FINANCIAL TIMES

THURSDAY 11 AUGUST 2022 INTERNATIONAL NEWSPAPER OF THE YEAR ASIA

Berlin maul
Germany is focus of Putin's pressure
CONSTANZE STELZENMÜLLER, PAGE 15

California firebreak
Business and non-profit groups join bid to prevent mega-blazes — BIG READ, PAGE 13

In praise of boredom
Creativity can be nurtured from a state of ennui — JEMIMA KELLY, PAGE 14

Civil probe
Trump pleads right to silence

Donald Trump leaves Trump Tower in Manhattan yesterday on his way to the New York state attorney-general's office for a deposition in a civil investigation.

The former US president invoked his constitutional right to remain silent under the fifth amendment amid deepening legal problems. His Mar-a-Lago property was raided by FBI agents on Monday in a separate investigation.

He said the US administration and prosecutors had "lost all moral and ethical bounds of decency", leaving him with "no choice" but silence. The attorney-general's probe relates to allegations that Trump gave "fraudulent and misleading financial statements", including inflated property valuations.

News & analysis page 2

Julia Nikhinson/AP

Slight easing in US inflation spurs hope pace of price rises has peaked

- CPI climbs 8.5% in July
- Cheaper petrol provides relief
- Fed unlikely to halt tightening

JAMES POLITI — WASHINGTON
KATE DUGUID — NEW YORK

The US consumer price index rose by 8.5 per cent year on year in July, a slower annual increase compared with June, as inflationary pressures eased on the back of lower petrol prices.

The CPI data released yesterday will raise hopes that the pace of price rises in the world's largest economy has peaked and started to decelerate, bringing relief to both the Federal Reserve and the Biden administration.

According to the figures, there was no increase in the CPI between June and July, compared with a 1.3 per cent monthly rise a month ago. On an annual basis, the growth in the CPI fell back from a 9.1 per cent increase in June.

Both figures were improvements over economists' expectations of a 0.2 per cent increase in the CPI monthly and an 8.7 per cent rise annually. But they mean inflation is still close to 40-year highs.

The data are unlikely to represent a big enough shift to stop the Fed from ploughing ahead with more aggressive tightening of monetary policy to subdue inflation. Fed chair Jay Powell has said the central bank was looking for "compelling" evidence that inflation was falling towards its 2 per cent target.

The core measure of CPI, which strips out more volatile food and energy prices and is most closely watched by the Fed, also recorded an unexpectedly small monthly increase of 0.3 per cent compared with 0.7 per cent in June. Annually it was unchanged at 5.9 per cent.

A deceleration in inflation could mean the central bank might not need to keep raising interest rates at a steep pace, making a "soft landing" that avoids recession more likely.

"With headline inflation still at 8.5 per cent and core inflation at 5.9 per cent, this is not yet the meaningful decline in inflation the Fed is looking for. But it's a start and we expect to see broader signs of easing price pressures over the next few months," said Paul Ashworth, chief US economist at Capital Economics.

Traders took an encouraging view of yesterday's data and priced in smaller interest rate rises from the Fed in the coming months. The central bank is expected to lift rates to 3.4 per cent by the end of the year, according to futures pricing, down from 3.6 per cent before the release of the report. Bets on a 0.75 percentage point rate rise at the Fed's September policy meeting also fell.

Lower petrol prices were the main factor in the slowing of inflation but the cost of food and rent continued to rise, weighing on many US households

US stocks jumped in response, with the benchmark S&P 500 up 1.9 per cent in midday trading. The Nasdaq Composite, which comprises tech shares that are more sensitive to changes in interest rate expectations, rose 2.5 per cent.

US government bonds also rallied, with the yield on the 10-year Treasury note — a proxy for borrowing costs worldwide — down 0.04 percentage points to 2.76 per cent. The policy-sensitive two-year yield slid 0.13 percentage points to 3.16 per cent, reflecting a rise in the price of the instrument.

Additional reporting by Harriet Clarfelt in London

Investors watch for cracks page 8
Andrzej Rzońca page 15

Briefing

▸ **China says drills over but warns of more**
Beijing has declared its military exercises around Taiwan complete but confirmed fears in Taipei and Washington that it intends to normalise its military presence.— PAGE 4; FOXCONN PRESSURE, PAGE 6

▸ **SoftBank eyes $34bn from Alibaba trade**
The investor has said it expects to post a big gain by turning over a chunk of its stake in the ecommerce giant Alibaba, a major shift in the Japanese group's relationship with its best-known holding.— PAGE 5

▸ **Brussels calls time on Greek debt crisis**
The European Commission has said it will end its enhanced scrutiny of the Greek economy, marking an end to the tumult triggered by the 2008 financial crisis that plunged Athens into turmoil.— PAGE 2

▸ **Musk sells $7bn of Tesla shares**
Elon Musk has exploited a rebound in Tesla's stock price to add to his cash reserves as he faces demands to go through with the $44bn purchase of Twitter.— PAGE 5; LEX, PAGE 16

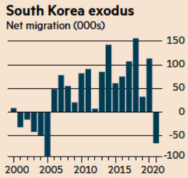
▸ **Hungarian company pays oil transit fee**
MOL has paid fees to Ukraine on behalf of a group controlled by the Kremlin in order to restart crude flows along a key route from Russia to Europe. The flow is expected to restart today.— PAGE 2; LEX, PAGE 16

▸ **Prudential dented by China Covid policy**
The insurer has reported that its Hong Kong arm suffered a steep fall in new business profits because of the tough curbs. It warned of "challenging" and "complex" conditions for the rest of 2022.— PAGE 6

▸ **Coinbase trading slump spells $1bn loss**
The cryptocurrency exchange has seen its revenues plummet 61 per cent in the latest quarter as digital currency prices fell. It also faced questions from analysts over mounting non-cash losses.— PAGE 8

Datawatch

South Korea exodus
Net migration (000s)



Source: Korean Immigration Service, the Ministry of Justice

South Koreans are ageing and their fertility rate is the world's lowest. Both trends boost demand for foreign workers. But the country's net migration in 2021 was negative for the first time in 16 years as immigrant totals fell by 397,000

Squeeze on minerals curbs carmakers' battery drive

Analysis ▸ PAGE 7

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

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Fox hails record spending on political ads in tight midterm election battles

ALEX BARKER — LONDON

An "unprecedented wave" of political advertising is sweeping the US this year and is set to outstrip spending before the 2020 election, according to Fox Corporation chief Lachlan Murdoch.

Murdoch said the financial muscle being deployed in closely fought Senate, House and gubernatorial races could make the November midterm election cycle the most lucrative in US history.

Murdoch told investors on Fox's annual earnings call yesterday that in the three months to the end of June, political ad revenues at Fox's network of 29 local television stations were "roughly three times larger" than the equivalent quarter of the 2020 presidential cycle, which was itself "an all-time record for the company".

"We are seeing an unprecedented wave of political spending, which accelerates as we head towards November," he said, adding: "The outlook is remarkably strong."

The buoyancy of political advertising has been a welcome boost for the media industry as it braces for an economic slowdown that could hit ads, pay TV and streaming subscription revenues.

GroupM, the WPP-owned media buying agency, has forecast political ad spending in the US to reach a record $13bn this year. The figure exceeds the $12bn spent in 2020, when Joe Biden defeated Donald Trump. It is more than double the $6bn spent in the midterm election cycle of 2018.

Since Rupert Murdoch agreed to sell his television and film studios to Disney in 2017, the remaining Fox company has become a much slimmer group built around live news and sport, two genres less vulnerable to disruption from streaming. The Fox News cable channel remains its profit engine.

Advertising revenues at Fox's local television arm rose 4 per cent to $698mn in the fourth quarter, while Fox News generated $358mn across the same period, a 14 per cent increase.

Through Fox News and its local stations, the company is also well placed to benefit from the surge in political spending this year. Murdoch singled out high spending expected for races in Arizona, Florida and Georgia. "Excluding the impact of the Georgia run-offs [in 2020] . . . this midterm cycle looks certain to surpass the 2020 presidential cycle at our local stations," he said.

Rival local television groups Nexstar and Sinclair have also said the early signs are pointing to a bumper year for political ad spending.

World Markets

STOCK MARKETS

	Aug 10	Prev	%chg
S&P 500	4205.90	4122.47	2.02
Nasdaq Composite	12829.08	12493.93	2.68
Dow Jones Ind	33295.15	32774.41	1.59
FTSEurofirst 300	1727.12	1715.45	0.68
Euro Stoxx 50	3753.63	3715.37	1.03
FTSE 100	7507.11	7488.15	0.25
FTSE All-Share	4150.68	4129.39	0.52
CAC 40	6523.44	6490.00	0.52
Xetra Dax	13700.93	13534.97	1.23

CURRENCIES

Pair	Aug 10	Prev	Pair	Aug 10	Prev
$/€	1.036	1.022	€/$	0.966	0.978
$/£	1.226	1.209	£/$	0.816	0.827
£/€	0.845	0.846	€/£	1.184	1.182
¥/$	132.125	134.950	¥/€	136.822	137.959
¥/£	162.019	163.121	£ index	79.363	79.576
SFr/€	0.974	0.974	SFr/£	1.153	1.151

CRYPTO

	Aug 10	Prev	%chg
Bitcoin ($)	24030.09	23162.30	3.75

GOVERNMENT BONDS

Yield (%)	Aug 10	Prev	Chg (b/p)
US 2 yr	3.14	3.24	-0.10
US 10 yr	2.76	2.78	-0.02
US 30 yr	3.03	2.99	0.04
UK 2 yr	2.08	2.06	0.02
UK 10 yr	1.95	1.97	-0.02
UK 30 yr	2.33	2.34	-0.01
JPN 2 yr	-0.10	-0.10	0.00
JPN 10 yr	0.19	0.16	0.03
JPN 30 yr	1.10	1.11	-0.01

Nikkei	27819.33	27999.96	-0.65
Hang Seng	19610.84	20003.44	-1.96
MSCI World $	2743.62	2758.72	-0.55
MSCI EM $	1001.69	1001.79	-0.01
MSCI ACWI $	637.70	640.83	-0.49
FT Wilshire 2500	5374.13	5404.02	-0.55
FT Wilshire 5000	41972.61	42211.84	-0.57

Ethereum	1839.08	1703.06	7.99
COMMODITIES			
	Aug 10	Prev	%chg
Oil WTI $	90.69	90.50	0.21
Oil Brent $	96.28	96.31	-0.03
Gold $	1795.25	1784.05	0.63

GER 2 yr	0.42	0.45	-0.03
GER 10 yr	0.89	0.92	-0.03
GER 30 yr	1.12	1.15	-0.03

Prices are latest for edition
Data provided by Morningstar

A Nikkei Company

INTERNATIONAL

Fifth amendment

Trump chooses silence in New York probe

Ex-president says many prosecutors have 'lost all ethical bounds of decency'

JAMES POLITI — WASHINGTON

Donald Trump declined to answer questions at a deposition in a New York state probe into his businesses, invoking his constitutional right against self-incrimination amid deepening legal woes.

In a statement yesterday, the former president said the "current administration and many prosecutors across the country have lost all moral and ethical bounds of decency", leaving him with "no choice" but silence. His comments followed a search of his Mar-a-Lago property in South Florida by FBI agents on Monday as part of a separate inquiry.

"Accordingly, under the advice of my counsel and for all of the above reasons, I declined to answer the questions under the rights and privileges afforded to every citizen under the US constitution," he said.

Trump's refusal to answer questions under oath represents a notable U-turn for the former president, who once said only guilty members of the "mob" would claim their right to remain silent under the fifth amendment.

The former president and many of his Republican followers have adopted an increasingly defiant stance in recent days, attacking judicial and government institutions when confronted with multiple legal investigations by both federal and state authorities as he weighs a campaign for the presidency in 2024.

Trump had resisted calls to give testimony in the civil case being brought by Letitia James, the New York state attorney-general, but had finally agreed to be deposed yesterday. The probe relates to allegations that Trump provided "fraudulent and misleading financial statements", including inflated valuations of his properties.

'House Republicans are unified more than ever before to fight alongside President Trump'

The former president's decision comes as a legal and political firestorm envelops him following the FBI raid, linked to a separate federal investigation into his handling of classified records related to his time at the White House that were found at Mar-a-Lago.

The US justice department and the FBI have so far declined to explain the rationale behind the search, the first in US history at the home of a former president. However, the move would have to have been approved by a federal judge on the basis of "probable cause" that a crime was being committed at the site of the search.

Trump and his lawyers have attacked the search as unnecessary but have not released the warrant authorising the raid, which would have included additional details in the case.

