FINANCIAL TIMES

THURSDAY 1 DECEMBER 2022 — INTERNATIONAL NEWSPAPER OF THE YEAR — ASIA

The rise of team-fluid World Cup fans
JOSH NOBLE, PAGE 16

Speaking softly has served the US well
EDWARD LUCE, PAGE 17

Brussels and Yellen turn up heat on Musk over Twitter

- EU insists on strict moderation rules
- US weighs foreign ownership review

JAVIER ESPINOZA — BRUSSELS
JAMES POLITI — WASHINGTON
CRISTINA CRIDDLE — LONDON
HANNAH MURPHY — SAN FRANCISCO

Elon Musk is under new pressure from the US and EU over his ownership of Twitter, as regulators clamp down on the billionaire's push to transform the social network into a freewheeling haven of free speech.

The European Commission threatened him yesterday with a ban unless Twitter abides by strict content moderation rules, while US Treasury secretary Janet Yellen indicated Washington was reviewing his purchase of the social media platform.

The warning from Brussels came in a video call between Musk and Thierry Breton, the EU's commissioner in charge of implementing the bloc's digital rules, according to people with knowledge of the conversation.

Breton told Musk that Twitter must adhere to a checklist of rules, including ditching an "arbitrary" approach to reinstating banned users, pursuing disinformation "aggressively" and agreeing to an "extensive independent audit" of the platform by next year.

Musk was warned that unless he stuck to those rules Twitter was at risk of infringing the EU's Digital Services Act, a new law that sets the global standard on how Big Tech must police content on the internet. Breton reiterated that Twitter could face a Europe-wide ban or fines of up to 6 per cent of global turnover if it breached the law.

Twitter's owner said repeatedly that he thought the DSA was "very sensible", according to people briefed on the conversation, adding that he had read the legislation and thought it should be applied all round the world.

Among the EU's demands is that Musk provides clear criteria on which users are at risk of being banned. Musk has reinstated Donald Trump's account after holding a poll of users on whether the former US president should be allowed to return to the site.

In a blog post, Twitter said that none of its policies had changed and that its trust and safety team remained "strong and well resourced". But it added: "Our approach to policy enforcement will rely more heavily on de-amplification of violative content: freedom of speech, but not freedom of reach."

EU officials have expressed concern over whether Twitter has the staff to comply with the rules after Musk fired more than half of its 7,500 workforce.

In the US, scrutiny of Twitter appears to be focused on foreign ownership of the platform. When asked about Twitter at a New York Times conference, Yellen mentioned the Committee on Foreign Investment in the United States.

The Treasury secretary added: "We don't comment on work that's in progress. But if there are such risks, it would be appropriate for Cfius to have a look."

Securities filings show that Prince Alwaleed bin Talal of Saudi Arabia rolled over 35mn shares, or 3.5 per cent of the total in the public Twitter, into the new private company as part of Musk's $44bn buyout. Kingdom Holding Co, an investment fund controlled by the prince, owns stakes in US companies including Citigroup, Uber and Lyft, according to its website.

Additional reporting by Ian Johnston

Lex page 18

Jiang Zemin dies Business friendly ruler who let capitalists into China's Communist party

Ng Han Guan/AP

A photograph of Chinese former president Jiang Zemin is broadcast on a screen above a mall in Beijing during the evening news bulletin announcing his death yesterday.

Jiang served as general secretary of the Chinese Communist party from 1989 to 2002 and led efforts to stabilise China in the decade after the Tiananmen Square massacre.

His death at the age of 96, from leukaemia and multiple organ failure, was reported by Chinese state media.

In comparison with strongman ruler Xi Jinping, Jiang is remembered as a colourful and relatively liberal leader. Jiang helped entrench the sweeping market-orientated reforms of Deng Xiaoping and placed China on a firmer international footing.

A factory manager typical of a new cohort of technocrats favoured by Deng, Jiang was plucked from his role as party boss in Shanghai days before the Tiananmen Square massacre and anointed to replace Zhao Ziyang.

Despite being viewed as an unlikely candidate, he oversaw radical changes including China's accession to the World Trade Organization, allowing capitalists into the CCP and reform of the banking and state-owned sectors.

Obituary page 3

Briefing

▸ Adidas executive warned over remarks on diversity
A top executive at the sportswear group received a "final warning" last year over "inappropriate and unacceptable" comments, insiders have revealed.— PAGE 6

▸ Nato talks on China threat
The alliance has discussed economic moves to contain the "challenge" from Beijing, as the US steps up pressure on allies to take a tougher line.— PAGE 3

▸ EU bid to rebuild Ukraine
Brussels has proposed deploying the frozen assets of the Russian central bank to generate profits that could be used to rebuild Ukraine's infrastructure.— PAGE 4

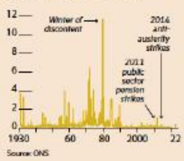
▸ Doubt on EU crypto rules
Policymakers have cast doubt on whether new EU regulations on cryptocurrencies are sufficiently tough to prevent a repeat of the collapse of FTX.— PAGE 8

▸ Hungary graft penalty
The European Commission has said Budapest faces delays to EU payments worth €13.3bn after failing to live up to its pledges to tackle corruption.— PAGE 4

▸ Eni in talks for Neptune
The Italian energy major has entered talks to buy the group in a deal that could be valued at $6bn, one of the biggest recent energy deals.— PAGE 6

Datawatch

UK strife
Days lost to strike action (mn)



Source: ONS

The UK lost 561,000 days to labour disputes in August and September. But that action barely registers compared with the 'winter of discontent' of 1978-79. That may change this month when nurses, rail and postal workers strike

Amazon's tech teams bear the brunt as job cuts begin

Analysis ▸ PAGE 9

Slowdown in eurozone price rises fans hope that global inflation has peaked

MARTIN ARNOLD — FRANKFURT

Inflation in the eurozone has fallen for the first time in 17 months, raising hopes that the biggest global price surge for a generation has peaked and easing pressure on central banks to continue increasing rates aggressively.

A slowdown in energy and services prices helped inflation in the single currency bloc to fall more than expected to 10 per cent in the year to November, down from a record 10.6 per cent in October, according to data from the EU's statistics agency.

Economists had forecast a smaller slowdown to 10.4 per cent and now anticipate that the European Central Bank might shift to smaller interest rate rises next month.

The fall comes amid signs that global inflationary pressures have peaked, with significant falls in wholesale energy and food costs beginning to have an impact on consumer prices.

US inflation has been falling for several months after surging to a multidecade high. However, Federal Reserve chair Jay Powell signalled yesterday that the US central bank would continue to raise rates, even as he backed slowing their pace soon. "I will simply say that we have more ground to cover," he told the Brookings Institution, adding that the Fed was still committed to getting inflation back to its 2 per cent target.

Huw Pill, the Bank of England's chief economist, also said yesterday that he expected price growth in the UK to start falling in the coming months.

Economists think the slowing rate of eurozone inflation makes it likely the ECB will raise rates by 0.5 percentage points when its governing council meets on December 15, following two consecutive 0.75 point rises.

Frederik Ducrozet, head of macroeconomic research at Pictet Wealth Management, said the "obvious compromise for the ECB" was to "move down a gear".

The biggest drag on eurozone inflation in November was a drop in energy price growth to 34.9 per cent, down from 41.5 per cent in October. That outweighed a slight rise in food, alcohol and tobacco inflation to 13.6 per cent.

"Pipeline pressures are easing quite dramatically," said Sandra Phlippen, chief economist at ABN Amro.

However, inflation across the bloc remains far above the ECB's 2 per cent target and some policymakers have argued it needs to continue raising rates.

Additional reporting by Valentina Romei in London and Colby Smith in Washington

Powell dashes rate cut hopes page 2

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

Subscribe in print and online

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

No: 41,186 ★

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

World Markets

STOCK MARKETS

	Nov 30	Prev	%chg
S&P 500	3954.74	3957.63	-0.07
Nasdaq Composite	11019.20	10983.78	0.32
Dow Jones Ind	33704.03	33852.53	-0.44
FTSEurofirst 300	1741.56	1728.34	0.76
Euro Stoxx 50	3966.57	3934.44	0.82
FTSE 100	7573.05	7512.00	0.81
FTSE All-Share	4139.65	4112.30	0.67
CAC 40	6738.55	6668.97	1.04
Xetra Dax	14397.04	14355.45	0.29

CURRENCIES

Pair	Nov 30	Prev	Pair	Nov 30	Prev
$/€	1.030	1.036	€/$	0.971	0.966
$/£	1.191	1.200	£/$	0.840	0.833
£/€	0.865	0.863	€/£	1.157	1.159
¥/$	139.540	138.325	¥/€	143.678	143.256
¥/£	166.178	165.991	£ index	79.109	79.243
SFr/€	0.981	0.985	SFr/£	1.135	1.142

CRYPTO

	Nov 30	Prev	%chg
Bitcoin ($)	16890.25	16432.99	2.78

GOVERNMENT BONDS

Yield (%)	Nov 30	Prev	Chg
US 2 yr	4.53	4.48	0.06
US 10 yr	3.77	3.72	0.05
US 30 yr	3.81	3.76	0.04
UK 2 yr	3.31	3.27	0.04
UK 10 yr	3.16	3.09	0.06
UK 30 yr	3.43	3.35	0.07
JPN 2 yr	-0.04	-0.04	0.00
JPN 10 yr	0.25	0.25	0.00
JPN 30 yr	1.51	1.52	-0.01

Dubai

9 770307 176845 48>

Nikkei	27968.99	28027.84	-0.21
Hang Seng	18597.23	18204.68	2.16
MSCI World $	2663.25	2668.44	-0.19
MSCI EM $	952.94	930.77	2.38
MSCI ACWI $	617.64	617.15	0.08
FT Wilshire 2500	5141.03	5146.28	-0.10
FT Wilshire 5000	40147.30	40185.42	-0.09

Ethereum	1271.50	1215.78	4.58

COMMODITIES

	Nov 30	Prev	%chg
Oil WTI $	80.39	78.20	2.80
Oil Brent $	86.69	84.25	2.90
Gold $	1752.70	1746.55	0.35

GER 2 yr	2.11	2.09	0.02
GER 10 yr	1.93	1.92	0.01
GER 30 yr	1.82	1.82	0.00

Prices are latest for edition
Data provided by Morningstar

A Nikkei Company

INTERNATIONAL

Central banks

Powell dashes hopes of early Fed rate cuts

Chair's hawkish speech warns investors there is more policy pain to come

COLBY SMITH — WASHINGTON

Jay Powell tried to damp investor expectations the Federal Reserve will cut interest rates any time soon in a hawkish speech that signalled the US central bank has a long way to go in its fight against inflation.

"I will simply say that we have more ground to cover," the Fed chair said at the Brookings Institution yesterday. "History cautions strongly against prematurely loosening policy. We will stay the course until the job is done."

Powell's intervention comes after a sustained market rally, with the S&P 500 on course for its first stretch of back-to-back monthly gains since summer last year, and an easing of financial conditions as investors wager that the Fed is losing the stomach for its fight against higher prices.

Investors were buoyed by the October inflation report, published earlier this month, which undershot expectations for the first time in months.

But Powell yesterday warned against reading too much into one month of data, instead stressing it will take "substantially more evidence to give comfort that inflation is actually declining".

He warned that while inflation forecasts from the Fed and others pointed to a "significant decline over the next year", the central bank had been repeatedly wrongfooted by incorrect projections in the past.

"The truth is that the path ahead for inflation remains highly uncertain," he said, noting the Fed had not yet seen "clear progress" of slower inflation.

'History cautions strongly against prematurely loosening policy. We will stay the course'

In a wide-ranging speech about the outlook for monetary policy, Powell said that in order to get inflation back down to the Fed's 2 per cent target, the labour market must become substantially softer and there would need to be a "sustained period of below-trend growth".

He said that job gains still remained far too high, at about 290,000 positions per month over the past three months. And wage growth remained well above the figure that would correspond to inflation falling back to target.

Powell's comments come at a critical juncture for the Fed, which is preparing to slow the pace of its interest rate increases after a string of large 0.75 percentage point rises at its four previous meetings.

The chair said the Fed could ease off the pace of rate rises as soon as its next meeting in December, but that the "timing of that moderation is far less significant than the questions of how much further we will need to raise rates to control inflation, and the length of time it will be necessary to hold policy at a restrictive level".

Powell reiterated that the end point of the tightening cycle would probably need to be higher than forecast in projections released in September, which suggested most officials anticipate a so-called terminal rate of 4.6 per cent.

Fed officials are still unanimous in their view that inflation remains too high and that they will need to tighten policy further.

But divisions have started to emerge over how much more restraint to apply to the economy next year given early indications that higher borrowing costs are starting to affect consumers and businesses.

See FT Big Read and Opinion

Eurozone. Sentiment rebound

Confidence returns to Europe's business leaders

Low unemployment, fiscal support and drop in energy prices improve outlook

MARTIN ARNOLD — FRANKFURT
BARNEY JOPSON — MADRID

The energy crisis triggered by Russia's invasion of Ukraine, along with high inflation and rising interest rates, sparked concerns of an economic downturn in the eurozone this winter.

But Toni Ruiz, chief executive of Spanish fashion retailer Mango, said sales were proving the pessimists wrong. "After months, years of Covid, people wanted pretty, elegant outfits," Ruiz said. "People are tired of basic clothes. So what we've seen is an enormous take-off."

Across the region, sentiment has rebounded. Low unemployment, greater fiscal support from governments, a drop in energy prices from their peak in August and a mild autumn that has helped keep gas storage facilities, filled over the summer, close to capacity have all improved the outlook.

António Simões, head of Europe business at Spain's biggest lender Santander, told a conference this week: "I'm concerned like everyone else, but more with a view of the glass half full."

Yesterday, the EU's statistics agency said inflation in the eurozone had fallen for the first time in 17 months, to 10 per cent in the year to November, down from a record 10.6 per cent in October. Economists polled by Reuters had forecast a smaller slowdown to 10.4 per cent.

Even in Germany, where manufacturers were hit hard by soaring energy costs caused by reduced supplies from Russia, there are signs of a cautiously more upbeat mood among businesses.

"Production in most industrial and services sectors has held up very well despite the energy price shock," said Klaus Deutsch at Germany's BDI business association. "There's a big backlog of orders so there is still some work to do even if demand falls."

The BDI said it had been "too gloomy" and probably in January would raise its forecast from September for the German economy to grow 0.9 per cent this year. The Ifo Institute's index of business confidence bounced from 84.5 in October to 86.3 in November, while the Munich-based think-tank also found three-quarters of companies that used gas in production had reduced their consumption without cutting output.

Black Friday: shoppers in Mallorca walk past Spanish fashion retailer Mango, which says sales are proving the pessimists wrong
Clara Margais/dpa

Most economists still expect the eurozone to slide into a mild recession, defined as two consecutive quarters of falling output, and central bankers are warning they will have to raise borrowing costs again in December.

'I'm concerned like everyone, but more with a view of the glass half full'

Yet, after resilient third-quarter growth of 0.2 per cent in the bloc, there are signs many may have overestimated the drag on spending and industrial output from high inflation and underestimated the lift from ending Covid-19 curbs.

Retail spending rose 0.4 per cent in the eurozone and wider EU between August and September, while industrial production was up 0.9 per cent in the same period, taking both measures further above pre-pandemic levels.

The EU's monthly survey of companies and households on Tuesday showed sentiment had risen more than expected to a three-month high. Consumer confidence across the EU rose as people became more willing to make big purchases, while services companies expected higher demand and industrial groups grew more upbeat.

Members of the Dax index of blue-chip companies are on track to pay record dividends next spring, research in business paper Handelsblatt found on Tuesday.

Yet the eurozone's industrial powerhouse has not emerged from Russia's invasion of Ukraine unscathed. Output has fallen in energy-intensive sectors exposed to higher gas and power prices, such as chemicals, paper and glass. But these sectors account for only 4 per cent of Germany's economic output and many companies have been able to offset the blow with higher prices.

Eurozone inflation is set to remain a bane for businesses and consumers. Ruiz said Mango's raw material costs had fallen recently, but he expected inflation to be a problem for the fashion chain for two or three more years, noting it was experiencing sharp rises in staff, rent and electricity costs at its 1,700 stores across Europe.

An executive at one large German group also warned households still had not seen the full impact of the surge in energy costs. He noted it would take until March 2023 for products that were produced in September, when energy costs were still close to record highs, to be bought by customers. However, Spain and Germany reported lower inflation figures on Tuesday.

In France, worries about energy prices, exacerbated during a fuel crunch in October when refinery workers went on strike, have lifted slightly. Business leaders have became more upbeat about the outlook for the first time since July, according to a survey of more than 600 company chiefs this week by CCI de France, the country's chamber of commerce federation.

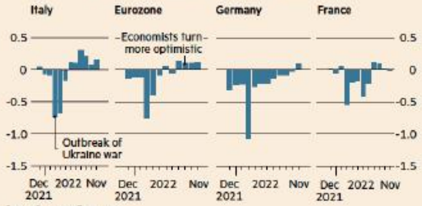
Healthy order books in construction and across other industries, coupled with easing bottlenecks in some supply chains for parts and falling raw material costs for inputs such as steel, had fuelled the turnround, CCI de France found.

Italy's industrial trade association Confindustria said output had held up well in manufacturing and services, although the construction sector had ground to a halt. But some of the association's gloom has merely been postponed until next year. A slowdown induced by "higher interest rates and lower liquidity due to higher utility bills" is likely for 2023.

Others agreed that next winter was set to be tough. "We are seeing indications of gradual improvement," said Rolf Hellermann, head of finance at German publisher Bertelsmann. "[But] gas supply in Germany and the build-up of storage might prove to be more challenging [next year] than in 2022, given much lower inflows from Russia."

Additional reporting by Patricia Nilsson, Sarah White and Silvia Sciorilli Borrelli

Economists have upgraded their 2022 growth forecasts
Average GDP estimate (month-on-month percentage point change)



Source: Consensus Economics

Refillable cups

EU coffee drinkers at centre of effort to slash waste by fifth

ALICE HANCOCK — BRUSSELS

The EU aims to cut its waste by almost a fifth by 2030 through rules on recycling and reuse that will demand lightweight plastic bags are composted and at least 80 per cent of coffee cups are refillable.

The proposal issued yesterday met fierce resistance from packaging and plastics industries that claim the rules ignored the practical realities of waste management and failed to recognise the environmental consequences of making more reusable containers.

But environmental experts challenged the claims, saying the only way to cut waste was to reduce and reuse packaging. Several groups noted that it was due to industry pressure that the commission had watered down the reuse targets during the drafting process.

Packaging waste in the EU has increased about 20 per cent between 2009 and 2020 — a rate much faster than the bloc's economic growth — to an average of 177kg per capita, despite an increase in recycling.

"Overpackaging is a nuisance to us and increasingly damaging to our environment," said Frans Timmermans, European Commission vice-president for green policy. "We cannot recycle our way out of a growing stream of waste."

The new rules aim to ensure that all packaging will be recyclable by 2030 and cut rubbish in the bloc by 5 per cent, compared with a 2018 baseline. This would equate to a 19 per cent reduction if the EU continued to produce waste at the current rate for the next eight years.

The commission said the reduction in greenhouse gas emissions would be equivalent to the annual emissions of Croatia.

To reach the goal, Brussels has set specific targets for the reuse of packaging in sectors judged most susceptible to being sent for rubbish. Many member states were still missing recycling targets, it said, despite improvements in recycling technology.

Under the proposal, 80 per cent of takeaway drinks containers would need to be refillable by 2040, and 15 per cent of wine bottles would be reused. A list of five types of single-use plastics, including miniature toiletry bottles in hotels and sauce sachets, would be banned.

Ian Ellington, president of UNESDA Soft Drinks Europe, a lobby group, and senior vice-president of PepsiCo, said that although it was "far from intuitive" reuse was "not always the best solution from an environmental point of view".

"The amount of material used plus the impact of transport and washing of bottles will often result in a reused package having a larger carbon footprint than other circular systems, such as recycling," he said.

The reuse targets also elicited an angry response from the Italian government, which has said it will hurt new investments in recycling facilities.

"If a national model works (and this is the case with Italy's packaging management system . . .) EU regulations should support it, and not replace it with another one whose efficacy is uncertain," Rome's ministry environment and energy security said.

