FINANCIAL TIMES

TUESDAY 9 AUGUST 2022 INTERNATIONAL NEWSPAPER OF THE YEAR USA $2.50 Canada C$3.00

Borrowing to survive
Non-profit lenders swamped as cost of living crisis bites — BIG READ, PAGE 15

Dire straits
The dangerous fatalism about a US-China war — GIDEON RACHMAN, PAGE 17

By the book
Market for big-name authors faces antitrust test — SUJEET INDAP, PAGE 6

Guard duty
Kenyan rivals race to the wire

A policeman in Nairobi guards ballot boxes before they are distributed to Kenya's polling stations yesterday.

Some 22mn Kenyans head to the polls today to vote for their new president — a close race between the country's veteran opposition leader Raila Odinga and vice-president William Ruto.

Odinga, who was a political prisoner in the 1980s, has the establishment's backing after decades in opposition in what will be the 77-year-old's fifth effort to lead east Africa's largest economy.

Meanwhile, 55-year-old Ruto, who has become one of Kenya's richest men, has cast himself as a political outsider despite being the administration's deputy leader for two terms.

Odinga and Ruto in final push page 2

Ben Curtis/AP

Son 'ashamed' of focus on profits as SoftBank logs record $23bn loss

- Regrets over strategy
- Tech rout and forex hit take toll
- 'Dramatic' cost cuts to come

LEO LEWIS AND ERI SUGIURA — TOKYO

Huge losses at SoftBank's flagship Vision Funds will force the company to begin "dramatic" cost-cutting after plunging technology valuations and a weak yen drove Masayoshi Son's embattled conglomerate into a record ¥3.1tn ($23bn) quarterly net loss.

In a press conference yesterday that Son called "depressing", he admitted that his aggressive investment strategy should have been more selective, adding: "I am ashamed of myself for being so elated by big profits in the past."

Son said SoftBank would launch a "dramatic" group-wide cost-cutting exercise, after a ¥7tn investment gain at the two Vision Funds almost completely reversed over the past six months.

He added that the Japanese group had started talks to sell Fortress Investment Group, an asset manager it bought in 2017. "We are prepared to listen to potential buyers with an open mind."

As well as being hit by the global tech rout during the past quarter, SoftBank suffered a ¥820bn foreign exchange loss caused by the sharp drop in the yen against the US dollar, which fell to a 24-year low in July. That loss reflected the fact that about half of SoftBank's total borrowings are dollar denominated.

"If we had been a little more selective and invested properly, it would not have hurt as much," said Son.

In keeping with a tradition of eccentric presentations, Son explained the current state of his company with reference to a portrait of Ieyasu Tokugawa, the 17th-century shogun and national unifier who suffered huge losses in battle in order not to lose face with his enemies. "I want to reflect on this and remember it as a warning," said Son.

In another critical admission, Son openly questioned the unicorn-hunting investment strategy of the $100bn Vision Fund, a pool of money with which Son had wanted to lay the foundations of a 300-year plan. "If we pursue our vision unilaterally, we risk annihilation. That must be avoided at all costs."

SoftBank attributed its woes to "deepening challenges" in the macroeconomic environment, inflation, central bank policy responses and geopolitical tensions. The huge losses follow Son's pledge in May to play "defence" in the face of worsening conditions.

Masayoshi Son: 'If we had been more selective and invested properly, it would not have hurt as much'

The company described the recent rout as a "market correction of historic proportions". But Son acknowledged that the listed portion of the Vision Fund portfolios had underperformed. Vision Fund portfolio companies hit hardest included previous star performers such as delivery service DoorDash.

Son also noted that while Vision Fund losses reflected writedowns in the notional value of unlisted groups in the portfolio, these were vulnerable to economic winds. "The winter for unlisted companies may be longer than the winter for listed companies," he said.

Son declined to comment on whether SoftBank could be persuaded by Britain to consider listing UK-based chipmaker Arm in London as well as the US.

Lex page 18

Briefing

▸ US sends Ukraine arms worth $1bn
Washington has unveiled a military aid package that includes ammunition for high-mobility rocket systems, artillery and mortars. It comes as Kyiv readies a counter-offensive in the south.— PAGE 2

▸ Extended Chinese exercises raise tension
Beijing has widened drills around Taiwan, stoking fears of prolonged tension that pile pressure on the US to respond. The exercises had been expected to wind down.— PAGE 4; GIDEON RACHMAN, PAGE 17

▸ 'Final text' on reviving Iran nuclear deal
EU officials mediating talks between Washington and Tehran aimed at reinvigorating the stalled 2015 accord have put forward the text of an agreement they hope will persuade Iran to sign.— PAGE 4

▸ US says 'crypto mixer' laundered $7bn
The Treasury has imposed sanctions on crypto "mixing service" Tornado Cash, which it alleges laundered cash and helped North Korean hackers evade penalties.— PAGE 6

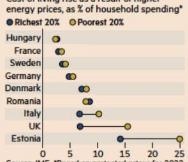
▸ Carlyle chief's exit stokes upheaval
The private equity giant has said it will replace chief executive Kewsong Lee after contract talks reached an impasse. He will leave the group just two years after he was appointed in July 2020.— PAGE 6

▸ Norway's power exports to EU in doubt
The centre-left government has said it will curb electricity exports if water levels for its hydropower plants remain low, hitting hopes that Norway might ease its neighbours' energy concerns.— PAGE 2

▸ Jade gleams amid Chinese market rout
Sell-offs in equities and bonds and widespread defaults in the property market have driven wealthy investors to snap up jade, one of Asia's most traditional forms of investment.— PAGE 4

Datawatch

Poor under pressure
Cost of living rise as a result of higher energy prices, as % of household spending*



Source: IMF *Based on projected prices for 2022

Higher prices for energy tend to impose a heavier burden on poorer households as bills become a bigger share of their budgets. In the UK and Estonia, costs for the poorest 20 per cent are set to rise twice as much as for the wealthiest

London lawyers take fresh shot at cracking US market

Big-name London law firms are taking a second crack at storming the US market. After the 'Magic Circle' groups all struggled following their first foray into New York in the 1970s and 1980s, a new generation is leading a charge for compelling rewards — including kudos in achieving what predecessors could not. But the campaign is risky and expensive. They are poaching star American lawyers and trying to break US firms' strong corporate ties.

Trying again ▸ PAGE 9

Investors sell stakes in buyout funds at fastest pace as recession fears bite

KAYE WIGGINS — LONDON

Investors are selling stakes in private equity and venture capital funds at the fastest pace on record, as the downturn in equities spreads to the private markets that boomed during the era of low interest rates.

Pension and sovereign wealth funds were among those that sold $33bn worth of stakes in private funds in the first half of the year, up from $19bn in the same period in 2021, according to US investment group Jefferies, typically selling them below their face value.

The sell-off follows a decade of surging allocations to private markets, which have grown in influence since the financial crisis and cover everything from buyout firms to venture capital and real estate funds.

It casts doubts on the ability of these groups to sustain the fundraising that has transformed them into a major force in global dealmaking.

Pension funds say the move to ditch stakes has been partly triggered by the steep decline in stock markets, leaving their overall portfolios too exposed to private investments with values that are not marked down in the same way.

"We've never had to do this before, and we hoped we would never have to do it," said the head of private equity at a pension fund that sold some of its holdings in buyout funds at a discount.

At the same time, pension funds that had committed money to buyout firms have had to stump up the cash more quickly than expected because of the frenzy of dealmaking. That has sparked fears of a funding squeeze, according to a senior executive at one endowment fund, as some pension funds worry they may not have enough cash on hand to meet future capital calls from the buyout funds they are committed to.

Investors "are desperately worried that they'll get themselves into a complete cash crunch and have to start selling things, so they're trying to get on top of that" by selling stakes now, he said.

In contrast to publicly traded securities that can be easily bought and sold, investments in private funds are typically locked up for about a decade.

On average, stakes in buyout, venture capital and real estate funds were disposed of for just 86 per cent of their face value in the first half, according to Jefferies. Stakes in venture capital funds were sold at 71 per cent of their most recent value, underlining how rising interest rates and fears of a recession have curbed investors' willingness to back often unprofitable start-ups.

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World Markets

STOCK MARKETS

	Aug 8	Prev	%chg
S&P 500	4159.10	4145.19	0.34
Nasdaq Composite	12716.37	12657.56	0.46
Dow Jones Ind	32939.56	32803.47	0.41
FTSEurofirst 300	1724.73	1713.01	0.68
Euro Stoxx 50	3757.90	3725.39	0.87
FTSE 100	7482.37	7439.74	0.57
FTSE All-Share	4132.82	4111.51	0.52
CAC 40	6524.44	6472.35	0.80
Xetra Dax	13687.69	13573.93	0.84

CURRENCIES

Pair	Aug 8	Prev	Pair	Aug 8	Prev
$/€	1.022	1.017	€/$	0.979	0.984
$/£	1.212	1.206	£/$	0.825	0.829
£/€	0.843	0.843	€/£	1.186	1.186
¥/$	134.725	135.345	¥/€	137.656	137.585
¥/£	163.273	163.220	£ index	79.461	79.537
SFr/€	0.974	0.979	SFr/£	1.155	1.162

CRYPTO

	Aug 8	Prev	%chg
Bitcoin ($)	23880.00	23176.28	3.04

GOVERNMENT BONDS

Yield (%)	Aug 8	Prev	Chg (b/p)
US 2 yr	3.19	3.21	-0.02
US 10 yr	2.78	2.85	-0.07
US 30 yr	3.00	3.09	-0.10
UK 2 yr	2.04	2.13	-0.10
UK 10 yr	1.95	2.05	-0.10
UK 30 yr	2.35	2.43	-0.08
JPN 2 yr	-0.10	-0.11	0.01
JPN 10 yr	0.17	0.16	0.02
JPN 30 yr	1.14	1.15	-0.01

Dubai

9 770307 176821 32>

Nikkei	28249.24	28175.87	0.26
Hang Seng	20045.77	20201.94	-0.77
MSCI World $	2752.06	2761.65	-0.35
MSCI EM $	1002.87	994.59	0.83
MSCI ACWI $	639.53	640.94	-0.22
FT Wilshire 2500	5405.17	5409.51	-0.08
FT Wilshire 5000	42215.33	42241.34	-0.06

Ethereum	1758.77	1699.95	3.46
COMMODITIES			
	Aug 8	Prev	%chg
Oil WTI $	89.94	89.01	1.04
Oil Brent $	95.88	94.92	1.01
Gold $	1773.25	1783.20	-0.56

GER 2 yr	0.45	0.45	0.00
GER 10 yr	0.89	0.95	-0.06
GER 30 yr	1.11	1.16	-0.05

Prices are latest for edition
Data provided by Morningstar

A Nikkei Company

INTERNATIONAL

Support package

US boosts military aid to Ukraine by $1bn

Assistance comes as Kyiv prepares to launch fresh counter-attack in south

COURTNEY WEAVER — WASHINGTON
ROMAN OLEARCHYK — KYIV

The US is to send $1bn in additional military aid to Ukraine, the largest single drawdown since the start of the war.

The latest package will include additional ammunition for high-mobility artillery rocket systems (Himars), tens of thousands of rounds of artillery and mortar ammunition, anti-armour systems and armoured medical treatment vehicles.

Including the latest package, the US has now given about $9.8bn in security aid to Ukraine since Joe Biden took office.

The new US aid comes as Kyiv prepares to mount a fresh counter-offensive in the south of Ukraine, where it hopes to take back the city of Kherson, ending Russia's use of the Dnipro river as a natural barrier.

"The US stands with allies and partners from more than 50 countries in providing vital security assistance to support Ukraine's defence of its sovereignty and territorial integrity against Russia's aggression," said Antony Blinken, US secretary of state.

"As this war stretches on, the courage and strength of Ukraine's military and its people become even more evident and even more extraordinary. Together we will continue to consult closely with Ukraine and surge additional available systems and capabilities carefully calibrated to make a difference on the battlefield and strengthen Ukraine's eventual position at the negotiating table."

Ukrainian forces have regained some territory in the southern regions in recent weeks. However, neither side has gained much ground in a war of attrition that has largely been conducted via bloody artillery duels, both in the south and in the far eastern Donbas region, ever since Russia's forces failed to capture the capital city, Kyiv, early in the invasion.

'Now conditions in the east [have] stabilised and the focus is really shifting to the south'

Colin Kahl, US under-secretary of defence for policy, said Moscow had recently reported some "incremental gains" in the eastern part of Ukraine, in the Donbas, but at a high cost to its forces, which had been reporting a significant number of casualties in those fights — a result of "how well the Ukrainian military performed and all the assistance that the Ukrainian military had gotten".

"Now conditions in the east [have] stabilised and the focus is really shifting to the south and, in part, that's because the Ukrainians are starting to put some pressure down south and the Russians have been forced to redeploy their forces down there."

Mykhailo Podolyak, an adviser to Ukraine president Volodymyr Zelenskyy, said the country still needed the west to provide much more artillery — including longer-range rockets — as well as tanks and aircraft to launch a major counter-offensive to retake Kherson.

"We need to significantly increase the number of multiple launch rocket systems, Himars or M270," Podolyak said. "If today we have 20 to 30, then there should be 80 to 100 in order to be effective. Otherwise, it will be a protracted war . . . it will be a costly war."

Energy security

Norway to limit exports of electricity if water levels remain low

RICHARD MILNE — OSLO
NATHALIE THOMAS — EDINBURGH
DAVID SHEPPARD — LONDON

Norway is to curb electricity exports to Europe if water levels for its hydropower plants remain low in a blow to hopes that the Nordic country could help ease its neighbours' energy concerns ahead of a difficult winter.

Under pressure from high local electricity prices despite abundant hydropower resources, Norway's centre-left government decided yesterday to prioritise refilling its reservoirs when water levels were below seasonal averages.

Norway is one of the biggest electricity exporters in Europe, often selling via cables to the UK, Germany, Netherlands and Denmark.

This latest move foreshadows a tough winter for the continent as it grapples with the implications for energy supplies of Russia's invasion of Ukraine.

"The government will ensure that we have arrangements that prioritise the filling of our hydropower reservoirs and the security of supply for electricity, and limit exports when the water level in the reservoirs falls to very low levels," Terje Aasland, Norway's oil and energy minister, told political parties.

We will 'prioritise the filling of our hydropower reservoirs . . . when water falls to very low levels'

Norway has exported electricity throughout its summer even though many hydropower reservoirs are at historically low levels following a dry winter and spring.

Water levels in the south of Norway, where most of its export cables are based, are at their lowest since 1996 at just 49.3 per cent, compared with a seasonal average of 74.4 per cent, according to the Norwegian Water Resources and Energy Directorate.

Aasland said officials would decide the exact mechanism in the next week but suggested that when reservoir levels were below the seasonal average, exports would be curbed. He added that electricity rationing — initially for street lights and mountain cabins — was a possibility in Norway, although unlikely.

Some Norwegian politicians have suggested shutting off exports until the energy crisis is over amid anger at high prices for domestic consumers while the state earns record amounts from selling energy. Authorities have said that is not possible as Norway, although not an EU member, is part of the single energy market in Europe and has bilateral agreements covering the cables.

While in many European countries electricity demand has largely either plateaued or declined since 1990, Norway's domestic power consumption has risen almost 25 per cent over the same period as it has curbed its use of fossil fuels and encouraged electric car ownership.

Analysts at Aurora Energy Research, a UK-based consultancy, said Britain might have to fire up coal plants that were due to be retired next month to make up for a shortfall in Norwegian imports — a move likely to lead to even higher prices for consumers.

East Africa. Presidential election

Kenya poll rivals Odinga and Ruto in final push

Contest set against backdrop of inflation that has hit efforts to recover from pandemic

ANDRES SCHIPANI — KIAMBU

Veteran Kenyan opposition leader Raila Odinga clambered on to the stage to address the ebullient crowd of 20,000 supporters backing his latest run for the presidency.

"Kenyans have four big enemies . . . diseases, stupidity, poverty and corruption," he told those gathered in the central city of Kiambu to cheer on the 77-year-old's fifth attempt to lead east Africa's largest economy. Its problems will be solved "if we eliminate the last enemy of corruption", he said to cheers.

"I like Baba because of his persistence: he's a fighter, a go-getter," said Peninah Mwithiga, a local singer in the crowd, using a Swahili word for "father" to describe the veteran politician.

Odinga's chance of victory has been boosted by an endorsement from the outgoing president Uhuru Kenyatta, who is stepping down after two terms. The pair were adversaries before they struck a deal four years ago and Kenyatta backed his longtime rival. It means Odinga, a political prisoner in the 1980s, has become the establishment candidate after decades in opposition.

Today's presidential election is expected to go down to the wire, with Odinga and the other main candidate, vice-president William Ruto, neck and neck in the polls. Ruto, 55, casts himself as a political outsider despite the fact he has been the administration's deputy leader for two terms.

The 22mn Kenyans heading to the polls do so in the midst of an economic downturn as the country struggles with inflation that was at a five-year high of 8.3 per cent in July, which has affected food prices in particular, and soaring public debt. The price rises, partly fuelled by the war in Ukraine, have deepened economic problems caused by the coronavirus pandemic.

In addition to fighting corruption, Odinga's campaign pledges include cash transfers for the poor and negotiating a debt restructuring. Kenya has in recent years pursued big infrastructure projects while racking up large amounts of debt, putting the country at a "high risk of distress", according to the IMF.

Crowd puller: opposition leader Raila Odinga greets supporters on Saturday at a campaign rally at a sports stadium in Kisumu, western Kenya
Brian Inganga/AP

Ruto, a one-time chicken salesman who became one of Kenya's richest men, has sought to align himself with Kenyans struggling with a cost of living crisis. He has presented himself through a rags-to-riches story, contrasting his supposedly humble pedigree with those of Odinga and Kenyatta. Both their fathers were heroes of Kenya's independence from Britain in 1963. "I've pushed this campaign to be about trickle down versus bottom up," Ruto said in an interview. "We must sort out the cost of living, we must sort out unemployment, we must deal with our debt situation."

His backers say the teetotaller and trained botanist is the leader to take Kenya forward. Ruto has pledged to invest Ks500bn ($4.2bn) over five years, mainly in smallholding agriculture. Farmers make up more than 40 per cent of the country's population.

Ruto delivered voters to the president for many years on the understanding that he would one day succeed him — before Kenyatta threw his weight behind Odinga. For Ruto supporters, Odinga's association with the president is a drawback.

"Uhuru Kenyatta has the worst legacy Kenya has ever had," said Protus Karani, a student attending a Ruto campaign event. "We're looking for a new government and Odinga represents the old one," he added, as crowds of supporters hailed Ruto as "the hustler".

But many in Kenya believe Odinga is likely to take victory thanks to having the backing of Kenyatta, whom he refers to as his "brother" at rallies.

Both candidates have picked members of the dominant Kikuyu ethnic group as running mates. Odinga, who is a Luo, chose Martha Karua, an anti-corruption judge, and Ruto, who is a Kalenjin, went for Rigathi Gachagua, an MP who has been dogged by corruption allegations he denies.

An Ipsos survey last week put Odinga on 47 per cent and Ruto on 41 per cent.

'Kenyans have four big enemies . . . diseases, stupidity, poverty and corruption'
Raila Odinga, presidential candidate

George Wajackoyah, who is campaigning to turn Kenya into an exporter of, among other things, marijuana, trails at 3 per cent. To win outright, a candidate must secure more than half the overall votes as well as a minimum 25 per cent of the votes in more than half of Kenya's 47 counties. The electoral commission has up to seven days to declare a winner or call for a run-off.

Post-election violence marred polls in 2007 and 2017, killing 1,200 and 100 people respectively. Kenyatta and Ruto were both investigated by the International Criminal Court for the 2007 violence, although the probes were later dropped. Most analysts think violence will be limited this time. About 66 per cent of those surveyed last week by Kenyan pollster TIFA said they had no concerns about post-election violence.

Odinga believes his time may finally have come: "I'm certain that if it's done fairly, there's no way that I can lose this election," he added.

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Surveillance scandal

Greek premier says he was unaware of phone tap

ELENI VARVITSIOTI — ATHENS
ALICE HANCOCK — BRUSSELS

Greek prime minister Kyriakos Mitsotakis said yesterday he was unaware that the country's intelligence service had attempted to tap an opposition politician's mobile phone and insisted he would not have allowed it had he known.

political consequences of its actions.

The resignation on Friday of Dimitriadis, who is also Mitsotakis's nephew, and the EYP chief Kontoleon, came after the prime minister's office said the intelligence agency had carried out "incorrect actions" in the "procedure of legal surveillance".

It did not clarify which procedure was incorrectly followed.

EYP was placed under the direct control of Mitsotakis's office shortly after he became prime minister in the summer of 2019, when his centre-right New Democracy party won elections.

Sophie in 't Veld, a Dutch politician leading an inquiry by the European Parliament into the use of spyware across Europe, said her "gut feeling" was that the Greek wiretapping claims were

Madrid government and Catalan separatist movement have been victims of spyware hacks.

In 't Veld said she had expected revelations about Greece based on research she had already carried out and would put forward a proposal to add it to the list of countries being investigated, which she expected to receive broad support.

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The wiretapping scandal led to the resignation of Panagiotis Kontoleon, head of the National Intelligence Service (EYP), and Grigoris Dimitriadis, general secretary of the prime minister's office.

Nikos Androulakis, leader of Pasok, Greece's third-largest political party — who is also a member of the European Parliament — revealed last week that his phone had been tapped by the EYP.

"What took place was not illegal but it was a mistake. I did not know it and obviously I would have never allowed it," Mitsotakis said in a televised address yesterday.

The prime minister said he would propose changes to the way the intelligence service worked, adding that the EYP had underestimated the ... incorrectly followed.

Androulakis, who became leader of the centre-left Pasok in December last year, said he discovered there had been an attempt to bug his mobile phone using Predator spyware when he handed it to the cyber security service of the European Parliament.

The highly sophisticated surveillance system gains access to encrypted messages in programs such as WhatsApp and can activate a phone's camera and microphone.

Speaking on Greek television on Friday, Androulakis said: "I never expected the Greek government to spy on me using the darkest practices."

He has filed a complaint with prosecutors at the Greek Supreme Court detailing the attempted wiretapping.

... the Greek wiretapping claims were "probably the tip of the iceberg".

MEPs have been investigating the use of spyware in Hungary, Poland and Spain, where both members of the

Kyriakos Mitsotakis: 'What took place was not illegal but a mistake'

... support.

Alexis Tsipras, the former prime minister and leader of the leftwing opposition Syriza party, said the phone tapping was Greece's "own Watergate" and insulted democracy, and called on Mitsotakis to reveal which other politicians and journalists had been wiretapped.

According to MPs present at the session, Kontoleon admitted during a closed parliamentary session on July 29 that his service had spied on Greek financial journalist Thanasis Koukakis after a request from another country. Greek government officials later denied that Kontoleon had made the alleged admission of spying.

Koukakis, who has previously contributed to the Financial Times, has taken legal action.

INTERNATIONAL

Wins stir Democratic hopes for Biden bounce

White House lifted by string of congressional victories ahead of midterms but fears remain they are too little, too late

JAMES POLITI — WASHINGTON

For months, Joe Biden's presidency has been suffering from weak approval ratings, doubts about his viability for a second term in office and criticism over his incomplete legislative record.

But a streak of victories on Capitol Hill in recent weeks — including the likely enactment of his flagship $700bn economic legislation after it was approved by the Senate on Sunday — has bolstered the White House incumbent's claims to a successful first 18 months in office and set the stage for a possible political rebound.

The bill, passed by Democratic lawmakers to cheers in the upper chamber and which now moves to the House of Representatives, was a crucial win for Biden, fulfilling key pledges from his 2020 campaign, even if they were watered down over months of intra-party negotiations. "I ran for president promising to make government work for working families again and that is what this bill does — period," Biden said.

Included in the legislation are provisions that appeal to core Democratic constituencies, such as steps to fight climate change with billions of dollars of incentives for clean energy production; measures allowing the government to cut the cost of certain prescription drugs for seniors; and higher taxes on large corporations to help pay for the extra spending and bring down the deficit.

The bill tops a series of recent successes on Capitol Hill for Biden, whose five decades of experience in Washington appear to have helped in navigating a highly polarised political environment. In the past few weeks, Congress has also passed bipartisan legislation to boost US semiconductor manufacturing and to begin tightening gun laws.

Yet the concern for Biden and many within his party is that these achievements may still be insufficient or have come too late to alter the prevailing political dynamic ahead of November's midterm elections. Republicans are at present favoured to recapture control of the House and possibly the Senate, as voters remain disenchanted with the president's handling of the economy and high inflation.

Moreover, victories in Washington do not necessarily translate into success at the polls: Barack Obama suffered big defeats in his first midterm election after passing sweeping healthcare and financial reform packages. Mitch McConnell, the Republican leader in the Senate, said the tax and climate bill would be a political loser for the Democrats.

"The working Americans they have failed will be writing Democrats' report cards in three months' time," he said.

But Democrats feel they are now on more solid ground, both with their own base and the broader electorate, to limit any damage and possibly even score some upsets in their midterm campaigns. Meanwhile, they argue that Biden, who is 79, will be on surer footing as he weighs whether to launch a re-election bid in 2024. "I was one of the folks who was first in supporting now President Biden when he was candidate Biden and I think he's done good things for our country. I think he's got a strong record of accomplishments to run on," said Christopher Coons, the Democratic senator from Delaware, on ABC.

> 'I think he's got a strong record of [successes] to run on'
> Christopher Coons, Democratic senator

Biden's recent successes in Congress have failed to significantly improve his polling. According to the RealClearPolitics average, there is a 17-point gap between the 56.5 per cent of Americans who disapprove of his performance and the 39.5 per cent who support it.

But congressional polling has shown some clearer movement in the Democrats' direction. While in June Americans favoured Republican candidates for Congress by a margin of 3 percentage points, that advantage has gone. Most political observers attribute the shift to the backlash against the Supreme Court ruling overturning the constitutional right to an abortion, and the draconian restrictions on ending pregnancies in many Republican-run states.

Some of the most politically sensitive economic indicators have been helpful to Democrats and the White House in recent weeks, with petrol prices dropping gradually and jobs growth accelerating, easing fears of a recession in the near term. But Democratic strategists and pollsters say the White House still has a long way to go before it can be confident the tide has turned.