Since the raid, many Republicans have rushed to Trump's defence, accusing law enforcement agencies of conducting a political vendetta and failing to provide any explanation, even though it is standard practice not to comment on active investigations.

A group of House Republicans met Trump on Tuesday night at his golf club in New Jersey to express their support, and encourage him to plough ahead with a 2024 bid.

"He is not deterred. He's not fazed at all by what the DoJ has done to him," Jim Banks of Indiana told Fox News. "House Republicans are unified more than ever before to fight alongside President Trump to save this country . . . And the sooner he gets out and starts campaigning, the better he helps Republicans in the midterm elections."

Eurozone

Brussels to end scrutiny of Greek economy after reforms

ALICE HANCOCK — BRUSSELS

The European Commission is to finish its enhanced scrutiny of the Greek economy, marking an end to a debt crisis triggered by the 2008 global financial tumult that almost pushed the country out of the eurozone.

In a letter to Greek finance minister Christos Staikouras yesterday, EU economy commissioner Paolo Gentiloni said Greece had "delivered on the bulk of the policy commitments" made to the eurogroup of 19 eurozone member states, and had "achieved effective reform implementation" despite the impact of Covid-19 and the war in Ukraine.

Staikouras said on Twitter the announcement "marks the achievement of a major national goal for Greece".

Following the 2008 financial crash, Greece was plunged into a debt crisis that led to bailouts by the EU and IMF beginning in 2010. Over the decade that followed, the country's economy shrank by a quarter and the disposable incomes of Greek citizens fell by a third on the back of austerity policies imposed by the "Troika" of institutions that included the commission and the fund, along with the European Central Bank.

Thousands of young Greeks left the country in search of work as unemployment in the country peaked at 27.8 per cent in 2013, while the government was forced to make drastic cuts to its pensions system and civil service in return for financial aid.

The commission, which monitors the budgets of all 27 member states, has been supervising reforms to the Greek economy since the bailout programme was initiated. The stringent terms of the bailout, largely dictated by Germany, almost pushed Greece out of the eurozone when in 2015, then prime minister Alexis Tsipras put the conditions to the Greek population in a referendum. Voters rejected the terms of the aid package but Tsipras implemented the reforms regardless.

The announcement of the end of the strict monitoring programme comes as the ECB puts in place mechanisms to prevent a second meltdown of the eurozone economy.

Last month, the ECB raised interest rates for the first time since 2011 and has focused reinvestment of maturing bonds on southern EU countries, including Greece.

Following the most recent trip of EU officials to Athens in April, the commission noted economic growth was forecast to reach 3.5 per cent in 2022 and 3.1 per cent in 2023 despite lingering uncertainty from the pandemic and rising energy costs.

It also said there was a "positive surprise" in the government's primary deficit — the difference between government revenues and spending excluding interest payments — which was 5.5 per cent of gross domestic product in 2021, 2.1 percentage points less than had been expected. The "economic adjustment programme" ended in June 2018 but Brussels has kept Greece's finances under surveillance since then.

A final tranche of debt relief is due to be paid in November should Greece meet the conditions of a "post-programme surveillance" report.

US. Documents investigation

FBI raid adds to former president's legal woes

Trump contends with civil, criminal and congressional probes as he weighs 2024 bid

JAMES POLITI — WASHINGTON

The search by FBI agents of Donald Trump's Mar-a-Lago home has highlighted the extent of the legal troubles that have engulfed the former president since he left office in January 2021, casting a cloud over his ambitions to run again for the White House in 2024.

The raid was particularly significant because it signalled that the US justice department, led by attorney-general Merrick Garland, and the FBI, led by Trump appointee Christopher Wray, have the former president squarely in their sights.

"I think the fact that they did go to the trouble of doing this at all, knowing there'd be a Trumpian response, indicates that whatever they're looking for, probably is relatively important," said Michael Gerhardt, a professor of law at the University of North Carolina at Chapel Hill. "It strikes me as rather inevitable that this was going to happen sooner or later."

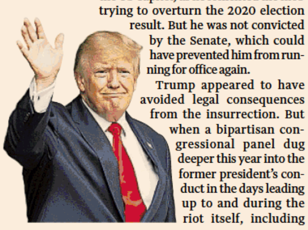
It is unclear whether the DoJ has the evidence, intent or political will to go a step further and charge Trump with illegal conduct. Meanwhile prosecutors at the local level in Georgia and New York have also been ploughing ahead with investigations of the former president.

The Mar-a-Lago raid was related to a federal probe into Trump's handling of classified information from his days in the White House. Last February the National Archive said 15 boxes of sensitive government material had been found at the Florida club — a finding Garland confirmed would be examined by the justice department.

Among the documents were letters to Trump from Kim Jong Un, the leader of North Korea, as well as one from Barack Obama, according to US media.

Little else is known of their contents beyond the fact that they are classified for national security reasons.

If Trump tampered with, destroyed, concealed or obstructed access to such presidential records he could face charges. "If a president or a former official has documents that are really not theirs, I don't think we should be too surprised by a government inquiry," Gerhardt said. "The government documents could be top secret. Yes, they could be incriminating, but the critical thing to understand is that those documents are not the property of the person who has them. They're the property of the US government."



Investigation: a police officer guards the front of the home of Donald Trump, below, at Mar-a-Lago, Palm Beach, Florida, on Monday
Giorgio Viera/AFP/Getty Images

Trump was impeached by the House of Representatives for his actions in connection with the January 6 assault on the US Capitol, as he fomented the mob trying to overturn the 2020 election result. But he was not convicted by the Senate, which could have prevented him from running for office again.

Trump appeared to have avoided legal consequences from the insurrection. But when a bipartisan congressional panel dug deeper this year into the former president's conduct in the days leading up to and during the riot itself, including public testimony pointing to his intention to join the mob storming the Capitol, it put him in jeopardy once more.

Liz Cheney, the Republican vice-chair of the January 6 committee, has suggested that there is enough evidence for Trump to be prosecuted. The panel may refer its findings in the case to prosecutors at the justice department.

Fani Willis, the district attorney for Fulton County in Georgia, is investigating Trump's actions in the aftermath of the 2020 elections. The former president put pressure on Georgia officials, including secretary of state Brad Raffensperger, to stop the certification of Joe Biden's victory.

Trump badgered Raffensperger during a phone call in early January 2021 to "find" the more than 10,000 votes that separated him from Biden.

A grand jury has been convened to consider the case and whether there is enough evidence to bring charges. Willis has sought to interview a number of high-profile witnesses and Trump allies, including Rudy Giuliani, the former New York mayor and Trump lawyer, and Lindsey Graham, the Republican senator from South Carolina.

'The documents could be top secret. [They] are not the property of the person who has them'

The most serious of Trump's legal woes for many months appeared to be in New York, where the Trump Organization and its longtime chief financial officer, Allen Weisselberg, were indicted on tax fraud charges.

But the investigation suffered a setback after two prominent prosecutors resigned this year.

Letitia James, New York state attorney-general, is separately moving ahead with a civil case alleging that Trump inflated the value of his assets. The former president confirmed, in inimitable style, late on Tuesday that he was to be questioned by James's office.

"In New York City tonight. Seeing racist N.Y.S. Attorney General tomorrow, for a continuation of the greatest Witch Hunt in U.S. history," he wrote on his Truth Social platform, referring to James, who is black. "My great company, and myself, are being attacked from all sides. Banana Republic!"

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Energy supplies

Hungary group pays fees to restart Europe flow of Russian oil

HENRY FOY — BRUSSELS
MAX SEDDON — RIGA

Hungarian energy company MOL has paid oil transit fees to Ukraine on behalf of a Kremlin-controlled company to restart flows of crude along a key route from Russia to Europe.

The southern branch of the Druzhba pipeline, which transports Russian oil

enterprises if they are strictly necessary for the direct or indirect purchase, import or transport of oil," said Arianna Podesta for Brussels, adding that Transneft was one of these enterprises.

MOL declined to respond to a question on how Transneft would repay the Hungarian company or to provide details of future payments. The company said flows of Russian crude to Hungary were set to be restored today.

"The technical issue behind the delay was resolved thanks to quick action by MOL: the company transferred the transit fee due for use of the Ukrainian section of the pipeline, after which the Ukrainian party restarted the transport of crude on the southern section of the pipeline, as promised," the group said.

The Hungarian company blamed "technical issues emerging on the banking front" for the stoppage.

Transneft pays Ukraine's state-owned UkrTransNafta to use the pipeline but

Censorship laws

propaganda" live on air on Russia's

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Representative, Anjali Mahindroo

across Ukraine to Hungary, Slovakia and the Czech Republic, stopped pumping six days ago after Russian state-owned pipeline operator Transneft said it was unable to pay transit fees to Kyiv because of sanctions on Russia over the invasion of Ukraine.

The Hungarian payment is aimed at ending a stand-off that had threatened crude supplies to central Europe. It has highlighted the difficulties that EU countries face in punishing Moscow for its war on Ukraine while also limiting the damage to their own economies.

The European Commission said it was "in close contact with the concerned members and Ukraine on this matter".

"In general, the sanctions adopted by the EU foresee an exemption allowing transactions with certain state-owned

TV editor faces criminal inquiry for screen protest

Russian authorities have opened a criminal case against an editor on state television who interrupted a live news programme in March to a protest against the invasion of Ukraine, investigators said yesterday.

The former editor, Marina Ovsyannikova, could face up to three years in jail, according to her lawyer, under a new military censorship law that bans the spreading of "fake news" about the Russian armed forces.

Ovsyannikova walked across the screen with a banner reading, "Stop the War. Don't believe the

highly controlled state television Channel One. The protest did not elicit heavy penalties at the time.

She has subsequently continued to speak out against the war and was fined for protesting outside a Moscow courtroom during a case against an opposition politician, as well as for her antiwar social media posts.

Ovsyannikova briefly left Russia to go to Germany after her initial protest, and also travelled to Ukraine.

There, the journalist, who has Ukrainian heritage as well as Russian, received a mixed response, with some Ukrainians questioning her motives and accusing her of spying. After her trip, Ovsyannikova returned to Russia.
Polina Ivanova

said on Tuesday the European banks that process the payment had not received the required approvals, adding that EU regulators "have yet to form a common position" on how or whether the banks should allow the transactions.

Transneft confirmed yesterday that the payments from MOL to Ukraine had been processed. "We are preparing to resume pumping," it said.

Slovaft, the Slovakian company that is also supplied by the pipeline, said yesterday that Russian crude oil "is already arriving again in Slovakia through the Druzhba pipeline". Slovaft attributed the shutdown to "technical problems at the bank level" to pay the fees.
Additional reporting by Raphael Minder in Warsaw and Tom Wilson in London
See Lex

INTERNATIONAL

Brazil political brawler aims blows at Lula and Bolsonaro

Gomes decries rivals in presidential race but faces uphill battle to win over foes' backers

BRYAN HARRIS — SÃO PAULO

Combative: Ciro Gomes attends a rally of supporters in Brasília last month. The campaign poster says 'I prefer'
Joedson Alves/EPA-EFE

Ciro Gomes does not hide his disdain for his fellow candidates in this year's presidential election in Brazil.

Incumbent leader Jair Bolsonaro is "crazy, criminal and genocidal, who operates through notoriety, being in the media daily, galvanising his radical base", the veteran leftwing politician, who is third in the polls, said in an interview. "He creates chaos, always inventing an institutional enemy whom he can blame for his failures."

Former president and election frontrunner Luiz Inácio Lula da Silva, meanwhile, is "an expression of rotten, corrupt South American populism. If you consider that [Nicaraguan authoritarian president Daniel] Ortega is a corrupt populist, then Lula is the absolutely equal expression of Ortega or of [Venezuelan president Nicolás] Maduro."

They are the kind of fighting words on which Ciro, as he is known, has built his career. Hailing from a powerful political family in the north-eastern state of Ceará, he is one of Brazil's most recognisable politicians, having served in multiple governments, including a ministerial stint during Lula's first administration in 2003.

He is a political brawler, known for his quick intellect and sharp tongue, traits that have won him a dedicated support base of about 8 per cent of voters. They have not been enough, however, to propel him to the presidency, which he is contesting for the fourth time in 24 years.

In each of the earlier attempts, he failed to make it past the first round of the two-round voting process. Polls suggest he has about 8 per cent support ahead of the first vote on October 2, meaning he represents the best chance to break the Lula-Bolsonaro polarity, despite the uphill campaign battle.

Brazilian elections have historically also been marred by black swan events that can upend predictions, such as the death of a candidate in a plane crash in the 2014 race or the stabbing of Bolsonaro in 2018.

Ciro says he is running again, as neither Lula, who was president between 2003 and 2010, nor Bolsonaro, who was elected in 2018, represents a new vision for Latin America's largest country.