Additional reporting by Giuliana Ricozzi in Rome

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

Japan: Nikkei Tokyo Newspaper Printing Center, Inc., 1-10-5, Shinonome, Koto-Ku, Tokyo 135-0062
Representative: Hiroko Hoshino; ISSN 0915-0460

World Cup

Germany fight to keep reputation as 'tournament team'

SIMON KUPER — DOHA

"You have a good thing here," smiled Germany's Thomas Müller, feeling new national hero Niclas Füllkrug's biceps.

The moment between the players at a Doha press conference had something about it of the hedge-funder patronising a hunter-gatherer encountered on safari. Müller, a world champion in 2014, and a multimillionaire at Bayern Munich, embodies the modern sophisti- fought at home. Some Germans, disgusted by Qatar's treatment of migrant workers and LGBT+ people, are boycotting the World Cup. The tournament's opening game drew fewer German TV viewers than some detective series, and though 17mn Germans watched the 1-1 draw with Spain, that was still 9mn down on the Germany-Mexico group stage match at the previous World Cup. Füllkrug's club, socially committed Werder Bremen, have stated his Covid-19 vaccination certificate. Anfang's successor picked Füllkrug, who began scoring.

Werder won promotion, and by the time league football broke up for the World Cup this month, "Fülle" was the Bundesliga's highest German scorer. He had never played for Germany when coach Hansi Flick picked him for the Qatar squad.

Even Füllkrug's name, which evokes the filling of a beer jug ("Krug"), has a prompted the country's former coach, Berti Vogts, to lament that Germans dance "like refrigerators". But refrigerators have their uses. To score against Spain, Füllkrug dispossessed a teammate, the England-raised 19-year-old dribbler Jamal Musiala, yet another Bayern sophisticate, and bashed the ball home. Germany's keeper, Manuel Neuer, praised him, a touch patronisingly, as "an instinct player".

That seems to be the German coach-slowdown in the economy

THOMAS HALE — SHANGHAI
ARJUN NEIL ALIM — LONDON

Students at Beijing's Tsinghua University gathered last weekend to vent their fury at China's zero-Covid policies. But discontent was also bound up in the country's economic direction.

"Because of the lockdown[s], the economy stagnated, and my family's financial situation also deteriorated," said a student at the Tsinghua protest. "The Covid policy will affect my future choices."

Young people in China, who were at the heart of a nationwide wave of demonstrations after a fatal fire in the western city of Urumqi was blamed on a lockdown, face a bleak economic outlook. Youth unemployment this year touched its highest level on record.

China's broader economy is now at one of its weakest junctures in many years. While Xi Jinping's zero-Covid policies, which aim to eliminate all infections of the virus, helped insulate the economy in 2020 and early 2021, they have imposed huge costs this year.

that was already its lowest in decades.

One of the clearest impacts has been on youth unemployment, which hit 20 per cent in July shortly after the lockdown of Shanghai. It has remained close to that level for months, in contrast with general unemployment at 5.5 per cent. The metric, which the government began recording in 2018, has risen sharply since hovering at about 12 per cent before the pandemic struck.

"Younger people are the most vulnerable in the labour market because they have no experience," said Larry Hu, chief China economist at Macquarie, who suggested the high rate of joblessness was due to broad economic weakness. Zero-Covid "weighs heavily on the service sector and the service sector hires a lot of young people", he added.

In Shanghai, many of the most vocal participants in the weekend's protests were young people. One student cited the youth unemployment figure. Others referred to the impact of the measures on freedoms, citing slogans from a banner hung on a Beijing bridge last month.

The economic impacts of zero-Covid have been felt widely. In Shanghai, a two-month lockdown in the spring had

daily risk of quarantine to anyone who comes in contact with a positive case.

For young people, this has come alongside an already challenging working environment that entails long hours and tough competition. Josephine Li, who works in marketing in Shanghai, said she began working as a freelancer in August 2020 to provide some release from the pressure of her workload.

But after the lockdown this year, her

Youth unemployment hits record highs in China

Jobless rate of people aged 16-24 in urban areas (%)

Source: National Bureau of Statistics of China

For other young people, the protests have stirred deep questions about their role in the economy. One 26-year-old tech worker in Shenzhen, who asked to be referred to by the name Ella, rushed to a demonstration on Tuesday but soon left after she saw police mustering.

"I feel deeply that I have been controlled by an invisible and powerful force in the past few years. We don't study and work hard to become marionettes."

Economic weakness continued across the manufacturing sector in November, according to purchasing managers' index data released on Thursday, a day after the government appeared to make some concessions to its Covid approach.

A police presence in Shanghai and elsewhere is set to deter a repeat of last weekend's displays of dissent. But there are warnings that economic discontent could drive further demonstrations.

"China's economy is likely to slump, and the problem of the large gap between the rich and the poor will become prominent," said the Tsinghua student. "There is likely to be major social unrest."

Additional reporting by Wang Xueqiao in Shanghai and Andy Lin in Hong Kong

GLORIA LI AND
PRIMROSE RIORDAN — HONG KONG

Guangzhou has partially lifted a weeks-long lockdown, a departure from the strict enforcement of China's zero-Covid policy despite the city of 18mn people suffering its worst Covid-19 outbreak since the pandemic began.

Officials in the southern manufacturing hub yesterday eased restrictions on movement over about half of the city's 11 districts, including Haizhu, where migrant workers have clashed with police over the past month.

The easing of restrictions came a day after Beijing blamed local governments for their handling of outbreaks that caused protests in more than 20 cities.

"People on the street are saying we're free," William Zi, a resident of Haizhu, said. "I don't know if it's the end of the pandemic; it's been 20 days at home so we're free now at least."

Local officials' announcement to ease lockdowns followed direct approval from Beijing, two people familiar with the decision said. The timing of the measures, coming despite nearly 7,000 new cases being reported yesterday, was

"I think they are doing a trial here in Guangzhou to see whether . . . even if they do less mass testing and don't execute the really stringent lockdowns, whether Covid could still be put under control," said Jin Dong-yan, a virologist at the University of Hong Kong.

The easing drove stocks higher in Hong Kong as investors hoped for a path out of Xi Jinping's zero-Covid policy that has hammered sentiment.

Earlier yesterday, the US envoy to China urged Xi's administration not to interfere with peaceful demonstrations just as a Communist party security chief warned against "hostile" forces.

China has been shaken by vigils for a deadly apartment fire in Urumqi, Xinjiang that was partly blamed on coronavirus restrictions, which evolved into demonstrations against Xi's zero-Covid policy and state censorship.

Chinese officials have barely referred to the protests. But in a speech on Tuesday evening, Chen Wenqing, head of the Central Political and Legal Affairs Commission, said the government had to resolve disputes "in a timely manner" while maintaining order.

See Outlook

INTERNATIONAL

War reparations

Russian assets targeted to rebuild Ukraine

Brussels explores ways to make Moscow pay for 'crime of aggression'

SAM FLEMING — BRUSSELS
HENRY FOY — BUCHAREST

Brussels wants to use the frozen assets of Russia's central bank to generate profits that could be deployed in the reconstruction of Ukraine, as the country's critical infrastructure comes under sustained attack 10 months into the war.

Under a European Commission proposal, the EU would shift the liquid assets that were frozen under sanctions into a fund that would be actively managed to generate a "stable and fair net return" to help pay to rebuild Ukraine.

The underlying assets would be returned to Russia if a peace agreement were signed, according to a discussion paper that stressed the need for co-ordinated action at an international level.

"Russia must pay for its horrific crimes, including its crime of aggression against a sovereign state," Ursula von der Leyen, the commission president, said yesterday. "Russia and its oligarchs have to compensate Ukraine for the damage and cover the costs for rebuilding the country. And we have the means to make Russia pay."

The EU and its allies froze hundreds of billions of dollars of foreign exchange reserves parked in accounts by the Russian central bank early in the conflict. Russia said subsequently that the central bank sanctions had frozen about $300bn of its gold and forex reserves.

Some EU officials favour confiscating the assets outright, among them Josep Borrell, the high representative, who said such a step would be "full of logic".

But confiscating the sovereign assets would be fraught under international law and officials accept it could create financial stability risks. Janet Yellen, US Treasury secretary, said in April that confiscation should be carried out only in co-ordination with allies and might require legislation in the US.

Under the commission proposal, Russia would be entitled to regain the assets if there were a peace deal, potentially with some minimal accrued interest. In the meantime, the liquid assets of the Russian state would be invested to generate returns to pay for reconstruction.

Commission officials said the proposal would need to be discussed at EU level and with international partners, and that preliminary talks with the US had already been held.

But ambiguity surrounds the whereabouts and scale of the assets — even those held by EU central banks. The paper said the total was "unknown", and one official called for "more and better" data from member states. Potential ways to seize and use Russian assets for Ukraine's benefit were also discussed by Nato foreign ministers on Tuesday, said people involved in the talks.

A demand for action on the assets was not included in a joint statement agreed by the ministers but many endorsed the EU's efforts to explore the idea.

The commission is also pushing forward with plans to make sanctions violation a crime across the EU, a step that could facilitate the confiscation of private assets, of which almost €18.9bn assets was frozen in the bloc.

Brussels is also proposing the creation of a specialised court backed by the UN to investigate and prosecute Russia's "crime of aggression".

See Opinion

Corruption fears

Hungary faces threat of EU funding freeze because of reform 'gaps'

MARTON DUNAI — BUDAPEST
SAM FLEMING — BRUSSELS

Hungary faces potential delays to EU payments worth up to €13.3bn after Brussels accused the central European country of failing to live up to its pledges to tackle corruption.

The European Commission said yesterday it was recommending a freeze in €7.5bn cohesion payments after concluding that Budapest fell short in delivering 17 commitments to reform the rule of law it pledged in September.

Brussels separately endorsed Hungary's long-delayed Covid-19 recovery plan, worth €5.8bn, but insisted that no disbursements should be made until Budapest delivered on reforms.

The stance dealt a blow to Prime Minister Viktor Orbán, who is anxious to unlock EU funding as Hungary's currency, the forint, tumbles amid a budget shortfall of more than 6 per cent of gross domestic product this year.

Budapest has locked horns with the EU for years over concerns about its record on the rule of law, which critics, including a majority in the European parliament, have said threatens the fair and transparent distribution of EU taxpayer money.

'We'll do what we undertook, which is the key to our accessing all of the funds in 2023'

"There is a continued risk to the EU budget because of remaining gaps in . . . the reforms," said EU budget commissioner Johannes Hahn, while acknowledging that Hungary had made some steps in the right direction.

Brussels in April warned Hungary of rule of law breaches that endangered the country's access to the EU budget as it kicked off a process under its new rule of law conditionality mechanism that could lead to the withholding of funds.

While Orbán proposed the 17 anti-corruption reforms to ward off the threat of cash being frozen, the commission yesterday said it had found shortcomings in what Budapest had delivered. These related to the effectiveness of a newly established Integrity Authority in Hungary and procedures for judicial review of prosecutorial decisions.

The commission said Hungary would receive no payments under its pandemic recovery facility until 27 so-called super-milestones relating to rule of law and judicial independence were fully met. "No funds will flow until the 'essential milestones' are properly implemented," said Valdis Dombrovskis, executive vice-president.

Hungary said it welcomed the proposal to approve its pandemic recovery plan, which its EU minister, Tibor Navracsics, described as a "significant step forward". He said he expected the rule of law conditions to be fulfilled and that funds would be released next year.

"We made compromises that have not required us to give up our principles," he said. "We don't want to beat around the bush, we'll do what we undertook, which is the key to our accessing all of

South Asia. Regional security

Former spymaster becomes Pakistan army chief

Job list ranges from fighting militants to defending the military from criticism

FARHAN BOKHARI — ISLAMABAD
BENJAMIN PARKIN — NEW DELHI

Pakistan's former spymaster donned dress uniform this week for a parade-ground ceremony marking his rise to what is arguably his nation's most powerful position: army chief.

General Asim Munir, a former head of the Inter-Services Intelligence agency, took control of the military for a three-year term at a ceremony on Tuesday attended by General Qamar Javed Bajwa, the retiring army chief, other top officers, ministers and diplomats.

The 500,000-strong army is considered Pakistan's dominant institution, playing a crucial behind-the-scenes role in decision-making in the nuclear-armed south Asian nation of 220mn.

Prime minister Shehbaz Sharif selected Munir, the most senior general, from a shortlist supplied by the army. Pakistani leaders, diplomats and analysts will now look to him for signs of policy direction not only on security but also on a host of domestic issues and on the future of relations with friends and foes including the US, China and India.

Munir steps into the position as Pakistan struggles with political and economic crises in the midst of negotiations with the IMF that observers say are crucial to avoid a default on its debts.

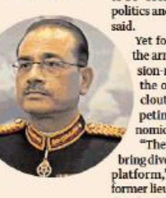
Pakistan is also facing growing security challenges as the military fights a war of attrition against Islamic extremists. The Pakistani Taliban, an offshoot of the Afghan militant group, called off a ceasefire this week and ordered its forces to carry out further attacks across the country.

One of Munir's most important challenges, however, will be to defend the army itself, after months of intense public criticism from Imran Khan, the popular former prime minister, and his Pakistan Tehreek-e-Insaf party.

"Munir will have to try to restore confidence in the institution with a polarised public," said Elizabeth Threlkeld, a senior fellow at the Stimson Center think-tank in Washington.

Since Khan was ousted from office in a parliamentary no-confidence vote in

On parade: Pakistani troops, marking Defence Day in Lahore on September 6, command an outsized role in national politics. Below, General Asim Munir
Arif Ali/AFP/Getty Images



out offering evidence, that the military enabled his removal. And Khan has blamed an attempt on his life last month on a conspiracy involving a military official and Sharif, his arch-rival.

Both strongly deny Khan's allegations. But Hasan Askari Rizvi, a commentator on national affairs, said Munir would be under pressure to counter the view that the military meddled in civilian politics. The new chief needed the armed forces to be "seen to have stepped back from politics and appear to be neutral", Rizvi said.

Yet former generals acknowledge the army is central to national decision-making. They argue that it is the only institution with enough clout to manage Pakistan's competing political, ethnic and economic interests.

"There has to be someone who can bring diverse opinions on to a common platform," said Ghulam Mustafa, a former lieutenant general. "In Pakistan, that duty has fallen on the army to hold things together."

Pakistan is not new. Generals have ruled openly through martial law for nearly half of the country's 75-year history.

Since General Pervez Musharraf, the last military ruler, stepped down in 2008, the country has moved towards what political scientists call a "hybrid" model that blends civilian electoral politics with military rule.

The military's outsized role has long been subject to scrutiny at home and overseas. For example, while it was an important Nato partner during the war in Afghanistan, foreign officials accused elements within the armed forces repeatedly of quietly supporting Taliban militants.

After Bajwa was appointed to the first of two terms in 2016, he tried to restore western confidence in the army and also helped broker a ceasefire along the contested border with India, with which Pakistan has fought multiple wars.

"Foreign policy [and] security issues inevitably bring the army to the table," said Abdul Basit, a former Pakistani high commissioner to India.

'There has to be someone who can bring diverse opinions on to a common platform. In Pakistan, that duty has fallen on the army'

under Bajwa enabled Khan's rise to power in 2018 by influencing regional parties and independent politicians to join the former cricketer's parliamentary coalition.

However, they say the pair fell out while in office, setting the stage for Khan's removal in April's no-confidence vote.

Munir, who is known as a pious Muslim, is the son of a school principal and served in Saudi Arabia during his career as well as being a commander in Pakistan's populous Punjab province.

He was named chief of the ISI spy agency in 2018, but was ousted by Khan after less than a year.

Some observers have interpreted Sharif's selection of Munir as an attempt to install a figure who would be sympathetic to his government.

Others dispute that interpretation, pointing out that Munir was the most senior among the candidates.

"If history is any guide, the incoming chief will prioritise the interests of the army over any perceived political asso-

April, his supporters have alleged, with- The army's central role in governing Analysts point out that the army ciation," Threlkeld added. the funds in 2023."

Defence ties

Japan-UK exercise ends amid Asia tension

KANA INAGAKI — GUNMA, JAPAN

The UK and Japan have wound up their first military exercise in three years as commanders warn of "sharp destabilisation" in the security environment caused by Russia's invasion of Ukraine and an increasingly assertive China.

The nine-day training operation to strengthen island defence, dubbed "Vigilant Isles 22", is the latest sign of deepening defence ties between the two US allies in the Indo-Pacific.

Japan's Ground Self-Defense Force and the British army practised taking back an island seized by enemy forces in exercises at a military camp in Gunma, central Japan, and an air-to-ground range in Aomori in the north.

While Japanese and UK officials said the exercise did not target a specific country or island, the training took place as tensions mounted over Taiwan, particularly after China conducted large-scale military drills to protest against US House Speaker Nancy Pelosi's visit to Taipei in August.

The Pentagon said in a report on Tuesday that even before the visit, China had conducted increasingly frequent "island-seizure" exercises in 2021.

After a closing ceremony yesterday, Lieutenant General Tadao Maeda, commanding general, stressed that "multinational defence co-operation" was necessary to address tensions in the Indo-Pacific region and the unpredictability caused by the war in Ukraine. "We recognise that there is a whole new level of uncertainty and increasing complexity in the current world situation," he said.

'Exercises such as these contribute to our combined efforts to see a free and open Indo-Pacific'

Citing North Korea's nuclear programme and attempts by some countries to change the status quo by force — a phrase Japan often uses to refer to China — Maeda added: "This is leading to a sharp destabilisation worldwide."

Lieutenant General Ralph Wooddisse, commander field army, said "exercises such as these contribute to our combined efforts to see a free and open Indo-Pacific". The closer ties between the UK and Japan come as British prime minister Rishi Sunak warned the "golden era" of UK relations with China was over.

The UK and Japan are also working on a deal to develop a next-generation fighter jet with Italy, which if closed would mark the first time Tokyo has chosen non-US partners for such an important military programme.

In December, the two countries are expected to sign a defence pact called the Reciprocal Access Agreement to make joint exercises and logistical co-operation between the nations easier.

The SDF has also strengthened military drills with other European countries, with Japanese and German air forces conducting their first joint exercise in Japan in September.

This week, Prime Minister Fumio Kishida ordered his cabinet to find the funding to increase Japan's defence spending to 2 per cent of gross domestic product by 2027, setting a numerical target for the first time.

The country plans to boost its defence budget by about 11 per cent to more than ¥6tn ($43bn) for the year to March 2024. It is also considering developing counter-strike capabilities against enemy bases and wants domestically made cruise missiles with a range that can strike targets in China.

US politics

Democrats choose ex-lawyer to replace Pelosi

LAUREN FEDOR — WASHINGTON

Democratic lawmakers have unanimously elected Hakeem Jeffries as their next leader in the House of Representatives, after Speaker of the House Nancy Pelosi said she would step aside as the party's most senior member of Congress.

Jeffries, the 52-year-old congressman from New York, was selected as House Democratic leader in a closed-door meeting of Democratic members of Congress yesterday morning. Jeffries, who ran unopposed, becomes the first black person to lead a major political party on Capitol Hill.

The smooth transition of power in the Democratic caucus comes as Republicans remain at odds over who should lead their party in the wake of disappointing midterm election results and Donald Trump's decision to run again for president in 2024.

Kevin McCarthy, the Republican congressman from California, was re-elected House Republican leader earlier this month but faces a battle winning over his party if he is to secure the role of Speaker of the House in January when the new Congress is sworn in.

Jeffries, a former corporate lawyer first elected to Congress in 2012, was unchallenged for the Democratic party's top job in the House, alongside Katherine Clark of Massachusetts, who ran for party whip, and Pete Aguilar of California, who stood for conference chair. The three will in effect replace Pelosi, Steny Hoyer of Maryland and Jim Clyburn of South Carolina, octogenarians who had led the party on Capitol Hill for decades.

House Democrats voted late on Tuesday to grant Pelosi the honorific title of "Speaker Emerita". Pelosi, 82, has said she will remain in Congress and continue to represent California's 12th congressional district, which includes much of the Bay Area, as a backbencher.

Hakeem Jeffries: the first black person to lead a major political party

The reshuffle comes less than a month after midterm elections that saw Democrats perform better than expected in congressional races across the country. But Republicans eked out a narrow majority in the House, meaning Jeffries will not succeed Pelosi as Speaker when the new Congress is sworn in.

McCarthy, meanwhile, will need to secure the support of at least 218 members of his own party if he is to take up the Speaker's gavel. In a closed-door meeting of Republicans earlier this month, he was re-elected as party leader by a margin of 188 to 31 votes after Andy Biggs, the Republican lawmaker from Arizona, ran against him.

