Dubai

Nikkei	27999.96	28249.24	-0.88
Hang Seng	20003.44	20045.77	-0.21
MSCI World $	2758.72	2752.06	0.24
MSCI EM $	1001.79	1002.87	-0.11
MSCI ACWI $	640.83	639.53	0.20
FT Wilshire 2500	5404.02	5405.17	-0.02
FT Wilshire 5000	42211.84	42215.33	-0.01

Ethereum	1679.58	1777.16	-5.49
COMMODITIES			
	Aug 9	Prev	%chg
Oil WTI $	90.35	90.76	-0.45
Oil Brent $	96.42	96.65	-0.24
Gold $	1784.05	1773.25	0.61

GER 2 yr	0.45	0.45	0.01
GER 10 yr	0.92	0.89	0.02
GER 30 yr	1.15	1.11	0.04

Prices are latest for edition
Data provided by Morningstar

A Nikkei Company

INTERNATIONAL

Ukraine war

EU urged to ban tourist visas for Russians

Finland and Estonia aim to put extra pressure on Moscow over the invasion

RICHARD MILNE — OSLO
MAX SEDDON — RIGA
HENRY FOY — BRUSSELS

Estonia and Finland have called on the EU to stop issuing tourist visas to Russians in a push to open a new sanctions front following Moscow's invasion of Ukraine.

Finland, which, like Estonia, Latvia and Lithuania, shares a border with western Russia, has noted a rise in Russian tourists entering the country often on visas from other EU countries and then using its airports to fly elsewhere in the bloc through the Schengen free travel area.

"Stop issuing tourist visas to Russians," Kaja Kallas, Estonia's prime minister, wrote on Twitter yesterday. "Visiting Europe is a privilege, not a human right. Air travel from Russia is shut down. It means while Schengen countries issue visas, neighbours to Russia carry the burden (Finland, Estonia, Latvia — sole access points)."

Sanna Marin, Finland's prime minister, told state broadcaster Yle: "It's not right that at the same time as Russia is waging an aggressive, brutal war of aggression in Europe, Russians can live a normal life, travel in Europe, be tourists. It's not right."

The subject has been raised with other EU leaders and is set to be formally discussed at their next summit, scheduled for October, according to a person with knowledge of the talks.

Several European countries are looking at ways to restrict Russian travellers while keeping their borders open within the confines of the Schengen regime of visas and no passport checks inside much of the continent.

But other member states are wary of shutting out all Russian citizens.

"You don't want to completely ban all Russians from travelling to the EU. How are we going to engage at all?" said an EU official. "Russians not in favour of the war need to be able to travel too."

'You don't want to . . . ban all Russians from travelling to the EU. How are we going to engage'

The Kremlin said the calls showed "irrational thought" and tacitly likened them to Nazi Germany. "Many of these countries are so hostile to us that it's making them delirious," Dmitry Peskov, spokesman for President Vladimir Putin, said yesterday.

"They are stooping to sentiments that we heard literally 80 years ago from certain countries in the heart of Europe," Peskov said, according to Interfax. "I think common sense will eventually prevail."

Latvia stopped issuing visas to most Russian citizens this month. But Finnish authorities believe they may lack the legal basis for a ban so are looking at ways of restricting visas for Russians while pushing for an EU solution.

"Is Finnish legislation up-to-date enough that we could introduce our own national sanctions in such a very exceptional situation? But I would personally like to see European solutions to this question as well," Marin said.

"The EU has partially suspended the Visa Facilitation Agreement with Russia. The suspension targets people close to the Russian regime. It does not affect ordinary Russian citizens for the time being," said Anitta Hipper, European Commission's spokesperson for home affairs, migration and internal security.

"Member states have significant leeway to decrease or stop issuing long-stay visas and residence permits, under their national law," Hipper added.

"There will always be categories of people for which visas should be issued, [such as] humanitarian cases, for family members, journalists or dissidents".

Chris Giles see Opinion

Turkey

First grain ship to leave Ukraine stranded without buyer

EMIKO TERAZONO AND IAN SMITH
LONDON
SAMER AL-ATRUSH — DUBAI

The first ship to set sail from Ukraine laden with grain since the Russian invasion is stranded off the coast of Turkey after the intended buyer of the cargo refused delivery, according to the UN body supervising the reopening of the Black Sea route.

The setback underlines the difficulty in restarting the grain transit required to ease a global food crisis sparked by Russia's blockade of Ukraine's Black Sea ports.

The Razoni, loaded with 26,000 tonnes of corn, was the first ship to test the reopening of a route through mines at sea after a deal was signed between Ukraine and Russia.

The Razoni was delayed while its corn shipment was resold, leaving it "anchored off the southern Turkish coast and waiting for instructions for the new destination", according to the UN-led committee overseeing the deal.

The vessel's shipping agent in Tripoli said the buyer of the cargo in Lebanon had rejected the grain over quality concerns. The agent was now waiting for instructions for the cargo, he said: "We don't know what will happen."

'Details about quality control are vague but the Razoni's cargo was rejected by the buyer in Lebanon'

The UN has stressed it was common for cargoes to change hands while en route. However, the failure of the vessel to complete its journey highlights the challenges the international organisations and grain traders face in trying to normalise trading in commodities markets.

The rejection of Razoni's cargo also raises questions over the condition of the grain which had already been loaded on to boats in Ukrainian ports when the war broke.

The UN-led Joint Co-ordination Centre said its inspectors checked whether the vessel, which left Odesa on August 1, had any unauthorised crew or cargo. "We are not involved in conducting food inspection, this is not part of the agreement," it said.

A total of 12 vessels carrying more than 370,000 tonnes of food commodities, including corn, sunflower meal and oil, have left the Ukrainian ports of Odesa, Chornomorsk and Pivdennyi.

"Details about quality control are understandably vague but the Razoni's cargo was rejected by the buyer in Lebanon, so there will likely be some further problems particularly on the older grain which should be seen as distressed cargo," said Neil Roberts, head of marine and aviation at the Lloyd's Market Association.

"For now, the good news is that some vessels are out and some grain export has resumed, but much remains in the balance."

The JCC said it was prioritising the departure of the stranded vessels in Ukrainian ports so it could free space for inbound vessels and empty silos.

See Lex

Eurozone. Pandemic rebound

Ireland's hot economy boosted by tax windfall

Inflows from multinationals can help ease cost of living but could be Dublin's Achilles heel

JUDE WEBBER — DUBLIN

Big effect: Dublin's business and financial sector. The impact of multinationals has meant Ireland's growth numbers have distorted EU figures
Paul Faith/AFP/Getty Images

For much of the EU, the economic outlook is grim with fears of a recession mounting and government finances constrained. Then there is Ireland.

The republic is enjoying an €8bn corporate tax windfall after bumper pandemic-enhanced revenues from tech and pharmaceutical companies. The tax take from companies attracted by Ireland's 12.5 per cent corporate rate has soared since 2015 and leapt a further 30 per cent last year compared with 2020.

Ireland's economy expanded 6.3 per cent over the second quarter against an EU average of just 0.6 per cent. So great was the impact from multinationals that Ireland's numbers distorted EU figures, despite the nation of 5.1mn making up less than 3 per cent of the region's economy.

With employment and foreign investment also at record highs, "the economy is even hotter than the weather", said Danny McCoy, head of employers' confederation Ibec.

Yet Ireland is not without its problems. Prices rose 9.1 per cent in the year to June. Families feel priced out of the housing market in Dublin and other cities. "We're not on bad wages," said Mark Murphy, 39, a manager at a charity, based with his wife in West Cork.

He delayed getting married and starting a family to save for a "very modest" home costing about €300,000. "But now, the same houses are €400,000, we just can't get the credit."

Consumer spending contracted 1.3 per cent in the first quarter compared with the previous three months. Modified domestic demand, a measure of the size of economic activity that excludes some multinationals' expenditure and is considered a better indicator than gross domestic product, fell 1 per cent over the first quarter.

Officials warn that the corporate tax is vulnerable to fluctuation. Half the receipts of €15.3bn last year came from just 10 companies, among them Apple, Google, Intel, Meta, Amazon and Pfizer.

But for now the healthy tax receipts give Ireland a handy cushion, with a very modest fiscal surplus expected if spending levels are maintained. Even after stripping out the multinational sector, Ireland's domestic economy contracted less in 2020 and rebounded faster in 2021 than the EU average, said rating agency DBRS Morningstar.

Leo Varadkar, deputy prime minister, at an event last month presenting record inward investment data, said: "The jobs and revenue created by multinationals helped to keep us out of recession when the pandemic hit and are now giving us the financial firepower to ease the cost of living crisis and avoid recession once again."

But if the world economy experiences a downturn, Ireland's multinationals could be its Achilles heel. The threat of a recession in the EU and US is mounting. Any downturn would hurt the profits of companies invested in Ireland and feed through into a lower tax take.

The central bank said corporate tax receipts, which have exceeded expectations for the past seven years, were €8bn higher than expected last year and brought in nearly €9bn in the first half of this year alone.

The government has been reluctant to say whether or how it will use the tax windfall in the budget, but the central bank and the Irish Fiscal Advisory Council have warned against a reliance on a tax take that could prove volatile.

"There is nothing on the horizon that suggests that corporate tax revenues are going to rapidly fall," said Seamus Coffey, a lecturer at University College Cork and an expert on corporate tax. "But five, six years ago, there was nothing on the horizon that suggested they were going to rise."

John Fitzgerald, a Trinity College economics professor, said the worst-case scenario of a drastic drop in corporate tax receipts would be a loss of 3-4 per cent of national income, a big hit to public finances.

Ibec cautioned that the economy faced a "turning point" and that "for Ireland, as a small open economy, shifts in the flow of capital through the global economy can have an outsized impact on our growth model".

'There is nothing on the horizon that suggests corporate tax revenues are going to rapidly fall'

Ireland could stay lucky. Although the government forecast that its decision to join an OECD global corporate tax accord setting a minimum 15 per cent rate could cut revenues by €2bn, implementation has been delayed.

Foreign direct investment continues to surge, with the number of investments in the first half up 9 per cent on the same period in 2021, including an 18 per cent jump in new names locating in Ireland. Conall Mac Coille, chief economist at brokerage Davy, said he saw "no real reason" that taxes paid by foreign companies investing in Ireland would "collapse any time soon".

McCoy at Ibec said: "We're the equivalent of a household that's just won the lottery. Are we the household mature enough to say 'actually, this good fortune can be put to work for future generations'? Or are we just going to go daft?"

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Jabs shortage

Europeans struggle to access monkeypox vaccine

DONATO PAOLO MANCINI AND JOSH SPERO — LONDON

People living in Europe are crossing borders to obtain the monkeypox jab as authorities in their own countries struggle to provide doses because of severe vaccine shortages and increasing case numbers.

In Italy, inoculations were set to start ... elling abroad to get vaccinated. Benjamin Michelet, a Lausanne resident working in government, travelled to Paris because the shot was not yet available in Switzerland.

"I feel like we have been betrayed once, like the previous generations of gay guys have been betrayed by governments in the Aids crisis," said Michelet. "I'm lucky enough maybe to live in a ... and authorised imports from the US. The vaccine, originally devised for smallpox, is known as Imvanex in Europe and Jynneos in the US.

Cooke said it was not clear when extra shipments would be available and said the agency had begun to "look into" a potentially suitable vaccine made by Japanese company KM Biologics. She noted, however, that not many manu- ... Organization declared eradicated in 1980, for example in the form of a bioweapon. Because the monkeypox virus is similar to smallpox, the vaccine is believed to prevent monkeypox's spread or lessen its severity, though few data are available.

Bavarian Nordic said it had increased production and had delivered, "at an early stage", to all major countries as

INTERNATIONAL

Senate leaves Biden corporate tax plan short of OECD deal on minimum rate

Inflation Reduction Act appears to be at odds with 15% global business levy reform signed last year

MARY MCDOUGALL — LONDON

The US played an instrumental role in encouraging 136 countries to sign up to a global tax deal put by the OECD last October and hailed as the most important tax reform in over a century.

But over recent days it has become clear that how Washington intends to apply one of two parts of the proposal — a minimum corporate tax floor of 15 per cent — is at odds with how the agreement is likely to work elsewhere.

The stripped-back version of President Joe Biden's tax plans that featured in the Inflation Reduction Act, the White House's flagship economics legislation that just passed the Senate at the weekend and is expected to pass in the House of Representatives this week, misses out key elements of the deal agreed and signed in Paris.

That has raised concerns that multinationals will face a web of complexity that will leave them struggling to comply with a set of rules aimed at ensuring they pay a fairer amount of tax.

"Companies all want this alignment that they've been working to, but now it's not what they thought it would be," said Kate Barton, global vice-chair of tax at accountant EY.

"Will all countries now just go and do their own thing?"

Where does the act fall short?

The rules for the global minimum tax, as set out by the OECD, require multinationals with annual revenues of more than €750mn to pay a top-up tax to an effective rate of 15 per cent in every country in which they operate.

This part of the deal, known in tax circles as Pillar Two is designed to "stop what's been a decades-long race to the bottom on corporate taxation", as US Treasury secretary Janet Yellen put it when the deal was signed.

To bring the US in line with Pillar Two, the Biden administration originally proposed reforms to the US's global intangible low-taxed income, or Gilti, regime. Under Gilti, a top-up tax of about 10.5 per cent is applied to the profits of subsidiaries of US companies located in low tax jurisdictions.

Gilti was introduced in the US in 2017 to stop US companies shifting profits overseas and Biden's original proposal was to increase the Gilti rate to 15 per cent to bring the US into line with the OECD deal.

Headwinds: President Joe Biden's plan to increase the US global intangible low-taxed income regime failed to gain approval
Saul Loeb/AFP/Getty Images

These proposals failed to gain approval in the Senate, however, with Joe Manchin, the West Virginian Democrat who was crucial to the act's passing, asking for their removal.

Instead, a corporate tax minimum of 15 per cent will only apply to the "book income", the amount reported in financial accounts, of companies with revenue of over $1bn.

It will also only apply at a group level, rather than on a country-by-country basis, falling short of the deal's goal of eliminating the practice of setting up subsidiaries in tax havens.

It's "doubtful" that what is in the act will be deemed compliant with the global minimum tax, said Ross Robertson, international tax partner at accountancy firm BDO.

"Ultimately, there could be increased complexity for international businesses in the application of the rules once in force or worse, it could increase the risk of double tax arising," he went on to point out.

How are other signatories likely to respond?

Peter Barnes, a tax specialist at the Washington law firm Caplin & Drysdale, called Congress's alteration of the Biden tax proposals "disappointing" but "certainly not fatal" to the deal.

One reason for optimism is that, if the US implements the 15 per cent minimum rate in the form that is detailed in the act and not in the deal, then other tax authorities could potentially scoop up more revenue from US companies for themselves.

That is because the deal features a complex mechanism that allows other countries to, in effect, impose a tax of up to 15 per cent on the income of a subsidiary located there if, as is the case of the US, the home country of the parent corporation does not impose a top-up tax.

> 'There could be increased complexity for [global] businesses in the application of the rules or worse, it could increase the risk of double tax arising'

"The [4.5 percentage point] difference between the Gilti 10.5 per cent rate and 15 per cent will be captured by other jurisdictions," said Reuven Avi-Yonah, professor of law at the University of Michigan.

"When you think seriously about [the design of] Pillar Two you realise that it is going to happen anyway," pointed out Pascal Saint-Amans, director of tax administration at the OECD.

Barnes agrees and thinks that US multinationals might eventually push Congress to apply Pillar Two in a form closer to that which has been agreed at the OECD.

However, progress on implementing the global minimum tax has been delayed across the board, with all countries yet to pass legislation for it, despite initially agreeing to do so by the end of 2022.

What is causing the delays elsewhere?

The EU issued a draft directive to implement Pillar Two in December, but political divisions have failed to achieve unanimous approval from member states. Hungary, a member state that is often at odds with Brussels, is blocking progress.

The remaining 26 European countries may be able to implement Pillar Two without Hungary, however, by enshrining it in their own domestic legislation.

"There remains significant political will in Europe to press forward," Robertson said, adding that he expected most of Europe to apply Pillar Two from January 2024.

Once the EU moves ahead, other countries could probably follow suit to prevent losing out on the top-up taxes.

The other part of the deal, Pillar One, which aims to make the world's largest multinationals pay more tax in the countries in which they make sales, is even further behind schedule.

While the delays and setbacks have proved frustrating for those who are desperate to see companies pay their fair share, practitioners emphasise just how fundamental a reform the deal actually is. "We're effectively needing to design an entirely new global tax base," said Heydon Wardell-Burrus, a researcher at the Oxford Centre for Business Taxation.

Edward Luce see Opinion
See Markets Insight and Companies

Sport

Tennis star Williams to retire after US Open

SARA GERMANO — NEW YORK

Serena Williams is preparing to retire from tennis after this year's US Open, concluding a career that ushered in a new generation of diverse players and made the 23-time Grand Slam champion a powerful ambassador for sponsors and black women in business.

Williams, 40, announced her plans to retire in an essay for Vogue published yesterday. She said her plans to have more children had led to her decision. "I never wanted to have to choose between tennis and a family. I don't think it's fair, but I'm turning 41 [in September] and something's got to give."

Williams, with her elder sister Venus, took tennis by storm in the late 1990s, with Serena capturing her first Grand Slam title at the 1999 US Open aged 17. The sisters' many championship finals, including against one another, along with their background learning to play on public courts in Compton, California, inspired a generation of black women to pursue the sport, including champions such as Naomi Osaka of Japan.

Her quest to break Margaret Court's record of 24 career Grand Slam titles has made Williams a consistent television ratings and ticket sales draw at tournaments around the world.

Williams has become a single-name entity, a leading endorser first for Puma and now for Nike, which named a building on its campus in her honour. Beyond sportswear, she has endorsed blue-chip brands including Chase, the consumer banking arm of JPMorgan, and IBM.

Forbes estimates her net worth at $260mn, placing her at 90 in its list of the top self-made women in the US. Williams has earned almost $95mn in career prize money, according to the Women's Tennis Association.

In recent years she has focused more on investing and expanding opportunities in women's sports. Her venture capital fund, Serena Ventures, raised $111mn in its inaugural round as of March and focuses mainly on seed-stage investments in start-ups, according to Crunchbase.

"Every morning, I'm so excited to walk downstairs to my office and jump on to Zooms and start reviewing decks of companies we're considering investing in", Williams wrote in Vogue, saying she planned to expand her focus on the business side.

Anjana Ahuja see The FT View page

US politics. Florida estate

Justice department under pressure to explain Trump raid

Republicans and Democrats call for explanation over 'unprecedented' FBI action

COURTNEY WEAVER AND JAMES POLITI
WASHINGTON

The US Department of Justice is under pressure to provide an explanation of

president, said he shared "the deep concern of millions of Americans" over the search, noting "no former president of the US has ever been subject to a raid of their personal residence".

Pence, who has publicly broken with Trump over the January 6 attack on the US Capitol, added that Merrick Garland, the attorney-general, "must give a full accounting to the American people as to why this action was taken and he must

Remember, they've been trying to get Trump since he came down the escalator," referring to Trump's 2016 campaign announcement.

However, the criticism was not limited to the Republican party, with Democrats also calling for the DoJ to provide more clarity. Others warned that if the raid were carried out in connection with a probe into the preservation of presi-

dential records — rather than a more serious matter — then it could jeopardise future investigations and boost Trump politically.

Andrew Cuomo, the former New York governor who was forced to resign following a wave of sexual harassment allegations, called on the justice department "to immediately explain the reason for its raid". He added that if the raid pertained only to "a search for inconse-

the passage of a flagship tax-and-spend bill through the Senate at the weekend.

Democratic leaders were reluctant to discuss the FBI search. House Speaker Nancy Pelosi said she expected authorities had "justification" but said she had no further knowledge of the raid. Chuck Schumer, the Democratic Senate leader, refused to comment on the search.

However, Hillary Clinton — who was investigated by the FBI in the run-up to the FBI's search of Donald Trump's Florida estate after the unprecedented raid on a former US president's home prompted outrage from Republicans.

By midday yesterday, the DoJ and FBI had yet to comment on the search of Mar-a-Lago, which was carried out a day earlier by what Trump described as a "large group" of federal agents.

Republicans portrayed the raid as a politically motivated attack on someone who has repeatedly raised the prospect of trying to win back the White House in 2024.

Mike Pence, Trump's former vice-... do so immediately".

Mike Turner, the top-ranking Republican on the House intelligence committee, published a letter to FBI director Christopher Wray calling for an "immediate briefing" on the search. "In the history of our country, this action is unprecedented . . . Congress deserves immediate answers from you as to the actions you ordered," he wrote.

Republican senator Lindsey Graham described it as "a dangerous moment for the American constitution", adding: "The pressure on DoJ from the liberals to get Trump has been unrelenting . . .

Donald Trump: says large number of federal agents searched Mar-a-Lago

quential archives", it would be "viewed as a political tactic and undermine any future credible investigation".

Andrew Yang, a former Democratic presidential candidate, said on Twitter: "Mishandling documents doesn't seem like raid material. It does however seem like excellent campaign material for Trump."

The Mar-a-Lago raid threatens to overshadow what had been shaping up as one of the most positive stretches of Joe Biden's presidency. News of the search broke as he was celebrating a string of legislative victories, topped by

the 2016 election over her use of a personal email server while secretary of state — appeared to revel in the moment.

She tweeted a link to a page selling baseball caps emblazoned with the slogan "But her emails", which has become an ironic retort among her supporters since she lost the election to Trump.

In a separate blow to Trump, a Washington court of appeal ruled yesterday that Congress had the right to subpoena the former president's tax returns, something that had long been fought for on the left.

Asia

Taipei accuses Beijing of claiming control over Taiwan Strait

KATHRIN HILLE — TAIPEI

Taipei has warned that China could use military drills around the island to establish control over the entire Taiwan Strait, impeding international shipping and air traffic and strengthening Beijing's efforts to deny the US military access to the area.

The warning from foreign minister Joseph Wu came as the People's Liberation Army said yesterday it was extending joint air and naval exercises around Taiwan for a second day. The live-fire drills, which were called in retaliation to a visit by US House of Representatives Speaker Nancy Pelosi to Taipei last week, were originally scheduled to last for four days ending on Sunday.

