the "cheapest" pension in the UK.

Compare this with the pension-rich. In my pre-2006 reform generation, more than half of many men's £100,000-or-more pensions came from tax they didn't pay, so-called "relief" from tax and national insurance contributions. Even today, higher-rate taxpayers — with truly the broadest shoulders — save over £30bn a year into their pots from tax and NIC they would otherwise have to pay. For every pound they put into a pension, others have to pay more tax today. Rishi Sunak and Jeremy Hunt could raise over £20bn by reforming all these pensions. Cut the tax relief on new pension contributions to the standard 20 per cent rate. Cut the tax-free lump sum to, say, £50,000. Limit employers' NIC relief to, say, £5,000 a year per contributing employee. And it's payback time even for (relatively) modest occupational pensioners like me. The simplest measure to introduce on November 17 is a 5 per cent NIC charge on non-state pensions over, say, £10,000 this year, raised to 10 per cent a year in April. Oh, and please tax that £260 state pension bonus I'm about to receive (for nerds: classify it as a 14th annual payment of state pension).

Mary Campbell
East Sussex, UK

UK public services are paying price of austerity

Paul Johnson correctly identifies the challenges facing the PM and chancellor (Opinion, Oct 29) but omits to mention the extreme stress facing many public services after a decade of austerity and the Covid pandemic.

The NHS, social care, the criminal justice system and local government are all working under exceptional pressure in the face of rising demand and constrained resources. Inflation is adding to the pressure, for example by eroding the value of the real terms funding increases for the NHS announced in last year's spending review. If the government decides to cut public spending in the Autumn Statement it should be honest with the public about the time it will take to overcome backlogs and delays that, in the case of the NHS, are already harming patients and making it impossible for many staff to practice to the best of their abilities.

Professor Sir Chris Ham
Co-chair of the NHS Assembly
Solihull, West Midlands, UK

Harking back to the good old days of productivity

As another MP defects to reality TV (Report, November 2), the media coverage of the House of Commons increasingly resembles episodes of *Big Brother*. Given the extent to which the government interacts with the media, does this affect the UK's ability to complete more practical projects of national importance?

This year, we celebrated the opening of 26 miles of Crossrail under London, 15 years in the making. This becomes less impressive when compared to the 6,000 miles of rail track laid in the first 14 years of Queen Victoria's reign.

From 1837 to the Great Exhibition of 1851, the Palace of Westminster was built, British steam engines powered the world, coal production rose fivefold, Faraday developed electromagnetism, the electric telegraph transformed communication, the first ship was driven by a screw propeller, the first tunnel was driven under a major river and UK shipbuilding dominated world trade. This was achieved with a third of the current UK population, epidemics (cholera, typhus and flu) and wars. It is clear we could do more to emulate past productivity. It is time to re-engage engineering and reconsider if media and communications deserve the time, resources and rewards they consume.

Dr John Warren
Ipswich, UK

Less commuting helps build community spirit

Your editorial asks what commuters do when they no longer commute (October 29). One answer is that they help out in the community. Around 6mn employees are now putting their work skills to use on a voluntary basis.

What is intriguing is how this works for business. Four out of five of those workers say that volunteering helps them develop knowledge and skills and that business benefits. Skills-based or pro bono volunteering can inject a sense of community and purpose when the workplace is fragmented by hybrid working. Less of a commute, more of a community? It's a good option to explore.

Ed Mayo
Chief Executive, Pilotlight, London EC2, UK

Serving up another native New Yorker

In Lunch with FT Jon Stewart (Life & Arts, October 29), Matthew Garrahan writes, "Which other native New Yorkers would elicit the sort of reaction Stewart gets from his fans if spotted in this part of Manhattan?" and goes on to mention Bruce Springsteen and former New York Yankees star Derek Jeter but adds both were born in New Jersey and that doesn't count.

May I suggest Jerry Seinfeld, born in Brooklyn? You can't get more native New Yorker than that.

Erwin Ting
New York, NY, US

In praise of a long lunch

Tim Hayward rightly laments the advent of 6pm dining ("The new rules of dining out", FT Weekend, October 29).

The exception to the rule is if it's a continuation of lunch.

Will Holt
Perthshire, Scotland, UK

America's political crisis may get worse before it gets better

Notebook
by Gillian Tett

Last week I took part in an American television chat show with Yuval Noah Harari, the Israeli professor and author of *Sapiens: A Brief History of Humankind*. Our host, Bill Maher, lamented that a "slate of election deniers" were running for seats in next week's US midterms. Harari winced, and solemnly suggested that American democracy was now so troubled that "the next presidential election could be the last democratic election in US history". He added: "It is not a high chance, but it could be the case."

Maher let the comment slide. So did I. But as I left the set that night, I felt shocked. A few years ago, it would have been hard to imagine suggesting on mainstream TV that America's electoral system might be doomed. Harari is no firebrand. He is an erudite and thoughtful historian. How did we get to a place where predicting the death of American democracy could seem almost normal?

The main reason, of course, is that Donald Trump continues to lie about the 2020 election. In doing so, he has refused to accept the foundation of a functioning democracy, the peaceful transfer of power. If he were the only one uttering conspiracy theories, their reach might be limited. But they have been adopted by other Republicans, repeated ad nauseam on social media, and parroted by his superfans. Some election deniers in local government are even changing laws to exercise more control over future polls.

The violent uprising on January 6 2021 was in many ways the natural result of Trump's anti-democratic rhetoric. Armed insurrectionists entered the US Capitol to try to stop the certification of Joe Biden's victory. The attempts to subvert democracy failed, but many believe Trump will win the Republican nomination again. If so, he could win in 2024.

Members of Trump's circle tell me that, if they return to office, they will not only try to take revenge against the officials conducting the inquiry into the events of January 6, but they also plan to use a little-known legal clause known as "Schedule F" to oust their opponents from the civil service. This second point matters deeply, given that some bureaucrats worked to stymie the worst excesses of the Trump administration, as spelt out in a fascinating new book by David Rothkopf, *American Resistance*.

This explains why Democrats are fretting about the death of democracy. But what is equally striking is that Republicans are alarmed too. A recent Quinnipiac University poll shows that 69 per cent of Republicans think that democracy is under threat — exactly the same proportion as among Democrats. Republicans do not blame Trump for this. They agree with his lie that the 2020 election result was false, or they say that "radical extremism" among Democrats is undermining American values.

Voters are losing faith in the idea that different views can be mediated in a credible electoral way, or through regular forums for debate. As misinformation spreads, some individuals are becoming radicalised. The horrific attack on Nancy Pelosi's husband has stoked concerns of further violence. A recent Reuters-Ipsos survey suggests that 40 per cent of voters are now worried about voter intimidation during elections.

I suspect the other issue is that political differences are becoming increasingly defined by personal allegiances and hatreds, rather than ideas. A Pew survey in August showed that 72 per cent of Republicans viewed Democrats as immoral and dishonest people, up from 47 per cent in 2016. Almost as many Democrats see Republicans in this light too, with a similar dramatic increase in the past six years. This is tribalism.

Does this mean that Harari's prediction about the possible demise of democracy is correct? Personally, I find it hard to believe. Polarisation and political violence have been a feature of American democracy since the very beginning, with periodic eras of significant progress. I still hope we are nearing another one.

But this may not be soon: another telling recent survey showed that, while 71 per cent of Americans thought democracy was threatened, just 7 per cent considered fixing this to be a national priority. The sense of crisis might have to deepen further before there is a counter-reaction. Which is why we need voices like Harari to shout out, and for everyone else to remember to feel shocked.

Opinion

What Musk's first week at Twitter tells us

TECHNOLOGY
Marietje Schaake

Elon Musk has owned Twitter for one long week now. He has tweeted jokes and provocations, pitched ideas and sent out dog whistles. Musk is

firmed, the number of neo-Nazi and racist tweets exploded on the site. Accounts marked as being linked to Russian and Chinese state media requested that the Twitter labels indicating as much be removed. Speculation about whether Musk would reverse the account ban for extremists, conspiracy theorists or Donald Trump himself was rife. Yet if ever there was a need to remind Musk of the real-world harms caused by disinformation, it was demonstrated by the violent attacker who was radicalised online before breaking

clash with other rights, such as protecting minorities from discrimination or the guarding of public health, safety and trust in the democratic process from disinformation. Twitter as a private club has used its freedom to develop rules against harassment, violence or the promotion of suicide. The platform has been specific about its rules surrounding tweets from world leaders and was the first to permanently ban Trump for violating them. It may well lose users if hatred and lies set more of the tone.

While Musk will have his hands full in

change or staff with language skills and cultural expertise are laid off.

The EU has laws regulating speech, but with the aim of strengthening democracy. That is why European commissioner Thierry Breton tweeted: "hi Elon Musk, in Europe, the bird will fly by our EU rules #DSA" in response to "the bird is freed", Musk's first tweet

The world's richest man faces the same choices and

pany of Saudi Arabia is now the social media platform's second-largest shareholder, and in part owned by the Saudi sovereign wealth fund. US senator Chris Murphy has already called for an investigation into whether they will gain access to sensitive information and what they might hope to achieve.

But ultimately, advertisers may have the most sway. Adverts account for more than 90 per cent of Twitter's revenue. Big spenders like GM and Pfizer are pausing purchases on Twitter until they know more about where Musk's policies

the 7,500 employees, an experience and capacity drain is inevitable. (A class action suit was immediately brought to challenge the lay-offs.) Musk has previously wondered out loud whether his buying of Twitter makes him a masochist. Probably. But most users are not. For the moment, those who are staying claim they want to resist, or give Musk the benefit of the doubt. Many, like me, also want to hold on to the moments of wonder, connection, curiosity and valuable information that the platform has brought them throughout the years.

making the remarkable power that US tech executives hold over our lives, from geopolitics to the health of democracy, painfully tangible to all. The barrage of announcements in week one alone put a number of contradictory questions about Twitter's future on full display. The richest man in the world seems eager to show off his new toy, yet his fun-and-games tone cannot disguise the real governance challenges he is now solely responsible for solving.

Immediately after the sale was con-

into US House Speaker Nancy Pelosi's home this week. When he did not find Pelosi, he assaulted her husband.

At Twitter, Musk will have to confront the same choices and trade-offs that experts and lawmakers have been wrestling with for more than a decade. He has said both that he considers all speech "free" and that he wants to avoid turning the site into a hate-amplifying "hellscape". But the list of promises he has made to date simply do not add up. Freedom of expression will sometimes

squaring these challenges in the US, users around the world will also have to deal with his commitment to respecting the "laws of the land". In many lands with repressive governments such as Turkey, India and Russia, these laws allow the state to heavily intervene in speech, privacy, or journalism. This leads to censorship, intimidation and imprisonment. Until now, Twitter has been an important platform for activism, but the safety of human rights defenders may be at stake if terms of use

trade-offs that lawmakers have been wrestling with

after becoming Twitter's owner. The Digital Services Act is a newly agreed law clarifying the responsibilities of platform companies regarding free speech. Failure to comply can lead to hefty fines. (Musk has previously said the DSA is aligned with his thinking).

Then there is the question of Twitter's new investors. Kingdom Holding Com-

may take the platform. Civil society groups are urging companies to leave along with their dollars if content moderation is reduced at the expense of user safety. And even if Musk has claimed, "I don't care about the economics at all", he is already floating the idea of selling account verifications for $8.

Musk will have to confront all of these challenges without many of the people who have operated Twitter so far. Massive lay-offs happened on Friday. With the probable departure of around half

Yes, the experience is not always fun but the fear that the polarisation and extremism will now get much worse puts our past experiences in perspective. This past week has felt like a requiem for a dream of an actually civilised online town square. People shared their favourite moments or expressed solidarity with the laid-off staff. Where else would they do so but on Twitter?

The writer is international policy director at Stanford University's Cyber Policy Center

Person in the News | Kevin McCarthy

Republican wrangler poised to be Speaker

The political operator is adept at playing all sides, but his support for Trump has been criticised, writes *Lauren Fedor*

In the days after January 6 2021, when Donald Trump supporters stormed the US Capitol, House Republican leader Kevin McCarthy said the then president bore "responsibility" for the attack and chastised him for failing to denounce the mob. Just two weeks later, however, McCarthy posed for a smiling photo with Trump at his gilded Palm Beach resort. Trump called their meeting "cordial", and vowed to work with McCarthy to help the Republicans achieve a majority in the House.

Now, on the eve of US midterm elections, opinion polls suggest the Republicans are poised to do just that. If they do, McCarthy will probably be installed as Speaker of the House, succeeding Nancy Pelosi. That would make the 57-year-old arguably the most powerful Republican in Washington.

Like other Speakers before him, McCarthy will need to wrangle a raucous band of lawmakers; former Speaker John Boehner once likened the job to keeping "218 frogs in a wheelbarrow long enough to get a bill passed". McCarthy is expected to take the gavel at a time of unprecedented partisan rancour, with Democrats still livid about January 6, and Republicans wrestling over their party's future. He will also need to navigate "divided government" and decide whether to work with Democratic lawmakers and the Biden White House — or against them. McCarthy has already threatened to use raising America's debt limit as leverage to force domestic spending cuts and withhold additional funding for Ukraine.

A Trump bid would likely cast a shadow over McCarthy's speakership, bringing into sharp relief the roller-coaster relationship between the former president and the man he has called "my Kevin". The New York Times obtained audio earlier this year in which McCarthy told colleagues in the wake of January 6: "I've had it with this guy". Earlier this week, Trump confidante Kellyanne Conway told reporters that the two men remain "close". "Kevin is of the belief that burning bridges is never a way to be effective," says John Stipicevic, a lobbyist and former top congressional aide to McCarthy.