Hoyer praised the Democrats' relative unity on Tuesday, telling reporters the changing of the guard was a boon for the party and the wider country.

"What you saw last week was a change of generational leadership within our party in a very unified fashion, which I think is good for our party. I think it's good for the country," Hoyer said. "We are getting in Mr Jeffries an extraordinarily capable leader."

Singapore-washing China businesses rush to redomicile in city-state as hedge against risk of rising Sino-US tensions ● COMPANIES

Companies & Markets

'Final warning' handed to top Adidas official over diversity

- Auschel rebuked after staff complaints
- Sales chief's bonus rises despite probe

ELEANOR OLCOTT — HONG KONG
OLAF STORBECK — FRANKFURT

A top Adidas executive received a "final warning" last year over repeated "inappropriate and unacceptable" remarks about diversity at the sportswear group, say people familiar with the matter.

Chief sales officer Roland Auschel was the subject of a compliance probe after a string of complaints by employees, these people told the Financial Times.

While he was rebuked by the supervisory board, he nonetheless received a 26 per cent increase in his bonus in the same year and a contract extension.

The revelation of the probe, which started in late 2020 and closed last year,

> Multiple Adidas insiders who worked under Auschel said it was not an isolated incident

comes as Adidas grapples with allegations that it mishandled and downplayed racism.

In October, the sportswear group cut ties with rapper and fashion designer Kanye West following outrage over his anti-Semitic comments. In 2020, top human resources executive Karen Parkin resigned after telling employees that discussions about racism were "noise".

Last week, Adidas said that it would launch an investigation into allegations of misconduct against West after the company was accused of turning a blind eye to the artist's inappropriate behaviour during their Yeezy trainers tie-up.

the supervisory board, was triggered by several anonymous employees who used the group's whistleblower hotline.

Eight people who worked with Auschel, one of Adidas's most senior and best-paid executives, told the FT that a number of employees have been offended by remarks that they found derogatory, discriminatory and racist, leading to various complaints.

In one incident, which was investigated, Auschel told more than 200 managers at meeting at the brand's headquarters in 2019 that the promotion of a black manager was Adidas's "contribution to diversity".

Some employees were furious at the suggestion the manager was chosen for his ethnicity rather than his skills.

"It was completely inappropriate," said one person who was present, adding that at the behest of other senior managers, a video of his speech was not published on the Adidas intranet, as would have been typical. Multiple Adidas insiders who worked under Auschel said it was not an isolated incident.

Auschel did not respond to a request for comment. Adidas chair Thomas Rabe, chief of German media giant Bertelsmann, declined to comment.

The law firm concluded in a lengthy report that Auschel's conduct was not grave enough to fire him under Germany's labour laws, Adidas said. "There have been no further indications of possible misconduct since then," the company said in a statement.

Auschel was rebuked by a member of the supervisory board in personal meetings, who told the 59-year-old that his

Port protests Violence breaks out over Adani project to build shipping hub in south India

Ready for action: policemen ahead of a rally by supporters of the Vizhinjam project yesterday — Munsif Vengattil/Reuters

CHLOE CORNISH — MUMBAI

A $900mn deepwater port being built by the Adani Group has become the focus of protests, pitting a leftist coalition state government backed by Hindu groups against fishermen and Catholic priests who oppose the project on environmental grounds.

Police have filed criminal complaints against 15 priests and scores of protesters after violence broke out over the weekend at Vizhinjam port, currently being constructed in Kerala. A high court judge in the state has ordered protesters to remove road blocks and let work continue.

The priests have for months been organising protests by mostly

growing political risks facing Asia's richest man, Gautam Adani, as he expands his conglomerate from coal to data centres.

The billionaire businessman has previously faced resistance against his Carmichael coal mine in Australia, as well as from tribal communities in the southern Indian state of Odisha objecting to Adani's coal mining activity, and fishermen at Adani's Kattupalli port near the city of Chennai.

A "Stop Adani" campaign by environmental activists in Australia "has so far delayed the mine by around eight years", said Pablo Brait, senior campaigner at climate action group Market Forces. "While Adani Group's projects continue to impact the cli-

Fishermen have blocked the Vizhinjam port entrance for more than three months, blaming the project for coastal erosion and for jeopardising their livelihoods. Adani Group said the project was in full compliance with regulations, and several independent institutions had cleared it of shoreline erosion.

"We feel that the ongoing protests are motivated and against the interests of the state and the development of the port," a spokesperson added.

Kerala chief minister Pinarayi Vijayan, from the Communist party, supports the container terminal, which would create a shipping hub at the southern tip of India to rival Sri Lanka's Colombo port.

Eni enters preliminary talks on deal for Neptune

TOM WILSON — LONDON
NATHALIE THOMAS — EDINBURGH

Italian energy major Eni is in preliminary discussions to acquire private equity backed Neptune Energy in what would be one of the biggest oil and gas deals in recent years.

The talks remain at a very early stage, according to a person familiar with the negotiations. The potential deal could be valued at between $5bn and $6bn, although Eni was yet to make an offer, the person said.

Neptune produces around 135,000 barrels of oil equivalent a day from fields in eight countries, including the UK North Sea, Norway, Germany, Algeria, the Netherlands and Indonesia, where it shares a licence with Eni. Approximately three-quarters of Neptune's global production is natural gas.

European oil and gas majors like BP, Shell, TotalEnergies and Eni have been more likely to sell oil and gas assets than to buy them since setting targets to cut carbon emissions and shift to greener forms of energy.

In February 2020, Eni set targets to reduce absolute emissions from its operations and the fuel it sells and pledged that its oil and gas production would peak in 2025 at around 1.9mn boe/d, against 1.7mn boe/d today.

It has said that gas will account for 60 per cent of the company's hydrocarbon production by 2030.

The person familiar with the talks said Neptune's gas assets were a particular attraction for Eni. Any offer would not include Neptune's onshore oil and gasfields in Germany, the person added. The talks were first reported by Reuters.

In 2021, Neptune made a net profit of $387.2mn from revenues of $2.5bn and had net debt of $2.1bn.

It was founded in 2015 by Sam Laidlaw, the former chief executive of UK energy group Centrica. It is backed by the China Investment Corporation, which owns a 49 per cent stake, and private equity funds including Carlyle and CVC Capital Partners. In 2021, Neptune paid a $1bn dividend to its shareholders.

It was among the new private equity-

Asked about the Auschel allegations, Adidas told the FT that "a reputable law firm" investigated complaints about "potential breaches of internal conduct guidelines" in a "comprehensive and independent" probe.

People familiar with the matter added that the probe, which was overseen by remarks were unacceptable for the company and had to stop immediately.

"Auschel received a final warning, he was given a last chance," said one person familiar with the matter.

"He does not mean his remarks in the way that many people understand them," the person added.

Christian fishermen against the project, which was commissioned by the Congress-led state government in 2015. Hindu groups have protested in support of the port, stoking concerns about communal tensions flaring in the area.

The protests are an example of the mate and people's livelihoods, then they will continue to face resistance to those projects."

Adani Group said: "All the protests . . . mentioned have local contexts. These are independent protests with no nexus both temporal and spatial."

Kerala's government is the main financier of the project. The state government had paid out Rs1bn ($12.3mn) in compensation to fishermen by March 2022, according to Adani's financial filings. The port's launch, initially set for August 2020, has been delayed for years.

backed energy companies that swept up assets in countries such as the UK and Norway after the oil price crash of 2014.

Neptune has also been working with advisers to explore an initial public offering as an alternative to a sale.

Eni and Neptune both declined to comment on the talks.

Battle lines remain for complex Franco-German fighter project

INSIDE BUSINESS
AEROSPACE

Peggy Hollinger

Twice in two weeks, French and German politicians have declared the end of a long impasse in their project to deliver one of the most complex fighter programmes in the world — a system of systems combining aircraft, drones and advanced communications.

And twice they have been put in their place by Dassault Aviation, the French aerospace and defence company that will lead the core part of the programme — the fighter jet itself.

Eric Trappier, Dassault's chief executive, last week dismissed declarations by French president Emmanuel Macron and German chancellor Olaf Scholz that agreement had been reached on building a prototype as a "pseudo-political announcement". A few days later the company again insisted that no industrial accord had been signed after comments by the French prime minister Elisabeth Borne in Germany.

Dassault plays hardball and always has done. Deeply integrated into the French political and military establishments, it is supremely confident in its role as guarantor of France's sovereignty in combat aircraft. Majority controlled by the Dassault family, the group has always displayed a certain independence from norms of corporate diplomacy when it comes to telling politicians what it thinks. It is a reminder that whatever the politicians say, they will need arch-rivals Dassault and Germany-based Airbus Defence and Space to play nicely if they want Europe's biggest defence project to succeed.

The two companies have long been bitter rivals — dating back to when Airbus held a significant stake in the much smaller aerospace group as a proxy for the French government. Over the past year they have been fighting tooth and nail over how to share intellectual property on the future fighter and development of the crucial flight-control system. Those battles — at times overly emotional, according to people involved in the project — have already delayed progress by a year. To be fair, the politicians were not entirely wrong. There has been some progress on two obstacles to the so-called demonstrator phase.

> At best the agreement that will be signed by Dassault and Airbus simply buys time for the two sides to carry on negotiating

It seems that Dassault's own proposed flight-control system will be used for the prototype, according to several people with knowledge of discussions. Second, an apparent compromise has been secured in an entirely separate Franco-German programme to develop a future tank. The Bundestag has always insisted that the fighter and tank projects run in parallel, to ensure that the country has the lead in one of the collaborations.

Now the expectation is that an industrial agreement on the so-called Phase 1B of the future fighter programme could be signed within days.

But this does not guarantee a trouble-free future for the project, where Spain is also a partner. While Dassault may have won the battle over the prototype, everything is still to play for in the next phases of the programme. For example, Airbus still expects to be involved in developing the flight-control system to be used for the actual aircraft. As this critical system is unlikely to be developed completely from scratch, that will require some sharing of Dassault's IP — which the French company remains viscerally opposed to.

Meanwhile, the Bundestag continues to insist on an equal sharing of the technological benefits of the programme. There is no evidence that either side has materially changed its position.

Politicians may have thought they could accelerate things with a public statement after a few grudging concessions. But Dassault will not be bounced into anything. Its Rafale fighter is selling like hot cakes, helped by government support. With constant upgrades it is good for a few more decades, says Trappier. The company can afford to wait things out, if need be.

At best the agreement that will be signed by Dassault and Airbus simply buys time for the two sides to carry on negotiating over the bigger spoils of the programme. The hope seems to be that once they start working together, the engineers rather than politicians or top management will develop the positive momentum needed to carry the project to fruition.

It is a big gamble. Politically, the collaboration is important — a key pillar of Europe's ambition for greater strategic autonomy in defence.

But that is not necessarily the industrial perspective. Neither Airbus Defence and Space, nor Dassault, would have chosen the other as a partner for a new fighter programme. It is difficult to see how "pseudo-political announcements" will change that.

peggy.hollinger@ft.com

COMPANIES & MARKETS

Technology

FTX shakes EU faith in crypto rules

Lawmakers say landmark legislation would not have prevented its collapse

SCOTT CHIPOLINA AND AKILA QUINIO
LONDON

EU policymakers have cast doubt on whether the bloc's incoming cryptocurrency regulations are robust enough to prevent a repeat of the collapse of FTX, whose bankruptcy has sent shockwaves through the digital assets industry.

At the European parliament's Economic and Monetary Affairs Committee yesterday, MEPs questioned if the EU's landmark crypto framework Markets in Crypto Assets, or Mica, which comes into force in 2024, could stop an FTX-equivalent collapse.

"I have serious doubts that Mica would have prevented what happened . . . many of the problems are well beyond the scope of [the legislation]," said Spanish MEP Ernest Urtasun. Aurore Lalucq, a French MEP, said she would like Europe's lawmakers to "wake up".

The hearing was called in response to the bankruptcy last month of FTX, which has rocked an industry already reeling from this summer's market crash. The collapse of FTX, which was based in the Bahamas, has prompted criticism of regulators on the island chain. The fallout of the once-marquee crypto trading house has also caused a spillover into Cyprus.

FTX's European footprint left by the Cypriot subsidiary, which has now had its licence suspended, has angered lawmakers who fear national authorities may not be up to the task of regulating the troubled industry.

Markus Ferber, a German MEP, said it was "concerning that FTX managed to obtain an investment firm licence in Cyprus. If [this subsidiary] even remotely behaved like its parent company, this raises major questions in relation to the quality of financial services supervision in Cyprus."

Mica has been viewed as a watershed moment for crypto regulation as it represents an effort to impose EU-wide standards, rather than through competing national approaches.

Under the legislation, crypto firms would need to be authorised by one EU member state regulator, allowing the company to passport its services across the bloc. National regulators would in turn share information with the European Securities and Markets Authority.

The hearing comes as European Central Bank officials said cryptocurrency bitcoin was unsuitable both as a payment method and investment vehicle, in an unusually forceful rejection of the digital currency.

The recent stabilisation of bitcoin's value at about \$20,000 – down from its 2021 peak of about \$69,000 – was an "artificially induced last gasp before the road to irrelevance", Ulrich Bindseil and Jürgen Schaaf wrote in a blog post yesterday, rejecting claims the digital currency would rebound.

The central bankers argued that bitcoin was "questionable" as a means of payment due to its "conceptual design and technological shortcomings" that rendered its transactions "cumbersome, slow and expensive".

They urged regulators not to give the digital currency legitimacy in the name of innovation. "Bitcoin has never been used to any significant extent for legal real-world transactions," they wrote.

Banks

Further UBS acquisitions in US ruled out by chair Kelleher

STEPHEN MORRIS AND OWEN WALKER
LONDON

UBS chair Colm Kelleher has ruled out further acquisitions in the US after walking away from a \$1.4bn deal two months ago, saying shareholders need a clear picture of how the Swiss bank will grow in a market it has earmarked as a top priority.

The Swiss bank in September ditched plans to buy US digital advisory start-up Wealthfront, a deal championed by chief executive Ralph Hamers but unpopular with investors.

"The real short-term gain for us is the States. There has been some tweaking [of strategy], we know we need to grow, UBS is subscale in the US," Kelleher told the Financial Times global banking summit in London yesterday.

"What makes UBS different from Morgan Stanley or Bank of America is that we appeal to the ultra-wealthy. The message in the States is organic growth, no optionality, no distractions, no M&A," Kelleher added.

"We have a clear strategy in the States. Why are we complicating it for our investors?"

Former Morgan Stanley executive Kelleher joined UBS in April with a brief to help expand the business and improve the bank's valuation.

"There is no prospect of UBS growing inorganically in the States . . . we have looked at the various properties in the

'The message in the States is organic growth,

Geopolitics. Risk haven

China businesses deploy Singapore domicile hedge

Mainland registrations in the city-state jump amid rush to dodge fallout from Sino-US rift

MERCEDES RUEHL AND LEO LEWIS
SINGAPORE

As many as 500 Chinese companies have quietly redomiciled or registered in Singapore over the past 12 months in a bid to hedge against rising geopolitical risk as tensions between Beijing and Washington escalate.

They follow online fast-fashion retailer Shein, electric vehicle maker

Nio and IT services provider Cue, which were among the first to switch parent companies or global headquarters to Singapore, list on the stock exchange, acquire local businesses and form joint ventures in the city-state.

Chinese businesses setting up in Singapore is not a new phenomenon but senior bankers say there is now an "acute" rush by mainland groups to establish holding companies to future-proof their businesses as the west steps up its scrutiny of corporate China.

The exact number of Chinese companies being set up is unclear because Singapore does not disclose origin countries in its public statistics. However, one lawyer said his firm's internal research division found more than 500 new Chinese companies had set up this year in Singapore, which experts noted was a rise from previous years.

Another business advisory group in the city-state that had reviewed the data calculated the number at 400, including family offices, but also asked not to be identified due to the sensitivities involved. Analysts expect the number of family offices — many of which are from China — to be well over 1,000 by the end of this year, compared with 400 at the end of 2020.

"China has a huge domestic market but, increasingly, businesses there work around the world. They know sensitivities arise if they remain Chinese, so they market themselves as international. Singapore, with its strong regulatory system and global reputation, allows that platform," said Ryan Lin, a director at Singapore's Bayfront Law. "If those numbers are correct, it would be a huge step up from previous years."

Singapore is expected to benefit from the trend as it works to establish itself as a centre for global finance and capital flows. In September, it overtook Hong Kong as Asia's biggest financial hub and became third overall behind New York and London, according to the Global Financial Centres Index. It is also proving to be a better location for networking and dealmaking than China, where border restrictions and coronavirus lockdowns have limited crucial business travel for executives.

Taking a Shein: the online retailer is among those to have made a move to Singapore as it plans to deepen its foothold in the US — Stephane Kiehl/Bloomberg

"We call it Singapore-washing, and it definitely helps tick boxes when we present a company to investors if we can say it is domiciled or headquartered or even listed in Singapore," said an executive at a global private equity firm.

The trend has accelerated. Shein, a fashion company popular with western consumers, has aggressively expanded its Singapore office this year. Since 2021, it has been operated by Singapore-registered Roadget Business, according to filings first reported by Reuters, which one lawyer specialising in US equity listing rules said "could make it easier to list in the US".

Nio, the EV start-up that plans to expand into the US market after entering Europe, listed on the Singapore exchange in May, despite already being listed in New York and Hong Kong. The automaker said the listing was important for its "global business development" and an adviser familiar with the deal said the move was partially a hedge to retain access to international finance.

The flotation came at the same time Nio was put on a list of 80 Chinese companies facing expulsion from US exchanges following a stand-off between Washington and Beijing over accounting practices.

Others have established parent companies in Singapore. Cue Group was formed through a merger of three Chinese companies in Shanghai in 2017. Shi Kan, Cue's chief executive, who divides his time between Shanghai and Singapore, said the company was founded in Singapore but most of its 2,000 employees, along with most of its deals, were in mainland China.

Shi told the Financial Times its Singapore office was the "growth engine" for global expansion. There were only 20 staff members in Singapore as of September but that would double by the end of the year, he said.

Traditionally, Hong Kong was the choice for many such companies, said Kia Meng Loh, a senior partner at Dentons Rodyk. But with Beijing "flexing its muscles" in the semi-autonomous rival finance hub, Singapore is the obvious next choice, he said.

Loh said he was seeing instances where Chinese companies were forming joint ventures with Singaporean entities, pursuing a merger or buyout, hiring Singaporean management and employees or board members.

One such company is St Louis Medical Devices, a joint venture set up in Singapore in 2020. The shareholders are a US company that specialises in technology to measure blood sugar levels without a needle and its Chinese partner, which injects capital and raises funds. George Chen, St Louis managing director, said Singapore was the "gateway to Asia".

> 'We call it Singapore-washing, and it definitely helps tick boxes when we present a company to investors'

Anti-China sentiment in crucial markets such as India has also created obstacles for some Chinese companies, especially those designing apps for mass consumption. Lawyers and bankers cite instances where Chinese companies had redomiciled in Singapore specifically so they could launch apps in India without the "baggage".

Singapore's government is closely watching the trend to ensure no rules are broken. New regulations from December will require Singaporean entities to record nominee shareholders and identify controlling executives.

"There is a bright future for Singapore but it has to be handled properly and the government here has been taking the right steps to optimise the opportunity for the country," said Greg Kallinikos, chief executive of StoneX, a Nasdaq-listed international financial services company.

"The minute you hear [a company] is Singapore-incorporated, jurisdictionally it gives you a lot of confidence."

> no optionality, no distractions, no M&A'

States where we could scale up — they do not fit our criteria or culture, so we have made a decision to grow organically," he added.

"Where we bring value is high net worth and ultra-high net worth. I don't think we particularly bring alpha in mass-affluent, which is why we walked away mutually from the Wealthfront deal . . . it didn't make sense," said Kelleher.

In a wide-ranging interview, Kelleher also denied rumours that he had fallen out with Hamers over strategy and style.

"I really don't get this . . . I was 32 years at Morgan Stanley, and in all that time we never had anything like the blogs and gossip that comes out of Zurich," he said.

Kelleher has taken Hamers on investor roadshows, with the aim of enticing US fund managers to become shareholders and raising the group's price-to-book ratio, which lags behind US competitors such as JPMorgan and his former employer.