"China has openly declared its ownership over the Taiwan Strait," Wu said. "It aims to influence the international community's freedom of navigation in the waters and airspace of the Taiwan Strait by denying the status quo that it is an international waterway."

China's military response to Pelosi's two-day Taiwan visit has prompted concerns over the long-term security of global logistics and supply chains in the region, one of the most important trade routes in the world. According to Taiwan's defence ministry, 45 Chinese military aircraft and 10 warships operated in the Taiwan Strait area yesterday, with 16 fighters flying across the median line north and north-east of Taiwan.

Beijing and Washington have accused each other of trying to change the status quo over Taiwan. Under its "one China" policy, the US recognises Beijing as the sole government of China but only acknowledges Beijing's view that Taiwan is part of China.

"Although China seems to be targeting Taiwan now, its activities around the world have shown that its motivation is far beyond Taiwan," said Wu.

"China is now determined to link the East and South China Seas through the Taiwan Strait so that this entire area becomes its internal waters. And its intentions are not likely to stop there."

He said the PLA had crossed the "first island chain" — the archipelagos around East Asia that include Taiwan, Japan and the Philippines — to conduct military exercises multiple times in recent years. In the South China Sea, China often tries to enforce its claim to contested waters and islands against its neighbours by using militarised artificial islands that it has built over the past decade. In the East China Sea, Beijing challenges Japan's control over the contested Senkaku Islands by sailing coast guard ships into their territorial waters.

Wu suggested that Beijing's activity in the Taiwan Strait could be stopped only if neighbouring nations joined the US to assert freedom of navigation rights by sailing warships through the area.

Wu's warning followed statements from Chinese military commentators that the drills had succeeded in "obliterating" the median line in the Taiwan Strait, an unofficial buffer zone the PLA respected previously but has sent fighters and warships across dozens of times in the past few days.

Listings drought Tumbling valuations, economic uncertainty and volatility have caused IPO fundraising to fall sharply ● MARKETS

Companies & Markets

Orcel pushes to patch up UniCredit ties with Rome

- Failed MPS takeover strained relations
- Bank aims to boost domestic business

SILVIA SCIORILLI BORRELLI — MILAN

UniCredit chief Andrea Orcel has hired a top public relations firm to repair his battered reputation with Italian bureaucrats and government officials following last year's aborted Monte dei Paschi di Siena takeover.

The move comes as the chief executive of Italy's second-largest bank tries to bolster UniCredit's domestic business, which accounts for almost half of its revenues.

Relations with Rome were strained last year after the long-planned takeover by UniCredit of ailing Monte dei Paschi di Siena — majority owned by the state following a 2017 bailout — was derailed by Orcel's demands for €6.5bn from the government to go through with the deal.

> 'We can and need to do more to accelerate the transformation of our Italian operations'

Orcel was blamed by Italian officials for thwarting plans on which Rome had been working for months. The collapsed deal also meant Italy was forced to request an extension from the European Commission to a 2021 deadline for exiting MPS's capital.

In an effort to rebuild bridges between Orcel and Italian institutions, UniCredit hired Gianluca Comin, a veteran institutional affairs and communications specialist and founder of Rome-based

The move to shore up relations with Rome is seen as crucial to safeguarding the domestic business, according to several people familiar with the strategy.

"Andrea may have worked abroad his whole life but he grew up in Rome and he's perfectly aware of how things work over here," said one of the people in Rome. "He's committed to the job and he's taken the matter of fixing his relationships into his own hands."

Orcel has been putting increased weight on the bank's home market and last month took over as head of UniCredit's Italian operations from Niccolò Ubertalli, whom he had appointed a little over a year ago.

UniCredit investors have given Orcel, who took over in early 2021, credit for improving performance and avoiding an abrupt exit from Russia that could cost up to €7bn.

But despite UniCredit having invested in some of Italy's beleaguered public-backed companies, the former UBS investment banking chief is seen as "unreliable" in Rome, according to a senior Italian official. The Italian treasury declined to comment.

The clash sparked by the failed MPS deal dragged on into this year as UniCredit considered the takeover of smaller local rival Banca Popolare di Milano, the country's third-largest lender focused across the north of Italy.

In April, UniCredit executives told the European Central Bank and Bank of Italy that they had begun the process on a potential BPM takeover, say three people with knowledge of the issue. The following day the news was leaked to an

Domino's falls US chain quits Italy after failing to lure exacting customers in the land of pizza

Off the menu: the fast-food chain's Italian franchise, ePizza, operated 29 branches in Italy — Alessia Pierdomenico/Bloomberg

OLIVER BARNES
LEISURE INDUSTRIES CORRESPONDENT

Domino's Pizza has closed its Italian stores after seven years, as the US brand struggled to win over customers in the birthplace of pizza.

The fast-food chain's Italian franchise partner, ePizza SpA, which operated 29 branches across the country, filed for bankruptcy earlier this year.

As part of insolvency proceedings, it was granted a 90-day court protection from its creditors, which stopped them demanding repayments or seizing company assets. But the stay elapsed last month.

Domino's Italian operations succumbed to a combination of falling sales, increased running costs,

markets worldwide, most of which are run by franchisees.

As recently as early 2020, the US chain announced ambitious plans to add 850 stores in Italy and achieve 2 per cent market share by 2030, but the pandemic pushed its Italian franchise partner to the brink.

"The Covid-19 pandemic and the prolonged successive restrictions have gravely damaged . . . ePizza," the bankruptcy filings added.

Domino's stopped accepting orders on its Italian website on July 29.

Domino's Pizza Inc, the US umbrella company, did not immediately respond to a request for comment. Marcelo Bottoli, ePizza's chair and biggest shareholder, refused to comment when contacted by the

tunes of US restaurant brands hoping to succeed among exacting Italian consumers.

The arrival of the first Starbucks in Italy in 2018 was greeted with scepticism. But last week, Howard Schultz, Starbucks CEO, said that the coffee chain, which operates a single coffee bar in Milan, was "flourishing" and would add two more branches in Rome and Florence.

In 2021, ePizza reported sales of €10.4mn, up 8.6 per cent on the year before but 36.8 per cent down on the target sales for that year.

In December 2021, the company's cash reserves stood at only €492,000, nearly 80 per cent below what was budgeted for.

In a trading update issued in April,

Wizz Air's UAE carrier to relaunch Russia route

PHILIP GEORGIADIS
TRANSPORT CORRESPONDENT

Wizz Air is to resume flights to Moscow through its Abu Dhabi joint venture, drawing warnings that a return to Russia risks bringing reputational damage for the airline.

Wizz Air Abu Dhabi will restart flights to and from the Russian capital on October 3, after it suspended services following the invasion of Ukraine.

Russia has been cut off from flights to and from the UK and EU after a barrage of bans and sanctions after the war began in February. But the bans do not apply to Wizz Air Abu Dhabi, a venture with ADQ, an Abu Dhabi state vehicle, which owns 51 per cent.

Wizz, based in Hungary and listed on the London Stock Exchange, said the resumption would bring its Abu Dhabi airline into line with rivals in the Middle East such as Emirates and Etihad, which have not stopped flying to Russia.

But analysts at Goodbody warned of potential reputational damage that could outweigh the extra business. "While we can see the commercial logic of this, we do feel that the optics look all wrong."

They said the move would not "really change the dial" in terms of Wizz's network or its flight plans going into the winter. And it could complicate retrieval of four Wizz planes stuck following airspace closures.

Wizz was one of the worst hit in Europe by airspace bans across Ukraine, with about 7 per cent of its scheduled capacity for summer 2022 originally flying to and from Ukraine, according to Moody's.

The airline has expanded across Europe and into Asia, lifting it from its central European origins into a larger operator.

Alex Paterson, an analyst at Peel Hunt, said: "Wizz is growing its fleet rapidly and needs to deploy these aircraft . . . But I would think there would be destinations that could have been chosen other than Russia."

Wizz said its Abu Dhabi airline was restarting flights "to meet travel

Comin & Partners, this summer, according to three people in Rome and Milan.

UniCredit declined to comment on the hire but said "the success of Italy is critical for the group's success as a whole" and "it is clear that we can and need to do more to accelerate the transformation of our Italian operations".

Italian newspaper, BPM's share price rose more than 10 per cent and UniCredit pulled back. The Bank of Italy and the Italian treasury were forced to deny they were the source of the leak.

Italy will now lead Monte dei Paschi's €2.5bn capital increase, contributing an expected €1.4bn in taxpayers' money.

high debts and an exponential increase" in competition from traditional pizza restaurants offering delivery through apps, such as Glovo, Just Eat and Deliveroo, according to the bankruptcy filings from April.

The Michigan-headquartered pizza chain has about 18,800 stores in 90

Financial Times.

Last month, German grocery app Gorillas said that it was withdrawing from the Italian market, as well as several other European countries.

The news of Domino's closure in Italy, first reported by Bloomberg, is another indication of the mixed for-

the company blamed the poor sales performance on increased competition from "'mom and pop' restaurants" along with "revenge spending" on restaurants when pandemic restrictions eased.

Additional reporting by Donato Paolo Mancini

demand for passengers wishing to fly to and from Russia from the UAE capital".

Wizz Air Abu Dhabi "is a national UAE carrier that operates in line with the UAE's national regulations and policies", it said, adding that its UK and Hungarian carriers were still not operating flights to Russia.

ANZ ends wider Asia spree in favour of old-fashioned regional play

Nic Fildes

It was little more than a decade ago that ANZ harboured ambitions to become a "super-regional" financial powerhouse as it bought up banks across Asia.

That plan was abruptly abandoned six years ago when the 187-year-old bank admitted the expansion had not worked. It sold off the retail and wealth management operations it had fought hard to build in countries including Hong Kong, Singapore, Indonesia, Taiwan and China, where it owned a fifth of Shanghai Rural Commercial Bank.

It sought to refocus on its core Australian and New Zealand markets and institutional banking units. Its problem was that it fared little better in its home market despite a booming housing market. ANZ is the smallest of Australia's "Big Four" banks — alongside Commonwealth Bank, Westpac and NAB — and its mortgage market share has dwindled as the bigger guys got bigger and upstarts in the residential market, Macquarie and AMP, began to bite.

Shayne Elliott, the chief executive who has led the bank since 2016, has moved to remedy the situation with a $3.3bn (A$4.9bn) takeover of financial group Suncorp's banking arm.

The move could be described as an old-fashioned regional play — versus the more exciting super-regional push into Asia of old — as it will transform the Melbourne-based bank into a significant player in the sunshine state of Queensland, which has been growing faster than other parts of Australia.

It is the biggest move to consolidate Australia's lucrative banking market in the 14 years since the financial crisis and it is part of a broader global trend whereby powerful national banks give up on their international goals and focus instead on growing at home. Notable in-market deals have included Bank of Montreal buying Bank of the West from France's BNP, Citizens buying HSBC's American operations and a merger of M&T and People's United Bank.

Citigroup is a case in point after it scrapped its global consumer banking division this year to boost its performance against key US rivals. The sell-off has seen it leave markets including Mexico and Australia, where NAB picked up Citi's residential Aussie business for A$1.2bn in June.

> The deal for Suncorp's banking arm transforms the group into a significant player in the sunshine state of Queensland

In that context Elliott felt confident enough to call his Suncorp play a "once in a lifetime" opportunity for ANZ and represented the reward for the bank's restructuring and international exits in recent years.

Critics were, however, quick to cry "same as it ever was" about the deal. ANZ may be absorbing a juicy A$47bn mortgage book by buying the Suncorp division, which will raise its market share to about 15 per cent, says investment bank Jefferies. But that takes its share to roughly where it was four years ago, so it is in effect making up for lost ground and paying for the privilege.

Others noted that Elliott has just added a huge amount of cost and complexity into the business having spent years doing the opposite. Integration costs are estimated at A$680mn, which seems high for a deal that won't generate its full synergies for five years and ANZ has committed to running two banks for the foreseeable future as it won't shut down branches or even replace the Suncorp brand.

Westpac unhelpfully rammed home that point when it unveiled a simplification plan to integrate its own regional banks — bought in 1997 and 2008 — to save costs only days after ANZ's big deal was announced. That led some analysts to argue that ANZ was showing ill discipline with a big complex merger at a time when its core business was struggling to match up to its rivals.

The takeover also attracts other types of risk. Australia's antitrust body has often complained that the Big Four, which control three-quarters of the home-lending market, represent a "cosy oligopoly" in need of more competition. The collapse of Volt, one of the last so-called "neo", online-only banks, this year has removed another potential thorn from the Big Four's side. There is a real risk that the once-in-a-lifetime deal could be blocked.

Yet investors may be assuaged that ANZ's strategic angst hasn't manifested itself in more radical form. A week before the Suncorp deal was made public, the bank said it had entered talks with private equity firm KKR to buy software company MYOB at a cost estimated by analysts at about A$4.5bn.

That head-scratching deal to combine business lending with accounting technology left some wondering how much M&A discipline ANZ had learned from its international spree going awry. After the Suncorp deal was announced, the bank stepped back.

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COMPANIES & MARKETS

Travel & leisure

Buoyant IHG launches $500mn buyback

Dividend boosted as demand recovers close to pre-pandemic levels

OLIVER BARNES — LONDON

InterContinental Hotels Group, the owner of Crowne Plaza and Holiday Inn, is launching a $500mn share buyback and increasing its interim dividend to reward shareholders as leisure and business travel demand recovers to near pre-pandemic levels.

The group, which owns 17 brands and has more than 6,000 hotels in its portfolio, said yesterday that revenue per available room (revpar), the industry's chosen metric, was down just 10.5 per cent in the six months to the end of June compared with the same period in 2019.

"The Americas is strong into the recovery, Europe is entering into the recovery very aggressively over summer, and now borders in Asia are opening up and China will come too, which gives us confidence that we'll see an extended recovery," said Keith Barr, IHG's chief executive.

In another sign of the industry's rebound, US-based hotel chain Hyatt said that it had returned to profit in the first half, boosted by the unwinding of Covid-19 restrictions. The hotelier reported that revpar, excluding greater China, was higher than pre-pandemic levels in 2019. Hyatt beat revenue expectations in the three months to the end of June, at almost $1.5bn.

For IHG, two-thirds of its hotels are located in the Americas, where revpar increased in the last quarter compared with 2019.

Barr said the company's decision to issue an interim dividend of 43.9 cents per share, 10 per cent higher than the 2019 payment, along with announcing the share buyback, was part of IHG's "long track record of returning surplus cash to shareholders".

He added that the recovery in business travel was particularly strong, defying predictions during the pandemic that the trend towards remote working would spell an end to work trips. In June this year, business travel demand in the US was only 1 per cent down on June 2019, according to Barr.

Globally, IHG reported revenues of $822mn in the first half, down 17 per cent on the comparable period in 2019.

It also posted operating profit of $377mn, down 8 per cent on the $410mn profit in the first half of 2019.

Despite concerns over inflationary cost pressures and a consumer downturn hurting the recovery, Barr said: "We remain confident in our business model and the attractive industry fundamentals that will drive long-term sustainable growth."

Cost inflation reached 4 per cent, in large part because IHG runs a franchised model, operating and leasing less than 1 per cent of its hotels.

But Jamie Rollo, an analyst at Morgan Stanley, pointed out in a note that the company's "weak net unit growth, the recent slowdown in corporate booking . . . and the likelihood revpar weakens as we exit the leisure-dominated summer period" could hurt the company's outlook.

IHG shares were marginally up at £50.16 yesterday.

Financials. Results blow

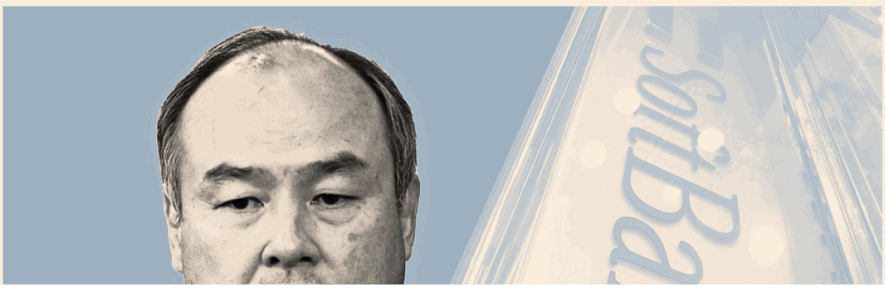
SoftBank's $23bn loss revives buyout debate

Founder Son downbeat as Vision Funds struggle after plunge in tech stock values

LEO LEWIS AND ERI SUGIURA — TOKYO

SoftBank's record $23.4bn quarterly loss, a pledge of heavy cost-cutting and an hour of public self-criticism by its founder Masayoshi Son could push the Japanese billionaire to reconsider a management buyout of the technology conglomerate.

Analysts and investors said the latest results, which delivered fresh signs that SoftBank is preparing to sell key operations such as Fortress Investment Group



Support services

Stock in office provider IWG falls 10% amid recession fears

GEORGE HAMMOND AND HARRIET AGNEW
LONDON

Fears of a recession threaten to slow the recovery of the world's biggest provider of flexible office space, fuelling investor concerns about the outlook for the sector.

IWG's share price fell 17 per cent early yesterday before recovering to about 10 per cent down as the group reported a higher than expected loss and Barclays, its house broker, slashed its expectations for the full year.

The office provider posted a pre-tax loss of £70mn for the first half, compared with a £163mn loss a year earlier.

But the latest loss was larger than Barclays had anticipated and the increased prospects of recession in IWG's key markets in Europe, the US and Asia was likely to diminish demand for new-office space and hit earnings, warned the bank.

IWG chief executive Mark Dixon pointed to rising occupancy rates and revenues, up almost 25 per cent on a year earlier to £1.45bn, as reasons for optimism. However, the increase in occupancy rates had slowed in the second quarter of the year and Barclays predicted revenue growth would follow suit.

"We're obviously not winning the battle with investors yet, but over time we hope to do that," Dixon pointed out.

One top 10 investor said: "The ques-

'If we do have a recession, how bad could its cash burn be, what pressure could it and focus more exclusively on its two Vision Funds, raised questions over whether it still needed to be listed at all.

People close to the company confirmed that Son has discussed the option of taking SoftBank private on several occasions over the past three years, but had always rejected the idea, in part because of pressure from the company's biggest Japanese banking lenders, notably Mizuho.

The revived debate on SoftBank's future as a listed company follows the announcement on Monday of a second consecutive quarter of record losses, driven mostly by the underperformance of its flagship Vision Funds as global tech valuations have collapsed.

The losses in the April to June quarter sent shares in the company 8 per cent lower during trading yesterday, as investors weighed whether, without a rebound in global tech stocks, SoftBank could later be forced into further valuation writedowns on the unlisted portion of its Vision Fund portfolios.

In a note to investors, SMBC Nikko analyst Satoru Kikuchi argued that once the initial public listing of the British chip designer Arm was complete, SoftBank would be a pure investment company and a fundraising vehicle.

"It is raising these funds with debt, so there is little reason to be listed on the stock market," said Kikuchi, who, along with other analysts, identified a distinct change of strategy by Son as management appeared to now prioritise defence of the balance sheet over the kind of swashbuckling appetite for risk on which SoftBank had made its name.

"We think changes in the very form of the company, for example an MBO, could be coming in the not-too-distant future," said Kikuchi.

A SoftBank spokesperson declined to comment on the issue of delisting.

Mitsushige Akino, chief investment officer at Ichiyoshi Asset Management who had already sold out of the fund's investment in SoftBank before Monday's numbers, said that MBO talks were a possibility, and that ultimately Son might choose to relist SoftBank in the US to achieve a higher valuation for the company. Meanwhile, said Akino, the big question was whether Son, as an investor, was a true expert and a professional. "Perhaps he is just a rich amateur . . . Son is not a superstar. Looking at cause and effect, he is in a tough situation now because he bought stocks at a high price," said Akino.

Son was downbeat at SoftBank's press conference, making repeated reference to the need for "self-reflection".

Pelham Smithers, an independent analyst of SoftBank, said: "MBO talk around SoftBank could accelerate from here on, but it may come across as a least worst option. When you look at it more closely, an MBO is an increasingly hard deal to do because the company is so heavily indebted."

Son also warned that the "winter" for unlisted stocks in the portfolio could be longer than for their listed counterparts, adding to investor concerns there will be further writedowns. In its results statement, SoftBank recorded unrealised losses of $2.3bn for unlisted stocks in Vision Fund I (SVF1) and $6.6bn for those in Vision Fund II (SVF2).

His comments come a week after the flagship portfolio of Tiger Global, the hedge fund that made its name for high exposure to US and Chinese tech investments, ended the first half of the year 50 per cent down after fees.

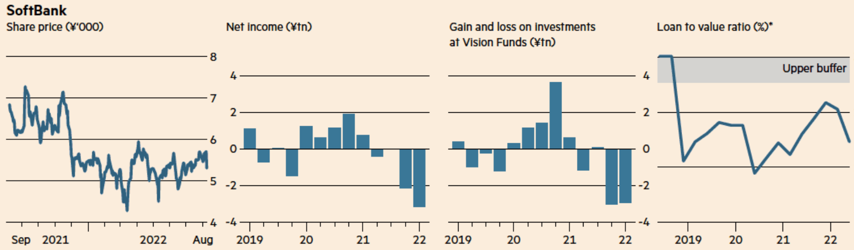
David Gibson, an analyst at MST Financial Services, said the unlisted portions of SoftBank's holdings could take another 12-18 months to reset, though he noted that more than 80 per cent of SVF companies now had enough cash to sustain them for two years. Gibson pointed to the example of Klarna, the Swedish fintech group, which in July raised $800mn at a valuation of $7bn, or roughly one-seventh of the $46bn valuation it commanded when SoftBank bought into the company in June 2021.

"The shares will struggle to perform in tough capital markets. The stock is a leveraged play into the availability of capital and higher tech valuations longer term," said Gibson.

Others said the performance continued to cast a negative light on SoftBank's judgment as an investor.

Kirk Boodry, a Redex Research analyst writing on the SmartKarma platform, said "the accelerated investment pace set by Vision Fund 2 has generated a 20 per cent negative return in 2-3 years". He added that the "positive spin is that reflects a weak market for tech but it also raises questions (again) on due diligence and/or whether competition between SoftBank and other private equity firms led to everyone paying over the odds".