McCarthy was born in Bakersfield — a midsized city in California's central valley — in 1965. His father was a firefighter, and his grandfather a cattle rancher. As a child, he struggled with a speech impediment. McCarthy met his future wife, Judy, at high school, then dropped out of college following a win of $5,000 in the state lottery. He used the winnings to start a small deli business, which he later sold before returning to college at California State University Bakersfield. While there, he began working for the local Republican congressman, Bill Thomas, who would become his political mentor.

Elected to California's state assembly in 2002, McCarthy quickly rose through the ranks. Four years later, he was elected to Congress, filling the seat of his old boss. McCarthy once again made a name for himself, gaining a reputation for being both affable and hard-working. He become majority whip — a job in which he was shadowed by Kevin Spacey while the actor researched his role for the TV drama *House of Cards*.

In 2015, McCarthy launched a bid to succeed Boehner as Speaker, then withdrew his candidacy after failing to secure enough support. But this time around, he is expected to win if his party takes back control of the House, with both allies and critics noting how he has worked painstakingly to cultivate close relationships and curry favour from all factions of his party.

A prolific fundraiser with a knack for recruiting congressional candidates, McCarthy has raised more than $100mn to elect other Republicans since the start of the 2016 election cycle, according to non-partisan group OpenSecrets. "He is the consummate political operator and insider, who understands what makes his colleagues tick, and uses his personality and relationships as his biggest political strength," says Brendan Buck, a former aide to both Boehner and former Republican House Speaker Paul Ryan.

Republicans credit McCarthy with building broad consensus among GOP lawmakers in recent years. But he has been criticised for failing to censure divisive party members such as Georgia congresswoman Marjorie Taylor Greene, who was stripped of her committee assignments last year by the Democrats over her previous endorsement of QAnon conspiracy theories.

'He understands what makes colleagues tick, and uses his personality as his biggest political strength'

Allies say that McCarthy sees his role as building consensus among Republicans of all stripes, pointing to his mantra: "I don't get to hire who works with me, and I don't get to fire who works with me . . . I just have to inspire."

But others are suspicious of his attempts to play both sides. Shortly after January 6, Thomas told a local television station that his one-time protégé was a "hypocrite". Mike Madrid, a Republican political consultant and prominent Trump critic, says he is "disappointed" by McCarthy's political path. "I don't believe for a moment [he] has completely bought into this Maga movement. He just knows that's where the party is, and if he wants to be Speaker and continue on the trajectory he's on, he's going to have to join that chorus."

Others are more sanguine. Rob Stutzman, another longtime Republican operative in California, says the lawmaker is "trying to hold together a political coalition". "I don't think Kevin is part of the problem," Stutzman says. "Now you could argue he isn't necessarily a part of an ultimate solution, but I think he would like to be."

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Adele shows the rewards of a return to residencies

John Gapper

All Consuming

Adele finally takes to the stage at Caesars Palace in Las Vegas later this month, and will remain there for a long time. She will play 32 times to a total of 137,000 fans during her residency at the hotel and casino's 4,300-seat Colosseum between now and March, which is a lot of appearances to fill the equivalent of two stadiums.

It has also brought her grief. Adele outraged many ticket-holders by cancelling a planned residency there earlier this year, unhappy that the stage set was too impersonal for her torch songs. "There was just no soul in it . . . It was very disconnected from me and my band, and it lacked intimacy," she told Elle magazine.

But we can safely assume that she knows what she is doing, and that a Colosseum residency, alongside casino crowd-pullers such as Sting and Rod Stewart, is a smarter bet than a tour of bigger venues. She is not alone: Harry Styles played 15 times at Madison Square Garden in New York this year, on a US tour that covered 42 dates in only five cities.

Residencies used to be more hip replacement than hip. Sammy Davis Jr had to cancel a residency for the operation, and Frank Sinatra sang at Las Vegas into his late seventies. Their reputation was rescued by Céline Dion in the early 2000s, followed by Britney Spears and Katy Perry. Adele and Styles are taking them further in a youthful direction.

It is a steady weekend gig for Adele, rather than hauling around the world with a huge set, and Las Vegas is only a short flight from Beverly Hills, where she lives with her 10-year-old son. Even for a practised professional, there is some comfort in playing the same place each week; one perk of superstardom is being able to make the audience come to you.

She must also have her eye on the economics. The bulk performance approach of bands such as The Rolling Stones, which last year grossed $72mn from eight US stadium shows in front of 340,000 people on their No Filter tour, brings in huge revenues for top acts. Adele herself played two nights at Hyde Park in London in July. But it has growing weaknesses in an inflationary time.

Touring has become very expensive. Transport and energy prices have increased sharply, even for small bands that go on the road with a van or two, hoping to make up for minuscule streaming income. "The big problem is that so many bands are now touring," says Andrew Leff, assistant professor of music practice at the University of Southern California.

Some well-known singers, including Demi Lovato and Little Simz, have cancelled tours this year. "I want to tell you that for me it has taken a toll through anxiety, insomnia, fatigue, vertigo, chronic pain and missing crucial time with my children," the singer Santigold wrote to fans as she called off a tour in September.

Even superstars have to watch the bills. Bands such as U2 and Coldplay tour with spectacular and expensive sets conceived by top set designers including Es Devlin, who worked on Adele's first Colosseum residency set. Moving them between venues, together with sound and electrical equipment and huge crews of technicians, can take 30 trucks and several aircraft.

They bring to life an artist in the distance in a stadium, but they come with a hefty price tag. Top acts get about 80 per cent of net revenues from playing live, often with a guaranteed minimum. This does not mean that The Rolling Stones pocketed the bulk of the $72mn gross: all these costs weigh on bands' profits.

But residencies are not just a way to economise. They also have the appeal that Adele cited after cancelling her original shows: they provide intimacy. Watching and listening to a star in a smaller venue is a more valuable experience than sitting in a stadium.

This is clear from Adele's Las Vegas prices. Tickets for the prime seats closest to the Colosseum stage were being resold this week for more than £10,000 on platforms such as Viagogo and StubHub, while others were priced at about £1,000. Adele will only receive a split of the original ticket prices, but it validates her instinct to get close to her fans.

They are not just a way to economise as touring costs rise. They also provide intimacy

The financial return on musical intimacy is rising. Ticketmaster, which quickly sold out of official tickets for Adele's residency, is now using dynamic pricing, increasing prices on in-demand tickets in real time. Its parent company Live Nation Entertainment expects to shift $500mn more to artists this year from higher prices.

Many artists used to resist such price discrimination. "I don't see how carving out the best seats and charging a lot more for them has anything to do with rock and roll," Tom Petty once remarked. But technology, the rise of secondary ticketing platforms and the realisation that they were giving away surplus value to scalpers have changed a lot of minds.

So it is not surprising that stars now overlook the tired past of residencies. They involve a couple of nights' work a week in a familiar setting with limited travel and lower costs, in front of devoted fans who will pay top dollar to be near to them. An arduous tour of stadiums shifts more tickets but Las Vegas is a profitable weekend home.

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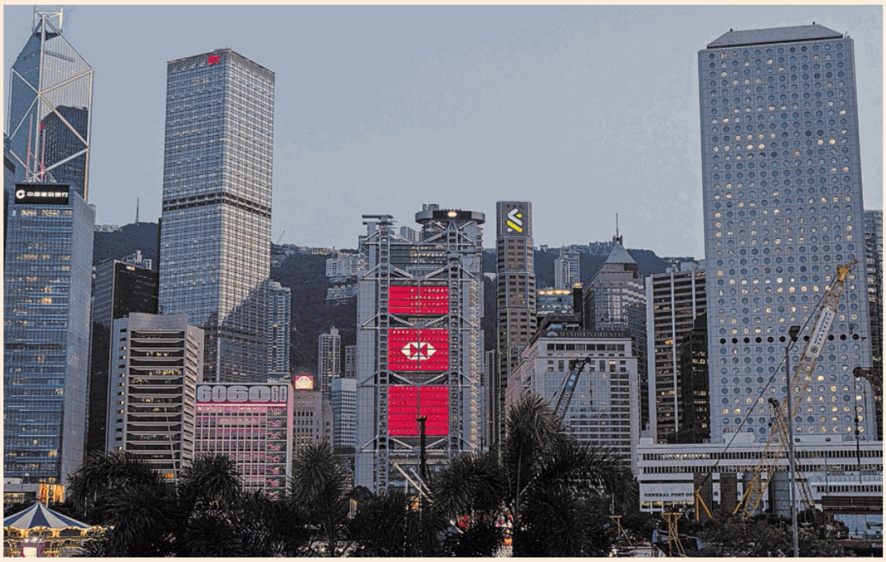
Top investor Ping An publicly calls for dismantling of HSBC

● Asia unit spin-off urged ● Job losses demanded ● Returns 'far below' peers



Chinese insurer Ping An has complained about years of underperformance at HSBC and its dividend being cancelled during the pandemic — Louise Delmotte/Bloomberg

EMMA DUNKLEY — LONDON

Ping An, HSBC's largest shareholder, publicly called on the bank to spin off its Asia business and urged it to be "much more aggressive" on costs by cutting jobs.

"We will support any initiatives including a spin-off that are conducive to improve HSBC's performance and value," Michael Huang, chair of Ping An Asset Management, said.

It is the first time the Chinese insurer has openly declared its position.

Huang said it was "urgent" that HSBC went further on cost-cutting to bring down its expenses, which it said were far higher than its rivals.

He added that a number of senior bankers did not have enough experience of working in Asia.

Huang's comments mark the first time the insurance company has spoken publicly about HSBC since it emerged this year that it had privately urged the bank to hive off its Asian operations to boost returns. Ping An has a stake of more than 8 per cent in the bank.

HSBC, led by chair Mark Tucker, has pushed back against separating its Asian business, claiming it would be too complicated and incur huge costs.

A person familiar with Ping An's thinking said the insurer was still pushing for a split, and discussions were "ongoing".

Ping An started agitating for a break-up in February, complaining of years of underperformance by the lender and the cancellation of HSBC's dividend during the pandemic.

Ping An's request for further cost-cutting and a greater allocation of resources to Asia are among the measures the insurer believes will improve HSBC's returns, although it has stopped short of publicly calling for a break-up.

The bank's return on tangible equity, which Ping An said had averaged 7 per cent over the past five years, lags behind rivals. Huang said HSBC last year delivered returns of 8.3 per cent, "far below" the 12.3 per cent average of peers.

Huang said HSBC should "be much more aggressive in radically reducing its costs". Its cost-income ratio of 64.2 per cent was 13 percentage points higher on average compared with competitors. Expenses could be lowered "by reducing its operating costs such as manpower and IT" as well as the cost of its headquarters.

"This is the most important, urgent and absolutely needed action for HSBC to improve its business performance, reducing costs and increasing efficiency, particularly amid slowing growth in the global financial industry," Huang said.

HSBC is aiming to remove $5.5bn of costs by the end of this year and another $1bn next year.

> 'The market hasn't seen any substantial actions or material results over the past two to three years'

The bank in 2020 unveiled its "pivot to Asia" strategy, but Huang said that "the market hasn't seen any substantial actions or material results over the past two to three years", calling for more resources to be shifted to Asia.

HSBC said in April 2021 that it would move four of its top bankers to Hong Kong: Greg Guyett, at the time co-head of global bank and markets; Nuno Matos, chief executive of wealth and personal banking; Barry O'Byrne, chief executive of global commercial banking; and Nicolas Moreau, head of asset management.

But Huang said that "this move has not been completed". Three of the bankers have moved but Guyett has decided to stay in London. "To our understanding, three out of HSBC's four global business line CEOs only have one year's work experience or less in Asia."

He said HSBC should make "concrete measures" to "strengthen its market position in Asia and capture the opportunities arising from the rapid development in the Asian market, while striking a balance between its global finance model and cross-border systemic and geopolitical risks".

HSBC said it was on track to hit all its targets from 2023 onwards, including a return on tangible equity of at least 12 per cent. "As we said at quarter three [results], we delivered a double-digit return on tangible equity for the nine-month period, excluding significant items, and we have kept a tight grip on costs by driving greater efficiencies across the organisation."

Adidas leaps after talks to poach Puma's Gulden

OLAF STORBECK — FRANKFURT

Adidas is in talks with departing Puma chief executive Bjørn Gulden about succeeding the brand's current chief, Kasper Rørsted, with the shares rising more than 20 per cent as a result.

The German sportswear maker confirmed the talks yesterday in a brief statement following a media report, without commenting further. It came after Puma announced earlier in the day that Gulden would be leaving at the end of this year following a nine-year stint.

Manager Magazin had earlier reported that Gulden would become the new Adidas chief executive, adding that its finance chief, Harm Ohlmeyer, would take up the role on an interim basis until Gulden's arrival. Shares in Puma were down 0.5 per cent yesterday.

Gulden — a former Norwegian professional football player — is credited with a remarkable turnround at Puma, which in 2013 was suffering from dwindling sales and a drop in profits.

"As a brand, Puma had almost disappeared," Gulden told the Financial Times in an interview in 2019.

Despite a recent decline in Puma's share price, the stock has more than doubled since 2013, when he joined.

Gulden's "track record in creating demand and [his] operational excellence makes him the ideal candidate for [Adidas]", Jefferies analyst James Grzinic wrote in a note to clients, adding that the fact that the hire "has not been agreed yet strikes us as somewhat odd".

Adidas and Puma, both based in the small town of Herzogenaurach, north-east of Nuremberg, have long been pitted against each other. They started life as a single shoe factory founded by brothers Adolf and Rudolf Dassler in 1924. After the second world war, the brothers fell out, with Adolf founding Adidas and Rudolf starting Puma.