UBS's main rival Credit Suisse has gone through several chaotic, scandal-ridden years and recently announced that clients had withdrawn SFr84bn ($89bn) of assets. Credit Suisse's shares hit a 30-year low this week.

Kelleher recently attracted controversy at an investment conference in Hong Kong where he said global bankers were all "very pro-China".

He reiterated his optimism about the country yesterday, despite the anti-government protests that have sprung up in numerous cities.

"We are confident that 2023 will be a year where you will get some relaxation on zero-Covid and the market will kick back into gear and we are seeing that with the build-up of liquidity with our customers."

Property

Shimao among those eyeing private share sales

CHENG LENG — HONG KONG

Chinese property developers including Shanghai-headquartered Shimao Group have announced they will sell shares through private placements after regulators scrapped a decade-old ban on such deals.

The placements come as Beijing seeks to ease the credit crunch that has battered the real estate sector over the past year, stalling what was an important engine of growth for the economy.

The China Securities Regulatory Commission announced on Monday it would end a ban on equity fundraising by listed property developers and would allow them to conduct mergers and acquisitions and restructurings.

The lifeline for cash-strapped developers followed concerted efforts by regulators and state financial institutions to help the struggling sector.

Last week, some of China's largest lenders said they were ready to pump more than $162bn of credit into developers judged to be stable and to have avoided the worst of the crisis. Earlier last month, regulators agreed a support package that includes extension of a year-end deadline for lenders to cap their ratio of sector loans in what was seen as a turning point for the industry.

"Equity financing policies have been tightened since 2010 and nearly all mergers, listing and equity financing activities for developers have been halted since then," analysts at China International Capital Corporation wrote in a report.

The analysts added that the "milestone move" meant developers would be able to resume normal equity financing with the exception of initial public offerings, and this would help improve their balance sheets and revitalise commercial property projects.

Shimao Group said yesterday it would allocate 30 per cent of its share capital to no more than 35 investors in a private placement deal. The funds raised would be used to finish housing projects, debt repayment and working capital, it said.

Hubei Fuxing Science and Technology, a developer based in central Hubei Province, said yesterday it would also make a private placement. Three other smaller listed property developers announced similar plans.

Shanghai-listed shares in Shimao and Hubei Fuxing both surged by the daily limit of 10 per cent yesterday, while the benchmark Shanghai Composite Index edged up less than 0.1 per cent.

Some investment bankers and developers were surprised to see the securities commission reverse curbs on developers imposed for more than a decade.

One Shanghai-based investment banker said colleagues had almost forgotten how to arrange private placements for listed developers. "We have to reach out to our developer clients on how to push forward this equity financing business," the banker pointed out.

Technology

Losses mount at payments operator Klarna

SIDDHARTH VENKATARAMAKRISHNAN — LONDON
RICHARD MILNE — OSLO

Klarna hopes to start making monthly profits again for the first time since 2020 within a year, despite losses at what was once Europe's most valuable tech group continuing to rise in the quarter.

The Swedish payments group, whose valuation dropped from $46bn to $7bn following a funding round in July, has suffered during the tech rout and is trying to turn things round by laying off staff and tightening lending.

"This isn't a boat, it's a container ship. You don't turn it round in the quarter. It takes . . . time," chief executive Sebastian Siemiatkowski said yesterday.

Klarna reported a net loss of SKr2.1bn ($200mn) for the third quarter, compared with SKr1.1bn a year earlier.

Revenues in the third quarter increased 18 per cent to Skr4.6bn, driven by growth in markets including the US and UK.

Siemiatkowski is aiming for Klarna to achieve monthly profitability by August or September next year, but warned that it could still make a full-year loss in 2023. It last made an annual profit in 2018, a quarterly profit in the second quarter of 2019 and a monthly profit in August 2020.

He said he had been worried about the economic environment since January, and had been tightening its lending, especially on longer-term products.

The Swedish buy now, pay later pioneer suffered in the tech rout

Siemiatkowski said the decision to cut 10 per cent of its staff in May was "painful and tough" but necessary.

At its half-year results in August, Klarna said it would look at tightening lending, especially to new customers.

Siemiatkowski said Klarna had "committed" to its strategy, so it would not be dependent on more fundraising, but did not rule out further investment.

Klarna has been one of the pioneers in the buy now, pay later sector, which allows consumers to defer payments or make them in instalments. While the products have proved popular among younger customers, worsening economic conditions, growing scrutiny from regulators, and competition from lenders and Big Tech have posed a challenge.

Klarna's woes reflect hurdles for fintechs, as central banks have put an end to years of largesse and the cost of living crisis has damped consumer spending.

COMPANIES & MARKETS

Hardware teams in frame as Amazon starts ball rolling on 'role eliminations'

Jobs axe swings at costly units in push to address loud investor demands for greater profitability

DAVE LEE — SAN FRANCISCO

Soon after Andy Jassy announced that the "most difficult" decision in his tenure as Amazon's chief executive was to make about 10,000 "role eliminations", the axe began to swing at the group's low-margin and costly hardware units.

According to several employees, teams working on the Alexa voice assistant, Kindle e-reader, and Halo health device were some of the first to be told that they were among the dismissals that were to be made last month, following the tech group's "routine" yearly review into its performance.

"It's not surprising that that's where they decided to start," said one employee on the Kindle team. "What isn't clear to any of us is if it ends there."

Amazon's dismissals come as part of the tech sell-off and headcount reduction in the sector. But there is discontent in Wall Street about Amazon management doing little to tame a workforce that doubled during the pandemic.

The move seeks to satisfy investor demands for greater profitability at the

Pharmaceuticals

Eisai says Alzheimer's drug was not root cause of trial deaths

JAMIE SMYTH — NEW YORK

Japan's Eisai has refused to rule out the possibility its Alzheimer's drug contributed to brain bleeds in two patients who died during clinical trials but insisted its medicine was not responsible for their deaths.

The company said the deaths could not be directly attributed to lecanemab, a drug it is developing with Biogen that slows the rate of cognitive decline in early-stage patients by 27 per cent, according to a late-stage trial.

Both of the patients who died — a 65-year-old woman and a man in his 80s — had also taken blood thinning medicines. That prompted Eisai to recommend doctors hold so-called risk-benefit discussions with caregivers and sufferers before prescribing the treatment to those on anticoagulation drugs.

However, Eisai defended the safety of its monoclonal antibody therapy, the first drug to slow progression of Alzheimer's in a large study trial, which has raised hopes of a new treatment for a disease affecting 50mn people.

company, which has seen its capitalisation fall from $1.8tn a year ago to $940bn today. The wave of job cuts is

'They're massively overweight and need to trim up for the holidays'
Brent Thill, Jefferies

focused on expensive corporate and tech positions rather than the warehouse and fulfilment centres that make up the large majority of its workforce of 1.5mn.

It had not yet been made clear where all of the 10,000 roles would be lost, and the number of cuts could fluctuate around that figure, a person familiar with the company's strategy said.

In a memo to staff, Jassy suggested even sacred cows, such as the online store, could be hit in the coming months. Already, a hiring freeze is in place across the entire company.

"They're massively overweight and need to trim up for the holidays," said Brent Thill, an analyst at Jefferies, suggesting investors were anticipating broader cuts. "Hardware is not really going to move the needle. It really is a rounding error relative to their overall headcount number. It has to be much deeper for it to really matter for Wall Street."

Jim Tierney at AllianceBernstein, which holds an almost $4.5bn stake in Amazon, said investors were looking at Amazon's global operations with increasing concern.

"The big question that investors have is what's going to happen to the international business," he said, noting operating margins for global ecommerce of minus 10 per cent in the last reported quarter as supply chain strain and inflation took their toll. "Will investors have the same patience for the international operations, especially when it's so much more spread out and the market shares are so much lower compared to the US?"

Sales on Amazon's online store dropped from $106bn to $102bn for the first half before staging a recovery in the third quarter thanks in part to a resched-

Amazon, led by Andy Jassy, below, is said to have told some staff working on the Kindle reader that they were among those to be let go — Imagine China; David Ryder/Bloomberg

uled Prime Day. Overall revenue growth, including cloud, had fallen this year to as low as 7.3 and 7.2 per cent in the first two quarters, its lowest rate for more than two decades.

In his memo, which Amazon later posted on its blog, Jassy set the scene for more sweeping dismissals in the remainder of this year and into the next.

"Our annual planning process extends into the new year, which means there will be more role reductions as leaders continue to make adjustments," he wrote. "Those decisions will be shared with impacted employees and organisations early in 2023."

That threat has generated fear and tension in the company. More than 20,000 employees have joined a discussion channel on Slack, the internal work communications tool, to share that they had been let go, to learn the fate of other colleagues, or to offer advice on next steps.

Complicating the effort is that some of the dismissed workers are seeing their access to internal systems cut off, leading them to set up alternative groups on messaging app Discord. Amazon said affected employees still had access to tools needed to find new jobs in the company.

According to employees, the hardware teams have borne the brunt of the initial job cuts. A document obtained by Business Insider suggested that Amazon's Worldwide Digital division, of which Alexa is a large part, was on course to lose $10bn this year. Amazon declined to comment on the figure — it does not detail the performance of its devices in its quarterly earnings.

Its Alexa voice assistant devices have been bestsellers at the company's Prime Day sales event, though they are typically heavily discounted. Starting out as a passion project for Amazon founder Jeff Bezos, the Alexa team has yet to cement any lucrative utility for

'It is a rounding error relative to overall headcount. It has to be much deeper for it to matter for Wall Street'

the device, as had been the intention. Users are making regular use of only a fraction of about 30,000 Alexa "skills" — uses — created by Amazon and external developers.

Headline-grabbing innovations, such as the $1,000 home robot Astro, had raised eyebrows internally, one current employee said, with questions over practical uses or any likelihood of broad appeal. That said, in its efforts to capture more of the smart-home category, Amazon in October agreed to acquire iRobot, the group behind the Roomba robot vacuum, in a deal worth $1.7bn.

As he seeks to find broader savings, insiders said Jassy appeared less attached to Alexa than Bezos.

"Leadership keeps emphasising that they're still investing heavily in Alexa, which I think is true, but I think they were just investing too heavily given the current economic state," one employee on the Alexa team said. "It's losing too much money."

"Our assessment is that these deaths cannot be attributed to lecanemab. Of

'We cannot rule out the possibility that lecanemab might have increased the susceptibility of bleeding'

course, we cannot rule out the possibility that lecanemab might have increased the susceptibility of bleeding risk in the brain," Ivan Cheung, chief executive of Eisai US, said in an interview ahead of the presentation of detailed trial results.

The results presented at a conference in San Francisco on Tuesday showed 13 of almost 1,800 participants died during the first 18 months of the trial, but investigators did not attribute any fatalities to lecanemab. Seven of the deaths were among trial participants on a placebo.

The two deaths that have caused consternation among investors happened after the initial 18 months during an extension period, when patients that had been given a placebo were also offered lecanemab. Doctors have long worried that monoclonal antibodies treating Alzheimer's can cause swelling and bleeding in the brain.

Eisai said one of the patients died of a brain haemorrhage, while an autopsy on the second, who also experienced brain bleeding, concluded the cause of death was cardiopulmonary. "Both of these cases had complicating factors," said Michael Irizarry, Eisai's vice-president of clinical research. "Lecanemab does not appear to be the direct cause of death for these. [But] we can't rule out that there might be a contribution."

Serious adverse events occurred in 14 per cent of the participants in the group of patients on lecanemab, compared with 11.3 per cent of those in the placebo group. Almost one in six participants given lecanemab experienced microbleeds in the brain, compared with just under one in 10 on a placebo, according to the study results.

Health experts who reviewed the results said longer trials were warranted to determine the effectiveness and safety of lecanemab.

Telecoms

Starlink device prices nearly double in Ukraine as Russia hits mobile networks

MEHUL SRIVASTAVA — LONDON
ROMAN OLEARCHYK — KYIV

The list prices of Starlink communications devices have nearly doubled in Ukraine, as mobile networks have started failing under Russia's assault on the country's electricity grid and increased demand for the SpaceX-manufactured satellite communication device.

Starlink terminals, which are made by Elon Musk-owned SpaceX, will increase in price to $700 for new Ukrainian consumers, according to the company's website. This represents a rise from about $385 earlier this year, screenshots of past pricing data shared by users inside the country show.

The consumer cost of the monthly subscription to Starlink has fluctuated recently, dropping from about $100 to $60 on Ukraine's Independence day on August 24 to "reflect local market conditions", and will now rise to $75.

Prices have also soared in neighbouring Poland, where many Ukrainians source Starlink to avoid problems with domestic mail delivery, but remained the same in Slovakia and most other European countries.

Musk did not immediately respond to a request for comment.

The small portable devices, which connect to satellites via a book-sized antenna, have provided crucial internet connectivity to the Ukrainian military and civilians in areas with little to no mobile phone networks or broadband coverage. It is unclear if the prices have also changed for the Ukrainian government, which uses a mix of Starlink from various donors, such as Musk's SpaceX, the Polish government and Nato allies and from crowdsourced supporters.

In separate, ongoing negotiations between SpaceX and the US Department of Defense, SpaceX had as recently as October asked Washington to pay $4,500 a month for each terminal intended for Ukraine, a person familiar with the situation said.

The Pentagon said the department had been in contact with SpaceX about Starlink but declined to detail the discussions. It said the US and Ukraine had identified satellite communications as a critical capability on the battlefield.

Musk turned on connectivity for the satellite-based service within Ukraine days after Russia launched its full-blown invasion on February 24, responding on Twitter to a request by a Ukrainian minister.

Since then, the Ukrainian military has used Starlink extensively along the frontline, where months of battles have rendered mobile networks unreliable, using vast amounts of high-speed data to communicate with each other, with their bases and to transmit high-resolution drone images.

The Ukrainian government is planning to purchase thousands of new Starlinks, prime minister Denys Shmyhal said on Tuesday, and will make their imports tax and duty-free.

Kherson: a volunteer by a Starlink terminal built for local residents — Reuters

Civilians in areas taken back from Russian control also often rely on Starlink while Ukrainian mobile network providers restore services.

In recent weeks, though, mobile networks in big cities such as Kyiv have also faltered, as Russia has sought to cripple Ukraine's electricity distribution system.

Musk has previously complained that the cost to SpaceX of delivering Starlink services to Ukraine could run as high as $100mn by the end of 2022, after the Financial Times reported that the Ukrainian military faced operational problems in October after discovering that the devices did not work in areas recently liberated from Russian control.

SpaceX had also asked the US government to pick up the costs of providing the service to the Ukrainian government and military that could run to $400mn over a 12-month period, CNN reported in October.

It is unclear what additional costs Musk is referring to, since many users pay SpaceX directly for buying the terminals and a monthly subscription fee.

Dimko Zhluktenko, a software engineer who runs a charity to fundraise equipment for soldiers, said that he had purchased as many as 200 Starlinks in the past to send to the front lines, averaging about $500 for the price of each terminal, a deposit and the first month's subscription fee.

But his most recent fundraising effort, for $50,000 to buy 100 more, has been derailed by the price rise.

"This really just affects civilians at the moment — as a Ukrainian doing it for the military, I will pay whatever amount is needed," said Zhluktenko.

He said that he was using a Starlink because 4G in his Kyiv neighbourhood was down on Tuesday afternoon.

Demand for Starlink has grown in recent weeks, local retailers said, as a grey market emerged of people paying as much as $1,125 for immediate delivery of the devices, rather than waiting to source them from Poland or from SpaceX.

Commodities. Legal disclosures

Nickel price surge threatened to blow $2.6bn hole in key LME entity

Fullest accounting of March incident to date shows clearing house was under severe strain

HARRY DEMPSEY AND PHILIP STAFFORD
LONDON

A surge in nickel prices threatened to topple a London Metal Exchange entity designed to keep troubles in a single market from infecting the financial system, according to the fullest accounting to date of the crisis this year that has shaken confidence in the 145-year old venue.

LME's clearing house faced a $2.6bn

loss in early March when the price of nickel jumped more than 200 per cent in a single day while a stability fund that provides a further layer of protection would have been nearly wiped out, legal filings published this week show.

The disclosures shine a light on why senior executives made the highly irregular decision to halt trading and cancel billions of dollars of deals in a fraught period on March 8.

The group's filings came as it combats a $470mn legal challenge launched by US hedge fund Elliott Management and Jane Street.

The LME, which is owned by Hong Kong Exchanges and Clearing, has been accused of failing to perform its regulatory duty when it cancelled the trades.

Prices for nickel, used in steelmaking and electric car batteries, surged 230 per cent in a day, leaving LME members potentially needing to kick in $20bn in margin payments — cash required for trading.

That was 10 times higher than the previous record of March 4 and a level that threatened to tip it and its members into a "death spiral".

At the centre of the chaos was a huge bet on falling prices made by Chinese steel producer Tsingshan, which was upended by the big move higher in prices.

The LME said it was forced into its emergency measures as up to seven of its members could have defaulted on payments due to its clearing house if it had let eight hours' worth of trades stand.

But the legal filing also underscored that the LME's own clearing house — set up to protect the market against defaults — was also in severe danger, with the LME potentially unable to trade other metals and posing "a significant systemic risk to the wider financial system", it said.

The LME declined to comment further. A clearing house stands between two parties in a trade and helps prevent a default from cascading through the market.

The LME had concerns about the market the day before the main incident on March 8.

On March 7, surging prices forced it to make an unprecedented nine intraday calls for more margin, totalling $7bn.

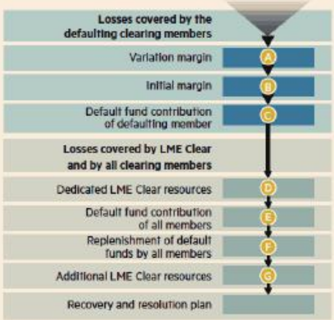
An internal meeting at 1.45pm London time on March 7 decided the clearing house would not ask for any more margin calls, which it admitted

Sparks fly: LME's detailed defence showed the potential systemic severity of the crisis occurring within the nickel market of approximately 3mn tonnes per annum — Cole Burston/Bloomberg

LME Clear's lines of defence

Loss allocation if nickel trades had been allowed on March 8

LME Clear is required to maintain a default fund to cover the risk that any losses may exceed the margin posted by a defaulting member. If trades on Tuesday March 8 had been allowed to stand, LME Clear would have had to issue $20bn of intraday margin calls in order to ensure it was sufficiently collateralised. It was likely seven members would have defaulted on their obligations A B and LME Clear would have had to have taken on their short positions at a loss of $2.6bn if sold at prevailing market prices. The loss would have exceeded the default fund contribution C and LME Clear's contribution D by $220mn. LME Clear would have required $1.22bn from non-defaulting members to eliminate the loss E and replenish the fund F as well as potentially additional LME Clear resources G.



Sources: LME; FT research

was "extremely unusual and a departure from internal policy." The market did not close until 7pm.

Adrian Farnham, the-then chief executive of the clearing house, stated that the measure was "no more than a temporary stop-gap and was not sustainable beyond the end of the day: LME Clear could not continue to be under-collateralised against member default," the filing said.

UK rules mandate that clearing houses must measure their liquidity and credit exposures to their members on "a near to real-time basis".

Matthew Chamberlain, LME chief executive, stated that, at the end of the day, in his view the market remained orderly as traders tried to reprice assets in the wake of Russia's invasion of Ukraine and the imposition of sanctions.

Prices surged again on March 8, pushing up margin calls, with the LME later estimating that seven members could have defaulted.

If that had happened, the LME would have been forced to take on the short positions of the defaulting members, it said. The positions, if sold at prevailing market prices, would have resulted in a loss of $2.6bn for the exchange.

But the LME said the size of losses would have eaten up both the clearing house default fund that protects the market as a whole against a sudden collapse of one of its members and the clearer's own funds, which are used as a backstop, and still left a shortfall of $220mn.

The clearing house would have needed to ask its members for at least $1.2bn and find fresh funds of its own, as soon as possible.

If more members defaulted on nickel trade payments, it could have cost the LME an extra $170mn and required it to take on thousands of short positions in other metals markets. The LME insisted in the court documents that its decision to cancel trades was based on the need to maintain an orderly market and its regulatory objectives, denying that it was influenced by LME Clear's exposure.

Sarah Taylor, partner at HFW, a law firm, said that the severity of the potential ramifications for the metals market could favour LME's defence that it was motivated to comply with the regulatory obligation for its clearing house to remain fully collateralised.