Chastened: SoftBank's Masayoshi Son has made repeated reference to a need for 'self-reflection'
FT montage/Bloomberg



Sources: S&P Capital IQ; company
* Net debt to equity value of holdings

'Perhaps Son is just a rich amateur . . . He is in a tough situation because he bought stocks at a high price'
Mitsushige Akino, Ichiyoshi AM

be, what pressure could it put on the balance sheet?'

tion now is, what is IWG's plan to get its debt down?

"If we do have a recession in the next 12, 18, 24 months, how bad could its cash burn be, what pressure could it put on the balance sheet and what levers could IWG pull to offset it?"

On the plus side, the business was more diversified and therefore likely to be more resilient than it was during the financial crisis and the dotcom crash, the investor added.

Another investor said that "despite the optimistic picture management presents, the cash generation for the first half isn't great.

"Any UK cyclical company that is operationally and financially geared, and has disappointed on earnings, will typically experience a corresponding drop in the share price," they added.

Barclays cut its earnings estimates for IWG to forecast a loss of £20mn for the full year, against consensus estimates of a £73mn profit.

The bank lowered its price target for IWG by almost a quarter to 230p.

Dixon said that IWG's business model would weather any recession and could even benefit from it as companies looked to cut costs.

However, the second investor said that Dixon was "perennially optimistic" and warned that the "economic cycle is a much greater short-term headwind than any tailwind coming from an increase in hybrid working".

Andrew Shepherd-Barron, an analyst at Peel Hunt, said that Dixon's capital-light strategy might pay off in the long term.

"But in the short term, [IWG] is always vulnerable to these deteriorating economic situations."

The company's largest rival, WeWork, has also struggled as the global economy has cooled. Shares in the US-listed company are down 45 per cent in the year to date, trading at $5.

Dixon argued that a recession would push companies to save on costs by signing the kinds of short leases on flexible terms that IWG and WeWork offered.

Media

Subscriptions help drive News Corp recovery

NIC FILDES — SYDNEY

News Corp, the publishing company controlled by Rupert Murdoch, said that profits almost doubled in the year to June as growth in digital advertising and subscriptions helped its news operations recover from losses incurred during the pandemic.

The US-listed company, which publishes newspapers including The Wall Street Journal, The Australian and The Times, reported an 11 per cent increase in revenue for the year to $10.4bn and pre-tax profit rose to $812mn compared with $450mn the previous year.

"The News Media segment was the single largest contributor to the enhanced profit picture this fiscal year with profitability expanding to $217mn from $52mn, bolstered by growth in digital advertising revenues and record digital subscriber numbers," News Corp's chief executive Robert Thomson said, adding that the company had "set significant records".

Susan Panuccio, chief financial officer, said that inflation and limited advertising visibility would result in "necessary action" on costs in the new financial year.

The strong performance in the 2022 fiscal year was a marked contrast to 2020, when the company booked a $1bn loss in three months to March owing to a collapse in advertising revenue and pay-television subscriptions.

News Corp shut the print editions of 100 Australian newspaper titles as a result, dealing a hammer blow to the local media industry.

The strong performance of the media business, with revenue up 10 per cent year on year, was driven by the company's Australian and UK operations, which include the Wireless Group radio business.

Circulation and subscription revenue rose 8 per cent, or $83mn, while advertising revenue rebounded 14 per cent.

Earnings before interest, taxation, depreciation and amortisation at the division rose to $165mn.

Overall profit at the company, which also includes real estate websites and book publisher HarperCollins, was hit by a $20mn litigation charge.

Industrial goods

WSP buys environment adviser for £591mn

RACHEL BANNING-LOVER — LONDON

Engineering company WSP Global has agreed to buy RPS Group for £591mn, a 76 per cent premium on the consultancy's share price as it seeks to take advantage of growing demand for environmental advisory services.

The board of London-listed RPS, which specialises in advising companies in the property, energy, water and defence sectors on environmental issues, has accepted an offer of 206p per share from Canada-based WSP. RPS shares closed on Monday at 117p and have not been as high as the offer price since 2019.

"WSP is not afraid to pay a premium for a quality business that would allow us to deepen our expertise. RPS is going to propel us to new heights because it's a great environmental leader," said Alexandre L'Heureux, WSP chief executive.

He added that WSP's diversification would help increase its resilience in the face of an economic downturn.

"Five years ago, transportation, infrastructure, property and building represented 80 per cent of our business, now it's down to 60 per cent with earth and environment making up a third. We want to be a global leader in the green transition and the energy transition."

He ruled out dropping its mining clients, however, saying WSP wanted to support its customers through the energy transition, including those that were in "sectors out of favour".

The deal marks the departure of the last remaining UK-listed environmental and infrastructure consultant, following extensive industry consolidation over a decade, according to analysts at Numis.

Acquisitions are a critical part of WSP's growth strategy, and the RPS deal is its third takeover of a UK company in three months.

The deal was announced as RPS issued half-year results ahead of the board's expectations. Pre-tax profit rose to £11.1mn, an increase of 56 per cent on the first half of 2021. RPS shares rose 73 per cent to 203p yesterday.

Ken Lever, chair of RPS, said the offer was "compelling" and "represents a highly attractive premium to recent trading levels and provides certain value in cash today for RPS shareholders."

COMPANIES & MARKETS

US business fumes over footing the bill for Biden's $700bn tax and climate package

Tensions rise ahead of midterm elections after Democrats impose new costs on industry as the economy falters

JAMES POLITI — WASHINGTON
ANDREW EDGECLIFFE-JOHNSON
NEW YORK

Corporate America had been warning President Joe Biden and congressional Democrats not to raise taxes on big business ever since they were elected to office more than 18 months ago.

So when lawmakers approved those tax increases as part of a $700bn economic package that passed the Senate on Sunday, and is expected to receive a final vote in the House of Representatives later this week, companies and their lobbyists reacted with howls of protest.

The bill would impose "significant new tax increases and unprecedented government price controls", the US Chamber of Commerce warned. Its tax provisions would deal "a blow to our industry's ability to raise wages, hire workers and invest in our communities", said the National Association of Manufacturers.

The Business Roundtable, which represents blue-chip companies in Washington, estimated that the package would impose $300bn of new costs on

industry just as the economy was turning downhill.

The criticism threatens to increase tensions between US business and the Biden administration, as well as congressional Democrats, to their highest levels just three months before the midterm elections.

> 'I'm a capitalist. I'm not trying to punish anybody. But I'm saying everyone should pay their fair share'

For the White House and its allies in Congress, the tax increases for corporate America — which represent the biggest change to US tax policy since former president Donald Trump's 2017 tax cuts — were a matter of necessity in order to raise the revenue needed to pay for spending proposals and reduce the deficit at a time of high inflation.

But they were also a matter of fairness, to prevent large companies from paying much lower tax rates than many individuals and smaller businesses.

"I'm a capitalist. I'm not trying to punish anybody," Biden said on Friday. "But I'm saying everyone — everyone should pay their fair share. Just their fair share."

Business groups have never accepted that they should foot the bill for the administration's spending proposals, even though many support the incentives for clean energy designed to combat climate change.

Their complaints have been somewhat softened by the fact that corporate America was able to avoid the worst-case scenario on taxes — an increase in the statutory corporate tax rate, which Biden originally wanted to raise from 21 per cent to 28 per cent.

Although the vast majority of Democrats backed the measure, Kyrsten Sinema, the Arizona centrist senator who wields outsize influence in a chamber split evenly along party lines, opposed any tax rate increases, to the relief of many business lobbyists.

"If 2017's tax reforms were a 10 and Build Back Better [Biden's original plan] was a zero, where is this? I guess I'd say it's a five," said Neil Bradley, chief policy officer at the Chamber. "It didn't cut taxes; it raised taxes, but it's a lot better than Build Back Better."

Still, the replacements for an increase in the corporate tax rate have also been unpalatable to business. The most widely shared source of concern is a provision to apply a minimum 15 per cent tax on corporations making more than $1bn in profits, based on the numbers they report on their financial statements rather than those they claim in their tax filings.

In a letter last month highlighted by the liberal-leaning Center for American Progress, Thomas Barthold, chief of staff to the congressional joint committee on taxation, estimated that only about 150 companies would have to pay the tax each year but that it could raise $313bn by 2031.

Wall Street analysts were more sanguine about the bill's impact, with Solita Marcelli, chief investment officer for the Americas at UBS Global Wealth Management, estimating that the new taxes would have "a very minimal 1 per cent drag" on earnings per share for S&P 500 companies.

Two notable exceptions to the minimum tax were also included in the final version of the legislation — also because of Sinema's insistence.

One relates to the ability of manufacturers to write off certain business investments, and the other means the measure does not apply to portfolio companies of private equity groups. Sinema was also successful in ensuring that the preferential tax treatment of private equity and hedge fund manager profits — known as carried interest — remained unscathed.

But any solace for business at those concessions was offset by the last-minute introduction of a new 1 per cent tax on share buybacks that will take effect at the start of 2023. The US Chamber warned that it would "distort the efficient movement of capital . . . and diminish the value of Americans' retirement savings".

Business groups — particularly lobbyists for large drug companies — also fumed at separate provisions that would allow the government to negotiate the prices of certain medication for seniors. "Today's vote may feel like a political win for Democrats, but it's really a tragic loss for patients," said Stephen Ubl, president of the Pharmaceutical Research and Manufacturers of America.

The friction over Biden's bill is flaring up in the context of an otherwise uneasy relationship between the White House and corporate America.

Large companies were pleased with bipartisan legislation last November to boost infrastructure spending, and a bill to offer incentives for chipmaking agreed last month, which will be signed into law by Biden this week. But Biden, who often harks back to his blue-collar roots from his childhood in Scranton, Pennsylvania, has been among the most friendly of recent Democratic presidents to labour unions.

Meanwhile, the people he has appointed to lead financial and antitrust regulatory agencies have adopted far more aggressive stances than business would like.

Democrats have traditionally had a testier relationship with corporate America than Republicans.

But that dynamic has been muddied since Trump's presidency as conservative lawmakers have taken more populist positions on trade and immigration while attacking corporations for being excessively liberal on social issues.

Arshi Siddiqui, a former Democratic congressional aide and now a partner at Akin Gump, said that the legislation had "struck a balance" between the business community's worries and Democratic priorities, and should not result in a profound rift.

"At this moment in time, more so than ever, business and the administration have to have a strong dialogue and they have to work together because their economic goals are the same — it's just a question of how to get there," Siddiqui said.

Ahead of the vote, some individual companies did support the bill, including Ford, Lyft and Levi Strauss — as well as the US units of BP, Shell, Unilever and Danone.

But heading into the November midterm elections, one big question is whether the climate and tax bill may nudge business executives and lobbyists to support Republicans over even moderate Democrats who voted in favour of the legislation.

The Chamber's letter to senators on Friday came with a warning that it would take note of whether or not they supported the bill in the "How They Voted" scorecard it used to assess the business friendliness of members of Congress.

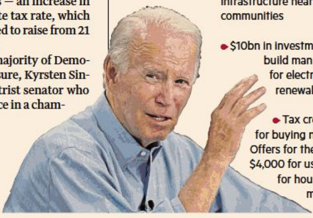
"The Chamber is not a single-issue organisation — we care about lots of different processes, [but] we certainly cared about this bill," Bradley said.

Going green: the Hell's Kitchen geothermal energy plant in Calipatria, California, which has the potential to supply huge amounts to the US power grid. The tax and climate bill sets aside billions of dollars for climate projects Gina Ferazzi/Los Angeles Times/Getty

Key points

Leading features of the legislation

- Methane penalty: $900 per metric ton of methane emissions beyond federal limits in 2024, rising to $1,500 in 2026
- Carbon capture and storage tax credit of $85 per metric ton, up from $50
- $30bn for solar panels, wind turbines, batteries, geothermal plants, 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 tech and vehicles, highway pollution mitigation, bus depots, and other infrastructure near disadvantaged communities
- $10bn in investment tax credits to build manufacturing facilities for electric vehicles and renewable energy tech
- Tax credit of up to $7,500 for buying new clean vehicles. Offers for the first time a credit of $4,000 for used electric vehicles for households with maximum income of $150,000 a year



Joe Biden: views his legislation as necessary to pay for spending proposals and cut the deficit

FT
Energy Source
Video: tackling a growing methane problem starts with the pipes
ft.com/video

COMPANIES & MARKETS

Equities. IPOs

Lawyers take it slow in dry spell for US listings

Fixed Income

Single-bond ETFs offer to 'revolutionise' debt trading

STEVE JOHNSON

The first single-bond exchange traded funds in the world listed on the Nasdaq exchange yesterday in a development that could revolutionise how some traders access US Treasuries.

The launches follow hot on the heels of the first single-stock ETFs in the US and illustrate a growing trend for vehicles to target more specific exposures, eschewing the diversification at the heart of the traditional fund structure.

The three ETFs hold US 10-year, two-year or three-month US Treasury bonds and bills. They will always hold the latest issue of their respective tenor,

Lazy river: New York's often frenetic pace of initial public offerings has slowed to a trickle
Gary Hershorn/Getty Images

After two years of frantic activity, few expect a return to normality until 2023

NICHOLAS MEGAW — NEW YORK

There is an unlikely winner from the recent slowdown in the US market for initial public offerings: New York wedding planners.

David Goldschmidt, Skadden Arps's global head of capital markets, said he had seen an uptick in wedding announcements among employees who had put plans on hold during the rush of listings in 2020 and 2021.

After two extraordinarily busy years, many of the city's capital markets lawyers are making the most of having more free time. Firms including Paul Weiss, Fried Frank and Skadden have told staff they can work remotely for most of August. "Work-life balance should be in a state that is sustainable for the long term," Goldschmidt said. "In 2021 . . . that balance was out of whack."

A less frenetic pace at law firms might sound nice, but it has also been accompanied by a reduction in billable hours, after falling stock markets had a chilling effect on US IPOs. A perfect storm of tumbling valuations, economic uncertainty and market volatility has resulted in a 95 per cent decline in IPO fundraising so far this year versus the same period of 2021.

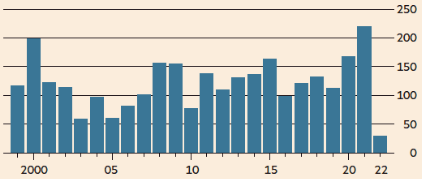
It was always going to be a tall order to match the whirlwind pace of 2021, when debt and equity raisings set new records, but the extended dry spell is so pronounced that some have started comparing it to the aftermath of the dotcom bust at the start of the century.

Companies have raised just $5bn in traditional IPOs in the US this year, according to Dealogic, compared with $105bn in the same period last year.

The tech sector, which dominated the earlier IPO boom, has been particularly badly affected: Labor Day will mark 222 days since the last major tech listing, just two weeks shy of the 21st-century record set in 2008, according to data compiled by Morgan Stanley's technology equity capital markets team.

"This will be the longest window closure in the last 20 years," said Paul Kwan, a former senior IPO banker at Morgan Stanley, now managing director at venture capital firm General Catalyst.

Equity issuance in the US this year is down from 2021's historic level
Total proceeds of equity issuance on US exchanges during the first half of the year ($bn)



Source: Refinitiv

Kwan is far from alone in offering such an assessment. When KKR's capital markets team last month surveyed its biggest clients, fewer than a third thought equity capital markets would be back in full swing after next month's Labor Day holiday. Almost half thought a proper reopening would not occur until next year, and David Bauer, KKR's head of equity capital markets, said expectations had slipped even further in the weeks since the survey.

Bauer said: "There's going to be a very high bar for investors to be willing to put on new risk positions for the rest of this year. It's more logical to come in next year when [investors] have a clean slate . . . and have more perspective on how companies are guiding into 2023 and 2024." Unlike the aftermath of the 2007-08 subprime mortgage crisis, however, the glut of cheap money that companies were able to tap in the past few years means the weak IPO market is not yet coinciding with a wave of restructurings and corporate collapses.

> 'This will be the longest window closure in the last 20 years'
> Paul Kwan, General Catalyst

"In prior bad markets, things seemed to go bad quickly, we went from boom to bust," said Adam Fleisher, a partner at Cleary Gottlieb. "[This year] because most companies already had enough money to keep going for a while, the serious reckoning hasn't arrived."

That is good news for many companies, but bad news for lawyers and other firms that relied on restructuring work as an alternative source of fees. A senior executive at a large investment bank said the current environment was a "financial market shock" like the dotcom crash rather than an existential economic threat. "What we are dealing with right now may be worse for our business but it's less scary."

The "silver lining", he added, was that stronger economic fundamentals should allow for a faster recovery when the IPO window reopens.

Bankers, traders and venture capitalists alike stressed that there remained a strong pipeline of companies wanting to go public. Peter Giacchi, who runs Citadel Securities' floor trading team at the New York Stock Exchange, said more clarity on the pace of interest rate rises at the next Federal Reserve meeting in September could help reduce volatility and open a short window for listings before November's midterm elections.

The first movers are expected to come from the relatively lower-risk end of the pipeline, larger companies and "marquee names or those with stronger fundamentals rather than just growth stories", said Roshni Banker Cariello, a partner at Davis Polk.

Instacart, the grocery delivery app that recently cut its internal valuation by more than a third, is expected to be one of the first companies to test the market, according to several people briefed on its plans. Mobileye, the self-driving car unit of chipmaker Intel, is seen as another strong candidate given its record of profitability and the backing of its current owner.

"The first big one is always the most difficult," said Ari Rubenstein, chief executive of GTS, a trading firm and market maker. "If something comes to market and does OK, it will probably bring a lot more following it. But if it's a mess, that has the opposite effect."

Eyecare company Bausch & Lomb provides a cautionary tale. A profitable household name backed by a larger parent group, it was seen as a perfect candidate to reopen the market when it listed in May. However, the deal roadshow coincided with a bout of severe market volatility and the company raised $210mn less than it had initially hoped for. Only one IPO worth more than $250mn has been completed since.

The list of flotations that have been postponed expanded on Monday when insurance group AIG said it had deferred the planned listing of its life and asset management unit "due to the high degree of equity market volatility.

Skadden's Goldschmidt said a recent uptick in mergers and acquisitions such as Amazon's $4bn deal for One Medical would help markets stabilise, and a decent second-quarter earnings season would encourage more secondary share sales from already-listed companies, a less risky type of fundraising.

In the meantime, some companies will turn to private capital to help tide them over. Several bankers said they expected to see an increase in structured deals such as pre-IPO convertible notes, which can be used to raise capital without accepting a lower valuation through a traditional equity raise. However, some say companies should not keep holding on to now unrealistic valuations assigned by a small number of investors at the peak of the boom.

> 'There's going to be a very high bar for investors to be willing to put on new risk positions for the rest of this year'
> David Bauer, KKR

Danny Rimer, partner at Index Ventures, said: "Should you take a lower valuation on clean terms today versus a higher valuation or even the same? Our recommendation would be the former, every day of the week."

Most executives are optimistic that activity will normalise in 2023, albeit at lower levels than in 2020 and 2021. General Catalyst's Kwan said he hoped the downturn would force companies to take a more responsible approach to growth, but others are predicting more long-lasting scars.

For instance, the senior bank executive said private equity firms in particular would keep portfolio companies private for longer. "The hangover will stifle markets for a couple of years," he added.

known as the "on-the-run" bond, trading out of the previous issue as soon as a new security is released.

Issuer F/m Investments, a $4bn Washington DC-based multi-boutique, cited ease of access, tax efficiency and access to shorting, plus options, as advantages of holding the ETFs rather than the underlying Treasuries.

"We believe the [ETFs] will revolutionise the financial markets, making the most liquid securities accessible to everyone in a more simplified way," said Alexander Morris, president and chief investment officer of F/m. "This [concept] has a certain level of deep simplicity. Why was it missed? . . . We couldn't find any good answers to this, so we pushed the button." Morris added that F/m was "responding to the needs of our clients" — investment advisers and institutional investors that do not want to deal with custody and Treasury issues.

> 'These launches . . . allow investors to gain targeted exposure to different parts of the yield curve'

However, he believed the ETFs would also find an audience in the retail market, given that most retail investment platforms such as Robinhood do not allow people to buy individual bonds.

The ETFs, with the tickers UTEN, UTWO and TBIL, come with annual fees of 15 basis points.

Further launches are likely, with F/m having filed to launch a family of 10 single-bond ETFs, ranging in tenor from three months to 30 years. The company currently manages one ETF in its own name (F/m Investments Large Cap Focused Fund) and three under the name of Oakhurst, one if its affiliates. The new ETFs are a collaboration between two of its affiliates: North Slope Capital and Genoa Asset Management.

Kenneth Lamont, senior fund analyst for passive strategies at Morningstar, said the launches "should be applauded as another next step in the democratisation of finance".

"For many years fixed-income investing was the preserve of institutional investors. The arrival of the ETF wrapper helped facilitate smaller ticket investors' entry into international bond markets. These launches go one step further and allow investors to gain targeted exposure to different parts of the yield curve," Lamont said.

However, Todd Rosenbluth, head of research at VettaFi, said although investors had "flocked to Treasury ETFs this year", he feared that well established asset managers such as BlackRock had a "significant advantage" over a new entrant such as F/m, given the huge size of their current Treasury ETF offerings and the importance of liquidity.

"Unlike the single-stock inverse ETF from AXS that has experienced strong volume, these products will face entrenched ETF competition," he said.

Travel & leisure

Bayern Munich sets goal of US growth to close financial gap with English Premier League

JOSH NOBLE — SPORTS EDITOR

Top German football club Bayern Munich is targeting growth in the US as it pushes to close the gap with high-spending rivals in the English Premier League.

Oliver Kahn, chief executive of the country's dominant team, said the club was seeking to expand its fan base overseas, with a view to boosting the long-term value of global broadcast rights for the Bundesliga football league.

"For us it's very important to attract new fans all over the world and grow our fan base outside Germany," Kahn told the Financial Times.

"The US is a very, very interesting market where we have a lot of fans and where we as Bayern Munich see a lot of growth in the future."

A former captain of Bayern and Germany's national side, Kahn recently led the team on a brief summer tour of the US, playing DC United in Washington and English champions Manchester City in front of almost 80,000 fans at Lambeau Field in Wisconsin.