"Lula is corrupt from the liberal, democratic camp, and Bolsonaro is corrupt from the fascistic camp. This is the distinction, but the model is strictly the same," said Ciro, claiming his rivals both governed with economic policies to please the business elite and political manoeuvres to keep happy Brazil's notoriously venal Congress.

Despite often being described as centre-left, Ciro has proposed a radical transformation of the economy, pledging to abolish the constitutionally mandated spending cap, central bank independence and the floating exchange rate. Brazil needs a "completely new tax system and a new pension system" that works to improve the nation's acute inequality, Ciro said.

"The system is not working," he pointed out. "It is working for a micro elite but it is destroying the country. The minimum wage today offers the worst purchasing power [since 2008]."

He claimed 70 out of every 100 Brazilian workers today are informally employed or unemployed, yet official statistics suggest the figure is closer to 50.

But Ciro, 64, reserved his most potent words for Lula, his ally-turned-adversary who leads the polls with support from about 47 per cent of voters to Bolsonaro's 29 per cent. Any candidate who secures more than 50 per cent in the first round of voting wins the election, without the need for a runoff.

Lula's popularity is a result of "romanticised memories of his government, which have been exacerbated further by the extraordinary problems that the Brazilian people have been facing under Bolsonaro", said Ciro.

Aided by a long global commodities boom, Lula presided over a period of breakneck growth and poverty reduction and left office with an approval rating of more than 80 per cent. He was then embroiled in the *Lava Jato*, or Car Wash, corruption probe and spent almost two years in prison for graft before his conviction was annulled.

Ciro said the corruption revealed during the administrations of Lula's Workers' party is undeniable, recalling the bags of cash that were regularly discovered by police and prosecutors.

"Lula presents himself, including in the international community, as innocent, that he was exonerated, that he was persecuted and such. This is all a lie," said Ciro, who is running with the Democratic Labour party.

"After a certain moment [in government], Lula was corrupted and discovered the key to perpetuating himself in power, which was to reproduce the conservative agenda of the financial community."

Lula and Bolsonaro are polarising figures and both have suffered historically from high rejection rates among voters.

> Bolsonaro is 'crazy, criminal and genocidal'. Lula is 'an expression of rotten, corrupt South American populism'

In theory, this should open space for a third candidate, such as Ciro. In practice, however, the two frontrunners each have diehard support bases of some 15-20 per cent of voters, which stymies the chances of any third candidate.

Ciro is also undermined by his own bellicosity, analysts said. "This aggressiveness, in a way, has made anyone who had any doubts about him flee to Lula," said Carolina Botelho at the State University of Rio de Janeiro.

"We know very well that in the second round the vast majority of Ciro's voters will shift to Lula, right? So perhaps in order to avoid any possibility of getting Bolsonaro again, these voters might go for Lula in the first round."

Ciro recognises the challenge ahead of him but believes he will pick up votes when his campaign begins in earnest this month with ads on television and social media. More than anything, he is concerned by the quality of the opposition he faces.

"Nowhere else in the world would these two be candidates. Brazil is sick," he complained.

INTERNATIONAL

PLA operations

Beijing ends military exercises in Strait

Taipei warns of threat to unity as opposition official sets out to visit mainland

KATHRIN HILLE — TAIPEI

The Chinese military said yesterday it had completed its exercises around Taiwan but would regularly conduct patrols and drills in the area, confirming fears in Taipei and Washington that Beijing intends to normalise a closer military presence.

The People's Liberation Army said in a statement it had "completed the various tasks" in a series of joint military operations around Taiwan, adding that it would "keep a close eye on changes in the situation" and continually train, prepare and organise regular patrols "in the direction of the Taiwan Strait".

The statement came after Taiwan's Beijing-friendly opposition party sent its deputy leader to China on a trip that Taipei warned risked sowing division.

Andrew Hsia, a veteran diplomat who served as the country's top China policy official in the last Kuomintang government, justified the visit as an attempt to support Taiwanese citizens in China.

"We have not made any plans to meet Chinese officials, although it is, of course, possible that they will reach out or we might encounter them in the context of our meetings with Taiwanese businesses," he told the Financial Times before his departure for Xiamen in China's south-eastern Fujian province.

Although the KMT said the visit had been planned for weeks and was unrelated to the crisis in the Taiwan Strait, it will be highly contentious in Taiwan.

Taiwan's cabinet-level China policy body said it had advised against Hsia's visit. "This move will cause domestic controversy and anxiety, high public misgivings and affect our internal unity. It will also confuse and mislead the international community's perception of the threat Taiwan faces," it said.

"China may ease the military movements a little now that they got the KMT to visit but they will keep up the pressure," said Chiu Chui-cheng, the body's deputy chair. Taiwan said 17 fighter jets flew across the Taiwan Strait median line, an unofficial buffer, yesterday.

The KMT has struggled for years to shake off suspicions among voters over its engagement with the Chinese Communist party. According to a recent opinion poll, its support among voters had sunk to a low of 17 per cent.

The opposition party has joined the government in condemning China's military drills but Hsia evaded questions about whether he would protest against the exercises on his trip. "Our position has been consistent and I will reiterate it when asked," he said.

'China may ease the military movements a little but they will keep up the pressure'

Zhu Feng, an international relations professor at Nanjing University, said: "The mainland military exercise is not over yet. It is a very important gesture for the vice-chair of the Kuomintang to come to the mainland. The two sides need to strengthen communication, especially in the current situation."

China claims Taiwan as its territory and threatens to take it by force if the island resists unification indefinitely. Beijing published yesterday a white paper that reiterated its position that "there is no room for doubt nor change that Taiwan is part of China".

A government spokesperson said the policy paper would help "strengthen the confidence and courage of forces inside the island and abroad that oppose 'independence' and promote unification".

Additional reporting by Nic Fildes

East Asia. Sovereignty stand-off

Taiwan president bears brunt of China ire

Beijing attacks 'unworthy' former bureaucrat it views as figurehead for independence

KATHRIN HILLE — TAIPEI

Allies: Nancy Pelosi, left, and Tsai Ing-wen in Taipei last week. Below, Chinese warplanes on exercise near Taiwan — Presidential Office; Gong Yulong/Xinhua/AP

Tsai Ing-wen offered a faint smile three years ago when a foreign visitor asked her if she was worried about Beijing's military threat.

"Of course. They will come right up the Tamsui river to get me," Taiwan's president said, referring to Chinese plans for taking her country, which include capturing or killing its leaders.

After Tsai met US House Speaker Nancy Pelosi last week, that scenario no longer seems as far-fetched. China responded to the trip by firing missiles over Taipei, scrambling fighter jets and simulating an assault on the island.

Beijing has accused Tsai of plotting Taiwan's independence while Wang Yi, China's foreign minister, denounced her as an "unworthy descendant" of the Chinese nation.

Tsai, though, is no nationalist hothead but a lawyer who cut her teeth helping negotiate her country's accession to the World Trade Organization.

Even now, after six years in power and as leader of the pro-independence Democratic Progressive party, 65-year-old Tsai has changed little from her days as a trade bureaucrat. "She is a policy wonk, she always studies things in great detail herself," said a former aide.

Senior officials who have worked with Tsai, Taiwan's first unmarried president, said she guarded against making rash decisions by seeking advice from a range of bureaucrats and scholars on any important policy.

"At party headquarters, when we were preparing bills for the legislature, the thing she would challenge me over the most was whether we had consulted enough people who don't agree with us," said an official who worked closely with Tsai during her time as DPP chair between 2008 and 2012. "If there is one key principle for her, it is balance."

That approach has also dominated Tsai's China policy. When she started

The Chinese Communist party sees her as the architect of separatist policies since 1999, when Taiwan's then president Lee Teng-hui described ties with Beijing as "special state-to-state relations". Tsai had chaired an advisory group "for strengthening the sovereign state status of the Republic of China", Taiwan's official name. But according to Chang Jung-feng, then a security aide to Lee, Tsai was not behind the policy.

Beijing's suspicion deepened after Tsai headed the China policy body under Chen Shui-bian, the first DPP president, who oversaw a deterioration of ties with Beijing after he embarked on a pro-independence course from 2003.

sented the safest option for Taiwan.

After the chaotic second term of the firebrand Chen, Tsai made the big step from bureaucracy into electoral politics to head the DPP. The role did not come naturally to her and she often came across as stiff when addressing crowds.

But she won the election in 2016 on a wave of public discontent over growing economic integration with China under Ma Ying-jeou, Chen's successor from the more Beijing-friendly Kuomintang party.

"She is the leader Taiwan needed. Taiwan's situation is so difficult that a 'normal' politician will often fall short in addressing it," said Shelley Rigger, a Tai-

'Taiwan's situation is so difficult that a "normal" politician will often fall short in addressing it'

dued, prudent, thoughtful and cautious.

That caution has been the trademark of her leadership. Taking over from Ma, Tsai concluded that Taiwan had grown too dependent economically on China. But she also steered clear of the anti-China policies Chen had pursued.

Administration officials said the president was keenly aware of Taiwan's vulnerability. "She is focused on preserving what we have: our democracy, our sovereignty, our way of life," said one DPP politician.

"She decided that, to achieve that, we needed to define Taiwan's geographic and geopolitical role clearly," he added. "She thinks our security can only be

GLOBAL INSIGHT

TRADE

Valentina Romei

Supply chain pressures are easing but risk of choppy waters remains

Military exercises in the Taiwan Strait do not bode well for global supply chains. Yet, aside from the potential for tension between Beijing and Taipei to spark disruptions, the logistics snafus that became hallmark of the pandemic-era economy are abating.

After a turbulent 18 months triggered by what industry specialists describe as a "perfect storm" of factors ranging from chronic under-investment and Covid-19 induced closures to a container ship getting stuck in the Suez Canal, recent data point to a return to relative calm.

The average cost of taking the standard 40ft metal box across the oceans is down by about 45 per cent from its peak in the autumn of last year, according to international freight company Freightos.

The number of vessels queueing at the Port of Los Angeles dropped 75 per cent from the start of the year despite the port recording its busiest June in a century. Delivery times for air cargo, tracked by supply chain portal Flexport, are improving too.

The global supply chain pressure index, set up by the Federal Reserve Bank of New York, is down 57 per cent in July from its peak.

Businesses in most large economies reported an easing in delivery times of inputs and materials in July, according to the latest S&P Global monthly survey of purchasing managers. A lack of materials and equipment is no longer a factor limiting production for Europe-based manufacturers, say surveys by the European Commission.

'Now we are starting to see that goods can get to where they need to'

"The supply chain pressures were so serious that businesses were stopping production and shortages meant prices were shooting up," said Joanna Konings, a senior economist at ING Bank. "Now we are starting to see that goods can get to where they need to and that the system of international trade is dynamic and can recover."

Many expect pressures to ease further in coming months. More than 40 per cent of US manufacturers polled by the Philadelphia Fed expect improvements in delivery times over the next six months.

On the face of it, this spot of calm amid wave after wave of geopolitical turmoil should be a good thing for the world economy. However, the trend may reflect weakening demand for goods as high inflation, which was partly behind the surge in the cost of shipping and materials during 2021, dents purchasing power.

The purchasing managers' index polls for July reported falling orders and a drop in backlogs. That was, according to Jennifer McKeown, of Capital Economics, "further evidence that weaker demand is opening up some spare capacity and allowing supply conditions to improve".

Logistics hubs, meanwhile, have adapted to the strains placed on them and their workers since the spring of 2021. "We've been able to process cargo [more] efficiently," said the Port of LA. "Dockworkers are on [top of] the job. We're using data to help manage cargo."

Emile Naus, who leads the operations team at consultancy BearingPoint, pointed out that logistics and warehousing companies have become better at managing the capacity they do have. "The uptake in automation is much higher than I've ever seen," he said.

'What worries me is that we go into peak season and [carriers] can't handle any more'

However, the road to pre-pandemic conditions, where just-in-time delivery had become the norm, is paved with risks. The late-summer Christmas rush is just around the corner.

"What worries me is that we go into peak season and [carriers] can't handle any more, then we're going to start seeing congestion again," said Josh Brazil, vice-president of her first term in 2016, she tried to bridge the gap between China's growing determination to pull the island into its fold and the Taiwanese public's desire to remain an independent democracy.

In her inaugural address, Tsai gave a nod to the semi-official talks in 1992 that had ushered in a period of economic exchange across the Taiwan Strait. The new president said that both "sides must cherish and sustain" the fruits of interaction and negotiations.

But when Tsai refused to accept China's claim over Taiwan, Beijing cut off regular communication with Taipei.