"Nobody on the Biden team, I believe, is sitting back there thinking we're on the cusp of a surging comeback," said Joel Benenson, a Democratic pollster who worked for Obama. "While these successes will be nice accomplishments, there's a marathon, if not an ultra-marathon, to run between now and the next [presidential] campaign. That is going to take a sustained effort to pass additional legislation and enact additional policies . . . that have tangible and readily accessible benefits for working and middle-class Americans."

See The FT View

Casting vote: US vice-president Kamala Harris waves as she leaves the Senate after passage of the Inflation Reduction Act by 51 votes to 50 — Drew Angerer/Getty Images

Climate
The key measures

- Methane penalty: $900 per metric tonne of methane emissions that exceed federal limits in 2024, rising to $1,500 per metric tonne in 2026
- Carbon capture and storage tax credit of $85 per metric tonne, up from $50
- $30bn for solar panels, wind turbines, batteries, and advanced nuclear reactors, including tax credits over 10 years. Replaces short-term wind and solar credits
- $27bn for "green bank" to support clean energy projects, particularly in disadvantaged communities.
- $20bn to cut emissions in the agriculture sector
- $9bn in rebates for Americans buying and retrofitting homes with energy-efficient and electric appliances.
- $60bn to support low-income communities and communities of colour, includes grants for zero-emissions technology and vehicles, highway pollution mitigation, bus depots and other infrastructure located near disadvantaged communities
- $10bn in investment tax credits to build manufacturing facilities that make electric vehicles and renewable energy technologies
- Tax credit of up to $7,500 for the purchase of new clean vehicles, and offers for the first time a credit of $4,000 for used electric vehicles for households with a maximum income of $150,000 a year

INTERNATIONAL

Exercises

China extends its military drills in Strait

Taipei condemns push to prolong provocation and blur unofficial borderline

KATHRIN HILLE — TAIPEI

China has extended its military drills around Taiwan, stoking fears of a drawn-out period of heightened tension that is piling pressure on the US to respond.

Beijing's largest military exercises around Taiwan had been expected to wind down after navigation warnings for seven areas around the country expired early yesterday.

But the People's Liberation Army Eastern Theatre Command said it "continued joint training under real war conditions". Yesterday's drills were focused on anti-submarine warfare and naval strikes, with multiple destroyers and combat aircraft, it added.

The statement indicated that while the live-fire drills had concluded, the Chinese military would maintain a pressure campaign that had brought its combat aircraft and warships closer than ever to Taiwanese territory.

Taiwan's armed forces said the PLA's exercises were squeezing its space for training and having an adverse impact on international air traffic. "Their intention is to deal a blow to our morale and threaten regional security," the defence ministry said.

Taipei condemned Beijing's push to undermine the Taiwan Strait median line, an unofficial buffer between the two sides.

"The median line has been a tacit understanding between the two sides of the Strait since the 1950s. Although it doesn't carry the force of international law, it does exist," said Lieutenant General Shen Shih-wei, head of the ministry's legal department.

China justified the exercises with its territorial claim to Taiwan. They were "normal" exercises conducted "in waters around our own territory", foreign ministry spokesman Wang Wenbin said in a further indication Beijing was seeking to normalise frequent military operations closer to Taiwan's shores. PLA experts have said the exercises had obliterated the median line and the Chinese military would now conduct regular exercises on the Taiwanese side.

> 'Their intention is to deal a blow to our morale and threaten regional security'
> Taiwan defence ministry

According to Taiwan's ministry of defence, 21 PLA aircraft operated around the island's airspace yesterday, 14 of which flew across the median line.

Taiwan's president Tsai Ing-wen last week appealed to the international community for support.

The US government has repeatedly condemned China's aggression. The G7 group of industrial nations has pleaded with Beijing to de-escalate the situation. But Washington, which has long acted as Taiwan's unofficial protector, has not revealed whether it would use military force to deter China.

Duan Dang, a regional security analyst in Vietnam, wrote on Twitter: "If the US doesn't do something militarily to push back China in Taiwan Strait and re-establish a credible red line, it will be very bad. Frankly, no one in the region is going to believe in US commitments anymore." Beijing has also stepped up a propaganda offensive aimed at eroding the island nation's confidence in its security while satisfying nationalist sentiment on the mainland.

East Asia. Pelosi trip

Beijing reaction to Taiwan visit jolts US allies

Show of force designed to cow regional powers viewed instead as a miscalculation

DEMETRI SEVASTOPULO — WASHINGTON

Ahead of Nancy Pelosi's visit to Taiwan last week, there was concern from the White House to Tokyo that the US House Speaker's trip would spark a crisis at a time when relations with China were already in a dangerous state.

Beijing's aggressive response has crystallised the high stakes for US allies in the region. Whatever fears many had about Pelosi's trip, the missile launches and live-fire drills have created a negative outcome for Beijing by galvanising an increasingly united chorus of critics.

Before the Chinese military launched exercises on an unprecedented scale, the G7 had warned Beijing "not to unilaterally change the status quo by force". Speaking alongside Pelosi in Tokyo on Friday, Japanese prime minister Fumio Kishida said the drills were a "grave problem" after five missiles, at least one of which flew over Taipei, landed in Japan's economic exclusive zone.

"This is yet another example of Xi Jinping helping to create the security environment around China that he says he doesn't want," said Chris Johnstone, a former US National Security Council official now at the Center for Strategic and International Studies, a think-tank.

Eric Sayers, a security expert at the American Enterprise Institute, said the G7 statement was testament to the "tough diplomatic work" of the Biden administration to create a more unified position with allies. "Beijing would like to sow division and scare countries off from commenting about Taiwan. That clearly didn't happen here."

Johnstone said the Japanese position illustrated how China had miscalculated. Tokyo was concerned about the visit partly because it was trying to restart engagement with Beijing. China's response to Pelosi's visit, he added, would "reinforce the perception in Japan that has been growing, that its security is linked to Taiwan's".

High alert: a Taiwan navy serviceman monitors military exercises by Chinese forces Taiwan Military News Agency/Reuters

Australia also spoke out against China. "These exercises are disproportionate and destabilising," said foreign minister Penny Wong.

Charles Edel, an Australia expert at the CSIS, said the tensions came at a critical time with Australia debating the role it would play in the event of a war with China over Taiwan. "Australia will now be more inclined to align its security policies vis-à-vis Taiwan more closely with the US and Japan," he said.

The one US ally in Asia that was conspicuous in not criticising China was South Korea. President Yoon Suk-yeol was also the only leader not to meet Pelosi on her five-nation tour of Asia.

Mike Green, head of the US Studies Centre at the University of Sydney, said Yoon's decision not to meet Pelosi and the stance of south-east Asian nations showed there was some "anxiety" in the region. He said Biden had complicated matters by saying the Pentagon did not think the trip was a good idea, after it was revealed by the Financial Times. "He exposed the kind of hesitation and division that only encourages Beijing to try to further divide the US government," Green said.

> 'This is a dangerous, dangerous moment for the whole world'

Highlighting the alarm among smaller countries in the region, the Association of Southeast Asian Nations foreign ministers expressed concern about the "international and regional volatility" this week in a rare statement.

"We all have skin in this game and . . . want America and China to get along," Singapore's foreign minister Vivian Balakrishnan said at the Asean meeting. "This is a dangerous, dangerous moment for the whole world."

Underscoring the risk, Jing Quan, a senior Chinese diplomat in Washington, warned that "Taiwan is one of the very few issues that might take China and the US to conflict or even war."

Most experts said Beijing had dramatically altered the "status quo" over Taiwan. But others point out that Washington, Beijing and Taipei have taken actions in recent years that have shifted the geopolitical landscape. China has flown increasing numbers of warplanes around Taiwan, while Taipei has pushed the US administration and Congress to boost its international position.

While the White House stresses that it has not changed its "one China" policy — under which it recognises Beijing as the sole government of China but only acknowledges Beijing's position that Taiwan is part of China — but it too has taken steps, such as easing restrictions on officials meeting Taiwanese counterparts, that have alarmed Beijing.

Biden has also on three occasions said the US would intervene to defend Taiwan against an attack from China.

"China, America and Taiwan have all been pushing the envelope on the status quo but then pretend the situation is still the status quo," said one observer.

Additional reporting by Nic Fildes in Sydney and Christian Davies in Seoul

Gideon Rachman see Opinion

Accord talks

EU attempts to revive Iran nuclear deal by submitting 'final text'

ANDREW ENGLAND — LONDON
HENRY FOY — BRUSSELS
NAJMEH BOZORGMEHR — TEHRAN

EU officials mediating talks between the US and Iran aimed at reviving the moribund 2015 nuclear accord have put forward the "final text" of an agreement they hope will convince Tehran to sign.

The latest round of negotiations, which began in Vienna last week, bore the hallmarks of a last-ditch attempt to secure an agreement between the Islamic republic and Joe Biden's administration after 15 months of EU-mediated indirect talks between the adversaries.

"What can be negotiated has been negotiated, and it's now in a final text," Josep Borrell, the EU's foreign policy chief, said yesterday.

"However, behind every technical issue and every paragraph lies a political decision that needs to be taken in the capitals," Borrell said on Twitter. "If these answers are positive, then we can sign this deal."

> 'Behind every technical issue and every paragraph lies a political decision that needs to be taken'

Diplomats and analysts have been saying for weeks that with many of the details of an agreement reached, it is up to Tehran and Washington to make the political decisions about whether they want to sign. Washington and Tehran, which blame each other for the deadlock, entered the talks playing down any expectations of a breakthrough.

The Iranian delegation was to return to Tehran for consultations, Iranian state media said.

Iran's foreign minister, Hossein Amirabdollahian, said in a telephone conversation with Borrell yesterday that "any final agreement should meet the rights and interests of the Iranian nation and guarantee sustainable and effective removal of sanctions".

Another Iranian foreign ministry official told local news agencies that "relative progress" was made at the talks, but they added the republic still had "serious concerns" about the US failing to meet its commitments.

Under the agreement, reached in 2015, Iran agreed to strict limits on its nuclear activity in exchange for the US lifting many sanctions. The crisis was triggered when former US president Donald Trump unilaterally abandoned the accord in 2018 and imposed waves of crippling sanctions on Iran. Tehran responded by ramping up its nuclear activity and is now enriching uranium close to weapons grade.

Analysts say neither side wants to be blamed for collapsing the talks but Iran's expanded nuclear activity means the uneasy limbo is unsustainable.

Legal Notices

NOTICE

Investment. Asset class

Chinese ditch property for jade in search of higher returns

WILLIAM LANGLEY — HONG KONG

Sell-offs in Chinese equities and bonds and widespread defaults in the property market are driving wealthy investors to re-examine one of Asia's most traditional forms of investment: jadeite.

A coup in Myanmar, US sanctions and the Covid-19 pandemic have all but frozen supplies of the uncut stone, sending prices of finished jewellery bearing jadeite soaring.

Myanmar produces 70-90 per cent of the world's supply of high-quality jadeite, which is the rarer and more valuable of two chemically distinct stones collectively known as jade. The stone is overwhelmingly sold to buyers in China and south-east Asia.

"The production [of jadeite] is getting less and less," said Tommy Chan, a Hong Kong businessman owner who has started buying less expensive jadeite jewellery pieces costing HK$80,000 to HK$200,000 ($10,200 to $25,500). "The value of jadeite will definitely go up."

China's equity indices have taken a hammering this year as traders fret over strict adherence to the zero-Covid policy and a spat between regulators in Beijing and the US. The benchmark CSI 300 is down more than 15 per cent in the year to date, while Hong Kong's Hang Seng index has shed 13 per cent.

China's corporate bond market has also been rocked by a wave of defaults in the property sector, while house prices, a driver of wealth for decades, have declined for 10 months after policymakers last year sought to limit debt levels at developers and mortgage lending.

"Investors have to consider how to diversify," said Will Wang, head of client solutions and Asia strategic partnerships at VP Wealth Management, the Hong Kong unit of the Liechtenstein-based private bank. "Many investors will see jade and jadeite . . . as part of their asset allocation."

Global trends such as soaring inflation and renewed concerns about the potential impact of western sanctions on countries such as China following the war in Ukraine are also pushing investors to the green stone and other luxury jewellery as alternative haven assets.

Daryl Ho, senior investment strategist at Singaporean bank DBS, said western sanctions against Russia had increased the appeal of "bearer assets" that investors could hold as individuals without having to rely on third parties, such as banks.

"We saw how people lost half their net worth at the stroke of a pen," he said of the sanctions on Russia.

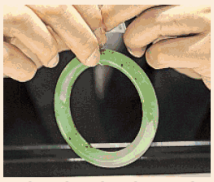
While jadeite's coarse, reptilian exterior and the market's heavy reliance on in-person auctions made picking a high-quality stone almost impossible for the uninitiated, investors were buying finished pieces as a proxy, said Kitty Chan, a director at the Hong Kong Jewellery & Jade Manufacturers Association.

In December, the 2021 China Jadeite Industry Consumption White Paper estimated that jadeite and jewellery had become the favoured collectibles of wealthy Chinese high-end investors ahead of watches, luxury cars, fine wines and paintings, with 27 per cent interested in acquiring pieces.

Chan, also a sales director at Sheentiff Jewellery, said buyers were even taking mid-end pieces, which were not traditionally seen as investment quality.

Myanmar's coup in February last year and the ensuing civil war disrupted the already limited supply of jadeite. US sanctions against a series of military-linked jade entities in Myanmar, including its chief licenser and regulator Myanmar Gems Enterprise, further crimped supplies.

> 'We saw how people lost half their net worth at the stroke of a pen'
>
> Daryl Ho, DBS bank



Heirloom: fine jade is often passed down through generations

"From 1990 to 2000, pretty much when you go to the jadeite market when you resell your piece usually . . . the best you can do is times 1.5 or times 2 [in price]," Chan said. "But now if you get like a good piece, the price can go up by times 10."

Jewellery shipments containing pearls, precious and semi-precious stones from Hong Kong, one of the world's most important hubs for high-quality, lab-certified jadeite, increased more than 100 per cent in value last year.

"As we sit here during these Covid times, there's so much cash sitting around, people want to find something to do with it," said Calvin Lo, a Hong Kong investor who in May launched the Legacy Jewellery Fund, an investment fund.

Vickie Sek, chair of Christie's Jewellery Asia, which in May sold a jadeite bead necklace for more than HK$69mn, said there had been "more and more" interest in high-quality jadeite pieces, buoyed by an increase in demand from younger buyers and investors.

Sek added that Chinese buyers investing in high-end jadeite pieces often passed them down between generations, constraining the supply of the top pieces. "The top-quality ones never get cheaper," she added.

Bitter fruit Apple's privacy shake-up has taken a heavy toll, prompting many businesses to slash marketing spend ● COMPANIES

Companies & Markets

Carlyle boss resigns after breakdown in contract talks

- Lee quits after two years as sole chief
- Renewed succession turmoil for firm

ANTOINE GARA — NEW YORK

Private equity giant Carlyle Group is replacing its chief executive, Kewsong Lee, who will leave the New York and Washington-based group just two years after he was appointed in July 2020.

The exit throws the $376bn group's leadership into renewed upheaval as it navigates a more challenging investment environment, with volatile markets and a pullback in commitments from institutional investors.

Lee's exit came as his contract negotiations with Carlyle reached an impasse. Lee, who was named co-chief executive in 2017 alongside Glenn Youngkin, was given a five-year contract that expired at the end of the year.

> 'Both the company's board and Mr Lee agreed that the timing is right to initiate a search for a new CEO'

Instead of continuing to negotiate, Carlyle said that its board of directors had decided not to renew Lee's contract.

After it informed Lee of the decision, he decided to step down immediately.

"Both the company's board of directors and Mr Lee mutually agreed as part of their discussions that the timing is right to initiate a search for a new CEO," said Carlyle in a press release.

Lee's sudden move, announced late on Sunday, marks another impromptu change in Carlyle's succession planning beyond co-founders William Conway, David Rubenstein and Daniel D'Aniello. Rubenstein during the firm's ascent into a publicly listed industry giant. However, Youngkin decided to retire at the end of 2020 after friction with Lee, plunging Carlyle's succession into turmoil. In 2021, Youngkin launched a successful run to be governor of Virginia.

Lee took over sole leadership of Carlyle as it recovered from the shock of the coronavirus pandemic, which had caused the firm to record steep losses as performance flagged in many of its investment funds.

Under Lee, Carlyle's business rebounded as he plotted the firm's expansion in credit and insurance-related investments under new hand-picked leadership. Lee also set a target of raising $130bn in new money by 2024, with much of the fundraising focused away from Carlyle's traditional corporate buyout business.

In second-quarter earnings released in late July, Carlyle had made it more than halfway to Lee's target, which he insisted that the firm would hit. However, fundraising in the firm's buyout unit has slowed. In the second quarter, its new flagship fund raised just $2.2bn.

At the same time, Carlyle grew elsewhere, striking a partnership with insurer Fortitude Re that brought in $48bn in new assets last quarter.

In an interview with the Financial Times in late July, Lee emphasised Carlyle's diversification from private equity buyouts, in which the firm first made its name under Conway and Rubenstein.

"The largest share of our fee-earning assets under management is now associated with global credit," said Lee, brushing off fundraising challenges in Car-

Clear road Baidu wins green light to operate fully driverless robotaxis in two China cities

New era: Baidu's Apollo RT6 fully autonomous vehicle being unveiled in Beijing last month — Noel Celis/AFP via Getty Images

PRIMROSE RIORDAN AND GLORIA LI
HONG KONG

Baidu has secured a permit to operate China's first fully driverless licensed robotaxis, winning an early lead in the race to launch autonomous cars in the country.

The internet group said yesterday it would be able to operate its Apollo Go cars without a safety supervisor on board in the Chinese cities of Wuhan and Chongqing.

Winning the permit has given Baidu, the operator of China's largest search engine, an edge over its rivals, including Pony.ai, WeRide and AutoX, which are racing to develop fully autonomous driving software systems. The permit would allow the company to carry out more testing of its vehicles, said Charlie Chai, autono- terms of scale and on-ground testing, deployment Baidu is ahead."

The service will be available in the central city of Wuhan from 9am to 5pm, and the south-western Chongqing municipality from 9.30am to 4.30pm, with five robotaxis deployed in each city, said the company. The designated areas of service will cover 13 sq km in Wuhan and 30 sq km in Chongqing.

> 'Commercialisation generating significant revenue is still two to three years away'

In April, Baidu and Pony.ai won approval to move the safety driver from behind the wheel to the front with its search and video streaming platforms — traditionally the company's cash cows — experiencing flat growth as the Chinese economy slowed. The company is banking on the driverless car business to shore up revenues in the future.

Baidu reported an Rmb885mn ($131mn) net loss for the first three months of the year, compared with the previous year's profit of Rmb25.65bn, with research and development expenses increasing 10 per cent year on year. But Chai said the longer timeline for the commercialisation of autonomous driving was a dilemma for shareholders.

Self-driving vehicles have become a new arena of US-China competition, according to analysts.

"China and the US are racing from the same starting line now," said

US imposes sanctions on 'crypto mixer' Tornado Cash

SCOTT CHIPOLINA — LONDON
JAMES POLITI — WASHINGTON

The US has imposed sanctions on a crypto "mixing service" that it alleges laundered more than $7bn and helped North Korean state hackers evade US penalties.

The Treasury department said yesterday that Tornado Cash was used regularly by malicious cyber actors since it was founded in 2019. The total included the $455mn taken by state-sponsored North Korean hackers Lazarus Group in March, as well as $96mn from June's hack of Harmony Horizon Bridge.

The designation, by the Office of Foreign Assets Control, is the latest attempt by US watchdogs to crack down on sanctions evasion using cryptocurrencies.

Authorities are paying close attention to so-called "mixers" because they obscure the trail of transfers that would typically be accessible on the digital ledgers that underlie cryptocurrencies.

In May, Ofac imposed sanctions on another crypto-mixing service, Blender.io, for its role in assisting Lazarus to launder more than $20mn in "illicit proceeds". Tornado Cash was also used in moving at least another $7.8mn from last week's hack of the Nomad exchange, it said. Lazarus itself was sanctioned in the US in 2019.

"Despite criminals' efforts to obfuscate their activity, the US has managed to blacklist one of the most prolific facilitators of cyber crime out there, dealing a major blow to criminals trying to cash out their funds," said David Carlisle, vice-president of regulatory affairs at Elliptic.

Tornado Cash did not immediately respond to a request for comment. This year, Tornado Cash tweeted that it used a tool from blockchain analytics firm Chainalysis to block Ofac-sanctioned addresses from accessing the platform.

A senior Treasury official said that the designation sent a broader signal about the dangers involved in businesses such as Tornado Cash.

"We do believe that this action will send a really critical message to the private sector about the risks associated

David Rubenstein and Daniel D'Aniello, who created the firm in 1987.

Unlike competitors such as KKR, Carlyle has struggled to identify its next generation of leadership. Lee served as co-chief executive alongside Youngkin, a split role that was supposed to resemble the joint leadership of Conway and

ing on fundraising challenges in Carlyle's eighth flagship buyout fund as "old news".

Co-founder Conway, who for decades oversaw Carlyle's private equity investments, will become its interim leader as the firm seeks a new chief executive.

Lex page 18

its vehicles, said Charlie Chai, autonomous driving analyst at Shanghai-based 86 Research.

"My best guess is that commercialisation generating significant revenue is still two to three years away," he said. "Tech-wise, the leaders are Pony.ai and [Baidu's] Apollo, but in

from behind the wheel to the front passenger seat for part of their robotaxi businesses in Beijing. Beijing regulators in July allowed the two companies to collect fees for driverless rides within a 60 sq km suburban zone of the capital city.

Baidu struggled in the first quarter,

the same starting line now," said Owen Chen, an analyst with S&P Global Mobility. "It is not only technological competition between companies but also competition between countries and regional governments when it comes to policy support for the industry."

with mixers writ large," the official said, adding it was "designed to inhibit Tornado Cash or any sort of reconstituted versions of it to continue to operate".

US officials declined to say where they believed Tornado Cash was based or whether its operations were associated with any foreign governments.

Famous authors and pro golfers test labour market regulations

INSIDE BUSINESS
AMERICAS

Sujeet Indap

Even the 1 per cent deserve the protection of antitrust laws, says the Biden administration. Under way in a federal courthouse in Washington is a highly anticipated trial in which the US Department of Justice is seeking to block the tie-up of two prestigious book publishers, Bertelsmann's Penguin Random House and Simon & Schuster.

Simon's owner, the former ViacomCBS now known as Paramount, announced the $2bn sale to PRH in late 2020. The deal, if completed, would shrink the so-called Big Five US publishing houses to four.

The DoJ's theory of market harm is intriguing. It does not argue that book prices will go up. Rather, with one fewer buyer of books, prospective authors selling manuscript ideas will have that much more difficulty gaining the highest possible book advance.

What is more, the DoJ universe of victims is extremely constrained: it says those very rarefied authors who command more than $250,000 in book advances — celebrities and prizewinning authors — will end up getting perhaps a few hundred thousand dollars less than they would have should the Big Five remain intact.

Simon and PRH reject that view. In their court filings and in trial they say the DoJ's definition of a market is contrived and bears no resemblance to the practical market for authors. Moreover, they say the deal will be a benefit for the literary ecosystem with a player fortified enough to challenge the likes of Amazon and pay bigger advances to authors.

Antitrust enforcement has typically centred on the idea of preventing monopolies where consumers face higher prices from concentrated sellers. But US policymakers are increasingly worried about labour market distortions and the resulting widening of income inequality.

As such, so-called "monopsony" scenarios, where purchasers, in this case of labour, consolidate and allegedly increase their power to push down wages, are being forced to defend such arrangements even when the alleged victims are already privileged.

'Every book is a new product that has never existed before, and the competition to win that book is zealous'

On the surface, the DoJ has collected some intriguing evidence against the deal. In early 2020, during the Trump administration, a top executive at Simon wrote to an author just after the sale process had been announced, saying: "I'm pretty sure that the Department of Justice wouldn't allow Penguin Random House to buy us, but that's assuming we still have a Department of Justice."

The DoJ also cites multiple instances where Simon and PRH had engaged in direct bidding wars over A-list authors. In one case, an advance hit $775,000, $300,000 above where the back-and-forth started. PRH and Simon argue that, at worst, $1bn in annual advances in this market might shrink by $30mn.

"We're not dealing with bushels of wheat," said Daniel Petrocelli, an attorney for the publishers in his opening statement last week. "Every book is a new product that has never existed before, and the competition to win that book is zealous because if you don't win that book, you have nothing to sell."

The US government's first witness was Stephen King, the horror author, testifying that he believed the merger would be bad for writers such as him. Each side also has economists who will duel over esoteric definitions of the market for book advances. Additionally, the witness roster is packed with so many publishing executives and literary agents that the trial could more conveniently be held in Brooklyn.

As the publisher dispute was just getting under way, another elite group was claiming their rights to make a fortune were being curtailed by a dominant employer. Several golfers, including superstar Phil Mickelson, sued the PGA Tour after leaving the elite circuit earlier this year for the LIV Golf series.

The PGA Tour subsequently suspended those who quit, saying the players could not participate in both leagues at the same time. The players wrote in their lawsuit that such an exclusionary standard maintained the "PGA Tour's monopsony power over the purchase of services from professional golfers to participate in elite golf events".

The alleged harm the golfers faced ultimately might be tricky to determine given the Saudi-backed LIV golf had dedicated hundreds of millions of dollars to tournament purses and signing bonuses. Still, even as politicians have worried about factory workers and fast-food employees, "antitrust laws still apply to workers who make a lot of money", said James Fishkin, a partner at law firm Dechert.

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COMPANIES & MARKETS

Pharmaceuticals

BioNTech and Pfizer test new Covid jab

German group misses sales targets after EU contract is renegotiated

HANNAH KUCHLER — LONDON

BioNTech and Pfizer will start a clinical trial of a Covid-19 vaccine adapted to the BA.4 and BA.5 Omicron variants this month, as the German biotech forecasts an increase in demand at the end of the year.

BioNTech missed sales and earnings expectations in the second quarter after the European Commission renegotiated its Covid vaccine contract amid a glut of shots. Second-quarter sales were €3.2bn, compared with the average analyst estimate for €4bn, and adjusted earnings per share were €6.87, below the consensus forecast for €7.27. Net profit in the period was €1.7bn.

However, BioNTech reiterated its full guidance for annual revenues of between €13bn and €17bn because doses scheduled for delivery in the second and early in the third quarter will now be distributed later in the third and fourth quarters.