Adidas, which is three times larger than Puma, has issued three profit warnings since July. It has been plagued

Norwegian Bjørn Gulden is credited with leading a remarkable turnround at Puma

by lockdowns in China, falling consumer demand in the west, and a decision to cut ties with US rapper and fashion designer Kanye West over his anti-Semitic remarks.

Adidas and West, now known as Ye, developed and sold sneakers under the Adidas Yeezy brand for almost a decade but last month Adidas said it would end the deal. The move is expected to wipe out up to €250mn in net profit this year.

Puma said yesterday that its chief commercial officer Arne Freundt would become chief executive in January after Gulden refused to extend his contract.

Mining

Pan American and Agnico offer $4.8bn for Yamana Gold

HARRY DEMPSEY

Precious metal miners Pan American and Agnico Eagle have made a joint $4.8bn bid for Yamana Gold, swooping in after Gold Fields faced an uphill battle convincing investors to back its takeover offer.

The two companies offered a shares and cash deal that represents a 15 per cent premium to the all-stock offer made in May by South Africa's Gold Fields and would involve Yamana's assets being split up between the two groups.

The takeover battle comes as precious metal producers grapple with soaring costs for inputs such as fuel, cyanide and explosives and a slump in gold prices on rising interest rates and a strong US dollar. The sector is seen as ripe for consolidation as it is more fragmented than other corners of the metals industry.

Under the terms of the deal, each Yamana share would be exchanged for $1.04 in cash, 0.1598 Pan American shares and 0.0376 Agnico Eagle shares for an aggregate value of $5.02 per share. Yamana shareholders would receive $1bn in cash and the offer represents a 23 per cent premium to its share price at Thursday's close.

The rival takeover offer is a setback for management at Gold Fields, which has fought to win over shareholders who believed it was paying too high a premium. Its shares plunged after the offer was made. Gold Fields' Johannesburg-listed stock jumped 15 per cent on Friday, while those in Yamana gained 10 per cent. Shares in silver producer Pan American fell 7 per cent.

Yamana's board of directors has deemed the latest offer to be a "superior proposal" and intends to accept it unless Gold Fields exerts its right to match the proposal within five business days.

According to the terms of the agreements, if the merger with Gold Fields is terminated in favour of the new offer, the Johannesburg-based group would receive a $300mn termination fee.

Gold Fields said in a statement that its bid remained "strategically and financially superior" with higher-quality assets, lower risk and higher sustained returns on offer for Yamana shareholders. It added that it would provide a further update to the market on Monday.

Technology

S Korean delay on raw materials puts electric car battery supplies at risk

CHRISTIAN DAVIES AND SONG JUNG-A
SEOUL
NIC FILDES — SYDNEY

Some of Asia's biggest battery makers are jeopardising their access to sufficient raw materials by holding back on direct investments in producers in Australia that supply them.

Industry insiders told the Financial Times that more deals needed to be signed in order for South Korean companies — including LG Energy Solution, SK On and Samsung SDI — to secure supplies of minerals to make electric vehicle batteries, including graphite, lithium, nickel and cobalt.

"We are not seeing anywhere near enough deals being completed," said Ross Gregory, executive director of electric vehicle consultancy New Electric Partners and chair of the Australian Chamber of Commerce in Korea. "It's inevitable that the Korean cell makers need to invest more to secure supply."

According to Benchmark Mineral Intelligence, at least 384 new mines for critical minerals will be required to meet global battery demand by 2035, with demand for lithium-ion batteries projected to grow sixfold by 2032. South Korea produces a quarter of the world's EV batteries and is an important partner for Washington, as the Biden administration works to reduce its dependence on China.

But despite the US rolling out new tax breaks under the Inflation Reduction Act to boost domestic production and encourage producers such as South Korea to work with free trade partners such as Australia, the necessary deal-making between the latter two countries is not accelerating.

Tim Bush, a Seoul-based EV battery analyst for UBS, said Korean battery makers were being cautious because of uncertainty over how the act will be implemented. He noted the US government had not yet spelt out precisely what degree of Chinese involvement in a battery's supply chain would disqualify it from receiving valuable tax credits.

"The Korean battery firms are waiting to see what's allowed and what's not allowed before pulling the trigger on major investments," said Bush. "For example, if Chinese processors are not going to be allowed to be involved even in projects outside China, the Koreans will have to rethink their strategy."

Most critical minerals mines in Australia are still operated by small companies seeking joint ventures or direct equity investments in individual projects. However, Korean battery makers have been hesitant to sign deals that they perceive as risky. "We are currently evaluating such investment requests but we are trying to be careful. These requests often delay the signing of our long-term supply contracts with them," said a Korean battery executive.

Korean export credit agencies bear the scars of past failed mining ventures.

"Our state-run credit agencies often provide funding for developing overseas mines, but these projects are very risky as mineral prices are volatile," said a Korean energy ministry official. "The battery companies invest in some mining projects if needed, but they remain reluctant to invest much given the growing need to build their own battery and battery materials plants."

An Australian banker who specialises in mining deals said Korean companies and lenders were being too cautious.

Battery makers need deals with Australian lithium miners — Carla Gottgens/Bloomberg

"There is a frustration around Korean involvement in Australian mineral projects because of a clash with the wheeler-dealer culture of Australian exploration," said the banker. "There is a real danger of Korea being left behind."

Some deals are going ahead. Last month, SK On acquired a 10 per cent stake in Australia's Lake Resources, a long-established lithium developer, as part of a 10-year lithium supply deal.

Gregory, who advised Lake Resources on its deal with SK On, said part of the Korean battery makers' hesitancy was because they had backgrounds in the chemicals sector rather than in mining.

He noted that Posco, the Korean steelmaker, had been much more active in making investments in the battery supply chain than LG, SK or Samsung because of its history of investing in iron ore and other projects.

Posco and LGES were both backers of Queensland Pacific Metals, which is developing a nickel and cobalt processing plant in Townsville. Last month, Queensland signed a major investment deal with General Motors, a sign that US carmakers are ramping up their interest in the Australian minerals supply chain.

Gregory urged the Australian government to step in and finance more deals, including by taking direct stakes in projects. "What's missing is the government support — China does it, the US is starting to do it but Australia doesn't yet do enough," he said.

"A$20bn ($12.75bn) to A$30bn should go into sponsoring not only the exploitation of upstream resources but also the establishment of a manufacturing industry to process those materials. The industry needs a leg-up."

But given the global scramble for resources, some executives say it is only a matter of time before Korean battery companies become more aggressive.

Andrew Penkethman, chief executive of Ardea Resources, whose Kalgoorlie Nickel Project hosts the largest nickel-cobalt resource in Australia, said he could afford to wait for the right deal.

"We've seen a marked increase in engagement from potential strategic partners since the Inflation Reduction Act, but people are still working out how to go about it," he said. Penkethman said he expected Korea's battery makers to come around to the idea that direct investments in projects would be necessary to secure long-term supply.

Credit Suisse

When Credit Suisse appointed Michael | will come in. Chair Axel Lehmann | This is all quite unusual. Those who | The New | against the likes of JPMorgan with their

Credit Suisse bankers learn to love their new boss

The Top Line
Tom Braithwaite

Klein to its board in 2018, some of the firm's most senior investment bankers were horrified. They did not doubt the skills of the former Citigroup banker, who had worked on some of the biggest-ever M&A deals. They were aghast that a rival would be invited to oversee their business.

Their complaints fell on deaf ears. And for those who remain four years later, a twist: Klein is their new boss.

This is part of a desperate roll of the dice by Credit Suisse, which has been ground down by scandals, tempestuous leadership departures and dire financial performance.

In a radical restructuring announced last week, the Swiss lender plans to spin off its investment bank at the worst point in the economic cycle — and hand control of it to Klein. Over time, Credit Suisse is expected to sell down its stake and outside investors

reassured investors that the board was "very, very mindful of conflicts of interest" when it chose to appoint one of its own members to run the new standalone advisory and corporate finance firm, renamed CS First Boston.

Klein had to "abstain from any voting" and was "only allowed to potentially contribute from a more technical perspective helping to create the fact base for decision-making".

Phew. Yet not only will Klein run the new firm, he is also set to "merge" it with his own small boutique and receive a chunk of equity.

In his work outside Credit Suisse, Klein has been riding the Spac wave, taking free shares in a cash shell in return for finding an acquisition target for outside investors. It is a horrible structure that has now flamed out. Apart from one — CS First Boston is effectively Klein's last Spac.

want to find a precedent point to 2014 when Blackstone merged its advisory business with the boutique firm of another star dealmaker, Paul Taubman. Taubman was granted shadow equity valued at almost $100mn, equivalent to a fifth of the outstanding stock.

Anything of that size would be astonishing at Credit Suisse. CS First Boston is predicted to have standalone revenues of about $2.5bn, six times those of the Blackstone unit.

The other unanswered question for CS First Boston is if independence removes a deadweight — or a safety net. Credit Suisse believes it is a Goldilocks formula: "more global and broader than boutiques, but more focused than bulge bracket players".

The pessimistic view is that it will be too lumbering to compete with agile boutiques but too small to face off

The New York-based team will be able to pay themselves at what they consider an appropriate level

vast balance sheets.

The only close analogue is Jefferies, which does boast a $55bn balance sheet. In the eurozone crisis, Jefferies was forced to sell itself to a meatpacking concern. But Credit Suisse bankers are not worrying about that today. Taubman's PJT Partners has a $1.9bn market value, with shares liberally sprinkled among the bankers.

Compare that with Credit Suisse, a global bank with a market cap of only $11bn. It is also disapproving of "Anglo-Saxon" pay demands.

Freed from Swiss sensibilities, the New York-based team will be able to pay themselves at what they consider an appropriate level: 50 to 60 per cent of revenues. This, in their view, is the real Goldilocks formula: just the right amount.

tom.braithwaite@ft.com

HSBC's heir apparent puts his reputation to the test

Spotlight

Georges Elhedery
Incoming chief financial officer
HSBC

Georges Elhedery had only been back from sabbatical for just over a month when HSBC cast him as heir apparent to the chief executive.

He had returned in September from six months of "personal development", which included learning some Mandarin, in what seemed a rare hiatus for such a senior banker.

Weeks later, HSBC announced that the 48-year-old would replace Ewen Stevenson as chief financial officer from January, a step up from his previous role as co-head of the investment bank and a clear signal he was ahead in the race for the top job.

"We certainly weren't expecting the [management] change," said Hugh Young, Asia chair of Abrdn, a shareholder. "Anyone who is CFO would be a potential CEO candidate."

Elhedery must now prove his worth as CFO during a testing period for HSBC as it shifts resources away from Europe and the Americas while battling calls from its largest shareholder to split the bank's Asian and west operations.

His elevation might have taken the market by surprise but his colleagues say he has paid his dues heading operations in the Middle East, markets and investment banking.

"To lead the markets business, you have to be very bright and credible," said a senior HSBC banker. "I think it was quite a surprise when he took time out, but people respected that."

Sam Johar, of executive search firm

Georges Elhedery: colleagues say the banker has earned his stripes, but his latest promotion comes during a tricky period for HSBC

'Georges must be the lead [CEO] candidate, because you get to trial him as CFO in front of investors'

Buchanan Harvey, said: "The change of CFO has unsettled the market, but undeservedly so, in this case."

Elhedery's promotion has also fuelled speculation that he will eventually replace chief executive Noel Quinn, who said last week that the management changes were all about succession planning, before adding that he had no intention of "stepping down any time soon".

His predecessor, Stevenson, had been thought to be among the candidates to succeed Quinn and senior HSBC bankers suggest he walked because he realised he was not in line for the job. Stevenson did not respond to a request for comment.

His exit has cleared a path for Elhedery but other senior bankers might still be in his way.

"There are three who are potential chief executives," said a former HSBC board member. "Georges; Nuno Matos, who's in Hong Kong running wealth globally and did a fantastic job cleaning up [the bank's operations in] Mexico; and Colin Bell, who is chief executive of Europe. Of the three, Georges must be the lead candidate, because you get to trial him as the CFO in front of investors."

Apart from fostering some internal competition, the succession planning will ensure chair Mark Tucker can avoid a repeat of the controversy when he ousted former chief executive John Flint in 2019 and left the position unfilled for seven months before Quinn's appointment.

Elhedery grew up in Beirut, to a retail banking father and a school teacher mother, before moving to France to study at the elite Parisian engineering school, the École Polytechnique. He then cut his teeth on the trading floor in Germany doing an internship at Caisse Des Dépôts, a French public sector bank.

Those who know him well describe a highly intelligent and personable banker. "He's fluent in Arabic, French, English, German and Spanish," said a former HSBC banker who worked closely with Elhedery. "He just did [Chinese] for fun. That's the type of guy he is. He's also a keen snowboarder and has a pilot's licence. He doesn't shirk the big decisions — he's very pragmatic."

Before joining HSBC in 2005, Elhedery had worked at Goldman Sachs and Paribas.

Once in the door, he quickly rose through the ranks working for the likes of Samir Assaf, his predecessor at the investment bank, and Mohammed Bin Mazyad Al-Tuwaijri, a Saudi Arabian politician who was the head of HSBC's Middle East, north Africa and Turkey business from 2010-16.

Elhedery won plaudits internally for his role in cutting $100bn of risk weighted assets ahead of time after being tasked with the plan in 2020 as co-chief executive of global banking and markets. That success also helped earn his sabbatical.

In the period between returning from sabbatical and third-quarter results, Elhedery worked closely with Quinn on special projects, the details of which have not been divulged. Before his break, he led work on digital assets and was involved with a project on central bank digital currency.