Still, foreign diplomats and political analysts were adamant that Tsai repre-

wan expert at Davidson College in North Carolina, who described Tsai as sub-

enhanced when we are indispensable, economically as a key node in global supply chains and politically as a member of a community of democracies."

For Tsai, the benefits of hosting the first US House Speaker in Taiwan in 25 years outweighed the risk of Chinese retaliation. As Chinese fighter jets roar over the Taiwan Strait, some might question her judgment. As a western diplomat said about Tsai: "It is hard to see how she can improve Taiwan's security from here. This is her biggest challenge yet."

See Companies

supply chain insights at project44, a data platform.

Inflation has also heightened the risk of industrial action. And, while waiting times outside Los Angeles have almost disappeared, there is congestion on the US east coast and in northern Europe.

Nor is it just China's wrangling with Taiwan and the US that causes concern. There's also Beijing insisting its zero-Covid stance remains the best way to tackle fresh outbreaks, a policy that has led to port and factory closures.

Nathan Sheets, global chief economist at Citi, said: "What we've seen so far is only a step in that direction, but [some] disruptions are likely to be with us for months ahead, maybe years."

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Cabinet changes

Japan reshuffle viewed as attempt to escape Abe's shadow

LEO LEWIS AND ERI SUGIURA — TOKYO

Fumio Kishida reshuffled his cabinet for the first time since the assassination of Shinzo Abe last month amid dwindling public approval and resurgent tensions between the US and China.

The Japanese prime minister's move was seen as an attempt to shift his government from Abe's shadow while retaining the support of the former leader's powerful faction.

"Kishida has been moving away from Abe since earlier this year, and Abe's death last month prompted that move to accelerate," said Takao Toshikawa, a veteran political analyst.

Although Kishida led the Liberal Democratic party to a convincing win in Japan's upper house election in July, his popularity has fallen sharply as Covid-19 cases have soared and concerns over the rising cost of living have intensified. A poll on Monday by public broadcaster NHK showed support dropping 13 percentage points to 46 per cent.

The death of Abe, who led the LDP's largest faction — a rival to Kishida's — and retained huge sway over the party when he was assassinated in late July, heaped more pressure on Kishida.

Kishida left his finance minister, chief cabinet secretary and foreign minister unchanged but Yasukazu Hamada, a relative moderate returned to the defence ministry, replacing Abe's hardline younger brother, Nobuo Kishi.

Japan is reworking its defence stance amid a growing threat from China, North Korea and Russia. Kishida said yesterday his government would work to create "a new post-cold war order to protect our country's peace and security amid the tense international situation".

Kishida brought Taro Kono, a former foreign minister who fought him for the leadership, back into the cabinet and gave the economic security portfolio to Sanae Takaichi, another leadership challenger with a support base among the most nationalist wing of the LDP.

The LDP has been building consensus behind restarting nuclear reactors, and momentum behind that should build under Kishida's new cabinet, said political analysts. Tokyo came close to a power blackout in March and the recent surge in energy prices has provided a stark reminder of the problems created by the shutdown of most of Japan's sizeable fleet of nuclear power plants.

Masatoshi Honda, a political analyst at Kinjo University, said: "Kishida explained his reshuffle with references to Taiwan, the expansion of Covid, Ukraine and so on, but in fact, this reshuffle is about Kishida protecting himself."

Pressure on Pru New business profits at insurer's Hong Kong business suffer sharp decline amid zero-Covid policy PAGE 6

Companies & Markets

SoftBank to gain $34bn by selling down Alibaba shares

- Historic shift in ties to China group
- Investors expect further handovers

LEO LEWIS — TOKYO
RYAN MCMORROW — BEIJING

SoftBank expects to post a gain of more than $34bn by turning over a chunk of its holdings in the Chinese ecommerce group Alibaba, marking a historic shift in the Japanese group's relationship with its best-known investment.

The investor had made a series of complex derivative deals that allowed it to raise cash while retaining the option to buy back the shares later. But the company said yesterday that that right would now be fully relinquished with many deals settled early with shares.

The move is a step back from the 22-year-old bet on which Masayoshi Son built his name as a top technology investor. The decision, which investors said suggested further selldowns, means SoftBank's stake in Alibaba will fall from 23.7 per cent at the end of June to 14.6 per cent in September.

> SoftBank said the decision was being taken to play 'defence against the severe market environment'

The reduced stake will take SoftBank below the threshold for retaining its board seat at Alibaba and prevent the Japanese group from continuing to recognise its share of Alibaba's income in its financial statements. It will also void a voting agreement with Alibaba vice-chair Joe Tsai that required SoftBank to vote its shares at the direction of Jack Ma, Tsai and other top executives.

The selldown follows a 70 per cent drop in Alibaba's share price that began in the autumn of 2020 when the authorities in Beijing halted the blockbuster initial public offering of its Ant Group fintech arm.

SoftBank's announcement came two days after Son announced the company's worst quarterly loss of $23bn and heralded a period of "dramatic" cost-cutting. SoftBank added that it was exploring the sale of other key assets, including Fortress Investment Group.

The loss posted for the April to June period followed a record loss in the previous quarter, and prompted Son to make an eye-catching statement of regret at his previous triumphalism when tech markets were booming.

The lion's share of SoftBank's red ink was unrealised losses on the stocks, both listed and unlisted, in Vision Funds 1 and 2, its flagship technology portfolios.

The funds were hit hard by the global technology rout, though Son himself presented a chart showing that listed Vision Fund stocks had underperformed the Nasdaq.

The maximum number of shares set to be handed over represents about two-thirds of all the Alibaba shares SoftBank has sold into prepaid forward contracts that remained outstanding in mid-July.

This year the Japanese group sold about one-third of its Alibaba stake through these forward deals to raise more than $21bn in cash as Son worked to strengthen SoftBank's balance sheet.

SoftBank said that the decision to relinquish the shares now was taken to play "defence against the severe market environment" and would resolve concerns about future cash outflows while cutting costs.

In deals struck with banks such as Goldman Sachs and UBS this year, SoftBank has cashed in its Alibaba stake at prices slightly higher than the level where Ma's group began trading in New York in 2014.

SoftBank said that its counterparties hedged those transactions when the deals were struck so the current move would not create additional selling pressure on Alibaba's stock.

Fair wind Vestas says Biden's subsidies package will accelerate renewables in US for next decade

The US tax credit regime is expected to give more visibility to turbine makers such as Vestas — David Swanson/Reuters

RICHARD MILNE
NORDIC AND BALTIC CORRESPONDENT

A new subsidies package for renewable energy about to be passed in the US is "extraordinarily important" and should help improve the outlook for the under-pressure wind industry, the head of one of the world's largest turbine manufacturers says.

Henrik Andersen, chief executive of Danish wind turbine manufacturer Vestas, said that concern over whether the US could end its production tax credits (PTC) had led to "stop and go" conditions for the renewable industry in the past year, but a new climate bill should halt those worries.

"It's extraordinarily important," he said. "I think that will give some clarity and will accelerate renewables in the US for the next decade. It's important for offshore wind, onshore, solar [and] power-to-x hydrogen."

The US Senate passed Joe Biden's flagship economic package, which includes support for renewable energy technologies, last Sunday.

The bill still needs to pass the House of Representatives and be signed by the president before it becomes law.

Vestas and the rest of the wind industry have had a tough year despite rising interest in renewables following Russia's invasion of Ukraine and worries among many western countries about how they will replace Russian energy.

Vestas reported second-quarter results on Tuesday below analysts' expectations with an underlying operating loss of €182mn, versus the average forecast of a €143mn deficit.

But unlike German-Spanish rival Siemens Gamesa, which cut its full-year profit guidance again last week, Vestas held on to its forecast for an underlying profit margin of zero to minus 5 per cent. Its margin was minus 5.5 per cent in the second quarter. Shares in Vestas closed 8.8 per cent higher at DKr198 yesterday.

Andersen said it was "not an easy quarter at all" as Vestas and the renewables sector faced a "challenged world" with sharp increases in raw material costs and component prices.

He added that Vestas had been able to raise prices to the highest level in a decade, so by working through its €19bn order backlog it would move closer to profitability. He stressed that the second half of the year would compare "positively" with the first.

"There should be an improvement," he added, pointing to "six to eight" quarters of improved pricing.

Martin Wilkie, analyst at Citi, said the US's new PTC regime would give "unprecedented visibility" for turbine manufacturers in the US as it would be available on new projects until at least 2032, leading to significant upgrades for Vestas's forecast revenues from 2024 onwards.

Musk offloads $7bn of Tesla stock ahead of Twitter case

RICHARD WATERS — SAN FRANCISCO

Elon Musk has taken advantage of a recent rebound in Tesla's stock price to sell $6.9bn worth of shares in the electric-car maker since the end of last week, according to a series of regulatory filings late on Tuesday.

The sales are the first since the Tesla and SpaceX chief executive sold $8.5bn of stock in April, shortly after he agreed a $44bn deal to buy Twitter, and added to his cash reserves as he faces the social media company's demands to go through with the purchase.

Concerns that Musk would be forced to liquidate a significant part of his Tesla stake in a falling market have hung over the electric-car maker's stock price in the weeks following the offer for Twitter, and were only eased after he said he was scrapping the bid in early July.

Twitter has sued Musk to force him to go through with the deal and a Delaware court is due to hear the case in early October. Musk has claimed he can abandon the deal because Twitter misstated how much of its traffic comes from bots, while the company insisted its regulatory disclosures were complete.

The sales disclosed on Tuesday averaged at a price of $869, well above the low of $620 Tesla's shares hit in May.

Responding to a tweet asking if he was "done selling", Musk said "yes", and added: "In the (hopefully unlikely) event that Twitter forces this deal to close *and* some equity partners don't come through, it is important to avoid an emergency sale of Tesla stock."

Under the terms of his Twitter offer, Musk is responsible for financing up to $33.5bn of the purchase, with the rest coming from debt, though he has announced commitments from other investors of more than $7bn.

The Twitter deal provides for a $1bn break-up fee. But it also requires "specific performance", meaning Musk must complete the deal unless he can prove he was misled or a "material adverse event" has occurred at Twitter. He could also walk away if the debt needed to close the deal is no longer available.

That has raised the stakes ahead of the October court hearing, leaving Musk at risk of being ordered to go ahead with the deal on its original terms or forced to try to reach an out-of-court settlement with Twitter.

Additional reporting by Sujeet Indap in New York

See Lex

Prolonged dry spell casts cloud over Norway's energy fortunes

INSIDE BUSINESS
EUROPE

Richard Milne

Norway is in many ways a lucky country. Its abundant oil and gas resources are much in demand since Russia's full-scale invasion of Ukraine. Numerous rivers and reservoirs up and down the vast country mean that more than 90 per cent of its electricity needs are covered by its own hydropower.

But in a sign of just how deeply an energy crisis is shaking Europe, Norway is suddenly facing its own electricity problems that are affecting everything from politics and international relations to business.

An unusually dry winter and spring have left many reservoirs in southern Norway at historically low levels for this time of the year, leading to the government in Oslo pledging to curb electricity exports until they are replenished.

That could be a significant problem for countries from Germany and the Netherlands to the UK that have imported large amounts of electricity over the years from Norway through cables, even before Russia sparked panic about what could happen this winter.

The most striking demonstration of the problems is the gaping price discrepancy between northern and central Norway — with close to half of the country's hydropower production — and southern Norway, with all the export cables. Electricity in the three southern areas of Norway will cost between €263/MWh and €327/MWh today, but in the north and centre of the country they will be just over €1/MWh, according to the day-ahead prices from the Nord Pool power market.

The pattern has lasted long enough that some businesses are voting with their feet: Kryptovault, a Norwegian bitcoin miner, is moving its activities from the south to above the Arctic Circle to slash its power bill.

The main reason for the 160-fold difference in prices is a lack of transmission capacity between north and south. It is a similar situation in neighbouring Sweden but it leads to absurd situations.

Norway's national broadcaster NRK earlier this summer ran stories only hours apart with power companies in the north of the country complaining that prices were so low they could not afford to invest in new capacity, and industrial companies in the south complaining prices were so high they could not afford to keep manufacturing.

> The issue has leapt to the top of the political agenda in Oslo as the government warns it cannot rule out electricity rationing

The issue has leapt to the top of the political agenda in Oslo, where the government has warned that it cannot rule out electricity rationing this winter, even if it currently believes that any such restriction is unlikely.

The centre-left government faces a difficult balancing act: it has gone out of its way to present itself in Brussels as a reliable energy supplier, keen to sell as much oil and gas as it can; but it has become almost impossible to justify selling electricity abroad at sky-high prices when many Norwegians are having to pay the same. Sylvi Listhaug, leader of the rightwing populist Progress party, has called for Norway to build gas power stations and said "it would be a scandal" if "energy nation Norway" would need electricity rationing.