Bayern's goal is to help boost interest in the German league, which has lagged far behind the Premier League in terms of international broadcast rights.

Last year, the English top tier agreed a new six-year deal with US broadcaster NBC for $2.7bn — almost double the previous agreement. The league now generates more income from overseas TV deals than it does domestically. The US rights to the Bundesliga are worth about $250mn under its current six-year deal with ESPN.

Bayern earned about €254mn from broadcast rights last year, according to Deloitte, compared with €335mn at Manchester City and €310mn at Real Madrid.

"We need better commercialisation of the Bundesliga TV rights in the US — I think this is the most important point," said Kahn.

"If you look at the valuation of the MLS [Major League Soccer] clubs, they have a very high valuation. That shows that football in the US is growing."

The US is due to co-host the 2026 World Cup with Canada and Mexico. Spanish sides Real Madrid and FC Barcelona, Italy's Juventus and England's Chelsea also toured the US this summer, a sign of increasing interest among top clubs in tapping into the American market.

Oliver Kahn: 'It's very important to attract new fans all over the world'

As part of its global push, Bayern unveiled a multiyear deal last week with US technology company Adobe.

The partnership is designed to give Bayern a better grasp of how its fans interact with the club online, which Kahn hopes will enable it to reach new supporters.

"Every club and league needs to produce attractive content for its fans, so that we can play a leading role in this football entertainment industry," he said. "It's very important that we can create individual content for different sorts of fans all over the world — that's the key for everything."

Kahn admitted that the Premier League had several important advantages over the German league, including years of investment overseas, the English language and stronger competition at the top of the table. Bayern has won the Bundesliga for 10 consecutive seasons.

"The Premier League is a very exciting league. Before the season starts, I think there are four or five teams that have the chance to win the championship. In the Bundesliga at the moment, we are very dominant at Bayern Munich," he said. "But this is not a problem of Bayern Munich, this is a problem of our competitors."

COMPANIES & MARKETS

The day in the markets

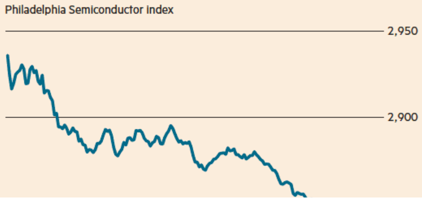
What you need to know

- Tech stocks dragged lower by slowing semiconductor demand
- Worries over consumer belt-tightening weigh on global indices
- All eyes on US inflation report

Wall Street tech stocks fell yesterday after chipmaker Micron Technology warned of slowing consumer demand, sparking concerns over the outlook for the sector.

Shares in the US group fell nearly 5 per cent after it said demand was waning for chips used in personal computers and smartphones as customers cut spending

Chipmaker stocks decline
Philadelphia Semiconductor index



It is too early to declare risk of US recession over

Mohamed El-Erian

Markets Insight

There are times when one wants to be wrong. I have felt this way often in the past 15 months, whether in

between the two surveys that constitute the monthly report (establishment and household).

Away from that, job openings are

ing the rug from under the economy and markets. These have been conditioned for way too long to function with floored rates and huge liquidity injections.

smartphones as customers cut spending.

The warning compounded bearish sentiment in the sector following disappointing results for peer Nvidia on Monday. The wider Philadelphia Semiconductor index was down more than 4 per cent.

Concerns over consumer demand dragged the Nasdaq Composite down about 1.5 per cent in morning trading in New York and weighed on other global equity indices. The benchmark US S&P 500 dropped 0.4 per cent.

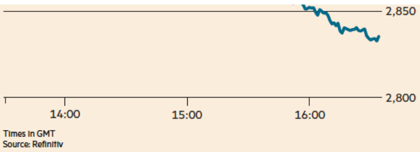
In Germany, Adidas and Puma closed down 3.5 and 4.6 per cent respectively, while industrial giant Siemens slipped 2.6 per cent after disappointing results on Monday. The hit to consumer companies helped drag the country's Dax index down 1.1 per cent at the close, while Europe's Stoxx 600 lost 0.7 per cent.

The economic outlook will become clearer with the release of closely watched US consumer price index data today, which is expected to influence the US Federal Reserve's plans for monetary policy tightening as it battles scorching inflation. Economists polled by Reuters expect headline inflation to have risen 0.2 per cent from June to July, with core inflation — stripping out food and petrol costs — anticipated to have risen 0.5 per cent. They expect inflation to have reached 8.7 per cent on a year-on-year basis, slightly below the figure for June.

"A higher than expected inflation print will lead to another round of hawkish Fed expectations," said Patrick Moonen, principal strategist at NN Investment Partners. "Then the balance may shift towards value stocks, like financials. On the other hand, if it is better than expected, [high-quality] growth stocks can continue to perform well."

In government bond markets, the yield on the 10-year US Treasury note added 0.01 percentage points to 2.8 per cent as its price slipped. The 10-year German Bund yield was flat. The dollar lost 0.2 per cent against a basket of six currencies.

In Asia, Hong Kong's Hang Seng index closed down 0.2 per cent, while Japan's Topix lost 0.7 per cent, dragged lower by a 7 per cent decline for SoftBank shares after the conglomerate reported a record $23bn first-quarter loss on Monday.
Ian Johnston



Times in GMT
Source: Refinitiv

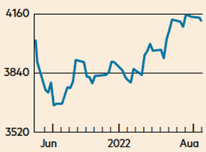
Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	4123.20	1715.45	27999.96	7488.15	3247.43	108143.08
% change on day	-0.41	-0.54	-0.88	0.08	0.32	-0.24
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	106.088	1.022	134.950	1.209	6.754	5.132
% change on day	-0.326	0.000	0.167	-0.248	-0.090	0.077
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	2.782	0.918	0.162	1.968	2.737	12.834
Basis point change on day	-0.180	2.400	-1.110	1.900	-0.200	-11.500
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	420.51	96.42	90.35	1784.05	20.20	3842.50
% change on day	-0.48	0.56	0.46	0.61	0.67	0.81

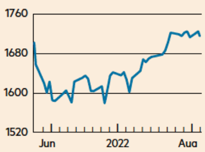
Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets

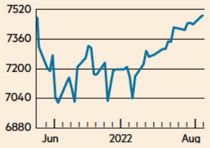
S&P 500 index



Eurofirst 300 index



FTSE 100 index



Biggest movers

%	US		Eurozone		UK	
Ups	Nielsen Holdings	21.36	Ferrovial	3.72	Imperial Brands	1.69
	Pripal Fin	6.99	Repsol	3.54	Pearson	1.57
	News	5.12	Galp Energia	3.41	National Grid	1.54
	News	5.12	Novo Nordisk	2.19	Bp	1.50
	Constellation Brands	3.55	Acs Const.	1.87	Hsbc Holdings	1.47
Downs	Norwegian Cruise Line Holdings Ltd	-12.23	Continental	-6.39	Abrdn	-6.82
	Lam Research	-8.88	Asml Holding	-5.16	Jd Sports Fashion	-5.13
	Applied Materials	-7.83	Stmicroelectronics	-5.00	Scottish Mortgage Investment Trust	-4.58
	Teradyne	-7.40	Infineon Tech	-4.45	Entain	-3.59
	Carnival	-7.04	Michelin	-3.99	Intermediate Capital	-3.21

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

Chipmaker **Micron Technology** retreated following a warning it could miss its most recent guidance.

In a regulatory filing, Micron highlighted a "challenging" environment, leading its fiscal fourth-quarter forecast to be "at or below the low end of the revenue guidance range" given in June.

For the following quarter, Micron expected significant sequential declines in revenue and margins and negative free cash flow as it flagged up "a broadening of customer inventory adjustments".

A revenue miss weighed on *Grand Theft Auto* publisher **Take-Two Interactive**, which reported sales of $1.1bn for its fiscal first quarter, below the Refinitiv-compiled estimate.

This update underscored concerns voiced a day earlier by chipmaker Nvidia, which reported a fall in revenue owing, in part, to weaker gaming demand.

A cut to its outlook left **Signet Jewelers** lower. The diamond retailer said it expected operating income to land between $787mn and $828mn for its fiscal 2023 year, down from a previous range of $921mn to $974mn.

This revision was trigged by softer sales in July, said Signet, "as our customers have been increasingly impacted by rapid inflation".

Signet has also bought Blue Nile, an online retailer, for $360mn. *Ray Douglas*

Europe

Belgium's **Azelis** rose sharply following "strong" first-half results, said KBC Securities.

Joachim Müller, chief executive, said the chemicals and food ingredients group had "delivered another set of record results, generating almost 28 per cent organic growth and a trebling in net profit".

Given its high inventories, KBC's analysts said Azelis would probably beat a full-year consensus forecast of €3.6bn in revenue, having generated €2bn in the first six months of 2022.

News that it was returning money to shareholders lifted Switzerland's **Also Holding**. The information and communications tech group announced a share buyback of up to €100mn, representing about 5 per cent of its market capitalisation at its current price.

Gustavo Möller-Hergt, chief executive, said Also's shares were "currently undervalued", failing to reflect "our successful transformation from distributor to technology provider".

Swiss travel retailer **Dufry** climbed on signs that the post-pandemic weakness in tourism was easing. Half-year turnover reached SFr2.92bn ($3.06bn), which was 75.5 per cent of 2019's level on a constant currency basis.

RBC Europe said Dufry was in a "strong position". *Ray Douglas*

London

Oxfordshire's professional services group **RPS** soared on news it had received an all-cash offer from WSP Global.

The engineering consulting group from Canada bid £2.06 a share, representing a 76 per cent premium to Monday's closing price and gave RPS a value of £625.9mn.

The deal's announcement coincided with half-year results that were ahead of management expectations, noted RBC Europe.

A third upgrade to its guidance this year pushed **Crestchic** higher. The specialist in power-reliability equipment "significantly" increased its profit expectations for 2022 following a "record contract win", it said.

Further details of this new target were not disclosed, although the news did prompt Shore Capital to raise its pre-tax profit estimates for Crestchic 37 per cent and 40 per cent for its fiscal 2022 and 2023 years, respectively.

IWG sank after narrowing its half-year pre-tax loss to £70.2mn against a loss of £163.3mn a year earlier — although the office space group's performance was still worse than analysts had expected.

More disappointing results sent **Abrdn** to the bottom of the FTSE 100. For the half year, the asset manager reported adjusted operating profit of £115mn, which missed the consensus by 12 per cent, said Jefferies. *Ray Douglas*

past 15 months, whether in warning last year that inflation would not prove transitory or cautioning that the Federal Reserve was rapidly falling way behind on its inflation objective and running out of first-best ("soft landing") policy options.

Today, my discomfort relates to the view that the recent jobs report implies the US will avoid a recession, a view that several analysts have embraced and which is reflected in prices for stocks and corporate bonds. While I very much hope this view is correct, I believe it is too early to declare the recession watch over, something that the government bond market seems more attuned to.

Don't get me wrong, the report was very strong. Jobs increased by 528,000, twice the consensus forecast and bringing US employment above its pre-pandemic level. At 3.5 per cent, the unemployment rate is at pre-pandemic lows, and wages are now growing at 5.2 per cent, again above consensus. The one disappointment is a labour participation rate that continues to slip lower.

The data confirm that, even though the technical definition of recession was triggered by the 0.9 per cent second-quarter GDP decline, the economy is not in a recession using the more holistic concept favoured by most economists. But this does not mean that the risk of a recession within the next 12 months has been eliminated. Nor does it guarantee that a recession, were it to occur, would be shallow and short.

Forward indicators suggest that the current strength of the labour market should not be taken for granted. This is not just about the inconsistencies Away from that, job openings are declining at an historically rapid rate, weekly jobless claims are increasing and several companies have signalled their intention to slow hiring and/or lay off workers. Meanwhile, the beneficial effects of the just-passed Inflation Reduction Act by the Biden administration, while consequential long term, will do little immediately to alter this.

Then there is the policy angle. Going into the release of the report, most economists had dismissed as puzzling the comment by Fed chair Jay Powell on July 27 that policy rates were already at neutral (the level consistent with neither an expansionary nor a contractionary monetary policy).

> Forward indicators suggest that the labour market's strength should not be taken for granted

The report confirmed what other data and analytical signals had suggested: the central bank still has a lot of work to do to get rates to neutral and beyond, now that it has allowed inflation to get entrenched into the system.

While headline inflation is expected to fall in the next three months (the July reading is due out today), core measures are likely to stay uncomfortably high and prove unpleasantly sticky. As the Fed scrambles to regain control of inflation and restore its damaged credibility, aggressive rate rises and the contraction of a bloated $9tn balance sheet risk pulling rates and huge liquidity injections.

The alternative of an early pause in the lifting cycle is not a good one as it risks leaving the US with both inflation and growth problems well into 2023.

The government bond market understands this, as shown by the current inversion of the yield curve, with short-term rates rising above longer-term ones. Investors are unusually willing to accept lower compensation for allocating their money to a longer maturity investment. This is a traditional signal of a rapidly slowing economy, and the inversion intensified to some 40 basis points following the release of the jobs report.

All this is not reflected in stock prices and corporate bond spreads, which remain well supported by all the liquidity still sloshing around the system and an investor mindset fixed on exploiting relative rather than absolute valuation. Indeed, the dominant narrative in markets is that company profits will largely bypass lower sales growth, higher wage costs and another leg-up in some other costs.

I hope the growth optimists are right. Already hampered by slow Chinese growth and the threat of a European recession, the last thing the global economy needs is a US recession and a bigger Fed policy mistake. I am looking for reasons to embrace their views. Unfortunately, and to my great regret, my analysis of what is ahead is inconsistent with doing so.

Mohamed El-Erian is president of Queens' College, Cambridge, and an adviser to Allianz and Gramercy

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 $
-0.41%	-1.29%	-0.09%	0.08%	-0.54%	-0.88%	-0.21%	-0.48%	No change	-0.248%	0.167%	0.356%	1.22%	0.61%

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

AMERICAS

Jul 10 - - — Index — All World
S&P 500 New York

Jul 10 - Aug 09 — Index — All World
S&P/TSX COMP Toronto

EUROPE

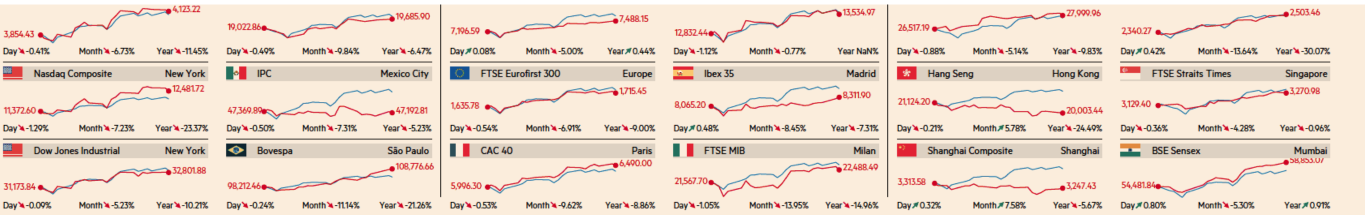
Jul 10 - Aug 09 — Index — All World
FTSE 100 London

Jul 10 - Aug 09 — Index — All World
Xetra Dax Frankfurt

ASIA

Jul 10 - Aug 09 — Index — All World
Nikkei 225 Tokyo

Jul 10 - Aug 09 — Index — All World
Kospi Seoul



Country	Index	Latest	Previous	Country	Index	Latest	Previous	Country	Index	Latest	Previous
	FTSE B35	9000.71	8988.96	Hong Kong	Hang Seng	20003.44	20045.77	Malaysia	FTSE Bursa KLCI	1497.68	1496.03
	Shanghai A	3402.43	3391.34		HS China Enterprise	6794.77	6821.52	Mexico	IPC	47117.05	47354.86
	Shanghai B	304.52	303.71		HSCC Red Chip	3593.70	3610.87	Morocco	MASI	11947.29	11862.22
	Shanghai Comp	3247.43	3236.93	Hungary	Bux	42733.39	44034.83	Netherlands	AEX	716.93	727.87
	Shenzhen A	2289.44	2283.91	India	BSE Sensex	58853.07	58387.93		AEX All Share	974.99	989.54
	Shenzhen B	1255.89	1261.69		Nifty 500	14993.35	14900.40	New Zealand	NZX 50	11753.48	11702.81
Colombia	COLCAP	1261.61	1260.21	Indonesia	Jakarta Comp	7102.88	7086.85	Nigeria	SE All Share	50722.33	50582.30
Croatia	CROBEX	2013.05	2011.29	Ireland	ISEQ Overall	6868.16	6975.62	Norway	Oslo All Share	1017.37	1006.88
				Israel	Tel Aviv 125	2011.26	2005.51	Pakistan	KSE 100	42096.24	41425.37

Country	Index	Latest	Previous	Country	Index	Latest	Previous	Country	Index	Latest	Previous
	FTSE/JSE Top 40	63770.91	63114.01		Nasdaq 100	12992.91	13159.16		FTSEurofirst 80 (Eur)	5123.80	5174.27
South Korea	Kospi	2503.46	2493.10		Nasdaq Cmp	12481.72	12644.46		MSCI ACWI Fr ($)	640.83	639.53
	Kospi 200	328.11	327.23		NYSE Comp	15278.39	15305.80		MSCI All World ($)	2758.72	2752.06
Spain	IBEX 35	8311.90	8272.50		S&P 500	4123.20	4140.06		MSCI Europe (Eur)	1745.03	1734.26
Sri Lanka	CSE All Share	8500.00	8422.97		Wilshire 5000	41197.97	41462.79		MSCI Pacific ($)	2673.11	2654.85
Sweden	OMX Stockholm 30	1987.68	2017.15	Venezuela	IBC	7243.33	7208.28		S&P Euro (Eur)	1706.71	1723.44
	OMX Stockholm AS	796.70	812.27	Vietnam	VNI	1258.85	1256.75		S&P Europe 350 (Eur)	1762.58	1773.28
Switzerland	SMI Index	11132.48	11166.32						S&P Global 1200 ($)	3023.17	3035.77
									Stoxx 50 (Eur)	3653.19	3662.41

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

STOCK MARKET: BIGGEST MOVERS

AMERICA

ACTIVE STOCKS	stock traded m's	close price	Day's change
Tesla	121.0	846.62	-24.65
Nvidia	53.7	168.57	-9.36
Apple	48.6	165.11	0.24
Advanced Micro Devices	39.7	94.92	-5.15
Amazon.com	27.5	137.58	-1.83
Microsoft	20.0	281.00	0.68
Micron Technology	10.1	58.10	-3.35
Exxon Mobil	9.2	90.57	1.62
Alphabet	8.1	116.78	-0.52
Occidental Petroleum	7.8	62.15	2.11
BIGGEST MOVERS	**Close price**	**Day's change**	**Day's chng%**
Ups			
Nielsen Holdings	27.56	4.85	21.36
Pripal Fin	73.60	4.81	6.99
News	18.26	0.89	5.12
News	18.48	0.90	5.12
Constellation Brands	242.38	8.30	3.55
Downs			
Norwegian Cruise Line Holdings Ltd	11.88	-1.66	-12.23
Lam Research	464.31	-45.23	-8.88
Applied Materials	99.39	-8.45	-7.83
Teradyne	92.36	-7.39	-7.40
Carnival	9.31	-0.71	-7.04

Based on the constituents of the S&P500

LONDON

ACTIVE STOCKS	stock traded m's	close price	Day's change
Shell	210.6	2184.50	23.00
Bp	148.1	422.55	6.25
Unilever	119.8	3993.50	-8.50
Glencore	117.5	464.30	-1.05
Astrazeneca	113.2	10842.00	128.00
Gsk	105.1	1646.80	-12.60
B&m Eur Value Retail S.a.	93.9	416.80	-2.70
Rio Tinto	84.2	4985.00	27.50
Barclays	77.8	165.86	-0.14
Hsbc Holdings	77.2	553.50	8.00
BIGGEST MOVERS	**Close price**	**Day's change**	**Day's chng%**
Ups			
Telecom Plus	2190.00	90.00	4.29
Pagegroup	436.40	17.40	4.15
Beazley	575.00	19.50	3.51
Energean	1236.00	39.00	3.26
Capricorn Energy	226.60	6.60	3.00
Downs			
Iwg	171.00	-22.00	-11.40
Carnival	688.60	-65.40	-8.67
Baltic Classifieds	148.00	-11.00	-6.92
Abrdn	161.15	-11.80	-6.82
Molten Ventures	411.60	-29.00	-6.58

Based on the constituents of the FTSE 350 index

EURO MARKETS

ACTIVE STOCKS	stock traded m's	close price	Day's change
Asml Holding	332.8	531.70	-28.90
Novartis N	299.9	85.51	1.01
Nestle N	290.3	118.69	0.06
Roche Gs	258.3	326.97	2.57
Novo Nordisk B A/s	186.4	103.00	2.20
Stellantis	172.4	14.41	-0.38
Totalenergies	151.9	51.15	1.33
Santander	149.0	2.56	0.00
Iberdrola	144.3	10.74	0.11
Intesa Sanpaolo	128.8	1.82	0.00
BIGGEST MOVERS	**Close price**	**Day's change**	**Day's chng%**
Ups			
Totalenergies	51.15	1.33	2.67
Novo Nordisk B A/s	103.00	2.20	2.19
Muench.rueckvers.vna O.n.	232.30	3.90	1.71
Anheuser-busch	52.87	0.82	1.58
Orange	10.22	0.16	1.57
Downs			
Asml Holding	531.70	-28.90	-5.16
Infineon Tech.ag Na O.n.	26.30	-1.32	-4.78
Sika N	236.23	-11.40	-4.60
Atlas Copco Ab Ser. A	10.72	-0.39	-3.53
Philips Kon	19.61	-0.70	-3.46