Elhedery will be based in London as CFO. And while his HSBC career spans 17 years, Elhedery has not run a business in Asia for the bank, which could prove another challenge.

Fostering good relations with Ping An will almost certainly be high on Elhedery's to-do list. At the very least, it will be a chance for him to put the Mandarin he picked up during sabbatical to good use. *Emma Dunkley*

Under the hood Digital infrastructure groups suffer under rising interest rates

Once seen as sanctuaries for steady returns, mobile tower and datacentre assets have fallen over fears of the increasing cost of capital

In a world of low interest rates and cheap debt, investors viewed the digital world's infrastructure assets as ideal sanctuaries for their money.

Both mobile towers — the metal structures on which radio antennas sit — and the real estate groups that house data centres offered steady, long-duration returns in a rapidly digitalising world.

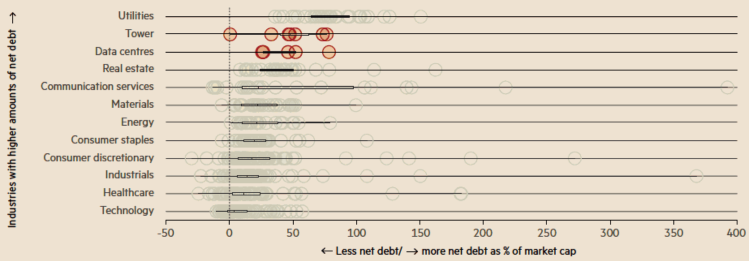
But since June, share prices in many of these sectors' companies have tumbled as interest rates drive up the cost of capital for their heavily indebted businesses.

"Towers and data centres are especially vulnerable to changes in interest rates," said Nick Del Deo, an analyst at MoffettNathanson. "One can argue that essentially the entirety of the recent sell-off in the stocks can be attributed to changes in the cost of capital."

For the past five years, leading telecoms operators rushed to spin out or sell down portions of these towers assets to capitalise on their huge valuations. Last year, Telefónica disposed of its Telxius towers at a price representing 30 times earnings before, interest, tax, depreciation and amortisation. Four months ago, Deutsche Telekom secured a sale of its German and Austrian towers to Digital Bridge and Brookfield for 27 times ebitda.

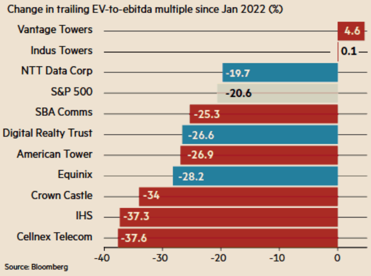
But over the past six months, US tower company valuations have fallen on average from 29.5 to 23 times ebitda, while US data centre valuations have plummeted from 26.4 to 18.9 times, according to analysis by MoffettNathanson.
Anna Gross and Patrick Mathurin

Tower and data centres rely heavily on debt
Net debt to market value, ranked by sector median (%)



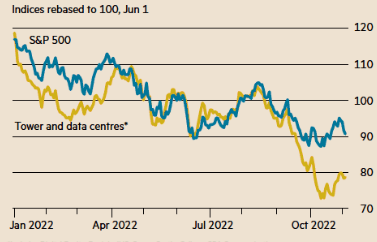
Source: Bloomberg • Cellnex Telecom, Vantage Towers, Indus Towers and Helios Towers are not in the S&P 500

Many tower and data centre valuations have fallen harder than the market this year
Change in trailing EV-to-ebitda multiple since Jan 2022 (%)



Source: Bloomberg

Since June, tower and data centres have largely underperformed the S&P 500
Indices rebased to 100, Jun 1



*Includes Digital Realty, Equinix, IHS, Crown Castle, Cellnex, SBA Communications, American Tower and Indus Tower
Source: Refinitiv

BUSINESS
WEEK IN REVIEW

Big Oil bonanza

- **Oil producers** BP and Saudi Aramco have reaped huge profits from historically high energy prices. Saudi Aramco reported its second-highest quarterly profit since listing in 2019, with net income of $42.4bn in the three months to September. BP's earnings more than doubled to $8bn.

- **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 such settlements by pharmacy chains linked to the opioids crisis in the US, which has led to hundreds of thousands of deaths.

- **Uniper**, the German energy group in the process of being nationalised, has suffered one of the biggest losses in corporate history after reporting a net loss of €40bn so far this year. Shares in the company, once Europe's largest importer of Russian gas, have fallen nearly 93 per cent this year.

- 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 familiar with the matter. The scandal-hit lender is seeking to raise SFr4bn ($4bn) to fund restructuring.

- The world is on the road to hyperinflation and could be heading towards its worst financial crisis since the second world war, **Elliott Management**, the hedge funds that manages $56bn in assets, has warned.

US-based private capital group Apollo Global snapped up $1.1bn of assets from UK pension funds after the disastrous 'mini' Budget

- The mining and commodities group **Glencore** was fined £182.9mn along with a confiscation order of £93.5mn by a judge at Southwark Crown Court, London, for running a bribery and corruption network to secure favourable access to oil across Africa.

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

- **Britishvolt**, the battery start-up that plans to build a £3.8bn battery gigafactory at Blyth in the north-east of England, has secured a lifeline from Glencore that will give it enough money to last until early next month, pulling the business back from the brink of bankruptcy. Glencore provided less than £5mn to the company, said people familiar with the matter.

£183mn
Fine imposed on Glencore after an oil bribery scandal in Africa

€40bn
Net loss so far this year for German energy group Uniper

- Germany's largest department store chain has filed for bankruptcy protection for the second time in two years, heaping pressure on its owner, René Benko, to stump up hundreds of millions to save it. **Galeria Karstadt Kaufhof**, which operates 131 stores employing 17,400 staff, has already taken two bail-outs worth €680mn from the German government.

- **Unilever** is to extend its trial of a four-day working week to 500 employees in Australia after a successful 18-month pilot for about 80 staff in New Zealand. The UK-based maker of Hellmann's mayonnaise becomes the largest company yet to offer a vote of confidence in the shorter working schedule.

Musk's 'war room' of advisers oversees radical upheaval after Twitter takeover

Whirlwind start with mass job cuts as mogul seeks to turn stagnant business into a money-spinner

HANNAH MURPHY AND IAN JOHNSTON

One of Elon Musk's first acts on taking over Twitter was to set up a "war room" in the company's San Francisco headquarters, surrounding himself with trusted lieutenants and thrashing out plans to transform the company's stagnant business into a money-spinner.

Over just a few days, the war room deliberations led Musk to order mass job cuts and press ahead with new product plans, while seeking to reassure advertisers that the platform will not turn into a "free-for-all hellscape", as he put it.

This account of Musk's whirlwind start running Twitter is based on interviews with current and former Twitter staffers, people aware of Musk's thinking, other correspondence, and the torrent of public tweets made by the Tesla chief and his team after closing the $44bn buyout of the social media company on October 27.

Most Twitter employees have had little to no direct interaction with Musk or his inner circle, sparking confusion internally. Instead, they have been forced to watch from their screens as the mercurial billionaire has wielded the platform itself to publicly brainstorm strategies for its future and pour scorn on critics of his plans, drumming up both debate and spectacle for its users.

"Twitter is simply the most interesting place on the Internet," he wrote this week. "That's why you're reading this tweet right now".

Musk's first step was to fire many of Twitter's senior leadership, including chief executive Parag Agrawal. According to regulatory filings, Musk is chief executive of the company, and has dissolved the board — a move he insisted was "temporary". He changed his title on his profile to "Chief Twit".

It marked a new phase for Twitter, characterised by the new owner teaming up with loyal associates and acolytes. Of these, the most prominent in the war room have been investors-cum-podcasters Jason Calacanis and David Sacks, who share Musk's penchant for championing free speech and have built up sizeable followings on Twitter. The pair have been classified in Twitter's employee directory as contractors, according to a person familiar with the situation.

Calacanis, who made his name at venture capital group Sequoia and later as an angel investor backing names such as retail broker Robinhood and Uber, previously told Musk, in messages made public in court filings: "Board member, adviser, whatever. You have my sword . . . Put me in the game coach! Twitter CEO is my dream job."

This week, he changed his public profile to read "Chief Meme Officer" and later "World's Greatest Moderator" at Twitter, and began posting about potential strategies for the business. He touted a potential "Twitter for enterprise" product. It is unclear if Calacanis will join Musk's management team formally at Twitter at a later point.

Sacks has been brought in temporarily to advise on product development, according to people with knowledge of the move. Like Musk, he is a member of the "PayPal mafia" — a co-founder of the group from which Musk gained his first fortune — and is a venture capitalist with Craft Ventures. A quieter member of Musk's chosen team is Sriram Krishnan, a general partner at Andreessen Horowitz, an equity investor in the deal, who is a former Twitter employee and former product leader at Meta and Snap.

Elon Musk, shown arriving at the Baron Investment Conference in New York yesterday, has wielded the platform to brainstorm strategies for its future and pour scorn on critics
Andrew Kelly/Reuters

Musk's team is exploring a number of product changes, from bringing back the Vine video platform, charging for direct messages and purging inactive accounts.

Handling Musk's legal and policy strategy is Alex Spiro, the lawyer who spearheaded a messy legal battle against Twitter itself. Antonio Gracias, a former Tesla director who founded private equity group Valor Equity Partners, is advising in finance matters, along with Jared Birchall, who runs Musk's family office.

"He's got to bring in the people that he trusts. It has a mission-critical mentality to it. [But] that may have sacrificed a bit of expertise in the social media platform space," said Eric Talley, professor at Columbia Law School. "This is a very closed governance sort of model, far more closed than companies of a comparable size."

In an email to advertisers this week, seen by the Financial Times, Twitter wrote that the "transition team has just started the process of learning the ins and outs of the company and how we operate". Twitter's leadership team was "working closely" with the transition team, insisting "they want to be supportive of our team and what's necessary to support all of you."

A team of Tesla staffers was brought in by Musk, who initially demanded that managers draw up lists of whom to sack and began supervising coding tests.

Some teams were ordered to work round the clock to deliver on Musk's product vision, including plans to launch a premium subscription service for $8. The demands have rocked Twitter's relaxed and democratic culture, with one staffer posting a photo of themselves sleeping on the office floor in a sleeping bag and eye mask.

The shake-up has caused tensions, according to two insiders, with a divide growing between employees jockeying for clout in the new order and those who think the leaders should be challenged.

"It's almost like a family business now, where there may be less need for the rigidity of a public firm," said Ann Lipton, a law professor at Tulane University. "That said, I imagine it's quite a culture shock to Twitter employees, who are probably used to dealing with a more defined chain of command, and we'll have to see how well this plays with advertisers who might also expect to deal with a more formalised structure."

As the job cuts day approached, many braced for impact. One employee described feeling increasingly "numb".

After a company-wide email was sent to staff on Thursday telling them mass job cuts were imminent and that they would learn their employment status by the following morning via email, employees flooded the Slack channel with emojis of a person saluting in a sign of solidarity; others began to find their email and Slack access cut off and shared the news on Twitter.

Some expressed anger. "Honestly happy to be laid off but the veil of @elonmusk is pierced. As messy as Twitter was pre-elon, it is a veritable clowntown of politics and toadyism and psychological abuse now," wrote Kushal Dave, a Twitter director of engineering, according to his LinkedIn profile.

> 'It is a veritable clowntown of politics and toadyism'

Amid concerns about his plans to loosen content moderation rules and allow permanently banned users back to the platform, Musk's team first sought to reassure advertisers, Twitter's main source of revenues.

On Wednesday, he told several of Twitter's top advertising spenders that he intended to focus on technology and engineering, and beefing up Twitter's security. Musk said he planned to offer different tiers of content moderation, similar to a film ratings system, according to three people familiar with the conversation, and would appoint a content moderation council before making any changes to its moderation policies.

Still, a growing number of brands, such as General Motors, Volkswagen, Carlsberg and General Mills, said they were pausing spending on the platform given the moderation concerns.

Musk appeared to dismiss marketers' concerns on Wednesday, tweeting a poll asking if advertisers should support free speech or political "correctness".

But yesterday, Musk warned that Twitter had had "a massive drop in revenue, due to activist groups pressuring advertisers, even though nothing has changed with content moderation and we did everything we could to appease the activists".

He added: "Extremely messed up! They're trying to destroy free speech in America."

Casey Mattox, senior fellow at the Charles Koch Institute, said: "He immediately becomes the punching bag, that's the downside of stepping into this role."

Musk has appeared to relish the challenge. "Being attacked by both right & left simultaneously is a good sign," wrote Musk, who changed his Twitter profile from Chief Twit to Twitter Complaint Hotline Operator.

Additional reporting by Ortenca Aliaj, Sujeet Indap and James Fontanella-Khan in New York

See Opinion

Banks

Trading helps SocGen beat expectations ahead of new chief's arrival

SARAH WHITE — PARIS

Strong trading revenues helped Société Générale to report higher than expected profits in the third quarter, extending some signs of a turnround at the French bank as it prepares to usher in a new chief executive.

France's third-biggest lender, which has appointed investment bank chief Slawomir Krupa to replace veteran boss Frédéric Oudéa from next May, reported net income of €1.5bn in the three months to the end of September. That was a 6 per cent drop on a year earlier but much higher than the €1bn expected by analysts in a Refinitiv poll.

SocGen is trying to move past years of restructurings during Oudéa's 15-year tenure and reap the benefits of the latest revamp that includes shedding some riskier products in its investment bank and beefing up its car leasing and financing business.

The bank joined many rivals in recording higher revenues from debt and currency trading in volatile markets, which jumped 34 per cent from a year earlier. It reported a 1 per cent rise in revenues in its equity trading unit at a time when some peers struggled, offsetting slower business from financing acquisitions and advising on share sales as recession fears spooked investors.