Other politicians have called for expensive plans to electrify Norway's offshore oil platforms — which run on gas turbines — to be dropped.

The government has responded carefully. Some of the most generous support to consumers in Europe will be increased, meaning the state will pick up 90 per cent of electricity bills over a certain price level.

Harder though is devising a scheme that could help businesses without merely encouraging an increase in consumption.

Left unsaid is how a big green transition in Norway's industry is likely to fare if there are already problems with supply. Norway is far ahead of the rest of the world in areas such as electric cars — eight in every 10 new vehicle sales produce zero emissions.

But it also has ambitious plans for green batteries, shipping and hydrogen that rely on plentiful — and cheap — hydropower.

Squaring all of that with continuing exports to Europe is a tricky feat. The government has given itself a week to come up with a mechanism that would allow it to stop exports when reservoir levels are below their seasonal average, something that is the case in most of southern Norway.

These are still mostly the problems of a lucky country but the warning signs flashing in Norway highlight just how tough this winter could be across Europe.

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Technology

Foxconn's $800mn China stake at risk

Taipei looks set to block investment in Tsinghua as cross-strait tensions rise

KATHRIN HILLE — TAIPEI

Taiwan national security officials want to force Apple supplier Foxconn to unwind an $800mn investment in China chip business Tsinghua Unigroup, as Taipei seeks to align itself more closely with the US in the face of escalating threats from Beijing.

The investment by Foxconn, the world's largest contract electronics maker and the biggest China private-sector employer, was announced last month and made the group the second-largest shareholder in Tsinghua. But it put one of Taiwan's biggest groups at the centre of Beijing's growing technology competition with the west.

"This will definitely not go through," said a Taiwan official involved in national security issues.

The cabinet's investment commission has yet to formally review the case, but officials from the president's National Security Council and the Mainland Affairs Council believe the deal needs to be blocked, according to another person briefed on the matter.

Hon Hai, Foxconn's Taiwan-listed entity, said on July 14 it had acquired an indirect stake in Beijing Zhiguangxin Holding, controlling shareholder of Tsinghua. The deal triggered warnings from the Taiwan economy ministry's investment commission that Foxconn could be fined up to NT$25mn ($832,000) because it had not submitted the transaction for prior approval.

Officials said the group was not believed to have violated other regulations, as the deal was below the ceiling for China investments that Taipei had set for Foxconn Industrial Internet, the company's mainland-based subsidiary.

But national security officials have been brought in to review the case, according to officials familiar with the matter and people close to Foxconn.

"It is clear that now they have elevated this to the national security level, prospects are getting dim," said a person close to the company. "With the soaring tension in the Taiwan Strait, this is looking even more difficult."

China claims Taiwan as its territory and has threatened to take it by force if Taipei resists unification indefinitely. Beijing has driven home this threat over the past week with a series of unprecedented military exercises.

Analysts said the investment in Tsinghua made sense for Foxconn, which has traditionally focused on the low-margin, labour-intensive assembly of electronic products such as smartphones and manufacturing but is trying to strengthen its semiconductor business.

Young Liu, head of the semiconductor division who took over as Foxconn chair three years ago, has pledged to expand the unit to increase profit margins and secure chip supplies. He defended the deal on an investor call yesterday, saying it was a "simple financial investment" that would also benefit the company because some of Tsinghua's affiliates are its customers and suppliers.

But Taipei is concerned that the deal could lead to Foxconn bankrolling an acceleration in Beijing's tech ambitions. Although the group is gradually diversifying its production lines beyond China, 75 per cent of its capacity is on the mainland, and analysts said it would be difficult for the company to divest.

Insurance

Strict virus policy knocks Prudential's HK business

TABBY KINDER — HONG KONG

Prudential's Hong Kong division suffered a steep fall in new business profits in the first half of the year because of China's strict zero-Covid policy, as the insurer warned of "challenging" and "complex" market conditions for the rest of 2022.

The FTSE 100 group announced its global half-year results from Hong Kong for the first time yesterday.

It said Hong Kong new business profits, a critical measure of predicted earnings on newly sold products, fell 31 per cent in the first six months of the year to $211mn.

Profits from new mainland Chinese customers that crossed the border to buy insurance policies in Hong Kong were $694mn before the pandemic in 2019, but fell to almost nothing this year, the Asia-focused insurer said.

Prudential warned that there was "prolonged uncertainty" about when the border between Hong Kong and China, which has been closed for more than two years because of the pandemic, would be reopened.

Interim chief executive Mark FitzPatrick said he wanted to "reaffirm" Prudential's commitment to Hong Kong and connect with potential investors in Asia. He said Prudential chose to report its results from the city to "indicate that we have pivoted, not just physically, but emotionally, to Asia".

> 'We have pivoted, not just physically, but emotionally, to Asia'
>
> Interim boss Mark FitzPatrick

Prudential's share price fell 1.3 per cent in Hong Kong. Its London-listed shares have lost a quarter of their value this year.

Prudential has undergone a radical transformation in recent years, leaving it solely focused on insurance products in Asia and Africa, but with a UK domicile and primary listings in London and Hong Kong.

It split from its UK business, M&G, in 2019 and its US operation, Jackson, two years later.

The group's incoming chief executive, Anil Wadhwani, will be the first to be based in Asia in Prudential's 174-year history. Wadhwani will join the company in Hong Kong in February 2023.

Financials. Retail brokers

Robinhood suffers harsh post-Covid hangover

Platform loses young traders after stimulus payments end and equity markets tumble

MADISON DARBYSHIRE — NEW YORK

Robinhood, the retail broker whose growth reached the stratosphere as stock trading boomed in the coronavirus pandemic, has fallen back to earth.

Active users have fled the platform. The number of funded accounts has levelled off. Robinhood's market capitalisation has dropped by two-thirds since it went public last summer. Last week it announced lay-offs for nearly a quarter of its staff.

"It is a post-Covid hangover," said Dan Dolev, analyst at Mizuho Securities. Robinhood "has woken up in a hotel in Las Vegas, and there is a Bengal tiger in the bathroom".

The California-based broker enticed a generation of first-time investors with commission-free trading and an easy-to-use app. But its expansion has hit a wall since government pandemic stimulus payments ended, inflation began to eat into investors' budgets and the stock market tumbled from its highs.

Robinhood's business has felt these challenges more acutely than other brokers. Its revenue in the second quarter was down 44 per cent year on year, compared with an adjusted increase of 10 per cent at Interactive Brokers and a 13 per

Robinhood signage and promotion in New York to

haven't disappeared. Those lower income, less sophisticated customers are the ones that have just gone away," said Richard Repetto, an analyst who

tody dropped by 37 per cent, from $102bn to $64bn.

"The young guys got crushed because they were holding all the stocks that got

> 'The young guys got crushed

outlier growth and trading volume? A lot of small crypto traders and a lot of small crypto trades," said Tom Sosnoff, co-founder of options trading platform cent rise at Charles Schwab. Schwab also posted record profits for the quarter.

After adding 10mn accounts in 2021, Robinhood added only 100,000 accounts in the second quarter. The number of active traders on its platform declined by almost 2mn from the previous quarter, to 14mn. A year before, active users totalled 21.3mn.

Part of Robinhood's problem is demographic. The broker attracted younger customers who found themselves with cash to invest from their stimulus cheques. When the final government payments went out in March 2021, the Robinhood Snacks email newsletter ran the headline, "The Stimulus Has Landed".

"They steer towards the youngest people, who benefited from 'stimmy' . . . and who were spending it on dogecoin," said Dolev, referencing the stimulus and the cryptocurrency.

But with inflation now ripping through the economy, young customers have proved the most vulnerable to financial shocks.

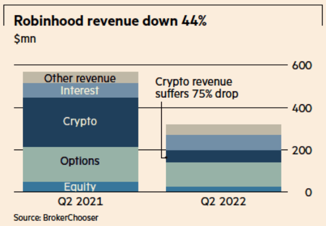
"Traditional investors investing for retirement, they've pulled back but

mark its initial public offering last year Erik Pendzich/Shutterstock

follows brokers and exchanges at Piper Sandler.

A portion of Robinhood's customers placed bets on financial technology and crypto-related stocks that have been among the biggest decliners amid falling equity markets this year. The exposure means they have been hit harder than investors with broader portfolios.

While Schwab's reported customer assets dropped by 10 per cent in the second quarter compared with a year before, Robinhood's assets under cus-



crushed, the crypto stocks and the fintech stocks," Repetto said.

Robinhood has said its competitiveness will depend on bringing new products to market. But "frustrating" internal bureaucracy had made it slow to launch things such as retirement accounts, said a staff member with direct knowledge of the matter.

Staff have left as morale deteriorates. Before the latest round of workforce cuts, Robinhood laid off 9 per cent of full-time workers in April. Since then a further 5 per cent of staff have quit, according to Robinhood figures.

The majority of Robinhood's revenues are tied to the number of transactions that take place on its platform. As trading has dropped off in volatile assets such as cryptocurrencies, so too has this revenue stream.

In the second quarter of 2021, crypto trading accounted for half of Robinhood's $451mn in transaction-based revenue. A year later, crypto trading brought in $58mn, accounting for just 29 per cent of transaction revenue that totalled $202mn.

"Where did Robinhood generate this

because they were holding all the stocks that got crushed, the crypto stocks and the fintech stocks'

Tastyworks. "The reason online brokers like Tasty, Interactive Brokers, Fidelity and Schwab haven't had the same kind of drawdown as Robinhood is that crypto is virtually none of our revenue, and virtually all of theirs."

The interest rate rises by the Federal Reserve has given brokers a chance to earn interest and investment income on money stashed in customer accounts.

But Robinhood is largely missing out on this benefit. Account balances there average about $4,500, compared with $352,764 at Schwab. For every 0.25 percentage point rate increase, Robinhood says it earns another $40mn in interest revenue, while Schwab earns another $350mn-$550mn.

Though Robinhood's growth in users made other brokers envious earlier in the pandemic, the company is focusing inwards.

"Historically Robinhood has been a company that has focused a lot on new customer acquisition," co-founder and chief executive Vlad Tenev said last week.

"This year will focus on the valuable customers we already have."

Overall new business profits were $1.1bn for the first half of the year, which was 7 per cent lower than the same period last year. Its performance was hit by higher interest rates and lower sales in Hong Kong, which suffered from a large coronavirus outbreak earlier this year. The group said adjusted operating profit grew 6 per cent to $1.7bn.

Of its five cornerstone markets — Hong Kong, mainland China, Indonesia, Malaysia and Singapore — new business profits increased only in Singapore during the first half of the year. Its growth markets, which include Taiwan, India, Vietnam and Africa, saw a combined increase in new business profits of 18 per cent to $304mn.

FitzPatrick, who took over as interim chief in March, said: "Although there are signs that Covid-19-related impacts in many of our markets are stabilising, over the remainder of the year we expect that operating conditions may continue to be challenging."

The company also warned that the "complexity of the macroeconomic, geopolitical and regulatory" environments would probably increase.

Airlines

Cathay Pacific bullish after easing of curbs

CHAN HO-HIM AND PRIMROSE RIORDAN
HONG KONG

Cathay Pacific expects to stop burning cash in the second half as it narrowed losses and delivered its most positive outlook in years after the city shortened its quarantine requirements.

In results published yesterday, the Hong Kong-listed airline reported a loss of HK$5bn ($637mn) for the first half of 2022, compared with a HK$7.6bn loss over the same period last year, and said it was optimistic for the rest of the year.

"On the expectation that borders will reopen, our teams have been actively preparing to meet the rising global demand for travel," said Patrick Healy, Cathay's chair. The company was confident that its "airlines and subsidiaries will see a stronger second-half than first-half performance".

Cathay Pacific said it expected "positive cash flow" in the second half while HSBC analysts said they believed the airline returned to profit in July. In March, the carrier reported that it was burning up to HK$1.5bn a month because of quarantine rules for international travellers.

The airline has forecast that passenger traffic by the end of the year will rise to 25 per cent of pre-pandemic levels, and cargo capacity 65 per cent. As of June, it was running at 11 per cent of pre-pandemic passenger capacity and 56 per cent of cargo traffic. Higher cargo revenues have been a big factor in its improved performance.

Rival Singapore Airlines, which was operating at about 60 per cent of pre-pandemic passenger traffic in June, has estimated that capacity will reach 81 per cent by December.

Cathay Pacific has been hit by an exodus of pilots prompted by quarantine rules, and aims to hire 4,000 staff including pilots by next year. It has called on officials to "urgently provide a clear road-map" on scrapping curbs to encourage travel and protect the territory's aviation hub status.