"This potentially does provide an answer to Jane Street's claim," she said. "If the LME can establish that its regulatory obligations would have been breached had it not cancelled the [March 8] trades, it will be difficult for the claimants to show that this was an unreasonable decision."

The Financial Conduct Authority and the Bank of England, the LME's main regulators, are conducting a review into the LME's handling of the incident.

Consultants Oliver Wyman are also leading an independent review into the circumstances leading up to the nickel market squeeze. The report is due by the end of the year.

Colin Hamilton, managing director of commodities research at BMO, said the detailed defence provided further details on how severe the crisis sparked off by the niche nickel market of approximately 3mn tonnes per annum could have been.

"The fact that a market so small could cause severe financial strain will undoubtedly catch the eye of the regulators," he said.

Crypto

Singapore's Temasek launches a review into ill-fated $275mn FTX investment

MERCEDES RUEHL — SINGAPORE
SCOTT CHIPOLINA — LONDON

Singapore's Temasek has launched a review of its $275mn investment in FTX as the state-owned investment fund is scrutinised over the due diligence it performed before backing Sam Bankman-Fried's crypto exchange.

Lawrence Wong, Singapore's deputy prime minister, told parliament yesterday that Temasek's losses were "disappointing" and had caused reputational damage for the city state.

Temasek last month wrote off its investment in FTX, which constituted 0.09 per cent of its S$403bn ($295bn) portfolio but provided the crypto group with a seal of approval from a major fund manager.

In response to queries by the Financial Times, the fund had defended its "eight-month due diligence" process but last month admitted that its trust in former chief executive Bankman-Fried appeared "misplaced".

Temasek's inquiry comes as filings by FTX's new management in US bankruptcy court point to a severe lack of financial controls at a group once valued at $32bn by a roster of big-name investors that also includes venture capital firm Sequoia and Japan's SoftBank.

Confidence in Singapore's ability to regulate the digital assets industry has been undermined by a series of crypto failures this year, including the collapse of hedge fund Three Arrows Capital and crypto platform Hodlnaut.

Singaporean police said last week that it was investigating the platform and its directors "for possible cheating and fraud offences".

The city state's sovereign wealth fund GIC is also facing pressure as an investor in Genesis, the crypto broker. Genesis said after FTX's collapse last month that it had about $175mn in funds locked in an account on the platform.

Several days later, Genesis paused withdrawals at its lending unit, citing "unprecedented market turmoil".

The fallout over FTX has resulted in unusual public criticism of Temasek with many questioning its due diligence.

Singapore users accounted for the second-largest share of web traffic to FTX.com, accounting for about 5 per cent of traffic share, according to data from CoinGecko.

"It was a moonshot investment but Temasek looks silly for pushing the line they did eight months of due diligence," said one major investor in the private equity space. "They should have just said we took a punt, it didn't work out and we are sorry."

In a Facebook post on Saturday, Ho Ching, the former Temasek chief executive who is the wife of Singapore's leader, Lee Hsien Loong, called the fund's loss "egg on our face". But she defended the investor's overall strategy, saying "some of Temasek's best investments were made by being contrarian".

Temasek wrote off its investment in crypto platform FTX last month

Crypto

Binance goes back into Japan with deal for Sakura Exchange BitCoin

NIKOU ASGARI AND SCOTT CHIPOLINA
LONDON
KANA INAGAKI — TOKYO

Binance has made a fresh bid to enter Japan a year after it was warned by regulators about its unauthorised activities, with a deal to buy Japanese crypto company Sakura Exchange BitCoin.

The world's largest crypto exchange, which is owned by entrepreneur Changpeng Zhao, is to return to the Japanese market by purchasing an entity licensed with the country's Financial Services Agency. The terms of the transaction were not disclosed.

The deal follows a trail of controversies for Binance in Japan, where regulators have repeatedly warned consumers that the exchange is conducting unauthorised transactions.

Binance's acquisition of Sakura also comes amid heightened scrutiny of the sector following the collapse of rival exchange FTX, the shockwaves from which are rippling through the industry.

After the high-profile failure of the Tokyo-based Mt Gox crypto exchange in 2014, Japan became one of the first countries to regulate crypto trading.

It stipulates that companies operating in the country must be authorised by the FSA to legally trade.

Last year, the FSA warned consumers that Binance was conducting unauthorised trades in the country.

It was also the second warning from the market watchdog, which reprimanded the crypto exchange in 2018 for the same activity.

Binance declined to comment on whether the FSA had approved the deal. The FSA said that Binance did not require regulatory approval to acquire Sakura but the watchdog said it would monitor whether any change in shareholder structure led to changes in internal controls and systems that would impact the company's legal compliance.

> 'We will actively work with regulators. We are eager to help Japan take a leading role in crypto'

Sakura has a local licence and offers trading of popular coins such as bitcoin and ethereum against the yen. Its purchase provides Binance with its first licence in east Asia, the company said.

Takeshi Chino, general manager of Binance Japan, said the Japanese market would play a "key role" in the future of cryptocurrency adoption.

"We will actively work with regulators to develop our combined exchange in a compliant way for local users. We are eager to help Japan take a leading role in crypto," he said.

The sprawling digital asset firm has subsidiaries around the world and has faced the wrath of other regulators, too.

It has repeatedly clashed with the UK's Financial Services Authority, which last year said the Zhao-led trading shop was "not capable of being effectively supervised", adding that Binance's products posed a "significant risk" to consumers.

Financial watchdogs in jurisdictions, including Singapore, Hong Kong, Italy and Lithuania have also cracked down on Binance's activities.

In July this year, the Dutch central bank fined the exchange more than €3mn for offering services without the proper registration.

COMPANIES & MARKETS

The day in the markets

What you need to know

- Global equities set for first successive monthly gains in over a year
- Investors will study Fed chief's speech for clues on likely path of interest rates
- Europe's stocks advance as pace of inflation rises in region begins to slow

Global stocks are on track for their first back-to-back monthly gains since the summer of 2021 as investors bet that inflation has peaked and dipped back into equity markets, which were hammered in the first half of the year.

Hopes that the US Federal Reserve is about to slow the pace at which it raises

US stocks set for first back-to-back monthly gains since 2021

S&P 500 (monthly change, %)

Investors need a different playbook for 2023 challenges

Jean Boivin

Markets Insight

Buy the dip when stocks go down. Find shelter in government bonds when growth worries mount or

the opposite is happening. Central banks are deliberately causing recession by over-tightening policy to rein in inflation. That makes for a recession

that reason. High-grade credit yields compensate for recession risks. But this lure of income will need to be weighed carefully against the capital loss associabout to slow the pace at which it raises interest rates — and that China will ease strict zero-Covid policies early next year — have helped the FTSE All-World index rise 11 per cent since the start of October and the S&P 500 rise more than 10 per cent over the same period.

The MSCI Asia-Pacific index has ticked up 14 per cent so far in November and is set for its biggest 30-day gain in at least 10 years, Bloomberg data show.

Commodities prices, factory gate prices and inflation expectations have all begun to slide from their record levels in recent weeks, suggesting to some that global inflation has peaked and the pace of headline price growth will slow in 2023.

Analysts at Bank of America nevertheless believe some investors may have got ahead of themselves. "Markets are in denial, particularly equities," they said in a note this week.

Wall Street's benchmark S&P 500 was 0.2 per cent lower in morning New York trading and the tech-heavy Nasdaq Composite rose 0.3 per cent ahead of a speech by Federal Reserve chair Jay Powell with investors hoping for hints about the path of the central bank's interest rate policy.

"Clearly Fed action is going to be the driving factor for every asset class over the coming weeks," said Neil Birrell, chief investment officer at Premier Miton, an asset management company.

Data out yesterday showed declining energy prices helped annual eurozone inflation fall more than expected to 10 per cent in November, down from a record 10.6 per cent in October.

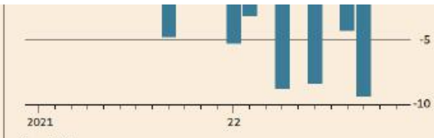
Economists polled by Reuters had predicted a 10.4 per cent rise.

"Today's data suggests that headline inflation has peaked but that underlying price pressures will indeed persist for some time," said Frederik Ducrozet, head of macroeconomic research at Pictet Wealth Management.

The region's stocks rose with the Stoxx Europe 600 up 0.6 per cent while London's FTSE 100 gained 0.8 per cent.

In Asia, Hong Kong's Hang Seng index firmed 2.2 per cent after rising sharply in the previous session as investors bet that China would push ahead with reopening plans following anti-lockdown protests.

George Steer



Source: Refinitiv

growth worries mount or recession hits. Such staple strategies served investors well for decades. But they're not working now.

The steady growth and inflation we saw in the 40 years before the pandemic — a period known as the Great Moderation — is over.

We are instead in a world shaped by production constraints, making it difficult for economies to operate at the current level without stoking inflation.

That leaves central banks with a sharper trade-off. They can raise rates enough to stabilise inflation at their 2 per cent target soon — but that will be bad for growth, for equities and, with public debt at record highs, for government finances. Alternatively, markets still need to adjust to persistently higher inflation — that will be bad for bonds. There is no perfect outcome.

That's not about to change. Three long-term trends are set to maintain production constraints and sustain inflationary pressures.

First, ageing populations are reducing labour supply and the resulting production hit is just starting to materialise in many major economies. Second, the rewiring of globalisation and the need to build more resilient supply chains means greater production cost. Third, the transition to a lower carbon world is causing energy supply and demand mismatches, also raising production cost.

Central banks can of course act to tame these inflationary pressures. But crucially, that means they won't ride to the rescue when recession strikes as most investors have become accustomed to over the past 40 years. In fact, inflation. That makes for a recession foretold in 2023. Central banks are then likely to back off from rate hikes as the economic damage becomes reality.

That means inflation will cool but stay persistently above the 2 per cent target.

This new regime calls for a new investment playbook. In the Great Moderation, recession implied lower inflation. Now we expect recession and upside inflation surprises. That makes the case for being overweight inflation-linked bonds, even in the short run.

Market sentiment is likely to turn more positive in 2023. But when it does, don't expect it to be the prelude to a decade-long bull market. What will matter most for investors is continually assessing how much of the economic damage is reflected in market prices.

> What will matter most is assessing how much of the economic damage is reflected in market prices

Equity valuations, for example, don't yet reflect the likely damage ahead. It's still time to be underweight. The trigger to turn positive on equities is when the damage is priced and visibility on the damage improves the risk environment.

The new playbook also calls for a rethink of bonds. Higher yields are a gift to investors who have long been starved for income. And investors don't have to go far up the risk spectrum to receive it.

Short-term government bonds and mortgage securities are appealing for carefully against the capital loss associated with a more rapid increase in rates.

In the old playbook, long-term government bonds would be part of the package because they historically have shielded portfolios from recession. Not this time.

The stock and bond returns have — and will probably — both go down at the same time. Why? Central banks are unlikely to cut interest rates rapidly in recessions they themselves engineered to crush inflation.

If anything, policy rates may stay higher for longer than the market is expecting. Plus, investors will increasingly ask for more compensation to hold long-term government bonds given inflation, central banks reducing their holdings and record debt levels.

Rising debt servicing costs will put a different light on public finances, which will be further squeezed by an ageing population. We had a glimpse of this in the UK in the comeback of the so-called bond vigilantes sparking a yield surge to punish profligate UK fiscal policies.

The bottom line: the new investment playbook involves more frequent portfolio changes, calibrated by balancing an assessment of overall risk appetite with estimates of what's in the price.

It calls for taking more granular views by focusing on sectors, regions and sub-asset classes rather than on broad exposures. Even long-term asset allocations need to be more dynamic: the volatile regime is here and not about to change.

Jean Boivin is head of the BlackRock Investment Institute and former deputy governor of the Bank of Canada

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	3954.74	1741.56	27968.99	7573.05	3151.34	110738.91
% change on day	-0.07	0.76	-0.21	0.81	0.05	-0.15
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	106.328	1.030	139.540	1.191	7.143	5.259
% change on day	-0.462	-0.579	0.878	-0.750	-0.340	-0.751
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	3.775	1.931	0.246	3.155	2.915	12.454
Basis point change on day	5.290	1.300	-0.330	6.200	1.600	-34.700
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	408.33	86.69	80.39	1752.70	21.37	3823.10
% change on day	0.20	2.90	2.80	0.35	-0.51	1.36

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	Estee Lauder Companies (the)	5.97	Hermes Intl	4.68	Anglo American	3.59
	State Street	5.11	Christian Dior	3.82	Antofagasta	3.26
	Biogen	4.27	Lvmh	3.65	Endeavour Mining	2.61
	Fidelity National Information Services	4.06	Renault	3.48	Intertek	2.56
	Hewlett Packard Enterprise	3.85	Infineon Tech	3.45	London Stock Exchange	2.54
Downs	Netapp	-8.44	Telecom Italia	-5.24	British Land	-2.57
	Charles River Laboratories Int	-7.64	Casino Guichard	-4.51	Unite	-2.54
	Hormel Foods	-4.27	Coloplast	-3.45	Tesco	-2.36
	Fortune Brands Home & Security	-3.73	Ses	-2.56	Segro	-2.18
	Laboratory	-3.35	Saipem	-2.15	Dcc	-1.92

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

Cybersecurity group **CrowdStrike** dived despite posting third-quarter earnings of 40 cents a share, which comfortably beat the 31 cents a share Wall Street expected.

But for the following quarter, the software company expected revenue to land between $619.1mn and $628.2mn, the midpoint of which fell short of analyst projections.

George Kurtz, chief executive, acknowledged that CrowdStrike's net new annual recurring revenue was "below our expectation". This was down to "macroeconomic headwinds" that caused smaller customers to curb spending and meant some larger clients were pursuing "multiphase subscription start dates".

Biopharma group **Biogen**, which retreated earlier this week on concerns over the safety of its Alzheimer's drug, climbed after its clinical partner said that the deaths of two trial patients could not be directly attributed to lecanemab.

Zoe Karamanoli at RBC Capital Markets said that the recent release of more detailed test data had removed "any remaining risk/doubt on the potential for lecanemab to reach more than $9bn in sales" by 2031.

Online furniture store **Wayfair** leapt on announcing a low single-digit rise in year-on-year sales for its busy shopping period between Thanksgiving and Cyber Monday. *Ray Douglas*

Europe

Dutch biopharma group **Argenx** rallied on announcing it had bought a US Food and Drug Administration priority review voucher for $102mn.

The voucher is essentially a "skip the line access ticket", said KBC Securities, giving the holder priority review of a single biologics license application.

"A PRV generally reduces regulatory review time from about 12 months to six months," said the broker, which stressed the competitive landscape in which Argenx operated.

Argenx said the PRV was earmarked for a future marketing application for Efgartigimod, an experimental treatment for patients suffering from severe autoimmune diseases.

Swedish lender **Avanza Bank** sank after revealing it would not benefit as much from the Riksbank's recent rate rise as previous increases.

Last week's 75 basis point rise would not affect Avanza's net interest income — the difference between what it pays on deposits and what it earns from loans and other assets — to the same extent as earlier rises, said the bank.

Swedish real estate group **SBB** rose on news it had sold a 49 per cent stake in its social infrastructure portfolio for public education to Brookfield for SKr9.2bn ($866mn) plus an additional earn-out payment. *Ray Douglas*

London

A half-year loss sent fashion group **Mulberry** sharply lower. The brand, known for its upmarket handbags, reported a pre-tax loss of £3.8mn against a £10.2mn profit a year earlier. This was accompanied by a 1 per cent slide in overall revenue, weighed down by a 10 per cent dip in UK sales.

Russ Mould, investment director at AJ Bell, said Mulberry's loss could have been even worse if the company had not hedged its energy costs for three years in October last year, "so management deserve a pat on the back for that move".

Kettle safety controls group **Strix** tumbled after forecasting adjusted profit after tax of about £23mn for the full year, down from £31.4mn in 2021.

It blamed the performance on "macroeconomic and geopolitical uncertainty" across key export markets and lockdowns in China, which had "adversely impacted" some of its customers.

Speciality chemicals company **Elementis** rallied on news it had sold its Chromium division to Turkey's Yildirim Group for an enterprise value of $170mn, bringing to a close a strategic review of the business announced last year.

Making the transaction more attractive, said Jefferies, was the transfer of associated environmental liabilities as part of the deal. *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%	0.32%	-0.44%	0.81%	0.76%	-0.21%	2.16%	0.20%	-0.579%	-0.750%	0.878%	0.232%	3.13%	0.35%

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

AMERICAS

Oct 31 - - Index All World S&P 500 New York

Oct 31 - Nov 30 Index All World S&P/TSX COMP Toronto

EUROPE

Oct 31 - Nov 30 Index All World FTSE 100 London

Oct 31 - Nov 30 Index All World Xetra Dax Frankfurt

ASIA

Oct 31 - Nov 30 Index All World Nikkei 225 Tokyo

Oct 31 - Nov 30 Index All World Kospi Seoul

Country	Index	Latest	Previous
[illegible]	[illegible]	[illegible]	[illegible]

STOCK MARKET: BIGGEST MOVERS

[illegible]

UK MARKET WINNERS AND LOSERS

[illegible]

CURRENCIES

[illegible]

FTSE ACTUARIES SHARE INDICES

[illegible]

FT 30 INDEX

[illegible]

FT WILSHIRE 5000 INDEX SERIES

[illegible]

FTSE GLOBAL EQUITY INDEX SERIES

[illegible]

FTSE SECTORS: LEADERS & LAGGARDS

[illegible]

FTSE 100 SUMMARY

[illegible]

UK STOCK MARKET TRADING DATA

[illegible]

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

UK RIGHTS OFFERS

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

UK COMPANY RESULTS

[illegible]

UK RECENT EQUITY ISSUES

[illegible]

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Stock	Price	Day Chg	52 Week High	52 Week Low	Yld	P/E	MCap m
Australia (A$)							
ANZ Bank	24.74	-0.17	28.33	20.79	5.82	10.86	49558.71
BHP Group	45.52	0.70	50.72	35.83	8.62	11.29	154023.2
CmwBkAu	107.86	-0.23	108.20	86.98	3.10	21.24	122161.81
CSL	300.11	-2.47	311.94	240.10	0.96	45.00	96917.31
NatAusBk	31.54	-0.15	30.75	25.43	2.72	17.59	66590.86
Telstra	3.98	-0.02	4.20	3.52	2.40	33.90	30797.17
Wesfarmers	48.57	0.71	60.78	40.09	3.50	26.15	36889.69
Westpac Bank	23.77	-0.06	24.67	18.80	3.57	18.11	56733.51
Woolworths	34.47	-0.52	41.13	31.67	2.89	41.16	28081.74
Belgium (€)							
AnBshInBv	58.05	-0.15	58.72	45.58	0.82	28.79	100258.96
KBC Grp	52.74	0.22	81.30	45.53	6.33	8.83	22038.43
Brazil (R$)							
Ambev	15.74	-0.02	16.88	12.81	3.50	23.73	47141.86
Bradesco	13.32	-0.02	17.72	12.80	6.24	6.15	12038.69
Cielo	4.85	-0.14	6.22	2.01	3.13	15.71	2402.29
ItauHldFin	22.10	-0.10	28.84	18.86	3.51	8.73	20807.12
Petrobras	29.89	0.51	42.88	25.53	16.07	4.25	42301.5
Vale	86.03	1.50	107.11	61.00	15.12	3.83	78179.04

FT 500: TOP 20

FT 500: BOTTOM 20

BONDS: HIGH YIELD & EMERGING MARKET

BONDS: GLOBAL INVESTMENT GRADE

INTEREST RATES: OFFICIAL

INTEREST RATES: MARKET

BOND INDICES

VOLATILITY INDICES

BONDS: BENCHMARK GOVERNMENT

GILTS: UK CASH MARKET

GILTS: UK FTSE ACTUARIES INDICES

COMMODITIES

BONDS: INDEX-LINKED

BONDS: TEN YEAR GOVT SPREADS

Tradeweb

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

POWERED BY MORNINGSTAR

THEATRE

Sarah Hemming

Best of Enemies
Noël Coward Theatre, London
★★★★★

Henry V
Sam Wanamaker Playhouse, London
★★★★☆

Baghdaddy
Royal Court Theatre, London
★★★☆☆

Best of enemies make good ratings

James Graham's brilliant play **Best of Enemies** had its premiere at London's Young Vic in 2021: a year that had been rocked by the attack on the US Capitol. It would be nice to report that it feels less resonant on its West End debut. But if anything, this astute analysis of a divided America and a polarised public discourse is even more timely. It remains one of Graham's finest plays to date: a scintillating exploration of the toxic relationship between politics and popular culture in the modern world.