> SocGen's retail business struggled to benefit as much as some European banks from rising rates

Investment bank revenues were up 6 per cent to €2.3bn.

However, SocGen's retail business struggled to benefit as much as some European banks from rising interest rates. Most home loans in France are on fixed rates and a mechanism meant to shield consumers limits the pace at which banks can reprice mortgages.

In the lender's French retail business, net interest income — or the difference between the money it makes on loans and pays out to depositors — was down 4.5 per cent from the third quarter of 2021. SocGen's larger domestic rival BNP Paribas bucked some of the pain in its results this week, in part thanks to its large retail and corporate loan activity outside France.

Banks across Europe have been reporting bumper earnings as interest rates rise, and in spite of concerns over the economic fallout from soaring energy prices that are squeezing household revenues.

SocGen bulked up some of its provisions on performing loans in the third quarter. The bank pointed to "an increasingly complex geopolitical and economic environment".

Oudéa has been looking to reshape SocGen and boost a share price that has long underperformed those of European peers. The bank is doubling down on car leasing, with its ALD unit now close to completing the €4.9bn acquisition of rival LeasePlan.

The bank is finalising the merger of its two French retail networks. SocGen also had to rush to exit Russia after the invasion of Ukraine, taking a €3.2bn hit on the sale of its Rosbank unit.

Currencies. Looming recession

Investors cautious on 'better but not good' pound rally

Counting the cost: the pound is down about 17 per cent so far this year against the dollar
Chris Ratcliffe/Bloomberg

Sterling rebounds from record low against dollar but outlook clouded by economic woes

TOMMY STUBBINGTON AND MARTHA MUIR

Sterling is no longer in crisis but currency traders are reluctant to position for a prolonged rebound as the Bank of England's commitment to rapid interest rate rises wanes in the face of a looming recession.

The pound's recovery from its September plunge to an all-time low against the US dollar has stalled in the past week.

While the doubts about the UK's economic and political credibility that drove the pound below $1.04 have receded, investors have stuck with sizeable bets against a currency hamstrung by a toxic mix of high inflation, a massive trade deficit and a bleak outlook for the UK economy.

Having climbed above $1.16 in late October, helped by new prime minister Rishi Sunak ditching the tax-cutting and borrowing policies of predecessor Liz Truss that sparked September's meltdown, sterling finished the week around $1.13.

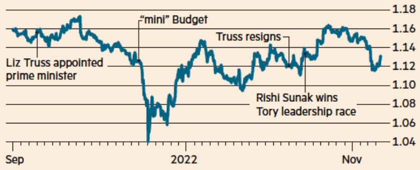
A slide this week, which was eased yesterday when the dollar fell broadly against other currencies, came despite the BoE's 0.75 percentage point rate increase, the biggest in 30 years.

While the big rate rise on Thursday was widely anticipated, the BoE's gloomy outlook for the economy bolstered a belief in currency markets that UK interest rates are likely to rise more slowly than those in the US or even the eurozone.

Investors typically pour money into markets that provide higher returns on fixed income assets.

"We've had some kind of normality come back and the crisis premium removed from sterling by Sunak," said Jane Foley, head of FX strategy at Rabobank. "But Thursday's Bank of England meeting was a reminder that normality for the pound looks pretty grim."

A wild 2 months for sterling
$ per £



Source: Refinitiv

BoE governor Andrew Bailey's message that market expectations for further tightening are overdone stood in contrast to Federal Reserve chair Jay Powell, who said on Wednesday that investors were underestimating the peak in US interest rates after lifting borrowing costs by the same margin.

"We found out this week that not all 75 basis point hikes are created equal," said Kamakshya Trivedi, head of global FX strategy at Goldman Sachs. "The messaging from the Fed was much more hawkish. US economic resilience is going to become increasingly apparent in comparison to places like the UK where tightening is likely to be more gradual and grudging."

Following the UK's recent change of government, "the outlook for sterling is better but not good", Trivedi added.

The pound's recent weakness is not solely against a rampant dollar. Sterling touched a low yesterday of £0.878 to the euro which — excluding the volatile period during Truss's premiership — it has not plumbed since February last year.

In a note published ahead of the BoE meeting, Deutsche Bank FX strategist Shreyas Gopal said the "crisis chapter" for sterling was over but that the UK's current account deficit — which widened to a record 7.2 per cent of GDP in the first quarter before receding to 5.5 per cent in the following three-month period — remained a significant headwind for the currency.

The current account deficit, which includes the UK's trade balance as well as net income from foreign investment and transfers, provides a snapshot of the economy's reliance on foreign inflows of money.

Gopal, who expects sterling to fall back to $1.08 by the end of the year, said: "The UK's external financing needs remain large and, on current market pricing, real yields are still too low compared to other major currencies, which all else equal leaves the likely trend in the pound lower."

Many investors appear to agree. Bearish wagers on the value of the pound are roughly at the same level seen in the run-up to and aftermath of Liz Truss's ill-fated "mini" Budget, according to data from the US Commodity Futures Trading Commission that provide a snapshot of how currency speculators, such as hedge funds, are positioned.

During the crisis that followed Truss's fiscal package of unfunded tax cuts, soaring UK bond yields did little to prop up the plunging pound.

> 'We found out this week that not all 75 basis point hikes are created equal'

The synchronised sell-off in bonds and sterling was reminiscent of an emerging markets crisis, where investors lose confidence in a country and sell assets of all stripes.

Sunak's fiscal policy U-turns have stabilised the gilt market but also seen the return of a more typical correlation, where lower bond yields relative to those in other economies tend to weaken the currency.

The UK's 10-year yield rose as much as 0.5 percentage points above its US equivalent in early October. It has since fallen back to 0.6 percentage points below the 10-year Treasury yield, the biggest gap since August.

The extra yield offered by gilts relative to German debt has also narrowed to levels last seen before Truss's fiscal plans — as has the gap in so-called real yields, which are adjusted for expected rates of inflation.

"When you have such a large current account deficit you either need higher interest rates or a lower currency to attract the inflows to fund it," said Ugo Lancioni, head of currency management at US asset manager Neuberger Berman, who is positioned for further sterling weakness in the short term.

"It looks like the preference is for a weaker pound."

Longer term, the sheer scale of the dollar's rise against a swath of currencies including sterling — which is down around 17 per cent so far this year — provides some hope of a recovery for the pound, at least against the US currency, according to Lancioni.

As US inflation and interest rates peak, some of the dollar's "excessive strength" should recede, he said, although the timing is tough to call.

"In one year, I would expect the pound to be higher against the dollar," Lancioni said. "But it's a low confidence forecast."

Equities

China stocks surge in best week since 2015 on hopes of reopening

HUDSON LOCKETT — HONG KONG
EDWARD WHITE — SEOUL

Chinese stocks had their best week in more than seven years, amid rumours that the country could begin reopening to the rest of the world early next year and reports that US regulators had completed a review of Chinese audit papers earlier than expected.

Hong Kong's Hang Seng China Enterprises index rose 6 per cent while the CSI 300 index of Shanghai and Shenzhen-listed shares jumped 3.3 per cent. The leap for the China Enterprises index was its largest weekly rise since 2015.

Market sentiment was bolstered by rumours circulating on social media that Zeng Guang, the former head of the Chinese Centers for Disease Control and Prevention, had said at a conference held by Citigroup that the country could reopen its border with Hong Kong in early 2023 with more relaxations on international border controls to follow.

Citi declined to comment on his alleged remarks.

Separately, traders said shares were getting a lift from a Bloomberg report, citing unnamed sources, stating that a US review of Chinese corporate audit papers in Hong Kong had finished early.

It was seen as progress in the process to prevent the US delisting of hundreds of stocks from Alibaba to Yum China.

> 'I'm not optimistic on the China-US relationship. There will be more coming from the US side'

However, US-based WisdomTree Asset Management said it had been shifting its holdings out of Chinese companies' US-listed shares and into their Hong Kong stocks.

Liqian Ren, who manages the fund's China investments, said the moves reflected expectations that more risks are likely to arise in the delisting process, even if the US Public Company Accounting Oversight Board audits are successfully completed in this round.

"I'm not optimistic on the China-US relationship . . . there will be more coming from the US side," she said.

The gains for Chinese shares came as Olaf Scholz, the German chancellor, met President Xi Jinping in the Great Hall of the People in Beijing, marking the first visit by a head of state from the G7 group of nations to China in three years.

Analysts said the jump for China stocks in Hong Kong had been heavily driven by mainland investors, many of whom were seeking to "buy the dip" in the wake of a summit of global financiers in the city this week and after share prices in the city fell to 13-year lows.

Calculations by the Financial Times based on exchange data show mainland investors bought roughly $3.7bn worth of Hong Kong-listed stocks this week.

But China's benchmark CSI 300 index is still down 33 per cent this year once the depreciation of the renminbi against the dollar is taken into account.

Crypto

Coinbase blames sagging digital asset volumes after revenues plummet

SCOTT CHIPOLINA

Coinbase suffered sharp declines in revenues and trading volumes in the third quarter as the washout in bitcoin and other digital assets reversed the fortunes of the once fast-growing cryptocurrency exchange.

The US-listed company acknowledged "another tough quarter" as it reported net revenue of $576mn, down from

average annualised volatility for bitcoin hit its lowest point since October 2020.

The lack of price action has placed renewed pressure on Coinbase, which described crypto asset volatility as a "key driver of our retail trading volume" in a letter to shareholders.

"This was a very difficult quarter for Coinbase as macro and crypto headwinds are front and centre," said Dan Ives, senior equity analyst at Wedbush

would cut nearly a fifth of its workforce.

Chief executive Brian Armstrong at the time admitted that the exchange grew "too quickly", finishing 2021 with over 3,700 employees.

It also rescinded job offers at the exchange as part of the sharp pullback.

This week, Coinbase chief product officer Surojit Chatterjee said he was stepping down, saying "now it's time to get off the ride and catch my breath".

Asset management

US ETFs attract almost $500bn of inflows despite Wall Street's grim year

STEVE JOHNSON

US exchange traded funds have pulled in almost $500bn in new client money this year as investors continue a shift into the asset class despite a historic pullback in stock and bond markets.

The inflows are well below last year's full-year tally of $935bn but in line to overtake the previous record of $501bn in 2020, according to data from the

Data Services gauge tracking high-grade US bonds has fallen almost 16 per cent.

The inflows into US ETFs this year despite the gloomy backdrop, combined with the fresh pullback in mutual funds, highlighted how the move into the asset class represents a fundamental change in how investors allocate capital.

ETFs provide investors with the ability to trade funds on exchanges in a

in three phases. In the first, the format offered a cheap and accessible way to mimic returns of the overall market, competing against more expensive actively managed mutual funds and displacing direct equity holdings.

Next, ETFs moved beyond broad strategies to more complex styles, such as tracking themes or automatically adjusting holdings based on factors such as price-to-book ratios, leading to a rise more than $1.2bn a year before and from $803mn in the previous quarter.

Coinbase lost $545mn in the quarter compared with a net profit of $406mn a year before.

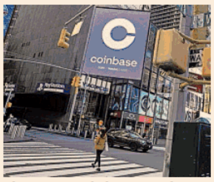
The plunge in crypto markets this year continues to take its toll on trading venues such as Coinbase. Tokens such as bitcoin and ether have lost about 70 per cent of their value since their all-time high last year.

Trading volumes and monthly transacting users at Coinbase dropped by 27 per cent and 6 per cent, respectively, from the second to the third quarter.

The price crash was followed by rangebound trading for popular crypto tokens. Recent figures shared by data provider CryptoCompare showed that

Securities. "The user base is declining, and that is not a storybook quarter for the Street."

Coinbase in June announced that it



The crypto crash this year took its toll on platforms such as Coinbase

Chatterjee will continue to serve as an adviser to Armstrong.

Coinbase also cited "macroeconomic factors" and "geopolitical factors" – including the war in Ukraine – as weighing heavily on financial and crypto markets.

Assets on the Coinbase platform rose by $5bn from the second quarter to $101bn.

Despite a difficult financial year, it agreed a deal with asset management group BlackRock in August in order to give the latter's clients more seamless access to digital asset markets – in a move seen as a sign that institutional appetite for digital assets remained, despite the downturn in prices.

See Lex

Investment Company Institute until October 26.

In contrast, long-term US mutual funds – which exclude vehicles that act as alternatives to holding cash – have seen net outflows of $790bn in 2022, far worse than the decline of $59bn last year and $484bn in 2020.

"Despite market volatility and a darkening economic outlook, the inflows . . . are remarkable with some of the highest-profile ETFs seeing sharp acceleration in funds in the face of overwhelming equity weakness," said Jeffrey O'Connor, head of market structure for the Americas at electronic trading network Liquidnet.

Wall Street's S&P 500 index tumbled 19 per cent in 2022 while a broad Ice

'Even in a down market with jobs strong, money flows in regardless of the direction of the market'

similar way to equities and typically have lower fees and tax advantages.

"In just over three years, ETF assets have doubled on persistent net inflows," O'Connor said. "Even in a down market with jobs strong, money flows in regardless of the direction of the market."

Ju-Hon Kwek, senior partner at McKinsey, said the robust performance for ETFs challenged a widely held idea they required a "risk-on" environment.

Kwek said the rise of ETFs happened

in institutional take-up.

A third phase has begun, in which more managers are launching actively managed ETFs – using a new vehicle for strategies popular in the mutual fund industry. He said these funds had "come of age" this year with record levels of product launches and fund conversions.