Based on the constituents of the FTSEurofirst 300 Eurozone index

TOKYO

ACTIVE STOCKS	stock traded m's	close price	Day's change
Softbank .	1660.8	5295.00	-400.00
Tokyo Electron	1250.7	45600.00	-4100.00
Toyota Motor	520.3	2076.00	-40.00
Fast Retailing Co.,	434.4	85110.00	1250.00
Nippon Yusen Kabushiki Kaisha	409.3	10900.00	130.00
Sony	388.8	11435.00	-290.00
Inpex	387.3	1494.00	23.00
Mitsui O.s.k.lines,	364.5	3785.00	75.00
Mitsubishi Ufj Fin,.	347.9	709.20	-12.70
Kawasaki Kisen Kaisha,	338.5	9850.00	-40.00
BIGGEST MOVERS	**Close price**	**Day's change**	**Day's chng%**
Ups			
Trend Micro orporated	8580.00	1020.00	13.49
Mitsui Eng & Shipbuilding Co.,	427.00	36.00	9.21
Nissan Chemical Industries,	7160.00	470.00	7.03
Nippon Sheet Glass ,	487.00	22.00	4.73
Idemitsu Kosan Co.,	3420.00	105.00	3.17
Downs			
Thb Japan Steel Works,	2861.00	-289.00	-9.17
Tokyo Electron	45600.00	-4100.00	-8.25
Softbank .	5295.00	-400.00	-7.02
Yamato Holdings Co.,	2149.00	-153.00	-6.65
Nexon Co.,	2814.00	-191.00	-6.36

Based on the constituents of the Nikkei 225 index

UK MARKET WINNERS AND LOSERS

FTSE 100	Aug 09 price(p)	%Chg week	%Chg ytd
Winners			
Avast	683.00	42.9	-
Hargreaves Lansdown	943.00	14.2	-
Endeavour Mining	1748.00	8.0	1.2
Antofagasta	1185.50	6.4	-
Flutter Entertainment	8614.00	6.1	-
Smith & Nephew	1080.00	6.0	-
Entain	1276.50	6.0	-
Standard Chartered	612.20	5.0	37.6
Anglo American	2928.50	5.0	-6.6
Bp	422.55	4.8	15.0
Aviva	414.30	4.4	-
London Stock Exchange	8332.00	4.1	8.1
Losers			
Wpp	798.00	-9.2	-
Hikma Pharmaceuticals	1594.00	-7.9	-
Mondi	1477.00	-6.3	-
Centrica	84.12	-5.6	14.0
Croda Int	7010.00	-5.5	-
Next	6424.00	-4.2	-
Dechra Pharmaceuticals	3494.00	-3.7	-
Rolls-royce Holdings	84.66	-3.6	-
Segro	1040.00	-3.5	-
B&m Eur Value Retail S.a.	416.80	-3.3	-
Airtel Africa	154.20	-3.2	3.8
Gsk	1646.80	-2.8	10.1

FTSE 250	Aug 09 price(p)	%Chg week	%Chg ytd
Winners			
Tp Icap	132.50	11.8	-
Just	77.20	9.1	-
Centamin	92.62	8.8	-
Tui Ag	143.40	8.6	-
Hammerson	26.39	8.0	-
Apax Global Alpha	188.00	7.8	-
Tbc Bank	1534.00	7.7	-
Beazley	575.00	7.6	4.1
Nb Private Equity Partners	1600.00	7.4	-
4imprint	3350.00	6.7	-
Mitchells & Butlers	188.90	6.5	-25.2
Jlen Environmental Assets	133.00	6.4	16.4
Losers			
Molten Ventures	411.60	-13.5	-
Xp Power	2145.00	-11.2	-46.9
Abrdn Private Equity Opportunities Trust	436.00	-9.2	-3.6
Trainline	371.30	-9.0	3.8
Morgan Sindall	1812.00	-8.4	-26.8
Ip	79.30	-8.2	-
Hilton Food	1016.00	-8.1	-
Iwg	171.00	-7.9	-
Chrysalis Investments	91.20	-7.2	-59.7
Baltic Classifieds	148.00	-7.0	-
Oxford Instruments	2060.00	-6.8	-
Indivior	305.00	-6.8	18.9

FTSE SmallCap	Aug 09 price(p)	%Chg week	%Chg ytd
Winners			
Rps	203.00	78.1	-16.8
Independent Investment Trust	464.00	14.9	-
Puretech Health	226.00	14.5	-
Biotech Growth Trust (the)	954.00	13.0	-
Fisher (james) & Sons	335.00	12.6	-
Made.com	10.00	11.1	-
Alfa Fin Software Holdings	171.00	10.3	-
Sabre Insurance	122.20	9.9	13.5
Zotefoams	274.00	9.6	-
Up Global Sourcing Holdings	121.50	9.0	-
Pendragon	23.60	8.8	-6.3
Metro Bank	90.70	6.7	-
Losers			
Esken	6.04	-15.5	-
Capita	25.52	-12.4	-
Secure Trust Bank	1115.00	-12.2	-
Seraphim Space Investment Trust	65.80	-11.7	-
Tt Electronics	169.20	-11.3	-
Avon Protection	972.50	-9.5	-
Xaar	216.00	-7.5	2.8
Ao World	39.98	-7.0	-
Foxtons	39.55	-5.8	-9.6
Sig	32.50	-5.8	-
Galliford Try Holdings	164.00	-5.7	-9.6
Ten Entertainment	222.00	-5.3	-20.7

Industry Sectors	Aug 09 price(p)	%Chg week	%Chg ytd
Winners			
Aerospace & Defense	4843.56	5.4	18.4
General Retailers	3369.94	1.9	4.7
Electricity	11340.39	1.6	3.1
Industrial Engineering	14424.26	1.2	-
Gas Water & Multiutilities index	6348.50	0.9	-0.7
Life Insurance	6711.29	0.6	-
Food & Drug Retailers	4255.41	0.5	-7.9
Health Care Equip.& Services	11071.47	0.3	24.2
Oil & Gas Producers	7539.80	0.3	24.4
Pharmaceuticals & Biotech.	21168.72	0.2	15.4
Tobacco	35137.25	0.0	26.2
Mobile Telecommunications	3031.18	-0.1	10.8
Losers			
Automobiles & Parts	1829.65	-12.7	-
Real Estate Investment Trusts	2858.05	-6.1	-
Mining	10138.71	-5.2	-50.7
Industrial Metals	6686.44	-4.9	-0.6
Travel & Leisure	5977.29	-4.6	-
Personal Goods	29026.02	-4.5	-
Beverages	29431.06	-4.0	-
Software & Computer Services	1810.67	-3.7	-
Real Estate & Investment Servic	2645.08	-3.2	-
Electronic & Electrical Equip.	8849.52	-2.4	-
Food Producers	6172.79	-2.1	-
Household Goods	12341.05	-1.4	-

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

CURRENCIES

Aug 9	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	133.8052	0.2441	136.7886	0.3221	161.7372	-0.1256
Australia	Australian Dollar	1.4340	0.0061	1.4660	0.0071	1.7333	0.0029
Bahrain	Bahrainin Dinar	0.3770	-	0.3854	0.0002	0.4557	-0.0012
Bolivia	Bolivian Boliviano	6.9100	-	7.0641	0.0038	8.3525	-0.0218
Brazil	Brazilian Real	5.1316	0.0039	5.2460	0.0068	6.2028	-0.0114
Canada	Canadian Dollar	1.2877	0.0030	1.3164	0.0038	1.5564	-0.0004
Chile	Chilean Peso	902.5500	-1.7500	922.6736	-1.2978	1090.9586	-4.9634
China	Chinese Yuan	6.7544	-0.0061	6.9049	-0.0026	8.1643	-0.0287
Colombia	Colombian Peso	4315.0050	15.9800	4411.2153	18.6712	5215.7685	5.7745
Costa Rica	Costa Rican Colon	671.7750	1.2050	686.7531	1.5961	812.0090	-0.6554
Czech Republic	Czech Koruna	24.0013	0.0046	24.5364	0.0178	29.0115	-0.0700
Denmark	Danish Krone	7.2786	-0.0037	7.4408	0.0002	8.7980	-0.0274
Egypt	Egyptian Pound	19.1678	0.0264	19.5952	0.0374	23.1691	-0.0284
Hong Kong	Hong Kong Dollar	7.8499	0.0000	8.0249	0.0043	9.4886	-0.0247
Hungary	Hungarian Forint	388.1933	3.0599	396.8486	3.3374	469.2292	2.4857
India	Indian Rupee	79.6438	-	81.4195	0.0433	96.2695	-0.2508
Indonesia	Indonesian Rupiah	14852.5000	-25.0000	15183.6769	-17.4723	17952.9990	-77.0715
Israel	Israeli Shekel	3.3118	0.0037	3.3856	0.0056	4.0031	-0.0059
Japan	Japanese Yen	134.9500	0.2250	137.9589	0.3032	163.1210	-0.1523
..One Month		134.9497	0.2244	137.9589	0.3032	163.1207	-0.1529
..Three Month		134.9489	0.2229	137.9587	0.3029	163.1200	-0.1542
..One Year		134.9446	0.2144	137.9572	0.2998	163.1207	-0.1576
Kenya	Kenyan Shilling	119.2000	-	121.8577	0.0647	144.0832	-0.3754
Kuwait	Kuwaiti Dinar	0.3070	0.0003	0.3138	0.0005	0.3710	-0.0006
Malaysia	Malaysian Ringgit	4.4550	-0.0040	4.5543	-0.0017	5.3850	-0.0189
Mexico	Mexican Peso	20.2720	0.0131	20.7240	0.0244	24.5038	-0.0479
New Zealand	New Zealand Dollar	1.5915	0.0040	1.6270	0.0050	1.9237	-0.0001
Nigeria	Nigerian Naira	425.7500	-	435.2427	0.2313	514.6259	-1.3409
Norway	Norwegian Krone	9.7119	0.0038	9.9284	0.0092	11.7393	-0.0259
Pakistan	Pakistani Rupee	224.4000	-	229.4033	0.1219	271.2438	-0.7067
Peru	Peruvian Nuevo Sol	3.9350	0.0344	4.0228	0.0373	4.7565	0.0293
Philippines	Philippine Peso	55.6100	0.0800	56.8499	0.1119	67.2187	-0.0782
Poland	Polish Zloty	4.5997	-0.0047	4.7022	-0.0023	5.5598	-0.0202
Romania	Romanian Leu	4.7970	-0.0010	4.9040	0.0016	5.7984	-0.0163
Russia	Russian Ruble	61.3000	-0.2500	62.6668	-0.2221	74.0965	-0.4960
Saudi Arabia	Saudi Riyal	3.7595	0.0008	3.8433	0.0029	4.5443	-0.0108
Singapore	Singapore Dollar	1.3781	0.0007	1.4088	0.0015	1.6658	-0.0035
South Africa	South African Rand	16.6275	0.0467	16.9982	0.0567	20.0985	0.0042
South Korea	South Korean Won	1304.5500	-1.9500	1333.6367	-1.2838	1576.8767	-6.4718
Sweden	Swedish Krona	10.1631	0.0265	10.3897	0.0326	12.2847	0.0001
Switzerland	Swiss Franc	0.9524	-0.0011	0.9736	-0.0006	1.1512	-0.0043
Taiwan	New Taiwan Dollar	30.0000	-0.0195	30.6689	-0.0036	36.2625	-0.1181
Thailand	Thai Baht	35.3850	-0.3800	36.1740	-0.3690	42.7717	-0.5720
Tunisia	Tunisian Dinar	3.1494	0.0050	3.2196	0.0068	3.8068	-0.0039
Turkey	Turkish Lira	17.9363	-0.0377	18.3362	-0.0287	21.6805	-0.1021
United Arab Emirates	UAE Dirham	3.6731	0.0000	3.7549	0.0020	4.4398	-0.0115
United Kingdom	Pound Sterling	0.8273	0.0022	0.8457	0.0026	-	-
..One Month		0.8274	0.0021	0.8456	0.0026	-	-
..Three Month		0.8276	0.0022	0.8454	0.0026	-	-
..One Year		0.8283	0.0021	0.8441	0.0026	-	-
United States	United States Dollar	-	-	1.0223	0.0005	1.2088	-0.0031
..One Month		-	-	1.0221	-0.1896	1.2088	-0.0032
..Three Month		-	-	1.0216	-0.1896	1.2090	-0.0031
..One Year		-	-	1.0194	-0.1896	1.2098	-0.0032
Vietnam	Vietnamese Dong	23390.0000	-0.5000	23911.5464	12.2295	28272.7072	-74.2941
European Union	Euro	0.9782	-0.0005	-	-	1.1824	-0.0037
..One Month		0.9780	-0.0005	-	-	1.1823	-0.0037
..Three Month		0.9775	-0.0005	-	-	1.1820	-0.0037
..One Year		0.9753	-0.0005	-	-	1.1807	-0.0037

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 09	Day's chge%	Euro Index	£ Strlg Aug 08	£ Strlg Aug 05	Year ago	Div yield%	Cover	P/E ratio	X/D adj	Total Return
FTSE 100 (100)	7488.15	0.08	6900.17	7482.37	7439.74	7132.30	3.52	1.99	14.24	166.22	7584.34
FTSE 250 (250)	19912.40	-1.02	18348.86	20118.44	20051.48	23453.44	2.78	1.37	26.33	338.57	16390.84
FTSE 250 ex Inv Co (176)	20359.33	-1.05	18760.69	20576.25	20506.99	24543.66	2.87	1.42	24.49	365.30	17097.75
FTSE 350 (350)	4164.79	-0.09	3837.77	4168.67	4146.45	4108.98	3.41	1.92	15.32	89.12	8374.64
FTSE 350 ex Investment Trusts (274)	4093.47	-0.02	3772.05	4094.36	4072.22	4004.76	3.47	1.96	14.73	89.38	4253.14
FTSE 350 Higher Yield (129)	3580.22	0.33	3299.10	3568.43	3543.67	3229.84	4.91	1.91	10.64	97.54	8075.24

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	7481.10	7483.14	7489.39	7481.90	7484.45	7482.47	7488.97	7497.07	7490.13	7504.54	7475.17
FTSE 250	20107.97	20101.89	20084.75	20067.16	20014.33	19979.76	19991.25	19983.97	19900.88	20136.13	19888.58
FTSE SmallCap	6516.91	6547.25	6547.33	6548.48	6543.34	6544.65	6540.37	6537.79	6530.55	6551.94	6516.63
FTSE All-Share	4131.96	4133.23	4135.54	4131.62	4131.05	4129.11	4132.34	4135.75	4129.90	4138.88	4126.42

Time of FTSE 100 Day's high:13:40:30 Day's Low07:23:00 FTSE 100 2010/11 High: 7672.40(10/02/2022) Low: 6959.48(07/03/2022)
Time of FTSE All-Share Day's high:13:42:00 Day's Low11:47:00 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 09	Aug 08	Aug 05	Aug 04	Aug 03	Yr Ago	High	Low
FT 30	2558.00	2576.70	2548.20	2579.30	2571.70	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
2576.7	2578.4	2579.6	2574.7	2571	2566.4	2569.5	2565.8	2557.9	2581.8	2557.0

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

FT WILSHIRE 5000 INDEX SERIES

FTSE SECTORS: LEADERS & LAGGARDS

Year to date percentage changes

Oil & Gas Producers	31.98	Personal Goods	-1.16	FTSE 250 Index	-15.20
Oil & Gas	31.50	Consumer Goods	-1.21	Industrials	-15.47
Tobacco	19.97	Fixed Line Telecomms	-1.46	Real Est Invest & Tr	-15.88
Aerospace & Defense	15.36	FTSE All{HY-}Share Index	-1.87	Nonlife Insurance	-15.96
Pharmace & Biotech	12.83	Health Care Eq & Srv	-3.22	Technology	-16.72
Electricity	12.42	Beverages	-5.33	Software & Comp Serv	-17.02
Health Care	11.75	Financials	-6.19	Construct & Material	-19.01

FTSE 100 SUMMARY

FTSE 100	Closing Price	Day's Change	FTSE 100	Closing Price	Day's Change
3I Group PLC	1241.5	-9.00	Intertek Group PLC	4170	-49.00
Abrdn PLC	161.15	-11.80	Jd Sports Fashion PLC	126.70	-6.85
Admiral Group PLC	1967.5	-16.50	Kingfisher PLC	247.20	-3.90
Airtel Africa PLC	154.20	2.10	Land Securities Group PLC	716.20	5.40
Anglo American PLC	2928.5	-20.50	Legal & General Group PLC	270.00	-1.60
Antofagasta PLC	1185.5	-3.50	Lloyds Banking Group PLC	45.00	-0.25

UK STOCK MARKET TRADING DATA

FTSE GLOBAL EQUITY INDEX SERIES

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UK RIGHTS OFFERS

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

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

UK COMPANY RESULTS

Company		Turnover		Pre-tax		EPS(p)		Div(p)		Pay day	Total	
abrdn	Int			320.000L	113.000	13.900L	4.800	0.00000	7.30000	-	7.300	14.600
Allianz Technology Trust	Int			449.899L	85.759	107.120L	19.980	0.00000	0.00000	-	0.000	0.000
Avast	Int	470.300	471.300	173.900	269.300	0.140	0.200	4.73000	4.80000	Aug 12	15.900	15.600
Baillie Gifford US Growth Trust	Pre			322.843L	299.893	105.120L	105.110	0.00000	0.00000	-	0.000	0.000
CT Global Managed Portfolio Trust	Pre			13.358L	39.782	2.100L	32.530	2.00000	2.00000	Jul 8	3.550	3.400
H&T Group	Int	77.756	51.929	6.719	4.654	13.150	9.290	5.00000	4.00000	Oct 7	13.000	10.000
Independent Investment Trust (The)	Int			44.280L	48.605	84.690L	90.810	3.00000	3.00000	Aug 19	8.000	8.000
InterContinental Hotels Group	Int	1794.000	763.000	299.000	62.000	1.174	12.568	81.87000	0.00000	May 17	173.500	2843.500
Just Group	Int	2265.000L	247.000	296.100L	86.800L	22.510L	7.840L	0.50000	0.00000	Sep 2	1.500	0.000
Legal & General Group	Int	69188.000L	14898.000	1367.000	1320.000	19.280	17.780	0.00000	5.18000	-	13.270	17.820
Merit Group	Pre	27.399	24.690	1.864L	3.113L	7.030L	13.280L	0.00000	0.00000	-	0.000	0.000
RPS Group	Int	267.400	233.500	11.100	7.100	2.780	1.800	0.00000	0.26000	-	0.440	0.260
SIG	Int	1358.500	1108.200	26.200	2.600L	1.400	0.800L	0.00000	0.00000	-	0.000	0.000
TI Fluid Systems	Int	1559.500	1522.500	19.800	32.900	0.001	0.020	0.00000	1.93100	-	1.500	3.800

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	10.00	0.68	11.00	9.03	656.7
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	4.50	-0.25	6.90	4.08	221.9
07/06	75.00	AIM	LIFS	LifeSafe Holdings PLC	54.50	3.00	79.50	50.30	1204.9

§Placing price. *Intoduction. ‡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	7.13	7.50	-0.37	-4.93	1.23	20.8	-17.10
Cielo	5.06	5.06	0.00	0.00	0.71	16.3	-1.26
Cred Agr	9.89	9.88	0.01	0.12	0.95	10.6	-15.65
SHOP	49.07	51.11	-2.04	-3.99	4.46	10.0	-9.35
VertexPharm	300.68	293.95	6.73	2.29	26.82	9.8	6.65
CVS	104.14	102.00	2.14	2.09	8.77	9.2	-2.69
Petrobras	39.77	39.33	0.44	1.12	3.27	9.0	-6.38
ItauHldFin	21.84	21.52	0.32	1.49	1.68	8.3	-11.41
AXA	23.95	23.85	0.10	0.42	1.78	8.0	-9.93
Regen Pharm	619.90	630.63	-10.73	-1.70	44.94	7.8	-9.64
Bradesco	15.55	15.36	0.19	1.24	1.11	7.7	-13.19
BectonDick	261.38	255.97	5.41	2.11	18.36	7.6	0.16
BcoSantdr	2.56	2.55	0.00	0.08	0.17	7.2	-12.80
SampoA	44.85	44.27	0.58	1.31	2.91	6.9	-2.02
Canon	3356.00	3370.00	-14.00	-0.42	217.00	6.9	-4.81
McKesson	357.73	347.38	10.35	2.98	22.64	6.8	2.27
AirProd	260.35	261.77	-1.42	-0.54	16.23	6.6	-0.31
Workday	165.14	166.80	-1.67	-1.00	10.08	6.5	-9.08
Corteva	59.35	59.09	0.26	0.44	3.61	6.5	-13.17
Corteva	59.35	59.09	0.26	0.44	3.61	6.5	-13.17

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 %
NovoB	766.40	750.00	16.40	2.19	-84.80	-10.0	1.87
WPP	798.00	816.80	-18.80	-2.30	-81.20	-9.2	-10.68
Mnstr Bvrg	88.06	89.43	-1.38	-1.54	-8.85	-9.1	7.43
ImpOil	55.90	54.24	1.66	3.06	-5.47	-8.9	-16.04
Bayer	52.07	52.95	-0.88	-1.66	-4.65	-8.2	-2.03
Suncor En	39.99	39.08	0.91	2.33	-3.47	-8.0	-14.08
Aptiv	100.14	102.48	-2.34	-2.28	-8.30	-7.7	-14.95
TrnCan	63.35	63.22	0.13	0.21	-4.92	-7.2	-9.14
Midea	0.42	0.45	-0.03	-6.67	-0.03	-6.7	5.49
Toyota	2076.00	2116.00	-40.00	-1.89	-136.00	-6.1	-2.68
Tesla Mtrs	846.62	871.27	-24.65	-2.83	-55.14	-6.1	-7.91
MitsubEst	1865.00	1873.50	-8.50	-0.45	-120.50	-6.1	-0.43
BakerHu	23.96	24.27	-0.31	-1.28	-1.46	-5.7	-22.24
KLA Corp	360.86	387.68	-26.82	-6.92	-21.83	-5.7	-17.01
NXP	170.41	179.96	-9.55	-5.31	-10.06	-5.6	-20.85
MitsuiFud	2806.00	2822.50	-16.50	-0.58	-160.00	-5.4	1.80
Applied Materi.	99.39	107.83	-8.45	-7.83	-5.61	-5.3	-24.63
MitUFJFin	709.20	721.90	-12.70	-1.76	-39.80	-5.3	-1.46
Continental	65.00	69.44	-4.44	-6.39	-3.58	-5.2	-1.51
Lilly (E)	303.54	302.50	1.04	0.34	-16.66	-5.2	4.38