As with *Ink* and *Tammy Faye*, Graham focuses on a specific moment that seems to crystallise a shift. In this case it's 1968 and the launch of a series of late-night television debates between the maverick liberal author Gore Vidal and the arch-conservative commentator William F Buckley Jr. Outside the TV studio, politics is boiling. Bobby Kennedy and Martin Luther King have been assassinated, counterculture and anti-war protests surge across cities on both sides of the Atlantic and, in Chicago, the US Democratic National Convention unfolds amid violent clashes between protesters and police.

Inside the studio, the TV network ABC decides to try and boost low ratings by augmenting news coverage with celebrity opinion. It's a move that horrifies the old-school newsmen. But the promised heavyweight intellectual exchanges soon morph into vicious ad hominem attacks — and, hey presto, the ratings soar.

Graham cannily catches the way the medium becomes the message: subtlety of thought has no chance against the instant impact of an image or a hot take that confirms your preconceptions. "I believe in America," says Buckley, leaning forward confidently for the camera. "Which America?" shoots back Vidal.

As the two men slug it out, Jeremy Herrin's riveting production introduces a swirling sense of the late 1960s and a battle royal between the forces of conservatism and those of change. On the flickering screens that frame Bunny Christie's set, pivotal moments (such as assassinations) jostle with endless advertisements. Students pour across the stage brandishing banners; news reporters confront police; politicians gurn and wave; Tariq Ali, Andy Warhol and Aretha Franklin float through. James Baldwin (played with silky excellence by Syrus Lowe) coolly observes that the America Buckley seeks to preserve was built on the backs of people such as himself.

On the TV studio set, David Harewood's bullish Buckley and Zachary Quinto's feline Vidal square up, both bristling with a sense of their own rightness. But back in their hotel rooms, we see the gnawing insecurities behind the swashbuckling: the nervous preparation, the rehearsed ad-libs and the creeping doubts. Harewood and Vidal both excel, finding psychological nuance in their characters' mannerisms: Buckley's flick of the tie and tense lip-licking; Vidal's jut of the chin and piercing sideways glance.

Above: David Harewood and Zachary Quinto in 'Best of Enemies'. Left: Oliver Johnstone in 'Henry V'
Johan Persson

Graham's play is impishly theatrical, drawing in the audience and emphasising the communal nature of live theatre as an antidote to silo mentality. In a touching epilogue, the two men meet again to reflect on the way personality politics and performative outrage now dominate public life. It's an exhilarating piece of theatre, nailing where we are and how we got here — and implicitly pleading for something better.
To February 18 2023, ticketsdelfontmackintosh.co.uk

More national soul-searching is on the agenda for Holly Race Roughan's intense, stripped-down version of **Henry V**. Productions of Shakespeare's history play often aim to catch the state of the nation — witness Laurence Olivier's patriotic 1944 film. Race Roughan whittles it down to a troubled national psychodrama in which Oliver Johnstone's brooding, uneasy king is haunted by his father's deathbed advice to "busy giddy minds/With foreign quarrels" and brutalised by his subsequent practice of that instruction.

In place of restless action, we begin with quiet focus as the cast, lined up on two rows of chairs, step forward to take up multiple parts. Johnstone's compelling Henry starts tentatively, trying on the crown both literally and metaphorically for size. But as his young king grows into his role, he discovers a disturbing, violent streak — this Henry doesn't dispatch the traitor Scroop (Dharmesh Patel) to be executed but throttles him in front of his disturbed courtiers.

The switchback between civility and brutality continues. Henry's troop-rallying speech "Once more unto the breach" is delivered partly as a pep-talk to himself as he crouches against the mottled old gold panels of Moi Tran's set. His threats to the citizens of Harfleur are delivered at close quarters, with ghastly menace. Around him roll questions about the legitimacy of the war and the cost to all those involved.

Most telling of all is the courtship scene between Henry and France's Princess Katherine, often played as a light and funny example of the king's clumsy wooing after his triumph on the battlefield. But here, his advances feel rough and coercive, and Joséphine Callies' Katherine clearly submits against her will.

> Subtlety of thought has no chance against the instant impact of an image or a hot take

We lose some of the driving energy and comic relief in the play and the beginning feels pretty dense: it's perhaps not the best version to see as your first *Henry V*. But it's a revealing, intelligent production that interrogates both the issues in the play and its role in our understanding of England's history. A coda has Katherine answering questions from an immigration official while a member of cast hoovers around their feet: a tart suggestion that this is a country still hung up on (dubious) glories past.
To February 4 2023, shakespearesglobe.com

Wars dominate **Baghdaddy** too: this time the three that unfolded in the Gulf between 1980 and 2011. All of them leave the father at the heart of Jasmine Naziha Jones's play quietly traumatised. The piece is, in essence, a love letter from his daughter Darlee (played by Naziha Jones), as she relives moments in her own childhood, trying to understand how it felt for her Dad, an Iraqi living in the UK, to watch the conflicts from thousands of miles away.

Naziha Jones and director Milli Bhatia bring an absurdist crackle to the telling of the story. Scenes morph and stutter, as memories from childhood do, and a trio of clown-like spirits coax her, mock her and sometimes force her to participate. Key moments — such as her father's dash from pharmacy to pharmacy to try and amass as much paracetamol as possible for his Iraqi brother — are delivered as physical farce, catching something of the weird dislocation of the whole scenario.

But this is a hit-and-miss device. Rather too often the spirits' interruptions feel unfunny and obscure the point being made. The play is at its strongest when it replays scenes with simple truth. Philip Arditti is touchingly funny and quietly moving as Dad. A young student in 1980s Britain, he is left in a fumbling panic as he tries desperately to interpret newspaper headlines about the Iran-Iraq war. Later we see him slumped in silent desolation as scenes of war blare from his television screen.

In one beautiful moment the play imagines a speech he could have given — but never did — to explain his feelings to his resentful little daughter. And at the end, the piece acquires real force with two gripping and moving monologues about the agonising aftermath of war.
To December 17, royalcourttheatre.com

Jasmine Naziha Jones, star and writer of 'Baghdaddy' — Helen Murray

Wagner meets 'Pirates of the Caribbean'

OPERA

Der fliegende Holländer
Komische Oper, Berlin
★☆☆☆☆

Shirley Apthorp

Think *Pirates of the Caribbean*, mix in a few zombies and borrow a set from your children's Playmobil collection. Herbert Fritsch's new *Fliegende Holländer* for Berlin's Komische Oper is shrill, crass slapstick — a laugh a minute, if you find such things funny.

The opera is a dramatic tragedy, but that does not bother Fritsch in the least. He winds up his figures like so many clockwork dolls and has them lurch, grimace and gape their way through the score. The title figure is Jack Sparrow, right down to his floppy sleeve ruffles, and his motley crew, some of them dressed as women (ha ha ha), owe more than a little to Walt Disney.

The stage, a concave Rubik's Cube with shiny sides, just fits a pirate ship, rocked and dragged in circles by its crew. The ship is entertaining for the moan, blow kisses and roll their eyes, each gesture earning a snigger from the audience. It is slick but vapid.

Had the evening been musically strong, it might have offered some frisson between the tawdry visuals and the opulent score. But Dirk Kaftan conducts as if whipping a team of horses, hair-raisingly fast and ear-splittingly loud. It is harsh and exhausting, and leaves the singers little choice but to scream to be heard. Only Günter Papendell as the Holländer (Johnny Depp in another life) achieves subtlety, with some genuinely touching pianissimi.

As Senta, Daniela Köhler is deranged yet robust. The rest of the cast sounds strained and hoarse, though all could have delivered more nuanced performances with a little more sensitivity on the podium.

Under its previous director, Barrie Kosky, the Komische Oper developed a signature style of high-camp hysteria. Fritsch seems determined to out-camp the campest. To be fair, the public laughs along with him, and the evening is warmly applauded. But this opera can be so much more — a tale of sacrifice or delusion, of a dysfunctional family and a hostile community, a chilling glimpse of the supernatural. Fritsch's characters have as much personality as Lego figurines. Why should we care?

To December 29, komische-oper-berlin.de

'Der fliegende Holländer' is shrill, crass and slapstick
Monika Rittershaus

first few minutes, then sits redundantly for the rest of the opera, having revealed all its secrets at the start.

Captain Daland, Senta, the local sailors and the spinning girls are all costumed as parodies of their parts, as if escaped from a musical theatre production down the road; they gasp and

FT BIG READ. ASSET MANAGEMENT

Twelve months after Federal Reserve chair Jay Powell called an end to super-cheap money, fund managers are still adjusting to a very different environment of high interest rates and low returns.

By Katie Martin and Harriet Agnew

A year of pain for investors

One year ago, Jay Powell threw out the rule book global investors had used for over a decade.

Long dormant inflation had been picking up as pandemic lockdowns eased, but for months central bankers such as Federal Reserve chair Powell had urged households, businesses and investors not to panic. The rapid burst of price increases, they insisted, would prove transitory.

But on November 30 2021, Powell publicly accepted that assessment might have been wrong. Speaking at a congressional hearing, he said inflationary pressures were "high". The annual rate was running at 6.8 per cent at that point, far above the Fed's 2 per cent target. Ending the Fed's stimulative bond purchases might need to accelerate, he said. "It is appropriate in my view to consider wrapping up the taper of our asset purchases . . . perhaps a few months sooner."

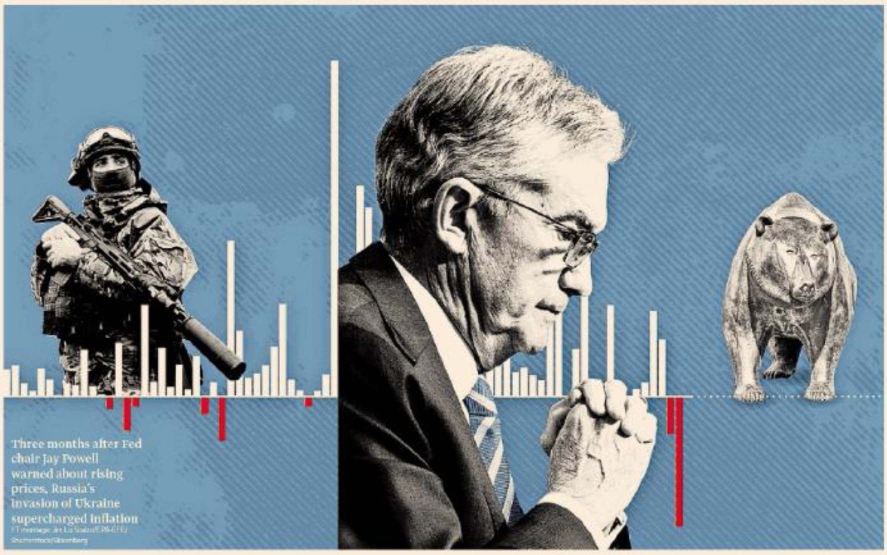
To the untrained eye, this might seem like a routine observation. But looking back, it rang the bell at the top of the market, which had rocketed since central banks stopped them from bleeding out when Covid-19 struck. Powell was effectively calling time on an entire era of super-cheap money that began after the 2008 financial crisis.

Bonds and stocks quickly started falling because for the first time since the crisis, Powell had embedded the notion that interest rates would need to climb, forcefully, and that central banks would remove the bond-buying safety net that many fund managers took for granted. One year on, investors are still learning to live with the reality of higher interest rates and low returns for the long haul.

Some investors have a bleak outlook for the coming years. "We're now going through a period which is payback time," says Nick Moakes, chief investment officer at the £38.2bn Wellcome Trust, one of the UK's largest endowment funds. "We've borrowed future returns, we're going to pay them back now.

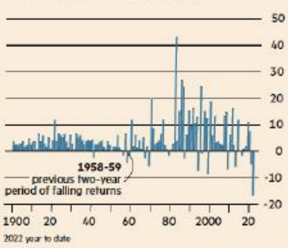
"The key thing is to make sure we're in a position in our portfolio to cope with an extended period of sub-par returns because we've had this extraordinary period since 2009," he says. "Whereas in the last decade we delivered real returns of 11 to 12 per cent a year after inflation, delivering 1 per cent real returns a year after inflation over the next decade would not be an implausible outcome."

Alexandra Morris of Norway's Skagen Funds: 'We need to have a much more sensible allocation of capital'



Three months after Fed chair Jay Powell warned about rising prices, Russia's invasion of Ukraine supercharged inflation

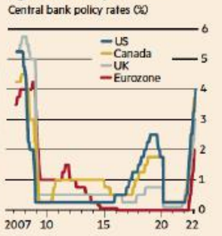
2022 has been an awful year for investors — in both stocks and bonds
Total nominal return in US stocks & bonds, for each year, 1871 to 2022 (%)



US bond returns are in their worst spell for over a century
Nominal annual return on US bonds (%)

Higher energy costs are not the only reason for the rise in inflation
Annual % change in CPI and 'core' CPI (excluding food and energy, dotted line)

This cycle of US rate rises has been particularly bad for stocks
US equity returns (S&P) during periods of Federal Reserve tightening (%)



Monetary policy abruptly tightened this year
Central bank policy rates (%)

Sources: Robert J Shiller; TS Lombard; FT calculations; Refinitiv; Deutsche Bank

Bad combinations

Powell could not have known that Russia's invasion of Ukraine three months after his remarks would supercharge inflation through commodities prices and make his task, and his stance, much tougher in 2022. But the paradigm shift he signalled one year ago has formed a key factor in a massive reset in markets.

"This has been a year to be in the bunker," says John Bilton, head of global multi-asset strategy at JPMorgan Asset Management.

Long-term US government bonds staged the biggest drop since 1788. Investors' classic blend of bonds and equities has put in the worst performance since 1932. At its lowest point this year, the S&P 500 index had shed $11tn in market capitalisation: to give an idea of the scale, even if the figures are not directly comparable, that is similar to the entire annual economic output of Germany, Japan and Canada combined. Tech stocks alone have lost an

'The valuation froth has come out of

asset classes we cover, only one, commodities, has been positive."

Few investors would argue that the Fed, and its peers elsewhere, have been wrong to try and dampen inflation. After all, soaring costs for goods and services hurt living standards for everyone, whereas asset price declines primarily damage wealthy asset owners.

Once established, inflation can also quickly infect economic systems as it pumps up expectations for further price rises. That drives workers' demands for higher wages, which, if honoured, can push up costs for businesses further. In June, the Bank for International Settlements — often known as the central bank for central banks — said big economies were close to a "tipping point, beyond which an inflationary psychol-

managers can turn back the clock. Instead, asset allocators are learning to live with a much more challenging environment while the Fed all year has layered one supersized rate rise on top of another and started to chip away at its $9tn balance sheet stuffed with stimulus-era bond purchases. The European Central Bank and the Bank of England have also turned off the taps, leaving only Japan and China among the big economies where rates have remained supportive.

'Freak show'

The biggest change from global tighter monetary policy is that bond yields have screamed higher. That means fund managers have had to sharply mark down the value of the existing bonds

Europe's largest asset manager, also says the past year has comprehensively shaken up how he looks at bonds. "Look at just how much of a freak show we have been living through. Rates have been at zero for seven years. We had rates at emergency levels for years and years," he says.

At the peak in 2020, interest rates were so low and bond prices were so high that some $18tn in government bonds around the world came with yields below zero per cent, giving new buyers a guaranteed loss if they held to maturity.

"Fixed income was an uninvestable asset class — think how extraordinary that was when we had negative yields. All bets were off. Now bonds are investable again," says O'Toole.

'This environment is kryptonite for multi-asset investment. For long-only investors it has been an extremely frustrating year'

central banks have made it very clear this year that they intend to do whatever they can to tame prices, even if that means engineering an economic slowdown and higher unemployment.

Nobody knows for sure what, if anything, can break the spell for fund managers, whether next year will be meaningfully brighter than 2022.

Optimistic rallies

Over and over again this year, investors awash with cash that they are itching to deploy have demonstrated an intense urge to sound the all-clear. Every hint of possible weakness from central bankers, every sign that inflation might finally be cooling, have sparked a series of rallies.

March, June and October this year have all produced rallies greater than 10 per cent in global stocks for precisely that reason, ranking them among the biggest so-called bear-market rallies — pushes higher in broadly weakening markets — since 1981, according to analysis by Goldman Sachs. This summer's ascent lasted two months, one of the longest rallies in that near 40-year period.

It did not last, however, not least because Powell upped his rhetoric against inflation sharply at the annual get-together for policymakers in Jackson Hole in August, saying the Fed "must keep at it until the job is done". Goldman Sachs advises clients that this latest pick-up probably will also stumble.

"The bear market is not over, in our view," wrote Peter Oppenheimer and colleagues at the US investment bank in its outlook for 2023. "The conditions that are typically consistent with an equity trough have not yet been reached. We would expect lower valuations, a trough in the momentum of growth deterioration, and a peak in interest rates before a sustained recovery begins," the bank said.

Tobam's Tatjana Puhan says 'investors are still too positive about every little piece of positive news'

Research house TS Lombard also points out that none of the US bear markets observed over the past century has ended before the recession related to it has begun. The widely anticipated US recession has certainly not landed yet.

Tatjana Puhan, deputy chief investment officer at French asset manager Tobam, thinks any optimism is misplaced. "To be honest, I'm surprised how positive markets are," she says. "I'm surprised how little the market realises how far the Fed might go, how little investors care about monetary credibility. This is what it's about. To me it seems like investors are still too positive about every little piece of positive news." She is expecting stocks to fall at least around another 10 per cent.

It is not only monetary policy that can still inflict pain. Equities are not even close to reflecting the risk of a deep, ugly US economic recession that could come around and pulverise corporate earnings next year, many fund managers say.

Even so, investors with a long horizon are convinced now is the time to fill up portfolios with beaten-up stocks and bonds. The classic portfolio mix — 60 per cent stocks, 40 per cent bonds — now has the best outlook in a decade, says Grace Peters at JPMorgan Private Bank. "The valuation froth has come out of risk assets so this is a good point to rebuild portfolios for the longer term," she says. "Stay invested. It is always darkest before the dawn."

Looking at data going back two decades, says Peters, it is clear that hopping out of stock markets and hopping back in just at the right time is hard. Sticking in the S&P 500 all that time would have amount equivalent to the output of France or the UK.

That combination of wilting stocks and bonds has made the task for fund managers safeguarding people's pensions and savings even worse. It left nowhere for them to hide.

"Powell gave the signal that squashed everything," says Emiel van den Heiligenberg, head of asset allocation at Legal & General Investment Management. "The positive correlation between stocks and bonds . . . is not a black swan," he says, but fund managers have never known it to last this long.

"This environment is kryptonite for multi-asset investment," he adds. "For long-only investors it has been an extremely frustrating year. Out of the 25

risk assets so this is a good point to rebuild portfolios for the longer term. Stay invested. It is always darkest before the dawn'

ogy spreads and becomes entrenched".

Many fund managers complain that central bankers could and should have got to grips with the issue sooner, rather than extending the support that was essential when the pandemic first struck. Instead, policymakers were wrongfooted as they continued to fight the last battle.

"We thought at the time [of Powell's comments in November 2021] they had finally woken up to something we had seen for many months," says Andrew McCaffery, global chief investment officer at Fidelity International. "They weren't telling us anything new, just finally getting round to the point of recognition."

But neither policymakers nor fund

they hold. It also means the case for investing in risky assets has been seriously dented. Why bother taking a chance on a hot company, particularly one that is not yet profitable, when yields on some of the safest assets on the planet — US government bonds — have tripled?

Some investors welcome this new discipline. "This has been a train crash waiting to come," says Alexandra Morris, chief investment officer at Norway's Skagen Funds. "Now, money has a cost. You can't just throw money at unprofitable businesses, very risky businesses. We need to have a much more sensible allocation of capital."

John O'Toole, global head of multi-asset investment solutions at Amundi,

One big difference for investors now is that the safety net from central banks — their ability to roll out rate cuts and bond purchases that prop up markets whenever trouble hits — is simply not possible in this new era of inflation.