BioNTech chief executive Uğur Şahin said the company was expanding its Covid product pipeline, aiming for "prolonged and broad protection".

BioNTech has been manufacturing doses of its first Omicron vaccine — targeted at BA.1 — since the spring and is ready to deliver whenever it is approved by a regulator. The company expects to be able to start delivering shots targeted at BA.4 and BA.5 as early as October, if it receives regulatory approval.

Özlem Türeci, chief medical officer, said data from studies in mice — which have previously been predictive — showed the shot targeted at BA.4 and BA.5 elicited a stronger immune response against those variants, and all other subvariants of Omicron. She said this data, combined with their experience and data from previous Covid-19 vaccines, may be sufficient for emergency approval, and enable a "timely response".

Regulators are trying to balance the need to keep up with new variants by using the most up-to-date vaccine available, with a desire to ensure confidence in the safety and efficacy of the shots.

The European Medicines Agency will require clinical data for a shot targeted to BA.4 and BA.5, whereas the US Food and Drug Administration has said it would be prepared to approve the shot while trials are ongoing.

Emer Cooke, head of the EMA, told the Financial Times her agency would stick to the need for trial data before approval, saying "promises are not enough for me".

BioNTech is investing much of its share of the proceeds from the Covid vaccine into work it hopes will transform the treatment of cancer. The company forecasts it will spend €1.4bn to €1.5bn on research and development this year. It recently received positive data from an early-stage trial of a personalised cancer vaccine for pancreatic cancer, as well as its novel CAR-T cell therapy candidate in solid tumours.

It also plans to use some cash for acquisitions. Ryan Richardson, chief strategy officer, said BioNTech expected to do deals in the second half.

BioNTech's chief financial officer, Jens Holstein, said the company remained focused on "furthering our oncology pipeline as well as driving our leadership in Covid-19 vaccine development".

Technology. Marketing

Sweeping privacy changes upset the Apple cart

Businesses large and small have been hit hard by iPhone maker's ad-tracking revamp

PATRICK MCGEE — SAN FRANCISCO

Small businesses are ramping back marketing spending owing to Apple's sweeping privacy changes, which have made it harder to target new customers online in a trend that has led to billions of dollars in lost revenues for platforms such as Facebook.

Apple last year began forcing app developers to get permission to track

been unimpaired by Apple's policy, boomed in the second quarter.

Apple's own ads business, Search Ads, has also stolen market share and is now expanding its presence to additional areas in the App Store.

Apple said of its privacy changes: "A user's data belongs to them and they should get to decide whether to share their data and with whom."

Obvi, an online shop for women's health, was among the companies hit by an abrupt downturn last November when the cost to acquire new customers skyrocketed. "We were going from one of the best years possible, completely bootstrapped and insanely profitable,

Mining

OZ Minerals shares climb 35% after it rebuffs $5.8bn bid from BHP

NIC FILDES — SYDNEY
NEIL HUME — LONDON

BHP has seized on the slide in commodity prices to launch an A$8.4bn (US$5.8bn) cash offer for Australian rival OZ Minerals, as the world's biggest miner seeks to boost its exposure to clean energy metals such as copper and nickel.

But the unsolicited A$25-a-share bid was quickly rebuffed, with OZ's board saying that it "significantly" undervalued the company even though it was pitched at a 32 per cent premium to its closing price on Friday.

The decision by OZ to reject the offer highlights the difficulties that larger companies such as BHP may face if they try to take advantage of the decline in commodity prices to buy smaller rivals.

Analysts at Morgan Stanley said that while BHP's offer made sense, investors in OZ were "likely to weigh the offer against their expectations" of the long-term copper price.

OZ shares surged 35 per cent to A$25.59 yesterday following BHP's unsuccessful bid as investors bet on a higher offer emerging in the coming months. Shares had fallen as low as A$16 a month ago after metals prices were hammered on recession fears.

'Every man and his dog who wants a copper — or nickel — mine should users and serve them personalised adverts on iPhones and iPads in changes that have transformed the online advertising sector.

Many small companies that are reliant on online ads to attract new customers told the Financial Times they did not initially notice the full impact of Apple's restrictions until recent months, when price inflation squeezed consumer demand in large markets worldwide.

That has left companies suddenly shrinking their marketing spend to conserve cash while also finding it prohibitively expensive to target likely consumers as they once did.

The problems facing small businesses have reverberated back across the online advertising heavyweights. Facebook, Snap, Twitter and YouTube are now estimated to lose $18bn in revenues this year from Apple's change, according to Lotame, the advertising technology company.

Facebook's parent, Meta, has been particularly badly hit, saying earlier this year that Apple's changes had cost it at least $10bn.

"I personally did not feel the impact of the Apple changes in 2021 as much as we are in 2022. This year is just brutal," said Nadia Martinez, founder of Kallie, a handcrafted shoes company in California that she launched out of her laundry room in 2014.

Martinez was so successful marketing on Facebook that she founded an agency to teach other women how to be online entrepreneurs. But some of those businesses are now going out of business. "Ads have become more expensive, we have less access to data, and they aren't as effective as they used to be," she said.

Varos, a data-sharing platform that helps ecommerce groups, analysed data from 1,300 small businesses and found that revenue declines accelerated each month in the second quarter — leading to a 13 per cent drop in June, the worst decline of this year. At the same time, the cost to acquire new customers

Meta claims Apple's changes have cost it at least $10bn
Mike Kemp/In Pictures/Getty Images

through online advertising is "significantly higher" this year than last, and overall ad-spend on Facebook this year is "materially lower".

Shelly Cove, an apparel company in North Carolina, laid off its four-person marketing team last month when its cash reserves dried up and it realised spending more money on Facebook ads would not increase sales like it used to.

"In prior years, you could throw money into Facebook — you'd put $1 in, and $2 comes back," said Matt Schroeder, Shelly Cove founder. "That just doesn't exist any more."

Smaller brands said they were not necessarily hit by Apple's policy changes later than the leading platforms, but supply-chain issues and a global pandemic created a "fog of war" that made it difficult to understand why, for instance, last year's holiday sales period had disappointed.

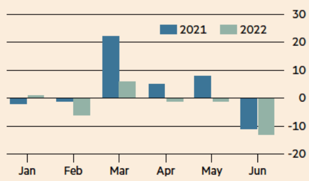
"It was really hard in 2021 to sit back, look at a percentage change, and know what was the cause," said Andrew Goble, co-chief executive at Jamby's, which sells unisex boxer shorts with pockets.

The result is many smaller brands did not alter their marketing strategies until recently, to the detriment of online advertising platforms. Last month, Snap reported its weakest-ever quarterly sales growth, Shopify laid off 10 per cent of its workforce, Meta experienced its first-ever annual contraction in revenues and Twitter posted a loss.

Meanwhile, Google Search and Amazon's advertising business, which do not rely on third-party "tracking" and have

Smaller brands go from stagnation to loss

Apple privacy shift keenly felt this year (average revenue growth month on month, %)



Base: 1,300 online brands
Source: Varos

'In prior years, you could throw money into Facebook — you'd put $1 in, and $2 comes back. That just doesn't exist any more'

and we're about to hit Black Friday and make a huge splash when everything crashed on us," said Ashvin Melwani, its chief marketing officer.

Before Apple's rules came into effect, Obvi would spend an average of $30 to acquire a new customer on Facebook, and the customer would spend about $60. That cost tripled to $90 last autumn, turning a profitable business into a cash-burning one.

Melwani said that his marketing budget was about $20,000 a day, with 90 per cent going to Facebook.

In the past few months Obvi has cut its budget, shifted spending to TikTok, and reoriented the company towards repeat customers.

"What it comes down to is that Facebook lost 50 per cent of its data," he said, referring to the iPhone's market share in the US. "This massive algorithm they had built is now missing half of its info, so the whole thing is ruined. Like, imagine losing half your brain."

Kelly Deen, vice-president of marketing at Kencko, a Portugal-based maker of powdered smoothie mix, said that the biggest impact from Apple's privacy policy has come in the past four to six months, but added that pinpointing its impact has been tough as advertising platforms tinker with their algorithms in response.

"There have been lots of platform-wide anomalies and [customer acquisition cost] spikes where we don't really know the reasons why," she said. "It's scarily reassuring that it's not just us."

Shelly Cove's Schroeder has cut his digital ads budget to one-third of what it was a month ago, hoping that returning customers will keep the business afloat.

"It's irresponsible to say 'Apple killed my business'," he said. "I'm self reflecting — I realised I was way too reliant on Facebook."

He added: "Any small business, at least the online ones, are at the whim of these big tech giants. There's just no way around it. So if they do something that screws you, you're screwed."

of nickel — mine should take a look'

Peter O'Connor, analyst at Shaw and Partners, noted that BHP had not said its offer was final, suggesting a higher offer was on the cards.

He said that OZ's board should "fight as hard as they can" to attract other bids. "Every man and his dog who wants a copper — or nickel — mine should take a look," he said.

BHP is pushing into metals and minerals that are in high demand as the world seeks to decarbonise. The company completed the merger of its petroleum business with Australia's Woodside earlier this year.

BHP's chief executive, Mike Henry, said that he was "disappointed" by the rejection. He did not say if BHP would make a revised offer. OZ revealed that BHP had acquired a less than 5 per cent stake in its shares via derivatives.

"BHP has the balance sheet capacity to be able to develop all OZ Mineral's growth projects," said Kaan Peker, analyst at RBC Capital Markets, in a note.

Peker said that the deal was "complementary" with OZ's Carrapateena and Prominent Hill mines, which are in proximity to BHP's Olympic Dam complex and its Oak Dam deposit.

BHP has been reshaping its business to target higher growth resources such as nickel used in electric-vehicle batteries and wind turbines.

The mining company had previously planned to sell its Nickel West operation in Western Australia, but it has since been refashioned as a growth division under Jessica Farrell, head of the nickel unit. Its customers include Tesla.

Farrell told the Diggers & Dealers conference in Kalgoorlie last week that exploration spend by BHP on nickel was at its highest level since 2005.

She said BHP had a large prospective amount of nickel on a 150km strip in Western Australia acquired from Russia's Norilsk Nickel in 2020.

See Lex

Media

Cox agrees deal for digital start-up Axios

JAMES FONTANELLA-KHAN — NEW YORK
ALEX BARKER — LONDON

Axios, the digital news company best known for delivering political and business scoops in succinct bullet points, has agreed to sell itself to Cox Enterprises for $525mn, making it the latest start-up acquired by legacy media.

Launched five years ago by former Politico executives Jim VandeHei, Mike Allen and Roy Schwartz, Axios has rapidly carved out a niche with some of the most influential newsletters in Washington and the world of venture capital and technology.

The sale comes at a time when new media companies have attracted investments from traditional media organisations, venture capitalists and wealthy individuals in a wave of dealmaking.

Axel Springer, the German publishing group backed by private equity firm KKR, bought Politico, which was also co-founded by VandeHei, for about $1bn a year ago. The New York Times took over sport site The Athletic for $550mn in January.

Separately, former Bloomberg Media chief executive Justin Smith and ex-New York Times media columnist Ben Smith have raised about $25mn for another digital news start-up called Semafor.

Cox plans to invest significantly in Axios, which has been trying to expand into local news, as the Atlanta-based media group seeks to diversify from its traditional business, which includes cable and automotive news.

"Bringing a forward-thinking organisation like Axios into Cox Enterprises is exciting for us on many levels, and we look forward to helping them continue to scale and grow," said Cox chair and chief executive Alex Taylor, who will join the Axios board.

VandeHei, Allen and Schwartz will keep a significant stake in the company and run it on a day-to-day basis. The founders will also have incentives to ensure they stay after the deal is closed.

In an interview with Digiday in December, Schwartz said Axios would generate revenue of about $86mn in 2021, 40 per cent up on the year before. He said Axios would return an unspecified profit for the third successive year.

Axios first tapped Washington's lucrative political advertising and events market but has since branched out to local news and this year launched specialist subscription product Axios Pro.

It says it has more than 2.4mn subscribers to its free emails and, through its local news networks, plans to expand to 25 US cities this year.

Cox's assets include car trade publication Kelley Blue Book and the Atlanta Journal-Constitution newspaper.

Financials

Watchdog fines PwC £1.7mn over BT audit

KATE BEIOLEY — LONDON

The UK accounting regulator has fined PwC £1.75mn for failing to challenge BT's 2017 results properly after the discovery of an alleged fraud at the telecoms group's Italian operations the previous year.

The Financial Reporting Council yesterday said that PwC and partner Richard Hughes, who led the BT audit, did not treat certain adjustments made to the 2017 accounts with "the necessary professional scepticism".

The alleged fraud at the telecoms group's Italian operations wiped billions of pounds off the company's value when it was revealed by BT and triggered a criminal trial in Italy, which is ongoing.

It resulted in a pay cut for then BT chief executive Gavin Patterson and scrutiny over the group's strategy and corporate oversight. BT adjusted its annual report for the 12 months to March 2017 by about £513mn following the discovery of the accounting scandal.

According to the FRC, the irregularities called for a "need for heightened professional scepticism". However, PwC did not obtain appropriate audit evidence in relation to debt adjustments or determine whether changes in accounting estimates were appropriate after the alleged fraud was discovered.

The penalty for the Big Four group is its third in as many months after two fines in June that cost the firm £5mn

"The sanctions imposed in this case, where certain elements of the adjustments following a fraud were not subject to the required level of professional scepticism, underscore this message and will serve as a timely reminder to the profession," said Claudia Mortimore, FRC deputy executive counsel.

Hughes was fined £42,000, discounted from £60,000 after he admitted to the breaches at an early stage.

PwC's fine was also reduced by 30 per cent to £1.75mn for the same reason.

The fine is the third in as many months for PwC. In June, the firm was fined twice in one day for audit failures at London-listed construction groups Kier and Galliford Try and told to pay £5mn. Overall, the FRC imposed a record £46.5mn on accounting groups and partners in the 12 months to March.

PwC said that it was sorry aspects of the audit "were not of the required standard". It noted that the regulator had not found that the 2017 accounts were misstated or that the sum of the BT Italy adjustments was wrong.

COMPANIES & MARKETS

London law firms try again to conquer the US

Magic circle insurgents seek to storm lucrative legal arena and join global big league — but jury is out on their prospects

KATE BEIOLEY — LONDON

For decades, cracking the US has proved a step too far for London's top corporate law firms. But Freshfields Bruckhaus Deringer, Clifford Chance and Allen & Overy are in the midst of a renewed assault on the most lucrative legal market, as the "magic circle" firms seek to build on their past strength in Europe and become global heavyweights.

Their push is multipronged and expensive, with the firms poaching star US lawyers on record pay deals and opening offices in Los Angeles and San Francisco for the first time.

For the generation of lawyers leading the latest charge, which began in 2019, the potential rewards are compelling: a larger share of the US market and the kudos of achieving what their predecessors could not.

But chasing the prize is laden with risks. Deep-pocketed and more profitable US rivals have already forced London firms to rip up the conventions that for decades governed how they paid their lawyers. They also have deep relationships with US companies that are hard to muscle in on.

Tim House, the senior US partner at Allen & Overy, does not underestimate the hurdles facing the UK-based insur-

become much more ambitious with our lateral hiring programme and change our compensation model to facilitate that," House said.

Wanting to conquer America is not a new ambition for London firms accustomed to ruling their back yards — but lacking a big US presence — and unable to crown themselves global powerhouses.

Magic circle firms first entered New York in the 1970s, with Linklaters opening an office in 1972, followed by Freshfields in 1977 and Allen & Overy in 1985. All struggled.

Decades on, and elite firms such as Sullivan & Cromwell, an adviser to Wall Street banks and Fortune 500 groups, and Chicago-based operators such as Kirkland & Watkins, which have a roster of valuable private equity clients, remain formidable obstacles.

"You can't claim to be a global law firm without at least 20 per cent of your revenue coming from the States," said Tony Williams, former managing partner at Clifford Chance and founder of consultancy Jomati. "The magic circle is not there yet."

Linklaters has not proved as aggressive as its London rivals in pushing into the US. According to its latest results, Allen & Overy generated 13 per cent of gents. He noted that the US was "a very sophisticated, very deep market, well served by high-quality firms who've had very strong relationships with US-headquartered clients. So that's a market

> The likes of Sullivan & Cromwell and Simpson Thacher & Bartlett are 'not exactly quaking in terror'

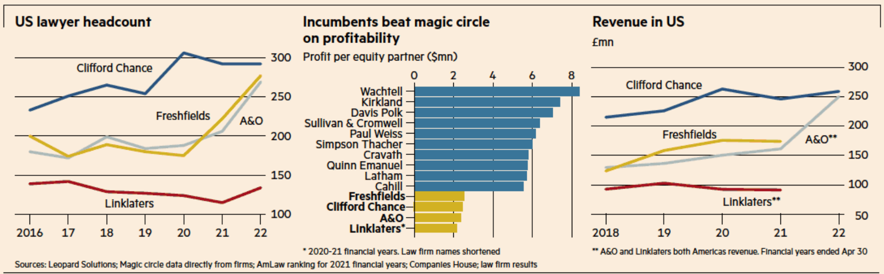
that is challenging to [break into], coupled with the fact [that US law firms are] extremely profitable and have [operated] a different remuneration model".

Since abandoning a merger with US law firm O'Melveny & Myers in 2019, Allen & Overy has backed its US ambitions with investment. Offices in Boston, San Francisco, Los Angeles and Silicon Valley have been added since the start of 2021, while it has recruited 40 US partners over the past two-and-a-half years.

Freshfields has proved equally aggressive in its approach. Under new senior partner Georgia Dawson, the almost-300-year-old institution has poached 20 US partners since 2020. It swiped five from leading law firms, including Latham & Watkins, to launch a Silicon Valley office as it targets a share of the work generated in the tech hub.

Ethan Klingsberg, whom Freshfields lured from US firm Cleary Gottlieb Steen & Hamilton with a reported $10mn pay deal, smashing its previous pay ceiling in the process, said the expansion was paying off.

Freshfields was "competing and unseating folks . . . And the folks we're boxing out are not UK firms, it's [top US firms] Wachtell [Lipton, Rosen & Katz]; Sullivan & Cromwell; Paul, Weiss [Rifkind, Wharton & Garrison]," said Klingsberg. "The point [of the US strategy] wasn't just to hire a couple of people who've done a lot of deals but to build a platform with broad depth."



Lawful entry: Freshfields, Clifford Chance and Allen & Overy aim to penetrate the US scene, offering record pay deals to secure talent and building on their strength in Europe
Michael Nagle/Bloomberg

The London firm had a role in 2020 on AstraZeneca's $39bn acquisition of US group Alexion, one of the biggest deals of the year. According to Bloomberg data, Freshfields was one of the top 10 legal advisers on US M&A last year, working on $164bn of transactions.

The head of a Wall Street law firm said the recruitment of Klingsberg by Freshfields, along with other hires such as Damien Zoubek, an M&A lawyer from Cravath, Swaine & Moore, "certainly got people's attention. I know folks here who recently suggested Freshfields for [work] for a private equity portfolio company that we couldn't handle. That's not something that we ever would have done a few years ago". But the established US firms, which include Sullivan & Cromwell and Simpson Thacher & Bartlett, were not "exactly quaking in terror", the person said.

While Klingsberg brought with him a valuable stream from Google, which he had previously advised, his recruitment also exposed the changes to remuneration structures that London firms are making in pursuit of their US ambitions.

Clifford Chance, Allen & Overy, Freshfields and Linklaters have changed the "lockstep" model that for decades meant partners were paid by time served rather than performance. By contrast, an "eat what you kill" model driven by amount of work brought in has long prevailed at most big US firms.

"To join one of the magic circle firms to build a US domestic practice is a much riskier exercise than simply staying at a firm like Cravath because you're building something from the ground up," said Jon Lindsey, co-founder of recruiter Major Lindsay & Africa. "To make up for that, they have to make it financially attractive."

The changes made by the firms have allowed them to increase remuneration for top partners regardless of time served. In 2020, Allen & Overy extended the range of equity points, each then worth around £45,000, that it could hand star lawyers from beyond its previous range of 20 to 50 and extended its bonus pool. "We realised we had to

> 'It's a tough ask given the size and depth of the market'

its revenue in the US, up from 9 per cent in the previous financial year.

The US accounted for 13 per cent of Clifford Chance's revenue in the 2021-2022 financial year, the same level as the prior period. It was the only magic circle firm to disclose any information about its US profits, which have grown 80 per cent over the past seven years, to the Financial Times.

Williams left Clifford Chance at the time of its merger in 2000 with New York firm Rogers & Wells, a tie-up that created a firm with 2,700 lawyers globally. While the deal prompted partners to leave and led to clashes over culture, it forged a larger US presence which the firm has built on. US clients include private equity groups Apollo and Carlyle and banks such as JPMorgan.

House said that merging with a US firm was a means of expansion but brought risks. "[A merger] gives you a transformational step forward in scale and capability. If you can do it and you can hold true to your values and culture in doing it, it's the optimal way, but in setting those preconditions . . . you realise the complexity."

Smashing their pay ceilings has only raised pressure on the firms to ensure the top and bottom lines keep growing in the US.

The head of the US law firm said: "I don't know what [London-based partners'] tolerance is to watching other people get huge pay cheques. It's a bunch of sensitive, fragile egos in this industry."

US firms may not be shaken by the big pay cheques London firms are prepared to write to capture star lawyers, or their ambitions in Silicon Valley, but the magic circle firms show little sign of taking a step back.

Williams said: "It's a tough ask given the size and the depth of the US market and the differences in profitability. They're making good progress, but they're not yet transforming the market."

Financials

Nasdaq's First North bourse on a high

IAN JOHNSTON

Sweden's junior market became Europe's hottest to raise funds for growth companies in the first half of the year, as retail investors took advantage of favourable tax policies to snap up the index's tech and healthcare stocks.

Companies on Nasdaq's First North Growth Market, based in Stockholm, have raised £1.6bn to date this year, compared to £1.5bn on London's Alternative Investment Market, the traditional market leader, according to Refinitiv data.

Retail investors' participation on global equity markets has slowed this year as the war in Ukraine, a global economic slowdown and rising energy and food costs dampen investors' appetite for taking punts on the small and often loss-making companies.

But they have kept faith in First North companies, including Embracer, Europe's largest gaming group and the most actively traded name on the index, and a series of tech and healthcare businesses.

The total raised is a considerable swing from last year, when companies raised over £9.5bn on Aim, almost double the £5.4bn raised on First North. While retail investors have stepped back from Aim, they accounted for half of all flow into small-cap listed companies in Sweden in July, Nasdaq figures show.

"The Nordic market seems to have weathered the tribulations of the past few years better than the rest of Europe," said Thomas Thygesen, head of strategy at Swedish Investment Bank SEB. "The investor base is more confident and has more capital available for risk."

Tax policies encourage Swedes to

> Businesses have raised £1.6bn to date this year on the Swedish exchange, against £1.5bn on Aim

invest in stocks, including investment products that do not require investors to pay capital gains taxes on transactions. That has meant the proportion of the market that is made up by retail investors tends to be higher than on rival markets, although Aim also offers tax breaks on capital gains.

Retail traders represented between 31 and 52 per cent of trading in the 10 days after Volvo Cars' listing on the main exchange in 2021, according to data from Nasdaq.

Nasdaq said the ready supply of retail investment was encouraging companies to raise money on the First North index. "London has such a huge capital market and it's competing with Stockholm. Something's got to be setting us apart: that something is retail participation."

In contrast, Christopher Raggett, co-head of corporate finance at FinnCap, a stockbroker for Aim companies, said: "One thing driving the bubble of the pandemic was the amount of retail capital waiting to be deployed . . . people aren't trading in as lively a fashion as previously."

But First North, like others, has not been totally immune to the declines on global equities market.

The index has seen capital raising fall by more than half in 2022 and its main index is down by over 30 per cent this year.

The Aim index has fallen by over 24 per cent so far this year.

"It's a tricky year for markets generally," said Raggett. "The amount of capital raised on Aim fell off a cliff from September last year to January this year."

And despite capital raising on First North surpassing that of Aim, "people who are in the market in the Nordics, who don't compare with anyone else, are finding this is a horrible year," said Thygesen.

Financials

XTX sues Mazars over Russian owner

MICHAEL O'DWYER AND DANIEL THOMAS
LONDON

Financial trading firm XTX Markets is suing accounting firm Mazars for racial discrimination over its refusal to work for the company because its owner is a Russian citizen.

The London trading group is majority-owned by Alexander Gerko, a dual Russian and British citizen, who has lived and worked in the UK since 2006 and is not subject to any international sanctions, according to a copy of the legal claim seen by the Financial Times.

XTX is seeking a declaration that the accounting firm breached the UK Equalities Act by discriminating on grounds of race when it declined to work for the group because its owner has Russian citizenship.

It has not asked the court to award damages against Mazars or to force the firm to carry out work for it.

A legal victory for XTX could force accountants, lawyers and PR groups to review their approach after they rushed to jettison clients with connections to Russia following the Ukraine invasion.

Many Russians, including those who were not the subject of sanctions, struggled to find advisers in the UK and other jurisdictions as professional services groups faced pressure from employees and the public to refuse to work for Russian clients or companies with any perceived links to the country.

XTX, which competes with the likes of Citadel Securities and Virtu Financial, uses algorithms to trade nearly $300bn a day in assets such as equities, fixed income and futures.

It was founded by Gerko, a Russia-born mathematician who has a stake of at least 75 per cent and serves as joint chief executive. Gerko, who has been publicly critical of the Ukraine invasion, was listed as the UK's 89th richest person by the Sunday Times this year, with an estimated wealth of £1.1bn.

XTX said it had committed £40.6mn to charities providing humanitarian relief to Ukraine. In a March post on Twitter, Gerko said of Russia's foreign minister Sergei Lavrov: "Nuremberg is waiting for you." He has called for the UK to expand its sanctions list.

Gerko has been a British citizen since 2016, is a permanent resident of the UK, and has "no links with, or wealth tied to, Russia", according to the claim filed in the Central London County Court last month. Neither Gerko nor XTX are included in any sanctions regime, nor are they connected to anybody targeted by economic sanctions, the claim adds.

The case revolves around Mazars' refusal to provide payroll services to XTX Markets Technologies, part of the XTX Markets group, which reported net profits of more than £660mn in 2021 and employs about 180 people, mostly in London.