Based on the FT Global 500 companies in local currency

INTEREST RATES: OFFICIAL

Aug 09	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 09 (Libor: Aug 08)	Over night	Change Day	Change Week	Change Month	One month	Three month	Six month	One year
US$ Libor	2.31729	0.005	-0.004	0.019	2.38857	2.91157	3.56886	3.99471
Euro Libor	-0.64957	-0.064	0.000	0.001	-0.61943	-0.58057	-0.55600	-0.48571
£ Libor	0.18063	-0.005	0.000	-0.001	1.72220	2.09940	2.64560	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				0.009	-0.03200	0.30100	0.72900	1.11000
Sterling CDs				0.000	0.50000	0.63000	0.78500	
US$ CDs				0.010	2.37000	2.86000	3.33000	
Euro CDs				-0.010	-0.04000	0.24000	0.64000	

Aug 09	Short term		7 Days notice		One month		Three month		Six month		One year	
Euro	-0.22	0.08	-0.21	0.09	-0.19	0.11	0.09	0.39	0.49	0.79	0.81	1.11
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	2.27	2.47	2.76	2.96	3.23	3.43	3.54	3.74
Japanese Yen	-0.15	0.05	-0.20	0.00	-0.20	0.00	-0.15	0.05	-0.10	0.20	-0.05	0.25

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

BOND INDICES

	Index	Day's change	Month's change	Year change	Return 1 month	Return 1 year
Markit IBoxx						
ABF Pan-Asia unhedged	202.71	-0.51	0.21	-7.77	1.40	-8.53
Corporates(£)	352.76	0.55	0.03	-10.87	3.03	-12.70
Corporates(€)	221.12	0.16	-0.21	-8.45	3.10	-10.06
Eurozone Sov(€)	232.00	0.18	-0.12	-8.82	3.46	-11.03
Gilts(£)	315.38	0.90	0.09	-12.27	3.06	-13.92
Overall(£)	319.73	0.79	0.05	-11.67	2.89	-13.35
Overall(€)	224.98	0.18	-0.23	-8.80	3.22	-10.82
FTSE						
Sterling Corporate (£)	-	-	-	-	-	-
Euro Corporate (€)	104.47	-0.05	-	-	0.54	-1.73
Euro Emerging Mkts (€)	657.97	-0.98	-	-	-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	518.06	14.44	-10.86	-57.99	630.88	330.24
Europe 5Y	102.90	3.02	-1.42	-13.57	127.35	70.55
Japan 5Y	81.75	-0.09	-3.35	-24.50	115.50	57.71
Senior Financials 5Y	111.10	3.28	-2.70	-16.68	139.21	79.74
Markit CDX						
Emerging Markets 5Y	308.17	-9.24	-19.55	-49.25	387.80	219.01
Nth Amer High Yld 5Y	459.79	-4.25	-17.88	-71.46	589.25	459.79
Nth Amer Inv Grade 5Y	80.91	0.13	-1.42	-11.24	102.64	63.80

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

COMMODITIES

BONDS: INDEX-LINKED

BONDS: TEN YEAR GOVT SPREADS

BONDS: HIGH YIELD & EMERGING MARKET

VOLATILITY INDICES

BONDS: BENCHMARK GOVERNMENT

BONDS: GLOBAL INVESTMENT GRADE

GILTS: UK CASH MARKET

GILTS: UK FTSE ACTUARIES INDICES

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

ARTS

A world at his fingertips

Catalan conductor and musician Jordi Savall is bringing two projects which combine music, history and travel to the Edinburgh Festival. He talks to David Honigmann

Left: Jordi Savall with his viola da gamba. Below left: performing with his wife, Montserrat Figueras, in 2006 — David Ignaszewsk; Hiroyuki Ito/New York Times

I am from Barcelona. It's a city open to the Mediterranean. When you go to the sea and you see the immensity of the horizon" — Jordi Savall opens his arms wide — "you have other perspectives and you are interested to see what happens after this horizon."

Savall, who has just turned 81 but whose energy is undiminished, has spent a lifetime making music that explores what happens over the horizon. Next week he brings two of these projects to the Edinburgh International Festival: an examination of the mix of cultures in 18th-century Istanbul through the compositions of Dimitrie Cantemir, and a recreation of the travels of the 14th-century traveller Ibn Battuta, whose peregrinations dwarfed those of Marco Polo.

Savall was born in Catalonia two years after the end of the Spanish civil war, to Republican parents. "There was still persecution against Catalans, against the Catalan language. My name when I was born was [the Spanish] Jorge: it was impossible to put [the Catalan] Jordi." To minimise any Falangist influence on his education, his father placed him in a Catholic primary school. On his first day, "at nine o'clock in the morning there was a mass, and I loved it. The next day I asked the director to give me the chance to sing. I sang for the next seven years. That was my essential musical education, singing every day."

After his voice broke and he had a brief flirtation with Elvis Presley, he was next entranced by hearing a rehearsal of Mozart's *Requiem* with a string quartet: "If the music has this power, I will have to be a musician." He decided to learn the cello and, at 24, he switched to the cello's Baroque ancestor, the viola da gamba. In the 1960s it had fallen completely out of favour, so Savall went digging for music, first in the British Museum's library, where he found "the enormous repertoire" of composers such as Tobias Hume, Matthew Locke and Henry Purcell, and then in Paris, where he unearthed works by Marin Marais and François Couperin. His efforts to revive these forgotten works as well as break down barriers between western classical music and its equivalents from the rest of the world have been the hallmarks of his career.

With his wife, the soprano Montserrat Figueras, he founded the early-music group Hespèrion XX (later, for obvious

> 'I sang for the next seven years, every day. That was my essential musical education'

reasons, Hespèrion XXI); the couple also founded La Capella Reial de Catalunya, a period choir, and its associated orchestra Le Concert des Nations. All three groups are impressively productive. "I have the fortune," says Savall, "to be a musician and at the same time a good organiser." He credits an unlikely source for this.

"When I was 14 I was not a good student. My father sent me to a pullover factory where I worked eight hours a day from 14 to 19. I learned slowly how to control the production, to control quality, to control stock, sales — these five years of experience, they helped me during my life. When I founded Hespèrion I did everything myself."

In 1998 Savall set up his own label, Alia Vox ("Other Voice"), which has sold 5mn records. The albums are rehearsed slowly — a new collection of late Beethoven symphonies has been in preparation for six years — but recorded quickly. "I try to record when we are at the high point of love, the mixture of enthusiasm and experience — when we still have this fascination that you can only have when you are 100 per cent in love with the music." Savall himself has recorded more than 100 albums.

This cottage industry was a family business — with Figueras, until her death in 2011, and the couple's children, Arianna and Ferran. "I was fascinated by her vocals and Montserrat was fascinated by the viola's song, its melody. It was a perfect combination." The children now have their own careers.

Alia Vox's signature releases are "CD-books" — large boxes that tell historical stories through both music and richly illustrated documentation in five languages (including Catalan). They concentrate on the meetings of musical cultures, either in cities (Jerusalem, Istanbul) or through travellers (Ibn Battuta; the 16th-century Jesuit missionary Francis Xavier, who went to India and nearly made it to mainland China). He paraphrases an insight from author Elias Canetti's *Die Provinz Des Menschen*, which says that music represents "the 'through-life history of the human being'. It's always alive and can touch you in your heart directly with emotion. When you sing a song from the troubadour time and you sing it with emotion, you will have the same emotions as the people at the time. This is the best way to learn history."

The Ibn Battuta project combines musicians "from Morocco, from Syria, from Turkey, from Afghanistan, from China — you can follow the travel and have in every city the music that corresponds to the culture." The pieces are linked by a spoken narrative. "Through the writings of *The Rihla*" — Ibn Battuta's travelogue — "we discover the situations, how people lived, their cultures."

Dimitrie Cantemir, by contrast, went nowhere by choice: he was an 18th-century Moldavian prince taken to the court of the Ottoman sultan as, in effect, a hostage. This concert combines his compositions from his time among the Ottomans with Armenian, Greek and eastern Mediterranean pieces.

Savall takes a lesson from the history of Ibn Battuta and his travels through

> 'We still don't know if some musicians will get their visas. It's terrible. It's inhuman'

Africa and Asia. "Today we have lost freedom. This person travelled for 40 years through the world without any difficulties." (A slight overstatement: Ibn Battuta, on his own account, was kidnapped and robbed on his way to India, shipwrecked and forced to work as a judge in the Maldives.) "Today, to have visas for the musicians from Morocco, from Turkey, from Madagascar to come to the concert, it's impossible. We still don't know if some musicians will get their visas. It's terrible. It's inhuman.

"Ibn Battuta demonstrated an acceptance of people coming from other cultures. His testimony was that the world is very rich and every culture has its own characteristics and its own spirit. I think it's important to remember that we [in the west] are an important culture, but we are not the only culture in the world. Music remains the best way to connect these cultures."

eif.co.uk

Netflix aims to be a serious game player

GAMING
Tom Faber

Back in 2019, when Netflix still ruled the streaming roost, the company made a statement in a shareholder letter that surprised even keen-eyed media commentators. Having previously stated that its goal was to become the next HBO, Netflix was now saying: "We compete with (and lose to) *Fortnite* more than HBO." It was situating itself in a competitive landscape alongside not just TV companies but all media vying for audience screen-time. Back then gaming was its biggest threat. Today it might be its saviour.

Netflix has continued to take video games seriously, with many of its biggest shows such as *The Witcher*, *Arcane*, *Castlevania* and *Resident Evil* tied to major gaming IPs. Then in late 2021 it completed the circle by launching Netflix Games, a modest offering of mobile games available to subscribers for no extra cost. For the first six months, there were few interesting titles. Even today, hardly anybody seems to know that the service exists — less than 1 per cent of Netflix users are engaging with games. Yet since June Netflix has been rolling out a surprisingly ambitious gaming line-up, with a plan for 50 to be available by the end of the year.

This comes at a precarious moment for the company, which has suffered drops in share price, cut hundreds of jobs and lost more than a million subscribers this year. Are these game offerings just a desperate attempt to retain dominance in an increasingly competitive streaming market? Or does Netflix actually have the goods to claim territory in the gaming sphere and

Tok and even Zoom. It's a logical step as games attract a large, committed audience and often last so many hours that they can offer a boost to the holy grail of tech metrics, "engagement time".

The move feels natural for Netflix, which pioneered the subscription streaming model. This is perhaps most impactful in the world of mobile games, which were once a reliable source of innovation but have recently been tainted by the rise of the "free to play" business model — which is rife with predatory microtransactions and employs ethically dubious monetisation

> Games can offer a boost to the holy grail of tech metrics, 'engagement time'

strategies. Paying a monthly subscription enables developers to focus on creating quality gaming experiences rather than tempting players to part with ever more cash.

Naturally, this strategy will only work for Netflix if the games are any good. There are currently 26 titles available across Android and iOS, most of which are casual games of little interest: *Knittens* is *Candy Crush* meets cute cats, while *Shooting Hoops* is an odd exercise involving a basketball that is inexplicably attached to a gun.

One of the newest Netflix-exclusive offerings, *Poinpy*, is a different beast. This colourful game about gathering fruit to feed a murderous monster is charming, tense and surprisingly deep. Netflix has also ported acclaimed indie PC games to mobile, including *Before Your Eyes*, a game about grief and memory that you control by blinking, and *Into the Breach*, a cult hit strategy game that plays a bit like chess with aliens and robots. Then there are licensed games. Netflix already has two games based on *Stranger Things* and in June it announced upcoming titles based on *Shadow and Bone*, *Money Heist*, *Too Hot to Handle* and *The Queen's Gambit*.

With the acquisition of three game studios including Night School, creator of beloved indie title *Oxenfree*, and announcements of upcoming artistic games including *Spiritfarer* and *Immortality*, it's clear that Netflix is taking its gaming gambit seriously. The company remains cagey about its strategy but research company Apptopia says Netflix games have been downloaded 23.3mn times.

The offering of Netflix Games isn't enough to be worth the subscription price alone, but it could sweeten the deal for those on the fence about whether to renew. It's still early days but it is beginning to show the promise of a strong curatorial eye. In the meantime, any attempt to liberate mobile games from the shackles of microtransactions is a welcome one.

retain subscribers — or even woo a new gaming audience?

Netflix is not alone in attempting to pivot a successful tech platform into the lucrative gaming space. All "big four" tech companies — Apple, Amazon, Meta, Google — have made similar moves, as have platforms such as Tik-

'Before Your Eyes' is among the games ported from PC to mobile by Netflix

FT BIG READ. FINANCIAL SERVICES

The industry was founded by mercenary dealmakers who bludgeoned opponents. But rapid growth has changed its character, with many firms now nurturing complex relationships with their competitors.
By Antoine Gara

The private equity club

When buyout groups Hellman & Friedman and Permira began stalking a takeover of business software group Zendesk in February, they tried to bring in a third partner for what would be a large deal. They called Blackstone, a firm that manages more than $125bn in private equity assets and that they each knew well from previous transactions.

Blackstone was initially interested in Zendesk, but in the end it passed on the investment. However, the firm's involvement did not end there. When H&F and Permira eventually announced their $10.2bn acquisition of the software company in June, the press release did not name any of the Wall Street banks that would usually provide the bridge loans to complete such a deal.

Instead, H&F and Permira said that amid choppy capital markets they had secured more than $4bn of debt financing. The debt came from a group of would-be competitors led by Blackstone.

Firms such as Blackstone and Apollo, another lender in the deal, made their names as swashbuckling takeover artists. The industry was founded from the 1970s to the early 90s by small teams of mercenary dealmakers, who then duelled with each other to win control of large corporations such as RJR Nabisco, Alliance Boots, and Philips Semiconductors.

Private equity firms have since grown to manage almost $10tn in assets and have become the dominant force in global financial markets.

But as the industry has expanded, its character has been transformed. Firms that once bludgeoned opponents now nurture complex business relationships with their competitors. Private equity

'There are no clean lines. Everyone is a competitor, a collaborator and a partner'
The head of one private equity firm

has become just a fraction of their overall assets under management, with credit investing businesses now managing hundreds of billions of dollars, including providing loans for leveraged buyouts.

The result of these sprawling empires is that once heated rivals increasingly see the benefits of a level of co-operation between different business units that once seemed inconceivable.

"Private equity started 35 years ago as a dark art. Now it is an asset class," Marc Rowan, chief executive of Apollo Global, told an audience this year. "There are no permanent friends or permanent enemies anymore."

With private equity deals now accounting for more than 25 per cent of global M&A activity — a record market share — the collective power of the leading groups is starting to attract the attention of regulators.

Private equity takeovers, once rubber stamped by antitrust authorities, are now being treated with the scrutiny reserved for large corporations, competition watchdogs have told the Financial Times.

It is a striking reversal for a sector that has more often in the past been criticised by politicians for its ruthlessness rather than its clubbiness.

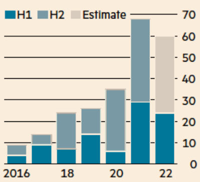
"When you have repeated relationships, you are just not going to go to war with the same ferocity," says Josh Lerner, a professor at Harvard Business School, who has studied private equity for decades.

Relationships that run deep

The Zendesk takeover is illustrative of how deep the ties can run between lead-

The sector has in the past been criticised by politicians more for its ruthlessness than its 'clubbiness'
The Print Collector/Print Collector/Getty Images

Private equity firms are increasingly selling assets to each other
GP-led annual transaction volume ($bn)



Firms earmark over $1tn

deal led by two of its most important customers. Blackstone Credit, the buyout firm's $230bn in assets lending arm, is a reliable lender to both firms. It provided the majority of $1.2bn in financing for H&F's takeover of NPD Group in October 2021 and $2.2bn in debt for Permira's take-private of cyber security group Mimecast two months later.

H&F co-led the largest leveraged buyout of 2021 alongside Blackstone, taking control of medical supplier Medline Industries for $34bn. A year earlier, the two firms struck an equally ambitious deal to merge their combined investments in human resources IT company Ultimate Software and cloud software specialist Kronos, in a $22bn deal.

To buy Zendesk, H&F and Permira raised billions in debt against a business that generated just $80mn in profits last year, far more than regulated banks could offer, according to three people involved in the deal.

Blackstone, which considers H&F a skilled partner for takeovers, took part in the financing, as did Apollo, which financed more than $750mn of the takeover, and counts both firms among the 25 private equity firms to which it has lent over $40bn. Famed for its ruthless tactics with debtholders, Apollo now aspires to become a go-to financier for the deals organised by competitors.

"The zero-sum game mentality of old school dealmakers that always assumed that for them to win someone had to lose is really an outdated point of view," says an executive at one of the industry's largest global firms. "There are so many opportunities. Today you are competing and tomorrow you will bring them in as a partner on a deal. It is the new reality."

By the 2008 crisis, private equity had become part of the financial mainstream as it pulled off a string of ever-larger takeovers. These so-called "club deals" hinted at the willingness of some firms to co-operate out of self-interest.

Buyout firms, then privately owned partnerships almost exclusively focused on corporate takeovers, could not afford to purchase on their own some of the companies they considered attractive targets — such as hotelier Hilton, utility TXU, retailer Toys "R" Us, and hospital chain HCA. However, by assembling consortiums of competitors that each contributed a slice of the equity, almost any deal became possible.

These club deals led to some legal battles. A 2007 civil lawsuit in Massachusetts led by a pension fund in Detroit accused 16 private equity firms of forming consortiums that rigged bids in sale processes.

The case centred on the $33bn LBO of HCA, won by Bain Capital, KKR and Merrill Lynch, after there were no other competing bids. Emails unearthed by lawyers showed competitors refraining from outbidding each other.

"I don't want to be in a pissing battle with KKR at the same time we are teaming on other deals," said David Rubenstein, one of Carlyle's founders, in an email unearthed during the litigation.

These deals were not all successes. Toys "R" Us, for instance, fell into restructuring. Moreover, to settle the Massachusetts litigation, Goldman Sachs and Bain Capital paid $121mn, while KKR, Blackstone and TPG agreed to pay $325mn, all without admitting or denying guilt.

By the time of the financial crisis, club

ing loans from banks in the US and Europe, betting that the portfolios would stabilise. As markets recovered, they shifted to originating new loans, underwriting midsized private equity takeovers that banks would not finance.

It set off private equity's march into new businesses such as lending, insurance-related investments, real estate and infrastructure, which were far from their original speciality in buyouts.

Blackstone acquired debt manager GSO in 2008, seeding its expansion into credit and insurance-based investments, which now comprise 28 per cent of the group's $940bn in assets.

Apollo, under current chief executive Rowan, built an insurer called Athene that was designed to invest fixed-rate annuity premiums into complex debts, like senior loans. These credit investments are now Apollo's biggest and fastest growing business.

In private lending markets, the fastest growth has come from financing

'Today you are competing and tomorrow you will bring them in as a partner on a deal. It is the new reality'

software takeovers, like Zendesk, which banks cannot handle due to the level of leverage involved. Several other large deals this year, such as Thoma Bravo's $10.4bn takeover of Anaplan, were financed by private lenders because the leverage ratios on the debt are beyond what banks are comfortable handling.

is a competitor, a collaborator and a partner."

This web of relationships has changed the character of the industry. "It is costlier than ever to be a jerk," says Steven Kaplan, an expert on private equity who teaches at the University of Chicago. "If they behave badly in one deal, they will be treated differently in the next deal."

The ties stretch far beyond lending. The fastest way for buyout firms to deploy their nearly $2tn in "dry powder," or funds they have raised that have yet to be invested, is to buy companies directly from other private equity firms. A record 442 of such deals worth $62bn were struck last year, according to Refinitiv.

These deals can close in less than three months, say bankers, versus as long as nine months to acquire a public company. They can also be expedient: sellers sometimes look to quickly lock in gains and show strong returns as they raise their next fund, notes one private equity firm executive.

"A lot of times you have good companies that a sponsor owns, but they need to sell to show dollars realised for their fundraising," says the executive.

There has also been a surge in so-called "secondary buyout transactions", where one private equity firm sells a large stake in an existing investment to another firm at a higher valuation.

Can it last?

The first test of the private equity industry's new co-operative structure was the coronavirus pandemic. Broad swaths of the global economy closed, threatening to create a wave of defaults for private lenders that had financed a flurry of takeovers.

What occurred instead was a mass forbearance as private equity borrowers and their lenders amended loans to give companies breathing room. To smooth

Marc Rowan, chief executive of Apollo Global: 'There are no permanent friends or permanent enemies anymore'

the new and more lenient liquidity measures and show good faith, some borrowers added additional equity to the deals. "The whole concept was we're not going to foreclose," says one borrower involved in numerous negotiations. "They're in the business of ideally doing multiple deals with your portfolio companies. They know that if they act poorly, my job is to not show them future business."

One such example was a company called European Wax Centre, an operator of hair removal salons that was acquired in 2018 by private equity firm General Atlantic with a $180mn loan from private lender Blue Owl. When the pandemic shuttered the company's salons, Blue Owl voluntarily amended the loan to forestall a cash crunch and General Atlantic made an over $10mn cash infusion as a concession.

After the economy reopened, European Wax recovered and its debts were refinanced at par. Last year, the company went public, valuing General Atlantic's stake at $639mn, several multiples of its original investment.

Young Soo Jang, a PhD student at the University of Chicago, has studied private lenders' behaviour by examining more than 200 deals that fell into distress during Covid.

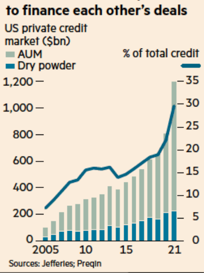
He found private lenders were twice as likely as the broadly syndicated loan market to ask for borrowers to agree to inject new capital into deals, forestalling restructuring. Five per cent of distressed private deals led to bankruptcies, according to the research, half the rates of bank financed deals.

The global economy sidestepped a brewing financial crisis during the pan-ing private equity firms.

The origins of the takeover go back to 2016, when Permira invited H&F to make a minority investment in a call centre technology company called Genesys, which it had bought from Alcatel-Lucent four years earlier. H&F invested $900mn in Genesys at a $3.8bn valuation, more than double Permira's initial investment.