Some of the drivers of low inflation, like improving technology, remain in place. But Russia's invasion of Ukraine, the cost of funding a green energy revolution and the challenge of pulling some manufacturing out of China all mean higher prices are probably here to stay. If nothing else,

delivered annualised returns of 9.76 per cent, but missing the 10 best days would slash that annualised return to 5.6 per cent. Missing the 30 best days cuts it to 0.8 per cent.

The bet for next year appears to be that stocks will keep falling at the start of 2023 as recession bites, but then stabilise somewhat or even recover. Bonds are broadly expected to do a better job of balancing out any pain, now that juicy yields provide a thicker buffer. That, says Morris at Skagen, is much more of a "normal cycle" than we have seen for at least the past decade and a half.

The danger, though, is that investors will keep on tripping up over assumptions that simply do not work in this new era.

The FT View

FINANCIAL TIMES
'Without fear and without favour'

ft.com/opinion

The mystery of Britain's missing workers

High levels of inactivity are creating a serious drag on the UK economy

Britain's labour market is an international outlier. While joblessness is near all-time lows, the UK is on track to be the only country in the developed world with employment still below its pre-pandemic level by early next year. There are over 600,000 more economically inactive individuals than in early 2020 — making it the only developed country where the share of working-age people outside the workforce has risen so significantly and persistently since the onset of Covid-19. This has damped output and added pressure to wages, which keeps prices higher. Unless it gets to grips with the problem, Britain's economic woes will only deepen.

Boosting its workforce will be crucial in raising the country's economic prospects. A high level of withdrawals from the labour market not only stokes inflation, which puts more onus on the Bank of England to raise interest rates, it also means lower tax revenues and even less funding for already stretched public services. For the many out of work and with limited sustenance, it is a further drain on living standards as the costs of goods and energy soar.

Ill health has played a key role. Since 2019, there are half a million more people reporting long-term sickness as the main reason for being outside the labour market. While part of the pick-up predates the pandemic, Covid-19 has not only driven new long-term sickness but has probably exacerbated existing ailments by clogging healthcare services. Though this trend has been driven by older workers, the fastest growth in inactivity due to long-term illness has been among younger age groups, partly linked to mental health issues. Many former workers sidelined by sustained poor health also come from lower-paid and more contact-intensive industries.

Early retirement has been an important factor, too. Yet gaps in the data make it difficult to determine the multiple, interlinked reasons why so many have left the workforce and not returned. The review into workforce participation that the government announced in its recent Autumn Statement is important to pinpoint what is behind the UK's particular problem with inactivity.

Whatever the causes, there are some obvious pinch points to address. Tackling Britain's clogged healthcare waiting lists — and improving mental healthcare provision — would almost certainly make it easier for many people to return to work. So would better localised access to employment support and retraining, which currently overlook those who are economically inactive. Widening the scope of the government's underspent "Restart" scheme, which was designed to tackle post-pandemic unemployment, would make sense. Employers have an essential role too. Greater job security, flexible working arrangements and better workplace support would strengthen incentives to rejoin the workforce.

Gaps in the data make it difficult to determine the multiple, interlinked reasons why so many have left the workforce and not returned

Simply waiting for the trend in inactivity to reverse is not enough, even if the high cost of living may force some people back into employment. The longer people remain outside the workforce, the more their skills and confidence atrophy, and the harder it becomes for them to return to employment, leaving an even deeper scar on the economy.

With baby boomers set to retire in droves throughout the 2020s and immigration likely to be lower, finding enough people to fill vacancies could become even more of a struggle. Britain's longstanding productivity problem, meanwhile, is unlikely to be solved anytime soon. So it cannot afford to have more working-age individuals falling out of the labour force — and needs to find ways to entice the ranks of "missing" workers back into work.

Opinion **Sport**

'Fake fans' are the future of international football

Ben Hickey

Josh Noble

On the eve of the Qatar World Cup, a video of about 20 men of south Asian origin dressed in England shirts went viral. The group were stumbling through "Three Lions", the country's unofficial football anthem, and bouncing up and down brandishing their England flags.

The footage attracted suspicion, with some labelling the group "fake fans", perhaps hired by the tournament's organisers to counter fears of a feeble atmosphere. After all, Qatar has sponsored supporters from all over the world to attend the event, as a thank you for their "engagement" in the run-up to the World Cup.

But in Doha, as in much of the world, football fandom is fluid. During this tournament I've seen plenty of families with split loyalties, especially

Some were in Dutch tangerine, complete with Netherlands face paint. They were from Cairo

among immigrant workers' communities. Mum might be wearing a Brazil shirt and dad Germany's black and white, while the kids sport the French navy of *Les Bleus*. Even some individuals appear divided — I spotted Saudi

Cincinnati, have made football into the huge business it is today. This season the English Premier League is set to generate £1.8bn in international broadcast income, surpassing the £1.7bn it gets from its home market. The clubs are owned by Saudi sovereign wealth, American private equity and Emirati royals.

And many fans in Qatar have no choice but to adopt another nation's team. Bangladesh, India, Uganda, Kenya, Pakistan, the Philippines — none will play here, so the hundreds of thousands of workers from those countries are branching out. Others might have a team to follow, but with Qatar offering a one-off opportunity to watch multiple matches a day, even loyal fans are promiscuous on their days off.

As in the club game, individual players are the magnet. Young fans in particular know football through fantasy leagues, TikTok and video games, where talk revolves around who has the best "pace" rating, not the shared triumphs and heartaches of the past.

The Portugal football team has 11.9mn followers on Instagram, while Cristiano Ronaldo — the team's star player — has 506mn. Ronaldo is the football equivalent of the "Mona Lisa" — people flock from all over the world so they can tell folks back home they saw him in the flesh.

Shanvas, my Keralan Uber driver, put it well. When I asked one afternoon which team he was supporting, he told me he used to support Wayne Rooney. Now he follows Lionel Messi.

The accusation is that "fake fans" ruin the atmosphere. Passion, after all, cannot be counterfeited. But World Cups have always had tourist

Letters

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

Finding solutions to N Ireland protocol need not be intractable

The impasse in the implementation of the Northern Ireland protocol is poisoning the whole relationship between the UK and the EU and needs urgently to be resolved ("Top unionist tried to dilute NI protocol bill", Report, November 26; and "Ireland urges DUP to soften stance on post-Brexit trade", Report, November 9).

One issue that might be thought intractable, but need not be, is the role given to the European Court of Justice under the protocol, including its jurisdiction in actions brought against the UK by the commission for alleged infringements of certain rules of the internal market for goods.

Such infringement actions may be considered by some to represent an especially serious encroachment on UK sovereignty. However, the fact that a power exists does not mean that it should necessarily be used. The infringements in question could instead be pursued by way of arbitration under the dispute settlement system of the withdrawal agreement (WA), a familiar technique of public international law with no implications for the UK's sovereignty.

There would be no practical difference in the effectiveness of the remedy against such infringements, since any ruling by the Court of Justice in an infringement action could ultimately be enforced only through the same WA machinery. It is true that an arbitral tribunal would be required to refer issues of the interpretation of EU rules to the Court of Justice, but that applies to all disputes under the WA, not just to the special arrangements for Northern Ireland.

The approach here suggested would not entail any amendment of the text of the protocol; an informal agreement would suffice.

It is offered as just one of a variety of solutions that may be available, now that the old British virtue of pragmatism, for which we were once admired, appears at last to be reasserting itself in our relations with the EU.

Sir Alan Dashwood KC
Cambridge, UK

Why Ivy League schools ditch legal rankings system

In reference to the article about how leading US law schools have sparked an exodus from US News & World Report's influential rankings system (FT.com, November 17) Yale, Harvard and Berkeley law schools may be expressing a concern beyond their assertions that rankings disadvantage students with fewer financial resources, or discourage public-service career ambitions.

These law schools have exited the retail rankings as an effective league, or cartel, to press the media to comply with their new communications and branding criteria that revolves around various interpretations of equity.

But this is also a bit of a red herring, as Yale and Harvard, especially, have dominated the retail rankings for decades, and are under some pressure to avoid being seen as a monopoly in many parts of the legal system, including the US Supreme Court where eight of the nine current justices are from only these two schools.

Whether Cambridge, Oxford, the LSE and Edinburgh, for example, follow the Harvard and Yale protest, may indicate whether this behaviour is merely self-serving, or a larger global consensus on how law schools position themselves in the marketplace.

In the UK case, however, their advantages in time and cost over their US counterparts, may become more prominent as American law schools grapple with the economic inefficiencies and resultant student debt burdens, from their seven-year law programmes (BA plus the American law degree Juris Doctor or JD) that UK schools complete fully in half the time and expense, through three-year undergraduate formats (the LLB).

Matthew G Andersson
Oak Brook, IL, US

Don't deny us the pleasure of pointing out your errors

Is the FT now marking its own homework (Corrections, October 29)?

I don't recall reading before a correction for a statement carried elsewhere in that same day's newspaper — "The French laundry restaurant is in California, not New York as incorrectly stated in a Life & Art's article in today's newspaper".

Are eagle-eyed readers in the future to be denied the small pleasure of pointing out such errors? A piercing arrow to every pedant's heart.

Jerry Blackett
Solihull, West Midlands, UK

Keeping lights on depends on more interconnectors

It is reassuring to see it acknowledged that "for Europe to keep the lights on this winter, electricity will have to keep flowing through interconnectors" (Data Visualisation, FT.com, November 29). I have advised in the consenting and delivery of a series of UK interconnectors and have others before me at this time.

We urgently need government to understand the enormous value of these important energy projects — and to quickly make small changes to the regulatory regime that support offshore connection points, maintain flexibility in consenting routes and ease the administrative burden. We also need to see some fast-tracking for these key energy projects.

Without this assistance, it will continue to take some two to three years from project formulation to getting agreement on a scheme. This inevitably means that not all will make a difference for this coming winter.

Stuart Andrews
Partner, Eversheds Sutherland
London EC2, UK

OUTLOOK

ASIA

Restless Beijingers rise

At the bottom of a central Beijing tower block, two dozen of my neighbours stood behind a quarantine line, facing off with the low-level officials and police tasked with enforcing China's "zero Covid" policy.

The confrontation was one of many that played out across big Chinese cities at the weekend, as frustration at nearly three years of tough controls

and the central city of Wuhan — where Covid was first identified — frustrations bubbled over into broader protests against President Xi Jinping and the ruling Communist party.

This grassroots defiance poses a grave challenge to Xi's zero Covid doctrine. The policy has been bolstered by technological and societal controls that help the authorities trace and eliminate outbreaks, but it still requires citizens' compliance to function.

have the right to know what's going on!" wrote one neighbour in the building's WeChat group. One neighbour started a virtual petition for residents to sign demanding more information, then another started a second petition calling for all of us to venture downstairs at noon. We added our apartment number to both.

Reports of locked-down blocks winning their freedom had already begun spreading over social media als appear divided – I spotted Saudi flags draped round the shoulders of Portugal and Argentina shirts.

To those who see football as a tribal pursuit, this form of fandom could seem an affront. If football is a matter of identity – personal or national – how can someone cheer for Argentina at 1pm, then don the yellow of rivals Brazil hours later?

But like it or not, this is the modern game. This World Cup has showcased a vision of football where national teams are more like brands that anyone can consume, and where preference can be based on mood or marketing. When Fifa talks about a "World Cup for everyone", this is what it means in practice.

The collapse of the European Super League, an attempted breakaway project launched last year by 12 top clubs, was a victory for the tribal over the global. Fans broke into stadiums to protest, claiming that greed was ruining their beloved game, helping to precipitate the league's unravelling.

But the longer-term trends point the other way. Many millions of fans around the world, from Singapore to

elements. On the Doha Metro, you can still see Japanese fans dressed as samurai warriors and spot a red Moroccan fez bobbing in a sea of Mexican sombreros.

Here, I ran into four fans decked out in Dutch tangerine, complete with face-painted stripes of the Netherlands flag. They were from Cairo. The Egyptian team had failed to qualify, but with the tournament near by, they decided to fly in for a week. They planned to be back on the Metro the next day, but dressed in the blue and white of Argentina.

A similar scene plays out on the vast fleet of fan buses. That's where I met Abdullah, an engineer from Riyadh. He was in Doha to follow Saudi Arabia, but that evening was heading off to support Spain against Costa Rica.

Within moments of our meeting, he was asking me for an update on Harry Kane's ankle. When I told him I was a Crystal Palace supporter, he said star player Wilfried Zaha had great talent, but that his "mentality is not good". Even the clichés have gone global.

josh.noble@ft.com

up against Covid controls

by Ryan McMorrow

erupted into spontaneous resistance.

Everyone in my block had been quarantined in their flats for nearly a week after one neighbour tested positive for Covid. We were on the cusp of being set free when we were told a second case in the building would extend our lockdown another six days.

"Our goal is conquering the pandemic," shouted an official, who identified himself as deputy director Zhang from the Liulitun subdistrict office, from one side of the quarantine line on Saturday. "Controlling the pandemic is not something the government can do alone. Government, society, individuals, businesses — we all have responsibilities," he said.

"We want to be freed!" a neighbour shouted back. "We need to go out to work and make money — you make money while quarantining us," yelled another. Other quarantined communities were less restrained. Some smashed down the temporary barricades erected by the authorities around their homes. In the capital Beijing, the financial hub of Shanghai

China's cabinet eased some Covid controls last month while retaining the overarching goal of eradication.

But the looser controls have made it even more difficult to eliminate the disease. Officials have so far resisted putting Beijing into full lockdown, but normal life has come to a standstill. Restaurants, schools and most other public buildings have been shuttered and hundreds of communities like mine put into quarantine. Meanwhile the virus continues to spread, with more than 8,000 new cases reported over the weekend.

The protest at my building in Liulitun, part of the bustling Chaoyang district, flared after we had been stuck in our flats for six days, relying on food ferried to our doors by men wearing white protective suits, goggles and respirators. The elevators were turned off and entrances chained shut, aside from a single door blocked by a security guard. A police car was parked outside.

The neighbourhood committee's notice on Saturday morning extending the quarantine provoked fury. "We

despite attempts to censor them. The emerging protest playbook called for nonviolent resistance.

At noon on Saturday, two dozen of our block's largely middle-class residents pushed past the security guard to congregate in the lobby and a shouting match erupted. Residents demanded to see evidence of the building's Covid cases and the government's quarantine orders. The lead police officer fidgeted, clearly uncomfortable with being forced into officiating a zero Covid stand-off.

After an hour of heated debate, deputy director Zhang, who ranks one level above the neighbourhood committee, arrived. He said the building might be set free if the next day's Covid tests were all negative.

Residents who live close to the latest Covid case must remain quarantined until December 3. But for now, the rest of us are liberated — though we remain on Beijing's list of "high-risk areas", watching warily for the police car's return.

ryan.mcmorrow@ft.com

Opinion

The deflation of the great cash cushion

ECONOMICS

Megan Greene

It may be the most anticipated recession in history. Economists have been forecasting contraction for the US economy since at least April, shortly after the Federal Reserve began raising interest rates. But a bit like Godot, it has yet to show up. Credit the cash cushion American consumers and corporations built during the pandemic. But that will eventually disappear, and then the economy will nosedive.

In 2020 and 2021, generous unemployment insurance benefits, stimulus cheques and child tax credit payments helped households squirrel away roughly \$2.3tn in excess savings – the amount above what they would have saved had there been no pandemic. This powered a surge in demand as the economy reopened (fuelling upward pressure on inflation). October retail sales posted their strongest gain in eight months. Consumption accounts for more than two-thirds of US gross domestic product growth, and so far spending has remained strong.

But with consumer price inflation running at 7.7 per cent in October and median wages rising 6 per cent, according to the Atlanta Fed's wage growth tracker, people's standards of living are falling. As stimulus programmes ended last year and the economy reopened – increasing opportunities to spend money – Americans' cash war chest has been dwindling, and the spending extravaganza cannot last. Economists' estimates for how much is left vary from about \$1.2tn to \$1.8tn.

Forecasts for how long the cash will last also vary, based on assumptions about the labour market, spending and GDP. Bank of America expects that at the current three-month average rate of decline of household deposits, it would take between 12 and about 40 months (depending on income quartile) to return to 2019 levels. Goldman Sachs estimates US households will have less than \$1tn in excess savings by the end of 2023. JPMorgan recently warned excess savings could be completely depleted by the second half of next year.

There are many reasons to fall on the pessimistic side of these estimates. The personal savings rate jumped from 8.3 per cent at the end of 2019 to 26.3 per cent at the height of Covid-19 in March 2021. In September it had fallen back to 3.1 per cent, well below the historical average. And for all the cash still left in aggregate household bank accounts, consumers are not feeling very confident. The Conference Board's consumer confidence index has been declining since mid-2021.

> For all that is left in aggregate household bank accounts, consumers are not feeling very confident

Consumer indebtedness is rising, another sign some households are running low on savings. According to the New York Fed, total household debt increased \$351bn in the third quarter, the largest nominal increase since 2007. Credit card balances ballooned 15 per cent over a year earlier, the biggest rise in two decades. And while the rate of delinquencies – debt more than 30 days past due – on consumer loans and credit cards remains below historical averages, it is on the rise.

Companies, like households, have also seen cash buffers soar over the pandemic thanks to fiscal measures such as the Paycheck Protection Programme and ultra-easy monetary policy. New orders of non-defence capital goods excluding aircraft – a proxy for capital expenditure – have remained on a strong upward trajectory since April 2020, suggesting companies are still happy to spend.

But with borrowing rates continuing to rise and profits likely to dwindle, this can't last for ever. Corporate cash on hand is still well above pre-Covid levels, but is down sharply since the third quarter of 2021. Surveys suggest companies big and small are pulling back on capital investment over the next few months, another sign they are feeling a squeeze despite their cash position.

It's a feedback loop to watch. If companies are pulling back, fewer people will be drawing pay cheques. And historically, spending decisions have been based more on job prospects than savings. The US has a very tight labour market, probably influenced by savings-buffered demand. Unemployment has ticked up only marginally from a post-pandemic low of 3.5 per cent. Average hourly earnings growth has decelerated from 5.6 per cent in March 2022 to 4.7 per cent in October, still well above the historical average. But as the Fed raises rates to damp demand, the labour market will deteriorate.

In the months ahead, the cash war chest will dwindle, earnings will suffer and unemployment will rise. Godot never came, but a recession will, sooner or later. Whether a soft or hard landing, there will be a much thinner cash cushion to buffer it.

The writer is an FT contributing editor and global chief economist at Kroll

Reforming democracy may be next Brexit

BRITAIN

Robert Shrimsley

Constitutional reform is the fantasy football of politics. Its appeal grows the further you are from the real action. An added attraction to opposition parties is the chance to look radical at little cost to the Treasury.

But reform, or as Labour prefers to style it, "democratic renewal", is gathering momentum, boosted by Boris Johnson's transgressions against established political conventions. A system where a government can suspend an inconvenient parliament and then take power from the judges who declared it unlawful is clearly deficient.

Nor is debate limited to Labour. The Conservatives want to offer more powers to elected mayors as part of the levelling-up agenda. Senior ministers like Jeremy Hunt and Michael Gove are even inching towards offering the right to raise extra revenue, perhaps with hotel charges or land value taxes.

The pressure is further fuelled by the promise that Brexit would restore powers to parliament and, through it, to the people. The reality instead has been a land grab by the executive with ministers by near-fiat. Since England dominates the Commons, this has emphasised its power within the Union.

Next week, Labour outlines plans for reform in a report by former prime minister, Gordon Brown. Powered by the need to blunt Scottish separatism, it has been delayed and tweaked by Sir Keir Starmer's office – the party leader worried its promotion of regional power might look like a bid to woo Scots by weakening England. Starmer has already accepted a proposal to abolish the Lords and replace it with an elected chamber. Brown wants to see that chamber offer greater representation to the UK's regions and nations and also backs more powers for regional mayors.

These ideas have merit but Starmer is right to be cautious, as he is on changing the voting system for general elections. English decentralisation has broad support but wider upheaval has the potential to be the next Brexit: a high-level political plan endorsed with no real planning, and which opens dangerous new divides.

He will recall the impact of an earlier Brown-backed plan meant to solve a political problem. Devolution for Scotland was designed to kill nationalism and cement Labour's hegemony. Within 15 years, the Labour vote had collapsed and support for independence surged.

Even before Brexit, the UK had been through two decades of major but piecemeal reform. The past 25 years have seen the creation of Scottish and Welsh

Ellie Foreman-Peck

directly elected mayors and partial reform of the House of Lords. Proportional representation was rolled out for mayoral and European elections (boosting Nigel Farage as a political figure), the European Convention on Human Rights was incorporated into British law.