"Hong Kong has fallen far behind other aviation hubs, and our regional competitors have recovered much faster from the disruptions caused by the global pandemic," said Healy.

This week the territory cut its quarantine period for international arrivals to three days in a hotel followed by four days of home monitoring, down from seven days at a hotel.

Achim Czerny, associate professor of transport economics at Hong Kong Polytechnic University, said 25 per cent of pre-pandemic passenger levels "is still low, but it should be feasible given that travel restrictions have been substantially relaxed recently".

HSBC has forecast a HK$4bn profit for the airline for the second half.

Cathay Pacific shares have outperformed regional rivals, up 34 per cent over the past year. Singapore Airlines is up 6 per cent over the same period.

Travel & leisure

Flight turmoil tips Tui into third-quarter loss

OLIVER BARNES

Flight disruption across Europe stifled trading at Tui in early summer, costing the tour operator €75mn and pushing it to a loss in the third quarter.

Sebastian Ebel, Tui's new chief executive, said the company would "fight" for compensation from airport operators for the damage to business.

"We are going for compensation," said Ebel, adding "it should be significant".

Europe's largest travel group hailed its "first broadly break-even quarter post-pandemic" and said that without the extra cost of flight cancellations and disruption, adjusted operating profits would have been €48mn in the three months to June 30. Instead, Tui booked a loss of €27mn over the period.

Tui said about 4 per cent of customers faced delays of more than three hours in May and June. It cancelled fewer than 200 flights in the same period, below 1 per cent of its summer schedule.

Tui said the disruption was "mainly caused by third-party suppliers and airports due to a shortage in ground handling and airports security staff, reliability issues with lease-in partners and supplier maintenance delays".

Manchester airport in England was hit hardest by the disruption. Ebel said the greater problems facing UK airports were caused in part to labour shortages.

Revenues across the group, which includes Tui's airline, hotel and cruise businesses, were €4.4bn, five times higher than the equivalent period last year but down 6.6 per cent on the same period in 2019.


Tui said disruption at UK airports was partly due to staff shortages

Shares in the London-listed company fell 0.2 per cent yesterday to 143.1p.

Despite the travel chaos, the company said it was "well on track" to deliver close to pre-pandemic levels of trading this summer, adding that booking data were "encouraging". Group bookings for summer stood at 90 per cent of 2019 levels. In the UK, summer bookings were up 20 per cent, compared with 2019.

However, Tui said only demand for winter bookings from the UK market was at normal levels. Booking volumes in the UK were up 16 per cent compared with winter 2018.

Richard Clarke at Bernstein said Tui could struggle during a downturn over winter. "The big concern is that they are a fully European discretionary consumer stock . . . where people are going to be facing a cost of living squeeze."

COMPANIES & MARKETS

EV battery plans hit by surging input costs

Ambitions of Volkswagen and US rivals to expand production are being hampered by China's grip on minerals supply

JOE MILLER — SALZGITTER
HARRY DEMPSEY — LONDON

In the race to electrify the car industry, Silvia-Luna Yzaguirre Sánchez's battery cell development expertise is in ever higher demand.

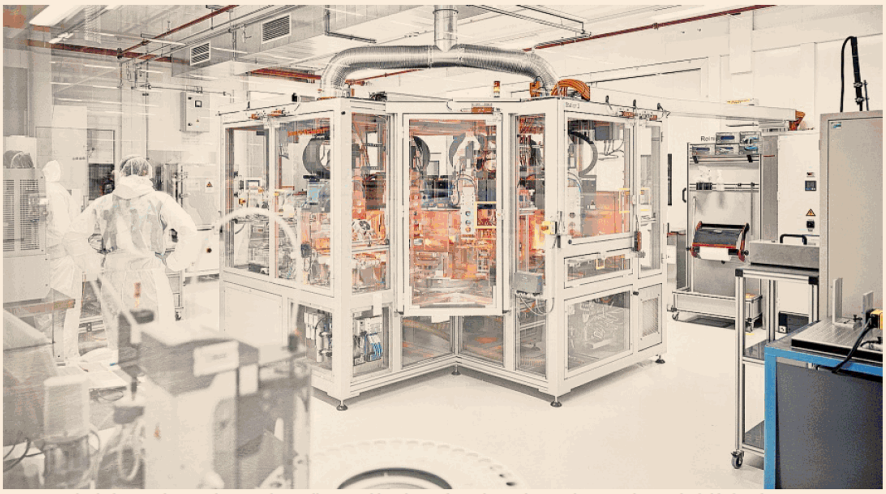
But the Spaniard — armed with a double degree in engineering and an MBA — has spurned Silicon Valley and Asian hubs for the outskirts of the small north German city of Salzgitter, where she is spearheading a late surge into battery cell manufacturing by Volkswagen, the world's second-largest carmaker.

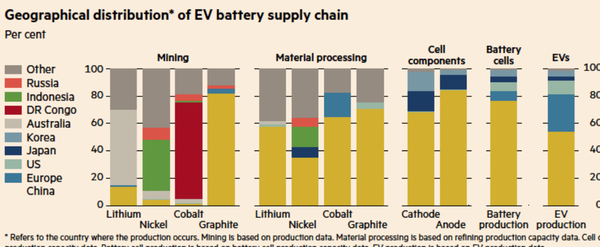
"If I go somewhere where there are 1,000 like me, what is the point?" Yzaguirre Sánchez said of VW's tech rivals. With VW and its partners committing to €20bn in investments for six European battery plants, she hopes to get in on the ground floor of the group's "global battery offensive".

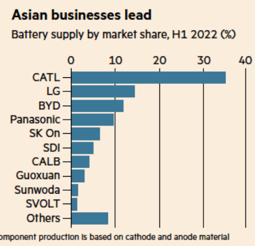
Yet VW, along with most other traditional car manufacturers, is playing catch-up. In 2018 — even as Tesla was producing its own battery cells with the help of Panasonic in Nevada, and the largest global battery maker, China's CATL, announced it was building a factory in VW's back yard — former boss Matthias Müller dismissed the idea of the group doing the same, preferring to sign procurement deals with mostly Asian producers.

"This is not one of our core competencies," he said of battery cell production, adding that "others can do it better than we can". A few months later, VW invested €450mn in Sweden's Northvolt, before deciding to bring battery cell manufacturing in-house after all, as the EU's stricter emissions regulations forced it to build "significantly more" capacity by 2030.

American competitors GM and Ford have, conversely, continued to follow Müller's mantra. They have signed deals with Korean battery producers LG and SK On respectively to supply parts for their electric ambitions and, in the case of General Motors, help build four dedicated plants in the US with a total of 160 gigawatt hours of production by the middle of the decade.


Power struggle: the battery plant in Salzgitter, where Volkswagen, like other traditional carmakers, is playing catch-up in the field of production — Sebastian Dorbrietz





* Refers to the country where the production occurs. Mining is based on production data. Material processing is based on refining production capacity data. Cell component production is based on cathode and anode material production capacity data. Battery cell production is based on battery cell production capacity data. EV production is based on EV production data
Sources: IEA; SNE Research

the country's electrical industry, has warned.

Yet the conflict has also strengthened the resolve of western governments to reduce their reliance on foreign suppliers. The US and Europe have pledged billions of dollars in subsidies to companies that build plants in their countries and will incentivise local sourcing of raw materials and battery components.

"Not so long ago, many in Germany believed that battery cells . . . could always be ordered from Asia," said German chancellor Olaf Scholz during a visit to Salzgitter last month. "Now we know better. The coronavirus pandemic and Russia's brutal assault on Ukraine have made it clear that a reliance on global supply chains in certain strategic areas is a big risk."

The risk was underlined last week by reports that China's CATL had postponed a decision on a US site slated to supply Tesla and Ford, following a visit to Taiwan by Nancy Pelosi, the Speaker of the US House of Representatives.

That move came a few weeks after LG said it would rethink a planned plant in Arizona because of "unprecedented economic conditions and investment circumstances in the United States".

Ford's partner, Korea's SK On, the world's fifth-largest battery maker, will lose roughly $760mn this year on $5.3bn in revenue, according to Bush, as the higher costs of production begin to bite.

Rising costs could also hurt VW's standalone plans. A further €10bn investment would be needed to secure raw materials for its six factories, chief financial officer Arno Antlitz said in March. He did not rule out an initial public offering of PowerCo or tie-ups with other companies to help pay for battery production, as further sites in Sweden and Spain come online following the transformation of Salzgitter.

None of this deters Yzaguirre Sánchez, who insists the group's delayed entry into battery technology need not hold it back. "We don't need to be the ones to invent the wheel," she said. "We just have to create the right partnerships."

Stellantis, the group behind Peugeot, Fiat Chrysler and Jeep, has established similar partnerships with LG and Samsung SDI.

Ford, which says it has secured 60 GWh of annual cell production by late 2023 for 600,000 electric vehicles, also placed a big bet last month on a partnership with CATL to supply lithium iron phosphate batteries, a cheaper option with less range than a rival chemistry that uses more nickel and cobalt.

Neither strategy guarantees success, according to Tim Bush, an analyst at UBS in Seoul. "Even the players who have been in the industry for 20 years are struggling to bring scaled facilities online at greenfield locations," he said, referring to the obstacles that the likes of Korea's LG and Japan's Panasonic faced in Poland or Nevada and Tesla's struggles to increase production of its next-generation 4680 battery cells.

"Right now, 85-90 per cent of materials that go into a battery are coming from China," Bush added, and the incumbents have locked up most of the available supply. Ford's recent agreements to secure the minerals and cathode materials for its batteries were largely non-binding.

The cost of critical raw materials that remain on the market is soaring. The price of lithium carbonate hit an all-time high in April and is still eight times what it was at the start of last year.

More crucially, availability of minerals is a looming problem for latecomers VW, Ford and GM, with the latter agreeing last week to pre-pay $200mn to lithium producer Livent for supplies.

Scott Yarham of S&P Global Commodity Insights predicted that along with the lithium supply crunch, shortages of nickel and cobalt were likely to follow later this decade.

"There's a lot of investment in battery cell manufacturing in Europe and the US, but not sufficient enough in the raw materials," he said. "There's going to be a big disconnect."

Things look no better farther down the manufacturing chain. Mathias Miedreich, chief executive of Umicore, one of Europe's few makers of vital cathode active materials used in batteries, and a VW partner, said car manufacturers were scrambling to build relationships with suppliers after the "traumatic experience" of semiconductor shortages.

He warned that there would be "a scarcity of supply" of battery cell component manufacturing, even if there was enough investment in mining and battery plants, due to the intricacies of the production process.

At Salzgitter, VW, whose electric strategy accounts for half of all cars sold in 2030 being battery-powered, has added further complexity by choosing to convert an existing diesel engine plant rather than build on a new site and retrain staff there to work on battery technology.

"It's both a blessing and a curse," said Frank Blome, chief executive of PowerCo, VW's newly formed battery production unit. "The change is stressful because we still have to mass produce, develop and update the combustion engines. And we're doing batteries in parallel. On the other hand, we have everything here at the site to build a new plant, all the infrastructure, all the experts."

VW hopes to start production at Salzgitter in 2025 and scale up to 40 GWh of annual production at the site, enough for about 500,000 electric vehicles, and reach a total of 240 GWh across six locations five years later.

It comes at a time when Europe's industrial competitiveness is under threat, with energy supplies increasingly constrained by the war in Ukraine. Were Russia to cut off all gas supplies to Germany this winter, battery plants would be forced to cease production immediately, ZVEI, which represents

Travel & leisure

Judge denies golfers' request to play PGA Tour event after defection to Saudi-backed circuit

SUJEET INDAP — NEW YORK

A US judge has denied a request from three professional golfers to play in a PGA Tour event this week in Memphis, Tennessee, after they defected this summer to the LIV Golf circuit, a start-up league backed by Saudi Arabia's sovereign wealth fund.

The golfers are among 11 who last week sued the PGA Tour, alleging that the top US golf league had violated antitrust laws by expelling them as punishment for joining the rival organisation.

Talor Gooch, Hudson Swafford and Matt Jones additionally asked the federal judge in San Jose, California to issue a temporary restraining order allowing them to play in the first event of the PGA Tour playoffs, which begin on Thursday.

They argued they would face "irreparable harm" if they were not allowed to tee off while the main case wound its way through the court.

The players' lawyers described the forthcoming tournament as part of the "Super Bowl" post-season of the PGA Tour, whose spoils include the ranking points needed to play in the four annual majors, including the Masters and British Open.

The LIV Tour has not been awarded world golf ranking points, leaving most of its players with few chances to compete in the four major events unless they are granted access to the PGA Tour or Europe's DP World Tour.