H&F and Permira initially studied merging Genesys with Zendesk, according to sources directly involved in the deal. When the idea did not advance, they turned to Blackstone, which helped arrange more than $4bn in debt financing that is now the largest private financing on record.

For Blackstone, it meant supporting a



Sources: Jefferies; Preqin

Aggressive outsiders

The modern day private equity buyout traces to Michael Milken's Drexel Burnham Lambert, the investment bank that popularised the "junk bond". Drexel financed small teams of dealmakers targeting corporate giants such as Disney, Texaco and then RJR Nabisco, the signature LBO of the go-go 1980s.

Milken, and many of Drexel's clients, were considered aggressive outsiders, unafraid to gatecrash Wall Street.

"The Drexel guys that Milken was backing were pretty non-genteel types," says a buyout executive who worked in that era. "It was like the Gold Rush. The guys who couldn't make it in the city went off to look for gold."

deals had mostly vanished as investors found themselves exposed to the same failing investments in multiple funds and called for an end to the practice.

But the crisis also opened a window for buyout firms to transform themselves into much broader operations that are shifting the balance of power in finance towards private markets.

Investment banks, hamstrung by new regulations like the 2010 Dodd Frank Act, were curtailed from holding risky assets such as low-rated debts, which has limited their ability to finance many deals. As a result, corporations and private equity buyers have had to seek new ways of issuing debt. Blackstone, Apollo, KKR and Carlyle stepped into the void.

They bought billions of non-perform-

In these deals, lenders will "club up" by assembling a consortium of competitors, resembling the consortiums of the pre-crisis era.

These private financings have continued as interest rates rise — just as many investment banks have been refusing to make new lending commitments until loans from deals struck earlier in the year have been sold on. The result has been a halt in the market for bank-financed takeovers and the private lenders winning market share.

"The idea that we would work with KKR and Blackstone to provide debt for us once seemed like a crazy idea. Today, people don't even think about it," says the head of one private equity firm. "There are no clean lines. Everyone

demic thanks to an unprecedented policy response. But as financial markets enter another troubled moment amid the war in Ukraine and central bank tightening, the ties between firms will be tested again. "This increased co-operation and cosiness is really a bull market phenomenon," says Lerner, the Harvard professor, who expects falling markets will unearth new conflict as deals sour, pitting parties against each other.

However, the firms involved in the Zendesk financing insist these new relationships will not break.

"It is very hard to be a credible direct lender and a hostile investor," says the head of one firm involved in the deal. Another adds: "We're just trying to get our money back and get a return."

The FT View

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

Confronting the reality of the UK energy crisis

Britain's most vulnerable households will need more help with soaring fuel bills

Grim news about the UK economy keeps mounting. Last week, the Bank of England forecast a 15-month recession, with inflation peaking at more than 13 per cent. The energy price cap, which limits how much households can be charged, is now forecast to soar 80 per cent in October from today's record levels, pushing many into a dire choice between heating and eating over the winter. Mortgage and rental costs are also rising. Yet with the government paralysed as it awaits the outcome of a Conservative leadership contest that is still ignoring the scale of the problem, there is still no clear and realistic near-term cost of living strategy — just when the most vulnerable need it the most.

The UK faces its worst bout of stagflation — low growth and high inflation — since the 1970s. A reliance on natural gas imports and a sluggish post-pandemic recovery in its workforce means UK inflation is a toxic mix of the energy-driven type facing continental Europe and the wage pressures at play in the US. Underlying the BoE's stark forecast was the equally bleak calculation that in order to bring inflation down it needed to lift interest rates enough to cool the jobs market and investment, engineering a downturn in the process.

With the central bank now alive to the danger of persistently high inflation, fiscal policy will have to tread carefully as it offsets the cost of living crisis when resources are tight. Weaker growth will shrink any fiscal headroom the Treasury might have had, while the government has already pledged a hefty £37bn across various cost of living packages. Moreover, efforts to support households — whether by tax cuts or direct payments — will add further fuel to inflation, which will in turn be met by tighter monetary policy.

So, like the BoE, the government must do its own grim calculus — on how to share out the pain from sky-high inflation. While the Tory leadership candidates have declined to confront this reality, whoever wins will have to do so. With prices moving higher, post-tax household incomes are expected to fall by the most in real terms in more than 60 years. Soaring energy and food prices will continue to hit the vulnerable the hardest, so targeted support to them must be the priority, even if it is inflationary at the margin.

Getting money out of the door quickly and efficiently will be crucial. Energy bills could now hit £4,300 a year by January, after the decision to pass on rises in wholesale prices faster. Liz Truss has eschewed "handouts" to households, preferring to reverse rises in national insurance and scrap green levies. As well as cutting VAT on energy, Rishi Sunak has hinted at extending the direct payments he provided as chancellor.

Cuts to levies and energy VAT will put

> The price cap is forecast to rise 80 per cent in October from today's record levels

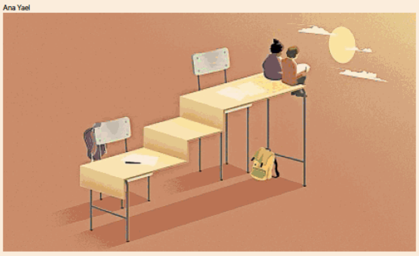
more money in pockets, but will only tinker at the edges of the problem. Reversing the national insurance increase will do more for higher earners. Building on Sunak's package of support in May — which included payments to those on means tested benefits, alongside the disabled and pensioners — may be the most viable immediate solution. It would need to be scaled up (it was based roughly on a £2,800 energy price cap) and better targeted; further payments to richer households too would be hard to justify.

Any package would need to come alongside efforts to conserve energy and curb demand over the winter. With bills set to remain high into next year, the whole structure of the price cap and support for poorer households also needs to be reviewed. It is time both candidates for prime minister started to engage with the reality of the crisis and set out plans for action. For whoever takes over in September, it will be the most pressing item in their in-tray.

Opinion Social mobility

Why rich and poor should mingle more

Ana Yael



Anjana Ahuja

InnerCity Weightlifting, a non-profit gym in Boston, Massachusetts, recruits personal trainers from deprived backgrounds to get rich clients into shape. The unlikely pairings, aimed at steering youths away from a troubled life on the streets, produce more than just honed biceps: affluent gym-goers have spontaneously offered trainers extra job opportunities; shown up in court to support them; and even paid for their children to attend summer camps with their own more privileged offspring.

Those kinds of relationships across the class divide are critical for economic mobility, according to Raj Chetty, professor of public economics at Harvard University. Last week, Chetty published two papers in Nature demonstrating that children from low-income families who have lots of friends from high-income families are themselves more likely to earn higher incomes later in life. The analysis points to the importance of "economic connectedness" — in short, having rich acquaintances — as a

> Research shows children from low-income families who have wealthier friends earn more later in life

the number of wealthy connections made when young, that characterised upwardly mobile high earners. Rich children enjoy this advantage almost from birth. The average child growing up in a high-income family has seven out of 10 friends from wealthy families; for kids in low-income families, the figure drops to four in 10.

"If children with low-SES parents were to grow up in counties with economic connectedness comparable to that of the average child with high-SES parents, their incomes in adulthood would increase by 20 per cent on average," the authors conclude.

Exactly why growing up with affluent pals can boost later earnings is unexplained, though such connections plausibly open a child's eyes to further education or more lucrative careers. Economic connectedness also appears to explain racial disparities in economic mobility. The team has launched a Social Capital Atlas, revealing levels of social cohesion, civic engagement and economic connectedness for every school, college and neighbourhood in the US.

The second paper looks more deeply at how individuals connect across the income divide. Two factors contribute: the first is exposure, or whether rich and poor share the same space. But exposure alone is not enough; children in the same school can self-segregate along racial or class lines. Cue the additional factor: "friending bias", or the tendency for kids from similar backgrounds to cluster socially. This is generally lower in religious institutions and recreational groups, such as the Boston gym, than in local neighbourhoods and schools.

Sir Richard Blundell, professor of political economy at University Col-

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Europe's demographic conundrum has an African solution

John Burn-Murdoch's article and its oh-so-simple accompanying graph (Data Points, August 5) puts its finger on a problem that all countries, not just the UK but across Europe, will face in years to come — how to attract and retain talent.

Due to lack of births, populations are stalling or already shrinking. And since the older, less immigrant-friendly part of the population gets electorally more important, all politicians now clamour for, or silently back, a closing of the borders of fortress Europe — even against their own better judgment. How anyone thinks we will be able to maintain our current standard of living in these circumstances is a mystery.

It is quite likely that we are already witnessing the first results of this policy: a systemic and structural lack of people of working age, with more and more shortages to come — for example nurses, cleaning staff, airport staff and those working in restaurants.

In the ensuing war over talent, we should not expect inflation to lie down soon at the same time as we try to reshore the vast quantities of work we've outsourced to China in the past 20 years. China, facing exactly the same problem, has already decided to give priority to local consumption over exports. Has anyone in the EU, or the UK, started to do the maths on the personnel resources that will be necessary? And if they did, do they have the guts to tell their populations?

A great awakening is coming: the labour pool dried out some time ago.

And we only need to look at Japan to see what is in store for us.

The solution is so simple: organise a long-term and properly managed increase in immigration — from Africa of course, where else?

Philippe Miclotte
Wortegem, East Flanders, Belgium

The west is right to call China's bluff on Taiwan

I am surprised that Gideon Rachman's column (Opinion, August 9) and the earlier piece by his FT colleague Edward Luce (Opinion, July 28) portray the US-China conflict over Taiwan in such alarmist terms.

As in the Ukraine, western democracies are in a strong position. So much of their economic activity is consumption that could be sacrificed with proper leadership, whereas China and Russia are both still developing and fundamentally vulnerable to any serious disruption of their trade.

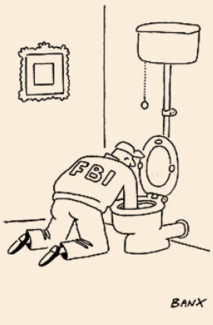
War over Taiwan might be bad for the US, but it would be a catastrophe for China. Why should the Biden administration wobble on Taiwan? The equation is simple: China has not observed its promises on Hong Kong, so the US is not going to observe its on Taiwan. In April it was Italy's Mario Draghi who asked: "Do we want to have peace or do we want to have the air conditioning on?" But the question for western voters is this: "What do you want — democracy or tyranny?" The Taiwanese know the answer. This should be kept in mind by US negotiators too.

John V Baldwin
Cernobbio, Italy

The ingredient missing in the Latin America leader

Your editorial "The challenges for Latin America's new left" (FT View, August 8) implied that "delivering strong growth" in Latin America — to match south-east Asian levels — requires "a well-educated workforce, stable rules for doing business, efficient courts and infrastructure fit for the 21st century".

Hooray for all that. Nobody could disagree. Conspicuously missing



Why Fed's rate rise failed to rattle emerging markets

One of the key reasons that we haven't yet seen the capital outflows normally experienced by emerging market economies (EMs) when the US Federal Reserve raises rates is the commodity demand driven by the move to environmental, social and governance investing strategies (Opinion, July 4).

Some of the commodity demand is long term, not just short term. Take the case of Indonesia, which has already attracted major foreign direct investment relating to nickel, a key metal in electric vehicle production. The FDI has supported the rupiah, which didn't slide dramatically as one would have predicted.

This has allowed the Jakarta government room to focus on implementing its reform programme, such as the omnibus bill, which is critical to delivering the labour market reforms the country needs.

I believe EMs are very under-

Steps Britain must take to be a science superpower

Both the House of Lords Science and Technology Committee and the Onward think-tank have shone a light on one of the greatest challenges but also opportunities facing the next prime minister — how to achieve the ambition to make the UK a "science and technology superpower" (Report, August 4).

There is a broad consensus on some of the steps needed: a long-term plan to increase public and private investment; maintaining an outward focus in terms of collaboration and recruitment (including getting the science part of Brexit done by being associated with EU research funding schemes); and reforming our education system to ensure we have a workforce that is well placed to drive and adopt innovation.

Where there has been less focus is the role research and innovation will play in tackling one of our biggest economic problems — productivity. Productivity is improved through innovation — the adoption by skilled people of new technologies, processes and business models. Innovation comes from decades of investment in the UK's outstanding science base (think Oxford's Covid vaccines, built from basic science from the 1960s).

A serious economic growth plan needs a serious productivity improvement plan, and furthermore a sustained investment in science, innovation and the people involved.

Professor Robin Grimes
Foreign Secretary and Vice-President Royal Society, London SW1, UK

Across Whitehall, it's time to embed climate resilience

Camilla Hodgson and Philip Georgiadis write that "adapting to climate change is a task so vast and amorphous that

If ever there was a case for shareholder activism . . .

The dispute between Ben & Jerry's Homemade (BJH) and Unilever, via an intermediate holding company called Conopco, is unedifying ("Unilever stops paying board members at Ben & Jerry's", Report, August 4). While the parties pore over the acquisition terms, they miss three fundamental points.

First, it is simply beyond comprehension to the markets that BJH effectively argues that it enjoys some sort of special exemption from group governance policies. The universal expectation is that these cascade downstream.

Presumably BJH intended to become a Unilever product and that is why the Unilever logo is displayed on tubs of BJH ice cream. What BJH fails to see is that biting the hand (and reputation) that feeds you is a liability and not an asset.

Second, any arrangement between intermediate parent and subsidiary that preserves a degree of autonomy for the subsidiary owes its existence to the law of obligations. It does not have an impact on the parent company's property rights as (indirect) owner. It would be illogical if, as part of the acquisition of a subsidiary, the arrangements alienated the very asset it had acquired.

Third, BJH's activism in what it calls the "occupied Palestinian territories" appears to have only developed in 2019. This was almost two decades after the acquisition agreement. That agreement relates to BJH's "historical social mission". It is difficult to see how that term captures an ex-post facto mission. That is surely right: no parent company would or could commit to a future unknown.

If ever there was a case for shareholder activism, this is it. If not the New York courts or mediation having rich acquaintances — as a valuable early rung on the economic ladder.

Chetty, a pioneering economist who uses big data to illuminate complex social questions, set about unpicking the idea of "social capital", the loosely defined quantity that captures a person's social network and environment which is often deemed the key to success. Along with colleagues from Stanford University and Stern Business School in New York, he turned to the world's biggest hub of social connectedness: Meta, formerly Facebook.

The team combed through the anonymised data of all users aged 25 to 44 across the US, covering 72mn people and 21bn friendships. In the first paper, they sliced the data using three different definitions of social capital: cross-connections within friendship networks, as a proxy for social cohesion; levels of volunteering in neighbourhoods, as a proxy for civic engagement; and economic connectedness, a share of a person's high socio-economic status (SES) friends.

It was the last factor, particularly of political economy at University College London and also at the Institute for Fiscal Studies, said Chetty's findings, though US-focused, had significant implications for levelling up in the UK: "The main takeaway is that being able to connect with people from higher SES groups has a strong and important association with upward mobility," Blundell said.

"If we've got connectedness then it obviously can't be helping their social mobility."

One obvious implication is that increasing the number of grammar schools — as Conservative leadership candidates Liz Truss and Rishi Sunak have pledged to do — may be incompatible with the levelling-up agenda. Grammar schools, as well as fee-paying schools, tend to separate more affluent children from their less well-off peers. If rich and poor need to mingle more, the truly radical path to wider prosperity may mean tearing walls down, not building new ones.

The writer is a science commentator

disagree. Conspicuously missing however is the need to change the production structure by reversing the trend of the past two decades towards commodity exports and the Fire (finance, real estate, insurance) sectors, by boosting the relative share of industrial production.

That requires the state to impart a strategic direction — a "directional thrust" — to counter the market's lock-in to commodities and finance.

In particular it requires the state to manage the effective exchange rate for manufacturers so that they are not crippled in international competition by a market exchange rate overvalued by high commodity demand from China. Doing so has to be a central part of a larger industrial strategy.

The state imparting directional thrust to the market does bring real dangers. But it is a necessary, not sufficient condition for Latin American economies to grow at close to south-east Asian rates.

Robert H Wade
Professor of Global Political Economy
London School of Economics and Political Science, London WC2, UK

I believe EMs are very under-represented in major global indices given the history and the "high risk" stigma, even though many listed EM companies have operations all over the world, including in developed markets.

In addition, many investors question EM companies' accounting and reporting standards and ESG disclosure records. Some of these worries are reasonable but some need to be updated. Many EM managements are educated and trained in developed countries and have adopted global accounting standards in their own business operations. In addition, many EM companies have been using advanced ESG monitoring technology and reporting standards for over a decade. Some are actually making a better effort than those listed in developed markets. Finally, the attraction of EMs is no longer just commodities but also new technological frontiers.

Two of the biggest semiconductor manufacturing hubs are based in EMs — Taiwan and South Korea.

Jing Liang
Bromley, Kent, UK

is a task so vast and amorphous that even the Climate Change Committee, which advises the government, has been unable to put an overall figure on the cost" (Report, August 8).

The UK is already facing a heightened drought risk due to climate change. By 2050, some rivers could have between 50 and 80 per cent less water during the summer and summer temperatures will be up to 7.4 degrees hotter. If significant action is not taken, then around 3.4bn extra litres of water per day will be needed. In winter there will be 59 per cent more rainfall and by 2100 once-a-century sea level events are set to become annual events.

The next government should ask the Treasury to review the costs and benefits of climate resilience and what is the appropriate balance between public and private investment. The conclusions of the review would help to establish a national ambition for climate resilience and embed adaptation across government departments and economic sectors.

Emma Howard Boyd
Chair, Environment Agency
London SW1, UK

the New York courts of mediation, Nelson Peltz's Trian fund is well positioned to "try and" sort it out — before it all melts.

Dan Harris
Partner, Chancery Advisors
London WC2, UK

Pius II deserves credit as a social housing pioneer

I was interested to read in House & Home ("Once upon a time in Bavaria", FT Weekend, June 18) about the Fuggerei in Augsburg. However I do not think it is the world's oldest social housing. There are older social houses in Pienza in Tuscany.

Pienza was rebuilt as an ideal Renaissance town by Pope Pius II between 1459 and 1462. The townspeople who lived in the centre were rehoused in a stone terrace at the edge of the town at the Pope's expense. These houses exist to this day although I think they may now be private, but when they were built they were what we would call social housing.

Christopher Tew
London W9, UK

Opinion

Don't rule out a fifth term for the Tories

POLITICS

Janan Ganesh

We have to entertain the notion that Keir Starmer is good at politics. He has scrubbed Labour of the worst of the left. He has turned extinction-level opinion polls for his party into almost fine ones. He has — mark this — the eternal trait of the political winner: he unhinges his critics.

Why, then, vice and boredom aside, do I trawl betting markets for the odds on a fifth Conservative term? Why does such an undeserved thing seem also underpriced?

First, don't assume that either Liz Truss or Rishi Sunak will lead the Tories into the next election. Each laboured to get more parliamentary support than a former contestant on *Splash!* Each is too small for the crises that are sealing Britain's role as a poor rich nation with an alpha city attached. Somewhere, we must conclude, a first-rate school is missing its head girl and head boy.

Second, a recession need never be fatal for a government of the right. The reflex case against the left — how will it fund its Jerusalem? — becomes more potent, not less, when revenue dries up. The Tories were re-elected after recessions in 1983 and 1992 but not amid a boom in 1997. Yes, unmet demand for public services make the present moment exceptional. But so does the high tax burden. Labour cannot pledge to fix the first problem without arousing fears that it will worsen the second. That cost, which feels abstract to voters today, will daunt them as the election nears. Forgive me if I have seen this cycle too often to believe politics is "different now".

But fine, let us stipulate, against recent history, that a government is only as buoyant as the economy. And that prime minister Truss, say, is the best the Tories can do in 2024. Labour is still overvalued.

Starmer believes it is enough to purge the hard left. This grossly overrates the appeal of the soft left. Tony Blair is the only person born in the last 105 years to have won a general election for Labour. This doesn't prove that Britain will

> Labour believes it is enough to purge the hard left. This grossly overrates the appeal of the soft left

never abide anyone who is noticeably to his left. But it does put in doubt the viability of a party that, from leader to grassroots, contains little else.

The problem now isn't the few and dispossessed Leninists. It is the MPs who voted, under no psychotropic influence, for Ed Miliband as leader in 2010. It is the "campaigners" for things. It is the bit of Labour that enabled extremism while never espousing it.

Starmer asked Britain to make Jeremy Corbyn prime minister in that remote antiquity we call December 2019. Miliband, who enfranchised the hard left in the first place, is still around. "I disliked the cults around Blair and Corbyn: one man doesn't change things," said Lisa Nandy, another shadow cabinet member, to the New Statesman last month. The bogus equivalence actually reads worse in context. Voters haven't even begun to chew on this stuff.

Letting in Corbyn was a unique dishonour in the history of the major parties in the UK. It will take a unique amount of grovelling to live down. And here the old verities of triangulation still apply. If you are seen as left wing and want to be seen as moderate, it is not enough to behave moderately. You must, in vivid ways, go to the right. You must oversteer to end up somewhere in the middle. Nothing less reassures the electorate, or even registers with it.

Consider the industrial strife of the day. Polls suggest that voters side with striking rail workers. But that doesn't mean they will trust a party of the left that sides with them (or that even equivocates). The same is true of ending the charitable tax status for private schools. It is a question of permission and bona fides. It is a question of what the cops in Britain call your "previous". Blair understood politics in those lateral terms. Starmer is a literalist. If he is to fulfil Labour's historic role of giving the Tories a breather after a long stint in office, he has to upset the soft left. He has to upset himself.

For an opposition, the passage from mid-parliament to election time is as exposing as the step from a sombre room to a strip lit one. Each blemish, each laugh line and burst capillary, stands disclosed. What voters will see in 2024 is a reformed Labour, yes, but one about as soft left as the various non-Blair offerings they have rejected in the past. This is the worst government since the war. But we know all about it.

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There are reasons to be optimistic about the US economy

Blair Effron

The US economy is slowing down. The main dispute among economists is whether we are in for a soft landing or a hard one, and the pessimistic perspective has dominated headlines.

But while it is clear that we are in for a difficult period ahead, there is also reason to believe that the American economy is primed for a renewed period of expansion in the years that follow. Most observers tend to view today's economic challenges through the prism of past downturns. But the US economy operates differently today than it did 40, or even 14, years ago.