Lords reform offers another warning. Tony Blair removed most hereditary peers early on but left the upper house as a huge unelected body powered by political patronage – leaders still appoint party donors and cronies to the UK legislature. David Cameron, too, failed to win support for an elected chamber. Few dispute the case for change but efforts at reform founder once focus switches from current shortcomings to practical alternatives. The Lords fulfils a vital revising role and cannot indefinitely defy MPs. An elected chamber would demand more power, threatening legislative blockages. But Starmer is clear the reformed Lords must stay subordinate to the Commons.

> English decentralisation had broad support but wider upheaval could open

From this springs the true issue – the unfettered supremacy of the Commons and a majority government. Scotland and Wales already enjoy meaningful devolution. Further reform has to lead to a weaker Commons and by extension a weaker executive and a less politically dominant England. That is a hard sell to England, which generates 86 per cent of UK GDP and houses 85 per cent of the population. England's size is the real bar to a more equal relationship. Surrendering some power may be the price of that Union but Starmer should be wary of inflaming English nationalism.

Yet a consequential chamber of regions and nations will need to be more than a mouthpiece. It needs legislative teeth as well as a voice. Scots, who saw their call for a softer Brexit ignored, will demand blocking powers, as shown by the repeal of fixed-term parliaments and PR for mayoral elections. Brown's paper offers options on how to entrench reform including an idea, also mooted by the Institute for Government, of requiring a two-thirds Commons majority for constitutional change. Starmer's allies stress that no options prevent a Commons override.

So the choice is unsensational incremental change or sweeping reforms which could unravel more of the constitutional cloth than they patch up. The warnings from Brexit are clear. Lasting change must be more than a headline. It requires detail and a true sense of the consequences.

None of this is to argue against change. Decentralisation and Lords reform are long overdue. But there is a dangerous gap between concept and execution which is why premiers so quickly discover other priorities. And weakening the executive never seems as appealing once a party wins power. Fantasy football is no substitute for the real thing.

A 6G showdown with China is coming

Elisabeth Braw

Now that 5G, or fifth-generation mobile telephony, is being rolled out across the world, the race for 6G is on. This is not only a contest for technology, but also for geopolitical influence. China has grown in economic and political strength since the creation of 3G and 4G and its flagship telecoms firm Huawei is now intent on creating world-beating 6G technology. This puts the west at a crossroads: will companies and governments be able to set aside their doctrine of market competition in time to work collectively towards an alternative?

The bruising battles of 5G deployment should serve as a cautionary tale. Initially, most western governments leaned towards allowing Huawei to compete for the contracts. But then concerns over the national security implications, led by the US, prompted countries such as the UK, France and Canada to ban or phase out Huawei equipment from their 5G infrastructure. The US has multiple sanctions on Huawei technology and just last week banned the purchase of certain components made by Huawei and the smaller Chinese firm ZTE. China, meanwhile, has retaliated by edging Sweden's Ericsson out of the country – Huawei and ZTE now completely dominate the domestic market.

It seems the fight over 5G was a precursor to the looming 6G battle. Today, Huawei has far better technological capabilities than it did when 5G was under development. The Chinese telecoms company has boasted that its 6G will "continue the transformation from connected people and things to connected intelligence".

> Despite Huawei's setbacks in the west, it is a behemoth that dominates countless developing markets

Nokia, Samsung and Ericsson – long considered the world's most advanced mobile-infrastructure innovator – are also key players in the race. Last week, Ericsson launched a 6G research initiative in the UK, which will bring together academics and industry partners to build resilience and security into the world's future digital infrastructure.

But while Huawei deputy chair Eric Xu has called on east and west to "define 6G together", it is unlikely that his company's vision will converge with that of Ericsson, Nokia, Samsung and smaller western companies. Instead, we face two versions and executions of tomorrow's mobile telephony. That matters, because despite Huawei's 5G setbacks in western countries, it is a behemoth that dominates countless developing markets, not to mention the Chinese one. And because today's revenues underwrite tomorrow's innovation, Huawei has a mighty war chest – and the intelters undermining checks on their authority and taking powers to legislate

parliaments and revived the Northern Ireland assembly, the expansion of

wider uphealval could open dangerous new divides

No parliament can bind its successors. A simple majority can undo any change,

robert.shrimsley@ft.com

lectual heft of China's research institutes at its disposal. In comparison, the research by Ericsson and its western competitors is bound to be more limited and fragmented by market rivalry.

The end of the golden era in western-Chinese relations has prompted action, such as Apple and Samsung moving part of their production from China to friendlier countries like Vietnam. Two years ago, the then UK prime minister Boris Johnson floated the idea of a "D10" group of democratic nations (G7 countries plus India, Australia and South Korea) to tackle crucial challenges like 5G infrastructure, but the proposal has gone quiet. Two new blocs are forming, though unlike the cold war, when adversaries squared off over territory, the competition now is economic. The emerging western bloc has an opportunity to gain the upper hand by collectively building a top-notch and safe 6G model. There would be diplomatic benefits as well as technological ones.

"This is also an obvious area for confidence-building between the UK and EU, which is something we really need," noted Stewart McDonald, a member of the UK parliament's foreign affairs committee.

If western countries don't collaborate, however, they face a very real risk of having to accept Huawei's 6G. That would make the painful battle over 5G infrastructure look like a minor scuffle.

The writer is a fellow at the American Enterprise Institute and adviser to Gallos Technologies

Speaking softly serves the US surprisingly well

AMERICA
Edward Luce

America's response to a suspected Russian missile strike on Poland last month is an example of how to operate. Ignoring the kamikaze clamour to invoke Nato's collective self-defence clause, Joe Biden and his allies quietly parsed the facts and found it came from Ukraine. There was no leaping to conclusions or brinkmanship. Muting Washington's evergreen hawks should be a rule of thumb for how America does business.

It goes against the grain of course. America's most bellicose president, Teddy Roosevelt, suggested that the US should speak softly and carry a big stick. What stuck out was the first half of Roosevelt's dictum since it was so at odds with the character of a nation that even then aimed to remake the world in its image. Wanting others to be like you is an aggressive impulse, even when it is well-meant.

A US that leads as much by omission as commission will thus be hard to sustain. The guidebook for how America should act is written in recent failures and less celebrated successes.

From Vietnam to Iraq, the US is at its worst when it attempts to impose outcomes on others. The tendency to see the world in black and white often prevents the US from seeing the reality before it. Vietnam's insurgency was not a domino in a communist board game. It was an anti-colonial struggle. Saddam Hussein's Iraq was not a partner of al-Qaeda. It was just another thug regime. Afghanistan, of all places, was never going to be remoulded in another's image.

That oft-repeated failure to grasp the world on its own terms reduces America's ability to reshape it. This is why Ukraine offers such a valuable case study. Biden's foreign policy to-do list was all about China not Russia. The US president did his best to assuage Vladimir Putin's paranoia by hosting an ego-stroking summit in Geneva a few months after Biden took office — and a few months before the Russian invasion. The aim was to take Moscow off the worry list so that America could complete its pivot to Asia.

It did not work as planned. The unintended impact of Putin's assault on Ukraine has been to bring out America at its pragmatic best — reacting to hostilities rather than initiating them. Though Biden would be wise to avoid the infamous phrase "leading from behind", that is what the US has been doing. The war is overtly led by Ukraine's Volodymyr Zelenskyy. America has played the role of chief quartermaster, intelligence provider and diplomatic cheerleader. The terms on which the war will end will also be set by Zelenskyy, though in practice the US will have a decisive say.

> International partners rarely feel that Washington will be too meek. Their concern is over-reach

It is too soon to judge the impact in totality. But Ukraine's successes so far have been predicated on America's quiet and consistent resolve. Those are the qualities of an effective modern superpower. They are very different to the bombastic ones of the dangerous nation exhibited in hawkish dreams. Russia's "special military operation" may be unique. But America's response has generic features that should apply more broadly. Two of them stand out.

The first is that America's partners prefer it this way. They rarely fear that Washington will be too meek. Their concern is about US over-reach. The same is doubly true of the global swing vote on continents such as Africa and South America.

Much angst has been generated by the global south's apparent indifference to Russia's aggression by abstaining at the UN and refusing to comply with US-led sanctions. Treating them as callous or irresponsible is a misreading. The rest of the world remembers America's Iraq invasion and post-9/11 mis-steps. The US's bill for behaving recklessly is still being paid. No country, by contrast, will resent America's studiously non-reckless support for Ukraine's right to exist.

The second is that the US should recalibrate its approach to China. Biden's strategy is to frame the world as a struggle between autocracy and democracy. This makes people nervous as it sounds like the kind of Manichean framing that has led America into wars of choice. It signals that Washington is impatient to do something even if the situation demands less.

The history of great power screw ups is frequently about mistaking proactiveness for being in control. In reality, acting pre-emptively is often the quickest way to lose control. George W Bush, like Putin, is living proof of that. An economic policymaker once said: "Plan beats no plan." In foreign policy, the reverse is more often the case. Biden had no plan for Ukraine. The fear is that America does have a plan for China.

edward.luce@ft.com

Lex.

Twitter: @FTLex

Twitter/Musk: bite at the Apple

Perhaps Tesla electric vehicles sell themselves. In a month of owning Twitter, Tesla's chief Elon Musk has demonstrated that persuasion is not his strong suit.

Even when Twitter was generating $5bn annually in ad revenue, the company felt like an economic disappointment. Billions in ad revenue would now be a godsend.

Musk's managerial flourishes have included erratic tweets, reinstating controversial user accounts, and firing staff responsible for customer relationships and content moderation. This has scared off many advertisers.

Musk's vision of a subscription-heavy Twitter has won few converts. An initial reboot of "Twitter Blue" was suspended. The company could find no way to exclude impersonation accounts that signed up by paying $8 per month. A new plan is coming soon. Meanwhile, Musk has decided to go after Apple and its boss Tim Cook. The iPhone app store is the gatekeeper to Twitter. All the while, Twitter's $13bn debt balance continues to charge interest.

Apple had been a large Twitter advertiser, paying the company $40mn so far this year. It has paused that relationship, prompting others to do the same. Musk has a bigger problem with Apple. The erosion of content moderation on the site could eventually violate Apple's terms of service. Twitter customers would then be unable to download or update the app on 1bn iPhones in circulation.

If Twitter stays in Apple's app store, the group will continue to take a cut of up to 30 per cent of any subscription revenue. Musk is complaining about this. He has support; Spotify and other app developers argue that such fees are anti-competitive, given Apple's dominance in smartphones. A fifth of Apple's $300bn in annual revenue comes in service fees, smoothing the bumpiness of hardware sales.

The wealthiest man is an unlikely champion of the marginalised. At some point he needs to acknowledge that even he sometimes has to play nice in the sandbox. While he works on that, it may be time for him to reduce financial strains in case the rupture with Apple is terminal. Musk has already sold nearly $20bn of Tesla shares to fund the equity component of the Twitter buyout. It may be wise for him to consider selling another $10bn or so, to extinguish the company's debt balance. The fewer people that have leverage over Musk, the easier it will be for him.

China insurers: pocketful of Sunshine

This is a time of opportunity for Chinese insurers such as Sunshine. A record coronavirus outbreak is straining unprepared hospitals. That could delay Beijing's plans for universal health insurance. More Chinese people will go private instead.

Sunshine plans to raise up to $950mn in a Hong Kong listing. It is revealing that a business unrelated to the bulletproof investor proposition of electric cars is braving public markets.

There are three main negatives. First, social health insurance plans already cover the entire population. Beijing has its sights set on introducing comprehensive universal insurance by 2030. Second, companies bear hefty real estate sector risks. Sunshine is the seventh-largest local property and casualty insurer. Third, the industry is highly competitive. Ping An, People's Insurance and China Life dominate.

However, public health insurance payouts covered less than a tenth of total healthcare expenditure before the pandemic. Patients have to make steep out-of-pocket payments. Health service cuts have reduced treatment availability. High-end private healthcare has expanded accordingly.

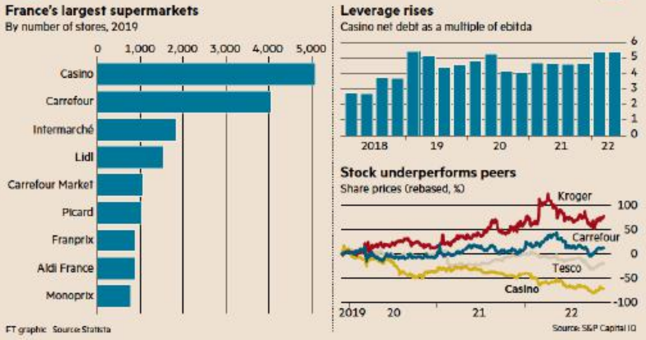
Social security pension plans cover less than half of China's requirements. That leaves ample room for private insurance. Profitability is healthy. Operating margins are 12 per cent at Ping An. Demand for short-term health cover and life insurance is rising. Premium income increased to more than $635bn last year. It has more than doubled over five years.

Sunshine's premium income growth has been impressive over the past three years, with life insurance especially strong. This accounts for more than two-thirds of its total revenue. Based on an industry multiple of 6 times expected earnings, Sunshine's value would be over $35bn. Demand has been weak for Hong Kong listings.

That should temper Sunshine's price expectations, creating a potential entry point for long-term investors when shares start trading next Friday.

French supermarkets: Casino capitalism

France's largest food retailer by number of stores has taken on large debts to achieve its position. Interest costs have forced the supermarket to sell off assets. Meanwhile, its share price is steeply underperforming those of its peers.



France's supermarket group Casino seems less focused on selling groceries than on selling bits of itself. Creditors and shareholders should keep their fingers crossed.

Asset sales more than supermarket sales will provide the cash to pay down the group's debts.

There is no guarantee that it will be enough.

Casino this week began selling at least 10.4 per cent of the share capital of Assai, its profitable Brazilian subsidiary. It will generate about €490mn to help reduce leverage. This will come on top of a €4.5bn asset disposal plan, of which €4.1bn has been completed since 2018.

Despite such efforts, the group's net debt was €7.5bn at the end of the first half, up from €6.3bn a year earlier.

The Assai sale will go some way to meeting bond debt of almost $1.2bn maturing in 2024. Another $1.8bn comes due in 2025. Casino must also deliver cash to its parent, Rallye, which faces a similar wall of repayments in 2025.

Casino is controlled by chief executive Jean-Charles Naouri through "Breton Pulleys", a system of highly leveraged holding companies popular with French tycoons to maximise control at minimal cost. Heavy use of debt by Casino and its parents has caused alarm. S&P Global downgraded Casino's credit rating in October.

Troublingly, Casino's cash flow is negative at minus €230mn in the third quarter. The company is losing market share. Its French brands are at the pricey end of the market.

Casino's shares rallied when the Assai sale was announced in late October.

However, market worth, at about €1.2bn, is less than half what it was three years ago, before the pandemic. Its valuation, at 6.5 times forward earnings, has fallen from 23 times over the same period.

The sale of its shares in Assai cuts Casino's stake to just 30.5 per cent. That limits its share of Assai's earnings and its pool of disposable assets.

This is Casino's problem. Unless it sells more assets, groceries or both — tough in today's market conditions — it will struggle to pay its debts.

Corporate concentration: overboard

There may be too many of the same people wandering the halls of corporate America. Last month, the US Department of Justice announced that seven directors of American companies quit their corporate board positions.

This followed agency investigations into "interlocking directorates", when the same person holds a board position at two or more competitors.

Usually companies do not want to let rivals into the tent; Disney chief Bob Iger resigned from the Apple board in 2019 after the iPhone maker moved into entertainment programming.

Interlocking directorates have rarely been a DoJ priority, but the Biden administration aggressively wants to promote competition. The worry is that rivals could end up colluding to raise prices or stifle innovation.

Among the targets of the DoJ have been the portfolio companies of private equity firms. These often share directors who are executives at the investment firms themselves.

Concentration of holdings is also an issue. With the rise of passive investing funds, the likes of Vanguard, State Street and BlackRock together often own more than a fifth of many public groups. They all help elect directors. A recent academic paper says that so-called common ownership has helped to limit worker wage growth and cut the incentive for capital investment. Also, shareholders when less diffuse exercise disproportionate power.

A group of academics even argued recently that BlackRock — which manages roughly $10tn — should be broken up, limiting the progeny to just $500bn in assets under management. Given that passive investing is viewed as a social victory owing to its modest fees, a break-up is unlikely.

Yet the governance question over concentration has weight. Influence over important business and social policy such as climate action has been vested in a few big investors such as BlackRock's Larry Fink. More careful scrutiny of how directors are elected should be a priority.

SBB: school's out

Sweden's property companies are in a difficult spot. Exposure to one of Europe's frothiest real estate markets, funded through a smorgasbord of debt, is causing ructions. Commercial landlord SBB's value is down 70 per cent in the past year, to €2.85bn.

The group's most recent asset sale, a minority stake in its schools portfolio to infrastructure fund Brookfield, highlights just how tight a spot it is in.

The sector's polar vortex is partly down to falling property prices. After a stellar run during the pandemic, they have declined significantly this year. It is only a matter of time before this trend is reflected in the asset values of Swedish property companies.

Sweden is not alone in seeing falling prices. But its property groups are more geared than most. SSB has good quality assets, including schools and hospitals, where rents are paid by the government and inflation linked. But it also has piles of debt — €7.81bn at the end of 2022, or almost 18 times forecast ebitda, says Bloomberg.

SBB has been unloading assets to deleverage. But it cannot afford to let them go too cheaply. A big discount to book value would suggest that SSB's assets might be headed for a haircut.

Loan-to-value will fall from 47 per cent after the deal to 42 per cent.

The Brookfield transaction has a number of moving parts. It is paying €840mn for 49 per cent of a company that holds SBB's educational property portfolio. This gives an implied equity value of €1.7bn, or an enterprise value of €3.6bn factoring in the vehicle's net borrowings. Compared with the book value at €4.1bn the discount looks steep at about 10 per cent.

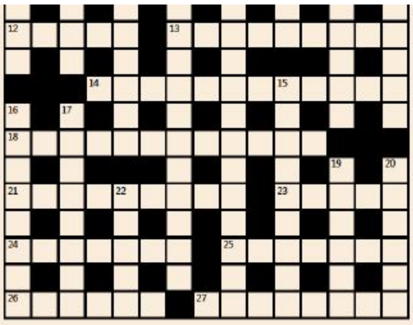
True, this does not include other sources of value creation for SBB, including management contracts, tax liabilities, intercompany loans and earn-outs on performance targets.

But the educational portfolio is a choice asset. A sale at a steep discount to book value highlights the difficulties of Sweden's property market and of SBB itself.

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

CROSSWORD
No 17,266 Set by FALCON

ACROSS
1 Bag Kelvin put down by fire (8)
5 Essential part of service in part of ship (6)
10 Take the Spanish female supporters



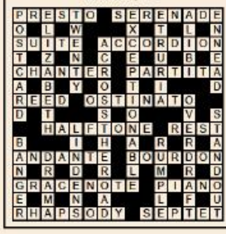
back (7)
11 Best to choose single mother (7)
12 Former deed, strictly accurate (5)
13 American brought in instead, unexpectedly went through (9)
14 Hostile? Worker perhaps acting so, I suspect (12)
18 Pole has lodgings next to river in Cardiff (12)
21 Runs away from cattle farm in a valley in flood (9)
23 Relative's soiled article disposed of (5)
24 Stir too vigorously making rice dish (7)
25 Personal target in move that backfired? (3,4)
26 Sister outside a church in shade (6)
27 Hit man when given cheek at work (8)

DOWN

1 Fate of king is settled (6)
2 Film a vessel on a river (6)
3 Nasty, feet slipping – this should save you (6,3)
4 A four-by-four dodgy character stole (7,7)
6 Spare more (5)
7 Mention a ridiculous name (8)
8 Passenger to avoid following spicy meal (4,4)
9 Favouritism in the workplace some may interpret as sexist (4,3,3,4)
15 Complaint in New Zealand advanced about alternative fuel (9)
16 Small bike runs over large group of people (8)
17 Mali, say, a foreign country (8)
19 A bad-tempered over (6)
20 Legendary magician's falcon (6)
22 Some latticework in room (5)

JOTTER PAD

Solution 17,265



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