XTX, which also has offices in New York, Singapore, Paris and Mumbai, alleges that Mazars stood by its decision even after being told that Gerko was not the subject of sanctions and that he had "lived in the UK for over 15 years, his source of wealth comes from the UK, and he has no assets in Russia".

According to the claim, Mazars partner Erick Gillier wrote in an email to XTX general counsel Sunil Samani in May: "I'm perfectly aware of the UK, EU and US sanctions programs, but Mazars as a group took the decision not to accept any new clients with Russian ownership. This is a global decision and as partners we all need to follow these guidelines."

XTX claims this position was contrary to Mazars' public policy that it would not serve any companies or individuals who were the subject of sanctions. It claims Samani told Gillier that Mazars' stance was discriminatory and asked to speak with the person responsible for its policy but never received a response.

Mazars declined to comment. It has until later this month to respond to the claim.

Equities. Earnings outlook

Investors divided over how long Big Tech rally will last

Commodities

ExxonMobil completes Niger Delta exit with $1.3bn deal

AANU ADEOYE AND TOM WILSON

Nigeria has approved the $1.28bn sale of four oilfields run by ExxonMobil to local producer Seplat Energy in the first in a series of major divestments by international companies withdrawing from the country's troubled Niger Delta.

President Muhammadu Buhari, who is also the country's oil minister, authorised the sale yesterday after "considering the extensive benefits of the transaction to the Nigerian energy sector and the larger economy", his office said.

Exxon began oil operations in Nigeria in the 1950s and, alongside European rival Shell, was responsible for the creation of the oil industry that has become the bedrock of the Nigerian economy.

Oil production in the swamps of the Niger Delta in the south of the country has generated billions of dollars in revenues for the companies and the government but has also resulted in corruption, violence and criminality that international oil groups have found increasingly difficult to manage.

In response, both ExxonMobil and Shell in the past two years have announced plans to end their onshore operations but to continue their offshore projects.

The planned divestments provide an opportunity for local producers such as Seplat to expand. But Exxon and Shell have also been criticised for leaving behind environmental, social and operational problems.

> The planned divestments provide an opportunity for local producers such as Seplat to expand

Shell's planned divestment of its Nigeria assets has been put on hold pending the resolution of its appeal against a court order to pay $1.95bn of damages after an oil spill in 2019.

Seplat first reached an agreement to purchase Exxon's shallow water assets in February but the deal appeared in doubt after the state oil company, the Nigerian National Petroleum Corporation, secured a court order last month barring Exxon from selling the licences.

Exxon operates the four permits in a partnership with NNPC, which had sought to block the deal, arguing that it had a contractual right to pre-empt any sale.

Seplat, which is listed in both London and Lagos, welcomed Buhari's decision, describing the deal as "a transformational transaction" that would create "one of the largest independent energy companies" on both stock exchanges.

The acquisition will increase Seplat's oil production by roughly 95,000 barrels a day, tripling its output.

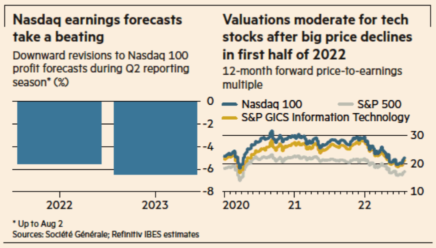
Exxon declined to comment.

Buhari's office said the deal would also boost Nigeria's ambitions to receive more foreign direct investment in the energy sector.

In the bag: the Nasdaq Composite index has rallied almost 15 per cent since the start of July
Michael Nagle/Bloomberg

Apple, Microsoft and other big sector names have rebounded but recession worries loom

CHRIS FLOOD



* Up to Aug 2
Sources: Société Générale; Refinitiv IBES estimates

Shares of leading US technology companies have rebounded vigorously in recent weeks from their bruising falls in the first half as investors draw on hopes that the sector can weather a global recession.

Tech industry titans Apple, Microsoft, Alphabet, Amazon and Tesla have together added $1.3tn to their combined market value since the start of July with those gains helping the Nasdaq Composite to rally 14.8 per cent since the start of July.

But as the US Federal Reserve indicates that it will maintain its stance of aggressive monetary policy tightening to tackle scorching inflation, some tech analysts caution that the summer tech rally may be shortlived.

Temporary monthly rebounds of 10 per cent or more were "a common sight" during the Nasdaq's 2000-03 bear market, said Andrew Lapthorne, a quantitative strategist at Société Générale.

Instead, investors should be preparing for big downgrades to earnings both this year and next, he said.

"Earnings reports so far for the second quarter have led to significant downward adjustments to profits forecasts for the Nasdaq 100 including a 5.5 per cent cut to the 2022 estimate and a 6.5 per cent cut to the 2023 forecast," Lapthorne added. "This will translate into billions being wiped off the earnings of US tech companies."

But Jon Guinness, co-manager of the £776mn Fidelity International American fund, said the sell-off in tech stocks in the first half shows that many investors were reducing their positions early in anticipation of a significant slowdown in earnings across the sector.

Now, "the narrative has shifted", he said. "Investors now expect that inflation will fall and now they are worried about the threat of a recession so more economically sensitive sectors, such as consumer discretionary stocks, are underperforming."

Fidelity expects global spending on technology to remain healthy even if companies delay or cancel some projects this year.

"There were good reasons for the exuberance which had spread across the sector prior to the sell-off," said Guinness.

"A fifth of the new cars produced in Europe are now electric vehicles, which are computers on wheels," he added. "Cloud computing is a development of real substance, which is being adopted by many companies. The tectonic shifts driving technology adoption are still there."

Retail investors have also grown more bullish on the sector since the middle of July, according to Morgan Stanley, which analyses publicly available trading data on constituents of the Russell 3000 index.

"Retail investor participation tends to be higher in sectors such as tech and communication services where there are companies that they know and like," said Boris Lerner, a quantitative strategist at Morgan Stanley in New York.

But allocations to exchange traded funds, a closely watched barometer of sentiment, indicate that broader investor appetite for more exposure remains subdued.

The $173.7bn Invesco ETF known as QQQ, which tracks the Nasdaq 100 index, has gathered net inflows of $99mn since the start of July.

But ETFs that track the wider S&P information technology sector registered net outflows of $112mn last month, according to State Street, while Cathie Wood's Ark Innovation ETF also saw net outflows of around $385mn.

Still, some analysts see the long-term case for buying technology stocks as solid, even if there are near-term bumps in the road.

Polar Capital, the London-based asset manager, cautioned that profit margins could come under strain due to inflationary pressures, rising wage costs, supply chain challenges and the strength of the US dollar.

> 'The tectonic shifts driving technology adoption are still there'

However, it expected IT spending globally to increase between 2 and 4 per cent in dollar terms this year.

Ben Rogoff, head of Polar Capital's technology team, said some of the recent gains were likely driven by "bottom fishing and short covering", which are characteristic of a temporary bear market rally. "But the risk reward balance for investors is now much improved. Tech spending remains an absolute imperative for corporates globally," he added.

There was a further boost to sentiment last week when Thoma Bravo, the US private equity manager, agreed to pay $2.8bn in cash to buy cyber security specialist Ping Identity at a 63 per cent premium to the previous day's closing price.

"More acquisitions by private equity managers are likely and it is somewhat surprising that we have not already seen more strategic buyers [mature technology companies] stepping in for deals," said Rogoff.

Moreover, the first half declines have only strengthened the technology sector's attractiveness, say optimists.

The S&P technology sector traded on a 12-month forward price to earnings multiple of 28 times at the start of January but had fallen to 19.2 at the end of June, according to Refinitiv estimates. Even with the recent gains, it is trading only on 21.2 times forward earnings.

Jonathan Curtis, co-manager of Franklin Templeton's $7.4bn Technology Fund, said the tech sector was still trading at a premium to the US equity market but this was justified by its superior fundamentals.

"The tech sector's current valuation premium is not excessive," he said. "It reflects the increase in the sector's profit margins over the past 12 years, rising levels of recurring revenues and strong secular growth dynamics."

Commodities

World's largest shipbroker Clarksons lifted by surge in oil production activity

HARRY DEMPSEY

Oil-rig and support-vessel suppliers have been big beneficiaries as fossil fuel and renewables producers seek to boost output to tackle the global energy crisis, according to Clarksons, the world's largest shipbroker.

Andi Case, chief executive of UK-listed Clarksons, said that the offshore shipping sector had experienced a turnround on the steep rise in global oil and gas prices, which has been exacerbated by Russia's invasion of Ukraine.

"We've seen a very significant change in the outlook," he said yesterday. "There were 10 years of under-investment and oil was in a bad place. Now the world needs energy. We are seeing a reinvigoration of that trade."

Clarksons Offshore index, which tracks the rates paid to lease rigs, subsea vessels and offshore supply vessels, has hit its highest level in seven years.

The improved conditions for its clients have also benefited Clarksons with underlying pre-tax profit increasing by half to £42mn on revenues of £267mn in the first six months of the year.

The group had flagged last month that its profits would be "materially ahead" of expectations, which sent its share price soaring. Its shares dropped 3.5 per cent yesterday.

Oil and gas producers have been attempting to increase output to make the most of high prices while chartering activity indicated that governments and developers were trying to accelerate offshore-wind projects.

International oil benchmark Brent crude exceeded $120 per barrel in June, before easing off to reach $95 per barrel yesterday. European gas prices are about 10 times the level of the previous decade.

Freight rates are up after a decade of lower investment in shipping fleets

Case said that Saudi Arabia had taken 38 jack-up rigs in the first half of the year, a sign of its intention to boost oil production.

"They are increasing production as quickly as they can," he said.

The boom for offshore vessels comes amid a wider uplift for the shipping industry, which has been supported by the longer voyage distances after Russia invaded Ukraine in February.

The average shipping stock has gained 20 per cent in the first half of this year while the S&P 500 index dropped 19 per cent.

A decade of lower investment in the global shipping fleet means that most sectors have fewer vessels in supply, causing a steady rise in freight rates.

"Although a global slowdown has the potential to impact demand in the shipping sector, we still think supply-side dynamics are set to remain extremely favourable for Clarkson over the medium term," said James Beard, an analyst at Numis.

See Lex

Fixed Income

Europe-focused vehicles spotlighted in swarm back to corporate bond ETFs

EMMA BOYDE

Money rushed back into investment grade corporate bond exchange traded funds in July with flows buoyed by "significant" buying of European-focused vehicles.

Purchases of fixed income ETFs surged to $32.5bn in July from $3.2bn in June, largely due to a pick-up in credit or corporate bond ETF buying, which amounted to $13.8bn — more than recouping the $9.9bn lost in outflows in June, according to monthly global flows data from BlackRock.

Investment grade credit vehicles took the lion's share, taking in $9.9bn in July.

European-focused investment grade ETFs stood out with the $2.2bn in net new cash they attracted in July the highest monthly inflow since April 2020 when markets started to recover from the initial pandemic shock.

"The first half of the year saw European corporate credit become increasingly attractive versus rates [government bonds] and equities," said MJ Lytle, chief executive of Tabula Investment Management, a bond ETF specialist.

He said yields had increased over the first half from less than 1 per cent to more than 3.5 per cent for European investment grade bonds and from about 3 per cent to almost 8 per cent for European high-yield paper. When prices of bonds go down, yields go up.

"European high yield has been trading at levels rarely seen since the global financial crisis with the peak in July being higher than 93 per cent of all readings since the end of 2009," said Lytle. "July's inflows into European corporate credit ETFs suggest a tipping point in terms of investor sentiment as investors seek to capitalise on . . . higher yields."

> 'The first half of the year saw European corporate credit become increasingly attractive'

Karim Chedid, head of investment strategy for BlackRock's iShares ETF arm in the Emea region, also noted the pricing appeal.

"Investors could be taking a view on cross-sector allocation because credit looks cheaper than equities" but he added: "Credit is not cheap outright, it's just cheaper than it used to be, so it's a sign that investors are seeing value."

However, BlackRock noted that the reversal was a continuation of the "inconsistent flows" that have been a trend this year.

Kenneth Lamont, senior fund analyst for passive strategies at Morningstar, agreed, saying the fundamentals had not changed much.

"Looking at flows for euro-denominated investment grade ETFs domiciled in Europe, I can see there have been net inflows one month and outflows the next throughout this year," he said.

But Todd Rosenbluth, head of research at VettaFi, said investors had been cheered by indications that the US Federal Reserve was determined to tackle inflation.

"As investors gained more confidence, the US Federal Reserve had a better handle on mitigating the impact of inflation [and] investors globally were willing to take on credit risks," Rosenbluth said. "Investors rotated from ultra-short [duration] bond ETFs to those with higher yield."

COMPANIES & MARKETS

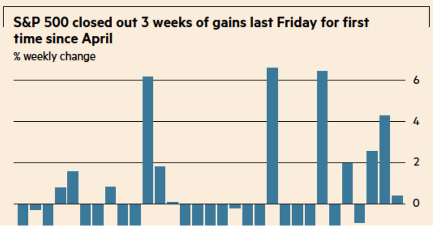
The day in the markets

What you need to know

- US stocks start week on front foot as traders assess outlook for rate rises
- Treasury bonds gain ahead of inflation data due tomorrow
- Brent crude oil recovers from early losses to trade higher

Wall Street stocks kicked off the week on an upbeat note, following losses in the previous session when a hot US jobs report added to expectations of aggressive interest rate rises by the Federal Reserve.

The blue-chip S&P 500 and the tech-heavy Nasdaq Composite were up 0.3 per



Bad collateral is the problem, not stablecoins

Miles Jennings

Markets Insight

Crypto critics are using the collapse of dollar-pegged virtual currency TerraUSD as ammunition to attack blockchain assets such as bitcoin and ether performed superbly, handling extreme price fluctuations and unprecedented redemptions without fail tors should establish collateralisation requirements, it is clear that, without guardrails, stablecoin issuers may once again take on unreasonable risk heavy Nasdaq Composite were up 0.3 per cent and 0.5 per cent, respectively, by midday in New York, trimming larger gains in early dealings.

Across the Atlantic, the Stoxx Europe 600 index gained 0.7 per cent. Earlier in the trading day, Hong Kong's Hang Seng index dropped 0.8 per cent.

US government debt also made gains. The yield on the 10-year Treasury note fell 6 basis points to 2.78 per cent as the price of the benchmark instrument increased.

Meanwhile, the 10-year German Bund yield, a proxy for eurozone borrowing costs, also fell to just under 0.9 per cent.

Those moves came after a labour report for the largest economy on Friday showed the unemployment rate returning to a half-century low with employers adding 528,000 jobs in July — more than double the 250,000 anticipated by economists.

Those numbers preceded a closely watched US consumer price index report due tomorrow. Economists polled by Reuters expect US headline inflation to have risen 0.2 per cent month over month from June to July, down from 1.3 per cent.

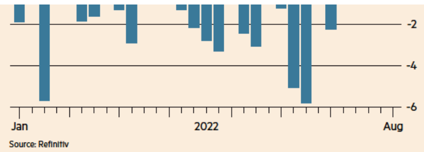
"Seeing stocks hold firm after a hot jobs report is genuinely surprising," wrote Nicholas Colas, co-founder of DataTrek Research, while cautioning against attributing too much importance to stocks' resilience.

Brent crude oil recovered from earlier losses to gain 1.6 per cent and trade at $96.42 a barrel. That rise came after the international benchmark last week had its biggest weekly drop since April 2020.

"We are in an environment where central bankers have a tough choice: high inflation or the risk of recession," said Bill Papadakis, a macro strategist at Lombard Odier. "Faced with that choice, central bankers are likely to choose recession."

Deutsche Bank analysts wrote in a note: "The monster payrolls report on Friday . . . finally got the message through that the narrative of a dovish Fed pivot . . . was exceptionally premature."

After the dollar made gains on Friday following the jobs report, the US currency yesterday slipped 0.3 per cent against a basket of six of its leading forex rivals.
Ian Johnston



Source: Refinitiv

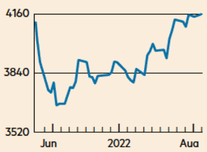
Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	4159.10	1724.73	28249.24	7482.37	3236.93	107993.97
% change on day	0.34	0.68	0.26	0.57	0.31	1.43
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	106.375	1.022	134.725	1.212	6.760	5.128
% change on day	-0.231	0.492	-0.458	0.498	0.142	-1.185
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	2.784	0.894	0.173	1.949	2.739	12.949
Basis point change on day	-6.700	-5.800	1.520	-9.900	0.700	-19.500
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	423.70	95.88	89.94	1773.25	20.06	3811.50
% change on day	0.50	0.42	0.22	-0.56	-1.01	1.22

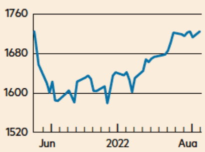
Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets

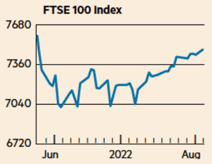
S&P 500 index



Eurofirst 300 index



FTSE 100 index



Biggest movers

%	US		Eurozone		UK	
Ups	Albemarle	5.59	Inditex	4.40	Hargreaves Lansdown	7.18
	Pvh	4.94	Wartsila	3.15	Rolls-royce Holdings	4.46
	Tesla	4.66	Klepierre	2.63	Endeavour Mining	3.79
	Aptiv	4.34	E.on	2.46	Abrdn	3.47
	Expedia	4.19	Publicise	2.36	Smith (ds)	3.16
Downs	Tyson Foods	-8.34	Deutsche Post	-2.34	Rs	-2.35
	Nvidia	-8.16	Commerzbank	-2.27	Astrazeneca	-1.40
	Advanced Micro Devices	-3.13	Ferrovial	-1.43	Avast	-1.05
	Lam Research	-2.58	A.p. Moller - Maersk B	-1.24	Centrica	-0.95
	Kla	-2.41	Grifols	-0.89	Pearson	-0.72

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

Downbeat preliminary results pushed chipmaker **Nvidia** lower.

Second-quarter revenue was expected to be about $6.7bn, down 19 per cent on the previous quarter, "primarily reflecting weaker than forecasted gaming revenue", it said.

Data-centre revenue, though at a record, was "somewhat short of the company's expectations, as it was impacted by supply chain disruptions", added Nvidia.

Rival **AMD** also slid after the update.

Beef and poultry producer **Tyson Foods** sank following an earnings miss.

For its fiscal third quarter, earnings reached $1.94 per share, shy of the $1.98 expected, although revenue of $13.5bn did beat estimates.

More disappointing results left **Palantir Technologies** lower.

The data analytics company posted a loss of 1 cent per share in the second quarter — off the 3 cents per share profit that Wall Street had expected.

Takeover speculation sent **Signify Health** up sharply.

The Wall Street Journal said that pharmacy chain CVS Health was hoping to buy the healthcare platform in a bid to "expand in home-health services". The Journal reported last week that Signify was "exploring strategic alternatives including a sale". *Ray Douglas*

Europe

Scandinavian Airlines owner **SAS** rallied following reports that Nordic pilot unions had voted in favour of a collective agreement set out last month.

The new deal should raise productivity for SAS's pilots and increased flexibility in seasonal production, said the group.

SAS, which is undergoing a turnround plan, filed for Chapter 11 bankruptcy protection in the US a day after news broke of strike action, which lasted 15 days and cost it SKr1.5bn ($145m).

A downgrade weighed on Germany's **Takkt** as Berenberg lowered its rating for the business equipment group to "hold" from "buy" on signs of slowing orders.

"We think that peak order intake has been reached," said the broker, "and that full-year 2023 will be hit by a negative recession impact".

Analysts noted that Takkt's business was closely linked to countries' growth, so the heightened risk of downturns in Europe and the US made Berenberg "more cautious" on the group's prospects to generate extra revenue next year.

French water and waste group **Veolia** climbed on news that it was selling its Suez's UK waste business to Australia's Macquarie for €2.4bn.

The divestment aimed to address antitrust issues flagged by the UK's Competition and Markets Authority.
Ray Douglas

London

Countryside-clothes brand **Joules** surged after confirming speculation about a potential tie-up with retailer Next.

Ahead of yesterday's report, Joules was down about 70 per cent this year following a profit warning in May and news in July that it had appointed KPMG to help strengthen its cash position.

Joules revealed that Next was in talks about becoming a "strategic minority shareholder" through an equity investment of about £15mn.

AJ Bell said that it was unlikely Next would purchase Joules but it expected to see Next "become an influential shareholder and for more of Joules's products to appear on Next's website".

There were also discussions around Joules's access to Next's Total Platform, which, added analysts, enabled "third-party retailers to grow their sales without large capital costs, operational risks or time developing sophisticated infrastructure".

Cautious guidance weighed on **TheWorks.co.uk**, the retailer of arts, crafts and stationery.

It said that it had "materially lowered its expectations" for its fiscal 2023 results with headwinds flagged up including "historically high freight costs, which are showing little sign of abating in the short term, as well as increases to the national living wage". *Ray Douglas*

as ammunition to attack stablecoins and the crypto industry as a whole.

Lost in the conversation is, however, the root cause of the turmoil. A better understanding of what went wrong — and why — could help protect consumers while safeguarding innovation.

It is important first to clarify terms. A stablecoin is a cryptocurrency whose price is nominally "pegged" to a stable asset such as the dollar.

People commonly blame the recent blow-up on so-called "algorithmic stablecoins", which are typically programmed to automatically incentivise the creation and destruction of coins to maintain the price peg.

The attack on them is off the mark. Putting aside that TerraUSD should never have been considered a "stablecoin", the real issue has little to do with computer code and everything to do with a concept as old as finance itself: collateralisation, or the use of assets to underpin value.

It is a crucial point that policymakers across the world need to consider as they draft legislation to prevent future Terra-like collapses.

Poorly designed laws could disrupt markets, encourage regulatory arbitrage and diminish western democracies' influence in the rising, decentralised internet economy known as web3.

The promise of decentralised finance — DeFi — rests largely on the breakthrough ability of blockchains to execute transparent, algorithmic contracts with instant finality. Amid the recent market volatility, the vast majority of "decentralised" stablecoins backed by credited redemptions without fail.

Algorithms are not the issue with modern stablecoins. Essentially, all risk now arises from their collateral design.

The riskiest stablecoins are readily apparent: they are significantly undercollateralised (less than $1 of collateral is required to mint $1 of stablecoin) and they rely on "endogenous" collateral (collateral created by the issuer such as governance tokens that give holders voting powers on a blockchain's rules and procedures).

> Regulation is necessary to prevent breakdowns like TerraUSD but overly restrictive rules are not

Endogenous collateral enables dangerous, explosive growth: when an issuer's governance token appreciates, users can mint many more stablecoins.

That sounds fine until one considers the flipside: When the price falls — as is practically guaranteed during a bank run — cascading collateral liquidations to meet redemptions trigger a death spiral. See TerraUSD as an example.

Regulation is necessary to prevent similar breakdowns but overly restrictive rules are not. The truth is that enforcement actions under existing securities laws and anti-fraud statutes could have curtailed the proliferation of nearly every failed stablecoin to date.

Even so, additional, targeted regulation could be beneficial. While it is difficult to pinpoint exactly where regula- again take on unreasonable risk.

Well-tailored rulemaking could support the crypto ecosystem and protect consumers. Wholesale changes — such as prohibiting the use of algorithms and digital assets as collateral altogether — would place an enormous burden on the burgeoning DeFi industry, disrupt digital asset markets and hinder web3 innovation.

Stablecoins can, indeed, be stable if they manage their collateral properly. For "centralised" stablecoins backed by real-world assets, the liquidity and transparency of reserves may be low, so collateral should include less volatile assets like cash, treasuries and bonds.

Regulators can establish parameters regarding these types of collateral and require regular audits.

For "decentralised" stablecoins, the almost exclusive use of blockchain assets such as bitcoin or ether as collateral has trade-offs.

Digital assets, while often volatile, are also highly liquid and can be transparently and algorithmically managed. Redemptions can happen nearly instantaneously, enabling much more efficient systems. As a result, decentralised stablecoins could, ultimately, be more resilient than centralised ones.

Algorithmic stablecoins present a unique opportunity to make all sorts of assets productive and drive digital commerce around the globe. Placing guardrails around their collateral could help unlock that potential.