For a start, the private sector has become more innovative, nimble and proactive in managing through change and uncertainty. Think back to March 2020, when the pandemic caused a near-complete shutdown of global commerce. Thanks to the data, tools and strategies business leaders now have at their disposal, instead of economic Armageddon we embarked on a period of robust growth. (Government policy, of course, played an essential role here.)

Executives were quick to overhaul business practices to continue operations. Balance sheets were fortified, remote work was enabled, new technologies were adopted. At the most agile companies, capital investment increased in order to boost competitive positioning.

The US labour market is also in better shape today than at the onset of past downturns. June's strong employment numbers underscore this. While hiring freezes and lay-offs are likely to result in

> The private sector has become more innovative, nimble and proactive in managing uncertainty

economic pain for many, workers can today more easily and quickly find new employment opportunities thanks to flexible work-from-home options. According to a study by real estate group CBRE published last year, nearly 90 per cent of America's largest employers plan to continue offering hybrid work policies into the future.

Today's economy is also more dynamic and entrepreneurial. Yes, technology valuations have come down as they have been analysed more rationally. But in the five years ending in 2021, new business formation was a third higher than the preceding five-year period.

We've learnt in the decade or so since the recession that followed the financial crisis that economic models do not capture intangibles such as the willingness of a company to continue strategic capital investments through an economic slowdown. As companies reported second-quarter earnings this year, many

Europe can withstand a winter recession

ECONOMICS

Chris Giles

Vladimir Putin must think the leaders of Europe were born yesterday. The Russian president has made it perfectly clear that he will use tight restrictions of natural gas supplies as an economic weapon in the coming winter, but European politicians and central bankers still talk of a Russian embargo as a mere possibility.

There is virtually no way to escape a Europe-wide recession, but it need be neither deep nor prolonged. It is also Russia's last economic card. So long as Europe ensures that its economies survive the cold season, Russia's blackmail will have failed. It will not claim victory in Kyiv on the backs of shivering households in Vienna, Prague and Berlin.

For sure, the European economy is vulnerable. With the Nord Stream 1 pipeline operating at 20 per cent of capacity and other pipelines to eastern Europe under threat, some countries face physical gas shortages this winter. Even with European storage of gas higher than last year, according to the IMF, a full Russian gas embargo would leave Germany, Italy and Austria 15 per Hungary would see shortages of up to 40 per cent of normal consumption. All European countries would face soaring prices. Already, European wholesale gas prices are close to €200 a megawatt hour, compared with pre-crisis prices of about €25, eight times lower.

When prices of an imported necessity soar, real incomes and households' ability to spend money on non-essentials inevitably fall. Recessions are all but impossible to avoid. This was the conclusion of last week's gloomy but realistic Bank of England prognosis. It will soon be replicated by official forecasters in the eurozone. Even France, with its extensive use of nuclear power, will not find an escape route, because its power sector has its own reliability problems and it is deeply integrated into the wider European economy.

The nightmare that Europe must avoid is energy nationalism when Putin turns the screw. If cross-border trade is curtailed and industry is provided no lifelines, Putin will pit the unemployed in one country against the freezing in others. This would reinforce his self-image as the continent's powerbroker, able to raise or lower the pressure on Europe and Ukraine by pressing a few buttons in gas pumping stations. But such a bleak outcome is not inevitable. The most important defence is substitution.

Already, Germany has replaced much of its gas imported from Russia with liquid natural gas supplies, delivered on ships to the Netherlands or UK and pumped to German storage facilities. By fication units its government has leased.

Despite protesting otherwise, European industry is rapidly altering production processes to substitute electricity and other fuels for gas where possible, or importing semi-manufactured goods from outside the EU where access to gas is plentiful. Gas-hungry ammonia for the fertiliser industry need not be produced in Europe, for example. Real-world evidence of industries acting to reduce consumption is growing across Europe.

In electricity production, coal is sensibly being temporarily reprieved, despite the environmental consequences, and Germany is finally considering slowing its premature closure of the nuclear industry. Renewable electricity generating capacity in Europe is

> The nightmare that the continent must avoid is energy nationalism when

expected to increase 15 per cent this year, further reducing reliance on Russian gas.

After substitution comes solidarity within Europe. IMF modelling showed that more cross-border sharing of gas could reduce losses in the worst affected countries significantly, almost halving the hits to the economies of central and eastern Europe at low cost to those allowing gas to flow. As cross-border infrastructure improves, the ability to pump gas eastward from western Europe, which has much better access to LNG, will in future almost eliminate the economic effects of a gas embargo.

Finally, households have to play their part. Conservation this winter will be everything. Publicity drives have worked in Japan and Alaska to limit energy consumption in the face of shortages. This would be helped by large increases in the cost of energy to give a significant price signal, offset by lump-sum payments for poorer families.

Such policies could reduce the worst effects this winter from GDP losses of roughly 6 per cent in central Europe to a third of that, with the EU economy taking a hit of only 1.8 per cent, far less than that of the financial crisis.

Most important, any fall in economic output would be temporary. Once endured, it would not persist. Every winter, substitution will improve substantially. Advanced western economies will once again show their resilience and flexibility — this time in the face of a deliberate attempt to create chaos.

Russia's economy, on the other hand, would be dealt another severe blow. Already significantly undermined by sanctions and unable to import goods necessary for production, it will soon lose its main export sector, fossil fuels to Europe. As Europe recovers from this winter's recession, that would leave Russia's economy high and dry — hoisted by its own petard.

cent short of desired levels of consumption. The Czech Republic, Slovakia and

December, it will be operating the first of four LNG floating storage and regasi-

Putin turns the screw

Industry alone should not bear the brunt of Putin's energy warfare.

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chief executives adopted proactive belt-tightening on operating expenses but continued high levels of capital investment. Doing otherwise, they know, undermines longer-term growth.

Finally, the economy's prospects are buoyed by government policy. The bipartisan infrastructure plan will provide more than $100bn of infrastructure investment in each of the next five years. The landmark Inflation Reduction Act, narrowly passed last weekend, will help ease inflationary pressure. The US banking system is stable and sound. In the wake of continuing supply shocks, manufacturers are proceeding to onshore production and build duplication into supply chains. And though interest rates are rising, they are starting from a historically low level — 0.25 per cent, which is 95 per cent lower than the average starting rate of the previous four cycles of rate increases by the US Federal Reserve.

To be sure, there are risks, from geopolitical instability to rising polarisation, that could impede government effectiveness and, in turn, hurt business confidence. But the US is better positioned for growth than the current economic debate concedes. Look beyond the immediate economic clouds on the horizon — and consider the agile private sector, evolved and improved labour markets and culture of innovation and entrepreneurship — and the long-term forecast may even look sunny.

The writer is co-founder of Centerview Partners

Biden's unexpected triumph

AMERICA

Edward Luce

Fourteen years ago, I told a well-informed friend that Barack Obama was considering picking Joe Biden as his running mate in the 2008 election. "You've got to be kidding," came the riposte. "Biden is way past it."

Similar obituaries were being penned only two weeks ago as Biden's poll numbers dropped below even Donald Trump's nadir. Yet here we are. America's oldest president can now boast of a stronger legislative record in less than two years than either Obama or Bill Clinton achieved in eight. It turns out that low expectations are Biden's secret weapon.

None of this necessarily means Biden will be elected to a second term. But it is worth emphasising what he has done in less than half of one. In the coming days, Biden will sign America's first serious attempt to tackle global warming. His predecessors tried it and failed. Clinton got nowhere close to persuading the Senate to ratify the Kyoto Treaty on climate change in 1999. Obama's 2009 cap and trade bill also foundered. Trump, of course, scrapped the executive actions to which Obama resorted after failing on Capitol Hill. Trump also pulled the US out of the Paris agreement on climate change.

Biden has not only reversed Trump's actions but is the first president to signal that the US means business on global warming. In contrast to Obama and Clinton, both of whom had large Senate majorities, Biden has done so with a 50:50 Senate. Perhaps lacking that cushion is good for party discipline.

This week he will also sign the "Chips plus" act, which is America's first stab at industrial policy since Ronald Reagan's response to the rise of Japan in the 1980s. The bill puts tens of billions of dollars into public science research — the kind of money that in the 1950s resulted eventually in the internet. Biden's climate and tax bill also for the first time gives the federal government the power to negotiate lower drugs prices. Again, Democrats have been losing to the pharmaceutical lobby for decades. Biden has broken that dam without much fanfare. The attention has been captured by the bill's clean energy bonanza.

Any one of these policy breakthroughs should be big news in its own right. Taken together, they amount to a quiet reboot of America's political capacity. This sea change is likely to be overlooked for three reasons. The first is that almost everyone, especially Washington's wizened political caste, is deeply acclimatised to gridlock. It takes a while to digest the scale of what has happened in the past two weeks.

> In the coming days, he will sign the US's first serious attempt to tackle global warming

The second is that this flurry of legislation might be Biden's last real bite at the apple. If, as polls still predict, Democrats lose control of Congress in November, Republican leaders will ensure nothing more gets enacted for the rest of Biden's term. Third, the US is in the midst of a deepening constitutional crisis. It is hard to acknowledge that a system is working when it is simultaneously so easy to picture its collapse.

All of this means Biden's place in history is not assured. It is still possible — some would say likely — that Biden will lose in 2024, or that he will not run and the Democratic nominee who replaces him will lose. This would not be a routine US transfer of power. Whether the winning Republican were Trump or a Trumpian figure such as Florida governor Ron DeSantis, or former US secretary of state Mike Pompeo, their platform would include a repudiation of Biden's 2020 victory.

They would also pledge to reverse Biden's climate and tax bill. In other words, Biden's recent legislative victories could look like a flash in the pan before the ensuing avalanche. US democracy remains viable but it is by no means safe.

Does Biden, who turns 80 in November, have the capacity to belie these bleak expectations? The answer ultimately hinges on what the American people think. A striking feature of Biden's string of legislative wins is that all of them are long-term plays. None will have much impact on how good voters will feel in the coming months. Inflation will still be a bane. Rising crime is still likely to be a concern. The cost of funding Ukraine's fight against Russia will continue to mount without much political upside for Biden.

Unlike Obama and Clinton, Biden lacks the poetry to weave a narrative for America's people. But maybe poetry is overrated. While Biden is fumbling for the right words, events are writing their own narrative. The FBI has just raided Trump's Mar-a-Lago residence. His prosecution for sedition or lesser crimes cannot be ruled out. "Sleepy Joe" Biden may be almost past it, but he has a knack for outlasting his enemies.

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Ukraine/wheat: threshing a compromise

Countries in the Middle East and north Africa depend on wheat from Ukraine and Russia. The latter has only recently allowed wheat exports to resume. This week, the combatants agreed a safety zone of 10 nautical miles to protect neutral cargo ships carrying grains from the latter's ports on the Black Sea.

This should matter to grain markets. Ukrainian wheat accounted for a tenth of world wheat in 2018-20. Its exports have collapsed by 40 per cent year on year. This is the main cause of the world's wheat deficit this year of about 13.5mn tonnes, notes Saxo Bank.

The agreement to permit exports may not translate into a big wheat supply increase, but there are signs it could. Russia-friendly Turkey, itself an importer of Ukrainian and Russian grain, helped broker the July 22 export compromise and subsequent safe-passage routes. Marine insurers stand ready to underwrite these cargoes, says Chris McGill at Lloyd's syndicate Ascot.

It has doubled its typical cover to $50mn for a Suezmax-size vessel that would fit into these ports but has yet to underwrite a vessel.

Traders have other concerns. Wheat prices have held firm and even risen 5 per cent over the past couple of weeks in Paris and Chicago. The price in the Midwest city is at $794 per bushel, near its level just before Russia's invasion of Ukraine. You would imagine wheat prices should dip on the promise of more supply. But it is early days for Ukrainian exports. Doubts exist about how quickly any new crop can be harvested and stored when 13 per cent of last year's crop remains in silos, according to the International Food Policy Research Institute.

Concerns will persist until there is a record of safe shipments. Even if both sides hold off on hostilities, these routes have mines nearby that could drift. The 16 ships caught in Ukrainian ports may well need to be checked — in what is known as reactivation surveys — to pass muster for safe travel. Higher insurance rates will not help if, say, Russia does not allow unapproved tugs to aid a bulk carrier with engine trouble.

Finally, a heatwave in much of the northern hemisphere threatens all crops, including wheat, as harvest time begins. The US Department of Agriculture will update the market on Friday about the state of worldwide supply.

Given the tensions in eastern Europe, expect wheat prices to hold firm.

Amazon/iRobot: panic Roomba

Collecting data about the state of the US's carpets does not seem the most dangerous manifestation of the surveillance state. But Amazon's $1.7bn acquisition of iRobot, maker of the Roomba wireless vacuum, has privacy campaigners riled up. If regulators agree, it could undo the group's post-coronavirus pandemic bargain hunt.

Standing at less than 4 inches tall, Roombas trundle along picking up dirt. Over 40mn have been sold since their introduction two decades ago. Their fallibility endears them to owners. Sometimes they get stuck on rugs.

Within Amazon, Roombas will join Echo smart speakers and Ring smart doorbells in the devices and services business. The division's pride and joy is Astro, a $1,000 robot on wheels that is not yet widely available. Adding a vacuum so it can do chores could make Astro more appealing.

Amazon is picking up a bargain. The $61-per-share, all-cash deal, including debt, is a 22 per cent premium over iRobot's closing price. But it is less than half iRobot's market value early last year and is close to forecast sales for 2022. Supply-chain problems have delayed orders. That contributed to a 30 per cent drop in sales in the second quarter and a net loss of $43mn. Amazon's logistics infrastructure should improve such hold- ups.

Amazon has purchased over 100 companies since it was created; iRobot is far from the largest. It is less than a tenth the size of the Whole Foods deal. Amazon does not have a monopoly in home tech that the Federal Trade Commission can point to either. Meta and Google also invest in devices.

Roombas collect information as they clean. But the spatial data they provide is less comprehensive than the online purchase information Amazon already has on 200mn Prime shoppers. It is less invasive than medical records too.

This year, Amazon agreed a $3.9bn deal to buy One Medical, a subscription healthcare provider. Data campaigners should be more worried about healthcare than house cleaners.

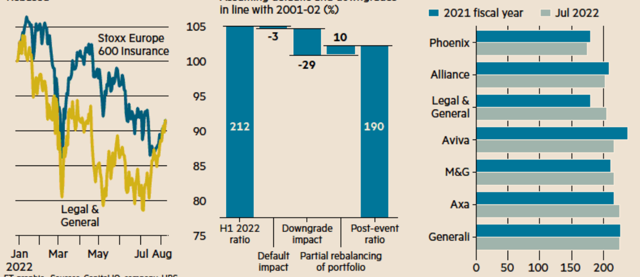
L&G/Solvency II: nasty as well as nice

Concern over credit risk has weighed on the FTSE 100 insurer's stock this year, though it has closed the gap with European peers. L&G would be hit by credit defaults and downgrades in a severe recession. Still, high interest rates have lifted its solvency ratio, along with that of many peers.

L&G has caught up with European peers
Rebased

The solvency ratio would be hit by debt defaults
Assuming defaults and downgrades in line with 2001-02 (%)

Solvency II ratios
Estimated (%)



FT graphic Sources: Capital IQ; company; UBS

So much for the insurers' Brexit dividend. The overhaul of EU solvency rules was expected to free up tens of billions of pounds.

But the latest proposals could hurt companies such as FTSE 100-listed Legal & General, which yesterday posted a strong set of interim results.

Boss Nigel Wilson has been lobbying for a rejig of the Solvency II rules that would unlock capital to invest in levelling-up projects, infrastructure and green assets.

Less than half of the L&G annuity portfolio is at present invested in the UK. Wilson wants that to increase.

But as things stand, the revision of the rules would have a negative impact on L&G's solvency ratio of 5 percentage points, says UBS. It is particularly affected because of its large annuity business. To be sure, that hit would not be huge. Higher interest rates have pushed up the ratio by five times that this year to 212 per cent in June, though it has since fallen slightly.

Insurers' solvency ratios are high enough for them to consider M&A, deleveraging and increasing returns to shareholders. Aviva this year said it would return £4.75bn to investors.

L&G could use its excess capacity to take on more bulk annuities, given increased demand. Pension deficits fall as interest rates rise, making it easier for companies to transfer the risks.

Caution is in order. A recession would bring interest rates — and the solvency ratio — back down. It might also result in defaults and downgrades in L&G's annuity book. Concern over credit risk has weighed on the shares, which underperformed most of this year compared with the European sector. The shares, on a price/earnings ratio of 8, sit a fifth below their 10-year average.

The stock has recently caught up with European peers, helped by an encouraging update last month.

The company yesterday sought to reassure markets on its credit risk, emphasising the high quality of its bond portfolio. Fair enough, but L&G's large annuity business means that it has a higher exposure than peers to credit risk.

In a really bad downturn, its shareholders would then need to take cover.

China IPOs: stock pile

Record new listings in China are bucking the global trend. Issuers raised a historic $58bn this year even as global listing volumes halved. But the sudden boom should make investors wary. Debutantes are raising money while they still can.

Mainland Chinese markets have taken the world's top spot for both volume and fundraising amount. Five listings exceeded $1bn, far outpacing those in Hong Kong, which has long held the world's top spot for listing volume. Until last year, mainland China's listings accounted for just a tenth of funds raised globally. Those have now grown to nearly half of the world's total, Bloomberg data say.

While the broader China benchmark CSI 300 index is down this year, shares of local new listings are up more than 40 per cent. The strong performance partly reflects local rules that cap the valuations of companies that are listing on the mainland. Most Chinese companies price their IPOs below 23 times earnings — an unofficial local guideline. The CSI 300 Index trades at 12 times forward earnings, a significant discount to regional peers.

The latest listings have been from companies that are also more profitable. There are fewer speculative tech businesses than a few years ago. A crackdown on local internet giants has shifted the demand towards hardware and sectors with implicit government backing such as chips and components. Chipmaker Hygon Information Technology, for example, is next up to list in China. It is raising $1.6bn. Its offer was oversubscribed 2,000 times.

Companies have been racing to raise money while the window is open. Economic forecasts for the second half are bleak. China has worryingly omitted any mention of a GDP growth goal for the second half. Instead, it is targeting the "best possible" results.

GDP growth missed expectations in the second quarter, with an uptick of just 0.4 per cent. These are the last months for float candidates to take advantage before sentiment turns.

Avaya: didn't see that one coming

What did Avaya's bosses know and when did they know it? The troubled US telecoms company raised $600mn of new debt in June in the form of a new loan plus convertible bonds. Avaya was already struggling with heavy leverage and an underlying business in decline. Then everything got worse.

In late July, it replaced its chief. It also said that its ebitda forecast for the quarter would come in at just a third of its previously weak forecast, a shocking reduction. Naturally, buyers of the June debt offerings are wondering why Avaya deteriorated so quickly. Some have hired lawyers to advise them on their legal options.

Yesterday, the company announced quarterly results consistent with its reduced outlook. It said that its board has launched an investigation into the circumstances of the profits warning.

Avaya's market worth has fallen to under $100mn, squashed by a debt load of $3bn. Its existing senior loans trade at under 70 cents.

The new senior term loan, sold by Goldman Sachs and JPMorgan, came with a juicy interest rate that exceeded 10 per cent. It was reportedly the highest yielding loan of its kind this year. The buyers, some of them existing Avaya creditors, were sophisticated Wall Street investors. They negotiated onerous legal terms to protect their investment.

Avaya also said yesterday that its status as a "going concern" was in doubt. That signals an approaching bankruptcy. For years, companies like Avaya have taken advantage of loose financial conditions to raise money repeatedly hoping to gain wriggle room for turnrounds. But with interest rates rising and the economy softening, such opportunities are diminishing.

The timing of the financing and the profits warning raise awkward questions. With hindsight Avaya should have made a public reckoning of its situation earlier this summer and comprehensively restructured its debt. For investors, the takeaway is that high yields always come with high risks.

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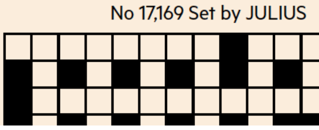
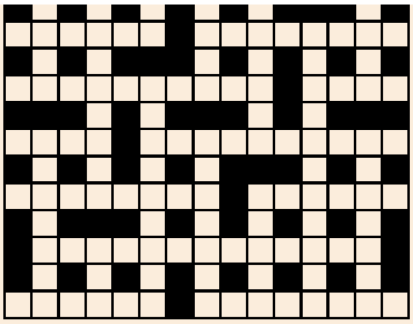
CROSSWORD

No 17,169 Set by JULIUS



RANDOM ALPHABETICAL
Solve the clues and fit the answers into the grid. Each letter of the alphabet appears at least once at the beginning of the grid entries.

Once-powerful state putting pressure on



bellicose nation (7)
Retired French president uncovered killer at sea (4)
Powerful forces sabotaging Greens? That is being covered up (8)
See part of Chinese Co I divvied up (7)
Special One parked by inn (which had no room available for him) (6)
It's used when working out $pi^2/100$, roughly (10)
Vessel cut out south of Cambodia (5)
Transporting old French wine in classic sports car (6)
American energy plenitude is an advantageous quality (10)
Times editor eats flatfish exposed to radiation (1-5)
They permit offshore trolls to use the net (7,6)
Alternates drinks with biscuits (7)
Regularly avoided contest (3)
Pizza without crust fed to wife husband & child prodigy (5-3)
Carry little 'un home at last (4)
Cheer on former England captain standing on boundary, reportedly (4,3)
European tucking into fancy ceramic bowls filled with it! (3,5)
Fifty-one quid fee transferred, made available to flow between banks? (9)
Back in Biarritz Madame loaded firearm, ordered mobile support (6,5)
Beginning northern climb (7)
A bad actor, Bond's boss – occasionally tipsified – upset Ms Klebb (9)
Group paid to applaud sound of castanets (6)
Idiot of the first water holding silver spear (7)
Uninvited guest spilling secret? Aargh! (11)
Conservative fib about very famous statesman in India (5)
"A sense of self-importance" Poussin must be going mad! (13)
In the US, they make peak calls on a person-to-person basis (8)
Quiet year, being socially reticent (3)

JOTTER PAD

Solution 17,168