The new tour has shaken up professional golf as many star players have joined the league, which boasts large tournament purses and guaranteed contracts from the billions that the Saudi fund has dedicated to the project. LIV's critics have accused it of "sportswashing", or using its cash to improve the kingdom's reputation.

Talor Gooch is one of the players to challenge the tournament organiser

The PGA Tour has argued that it has the exclusive right to its members' allegiance as that arrangement allows it to maximise media rights deals, which then flow into player prize money.

In court papers, the PGA Tour accused Gooch, Swafford and Jones of wanting to take the LIV riches and keep a toe in the PGA Tour, even as they undermined it. "The antitrust laws do not allow Plaintiffs to have their cake and eat it too."

PGA Tour commissioner Jay Monahan said: "With today's news, our players, fans and partners can now focus on what really matters over the next three weeks: the best players in the world competing in the FedExCup Playoffs."

The judge separately said that the trial for the main case would begin in September 2023.

The LIV Tour's fourth event is scheduled for Boston in September after the PGA Tour playoffs finish this month.

COMPANIES & MARKETS

Fixed income. Subprime borrowers

Investors watch for cracks in US consumer loan industry

Americans weighed by record amount of debt as Fed prepares

Recent delinquencies on US consumer loans are ticking up
Quarterly (%)

30-plus day delinquent balances by loan type
Quarterly (%)

Higher bills: US shoppers are set to face bigger debt payments

June at 2.7 per cent, up 0.8 percentage points from a year ago, data compiled by Moody's show.

While that trend is still well below

Crypto

Coinbase racks up $1.1bn loss in trading slump

RICHARD WATERS — SAN FRANCISCO

Cryptocurrency exchange Coinbase said its revenue had plummeted 61 per cent in the latest quarter as crypto prices fell and trading volumes slumped.

The San Francisco-founded company reported an after-tax loss of $1.1bn compared with the $1.6bn net profit that it registered in the middle of the crypto boom a year ago.

It said $446mn of the loss reflected an impairment charge on its crypto and venture investments.

Coinbase shares fell more than 5 per cent in after-market trading after the announcement late on Tuesday, having lost nearly 11 per cent earlier in the day, but were up 5.2 per cent to $92.2 by lunchtime in New York yesterday.

The collapse in bitcoin and other crypto prices sent the company into the red in the first quarter, leading it to lay off 18 per cent of its staff in June.

With trading volume down another 30 per cent compared with a weak first quarter, it suffered a $647mn operating loss before the impairment charge and its net cash position fell by about $400mn, to $2.8bn.

In an attempt to ease Wall Street concerns about its financial condition in the middle of what it called a crypto "winter", Coinbase published extra information about its cash burn and

It said its analysis 'suggests retail customers to push interest rates higher

KATE DUGUID

Investors are watching closely for hairline cracks in the US consumer loan market as lower income borrowers feel the squeeze of high prices and rising interest rates.

US household debt levels have skyrocketed this year as Americans borrow more to pay for increasingly expensive homes and cars.

It's not just big-ticket items: rising rents as well as higher prices at the petrol pump and in the grocery store have pushed consumers to rely more on credit cards.

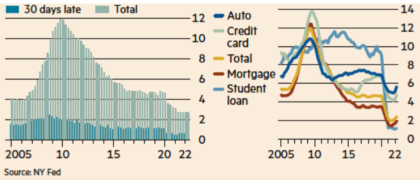
Research from the Federal Reserve Bank of New York showed that US households held a record-breaking $16tn in debt as of the second quarter of this year, an increase of roughly $2tn since before the pandemic.

For now, overall delinquencies — debts past their due date — remain historically low at about 2.7 per cent and big lenders including banks have not yet registered a significant uptick in losses on consumer loans.

Unemployment has been steady at pre-pandemic lows and Americans have continued to feel the benefit of early pandemic stimulus. But while overall delinquencies did not rise in the second quarter and are still 2 percentage points lower than they were pre-pandemic, the composition has changed.

A growing share are now in the early stages of delinquency, according to the New York Fed data, which could signal developing problems.

These are particularly notable in credit card and car loans where delinquencies are picking up in lower income areas and among subprime borrowers.



Source: NY Fed

Analysts and economists warn that these problems could proliferate as the US Federal Reserve rapidly lifts interest rates to rein in price growth that continues to run at 40-year highs.

The central bank's tightening has not yet hit the US labour market with the unemployment rate at a half-century low but economists expect it to do so eventually as companies reduce hiring.

Tighter monetary policy is also expected to make new credit harder to access — all as borrowers face higher debt payments on credit cards and other variable-interest loans.

Figures from Dv01, a market data platform that tracks consumer loans offered by financial technology companies such as SoFi, LendingClub, Prosper and Marlette, showed that new credit impairments that were not fixed within 30 days exceeded pre-Covid levels for the first time in May.

An impairment occurs when negative information about the borrower — late payments, defaults, delinquencies — are added to their file.

The trend was driven by borrowers with low credit scores but Dv01 data also indicated rising impairments among households that earned up to $120,000 a year.

The pool of loans outstanding that is tracked by Dv01 sits at roughly $30bn.

That is a much smaller number compared to credit cards or mortgages but still notable because these fintech loans are likely to be "charged off" — a delinquent loan flagged by the lender as unlikely to be paid off — faster than more traditional consumer loans, said Jason Callan, head of structure products at Columbia Threadneedle, potentially revealing problems in the sector sooner.

"Most high-level data still looks incredibly low," said Callan. "But these problems start from somewhere. And as you tighten lending standards, you cut off access to credit, you charge more for that credit, which leads to worse and worse outcomes."

Delinquency rates have begun to pick up in car loans as well, driven by subprime borrowers — with the rate in

on credit cards due to tighter monetary policy
Victor J. Blue/Bloomberg

'You cut off access to credit, you charge more for that credit, which leads to worse and worse outcomes'

historical averages, those rates are expected to continue to rise as the last of the Covid stimulus savings are drawn down, the Moody's report said.

The rise in delinquencies so far has been too low and limited to signal growing risk of recession.

But each of these data points suggests that, despite an unemployment rate that is at 3.5 per cent and a still-robust consumer, economic strains are building for lower income households.

Those strains began as inflation eroded pandemic savings and will worsen as the Fed tightens monetary policy in a deliberate effort to cool the US economy.

The Fed is due to raise interest rates by between 0.5 and 0.75 percentage points at its next meeting in September.

Evidence of a slowdown in the world's largest economy — a second consecutive quarter of contraction in gross domestic product reported in July — had initially prompted investors to bet that the Fed would slow its pace of rate rises in September after two 0.75 percentage point increases in June and July.

However, a strong jobs report released last Friday showing a continued rise in wages across sectors has changed the outlook for now.

"I think that we are very likely to see a sustained period of very slow growth," said Eric Winograd, an economist at AllianceBernstein. "In that sort of environment, I would expect to see an increase in consumer delinquencies. I suspect that the labour market will weaken. And as the labour market weakens, people are going to struggle to stay current (on their debt payments)."

are not leaving the Coinbase platform'

said it had not experienced any credit losses, despite the financial stresses hitting some other crypto companies.

Chief financial officer Alesia Haas said that, along with long-term debt taken out when interest rates were lower, Coinbase believed its $6.2bn in available capital would enable it to keep investing through the downturn.

She added that Coinbase could maintain its plan of keeping this year's loss on earnings before interest, taxes, depreciation and amortisation to no more than $500mn.

However, the company also faced questions from analysts about its mounting non-cash losses, with its net loss of $1.52bn in the first six months equivalent to 77 per cent of its revenue.

Stock-based awards to employees equalled 49 per cent of revenue in the latest quarter and Coinbase projected that they would continue at the same level in the current quarter before dropping off next year.

At $46bn, the volume of trading on behalf of retail customers was down more than two-thirds compared with the year before.

It said the downturn was part of a typical cycle in the crypto markets and said its analysis "suggests [retail] customers are not leaving the Coinbase platform".

Coinbase reported net revenue of $803mn in the quarter and a loss per share of $4.98. Wall Street had been expecting a loss of $2.65 a share on revenue of $832mn.

Equities

Record outflows from commodity ETPs obscure long-term demand

EMMA BOYDE

Investors pulled record amounts of money out of commodity exchange traded products in July but industry observers said the rush for the exits ignored some long-term factors.

About $11.2bn was pulled from commodity ETPs globally, surpassing the combined outflows of $9.7bn recorded in May and June and marking the third month in a row of net outflows, according to data from BlackRock.

The previous record was set in April 2013 when investors withdrew $9.5bn.

However, Alessandro Sanos, global director of sales strategy and execution for Refinitiv, a data provider, said large investors were actually buying.

"In commodities, you always have two views," he added. "Someone will be going short and someone will be going long. At the moment, institutional investors are increasing their capital allocation to commodities."

Sanos, who also serves on the CTA Commodity Trading Advisory board and the Climate Neutral Commodity board, said institutional investors were thinking long-term.

"If you really want to go down the path to a low-carbon future, it will take decades to rewire the economy and the entire industrial complex as we know it," he argued.

Bob Minter, director of exchange traded fund strategy at abrdn, an asset manager, said the outflows were an indication that investors tend to suffer from "recency bias".

The broad-based Bloomberg Commodity Index fell nearly 20 per cent from its peak on June 9 but has recovered slightly since then.


Refinitiv's Alessandro Sanos said large investors were actually buying

Like Sanos, Minter said the energy transition was going to be a driver for commodity price increases because there was likely to be a shortage of the commodities needed to create the transition. It can take decades for a copper mine to move from approval to production, for example.

Commodity ETPs include gold products and broad-based funds often have a large exposure to the precious metal.

Data from RBC Capital Markets indicated that $18bn was withdrawn from ETPs focused on precious metals in July, against only $600mn from base metal vehicles and $2.6bn from energy funds.

"On the bearish side is recession," Minter conceded. "Our view of the recession is that it is a short-term issue that is affecting sentiment but, after that, we should see metal supply is at all-time lows and no one is long."

However, Minter was firm in his belief that money would eventually flow back into the vehicles.

"If you think that we're getting a massive multiyear recession, then I'm wrong. But if it's a run-of-the-mill recession then we're going to have a problem with supply," he said.

Fixed Income

Pakistani bonds shunned after energy and food price surge raises default fears

JOHN REED — NEW DELHI
NIKOU ASGARI — LONDON

Investors are on alert for Pakistan to follow Sri Lanka into default as it struggles with soaring commodity prices and tighter credit conditions.

Pakistan's foreign bonds due to mature in 2024, 2025 and 2026 are trading firmly in distressed territory, at about 71, 65 and 63 cents on the dollar, respectively, according to Bloomberg data.

Its debt has been among the worst-performing this year of any issued by emerging market countries, signalling investors' concerns over the pressures weighing on the developing economy.

The surge in global energy and food prices since Russia's invasion of Ukraine in February has fed inflation and widened Pakistan's trade deficit, draining its reserves.

With its foreign exchange reserves falling to about $9bn, enough for another two months, a liquidity crisis looms.

"Going into the Ukraine crisis, Pakistan wasn't in a good place to start with," said Gareth Leather, senior economist at Capital Economics. "The explosion in commodity prices has led to a rapid deterioration in its current account and rising government spending."

The discount on the country's bonds remains smaller than for other emerging markets. This is due to expectations that an IMF bailout coupled with bilateral financing support may help Pakistan avert a default this year.

'The explosion in commodity prices has led to a rapid deterioration in Pakistan's current account'

Ghana, which as with Pakistan is contending with spiralling prices and is seeking help from the IMF, has bonds maturing in 2026 trading at roughly 68 cents on the dollar.

Those of Sri Lanka, which defaulted in May, are trading at about 32 cents.

Even so, in a sign of investors losing faith in Pakistan's economy, the rupee has fallen more than 15 per cent against the dollar over the past three months, although it has come off a recent low of Rs240 last week to trade at about Rs224.

Fitch, Moody's and S&P, the rating agencies, have downgraded Pakistan's outlook to negative in recent weeks.

Its credit ratings are deep in non-investment grade, or "junk", territory.

Some market participants have endorsed the view of Pakistani officials that allies including the US, China, and Arab countries will help keep it afloat by may offer financial support, deeming the nuclear-armed state's economy too important to fail.

The IMF is set to hold a board meeting late this month to discuss a $1.2bn disbursement to Pakistan, "once adequate financing assurances are confirmed", Esther Perez Ruiz, its resident representative in Pakistan, said last week.

"Pakistan has a combination of Chinese and IMF support likely to come together unlike, say, Sri Lanka or El Salvador," said Kevin Daly, emerging market debt portfolio manager at Abrdn. "They don't have the same level of support that Pakistan has."