Kwek said a "notable pattern" had emerged this year in that outflows from active mutual funds were often followed a few months later by inflows into comparable ETFs.

He pinned this trend on retail investors engaging in "tax loss harvesting" – selling mutual funds while they are underwater to avoid capital gains tax and investing the proceeds in ETFs, which benefit from lower taxes and fees.

COMPANIES & MARKETS

On Wall Street
It remains the Fed of Bernanke and Friedman

Brendan Greeley

Every Federal Reserve press conference follows the same pattern – in growth and stagnation, in low and high inflation.

Reporters ask when the Fed will be satisfied that its tools are working. The poor Fed chair doesn't really have an answer and says that the central bank is watching carefully, reminding the media that monetary policy has a "long and variable lag", or words to that effect.

This was the format this week when chair Jay Powell talked to the press after another 0.75 percentage point rate hike as the Fed waits for inflation to drop. But it could have just as easily been Janet Yellen or Ben Bernanke. That exquisite phrase "long and variable lag" is a technical-sounding way of saying "we don't know and we don't know when we will know".

Monetary policymakers have been saying this for so long that we have allowed them to launder it into a kind of privilege. They don't have to adapt. They don't have to be creative. Their tools don't have to work. Central bankers remain forever in lag. It's not working now – but it could.

The phrase itself derives from one of the founding documents of the current central banking regime, Milton Friedman's 1959 *Program for Monetary Stability*. Friedman pointed out that the Fed could use its balance sheet to increase or decrease the total supply of money in the economy but peaks in inflation tended to follow peaks in the supply of money with a "considerable lag", which was also "rather variable".

This is a monetarist argument, one that has fallen out of favour among macroeconomists. But the language stuck.

In that same book, Friedman offered a full list of central bank tools. The Fed could supervise or regulate banks. It could conduct specific credit policy, encouraging or discouraging different kinds of loans. Or it could encourage or discourage credit overall, in particular by buying and selling securities on the open market.

Friedman was not the only 20th-century influence on monetary policy. But it is hard to overstate his power to define what was and was not the proper job of a central bank. In his *Program*, he swept supervision and specific credit

> The Fed is pulling on a lever that may not be attached to anything, hoping it gets lucky

policy off the table and stated that open market operations *were* monetary policy.

Ben Bernanke won his Nobel this year for his historical work on the way bank collapses lead to economic collapses, as the remaining healthy banks have trouble figuring out who gets credit.

It is indeed a happy coincidence that he was the Fed chair during the financial crisis, as he worked with Congress and the White House to find creative ways to keep banks from collapsing.

But Bernanke was also chair for several years after the crisis. He wrote the plans for how the Fed would think and react, not just in a crisis but in the course of its normal work.

When the Fed conducted its policy review in 2019 and 2020, it didn't really change anything. Jay Powell is the one speaking to the press but it's still today

Bernanke's Fed. Bernanke increased the pace at which the Fed published its internal projections, reasoning that it was bad to surprise markets and that in fact it might be useful to guide them more regularly and clearly on what was coming. As other central bankers were doing, he adopted an inflation target.

But Bernanke, who as a grad student had studied Friedman's monetary history, also stayed within the lines that Friedman had drawn so clearly in 1959.

Regulation and specific credit remained off the table as monetary policy tools. The Fed's one tool was the desk on Liberty Street in New York where it bought and sold Treasuries and the securities of federal agencies on the open market.

The problem now is not that Friedman and Bernanke were wrong. You can be right for a time and then when things change you do something different. But there doesn't seem to be any urgency at the Fed over tools.

For years, the Fed failed to reach its inflation target and, well, there's a lag. These things happen. Now, using the same framework, it is not clear that the Fed is bringing inflation down to target, leaving Powell behind the podium talking about recent research on lags.

Even Bernanke himself, in his most recent work, *21st century Monetary Policy*, closes by considering tools that other central banks have tried – buying stocks and corporate bonds, offering funding for specific kinds of bank loans. He even briefly mentions buying bank loans, as the Fed did in the pandemic. But he doesn't see the Fed pressing Congress for the regular use of these tools anytime soon, or Congress granting them.

The Fed is pulling up and down on a lever that may not be attached to anything, hoping it gets lucky. Who knows? It might. The lags are long and variable.

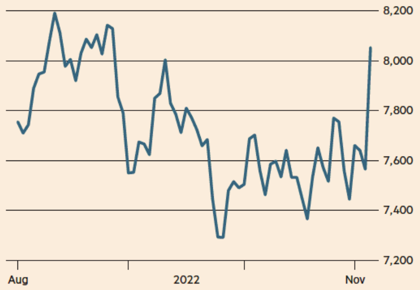
Brendan Greeley is an FT contributing editor

The day in the markets

What you need to know

- **Wall Street stocks waver as traders scrutinise Fed comments and jobs report**
- **Dollar slides on mixed data showing a rise in US unemployment rate**
- **Industrial metals shoot higher on hopes that China will soon loosen Covid curbs**

Copper surges on weakening dollar and China speculation
LME 3-month copper future, rolling ($)



Source: Refinitiv

US stocks wavered and the dollar slipped yesterday after a mixed report on the country's jobs market and a duo of senior Federal Reserve officials backed a slower pace of increases in borrowing costs.

The blue-chip S&P 500 rose 0.1 per cent while the tech-heavy Nasdaq Composite slipped 0.3 per cent.

Across the Atlantic, the pan-regional Stoxx Europe 600 added 1.8 per cent.

The US Dollar index, which tracks the currency against six leading peers, fell 1.6 per cent.

The move came after Susan Collins and Thomas Barkin, heads of the Boston and Richmond Fed branches, respectively, said the central bank should start considering a slowdown in its interest rate rises.

Investors also scrutinised data showing the US added 261,000 jobs in October, exceeding Wall Street expectations of 200,000. The unemployment rate, however, increased by 0.2 percentage points to 3.7 per cent in October, higher than the 3.6 per cent predicted.

Quincy Krosby, chief global strategist at LPL Financial, said the report bolstered the case for a smaller 0.5 percentage point rise at the Fed's December meeting and "helped the equities market" because higher employment figures implied payroll numbers are "shifting lower but not collapsing".

The yield on the two-year Treasury, which is particularly sensitive to short-term monetary policy expectations, reached its highest level since mid-2007 on Thursday but fell yesterday 3 basis points to 4.67 per cent.

Chinese stocks soared, extending their weekly gains on hopes that Beijing would change its longstanding zero-Covid policy.

The CSI 300 index of Shanghai and Shenzhen-listed shares gained 3.3 per cent.

Industrial metal prices skyrocketed, helped by the China sentiment and the weaker dollar, with some key commodity assets poised for historic daily gains.

Copper, a barometer of health for the global economy, powered 6.5 per cent higher to breach $8,000 a tonne for the first time in two months.

Other base metals including nickel, zinc and tin also jumped by more than 5 per cent after sliding since March on macroeconomic fears that have trumped supply concerns.

Gold gained 2.8 per cent to $1,677 per troy ounce, putting it on course for its best day since March when the Russia-Ukraine conflict shook global markets.
George Steer

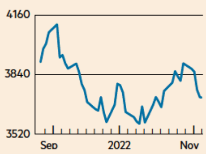
Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	3717.46	1649.94	27199.74	7334.84	3070.80	119153.23
% change on day	-0.07	1.79	-1.68	2.03	2.43	1.93
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	112.478	0.990	147.245	1.128	7.269	5.044
% change on day	-0.400	1.434	-0.638	0.894	-0.707	-1.130
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	4.161	2.295	0.252	3.531	2.701	11.446
Basis point change on day	1.360	5.300	1.000	1.700	2.300	-8.700
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	380.06	98.34	92.21	1628.75	18.92	3543.40
% change on day	0.95	3.88	4.58	-1.26	-4.35	-1.04

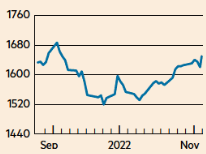
Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets

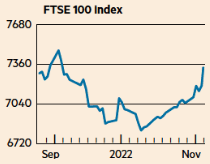
S&P 500 index



Eurofirst 300 index



FTSE 100 index



Biggest movers

%	US		Eurozone		UK	
Ups	Freeport-mcmoran	8.97	Adidas	20.21	Anglo American	11.13
	Starbucks	8.17	Continental	10.79	Prudential	8.97
	Dxc Technology	8.01	Erste Bank	10.66	Fresnillo	7.69
	Estee Lauder Companies (the)	7.48	Swatch	7.04	Rio Tinto	7.59
	Monster Beverage	7.04	Kone	6.76	Endeavour Mining	7.59
Downs	Warner Bros	-14.24	Saipem	-3.61	Bae Systems	-2.99
	Coterra Energy	-8.62	Caixabank	-3.44	Pearson	-2.00
	Organon	-7.82	Thales	-2.64	Bt	-1.98
	Paycom Software	-7.72	Novo Nordisk	-1.74	Sainsbury (j)	-1.37
	Servicenow	-6.64	B. Sabadell	-1.57	Ocado	-0.78

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

A chunky earnings miss sent **Warner Bros Discovery** to the bottom of the S&P 500 index with the entertainment conglomerate posting a third-quarter loss

Europe

French luxury group **Kering** rallied following a report that it was in advanced talks about buying the eponymous label, Tom Ford

London

Newspaper group **Reach** climbed on confirming that National World was in the "early stages of exploring a possible offer" for the Mirror and Daily Express conglomerate posting a third-quarter loss of 95 cents per share, wider than the 21 cents loss that Wall Street analysts had expected.

Credit Suisse said Warner had indicated that the advertising market had "softened" with less demand for ads bought outside the "upfront" season of television booking.

Coffee chain **Starbucks** rallied after reporting record revenue of $32.3bn for its fiscal full year.

Quarterly earnings of 81 cents per share also topped the Refinitiv-compiled estimate by 9 cents.

China was "another bright spot", noted Bank of America, with Starbucks posting a 16 per cent dip in comparable store sales, better than the 22 per cent fall BofA had expected and a noticeable improvement on the 44 per cent drop registered in the previous quarter.

These Asia figures attested "to the brand's bright prospects when Covid restrictions eventually lift", said the broker.

Sports betting group **DraftKings**, which has yet to post a profit, tumbled after forecasting a bigger loss for its fiscal 2023 year than expected. *Ray Douglas*

Tom Ford.

The Wall Street Journal said the owner of Gucci was the frontrunner as it vied with US cosmetics group Estée Lauder for the fashion brand.

Piral Dadhania, analyst at RBC Europe, said the logic behind a possible deal was "compelling", given Ford had been creative director of Gucci and fellow Kering label Yves Saint Laurent.

"From Kering's perspective, we think it will feel it has complementary expertise to further develop the Tom Ford brand, particularly in womenswear and leather goods," said Dadhania.

An upgrade to its outlook lifted tyremaker **Pirelli**, which forecast 2022 revenues of €6.5bn, up from an earlier range of €6.2bn to €6.3bn.

The Italian group said it had been able to offset growing production costs by rolling out price increases across "all regions".

Another boost in guidance pushed Austrian lender **Erste** higher.

Thanks to "sharper than expected rate hikes", the bank said it expected growth in net interest income of about 20 per cent in 2022, up from a "low-double digit" estimate stated in August. *Ray Douglas*

offer for the Mirror and Daily Express publisher.

Reach said it had yet to receive an approach from National World, a group led by David Montgomery, a veteran newspaper editor and executive.

Caspian Sunrise surged after announcing its first dividend in "one of the most important updates ever provided" by the oil explorer, said WH Ireland Research.

Owing to changes in regulation, Caspian added that it would be allowed to sell its own production direct to international and domestic buyers though a subsidiary — a development "expected to increase the net price received by between $5 and $10 per barrel", it said.

An optimistic trading update lifted furniture retailer **DFS**, which noted "a more positive trend" since early September and "evidence of positive market share gains".