Miles Jennings is general counsel and head of decentralisation at venture capital fund a16z crypto, part of Andreessen Horowitz

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 $
0.34%	0.46%	0.41%	0.57%	0.68%	0.26%	-0.77%	0.50%	0.492%	0.498%	-0.458%	No change	-1.06%	-0.56%

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

AMERICAS

Jul 09 - - Index All World
S&P 500 New York

Jul 09 - Aug 08 Index All World
S&P/TSX COMP Toronto

EUROPE

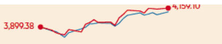
Jul 09 - Aug 08 Index All World
FTSE 100 London

Jul 09 - Aug 08 Index All World
Xetra Dax Frankfurt

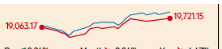
ASIA

Jul 09 - Aug 08 Index All World
Nikkei 225 Tokyo

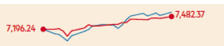
Jul 09 - Aug 08 Index All World
Kospi Seoul



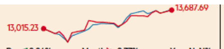
Day 0.34% Month -6.73% Year -11.45%



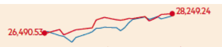
Day 0.26% Month -9.84% Year -6.47%



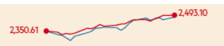
Day 0.57% Month -5.00% Year 0.44%



Day 0.84% Month -0.77% Year NaN%

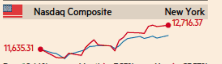


Day 0.26% Month -5.14% Year -9.83%



Day 0.09% Month -13.64% Year -30.07%

Nasdaq Composite New York

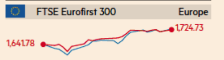


Day 0.46% Month -7.23% Year -23.37%

IPC Mexico City

Day 0.99% Month -7.31% Year -5.23%

FTSE Eurofirst 300 Europe

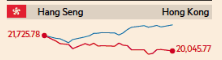


Day 0.68% Month -6.91% Year -9.00%

Ibex 35 Madrid

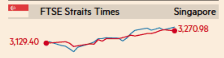
Day 1.28% Month -8.45% Year -7.31%

Hang Seng Hong Kong



Day -0.77% Month 5.78% Year -24.49%

FTSE Straits Times Singapore



Day -0.36% Month -4.28% Year -0.96%

Dow Jones Industrial New York

Day 0.41% Month -5.23% Year -10.21%

Bovespa São Paulo

Day 1.43% Month -11.14% Year -21.26%

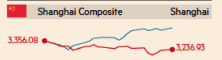
CAC 40 Paris

Day 0.80% Month -9.62% Year -8.86%

FTSE MIB Milan

Day 0.62% Month -13.95% Year -14.96%

Shanghai Composite Shanghai



Day 0.31% Month 7.58% Year -5.67%

BSE Sensex Mumbai

Day 0.80% Month -5.30% Year 0.91%

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

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

STOCK MARKET: BIGGEST MOVERS

AMERICA				LONDON				EURO MARKETS				TOKYO			
Tesla	904.77	40.26	4.66	Apax Global Alpha	187.80	7.80	4.33	Stellantis	14.78	0.45	3.14	Suzuki Motor	4772.00	451.00	10.44
Aptiv	102.68	4.27	4.34	Carnival	754.00	31.00	4.29	Vonovia Se Na O.n.	31.25	0.79	2.59	Mitsui Eng & Shipbuilding Co.,	391.00	23.00	6.25
Expedia	106.82	4.30	4.19	Aston Martin Lagonda Global Holdings	506.20	19.60	4.03	Orsted A/s Dk 10	15.02	0.34	2.34	Daiichi Sankyo ,	3643.00	179.00	5.17
Downs				**Downs**				**Downs**				**Downs**			
Tyson Foods	80.16	-7.29	-8.34	Pagegroup	419.00	-32.60	-7.22	Vestas Wind Systems A/s	25.00	-1.12	-4.28	Nippon Paper Industries Co Ltd	894.00	-69.00	-7.17
Nvidia	174.39	-15.50	-8.16	Future	1769.00	-96.00	-5.15	Deutsche Post Ag Na O.n.	40.78	-0.97	-2.34	Ms&ad Insurance Holdings,.	4023.00	-276.00	-6.42
Advanced Micro Devices	99.11	-3.20	-3.13	Hays	120.80	-6.20	-4.88	Mowi	22.35	-0.43	-1.90	Tokio Marine Holdings,.	7326.00	-374.00	-4.86
Lam Research	506.57	-13.40	-2.58	Molten Ventures	440.60	-19.20	-4.18	Alcon N	75.02	-1.03	-1.35	Konami	6880.00	-320.00	-4.44
Kla	386.20	-9.54	-2.41	Auction Technology	950.00	-38.00	-3.85	A.p. Møller - Mærsk B A/s	2780.67	-34.94	-1.24	Kawasaki Kisen Kaisha,	9890.00	-450.00	-4.35

Based on the constituents of the S&P500 · Based on the constituents of the FTSE 350 index · Based on the constituents of the FTSEurofirst 300 Eurozone index · Based on the constituents of the Nikkei 225 index

UK MARKET WINNERS AND LOSERS

FTSE 100				FTSE 250				FTSE SmallCap				Industry Sectors			
Centrica	83.00	-6.5	14.0	Morgan Sindall	1800.00	-9.8	-26.8	Cineworld	20.62	-13.7	-	Mining	10115.78	-5.2	-50.7
Airtel Africa	152.10	-4.8	3.8	Abrdn Private Equity Opportunities Trust	442.00	-9.8	-3.6	Secure Trust Bank	1130.00	-11.7	-	Industrial Metals	6693.00	-4.9	-0.6
Dechra Pharmaceuticals	3554.00	-4.5	-	Coats	67.90	-9.0	-	Capita	26.56	-10.0	-	Travel & Leisure	6124.53	-4.6	-
Berkeley Holdings (the)	4129.00	-3.9	-23.1	Pagegroup	419.00	-8.9	-	Costain	40.65	-7.6	-	Personal Goods	29454.82	-4.5	-
Barratt Developments	487.80	-3.5	-	Man	246.90	-7.8	7.7	Tt Electronics	172.00	-7.2	-	Beverages	29485.42	-4.0	-
Croda Int	7174.00	-3.3	-	Hilton Food	1018.00	-7.8	-	Galliford Try Holdings	163.40	-7.2	-9.6	Software & Computer Services	1847.93	-3.7	-
Next	6560.00	-3.1	-	Molten Ventures	440.60	-7.8	-	Esken	6.70	-6.9	-	Real Estate & Investment Servic	2696.80	-3.2	-
Kingfisher	251.10	-3.1	-	Travis Perkins	954.20	-7.4	-	Foxtons	40.70	-6.8	-9.6	Electronic & Electrical Equip.	9040.80	-2.4	-
Mondi	1516.00	-3.0	-	Chrysalis Investments	94.90	-7.3	-59.7	Robert Walters	510.00	-6.2	-	Food Producers	6236.18	-2.1	-
Spirax-sarco Eng	11645.00	-2.8	-	Currys	63.40	-7.3	-23.0	Reach	91.80	-5.8	-	Household Goods	12606.37	-1.4	-

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

CURRENCIES

Aug 8	Currency	DOLLAR Closing Mid	DOLLAR Day's Change	EURO Closing Mid	EURO Day's Change	POUND Closing Mid	POUND Day's Change
Argentina	Argentine Peso	133.5611	0.6766	136.4665	1.3828	161.8628	1.6104
Australia	Australian Dollar	1.4279	-0.0182	1.4589	-0.0110	1.7304	-0.0134
Bahrain	Bahrainin Dinar	0.3770	-	0.3852	0.0020	0.4569	0.0022
Bolivia	Bolivian Boliviano	6.9100	-	7.0603	0.0360	8.3742	0.0411
Brazil	Brazilian Real	5.1276	-0.0615	5.2392	-0.0358	6.2142	-0.0437
Canada	Canadian Dollar	1.2846	-0.0079	1.3125	-0.0014	1.5568	-0.0019
Chile	Chilean Peso	904.3000	-4.4500	923.9714	0.1821	1095.9220	0.0125
China	Chinese Yuan	6.7605	0.0096	6.9075	0.0449	8.1930	0.0518
Colombia	Colombian Peso	4299.0250	-19.8000	4392.5441	2.2447	5209.9940	1.6932
Costa Rica	Costa Rican Colon	670.5700	-0.4200	685.1570	3.0625	812.6644	3.4822
Czech Republic	Czech Koruna	23.9966	-0.1453	24.5186	-0.0229	29.0815	-0.0325
Denmark	Danish Krone	7.2822	-0.0373	7.4407	0.0000	8.8254	-0.0016
Egypt	Egyptian Pound	19.1711	0.0704	19.5881	0.1713	23.2335	0.1989
Hong Kong	Hong Kong Dollar	7.8498	-0.0001	8.0206	0.0407	9.5132	0.0466
Hungary	Hungarian Forint	385.1334	-2.6243	393.5112	-0.6636	466.7435	-0.8739
India	Indian Rupee	79.6438	0.3675	81.3763	0.7880	96.5203	0.9169
Indonesia	Indonesian Rupiah	14877.5000	-15.0000	15201.1492	62.1810	18030.0706	70.3972
Israel	Israeli Shekel	3.3081	-0.0393	3.3801	-0.0227	4.0091	-0.0277
Japan	Japanese Yen	134.7250	-0.6200	137.6557	0.0708	163.2733	0.0537
..One Month		134.7247	-0.6206	137.6557	0.0708	163.2731	0.0532
..Three Month		134.7239	-0.6221	137.6555	0.0705	163.2724	0.0518
..One Year		134.7197	-0.6306	137.6540	0.0675	163.2731	0.0484
Kenya	Kenyan Shilling	119.2000	0.1000	121.7930	0.7219	144.4586	0.8296
Kuwait	Kuwaiti Dinar	0.3067	-0.0004	0.3133	0.0012	0.3716	0.0013
Malaysia	Malaysian Ringgit	4.4590	0.0030	4.5560	0.0263	5.4039	0.0301
Mexico	Mexican Peso	20.2589	-0.0981	20.6995	0.0056	24.5517	0.0021
New Zealand	New Zealand Dollar	1.5874	-0.0124	1.6220	-0.0044	1.9238	-0.0056
Nigeria	Nigerian Naira	425.7500	-	435.0114	2.2155	515.9668	2.5325
Norway	Norwegian Krone	9.7081	-0.0904	9.9192	-0.0414	11.7652	-0.0513
Pakistan	Pakistani Rupee	224.4000	0.7750	229.2814	1.9555	271.9506	2.2694
Peru	Peruvian Nuevo Sol	3.9006	0.0074	3.9855	0.0279	4.7272	0.0322
Philippines	Philippine Peso	55.5300	0.3300	56.7380	0.6244	67.2969	0.7283
Poland	Polish Zloty	4.6044	-0.0275	4.7045	-0.0040	5.5800	-0.0058
Romania	Romanian Leu	4.7980	-0.0478	4.9024	-0.0236	5.8147	-0.0291
Russia	Russian Ruble	61.5500	0.7000	62.8889	1.0319	74.5925	1.2103
Saudi Arabia	Saudi Riyal	3.7587	0.0012	3.8404	0.0207	4.5551	0.0237
Singapore	Singapore Dollar	1.3774	-0.0040	1.4074	0.0031	1.6693	0.0034
South Africa	South African Rand	16.5808	-0.2017	16.9415	-0.1188	20.0943	-0.1446
South Korea	South Korean Won	1306.5000	8.1000	1334.9205	15.0326	1583.3485	17.5395
Sweden	Swedish Krona	10.1366	-0.0665	10.3571	-0.0148	12.2846	-0.0198
Switzerland	Swiss Franc	0.9535	-0.0098	0.9742	-0.0050	1.1555	-0.0061
Taiwan	New Taiwan Dollar	30.0195	0.0630	30.6725	0.2203	36.3807	0.2545
Thailand	Thai Baht	35.7650	0.1925	36.5430	0.3818	43.3436	0.4449
Tunisia	Tunisian Dinar	3.1444	-0.0199	3.2127	-0.0038	3.8106	-0.0052
Turkey	Turkish Lira	17.9739	0.0214	18.3649	0.1153	21.7826	0.1327
United Arab Emirates	UAE Dirham	3.6730	-	3.7529	0.0191	4.4513	0.0218
United Kingdom	Pound Sterling	0.8252	-0.0041	0.8431	0.0002	-	-
..One Month		0.8252	-0.0041	0.8430	0.0001	-	-
..Three Month		0.8254	-0.0041	0.8427	0.0002	-	-
..One Year		0.8262	-0.0040	0.8415	0.0002	-	-
United States	United States Dollar	-	-	1.0218	0.0052	1.2119	0.0059
..One Month		-	-	1.0215	-0.1842	1.2120	0.0060
..Three Month		-	-	1.0211	-0.1842	1.2122	0.0060
..One Year		-	-	1.0189	-0.1842	1.2129	0.0060
Vietnam	Vietnamese Dong	23390.5000	0.5000	23899.3170	122.1754	28347.0013	139.7684
European Union	Euro	0.9787	-0.0050	-	-	1.1861	-0.0002
..One Month		0.9785	-0.0050	-	-	1.1860	-0.0002
..Three Month		0.9780	-0.0050	-	-	1.1857	-0.0002
..One Year		0.9758	-0.0050	-	-	1.1845	-0.0002

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

FTSE ACTUARIES SHARE INDICES

UK SERIES www.ft.com/equities

Produced in conjunction with the Institute and Faculty of Actuaries

	£ Strlg Aug 08	Day's chge%	Euro Index	£ Strlg Aug 05	£ Strlg Aug 04	Year ago	Div yield%	Cover	P/E ratio	X/D adj	Total Return
FTSE 100 (100)	7482.37	0.57	6912.96	7439.74	7448.06	7122.95	3.52	2.00	14.20	166.22	7578.48
FTSE 250 (250)	20118.44	0.33	18587.42	20051.48	20155.76	23456.16	2.75	1.44	25.29	338.57	16560.45
FTSE 250 ex Inv Co (176)	20576.25	0.34	19010.39	20506.99	20710.83	24547.08	2.84	1.44	24.36	365.30	17279.93
FTSE 350 (350)	4168.67	0.54	3851.43	4146.45	4153.71	4104.66	3.40	1.93	15.23	89.12	8382.44
FTSE 350 ex Investment Trusts (274)	4094.36	0.54	3782.78	4072.22	4080.93	4001.20	3.47	1.96	14.69	89.38	4254.06
FTSE 350 Higher Yield (129)	3568.43	0.70	3296.87	3543.67	3535.69	3222.29	4.93	1.92	10.58	97.54	8048.64
[illegible]											

FTSE Sector Indices

Hourly movements	8.00	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High/day	Low/day
FTSE 100	7484.33	7468.29	7464.46	7462.07	7481.18	7482.73	7500.05	7505.77	7498.48	7513.59	7450.06
FTSE 250	20087.14	20073.75	20084.75	20082.45	20101.85	20110.53	20123.75	20169.82	20157.83	20185.18	20045.38
FTSE SmallCap	6530.22	6529.18	6518.32	6519.11	6520.30	6524.49	6533.75	6542.09	6537.04	6542.62	6515.11
FTSE All-Share	4133.02	4125.31	4123.71	4122.57	4131.86	4132.91	4141.34	4145.51	4141.74	4148.33	4116.81

Time of FTSE 100 Day's high:13:39:15 Day's Low07:41:00 FTSE 100 2010/11 High: 7672.40(10/02/2022) Low: 6959.48(07/03/2022)
Time of FTSE All-Share Day's high:13:39:00 Day's Low07:41:00 FTSE 100 2010/11 High: 4296.96(10/02/2022) Low: 3862.39(07/03/2022)
Further information is available on http://www.ftse.com © FTSE International Limited. 2013. All Rights reserved. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. † Sector P/E ratios greater than 80 are not shown. For changes to FTSE Fledgling Index constituents please refer to www.ftse.com/indexchanges. ‡ Values are negative.

FT 30 INDEX

	Aug 08	Aug 05	Aug 04	Aug 03	Aug 02	Yr Ago	High	Low
FT 30	2576.70	2548.20	2579.30	2571.70	2555.00	0.00	2880.10	2300.60
FT 30 Div Yield	-	-	-	-	-	0.00	3.93	2.74
P/E Ratio net	-	-	-	-	-	0.00	19.44	14.26

FT 30 hourly changes

8	9	10	11	12	13	14	15	16	High	Low
2548.2	2560	2561	2561.4	2567.4	2569	2574.9	2578.7	2581	2584.4	2548.2

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

FT WILSHIRE 5000 INDEX SERIES

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FTSE SECTORS: LEADERS & LAGGARDS

Year to date percentage changes

Oil & Gas Producers	30.38	NON FINANCIALS Index	-1.06	FTSE 250 Index	-14.32
Oil & Gas	29.91	Consumer Goods	-1.19	Industrials	-14.63
Tobacco	18.43	FTSE All{HY-}Share Index	-1.79	Technology	-15.22
Aerospace & Defense	15.11	Health Care Eq & Srv	-2.28	Real Est Invest & Tr	-15.26
Pharmace & Biotech	12.39	Fixed Line Telecomms	-2.87	Software & Comp Serv	-15.45
Health Care	11.40	Beverages	-5.16	Nonlife Insurance	-16.83
Electricity	11.02	Financials	-5.92	Real Est Invest & Se	-18.05
Banks	10.51	Media	-6.60	Construct & Material	-18.28
Mobile Telecomms	6.93	Food Producers	-7.43	Support Services	-18.97
Utilities	6.70	Financial Services	-8.97	Leisure Goods	-19.07
Gas Water & Multi	5.26	Travel & Leisure	-10.10	Food & Drug Retailer	-21.28
Mining	4.77	Oil Equipment & Serv	-11.30	Industrial Eng	-21.92
Telecommunications	4.15	Life Insurance	-11.67	Chemicals	-24.35
FTSE 100 Index	1.32	Tech Hardware & Eq	-12.58	Electronic & Elec Eq	-26.16
Beverages	31.66	Household Goods & Ho	-12.59	General Retailers	-26.61
Basic Materials	-0.76	FTSE SmallCap Index	-12.66	Industrial Transport	-31.15
Personal Goods	-0.83	Equity Invest Instr	-13.25	Automobiles & Parts	-48.11
		Consumer Services	-13.84	Industrial Metals &	-78.58

FTSE GLOBAL EQUITY INDEX SERIES

Aug 8 Sectors	No of stocks	US $ indices	Day %	Mth %	YTD %	Total retn	YTD %	Gr Div Yield
Oil Equipment & Services	23	259.12	0.0	2.1	10.7	473.49	13.5	4.5
Basic Materials	373	571.97	0.5	5.0	-15.0	1036.59	-12.7	5.1
Chemicals	182	801.02	-0.1	6.3	-17.3	1406.31	-15.6	3.0
Forestry & Paper	20	258.71	-0.3	2.4	-15.2	518.50	-13.1	3.8
Industrial Metals & Mining	94	448.50	2.0	7.0	-18.9	843.12	-16.2	8.3
Mining	77	855.42	0.8	2.1	-8.1	1618.88	-5.3	6.9
Industrials	780	496.82	-0.4	10.7	-17.3	787.94	-16.2	2.0
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The FTSE Global Equity Series, launched in 2003, contains the FTSE Global Small Cap Indices and broader FTSE Global All Cap Indices (large/mid/small cap) as well as the enhanced FTSE All-World index Series (large/mid cap) - please see https://research.ftserussell.com/Products/indices/Home/indexfiltergeis?indexName=GEISAC&currency=USD&rtn=CAP&segment=global-developed--emerging. The trade names Fundamental Index® and RAFI® are registered trademarks and the patented and patent-pending proprietary intellectual property of Research Affiliates, LLC (US Patent Nos. 7,620,577; 7,747,502; 7,778,905; 7,792,719; Patent Pending Publ. Nos. US-2006-0149645-A1, US-2007-0055598-A1, US-2008-0288416-A1, US-2010- 0063942-A1, WO 2005/076812, WO 2007/078399 A2, WO 2008/118372, EPN 1733352, and HK1099110). "EDHEC™" is a trade mark of EDHEC Business School As of January 2nd 2006, FTSE is basing its sector indices on the Industrial Classification Benchmark - please see www.ftse.com/icb. For constituent changes and other information about FTSE, please see www.ftse.com. © FTSE International Limited. 2013. All Rights reserved. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence.

FTSE 100 SUMMARY

FTSE 100	Closing Price	Day's Change	FTSE 100	Closing Price	Day's Change
3I Group PLC	1250.5	28.00	Intertek Group PLC	4219	29.00
Abrdn PLC	172.95	5.80	Jd Sports Fashion PLC	133.55	3.40
Admiral Group PLC	1984	26.00	Kingfisher PLC	251.10	2.00
Airtel Africa PLC	152.10	-0.90	Land Securities Group PLC	710.80	7.80
Anglo American PLC	2949	52.00	Legal & General Group PLC	271.60	5.10
Antofagasta PLC	1189	18.50	Lloyds Banking Group PLC	45.24	0.33
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UK STOCK MARKET TRADING DATA

[illegible]

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

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POWERED BY MORNINGSTAR

UK RIGHTS OFFERS

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

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

UK COMPANY RESULTS

Company		Turnover		Pre-tax		EPS(p)		Div(p)		Pay day	Total	
Bidstack Group	Int	2.046	0.820	3.692L	3.633L	0.300L	0.740L	0.00000	0.00000	-	0.000	0.000
Clarkson	Int	266.700	190.100	42.000	27.300	98.500	63.500	29.00000	27.00000	Sep 16	86.000	81.000
Diversified Energy Co	Int	933.528	323.316	1230.127L	343.978L	1.100L	0.110L	4.25000	4.13800	Dec 28	4.300	8.000
PageGroup	Int	977.257	766.412	114.497	63.673	25.600	12.200	4.91000	4.70000	Oct 14	15.210	4.700
Tungsten West	Pre	0.674	0.040	12.989L	7.982L	11.000L	14.000L	0.00000	0.00000	-	0.000	0.000

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

UK RECENT EQUITY ISSUES

Issue date	Issue price(p)	Sector	Stock code	Stock	Close price(p)	+/-	High	Low	Mkt Cap (£m)
07/29	10.00		FCM	First Class Metals PLC	9.50	-0.44	11.00	9.03	623.9
07/13	50.00		TRA	Tertre Rouge Assets PLC	0.00	-	0.00	0.00	0.0
07/08	5.00		SPMU	Spiritus Mundi PLC	4.75	-0.25	6.90	4.08	234.2
07/06	75.00	AIM	LIFS	LifeSafe Holdings PLC	53.50	0.00	79.50	50.30	1182.8

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

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

FT 500: TOP 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
Bausch Hlth	7.40	7.24	0.16	2.21	1.50	25.4	-17.10
SHOP	53.47	52.74	0.73	1.38	8.86	19.9	-9.35
Cielo	5.14	4.95	0.19	3.84	0.71	16.0	-1.26
Carnival	10.16	9.82	0.34	3.41	1.24	13.8	-34.52
Cred Agr	9.92	9.73	0.19	1.94	1.01	11.3	-15.65
Charter Comms	471.69	462.98	8.71	1.88	45.13	10.6	-2.92
Zoom	116.11	113.85	2.26	1.99	10.72	10.2	3.08
Regen Pharm	629.71	613.61	16.10	2.62	53.03	9.2	-9.64
Workday	167.77	161.71	6.06	3.75	12.19	7.8	-9.08
Nppn Stl	2116.00	2085.00	31.00	1.49	146.00	7.4	-14.34
AXA	23.97	23.48	0.49	2.07	1.63	7.3	-9.93
Canon	3370.00	3221.00	149.00	4.63	229.00	7.3	-4.81
VertexPharm	293.52	288.03	5.49	1.91	19.69	7.2	6.65
StandCh	607.20	608.00	-0.80	-0.13	39.00	6.9	-2.78
BcoSantdr	2.55	2.50	0.05	2.12	0.16	6.7	-12.80
Edwards Lifesc.	106.08	106.12	-0.04	-0.04	6.63	6.7	0.05
AirProd	263.55	262.64	0.91	0.35	16.30	6.6	-0.31
BBVA	4.65	4.62	0.03	0.55	0.28	6.4	-16.19
SocGen	23.00	22.77	0.23	0.99	1.36	6.3	-17.80
BNP Parib	48.74	48.84	-0.11	-0.21	2.88	6.3	-16.56

Based on the FT Global 500 companies in local currency

FT 500: BOTTOM 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
MTN Grp	51.69	144.95	-93.26	-64.34	-90.57	-63.7	-17.80
NovoB	750.00	756.00	-6.00	-0.79	-97.10	-11.5	1.87
ImpOil	54.90	54.98	-0.08	-0.15	-6.47	-10.5	-16.04
Suncor En	39.20	39.19	0.01	0.01	-4.27	-9.8	-14.08
Mnstr Bvr	89.40	91.38	-1.98	-2.17	-9.09	-9.2	7.43
Occid Pet	60.07	59.01	1.06	1.80	-5.16	-7.9	-14.17
TrnCan	63.32	63.55	-0.23	-0.36	-4.95	-7.3	-9.14
WPP	816.80	814.60	2.20	0.27	-63.20	-7.2	-10.68
Bayer	52.97	53.28	-0.31	-0.58	-4.03	-7.1	-2.03
Ch Rail Gp	4.35	4.39	-0.04	-0.91	-0.33	-7.1	-12.27
Devon Energy	57.66	56.65	1.01	1.78	-3.91	-6.4	-27.94
Lilly (E)	303.57	301.32	2.25	0.75	-20.58	-6.3	4.38
Eli Lilly	303.57	301.32	2.25	0.75	-20.58	-6.3	4.38
PetroChina	3.43	3.43	0.00	0.00	-0.22	-6.0	-9.44
TokioMarine	7326.00	7700.00	-374.00	-4.86	-438.00	-5.6	6.71
Hunng Pwr	3.54	3.48	0.06	1.72	-0.21	-5.6	5.41
ExxonMb	89.38	88.45	0.93	1.05	-5.10	-5.4	-10.52
IM Baotou Stl	2.14	2.14	0.00	0.00	-0.12	-5.3	24.50
MitsubEst	1873.50	1946.50	-73.00	-3.75	-102.50	-5.2	-0.43
China Vanke	14.20	14.44	-0.24	-1.66	-0.74	-5.0	13.14

Based on the FT Global 500 companies in local currency

INTEREST RATES: OFFICIAL

Aug 08	Rate	Current	Since	Last
US	Fed Funds	1.5-1.75	15-06-2022	0.83
US	Prime	4.75	15-06-2022	4.00
US	Discount	1.00	05-05-2022	0.50
Euro	Repo	-0.64	19-05-2022	0.00
UK	Repo	1.75	04-08-2022	1.25
Japan	O'night Call	0.00-0.10	01-02-2016	0.00
Switzerland	Libor Target	-1.25-0.25	15-01-2015	-0.75--0.25

INTEREST RATES: MARKET

Aug 08 (Libor: Aug 05)	Over night	Day change	Week change	Month change	One month	Three month	Six month	One year
US$ Libor	2.31200	0.002	1.386	-0.003	2.36943	2.86671	3.42557	3.85986
Euro Libor	-0.64957	-0.064	-0.224	0.001	-0.61943	-0.58057	-0.55600	-0.48571
£ Libor	0.18063	-0.005	-0.043	0.050	1.72270	2.07810	2.59410	0.81363
Swiss Fr Libor				-0.002	-0.77540	-0.75300	-0.70280	-0.55320
Yen Libor				0.000	-0.04632	-0.01507	0.04144	0.04867
Euro Euribor				-0.002	-0.04100	0.27700	0.67800	1.02300
Sterling CDs				0.000	0.50000	0.63000	0.78500	
US$ CDs				-0.010	2.36000	2.84000	3.34000	
Euro CDs				0.020	-0.03000	0.23000	0.62000	

Aug 08	Short term		7 Days notice		One month		Three month		Six month		One year	
Euro	-0.22	0.08	-0.21	0.09	-0.18	0.12	0.08	0.38	0.47	0.77	0.80	1.10
Sterling					0.45	0.55	0.58	0.68	0.71	0.86	0.90	1.05
US Dollar	2.16	2.36	2.19	2.39	2.26	2.46	2.74	2.94	3.24	3.44	3.55	3.75
Japanese Yen	-0.15	0.05	-0.20	0.00	-0.20	0.00	-0.15	0.05	-0.10	0.20	-0.05	0.25