Direct marketer **4imprint** advanced on announcing that it expected this year's pre-tax profit to be towards the top end of current analysts' forecasts, led by improved order counts in its primary North American business. *Ray Douglas*

MARKET DATA

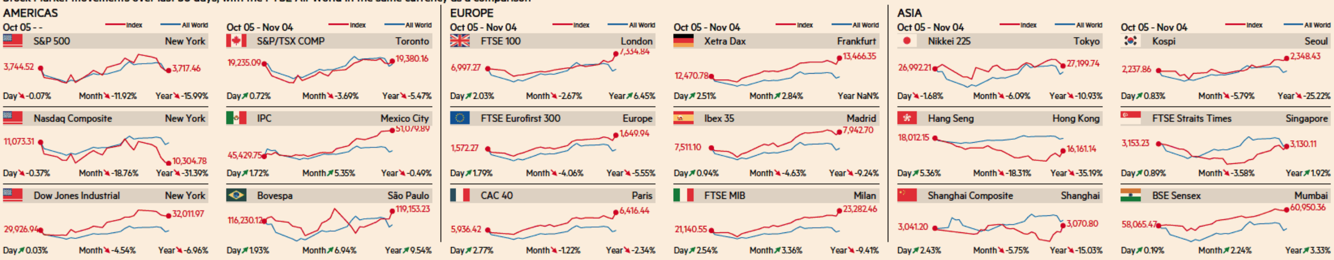
WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)

S&P 500	Nasdaq Composite	Dow Jones Ind	FTSE 100	FTSE Eurofirst 300	Nikkei	Hang Seng	FTSE All World $	$ per €	$ per £	¥ per $	£ per €	Oil Brent $ Sep	Gold $
-0.07%	-0.37%	0.03%	2.03%	1.79%	-1.68%	5.36%	0.95%	1.434%	0.894%	-0.638%	0.458%	3.40%	-1.26%

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



Country	Index	Latest	Previous
Argentina	Merval	150786.32	150451.02
Australia	All Ordinaries	7089.30	7050.60
	S&P/ASX 200	6892.50	6857.90
	S&P/ASX 200 Res	5445.90	5321.20
Austria	ATX	3091.54	2950.74
Belgium	BEL 20	3602.53	3532.49
	BEL Mid	9263.86	9119.73
Brazil	IBovespa	119153.23	116896.36
Canada	S&P/TSX 60	1174.76	1166.99
	S&P/TSX Comp	19380.16	19241.22
	S&P/TSX Div Met & Min	1281.92	1263.42
Chile	S&P/CLX IGPA Gen	28150.07	28048.93
China	FTSE A200	10025.64	9697.20
	FTSE B35	9000.71	8988.96
	Shanghai A	3218.44	3141.92
	Shanghai B	290.40	284.80
	Shanghai Comp	3070.80	2997.81
	Shenzhen A	2113.53	2058.30
	Shenzhen B	1102.18	1078.11
Colombia	COLCAP	1261.61	1260.21
Croatia	CROBEX	2013.05	2011.29
Cyprus	CSE M&P Gen	68.46	68.68
Czech Republic	PX	1222.15	1189.68
Denmark	OMXC Copenhagen 20	1684.33	1692.97
Egypt	EGX 30	11282.40	11242.07
Estonia	OMX Tallinn	1731.88	1714.80
Finland	OMX Helsinki General	10613.41	10357.51
France	CAC 40	6416.44	6243.28
	SBF 120	4924.08	4796.58
Germany	M-DAX	23811.57	23247.65
	TecDAX	2835.07	2799.45
	XETRA Dax	13459.85	13130.19
Greece	Athens Gen	879.00	861.76
	FTSE/ASE 20	2140.16	2092.64
Hong Kong	Hang Seng	16161.14	15339.49
	HS China Enterprise	5482.52	5170.51
	HSCC Red Chip	3096.91	2960.95
Hungary	Bux	42629.68	41768.70
India	BSE Sensex	60950.36	60836.41
	Nifty 500	15530.85	15484.70
Indonesia	Jakarta Comp	7045.53	7034.57
Ireland	ISEQ Overall	6983.38	6885.83
Israel	Tel Aviv 125	1923.72	1954.21
Italy	FTSE Italia All-Share	25219.66	24613.22
	FTSE Italia Mid Cap	37724.35	37261.55
	FTSE MIB	23282.46	22706.02
Japan	2nd Section	7228.27	7239.06
	Nikkei 225	27199.74	27663.39
	S&P Topix 150	1648.08	1669.78
	Topix	1930.17	1935.40
Jordan	Amman SE	2421.81	2440.20
Kenya	NSE 20	1682.55	1684.15
Kuwait	KSX Market Index	6633.44	6603.51
Latvia	OMX Riga	1099.15	1106.79
Lithuania	OMX Vilnius	906.05	904.37
Luxembourg	LuxX	1391.89	1348.62
Malaysia	FTSE Bursa KLCI	1438.28	1420.38
Mexico	IPC	51079.89	50215.87
Morocco	MASI	10811.03	10811.03
Netherlands	AEX	671.88	661.18
	AEX All Share	912.22	895.88
New Zealand	NZX 50	11230.75	11184.30
Nigeria	SE All Share	44236.70	44283.02
Norway	Oslo All Share	1017.37	1006.88
Pakistan	KSE 100	41856.31	42090.71
Philippines	Manila Comp	6185.53	6156.11
Poland	Wig	52317.62	50915.87
Portugal	PSI 20	5734.96	5739.70
	PSI General	4354.91	4346.72
Romania	BET Index	10890.38	10829.82
Russia	Micex Index	2436.57	2445.30
	RTX	1245.71	1212.57
Saudi-Arabia	TADAWUL All Share Index	11438.19	11530.29
Singapore	FTSE Straits Times	3130.11	3102.51
Slovakia	SAX	333.25	333.25
Slovenia	SBI TOP	-	-
South Africa	FTSE/JSE All Share	69305.19	66046.65
	FTSE/JSE Res 20	66568.44	60034.87
	FTSE/JSE Top 40	62769.28	59504.05
South Korea	Kospi	2348.43	2329.17
	Kospi 200	304.33	301.66
Spain	IBEX 35	7942.70	7868.90
Sri Lanka	CSE All Share	8491.80	8508.98
Sweden	OMX Stockholm 30	1999.01	1960.06
	OMX Stockholm AS	759.49	746.05
Switzerland	SMI Index	10787.77	10710.59
Taiwan	Weighted Pr	13026.71	12986.60
Thailand	Bangkok SET	1626.32	1625.82
Turkey	BIST 100	4216.98	4216.98
UAE	Abu Dhabi General Index	9222.93	9251.11
UK	FT 30	2404.60	2375.20
	FTSE 100	7334.84	7188.63
	FTSE 4Good UK	6560.76	6422.82
	FTSE All Share	4001.84	3926.87
	FTSE techMARK 100	6074.07	6021.90
USA	DJ Composite	10596.84	10596.48
	DJ Industrial	32011.97	32001.25
	DJ Transport	13290.35	13200.71
	DJ Utilities	898.18	906.86
	Nasdaq 100	10670.86	10690.60
	Nasdaq Cmp	10304.78	10342.94
	NYSE Comp	14542.30	14455.67
	S&P 500	3717.46	3719.89
	Wilshire 5000	37136.17	37195.03
Venezuela	IBC	8980.36	8972.30
Vietnam	VNI	997.15	1019.81
Cross-Border	DJ Global Titans ($)	389.53	388.48
	Euro Stoxx 50 (Eur)	3688.39	3593.19
	Euronext 100 ID	1216.20	1186.33
	FTSE 4Good Global ($)	8956.27	8890.83
	FTSE All World ($)	380.06	376.48
	FTSE E300	1649.94	1614.76
	FTSE Eurotop 100	3254.84	3196.68
	FTSE Global 100 ($)	2315.70	2302.76
	FTSE Gold Min ($)	1336.39	1403.53
	FTSE Latibex Top (Eur)	4440.00	4432.20
	FTSE Multinationals ($)	2427.43	2465.98
	FTSE World ($)	689.53	684.25
	FTSEurofirst 100 (Eur)	4372.18	4278.55
	FTSEurofirst 80 (Eur)	5007.63	4881.11
	MSCI ACWI Fr ($)	570.77	578.22
	MSCI All World ($)	2467.89	2499.78
	MSCI Europe (Eur)	1655.15	1663.90
	MSCI Pacific ($)	2365.22	2402.79
	S&P Euro (Eur)	1652.57	1617.33
	S&P Europe 350 (Eur)	1687.08	1660.57
	S&P Global 1200 ($)	2735.66	2714.64
	Stoxx 50 (Eur)	3600.16	3539.48

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

STOCK MARKET: BIGGEST MOVERS

AMERICA

ACTIVE STOCKS	stock traded m's	close price	Day's change
Apple	91.9	135.02	-3.86
Tesla	75.6	211.33	-3.98
Amazon.com	59.1	89.02	-0.28
Nvidia	40.9	138.07	3.86
Microsoft	33.0	215.70	1.45
Advanced Micro Devices	26.9	60.99	0.88
Alphabet	21.3	84.41	0.98
Paypal Holdings	18.7	72.67	-3.88
Alphabet	15.5	84.46	0.97
Netflix	13.3	258.66	-10.40

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Freeport-mcmoran	34.39	2.83	8.97
Starbucks	91.60	6.92	8.17
Dxc Technology	27.77	2.06	8.01
Estee Lauder Companies (the)	208.28	14.50	7.48
Monster Beverage	97.50	6.41	7.04
Downs			
Paycom Software	299.15	-27.18	-8.33
Servicenow	357.58	-27.99	-7.26
Salesforce	136.61	-9.72	-6.64
Paypal Holdings	72.67	-3.88	-5.07
Keysight	159.89	-7.09	-4.24

Based on the constituents of the S&P500 and the Nasdaq 100 index

LONDON

ACTIVE STOCKS	stock traded m's	close price	Day's change
Shell	239.5	2526.50	35.00
Glencore	223.9	532.00	13.00
Bp	206.5	499.95	6.45
Hsbc Holdings	200.0	490.00	26.85
Rio Tinto	188.2	5030.00	355.00
Anglo American	185.3	2951.50	295.50
Astrazeneca	139.7	10742.00	60.00
Diageo	103.7	3688.00	93.00
Unilever	102.9	4053.50	58.00
Gsk	87.3	1445.60	-2.40

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Morgan Advanced Materials	281.50	38.50	15.84
Anglo American	2951.50	295.50	11.13
Prudential	913.60	75.20	8.97
Synthomer	123.60	10.10	8.90
Ferrexpo	112.70	8.70	8.37
Downs			
Hikma Pharmaceuticals	1247.00	-49.50	-3.82
Bellevue Healthcare Trust	157.60	-5.60	-3.43
Jlen Environmental Assets	118.80	-4.20	-3.41
Auction Technology	800.00	-27.00	-3.26
Bae Systems	798.80	-24.60	-2.99

Based on the constituents of the FTSE 350 index

EURO MARKETS

ACTIVE STOCKS	stock traded m's	close price	Day's change
Intesa Sanpaolo	452.8	2.06	0.10
Roche Gs	366.7	330.44	-5.57
Nestle N	352.9	110.01	0.51
Adidas Ag Na O.n.	343.4	112.94	18.99
Novartis N	326.4	82.18	-0.04
Lvmh	312.5	660.50	30.50
Asml Holding	285.4	462.40	8.70
Totalenergies	282.0	57.72	0.84
Eni	271.0	14.01	0.29
Unicredit	245.0	13.04	0.22

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Adidas Ag Na O.n.	112.94	18.99	20.21
Vonovia Se Na O.n.	22.72	1.55	7.32
Prosus	49.89	3.29	7.07
Richemont N	105.59	6.68	6.76
Kering	500.20	30.05	6.39
Downs			
Vestas Wind Systems A/s	20.74	-0.71	-3.32
Adyen	1284.40	-28.80	-2.19
Novo Nordisk B A/s	113.11	-2.00	-1.74
Roche Gs	330.44	-5.57	-1.66
Iberdrola	10.01	-0.12	-1.19

Based on the constituents of the FTSEurofirst 300 Eurozone index

TOKYO

ACTIVE STOCKS	stock traded m's	close price	Day's change
Softbank .	1944.2	6557.00	-148.00
Kawasaki Kisen Kaisha,	779.4	2187.00	-27.00
Toyota Motor	638.7	1985.00	-29.50
Nippon Yusen Kabushiki Kaisha	610.3	2563.00	-92.50
Sony	597.8	10700.00	-55.00
Mitsubishi Motors	573.3	616.00	94.00
Fast Retailing Co.,	573.2	82600.00	-350.00
Tokyo Electron	562.7	37950.00	-920.00
Mitsui O.s.k.lines,	490.9	2897.00	-72.00
Keyence	460.7	55900.00	-2180.00

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Mitsubishi Motors	616.00	94.00	18.01
Konica Minolta Holdings, .	504.00	41.00	8.86
Mitsubishi Heavy Industries,	5369.00	227.00	4.41
Sumitomo (sumitomo Shoji Kaisha)	2077.50	84.50	4.24
Ihi	3430.00	70.00	2.08
Downs			
Z Holdings	340.00	-56.20	-14.18
Agc	4225.00	-435.00	-9.33
M3,.	4016.00	-399.00	-9.04
Nippon Suisan Kaisha,	500.00	-47.00	-8.59
Nippon Sheet Glass ,	542.00	-32.00	-5.57

Based on the constituents of the Nikkei 225 index

UK MARKET WINNERS AND LOSERS

FTSE 100	Nov 04 price(p)	%Chg week	%Chg ytd
Winners			
Ocado	634.00	34.8	-
Prudential	913.60	14.5	-
Anglo American	2951.50	12.4	-3.3
Rio Tinto	5030.00	12.1	2.9
B&m Eur Value Retail S.a.	357.50	11.1	-43.6
Hsbc Holdings	490.00	10.8	5.1
Rolls-royce Holdings	85.11	10.5	-
Sainsbury (j)	208.70	9.6	-
Harbour Energy	408.60	9.3	16.7
Centrica	79.92	9.2	11.9
Int Consolidated Airlines S.a.	124.98	8.4	-
Jd Sports Fashion	104.05	7.4	-
Losers			
Bt	114.10	-9.9	-
Rs	882.50	-9.2	-
Croda Int	6510.00	-5.2	-
Rentokil Initial	520.80	-4.3	-9.6
Experian	2693.00	-3.3	-
Bae Systems	798.80	-1.9	45.4
Sage	719.20	-1.7	-
Dechra Pharmaceuticals	2600.00	-1.7	-
Segro	780.60	-1.4	-
Relx	2308.00	-1.4	-4.0
British American Tobacco	3376.50	-1.1	23.9
Spirax-sarco Eng	10805.00	-0.9	-