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

COMMODITIES

www.ft.com/commodities

Energy		Price*	Change	Agricultural & Cattle Futures		Price*	Change
Crude Oil†	Sep	88.07	-0.94	Corn♦	Sep	603.00	-7.25
Brent Crude Oil‡		95.88	0.40	Wheat♦	Sep	764.25	-11.50
RBOB Gasoline†	Oct	2.88	0.02	Soybeans♦	Sep	1455.50	-7.75
Natural Gas†	Sep	7.78	-0.28	Soybeans Meal♦	Sep	435.00	-2.50
Base Metals (♠ LME 3 Months)				Cocoa (ICE Liffe)⊕	Sep	1738.00	12.00
Aluminium		2444.50	23.50	Cocoa (ICE US)♥	Sep	2337.00	32.00
Aluminium Alloy		1675.00	-905.00	Coffee(Robusta)⊕	Sep	2072.00	29.00
Copper		7951.00	61.50	Coffee (Arabica)♥	Sep	211.90	2.45
Lead		2152.50	73.00	White Sugar⊕		545.70	-5.20
Nickel		21575.00	-895.00	Sugar 11♥		17.89	-0.05
Tin		24385.00	50.00	Cotton♥	Oct	101.48	-0.20
Zinc		3429.00	-41.00	Orange Juice♥	Sep	183.25	0.40
Precious Metals (PM London Fix)				Live Cattle♣	Aug	137.95	0.25
Gold		1773.25	-9.95	Feeder Cattle♣	May	134.88	-
Silver (US cents)		2006.00	-20.50	Lean Hogs♣	Oct	98.35	0.75
Platinum		930.00	15.00				
Palladium		2096.00	18.00		Aug 05	% Chg Month	% Chg Year
Bulk Commodities							
Iron Ore		109.20	2.17	S&P GSCI Spt	648.69	-9.37	33.04
Baltic Dry Index		1566.00	6.00	DJ UBS Spot	117.52	-11.80	23.70
Richards Bay ICE Futures		291.50	-0.50	TR/CC CRB TR	300.45	-8.70	36.52
				LEBA EUA Carbon	58.91	-1.98	129.94
				LEBA UK Power	1048.00	-37.43	-39.60

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

BOND INDICES

	Index	Day's change	Month's change	Year change	Return 1 month	Return 1 year
Markit IBoxx						
ABF Pan-Asia unhedged	203.76	0.52	0.72	-7.29	1.83	-8.15
Corporates(£)	350.84	-0.93	-0.51	-11.36	1.92	-13.65
Corporates(€)	220.76	-0.50	-0.37	-8.60	3.23	-10.39
Eurozone Sov(€)	231.58	-0.79	-0.30	-8.98	2.63	-11.54
Gilts(£)	312.58	-1.73	-0.80	-13.05	0.50	-15.59
Overall(£)	317.23	-1.50	-0.73	-12.36	0.72	-14.83
Overall(€)	224.57	-0.75	-0.41	-8.96	2.63	-11.27
FTSE						
Sterling Corporate (£)	-	-	-	-	-	-
Euro Corporate (€)	104.47	-0.05	-	-	0.54	-1.73
Euro Emerging Mkts (€)	658.95	-0.31	-	-	-4.57	-12.91
Eurozone Govt Bond	110.04	-0.19	-	-	-0.34	-0.64

CREDIT INDICES	Index	Day's change	Week's change	Month's change	Series high	Series low
Markit iTraxx						
Crossover 5Y	503.63	-15.02	-6.69	-72.43	630.88	330.24
Europe 5Y	99.87	-2.51	-1.22	-16.60	127.35	70.55
Japan 5Y	81.84	0.02	-0.56	-24.41	115.50	57.71
Senior Financials 5Y	107.82	-3.48	-2.43	-19.97	139.21	79.74
Markit CDX						
Emerging Markets 5Y	317.41	0.61	-8.40	-27.23	387.80	219.01
Nth Amer High Yld 5Y	464.04	-3.90	-7.05	-55.01	589.25	464.04
Nth Amer Inv Grade 5Y	80.78	-0.03	0.43	-9.72	102.64	63.80

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

BONDS: INDEX-LINKED

	Price Aug 05	Yield Aug 05	Prev	Month return	Value stock	Market	No of stocks
Can 4.25%' 26	115.25	0.659	0.566	-0.69	5.25	74740.55	8
Fr 0.25%' 24	107.86	-3.536	-3.537	-0.14	17.92	264152.70	17
Swe 1.00%' 25	125.23	-1.517	-1.637	0.02	35.15	220685.24	6
UK 0.125%' 24	106.31	-3.602	-3.693	0.08	15.24	695714.94	31
UK 2.50%' 24	380.20	-2.923	-3.007	-0.01	6.82	695714.94	31
UK 2.00%' 35	285.40	-1.496	-1.620	0.05	9.08	695714.94	31
US 0.625%' 24	100.31	0.407	0.072	-0.80	40.98	1661291.94	46
US 3.625%' 28	118.02	0.418	0.212	-1.54	16.78	1661291.94	46

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

BONDS: TEN YEAR GOVT SPREADS

	Bid Yield	Spread vs Bund	Spread vs T-Bonds		Bid Yield	Spread vs Bund	Spread vs T-Bonds
Australia	3.09	2.36	0.24	Netherlands	0.81	0.08	-2.04
Austria	1.14	0.41	-1.71	New Zealand	3.32	2.58	0.47
Canada	2.75	2.01	-0.10	Norway	2.72	1.98	-0.13
Denmark	1.19	0.45	-1.66	Portugal	1.06	0.33	-1.79
Finland	1.18	0.45	-1.67	Spain	1.56	0.83	-1.29
Germany	0.74	0.00	-2.11	Sweden	-1.30	-2.03	-4.15
Italy	0.50	-0.23	-2.35	Switzerland	0.36	-0.37	-2.49
Japan	0.05	-0.69	-2.80	United States	2.85	2.11	0.00

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

BONDS: HIGH YIELD & EMERGING MARKET

Aug 08	Red date	Coupon	S*	M*	F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
High Yield US$										
HCA Inc.	04/24	8.36	BB-	Ba2	BB	113.75	4.24	0.00	0.12	-
High Yield Euro										
Aldesa Financial Services S.A.	04/21	7.25	-	-	B	71.10	28.23	0.00	0.64	25.98
Emerging US$										
Peru	03/19	7.13	BBB+	A3	BBB+	104.40	2.60	-	-	0.34
Colombia	01/26	4.50	-	Baa2	BBB-	109.50	2.33	0.16	0.52	1.28
Brazil	04/26	6.00	-	Ba2	BB-	115.15	2.78	-0.01	0.65	1.73
Poland	04/26	3.25	-	A2	A-	111.22	0.98	0.03	0.16	-0.07
Mexico	05/26	11.50	-	Baa1	BBB-	149.00	1.61	0.00	-0.12	0.56
Turkey	03/27	6.00	-	Ba2	BB+	101.26	5.82	0.00	0.17	3.07
Turkey	03/27	6.00	-	B2	BB-	102.88	5.43	0.14	0.83	4.38
Peru	08/27	4.13	BBB+	A3	BBB+	103.50	3.66	0.01	-0.02	0.80
Russia	06/28	12.75	-	Baa3	BBB	168.12	2.48	0.07	0.05	-
Brazil	02/47	5.63	-	Ba2	BB-	101.48	5.52	0.08	0.80	-
Emerging Euro										
Brazil	04/21	2.88	BB-	Ba2	BB-	103.09	0.05	0.01	-0.09	-1.19
Mexico	04/23	2.75	BBB+	A3	BBB+	107.76	0.76	0.00	-0.07	-1.56
Mexico	04/23	2.75	-	Baa1	BBB-	106.48	-0.26	-	-	-0.36
Bulgaria	03/28	3.00	BBB-	Baa2	BBB	117.04	1.00	0.02	-0.15	-1.42

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

VOLATILITY INDICES

	Aug 08	Day Chng	Prev	52 wk high	52 wk low
VIX	21.47	0.32	21.15	38.94	14.73
VXD	18.07	0.53	17.54	45.37	3.27
VXN	27.62	0.49	27.13	44.05	18.01
VDAX	23.83	-0.53	24.37	93.30	-

† CBOE. VIX: S&P 500 index Options Volatility, VXD: DJIA Index Options Volatility, VXN: NASDAQ Index Options Volatility. ‡ Deutsche Borse. VDAX: DAX Index Options Volatility.

BONDS: BENCHMARK GOVERNMENT

	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	11/22	2.25	99.99	2.27	-0.01	0.05	0.40	2.27
	05/32	1.25	84.54	3.09	-0.06	0.03	-0.46	-
	02/50	1.00	101.81	1.28	-0.04	0.04	-0.42	1.34
Austria	02/29	0.50	95.97	1.14	0.14	0.13	-0.29	1.57
	02/47	1.50	94.62	1.77	0.09	0.09	-0.38	1.51
Belgium	06/27	0.80	99.50	0.91	0.14	0.17	-0.25	1.51
	06/47	1.60	90.31	2.10	0.10	0.05	-0.45	1.56
Canada	03/25	1.25	95.34	3.16	0.09	0.28	0.17	2.46
	06/30	1.25	89.52	2.75	0.10	0.15	-0.29	1.64
	12/48	2.75	98.31	2.84	0.06	0.05	-0.21	1.16
Denmark	11/29	0.50	95.22	1.19	0.16	0.16	-0.27	1.55
	11/52	0.25	69.83	1.50	0.11	0.07	-0.37	1.30
Finland	09/24	0.00	98.82	0.57	0.14	0.16	-0.04	1.33
	09/29	0.50	95.39	1.18	0.15	0.15	-0.25	1.61
France	05/28	0.75	98.51	1.02	0.14	0.15	-0.30	1.50
	05/48	2.00	100.37	1.98	0.11	0.06	-0.41	1.47
Germany	08/29	0.00	94.99	0.74	0.15	0.14	-0.25	1.38
	08/50	0.00	72.55	1.15	0.12	0.10	-0.36	1.20
Greece	01/23	3.50	101.40	0.54	-0.09	-0.14	-0.39	1.02
	01/28	3.75	106.34	2.49	0.03	0.06	-0.59	2.44
Ireland	10/22	0.00	99.94	0.29	-0.05	0.09	0.33	0.90
	05/26	1.00	100.63	0.83	0.12	0.15	-0.18	1.44
	02/45	2.00	100.77	1.96	0.11	0.08	-0.38	1.52
Italy	02/25	0.35	97.35	1.44	0.04	-0.14	-0.06	1.73
	05/30	0.40	99.21	0.50	0.01	-0.19	-0.29	1.36
	03/48	3.45	105.25	3.15	0.05	-0.18	-0.37	1.69
Japan	04/25	0.05	100.18	-0.02	-0.01	-0.02	-0.04	-0.05
	12/29	0.10	100.40	0.05	-0.01	-0.02	-0.15	0.12
	12/49	0.40	83.55	1.10	-0.02	-0.02	-0.09	0.50
Netherlands	07/27	0.75	99.69	0.81	0.14	0.15	-0.26	1.50
	01/47	2.75	127.46	1.41	0.10	0.06	-0.38	1.48
New Zealand	05/31	1.50	86.27	3.32	-0.05	-0.07	-0.38	1.72
	09/40	2.50	126.82	1.81	0.02	-0.02	-0.32	1.12
Norway	08/30	1.38	90.43	2.72	0.05	-0.06	-0.14	1.59
Poland	01/23	2.50	98.30	6.29	-0.07	-0.08	-0.67	6.03
	07/27	2.50	85.48	5.97	-0.17	0.00	-1.21	4.72
	04/47	4.00	70.57	6.40	0.00	0.05	-1.30	4.31
Portugal	04/27	4.13	113.90	1.06	0.11	0.12	-0.34	1.54
Spain	10/22	0.45	100.06	0.17	0.06	0.13	0.28	0.83
	10/29	0.60	93.47	1.56	0.12	0.13	-0.35	1.61
	10/46	2.90	107.77	2.47	0.11	0.08	-0.43	1.51
Sweden	06/30	0.13	121.99	-1.30	0.10	0.14	-0.20	0.48
	03/39	3.50	130.71	1.42	0.06	0.02	-0.19	1.00
Switzerland	04/28	4.00	120.34	0.36	0.13	0.19	-0.06	0.98
	06/29	0.00	97.53	0.36	0.13	0.14	-0.13	0.90
United Kingdom	07/23	0.75	98.69	2.14	0.08	0.34	0.38	2.07
	07/27	1.25	97.08	1.87	0.15	0.27	0.13	1.55
	07/47	1.50	81.94	2.47	0.14	0.01	-0.05	1.53
United States	-	-	-	-	-	-	-	-
	03/25	0.50	93.14	3.23	0.22	0.36	0.37	2.73
	02/30	1.50	90.91	2.85	0.17	0.21	0.04	1.72
	02/50	0.25	83.33	0.94	0.08	0.15	-0.04	-

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Venezuela (VEF)

Bco de Vnzla	1.09	-	594.00	0.32	105.98	-	678.51
Bco Provncl	2.35	0.01	798000	1.70	-	0.00	150.41

Closing prices and highs & lows are in traded currency (with variations for that country indicated by stock), market capitalisation is in USD. Highs & lows are based on intraday trading over a rolling 52 week period.
♦ ex-dividend
■ ex-capital redistribution
price at time of suspension

BONDS: GLOBAL INVESTMENT GRADE

Aug 08	Red date	Coupon	S*	M*	F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
US$										
FleetBoston Financial Corp.	01/28	6.88	BBB+	Baa1	A-	129.00	2.54	-0.01	-0.05	-
The Goldman Sachs Group, Inc.	02/28	5.00	BBB+	A3	A	117.21	2.47	0.00	0.32	-
NationsBank Corp.	03/28	6.80	BBB+	Baa1	A-	127.69	2.72	-0.01	0.06	-
GTE LLC	04/28	6.94	BBB+	Baa2	A-	128.27	2.80	0.00	-0.11	-
United Utilities PLC	08/28	6.88	BBB	Baa1	A-	130.43	2.62	-0.07	-0.22	-
Barclays Bank plc	01/29	4.50	A	A1	A+	96.46	5.02	0.00	0.02	-
Euro										
Electricite de France (EDF)	04/30	4.63	A-	A3	A-	137.45	0.82	-0.01	0.10	-
The Goldman Sachs Group, Inc.	02/31	3.00	BBB+	A3	A	124.42	0.68	0.00	-0.11	-
The Goldman Sachs Group, Inc.	02/31	3.00	BBB+	A3	A	121.70	0.93	0.00	0.02	-
Finland	04/31	0.75	AA+	Aa1	AA+	111.08	-0.27	0.00	-0.05	-0.87
Yen										
Mexico	06/26	1.09	-	Baa1	BBB-	98.73	1.34	-0.02	-0.14	0.27
£ Sterling										
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	137.45	2.19	-0.03	0.02	-
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	128.68	3.20	0.00	-0.01	0.40

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

GILTS: UK CASH MARKET

Aug 08	Price £	Red Yield	Change in Yield Day	Week	Month	Year	52 Week High	Low	Amnt £m
Tr 1.75pc '22	100.01	1.56	-1.89	11.43	19.08	3800.00	102.28	100.01	29.68
Tr 0.75pc '23	98.81	2.02	-3.81	13.48	5.21	1342.86	101.08	98.42	34.36
Tr 0.125pc '24	97.24	2.04	-3.77	10.87	4.08	871.43	99.89	96.51	34.76
Tr 2pc '25	100.67	1.77	-5.85	11.32	-0.56	608.00	106.59	98.95	39.04
Tr 0.125pc '26	94.44	1.78	-4.81	16.34	3.49	493.33	99.49	92.58	34.53
Tr 1.25pc '27	97.56	1.77	-4.84	15.69	-0.56	353.85	105.48	94.92	40.07
Tr 0.875pc '29	93.73	1.81	-4.74	13.13	-4.74	217.54	103.25	89.57	42.65
Tr 4.25pc '32	120.54	1.94	-4.90	8.38	-7.62	169.44	137.75	114.06	39.43
Tr 4.25pc '36	123.43	2.24	-3.45	5.66	-8.20	160.47	147.61	115.86	30.97
Tr 4.5pc '42	133.62	2.40	-3.23	3.00	-6.61	142.42	169.96	124.40	27.72
Tr 3.75pc '52	130.35	2.34	-2.90	3.54	-7.14	134.00	180.27	118.31	24.55
Tr 4pc '60	144.16	2.25	-3.02	3.21	-7.79	144.57	213.01	128.74	24.57

Gilts benchmarks & non-rump undated stocks. Closing mid-price in pounds per £100 nominal of stock.

GILTS: UK FTSE ACTUARIES INDICES

Price Indices Fixed Coupon	Aug 08	Day's chg %	Total Return	Return 1 month	Return 1 year	Yield
1 Up to 5 Years	84.13	0.23	2406.83	0.30	-2.78	1.83
2 5 - 10 Years	164.99	0.65	3474.08	1.63	-7.22	1.85
3 10 - 15 Years	185.98	0.90	4218.81	3.36	-12.07	2.20
4 5 - 15 Years	168.92	0.71	3650.02	2.06	-8.92	1.97
5 Over 15 Years	285.26	1.47	4866.70	5.61	-23.89	2.31
7 All stocks	158.01	0.86	3499.53	2.89	-13.91	2.21

Index Linked	Aug 08	Day's chg %	Month chg %	Year's chg %	Total Return	Return 1 month	Return 1 year
1 Up to 5 Years	326.55	0.16	1.15	6.00	2753.21	1.15	7.19
2 Over 5 years	704.00	1.42	7.69	-21.47	5355.88	7.77	-21.18
3 5-15 years	511.57	0.73	4.43	-2.69	4128.93	4.64	-1.98
4 Over 15 years	859.95	1.77	9.46	-28.56	6352.09	9.46	-28.41
5 All stocks	642.84	1.25	6.80	-18.73	4988.41	6.87	-18.35

Yield Indices	Aug 08	Aug 05	Yr ago		Aug 08	Aug 05	Yr ago
5 Yrs	1.69	1.79	0.29	20 Yrs	2.41	2.49	0.97
10 Yrs	2.03	2.12	0.65	45 Yrs	2.19	2.26	0.78
15 Yrs	2.32	2.40	0.88				

Real yield	inflation 0% Aug 08	Dur yrs	Previous	Yr ago	inflation 5% Aug 08	Dur yrs	Previous	Yr ago
Up to 5 yrs	-2.51	1.74	-2.41	-3.12	-3.03	1.74	-2.94	-3.44
Over 5 yrs	-1.07	21.36	-1.00	-2.51	-1.09	21.41	-1.02	-2.53
5-15 yrs	-1.71	8.96	-1.62	-2.86	-1.79	8.97	-1.71	-2.95
Over 15 yrs	-0.96	27.17	-0.90	-2.47	-0.98	27.19	-0.91	-2.48
All stocks	-1.09	18.91	-1.02	-2.52	-1.11	18.99	-1.05	-2.54

See FTSE website for more details www.ftse.com/products/indices/gilts

All data provided by Morningstar unless otherwise noted. All elements listed are indicative and believed accurate at the time of publication. No offer is made by Morningstar, its suppliers, or the FT. Neither the FT, nor Morningstar's suppliers, warrant or guarantee that the information is reliable or complete. Neither the FT nor Morningstar's suppliers accept responsibility and will not be liable for any loss arising from the reliance on the use of the listed information. For all queries e-mail ft.reader.enquiries@morningstar.com

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POWERED BY MORNINGSTAR

Powerhouse performer: Christina Aguilera on stage at the O2 Arena — Jim Dyson/Getty

Aguilera goes back to her roots

POP

Christina Aguilera
O2 Arena, London
★★★★☆

Arwa Haider

From the first notes of her London show, multi-platinum US singer-songwriter and actress Christina Aguilera came out all guns blazing — and confetti and steam cannons billowing. It was hard to believe that her opening number, "Dirrty", was released 20 years ago; this racy R&B/pop smash (and its David LaChapelle-directed video) marked Aguilera's transition from bubblegum pop debutante to the provocative diva "Xtina". Tonight, the track's insistent thrust and Aguilera's acrobatic vocals drove the crowd to their feet, while her six dancers twerked around a neon stage that resembled both discotheque and art installation.

This OTT entrance was peak Aguilera — so much so that you might have feared the rest of her concert would pale in contrast. But the 41-year-old is a powerhouse entertainer; she sounded terrific and looked spectacular in a PVC bombshell outfit, and the show exuded a formidable energy. She coursed through a mega-mix of her pop catalogue, with lasers and giant glow sticks heightening the clubby atmosphere. The electro-dub blast of "Bionic" flowed into the body-positive "Vanity" ("Every time I look at me/I turn myself on") and supercharged versions of her late-90s breakthroughs "Genie in a Bottle" and "What A Girl Wants".

Aguilera delivered sweetly catchy melodies with supreme attitude. She has long embraced surreal humour, but tonight she also revealed an unapologetically sentimental streak; she thanked her devotees for their support over two decades, and also explained that her return to Spanish-language music (on her recent ninth studio album, *Aguilera*) connected her children with her Ecuadorian heritage. Her latest material proved a highlight, particularly the persuasive reggaeton groove of "Santo" and the Cuban guaracha-fuelled "Pa Mis Muchachas" ("For My Girls"). In her youth, Aguilera resisted industry pressure to change her "difficult" surname. It felt good to hear her Latin roots resonate, in an era where A-listers from Beyoncé to Justin Bieber now clamour to collaborate on Spanish-language hits.

There was a fizzy torrent of dancefloor tunes, from "Feel This Moment" (her Euro-rave hit with Pitbull) to the brassy funk of "Ain't No Other Man", all slickly backed by her excellent band. "Lady Marmalade" (a Missy Elliott-produced cover for Baz Luhrmann's movie *Moulin Rouge!*) proved an electrified revival. There were emotionally raw standouts, too; "Say Something" (her 2013 hit with US duo A Great Big World) featured a duet with Years & Years singer Olly Alexander, who emerged as a fanboy ("You're an icon," he told Aguilera) and sang like a pop angel. Her 2002 empowerment/inclusivity ballad "Beautiful" also retained its force.

After a surge of rainbow graphics and the EDM riffs of "Let There Be Love", Aguilera's party ended rather abruptly. But the crowd's sense of joy still hung in the air, along with the confetti drifting through laser beams.

christinaaguilera.com

Songs to take you from isolation to group hug

CABARET

Camille O'Sullivan
The Cowbarn, Edinburgh
★★★★☆

Jo Caird

It seems that Camille O'Sullivan had a rough pandemic, but the Irish-French singer has not let the experience hold her back. She may appear a little more fragile than in previous shows — *Dreaming* is her first outing at the Edinburgh Fringe since 2019 — but her remarkable ability to tell stories through song, and occasionally with the spoken word, remains unchanged.

An understated start sets a melancholy tone, with O'Sullivan almost sneaking on to to the stage for her first number, "Nobody's Home" by Avril Lavigne. She performs it not to the audience but to herself, gazing glassy-eyed at the flickering screen of a small TV, her hunched pose at odds with the glamour of her flouncy red dress (one of a number of misguided online shopping decisions that O'Sullivan made to alleviate the tedium of lockdown, she says). The scene is a poignant reminder of the isolation experienced by O'Sullivan and by so many of the rest of us during the pandemic.

This opening number complete, *Dreaming* takes on a more hopeful mood. Although O'Sullivan refers often to her unravelling during the pandemic, alone at home in Cork with only her cat and a bottle of wine for company, she is clearly rejuvenated by her return to performance, thrilled to connect with audiences again as she presents her unique takes on songs by artists as various as Tom Waits, Jacques Brel and Coldplay.

O'Sullivan has a knack for bringing the characters in these songs to life, whether it's the nostalgic former lover on the end of the phone in Waits's "Martha (Closing Time)" or the desperate anonymous protagonist of Coldplay's "A Rush of Blood to the Head". Her voice is perhaps a touch huskier than previously but no less effective for all that — she maintains superb control and clarity throughout, whether roaring out the chorus of Brel's "Amsterdam" or dropping to a pained whisper for Dillie Keane's "Look Mummy, No Hands".

She is normally accompanied by a band, but here it's just O'Sullivan and longtime collaborator Feargal Murray on keyboard. *Dreaming* is a more intimate show as a result, giving these songs, many of which the singer has performed before, added emotional resonance. There is a downside to this stripped-back approach, however — a single keyboard can't offer the same level of musical dynamism as a full backing band. Eighty minutes is too long for this line-up.

Including pre-recorded guitar and bass on Nick Cave's "Jubilee Street" feels like an attempt to mitigate this issue but it brings its own problems.

While it's fun to watch O'Sullivan jumping enthusiastically around the stage and even hula-hooping, the sudden increase in volume threatens to overwhelm the carefully crafted atmosphere.

The show ends with Cave's "The Ship Song", the number for which she is probably best known, her lilting vocals emphasising the darkness and messiness of love contained in the lyrics. O'Sullivan calls the song a "big hug" and the audience clearly feel the same, joining in with soft voices when she comes out into the crowd for the final chorus.

To August 28, edfringe.com

Camille O'Sullivan sings songs by Brel, Cave and Waits — Alamy Stock Photo

Alan Cumming's ode to Robert Burns

THEATRE

Burn
King's Theatre, Edinburgh
★★★☆☆

Alice Saville

Alan Cumming's solo show is a gamble, a lark. Are this much-loved actor's unconventional dance skills strong enough to merit an hour-long Edinburgh International Festival production? They're not, really, but the offbeat, eyelinered goth charisma he brings to the role of Robert Burns in *Burn* at the King's Theatre is just about enough to sustain this romp through the life of Scotland's national poet.

Fans of Cumming's career-defining performance as the Emcee in *Cabaret* will find some of the same skulking, sly energy here. This is Burns stripped of every trace of tartan kitsch and wrapped instead in a glittery black cloak of saturnine temperament. In interviews, Cumming has spoken of poring over Burns's letters to uncover the grinding money worries and mental health troubles behind the poet's wry Scots odes to haggis or pretty women. Choreographers Steven Hoggett and Vicki Manderson try to convey these struggles by giving Cumming strange, tempestuous video design, which flashes up key dates and locations in this chronological journey through Burns's life. Sometimes these elements work in concert to create formidable crescendos; sometimes they recall the kitsch historical introductory videos shown to visitors at national heritage sites.

There's an edge of gimmickry to the use of props. At one point, Burns abandons his writing to caper across the stage — as the white feather quill he was using continues to scratch its way across the page, in a moment of Harry Potter-esque theatrical magic. At another, the women he obsesses over appear as a row of delicate 18th-century women's shoes, suspended in the air on fine wires.

Cumming reads Burns's verse beautifully, and with a wit that's alive to this poet's hypocrisy. "You are the constant companion of my thoughts," he declaims solemnly to one pair of pumps, while the other shoes in the row silently suggest his relentless womanising.

But disappointingly, Cumming's words are largely overwhelmed by this production's hectic digital soundtrack, while the narrative's straightforward biographical approach offers few genuine insights into Burns as a man.

So it's refreshing when he concludes with a moment of stillness, perching on the edge of the stage to read "Auld Lang Syne" to a rapt audience. His voice makes Burns comes alive in a way that his movements can't, giving heart to this eccentric but flawed resurrection of a storied poet.

To August 10, eif.co.uk

Alan Cumming as Robert Burns in 'Burn' Tommy Ga-Ken Wan

tortured hand movements or making him dance jigs suggestive of demonic possession. But Cumming's stiff torso and light, skipping movements lack emotional range.

His black rages are amplified by Anna Meredith's nightclub-ready electronic score and Andrzej Goulding's

FT BIG READ. COST OF LIVING CRISIS

Credit crunch bites

Not-for-profit lenders are struggling to meet growing demand from the poorest, who are seeking loans to cover basic expenses. Many fear what will happen this winter as energy prices rise sharply.

By Siddharth Venkataramakrishnan

Russell Anderson is a man who has learnt to live within his humble means. After a chronic illness forced him to retire as a coach driver three years ago, he managed to stretch his benefits to cover his bills, including rent and fuel.

Increasingly, he has found that balancing act harder to juggle. Anderson, who lives in rural Scotland, says the surging cost of fuel has made it too expensive to drive to his nearest Aldi, the low-cost supermarket he can afford, meaning he has to take a circuitous bus ride instead.

When his cat fell sick unexpectedly, there were more bills to pay. "I went to the vets, spent £170, and he came back even more sick," says Anderson. He had nothing left to cover the bill that would have ensured the proper handling of his pet's remains after it was put down.

Anderson's credit rating meant he was turned down by two commercial lenders. By chance, he saw an advert for Glasgow-based community lender Scotcash on television and, to his relief, was approved for a £100 loan. He is deeply appreciative. "They bent over backwards to help me," he says. "I've not got a lot of debt, and I don't need to borrow a lot of money, but no one else would lend."

His story is one example of the precarity now being faced by people on low incomes across the UK. With the rising cost of living stretching budgets to their absolute capacity, a single change in circumstance — from the end of a relationship, a broken appliance or the death of a pet — can be enough to push a household to breaking point.

Those with poor credit have few options when they need a small loan. One lifeline is community lenders, a small number of non-profits who support those facing financial exclusion from mainstream lending. But the sector is struggling to accommodate

£37bn	£1.74bn
The Treasury package to support households with the cost of living	Total loans to credit union members as at the end of 2021

the growing demand. Compared with commercial lenders, their funding pot is significantly smaller; they also adhere to criteria on affordability for loans, which a growing number of customers are unable to meet.

"I would say we decline 90 per cent of applicants and that really troubles me," says Simon Dukes, chief executive at not-for-profit loans provider Fair for You. "It's harder now for us to find people to say 'yes' to as a responsible lender."

Those working in the sector say that they urgently need more support to continue operating, let alone to scale up and match the needs of a growing vulnerable population. Many fear what will happen this winter, with the Bank of England warning of a recession and the biggest fall in household incomes for more than 60 years as the price of energy and everyday food items soars.

"Regulation, funding and collaboration are super important because it's such a precarious sector," says Sharon MacPherson, chief executive at Scotcash. "Think about how many businesses went bust during the pandemic: the future is never guaranteed."

For those turned away by non-profits, the alternatives can carry more risk. Buy now, pay later products have faced scrutiny over the stringency of their affordability checks and the very last resort — illegal lending by loan sharks — opens the door to exploitation.

With the MOT on his car due for renewal and a higher energy bill looming, Anderson anticipates he will need to turn to Scotcash again before the end of the year to keep his car on the road.

The worst is yet to come

The history of not-for-profit lenders, including credit unions and community development finance institutions, or CDFIs, dates back to the late 20th century, driven by social movements in the UK and globally.

Sharon MacPherson, chief executive at Scotcash, says non-profit lenders play an important role in providing financial advice. Bottom, Russell Anderson, from rural Scotland, approached lenders after a change in circumstance brought unexpected costs — Gary Doak/FT

'Out of every 10 people we see, five or six are using buy now, pay later. We've seen an explosion for retail users but also daily needs, which is really unsustainable'

Sharon MacPherson

2010, it was primarily those receiving benefits. By 2015, the dominant group included those with variable incomes, such as gig economy workers and those on zero-hours contracts. Many often have less than £50 at the end of each month.

While a large proportion of customers live in deprived areas and have a median income of £15,000, Rahman emphasises this is not universal. A customer earning £65,000 turned to Fair Finance to help pay off payday loans after a missed payment.

The full impact of the cost of living crisis is yet to emerge, says Rahman. In the UK, inflation hit a 40-year high of 9.4 per cent in June, with the Bank of England predicting it will peak at 13 per cent by the end of the year, pushing up prices further. Fair Finance's analysis suggests that later this year some customers will be unable to cover their bills and will have a negative budget even with advice on how to manage their money.

Maggie, another Scotcash customer, saw her food bill surge when her fridge-freezer broke in April, forcing her to shop daily and spend more overall. She found out about Scotcash through her local authority in 2018, and they lent £500 to support her. Maggie, who suffers from serious health conditions that restrict her mobility, has taken occasional loans from the lender since then.

The problem is exacerbated by what campaigners and community lenders call the "poverty premium". MacPherson says the most vulnerable often pay more for fuel because of pre-paid meters, or cannot afford insurance. A number do not have their own bank accounts or savings. "They have no lee-

per cent of people are not claiming the benefits which they are entitled to," she says. "It's a double whammy alongside the increased cost of living."

Credit unions, which rely on deposits from members' saving accounts to make loans and have a cap of about 43 per cent APR set by the government, are also facing an uptick in demand.

In May, digital lending marketplace Freedom Finance said that a record 1.9mn people in the UK were now members of credit unions with total loans to members by the end of 2021 reaching £1.74bn, another all-time high. But their lending is capped by the sum of deposits they hold. "The credit union movement in the UK is very small compared with the US," says Robin Fieth, chief executive of the Building Societies Association, which represents a number of credit unions. "They have limited capacity to be the solution." BSA members had warned him that it would only prove tougher in winter, when heating demand is far higher.

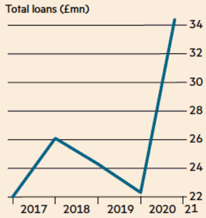
The importance of non-profit lenders has grown as commercial avenues have shrunk. In recent years, the Financial Conduct Authority clamped down on so-called "non-standard finance providers" that flourished after the 2008 financial crisis but drew criticism for their steep charges.

Maggie says she has used Provident Financial, formerly the UK's largest doorstep lender (which sell loans and collect repayments from a customer's home), but ended up repaying nearly double the amount she borrowed. Provident shuttered its consumer credit unit last year.

The number of active high-cost,

Personal loans from community lenders soared in 2021

Total loans (£mn)



Source: Responsible Finance

in the sector. While people on higher incomes can access overdrafts or credit cards with competitive rates to better manage their money when times are tough, those living hand to mouth have no such safety net.

"Customers are financially savvy — there's a common problem of people equating income with intelligence," says Rahman. "They don't need to be told how to do things, they need a fair option."

Charities have warned that buy now, pay later is emerging as one area of concern. Providers of the short-term credit have faced questions around how thoroughly they check a user's ability to afford loans, with concerns that users can load up debt across multiple providers. "Out of every 10 people we see, five or six are using buy now, pay later," says MacPherson. "We've seen an explosion in that type of product, both for retail users but also daily needs, which is

food on the table or pay the electricity meter."

In many cases, victims believe they are borrowing from a friend, says Williams, until they're unable to meet their repayments. And loan sharks are getting more tech savvy with their methods of intimidation. "One illegal money lender who was prosecuted last year was using altered Snapchat pictures, with the implication that they could come around and knock on victims' doors," she says.

For those affected, escaping the clutches of an illegal money lender takes time. "The whole journey of realising that this isn't a friend, then realising that this is something they need help to get out of — realising that it's a loan shark — and then making a phone call to us is a three-year process," she says.

Williams, whose team works closely with credit unions, says they cannot cope with demand and the numbers they turn away are rising. "As that goes up, there is a concern in terms of where people go — sometimes it's family and friends . . . but at some point down the line they might turn to illegal money lenders, maybe as fuel prices go up."

Case for investment

There is no single solution to protecting the non-profit lending sector, but lenders agree that ensuring a greater amount of money is available is a first step. One pathway is the dormant assets fund, a pot worth £880mn from financial assets including bank accounts, pension schemes and securities that have been untouched for a long period.

These assets, administered by the Department for Digital, Culture, Media and Sport, are currently being spent on financial inclusion, alongside social investment and youth projects, with a number of community lenders benefiting from the project. In July, the

'Everything true about financial exclusion in Bangladesh is the same in London'

Faisel Rahman

government launched a consultation into what causes should be funded.

Dukes says Fair for You has been able to "grow its social impact significantly" thanks to Dormant Assets funding in 2020. "The current cost of living crisis makes the case for investment in financial inclusion even more pressing," he says. Theodora Hadjimichael, chief executive of Responsible Finance, echoed Dukes' sentiment, while highlighting the disparity in funding between fintechs and the non-profit sector.

"If you look at how much has been invested into buy now, pay later, and how much has been invested into high-cost commercial lenders, it's eye-watering compared with CDFIs," she says. "The more the government prioritises financial inclusion for dormant assets, the better."

MacPherson also called for more local authorities to get involved. Scotcash is funded by Glasgow City Council and Glasgow Housing Association, now Wheatley Homes Glasgow. "It can be really hard to keep ahead of the curve of fintechs and ensuring that you're relevant to customers," she says. "We absolutely need government to build capacity of the sector."

Tulip Siddiq, shadow economic secretary to the Treasury, says the Labour party would seek to reform legislation around the sector if elected.

"Labour has pledged to double the size of the co-operative and mutual sector," she says. "This will require regulators, such as the FCA and Prudential Regulation Authority, to have an explicit remit to report on how they have considered specific business models, such as mutuals, whose needs are too often ignored."

The Treasury says it is supporting households with a £37bn package, including a direct payment of £1,200, to 8mn of the most vulnerable families. "We're also backing Fair4All Finance with almost £100mn of government

These community-focused lenders are funded by a variety of sources, ranging from grants to banks. Figures from Responsible Finance, the sector's trade body, showed it had paid out £228mn in all types of loans in 2021 — a 32 per cent increase on the year before.

Faisel Rahman founded east London-based Fair Finance in 2005, inspired by his experience working in microfinance in Bangladesh, where it helped reduce poverty. "Everything true about financial exclusion in Bangladesh is the same in London," he says. "You need data to assess it effectively and you have to be flexible, responsive and personable."

Rahman has noticed that the kind of customer applying for loans has changed over time. Between 2005 and

way whatsoever for putting money away," she says. "Adding £2 or £3 extra on to a prepayment card for fuel means not being able to save it."

Those who turn to community lenders are also least likely to access the growing number of apps designed to help customers make their money go further such as budgeting tools.

"In our experience, customers are slow adopters of these products," says MacPherson. "When you have very little money and anything could tip you over the edge, you want to protect that as much as you can." For those who cannot access loans, non-profit lenders play an important role in providing financial advice, she added, including by offering a digital benefits checker: "Seventy-five

short-term lenders in the UK fell by almost one-third between 2016 and the third quarter of 2020, according to the FCA's figures.

"We know supply in the market has lessened because we've seen increased scrutiny and a number of lenders with poorly designed products being challenged which is, frankly, a good thing," says Brian Brodie, chair of Freedom Finance. "The unintended consequence is that fewer people are able to access finance."

Loan sharks

One challenge across the sector remains a patronising and often moralistic attitude towards those without perfect credit scores, say professionals working

really unsustainable."

While the government has committed to regulating the sector, it is only expecting to introduce new laws by the middle of 2023. After that, the FCA would have to consult on rules.

More disturbing is that a growing number of households are vulnerable to loan sharks or illegal lenders. The figure has increased from 310,000 in 2010 to 1.08mn in 2022, says Cath Williams, a manager in the government's England Illegal Money Lending Team.

"The main reason people turn to them has always been everyday expenses — historically that's been washing machines and school uniforms," says Williams. "But more and more people are saying it's to put

funding this year — a record amount — to support their work on financial inclusion, including helping people to access affordable credit," it says.

Rahman says legislation to encourage mainstream lenders to support local communities would make a difference. In 1977, the US enacted the Community Reinvestment Act to ensure that banks made loans in neighbourhoods where they took deposits.

"We don't need the same [legislation as the US] but it's crazy that there is no obligation for banks to be involved in tackling exclusion or accountable to the communities they are in," he says.

"If you believe that financial exclusion is a problem, you have to believe that there's a better way of doing this."

The FT View

FINANCIAL TIMES

'Without fear and without favour'

ft.com/opinion

A US climate bill that could change the weather

In a polarised Washington, Biden has shown breakthroughs can happen

It turns out the planet might have a future after all. Following a period of acute and rising pessimism, the US Congress — and President Joe Biden — have pulled off the most significant climate change bill in American history.

The fact that almost every observer, including many Democrats, had written off any chance of a breakthrough makes it all the sweeter. The bill, misleadingly named the Inflation Reduction Act, will also empower the US government to negotiate lower prescription drug prices and provides more generous healthcare subsidies for millions of Americans.

These are milestones in their own right. But the game changer is the bill's clean energy provisions. After more than a generation of trying, and many years later than would have been desirable, Washington is finally taking a lead on global warming. On this basis, Biden has earned a place in the history books.

The fact that Congress was still unable to embrace a carbon tax — a step that most economists insist will nonetheless be essential — should not cloud the bill's impact. Political reality dictated that the stick of higher taxes could not come before the carrot of renewable tax subsidies. In spite of that, it passed the US Senate without a single Republican vote.

It is conceivable that the effects of these subsidies, which are forecast to enable the US to reduce carbon emissions to 40 per cent below 2005 levels by 2030 — within striking distance of the US goal of halving emissions by then — will make it easier to sell a carbon tax further down the road. As the US energy portfolio shifts towards greener sources, public opinion could reach a tipping point. But that moment is far off. Biden's Democrats are still liable to be punished for high petrol price inflation in the midterm elections this November.

The bill's long-term significance is likely to be two-fold. First, its $369bn fiscal outlay over the next decade will crowd in private investments. It will provide a taxpayer-funded rocket booster to a range of cleaner energies, including electric vehicles, wind and solar output, and research on carbon sequestration, hydrogen conversion and small-scale nuclear reactors. Federal investments will give the far larger universe of private capital every incentive to step up.

Given the imperfect nature of public subsidies, some of the dollars will go into the wrong pockets. Some will bankroll activity that would have happened anyway. There are also questions about whether America's big electric vehicle producers, such as Tesla and GM, can meet the local content thresholds required to unlock the tax breaks of up to $7,500 per vehicle. Moreover, on pure tax fairness grounds it is disappointing that Congress once again failed to close the carried interest loophole — this time at the insistence of Arizona senator Kyrsten Sinema. But these are minor concerns compared to the big prize.

> Political reality dictated that the stick of higher taxes could not come before the carrot of renewable tax subsidies

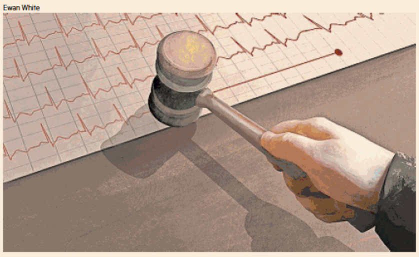
The second effect will be to boost America's ability to kindle a sense of global urgency. It is unfortunate that the bill's passage coincided with China's announcement that it would suspend talks with the US on climate change. Beijing, which was angered by House Speaker Nancy Pelosi's visit to Taiwan last week, risks cutting off its nose to spite its face. Whatever the bilateral tensions, both China and the US have a duty to humanity's larger interests. By the same token, Germany's announcement last month that it plans to invest €177bn in energy efficiency and green energy over the next four years is very welcome.

As America endures what is forecast to be its hottest summer on record for the second consecutive year, the era of theoretical global warming has long since passed. The time for action was yesterday. But today is still far preferable to tomorrow.

Opinion **Law**

Why courts have a place in policy debates

Ewan White



Stephen Bush

Globalisation means that an accountant in New York can get a minute-by-minute update of the worst few weeks in the life of a British family. The case of Archie Battersbee, a 12-year-old boy who has now died, has gripped media outlets the world over: his death was marked by a push notification from The New York Times.

The case has been covered extensively by English language media across the world. And that's despite the medical details being not particularly complex or controversial.

The facts are these: on April 7, Archie suffered a catastrophic hypoxic ischemic brain injury. At no point after, according to all the medical evidence, did he regain awareness and had been in a coma for almost four months.

> Further treatment for Archie Battersbee would have served 'only to protract his death'

He showed no sign at all of being able to breathe without a ventilator and was kept alive thanks to medical technology and care filling in for his brain function.

Yet that medical technology and

misfortune than a particularly pressing public interest.

But actually the Battersbee case does have important lessons for policymakers the world over. The case is ultimately one about belief: Archie's mother believed that her son's life could be saved. The Christian Legal Centre believed that supporting the case furthered their Christian mission, both in the case specifically and in reopening long-established English legal precedents about end-of-life care and patients' rights.

Then you have the overwhelming medical evidence and the diagnosis of Archie's doctors about how best to proceed. Now of course, patients can and should make decisions that are not in their best medical interests. Someone in their ninth decade may decide, for instance, that they prefer to be able to put their affairs in order and die at home rather than take the risk of chemotherapy. Or they might judge that actually their prospects of reaching the big 100 are worth rolling the dice on.

And it is right too that family members should be able to contest decisions made by the authorities when the patient's direct voice is unavoidably absent. Our beliefs about the world around us should be able to influence how we lobby politically, who we support in the courts and, indeed, the decisions we make about how we die.

Similarly, there is no clear line between "legal cases supported by outside groups which have the potential to trigger important changes in the law or expose wrongdoing" and "legal cases supported by outside groups with bad motives and an axe to grind" — unless, of course, you

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Diverging from EU law is not the panacea the Tories claim it is

If anything, Philips Stephens's excellent article on the issue of regulatory divergence between Britain and the EU — and the bidding war between Liz Truss and Rishi Sunak to distance themselves from what they say are "outdated EU law and frameworks" allegedly "holding back our growth" — underestimates the scale of the problem ahead (Opinion, August 2).

Stephens rightly argues that having to make products for two markets (Britain and the EU) means that "UK businesses in effect will have to pay twice", much as, for example, some Canadian companies carry extra costs when selling into the much bigger US market next door. But the challenge is even bigger than the "double whammy" he sketches, as EU standards have increasingly become global standards, especially in high-growth sectors.

We have already seen EU standards widely adopted in third countries — either through the logic of market forces or by conscious political choice — for example, in chemicals regulation, data privacy (GDPR) and consumer and environmental protection. In recent months, the eagerly-awaited outcome of EU lawmaking on the digital services and digital markets acts underlines this point. Civil servants in Whitehall know this very well, even if their political masters will not admit it.

The EU lawmaking process — involving multiple countries, institutions and stakeholders — is in fact rather well designed to produce modern, not outdated, legislation likely to find wider favour, especially at a time when a gridlocked US political system has largely abandoned trying to offer regulatory leadership.

While there may be a few niche areas where divergence can help the UK establish some comparative advantage, the idea of generally and deliberately diverging, for divergence's sake, from EU law is likely to prove a policy chimera that costs the country dear.

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A job too big for business and capital markets alone

Thank you to Pilita Clark for bringing environmental reality back into politics (Opinion, August 3).

With the Tory leadership campaign skimming over climate in its debates and the UK announcing it will publish only seven of its 24 environmental indicators in 2022 — many businesses will be wondering how they can be expected to meet targets, hold stakeholders to account and publish data in line with pledges if the government isn't leading by example.

We know the pitfalls of taking transparency and data out of environmental reporting — one in five climate-related environmental, social and governance risk incidents are linked to greenwashing, as it becomes all too easy to do. Government and business alike must bridge the gap between intent and behaviour via an honest appraisal of whether they are upholding their claims and pledges.

In the face of the growing backlash against the constraints imposed by ESG, it's clear that capital markets and business can't drive this change alone. Governments need to do their part. Climate risks need to be tackled head-on — in the boardroom and on the campaign trail.

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Germany's fear of Russian gas squeeze is misplaced

In "The west's phantom energy sanctions fuel Putin's war machine" (Opinion, August 8), Oleg Ustenko is right to highlight the fact that energy sanctions against Russia are not working. What is worse, they may even have helped fill Vladimir Putin's coffers.

Placing a rigorous price cap or a tariff on imports of Russian oil and gas is what is needed to reduce Putin's revenues while avoiding unnecessary burden on consumers in the west.

Germany is particularly worried about a retaliatory Russian embargo. But this fear is misplaced. First, Putin would hate losing hard currency revenues on which his regime has become so dependent. Second, even if he was going down that road, researchers have now documented that the German economy can substitute gas with other energy sources. It is time to enact strong energy sanctions.

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Domestic politics was real trigger for the Pelosi trip

Your article on "Squeezing Taiwan" (Big Read, August 6) notes Nancy Pelosi's visit to the island "was designed to demonstrate support for the country in the face of what many in the US believe to be a growing threat of a Chinese invasion".

Interestingly, you miss the real reason Pelosi went to Taipei, and that's called domestic politics. Pelosi as well as her fellow Democrats fear they might lose the House (and she her role as the Speaker of the House) in the upcoming midterm elections.

The only topic Republicans and Democrats in the House both agree on is doubling down on China (and Russia). By flying to Taiwan. Pelosi wanted to demonstrate to her domestic audience that she is being "tougher" on China than her Republican colleagues which she thinks resonates well with US voters.

By doing so, she just might have set in motion an escalation that could yet prove fatal for the island.

Johan Boelts
Vienna, Austria

OUTLOOK

AMERICA

Trump fans dig in at a Michigan

Tammy, 49, her mother Mary and daughter Nikki, 11, sat polishing off a corn dog on a bench at the Ottawa County fair. They were sheltering from the late-July sun, mercifully upwind of the malodorous goat show, and around the corner from the Redneck Fries stall, in this traditionally conservative community near the shores of Lake Michigan. But they were also hiding out from the political fireworks around Michigan's

Trump in 2020 — a view still held by about 70 per cent of Republican voters, according to the Poynter Institute. The two women were just as quick to say they would vote Trump again in 2024: "I hope he runs," said Tammy.

Asked whether they were watching televised hearings of the US congressional inquiry into the January 6, 2021 Capitol attack, which has heard evidence that Trump incited his supporters to violence, both women

Ottawa County Republican Party tent to explain why so many Republicans still believe the 2020 election was stolen. A 39-year-old county employee who gave his name as City, took a break from handing out GOP lollipops to cite news reports of an illicit "vote dump" at the counting centre in Detroit. But he also mentioned problems with absentee ballots: he claimed to have received five ballots erroneously mailed to his home, while a GOP passer-by said he

Yet that medical technology and care, as Anthony Hayden, the presiding judge in his case, put it, "is a second-rate understudy for the main actor, ie, the brain itself".

His family disagreed: and as a result for the past four months fought in court to prevent the withdrawal of medical treatment for Archie supported by crowdfunding and the Christian Legal Centre, a private company.

In most cases, when a patient is found to have suffered brain death, treatment is withdrawn without recourse to a court, and without an accompanying international media circus. Neither English law nor medical ethics were going to be changed by the Battersbee case: the only issue at stake was when and how a young child would die.

As Hayden said, further treatment would have served "only to protract his death, whilst being unable to prolong his life". It's difficult to escape the suspicion that the blow-by-blow reporting of a dying 12-year-old's final weeks had more to do with the human desire to gaze at someone else's

to grind — unless, of course, you use "'causes I personally support'" as a heuristic.

A country in which a religiously motivated legal organisation could not support cases would be neither liberal nor democratic (though I'm not sure one in which such an organisation *won* many cases would be able to remain liberal or democratic either). And nor would a country in which the belief of a family has no place for redress be a particularly liberal one.

That absence of a clear line is one reason this case is a reminder of a neglected truth: that some disputes are better settled by courts, with politicians setting the rules of the road rather than seeking to intervene in each and every case.

When judicial power means that the most important thing elected governments do is appoint judges, things have gone wrong. But a polity in which the legal process cannot be used to carefully balance issues of rights, obligations and beliefs would be neither happy nor stable.

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Michigan county fair

by Patti Waldmeir

political fireworks around Michigan's August 2 primary election.

Former President Donald Trump and his loyal band of 2020 election deniers had a good primary in this battleground state, which voted narrowly for Trump in 2016 and less narrowly against him in 2020. Tudor Dixon, a Trump-endorsed candidate from another west Michigan town, won the Republican primary for governor, after half of her primary rivals were disqualified for falsifying petition signatures.

In a nearby US congressional race, election conspiracy theorist and Trump favourite John Gibbs booted out incumbent Peter Meijer, who voted to impeach Trump after last year's Capitol attack. These victories underscore the influence that the former president continues to wield among voters like Tammy and her family in rural Midwestern communities.

Tammy, a retirement home cafeteria worker, and her mother, a retired house cleaner, were quick to insist that victory was stolen from

supporters to violence, both women scowled. "I don't think he did anything wrong", said Tammy, as her mother nodded silently in agreement. Some 75 per cent of Republican primary voters said Trump was "just exercising his right to contest the election", and less than one in five said he "went so far that he threatened American democracy", according to a recent New York Times/Siena College poll. It also found that 49 per cent of primary voters would back Trump if he ran again, far more than potential rivals.

Democrats are hoping bad publicity from the January 6 commission will dent public support for Trump, but Midwest voters like Tammy tell a different story. She says inflation — the price of corn dogs — not the Capitol insurrection, is her top political issue. This echoes a recent Iowa poll which found that 71 per cent of Republicans, and 62 per cent of independents in Iowa put inflation top.

Just past the funnel cakes and elephant ears, opposite the "Dutch Fatballs", I asked volunteers at the

home, while a GOP passer-by said he got eight.