FTSE 250	Nov 04 price(p)	%Chg week	%Chg ytd
Winners			
Mitchells & Butlers	136.30	21.3	-
Tullow Oil	48.36	21.0	6.9
Lancashire Holdings	569.50	17.7	8.6
Tbc Bank	2165.00	14.3	31.2
Wizz Air Holdings	1834.00	13.8	-
Bank Of Georgia	2420.00	13.3	48.2
Wood (john)	158.10	12.9	-
Ip	67.40	12.8	-
Wh Smith	1308.00	12.7	-
Morgan Advanced Materials	281.50	12.6	-
Molten Ventures	360.20	11.8	-64.1
Tui Ag	139.55	10.9	-
Losers			
Ti Fluid Systems	126.00	-9.1	-
Videndum	1200.00	-8.5	-
Hg Capital Trust	336.50	-6.1	-
Gcp Infrastructure Investments	92.20	-5.9	-
Tp Icap	175.00	-5.4	14.7
Oxford Instruments	1900.00	-5.2	-
Allianz Technology Trust	218.00	-5.2	-
Nextenergy Solar Fund	103.40	-4.4	1.4
Bellevue Healthcare Trust	157.60	-4.1	-
Jlen Environmental Assets	118.80	-4.0	12.7
Bbgi Global Infrastructure S.a.	154.00	-3.8	-
Helios Towers	110.10	-3.6	-

FTSE SmallCap	Nov 04 price(p)	%Chg week	%Chg ytd
Winners			
Up Global Sourcing Holdings	135.00	30.4	-
Metro Bank	87.00	21.0	-8.8
Riverstone Energy	722.00	16.1	53.0
Reach	105.70	15.9	-61.6
Fisher (james) & Sons	302.50	15.2	-16.8
Zotefoams	332.00	14.5	-
Pod Point Holdings	56.65	14.4	-
Hunting	294.50	14.1	84.1
Baillie Gifford China Growth Trust	236.50	13.2	-
Jpmorgan China Growth & ome	283.00	12.3	-42.2
Halfords	192.00	12.1	-
Restaurant	35.72	11.6	-
Losers			
Funding Circle Holdings	42.75	-18.4	-
Seraphim Space Investment Trust	46.20	-9.9	-
Trustpilot	97.25	-8.9	-
Superdry	101.00	-8.3	-
Atrato Onsite Energy	88.20	-8.1	-
Senior	119.60	-7.7	-
Costain	35.65	-6.8	-
Kier	58.10	-5.8	-
City Of London Investment	359.00	-4.9	-
Int Personal Finance	76.10	-4.9	-
Dignity	446.00	-4.3	-
Capital & Regional	44.20	-3.9	-

Industry Sectors	Nov 04 price(p)	%Chg week	%Chg ytd
Winners			
Oil & Gas Producers	8763.70	8.7	53.2
Industrial Transportation	3455.67	7.8	-
Personal Goods	30756.67	5.2	-
Industrial Metals	7150.75	4.3	12.9
Pharmaceuticals & Biotech.	20165.37	3.5	7.7
Aerospace & Defense	4799.14	2.7	15.0
Travel & Leisure	6304.98	2.5	-
Electronic & Electrical Equip.	8705.28	1.4	-
General Industrials	6012.46	1.1	-
Media	9001.12	0.8	-7.8
Industrial Engineering	13956.48	0.8	-
Tobacco	36631.00	-0.9	25.2
Losers			
Automobiles & Parts	1203.95	-27.8	-
Real Estate & Investment Servic	2071.69	-16.4	-
Real Estate Investment Trusts	2239.93	-14.6	-
Electricity	9639.37	-13.6	-4.5
Gas Water & Multiutilities index	5405.57	-9.8	-9.1
Banks	3091.46	-7.8	1.7
Household Goods	9842.03	-7.5	-
Mobile Telecommunications	2492.25	-7.4	-
Chemicals	11359.93	-7.2	-
Software & Computer Services	1764.35	-6.5	-
Life Insurance	6213.60	-5.9	-
General Financial	12174.04	-5.2	5.2

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

CURRENCIES

Nov 04	Currency	DOLLAR Closing Mid	DOLLAR Day's Change	EURO Closing Mid	EURO Day's Change	POUND Closing Mid	POUND Day's Change
Argentina	Argentine Peso	158.2785	0.3235	156.6245	2.4845	178.5391	1.9446
Australia	Australian Dollar	1.5539	-0.0351	1.5376	-0.0129	1.7528	-0.0237
Bahrain	Bahrainin Dinar	0.3770	-	0.3730	0.0052	0.4252	0.0038
Bolivia	Bolivian Boliviano	6.9100	-	6.8378	0.0947	7.7945	0.0691
Brazil	Brazilian Real	5.0437	-0.0577	4.9910	0.0129	5.6893	-0.0140
Indonesia	Indonesian Rupiah	15737.5000	41.0000	15573.0493	255.6420	17752.0255	203.2399
Israel	Israeli Shekel	3.5499	-0.0299	3.5128	0.0194	4.0043	0.0020
Japan	Japanese Yen	147.2450	-0.9450	145.7063	1.0955	166.0933	0.4160
..One Month		147.2445	-0.9460	145.7062	1.0951	166.0928	0.4152
..Three Month		147.2432	-0.9486	145.7056	1.0941	166.0917	0.4130
Poland	Polish Zloty	4.7286	-0.0843	4.6792	-0.0175	5.3339	-0.0470
Romania	Romanian Leu	4.9406	-0.0808	4.8890	-0.0111	5.5731	-0.0409
Russia	Russian Ruble	62.0500	-0.2250	61.4016	0.6307	69.9928	0.3690
Saudi Arabia	Saudi Riyal	3.7580	-0.0008	3.7187	0.0507	4.2390	0.0367
Singapore	Singapore Dollar	1.4073	-0.0147	1.3926	0.0049	1.5874	-0.0024
..Three Month		0.8869	-0.0079	0.8769	0.0044	-	-
..One Year		0.8875	-0.0079	0.8758	0.0045	-	-
United States	United States Dollar	-	-	0.9896	0.0137	1.1280	0.0100
..One Month		-	-	0.9893	-0.1285	1.1281	0.0100
..Three Month		-	-	0.9888	-0.1285	1.1284	0.0100

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

FTSE ACTUARIES SHARE INDICES

UK SERIES

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FT 30 INDEX

FT WILSHIRE 5000 INDEX SERIES

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FTSE GLOBAL EQUITY INDEX SERIES

FTSE SECTORS: LEADERS & LAGGARDS

FTSE 100 SUMMARY

FTSE All-Share sector indices [illegible]

Hourly movements [illegible]

FTSE Developed / FTSE Global Equity Series sector indices [illegible]

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 A[illegible] mid cap) - please see www.ftse.com/geis. The trade names Fundamental Index® and RAFI® are registered trademarks and the patented and patent-pending proprietary intellectual proper[illegible] (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/[illegible] 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 Classific[illegible] 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 [illegible] Group companies and is used by FTSE International Limited under licence.

UK STOCK MARKET TRADING DATA

[illegible]

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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	
Chamberlin	Pre	**16.836**	26.444	**0.509L**	10.391L	**0.100**	55.100L	**0.00000**	0.00000	-	**0.000**	0.000
Fidelity Special Values	Pre			**43.235L**	329.504	**13.580L**	109.960	**5.45000**	4.50000	Jan 11	**7.750**	6.670
Maven Income and Growth VCT	Int			**0.436L**	3.454	**0.330L**	2.600	**1.10000**	1.00000	Dec 2	**2.350**	2.000
TBC Bank Group	3rd	**1510.459**	1087.701	**875.861**	695.972			**0.00000**	0.00000	-	**488.200**	151.600

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	6.00	1.00	6.00	5.90	330.0
10/27	10.00		UMR	Unicorn Mineral Resource PLC	18.50	0.00	19.50	10.00	513.5
10/24	1.00		ATN	Eastinco Mining and Exploration PLC	0.95	0.05	1.00	0.90	916.5
10/21	55.00	AIM	SND	Sondrel (Holdings) PLC	59.00	-0.40	60.00	51.67	5160.2
10/07	10.00		ACG	ACG Acquisition Company Ltd	9.95	-0.05	10.10	9.85	155.5
10/04	1.00		MII	Milton Capital PLC	1.03	0.00	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

[illegible]

FT 500: TOP 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
Naspers N	2180.00	2031.00	149.00	7.34	420.00	23.9	-11.95
SandsCh	16.90	16.20	0.70	4.32	2.78	19.7	0.95
Panasonic	1258.50	1254.00	4.50	0.36	187.50	17.5	10.32
ChinaPcIns	14.80	13.72	1.08	7.87	2.18	17.3	-8.74
Prudential	913.60	838.40	75.20	8.97	116.00	14.5	-4.15
JapanTob	2795.00	2800.00	-5.00	-0.18	337.50	13.7	17.93
Anglo American	2951.50	2656.00	295.50	11.13	326.50	12.4	2.69
RioTinto	5030.00	4675.00	355.00	7.59	544.00	12.1	2.64
Tencent	238.60	221.40	17.20	7.77	25.40	11.9	-24.38
SouthCpr	52.57	48.40	4.17	8.61	5.46	11.6	8.89
HSBC	490.00	463.15	26.85	5.80	47.80	10.8	-12.14
RollsRoyce	85.11	80.16	4.95	6.18	8.12	10.5	4.59
ING	10.94	10.73	0.21	1.94	1.01	10.1	19.71
UOB	28.40	28.02	0.38	1.36	2.38	9.1	5.97
Boeing	156.99	156.75	0.24	0.15	13.15	9.1	-2.88
Keyence	55900.00	58080.00	-2180.00	-3.75	4680.00	9.1	-1.89
HK Exc&Clr	246.20	229.80	16.40	7.14	20.40	9.0	-26.09
Fuji Hvy Ind	2528.00	2517.50	10.50	0.42	208.00	9.0	1.88
Softbank	6557.00	6705.00	-148.00	-2.21	526.00	8.7	13.74
IntSPaolo	2.07	1.97	0.10	4.84	0.16	8.4	16.46

Based on the FT Global 500 companies in local currency

FT 500: BOTTOM 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
Fidelity NIS	58.32	57.18	1.14	1.99	-26.58	-31.3	-41.75
Cognizant	51.52	51.96	-0.44	-0.85	-11.50	-18.2	-24.26
Intuit	353.40	364.99	-11.60	-3.18	-78.40	-18.2	-23.58
Workday	129.93	140.22	-10.29	-7.34	-27.72	-17.6	-22.97
Ecolab	131.80	131.35	0.45	0.34	-25.97	-16.5	-22.74
Salesforce	136.61	146.33	-9.72	-6.64	-26.41	-16.2	-25.08
Zoetis	131.75	131.14	0.61	0.47	-21.53	-14.0	-21.85
Adobe	280.03	285.93	-5.90	-2.06	-45.65	-14.0	-33.85
Amazon	[illegible]	89.30	-0.28	-0.31	-14.39	-13.9	-35.25
Apple	[illegible]	138.88	-3.86	-2.78	-20.72	-13.3	-20.84
Netflix	258.66	269.06	-10.40	-3.87	-37.06	-12.5	8.30
Alphabet	84.41	83.43	0.98	1.17	-11.88	-12.3	-27.78
PublStor	273.89	276.67	-2.78	-1.00	-37.65	-12.1	-21.77
Qualcomm	104.83	103.88	0.95	0.91	-14.38	-12.1	-28.65
Autodesk	190.96	194.22	-3.26	-1.68	-25.43	-11.8	-13.39
Nutrien	[illegible]	97.93	1.76	1.80	-12.40	-11.1	-15.24
Accenture	[illegible]	256.88	1.13	0.44	-29.77	-10.3	-17.73
China Vanke	10.72	10.22	0.50	4.89	-1.22	-10.2	-27.31
Stryker	[illegible]	205.51	0.83	0.40	-22.89	-10.0	-4.89
BT	114.10	116.40	-2.30	-1.98	-12.55	-9.9	-27.00

Based on the FT Global 500 companies in local currency

BONDS: HIGH YIELD & EMERGING MARKET

[illegible]

BONDS: GLOBAL INVESTMENT GRADE

[illegible]

INTEREST RATES: OFFICIAL

[illegible]

INTEREST RATES: MARKET

[illegible]

BOND INDICES

	Index	Day's change	Month's change	Year change	Return 1 month	Return 1 year
[illegible]	186.48	-0.52	-0.38	-15.15	-0.96	-14.37
[illegible]	317.07	-0.36	0.52	-19.89	4.51	-19.65
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CREDIT INDICES [illegible]

VOLATILITY INDICES

[illegible]

BONDS: BENCHMARK GOVERNMENT

[illegible]

GILTS: UK CASH MARKET

[illegible]

GILTS: UK FTSE ACTUARIES INDICES

COMMODITIES

BONDS: INDEX-LINKED

BONDS: TEN YEAR GOVT SPREADS

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

FINANCIAL TIMES SHARE SERVICE

Main Market

AIM

Investment Companies

Guide to FT Share Service

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All data is as of close of the previous business day. Company classifications are based on the ICB system used by FTSE (see www.icbenchmark.com). FTSE 100 constituent stocks are shown in bold.

Closing prices are shown in pence unless otherwise indicated. Highs & lows are based on intra-day trading over a rolling 52 week period. Price/earnings ratios (PER) are based on latest annual reports and accounts and are updated with interim figures. PER is calculated using the company's diluted earnings from continuing operations. Yields are based on closing price and on dividends paid in the last financial year and updated with interim figures. Yields are shown in net terms; dividends on UK companies are net of 10% tax, non-UK companies are gross of tax. Highs & lows, yields and PER are adjusted to reflect capital changes where appropriate.

Trading volumes are end of day aggregated totals, rounded to the nearest 1,000 shares.

Net asset value per share (NAV) and split analytics are provided only as a guide. Discounts and premiums are calculated using the latest cum fair net asset value estimate and closing price. Discounts, premiums, gross redemption yield (GRY), and hurdle rate (HR) to share price (SP) and HR to wipe out (WO) are displayed as a percentage, NAV and terminal asset value per share (TAV) in pence.

- ⊕ FT Global 500 company
- ♦ trading ex-dividend
- ■ trading ex-capital distribution
- \# price at time of suspension from trading

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