Meanwhile there are signs that the local GOP is turning to the right, with several moderate county commissioners unseated in the primary by more radical Republicans fighting on an anti-mask and culture wars platform. City, the GOP volunteer, supports the interlopers — though he worries they may hurt the party's chances in upcoming midterm elections unless Republicans learn to "stick together".

But the last time a Democratic presidential candidate won Ottawa County was in 1864 so it seems a fair bet the GOP will remain strong here either way. Trump can count on the unshakeable devotion of voters like Tammy. But it's less clear whether that will be enough to win the day for Republicans in Michigan — this most fickle of Midwest battlegrounds — or even to guarantee the former president the nomination, if he wants it.

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Opinion

Where have all the UK's self-employed gone?

WORK

Sarah O'Connor

Economists love a good mystery. Before the pandemic, one thing they puzzled over was the steady rise in the number of self-employed people in Britain's labour market — a stronger trend than in most other developed countries. Now there is a new mystery: where on earth they've all gone. When the pandemic hit, the ranks of the self-employed fell sharply and they show no sign yet of bouncing back.

This abrupt change of direction matters because the rise in self-employment has been for decades one of the UK labour market's defining features. The share of workers who were self-employed rose from about 8 per cent in 1975 to about 14 per cent in 2019. What exactly it means to be self-employed in Britain has also changed over that time. By 2019, it was much more common to be "solo self-employed" — a one-man band rather than someone who employs others. Nearly half of the UK's self-employed had employees in 1975 but by 2019 the figure was just 15 per cent.

The growing army of one-man bands was an important contributor to the UK's so-called "jobs miracle" that unfolded in the decade after the 2009 crash and pushed employment rates to record levels. According to the Institute for Fiscal Studies, solo self-employment accounted for a third of all employment growth over that decade. On the eve of the pandemic, the level and growth of solo self-employment in the UK were among the highest in OECD countries.

Although gig economy platforms like Uber and Deliveroo have been a high-profile driver of this trend, Britain's solo self-employed were a diverse bunch, from IT and finance professionals to drivers and construction workers. Some had high earnings, but as a group they struggled on average compared with employees. They were more likely to say they were underemployed and more likely to have been recently unemployed or inactive — hints that, for some at least, solo self-employment was a "better-than-nothing" option in a labour market that wasn't quite as healthy as it looked. Their median earnings were 13 per cent lower in real terms in 2018/19 than they were before the financial crisis. Over the course of 2020, their numbers dropped from about 5mn

> Whether or not the sector will start to grow again depends on how the cost of living crisis plays out

to 4.2mn. Where did the 800,000 go? Some — mostly business directors, partners and others in high-skilled occupations — probably reclassified themselves as employees in order to access the government's furlough scheme.

The Office for National Statistics has theorised that some people with companies would have considered themselves self-employed but "because they paid themselves through PAYE . . . they realised they were able to claim, and so started describing themselves as employees". The government did set up income support schemes for the self-employed, but some were excluded and others failed to navigate the system.

The pandemic also coincided with tax rule changes which were aimed at tackling "bogus self-employment". As a result, some previously self-employed people were put on corporate payrolls and some forced to become employees of "umbrella companies" instead.

There were also higher flows from self-employment to inactivity, suggesting the self-employed have been part of the rise in the UK in the numbers who have retired early or become too sick to work since the pandemic.

Other factors probably play a part. A fall in self-employed construction workers hints at a Brexit effect. A tight post-pandemic labour market might have meant better job opportunities for people who were "making do" with gig work. The Centre for Economics and Business Research consultancy has even mooted that employers' shift towards hybrid work since the pandemic means more people can gain the benefits of self-employment (flexibility, the chance to work from home) without giving up the security of employment.

Whether or not self-employment will start to grow again depends on how the cost of living crisis plays out. While much of the focus has been on battles over pay between workers and employers at a time of high inflation, little attention has been paid to the self-employed. Will they have the market power to raise prices enough to protect their incomes? A survey last month by academics at the London School of Economics found a third of self-employed people were having difficulties dealing with basic expenses. They said the cost of energy was their biggest challenge.

For better or worse, the self-employed are thinner in number but they remain an important part of the UK workforce. How they fare in the cost of living crisis will have a big influence on what the economy looks like on the other side.

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Dangerous fatalism about a US-China war

GLOBAL AFFAIRS

Gideon Rachman

When an international dispute has been rumbling on for decades, it can seem like a chronic condition that will never become terminal. The US and China were squaring off about Taiwan in the 1950s. I wrote a cover story for The Economist on the Taiwan Strait crisis of 1995.

So it is tempting to see the threatening military exercises that China is conducting off the coast of Taiwan as simply the latest chapter in a long-running saga.

But this time feels different. In the past a US-China war over Taiwan seemed like a real possibility — but no more than that. Now an increasing number of experts believe that a US-China conflict is not just possible but probable. James Crabtree, the Asia director for the International Institute of Strategic Studies, says: "On our current course some kind of military confrontation between the US and China over the coming decade now looks more likely than not."

Senior western officials are too cautious to say anything like that in public

was opened in 2021, when Admiral Phil Davidson, the retiring head of America's Indo-Pacific command, told Congress that he saw a "manifest" threat of a Chinese invasion of Taiwan within "the next six years".

The Chinese government's rhetoric is certainly nationalistic and bellicose. Qin Gang, the Chinese ambassador to the US, responded to Nancy Pelosi's controversial visit to Taiwan last week by tweeting a *Top Gun*-style video of the People's Liberation Army on exercises — complete with soaring missiles, explosions, sirens and chanting troops. The message was clear and unsubtle.

The fear that war is looming is driven by changes in China, the US and Taiwan itself.

Since Xi Jinping took power in 2012, Beijing's foreign policy has become noticeably more aggressive. China has built military bases across the South China Sea, and Chinese forces have killed Indian troops in clashes in the Himalayas. China's relentless military build-up means that the country now has more naval vessels than America.

Unlike his predecessors, who seemed prepared to wait for eventual "reunification" with Taiwan, Xi has called the issue a historic mission that "cannot be passed down from generation to generation". Popular expectations have been raised so high that some Chinese nationalists seemed disappointed that the People's Liberation Army did not shoot down Pelosi's plane.

seems to be cross-party agreement in Washington is that China is an increasingly dangerous rival, which must be confronted. Trump-era tariffs on Chinese goods have been kept by the Biden administration. Both the Trump and Biden administrations have expanded ties with Taiwan.

Biden has said three times that the US would fight to defend Taiwan if China invades — a departure from the official US policy of "strategic ambiguity". His officials' insistence that their boss had misspoken becomes less convincing each time. Biden's repeated suggestions that the US would go to war over Taiwan are in striking contrast to his clear statement, before Russia invaded Ukraine, that America would not get directly involved in military action. It reflects a widespread belief in Washington that, for strategic and ideological reasons, Taiwan's fate will define the balance of power in the 21st century.

> The fact that an invasion of Taiwan would be reckless and immoral does not

However, the tensions might not be coming to the boil were it not for changes in Taiwan itself. In 2016, and again in 2020, the island elected President Tsai Ing-wen, leader of the Democratic Progressive party, traditionally regarded as "pro-independence". Even though Tsai has steered clear of formal moves towards independence, it is evident that the younger generation of Taiwanese increasingly see their future as separate from the mainland.

The formula of "one country, two systems", which Beijing proclaimed for Hong Kong, was also floated by China as a model for Taiwan. But Beijing's repression in Hong Kong makes the territory looks more like an awful warning for Taiwan than a potential role model.

The Taiwanese know that Xi's honeyed talk of "peaceful reunification" is, in fact, code for annexation and incor- means that, if Xi is in earnest in his insistence that the Taiwan issue must be resolved to Beijing's satisfaction in this generation, force is his only option.

A Chinese resort to force would be a tragedy not just for Taiwan, but for mainland China itself. It would lead to mass casualties on all sides, permanent alienation between Taiwanese and mainlanders, and a rupture in the global economy that would endanger decades of Chinese growth. Above all, it would risk a direct conflict with the US and a third world war.

But the fact that an invasion of Taiwan would be reckless and immoral does not mean it will never happen. As Russia's attack on Ukraine demonstrates, nationalism, authoritarianism and resentment of US power can be a powerful and dangerous combination.

As they contemplate a conflict over Taiwan, Beijing and Washington feel obliged to talk and act tough. Each side hopes that the other is bluffing. Let us hope they are both right.

We must regulate the exploitation of space's limited resources

Mark Dankberg

The possibilities space offers are almost endless. The navigation systems in our cars and phones; the weather observation satellites analysing this summer's heatwave in Europe; the pictures of troop movements from the war in Ukraine; the safety communications on planes and ships; broadband services in hard-to-reach locations — the space economy informs and benefits everyone.

Space is a shared resource which must remain available to all nations. No private company, no matter how well-funded or fleet of foot, should be allowed to dominate it for its own benefit, or take risks that contribute to the existing climate crisis.

Yet that is the threat I believe we now face. Mega-constellations incorporating thousands, and soon tens of thousands, of satellites are crowding into low-Earth orbit, or LEO, and claiming the right to occupy it in a manner that poses a great threat to safety, competition, innovation and consumer choice.

As the founder, chair and CEO of Viasat, one of the world's largest satellite companies, I am confident that we have the scale and the technology to compete. Many others, including numerous countries, do not.

Concern about the over-exploitation of limited space resources is growing rapidly among global space agencies, policy and research institutions and national governments.

The proliferation of mega-constellations in LEO risks a cascade of collisions, potentially denying access to space for

> Mega-constellations of satellites pose a threat to competition, innovation, safety and consumer choice

decades or even centuries. In June, the UK's former science minister George Freeman warned how "a 'Wild West' space race without effective regulation risks a growing crisis of debris in space".

Greatly increasing the number of rocket launches will also cause environmental harm, as will the small particles and chemical compounds released into the ozone layer when, every day, dozens of spacecraft disintegrate at the end of their short lives. Plus, the light pollution caused by countless satellites may soon outnumber visible stars, interfering with optical and radio astronomy.

Though these harms have not yet been thoroughly examined, the size and total mass of the LEO mega-constellations has been increasing at an alarming rate. Just as we measure carbon footprints, we urgently need to determine the environmental footprint of each LEO constellation.

Fortunately, there is a growing international recognition that LEO is a shared natural resource and that the

— but many share Crabtree's pessimism in private. A window into US thinking

Attitudes in the US have also shifted. About the only thing on which there

mean it will never happen

poration into a dictatorship. They will not accept that — nor should they. This

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number of satellites that can operate there is limited. This concept of "carrying capacity" can help us assess how to best use the resource to benefit all.

Countries with space aspirations will not be able to realise them if they are denied orbital resources to support their spacecraft. This is even true of advanced nations unable or unwilling to outspend the mega-constellations in the race to capture orbital real estate.

We must find a way to share these limited natural resources equitably and with regard for the consequences of their use. International treaties have long recognised that nations must have equitable access to the orbits and frequencies around Earth. We need to protect that right before it's too late.

Ultimately, the power to rein in anti-competitive behaviour is distributed among all countries — it does not reside in a single licensing authority. The worst consequences could be avoided if an influential group of nations were able to place reasonable multilateral constraints on the orbital and environmental footprints of the constellations they allow to serve their countries.

Some mega-constellations insist that only they can close the digital divide, and only if they decide the rules. But the "move fast and break things" approach to new markets has not worked well on Earth over the past couple of decades — it's hard to see why it should be allowed in space.

The writer is founder, chair and chief executive of Viasat

Demography is not destiny

Ian Goldin

For the first time in history there are more people over 65 than under 5. Pensioners outnumber children in a growing number of countries, including the UK, much of Europe and Japan. By 2030 there will be over 1bn people over 65 and more than 200mn over 80, with the number of elderly people doubling over 20 years.

Improvements in public health and medicine account for increased longevity, a long-term trend of about two years per postwar decade (notwithstanding the recent reversals, which are primarily due to the pandemic and inequalities in healthcare). More surprising is how quickly fertility is falling. More than half the countries in the world are now below the level of fertility required to keep the population the same from generation to generation.

In a single generation, societies as different as Iran and Ireland have seen their birth rates plummet in a way that cannot be explained by cultural and religious beliefs. Nor do income levels explain the difference. The United States and countries as diverse as Italy, South Korea, Japan, Hungary, Poland, Russia, China and Brazil are all recording record lows in fertility, and even India is now below replacement level. In fact, over half of projected population growth in the coming 30 years will be in just eight countries.

The collapse in fertility coupled with increased longevity leads to a rapid ageing of societies. The working age population of the 38 member countries of the OECD is projected to decline by around a quarter over the coming 30 years without higher levels of migration.

As a rapidly growing elderly population rely on the taxes, pension contributions and services provided by fewer and fewer workers, economies will come under increasing strain. With average life expectancy after retirement approaching 20 years in the developed world and real adjusted returns barely positive, much higher levels of savings are required to fund pensions. More saving means less consumption, dampening demand for everything other than services for the elderly.

A key challenge is to direct a growing share of the savings into long-term investment, as the collapse in corporate and public investment means that as societies have aged, so too have their stock of infrastructure, health, education and other systems, with this contributing to the slowdown in productivity.

> In a single generation, societies as different as Iran and Ireland have seen their birth rates plummet

The declining size of the workforce will mean that the revenue of governments through payroll taxes will shrink. The growing share of a declining workforce that need to be devoted to elderly care acts as a further drag on productivity and growth, since care work is necessarily not open to many gains in efficiency.

The widening gap between the improvements in life expectancy and the much slower progress in addressing dementia and other degenerative brain diseases is compounding the pressures on families, care systems and private and public finances.

Ageing also exacerbates income and wealth inequalities. With these disparities being widened by the pandemic, the gap in life expectancy exceeds 10 years between the poorest and richest communities in the US and UK. And there is a staggering 32-year gap in average life expectancy between rich countries like Japan and some of the poorest countries, such as Sierra Leone.

Across Africa, the median age is below 20, half that of Europe and much of East Asia. Asia's growth benefited from labour-intensive manufacturing, back-office processing and call centres. The automation of these processes is removing the middle rungs of the development ladder, with potentially dire consequences for the 100mn young Africans who will be entering the labour market over the next 10 years.

Demography is not destiny, but it does need to inform public policy and individual decisions. It means greater attention must be paid to improving people's health, extending working lives, accepting more migrants, increasing productivity and growing savings.

The shift from consumption to savings can increase the potential for a circular economy and reducing carbon emissions. It also reduces interest rates and inflation, allowing for higher levels of investment in clean infrastructure, health, housing and education, which are the bedrock of sustained growth.

If we stop kicking the demographic time bomb down the road, it will be possible to achieve stable and sustainable societies that provide a better life for future generations as well as our own.

The writer is professor of globalisation and development at Oxford university and the author of 'Rescue: From Global Crisis to a Better World'

Lex.

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SoftBank/Son: Grand Old Duke of Tech

Investment groups that register unrealised gains as profits should do so gingerly. If they make big mark-ups when markets are roaring, it may amplify write-offs when the asset cycle turns. SoftBank epitomises the issue.

The Japanese tech investment group has booked an investment loss of ¥2.3tn ($17bn) at its Vision Funds for the first quarter. The funds, whose backers include Saudi Arabia, are belying their ambitious name. This latest wipeout of value follows a record annual loss. The tech rout is to blame.

The same applies to SoftBank's own ¥3.16tn ($23bn) attributable net loss in the latest quarter. Value ebbed from Chinese AI company SenseTime and Norwegian robotics firm AutoStore. That compounded losses from groups such as Korean ecommerce platform Coupang, down 60 per cent since it listed last year.

SoftBank boss Masayoshi Son has made progress in diversifying away from China. The group has investments in listed Indonesian tech group GoTo, and Delhivery in India. It has sold positions in China real estate platform Beike.

But these moves are overshadowed by ups and downs reminiscent of the nursery rhyme about the Grand Old Duke of York. The two Vision Funds reported ¥3tn of unrealised gains at the end of March. At end June, nearly 60 per cent of their groups recorded valuation losses, wiping out nearly all of March's gains.

Even the quarter's net loss figures are unlikely to capture the extent of the impact of the market sell-off. Valuations of unlisted companies have catching up to do. For example, Swedish payments group Klarna raised funds last month at a valuation 85 per cent lower than last year. That was when SoftBank invested. New listings such as GoTo are struggling.

Distributions to limited partners have been increasing, quadrupling in the past two years. SoftBank shares have, meanwhile, suffered a 46 per cent fall from last year's peak. Its $67bn market value is about half of its $135bn net asset value, which Son still sees as an important gauge of performance.

Nearly $10bn in buybacks have not been enough to rally the stock. The latest $3bn repurchase will be more of the same.

Son's immediate task is to float chip designer Arm on a weak market. His broader mission is to bolster credibility that slips with every tech reversal.

Coinbase/BlackRock: out of the money

The fortunes of Coinbase, the largest listed US cryptocurrency exchange, are inextricably tied to the price of bitcoin, the world's largest cryptocurrency.

It makes sense that a crash in crypto prices would leave Coinbase shares down by almost two-thirds since the start of the year. This drop is inclusive of a rally in recent days. News that Coinbase has partnered with BlackRock — an asset manager with more than $8tn in assets — has helped add more than a tenth to Coinbase's equity value. BlackRock will integrate Coinbase services for its big customers.

If large sums of institutional money are about to flow into cryptos then prices should recover further. But what other big fund clamours to invest in bitcoin now? The BlackRock deal was probably dreamt up when crypto prices were riding high. Now bitcoin is trading where it was at the end of 2020. Demand has evaporated. In the first quarter Coinbase revenues fell 27 per cent from the previous year.

Block is another company created in San Francisco that hitched its wagon to crypto. It reported a 6 per cent drop in revenues in the past quarter as a result of falling demand for bitcoin trading.

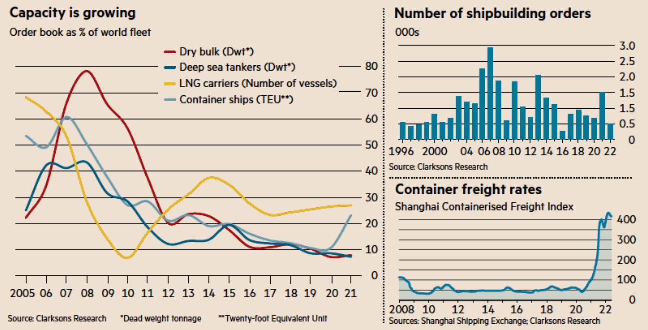
The crypto crash is not Coinbase's only problem. The US Securities and Exchange Commission has charged a former employee with insider trading and stated that some tokens involved were securities. This classification could impose a heavy regulatory burden on all digital asset exchanges.

Coinbase won customers by making it simple to trade in the wild west of digital tokens. A direct listing in 2021 added to perceived respectability. But the business has over-reached itself. Competition from rival platforms such as Binance, which offers lower fees on trades, encouraged it to add many more tokens. That squeezed margins.

The US crypto exchange has hopes for subscriptions and services, where revenues are rising. But this accounts for just 13 per cent of the total. While crypto trading volumes remain depressed, so will Coinbase shares.

Shipping rates: containerise your enthusiasm

An imbalance between supply and demand has driven up freight rates. The number of new ships on order has increased, particularly for liquid natural gas carriers. Overall, order books average a tenth of the global fleet. That is still far below the pre-financial crisis peak.



A following wind of exceptional strength is propelling the shipping industry. There will be little let-up until next year, according to industry barometer Clarksons, which reported strong interim results yesterday.

Congestion is a big factor. The proportion of the world cargo fleet in port was up 7 percentage points to only 38 per cent in July compared with the pre-pandemic average. That is unlikely to ease much until China relaxes its Covid-19 restrictions.

Clarksons, a FTSE 250 group and the world's largest ship broker by headcount, said container rates had dropped just 5 per cent from April's all-time record. Sky-high rates mean strong profits for companies such as AP Møller-Maersk, which has lifted its forecasts three times this year.

Hard-pressed customers are questioning the let-outs from antitrust law that lets nine big shipping groups consolidated into three alliances control most ocean shipping.

Supply-chain businesses have urged Brussels to mount a review. Joe Biden has accused "foreign-owned" shipping companies of raking in profits. He recently signed the Ocean Shipping Reform Act, which aims to address some grievances. The root problem is an imbalance between supply and demand, says the Federal Maritime Commission, the US regulator.

After a two-year probe it recently concluded that ocean-carrier competition was "vigorous". Customers can expect supply and demand to move towards greater balance. The expectation of weakening shipping rates means Clarksons trades on a price/earnings ratio of 18, a discount of nearly a quarter to the five-year average. New container ships coming into service will expand fleet capacity by 8.2 per cent next year and a further 6-7 per cent in 2024.

Order books are not high by historic standards. That reflects shipyard closures and uncertainty over which low-carbon fuel will become the standard for an industry under pressure to decarbonise.

That is good news for the shipping sector, which may escape a value-destroying glut. For customers, the limited supply on new ships will ensure any fall in rates is not huge.

BHP/OZ Minerals: wire buyer

The world depends on vast skeins of copper wire in its faltering transition away from hydrocarbons. Curiously, there are precious few dedicated miners of the red metal. Even fewer operate in politically stable countries.

OZ Minerals of Australia is one. Cue a A$8.4bn ($5.8bn) cash bid from BHP.

The OZ board batted away the price as opportunistic, refusing to even discuss the idea with its much larger suitor. OZ's shareholders should ask why not. BHP has offered A$25 per share, a decent 24 per cent premium to the undisturbed three-month average. That would give OZ an enterprise value 8.5 times forecast ebitda for 2023, a fifth above the five-year average. Chile's Antofagasta trades at half that.

BHP's timing is canny. Copper provides more than a fifth of group operating profit, second to iron ore. In less than four months the metal's value has plummeted 26 per cent in price to $3.35 per pound. OZ's copper mines, including its Carrapateena project, are in South Australia. That is not too far by Aussie standards from BHP's Olympic Dam and Oak Dam mines.

Wealthy neighbours can easily appear high-handed. For BHP, this would be a mere bolt-on purchase. But the deal would reduce risk for OZ investors. Both companies are digging deep for higher-grade copper. This is expensive. Even after completing an expansion, OZ should dig out about 200,000 tonnes of copper. BHP produces more than seven times that.

OZ will need a strong copper price given its investment needs. Analysts forecast the miner's negative free cash flow will average A$142mn annually in 2024. That is not so small when operating profits are half a billion.

As a primarily Australian group, BHP should pass muster with Australia's Foreign Investment Review Board.

OZ has assets near the Woomera military facility, as JPMorgan points out. This takes its name from a spear thrower, a sometime weapon of war.

The board of OZ would be wise to make its peace with BHP.

Carlyle/Kewsong Lee: early checkout

The Carlyle Group notably got its name from a New York hotel that the firm's founders liked. Hotels, like private equity groups, have checkout times. Late Sunday night, Carlyle announced that Kewsong Lee, chief executive, would leave his post immediately.

His employment contract ran through to the end of 2022. He and the board could not agree to an extension.

Lee has worked to remake the firm. Carlyle was among the buyout pioneers that listed their shares around a decade ago. It has sometimes been seen as too tied to its leveraged buyout roots but its $376bn assets under management are nearly double the figure at the end of 2017. More importantly, Carlyle has pushed into credit investing, including the kind that supports insurers. It has less dependence on volatile if lucrative carried interest and better support from recurring management fees. Public market investors prefer this — and the abolition of supervoting shares.

The suddenness of Lee's departure is emphasised by co-founder Bill Conway, in his early 70s, taking the helm on an interim basis. Carlyle's board still has four members who can trace their association to the business back several decades. Lee joined only nine years ago. His exit smacks of the old guard retaking control.

In the past five years, Carlyle shares have risen a healthy 68 per cent. But that sharply trails the likes of KKR, Blackstone, Apollo and Ares. Private capital businesses have increasingly usurped banks as intermediaries. They have also replaced public markets as a place where institutional investors get disproportionate returns.

The leveraged buyout stars of before face a future away from pure private equity. Corporate lending and real estate matter too. In the past quarter, Carlyle's credit division had slightly more assets than the buyout area.

This makes the decision confronting the board even harder. Choosing between an insider or outsider as the new CEO would send a message about modernity, or the lack of it, at Carlyle.

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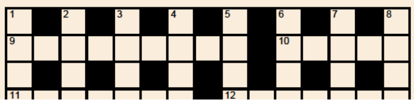
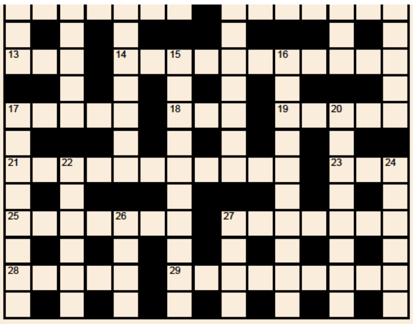
CROSSWORD

No 17,168 Set by NEO

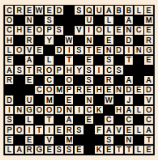


ACROSS
9 Worker with experience put in satellite dish (9)
10 Cornish city organised tour crossing river (5)
11 Single out with guitar that may cause rocky bust-up? (4-3)
12 Verbal attack from European with



JOTTER PAD

Solution 17,167



microphone (7)
13 Where fin initially removed touch fish (3)
14 Mix during time at school next to fire (11)
17 Amazing soldier in Pembroke for example (5)
18 Grass over lovely Cambridge Backs (3)
19 Analyse almost astronomical distance (5)
21 Firework and source of light in Catholic church (5,6)
23 Sack not opening causes wrath (3)
25 Swallow one gin cocktail (7)
27 Recreated Walter Raleigh's first vessel (7)
28 Antelope encountered in many a land (5)
29 Festival to enjoy with artist in sweet bar? (5,4)

DOWN
1 Old woman with good pastry for hoarder (6)
2 Blade for stabbing left cuts in fusspot (8)
3 Spirit level in a mine brought to one working (10)
4 Man say to mislead making frantic exit? (4)
5 Police chief is poisonous reptile (10)
6 Thanks accepted by the Spanish and others (2,2)
7 Aromatic kernel in stone cask overturned (6)
8 Genuine clubs on Greek island (8)
15 Dread more established for commentators in ground? (5,5)
16 As showman one eccentric is Mr Opera (10)
17 Show one mercy somehow (8)
20 Less well entertained by some light banter (8)
22 Marines coming in stand for legendary sight at sea (6)
24 Right to depart, for example, on steamship (6)
26 Learned theologian and single mother? (4)
27 Revolutionary band in Lebanese port (4)