COMPANIES & MARKETS

The day in the markets

What you need to know

- US stocks and bonds rally after inflation in July rises less than expected
- Consumer price index reading lifts hopes of slower pace of Fed tightening
- Stoxx Europe 600 and Dax bounce back after losses in previous session

US stocks and government bonds rallied after data showed inflation in the world's largest economy had steadied, raising hopes that the Federal Reserve may temper its aggressive rate rises to subdue soaring prices.

The consumer price index data published yesterday showed that prices in the US rose 8.5 per cent year-on-year in July, a slower increase than in June and below economists' forecasts of 8.7 per cent.

The figures also showed that, on a month-on-month basis, there was no increase in the CPI in July compared with a 1.3 per cent rise in June.

The blue-chip S&P 500 gained 1.8 per cent by afternoon trading on Wall Street while the technology-heavy Nasdaq Composite rose 2.4 per cent.

Encouraged by the improved economic outlook, investors piled into consumer-focused stocks. Meanwhile, Facebook owner Meta and Tinder owner Match Group were among the highest risers on the Nasdaq 100.

The S&P 500 has climbed more than 14 per cent since mid-June and the moves put it on track to snap four consecutive

Wall Street's 'fear gauge' returns to levels last seen in April
Vix volatility index

Source: Refinitiv

"Inflation has been expected to peak over the summer for some time so it was reassuring for markets that there are clear signs that this looks to be happening," said Oliver Blackbourn, portfolio manager at Janus Henderson Investors.

In government bond markets, the yield on the 10-year US Treasury bond, which moves with inflation and growth

The US dollar, a haven for investors in times of uncertainty, also fell back in reaction to the bond data, sliding 1.3 per cent against a basket of six currencies.

"While peak inflation is welcome news, it's probably not enough to allow the Fed to ease off its tightening or to put recession fears to bed," said Mike Bell, global market strategist at JPMorgan Asset Management.

Criticism of BoE policy is largely misplaced

Bruna Skarica

Markets Insight

With inflation higher than it has been in decades, there is no shortage of critics of the Bank of England. Still, the bulk of the blame seems largely unfounded.

The BoE has been criticised for being too slow to raise rates and doing too little since but it was dealt a particularly bad macroeconomic hand to play.

An earlier, tighter policy regime would have had only a limited effect in damping inflation, and under the circumstances, the UK central bank's monetary policy course might be the best choice among a set of difficult options.

On our forecasts, higher food and energy bills will directly account for 60 per cent of the anticipated peak inflation figure in October. Non-core inflation is not something monetary policy can impact.

In December last year, the BoE made the point that, given the drag of monetary policy, to address a build-up

reduction. In stark contrast, the Fed and the ECB were then still purchasing assets under their QE programmes.

Even the UK's labour market tightness is probably more a supply than a demand story. Employment is still well below its pre-Covid peak by 210,000 jobs with labour supply down by 290,000 workers as recently as May.

Apart from reduced migrant inflows, the lower domestic participation rate is a problem, too. For example, the UK has never had as many potential workers outside the labour market due to health issues. The BoE can impact labour demand by slowing growth but there is

Fiscal policy action should be aimed at low-income households that have seen weaker wage growth

when the sterling-dollar exchange rate fell after the BoE's bold 0.50 percentage point rate rise, as traders focused on weakening growth.

Facing a more difficult employment and inflation trade-off than for other central banks, BoE action has been largely gradual in its approach in the first half of this year. Given it is forecasting a medium-term inflation rate of well below 2 per cent, there is an argument that the current pegging of Bank Rate may already have reached the level consistent with the BoE's remit of returning inflation to 2 per cent over time.

With short-term inflation expectations elevated and another imported inflationary shock on the horizon as gas and electricity prices are set to rise again, the Monetary Policy Committee opted for a more forceful approach last Thursday.

Increasing rates by 0.50 percentage points while forecasting a prolonged recession demonstrates the MPC's intent to act against any and all days of losses.

The Vix volatility index, which serves as a measure of expected swings in US stocks, fell below 20 for the first time since April.

expectations, dropped 3 basis points to 2.77 per cent.

The yield on the two-year note, which moves with interest rate expectations, dipped 1bp to 3.16 per cent.

Across the Atlantic, the Stoxx Europe 600 closed up 0.9 per cent and Frankfurt's Xetra Dax index gained 1.2 per cent after losses in the previous session.

Ian Johnston and William Langley

in imported inflation even before the Ukraine invasion, it would have had to have started a fairly aggressive policy tightening as far back as the first wave of the pandemic in early 2020. That was just as the UK economy was about to be battered by a near-20 per cent quarterly contraction due to the first lockdown.

Implementing such a tight policy may have limited inflation to the BoE's goal of 2 per cent by early 2022 but unemployment would have shot up by about 800,000, according to its modelling.

In fact, compared with its peers, the UK central bank's reaction was rather timely. As early as last September, it acknowledged that inflationary pressures might not be transient; and by February, it had raised rates twice and announced the start of its balance sheet

nothing it can do to cut NHS waiting lists.

Further, the relatively lacklustre post-pandemic recovery in the UK belies the argument of monetary policy-driven inflation. Business investment growth has been very subdued and consumption growth is slowing too, despite the simplistic read of real rates of negative 8 per cent after taking forecast inflation for August into account.

Instead, it can be argued that a Brexit-related reorientation of imports away from the EU is a possible culprit in surging prices. UK manufactured goods inflation was at its recent peak over 4 percentage points higher than in the euro area. Even the conventional view that higher rates alone can help prop up the currency and thus damp inflation on imported goods was undone last week

inflationary pressures.

In our view, fiscal policy action should be aimed at low-income households that have seen relatively weaker wage growth and probably have little to no excess savings from the pandemic.

Such targeted support would shield the most vulnerable while having a limited impact on inflation.

Easing labour supply shortages could also lower inflation, so supporting the NHS in a faster reduction of its waiting lists is a good option.

The BoE has a difficult task and no easy policy choices. Fiscal policy should not make the bank's already challenging task even more complicated.

Bruna Skarica is UK economist at Morgan Stanley

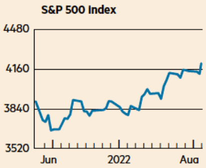
Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	4205.90	1727.12	27819.33	7507.11	3230.02	110008.67
% change on day	2.02	0.68	-0.65	0.25	-0.54	1.25
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	106.011	1.036	132.125	1.226	6.758	5.049
% change on day	-0.341	1.370	-2.093	1.406	0.050	-1.614
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	2.761	0.887	0.188	1.950	2.736	12.796
Basis point change on day	-2.110	-3.100	2.610	-1.800	-0.100	-3.800
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	427.99	96.28	90.69	1795.25	20.60	3867.50
% change on day	1.78	-0.15	0.38	0.63	2.01	0.65

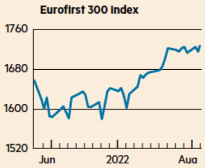
Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets

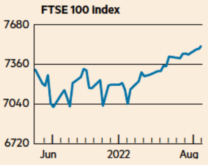
S&P 500 index



Eurofirst 300 index



FTSE 100 index



Biggest movers

%	US		Eurozone		UK	
Ups	Norwegian Cruise Line Holdings Ltd	14.63	Alstom	6.24	Admiral	12.63
	Carnival	11.77	Casino Guichard	4.01	Aviva	12.21
	Royal Caribbean	11.54	Renault	3.59	Ocado	6.64
	Svb Fin	10.12	Klepierre	3.26	Abrdn	6.33
	Teradyne	6.71	Colruyt	3.23	Flutter Entertainment	6.29
Downs	Cme	-1.57	Sanofi	-6.39	Haleon	-8.06
	Entergy	-0.95	Talanx	-2.79	Gsk	-5.48
	Dominion Energy	-0.93	E.on	-2.60	Centrica	-5.47
	Exelon	-0.84	Grifols	-2.00	Sse	-2.38
	Welltower	-0.77	Kpn	-1.62	Hsbc Holdings	-1.54

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

Social media platform **Twitter** rallied on news that Tesla chief Elon Musk had sold $6.9bn worth of shares in the electric-car maker.

Musk is currently embroiled in a legal battle with Twitter, having backed away from buying the platform following the acceptance of his offer.

Musk tweeted that, in the "event that Twitter forces this deal to close *and* some equity partners don't come through, it is important to avoid an emergency sale of Tesla stock".

A revenue miss sent **Roblox** lower with the online gaming platform posting second-quarter bookings of $639.9mn, off 4 per cent year-on-year and below the Refinitiv-compiled estimate of $644.4mn.

Roblox peer Take-Two Interactive and chipmaker Nvidia both reported disappointing sales this week owing, in part, to weaker gaming demand.

Some clinical developments lifted biotech group **Aethlon Medical**.

Given the outbreak of monkeypox, the company said that it had commissioned a test-tube experiment to assess its Hemopurifier therapy to capture the current strain of the virus.

The Food and Drug Administration had been contacted by Aethlon about the possibility of providing its Hemopurifier to doctors for single-patient emergency use. *Ray Douglas*

Europe

Danish wind turbine maker **Vestas Wind** rallied after delivering better than expected pricing on new onshore orders, said Citi.

For the second quarter, the broker noted that onshore revenue of €2.53bn was 6 per cent above consensus, helping to offset softer offshore sales.

Buoying shares also was an average price per megawatt for orders of €960,000, up from €840,000 a year earlier, highlighting Vestas' potential to pass on price increases to customers.

Germany's **Heidelberger Druckmaschinen** surged off the back of a solid update for its fiscal first quarter.

The mechanical engineering group posted a 20 per cent year-on-year jump in sales to €530mn, which was largely down to a rise in the number of new machines delivered, particularly in Europe and North America.

Profitability was also expected to improve, with Heidelberger forecasting a profit margin of at least 8 per cent for the 2022-23 financial year, up from 7.3 per cent a year earlier.

An upgrade to its full-year guidance lifted **Ahold Delhaize**, the Dutch supermarket chain.

It expected underlying earnings per share to grow at a mid-single digit rate versus a "low- to mid-single digit decline" previously stated. *Ray Douglas*

London

Insurer **Aviva** rallied on signs that it was "doing well in a difficult backdrop", said Citigroup.

Following a 14 per cent year-on-year rise in half-year operating profit to £829mn, Aviva increased its interim dividend by 40 per cent and anticipated launching a share buyback with its full-year 2022 results.

Rival insurer **Admiral** also advanced after delivering a pre-tax profit of £251.3mn for the half year, which was in line with consensus.

Meanwhile, its customer numbers rose to 9.11mn, up from 8.02mn for the same period in 2021.

Interdealer broker **TP ICAP** jumped after the release of results that were "more confident and upbeat than we have seen in some time", said Shore Capital.

Recent volatility across markets supported trading volumes at TP ICAP, which reported underlying operating profit of £142mn in the first half of this year — 5 per cent ahead of Shore's £135mn estimate.

Digitalbox, which owns such websites as Entertainment Daily and The Daily Mash, sank after warning of "challenging macroeconomic conditions" that were "likely to adversely impact advertising revenues" in the second half of this year. *Ray Douglas*

MARKET DATA

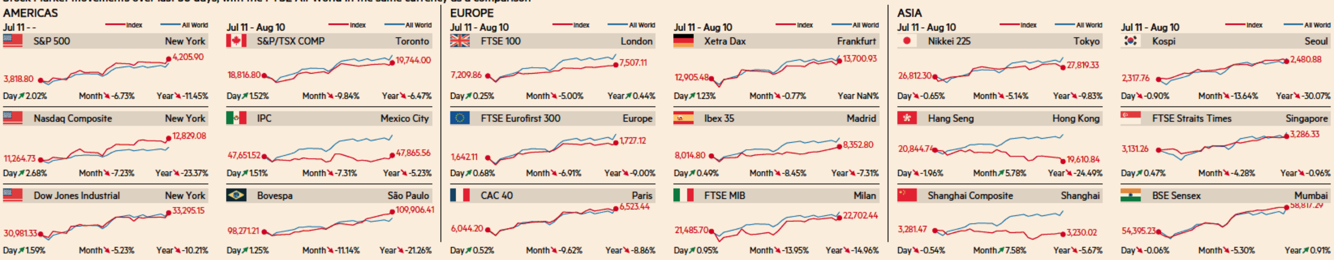
WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)

S&P 500	Nasdaq Composite	Dow Jones Ind	FTSE 100	FTSE Eurofirst 300	Nikkei	Hang Seng	FTSE All World $	$ per €	$ per £	¥ per $	£ per €	Oil Brent $ Sep	Gold $
2.02%	2.68%	1.59%	0.25%	0.68%	-0.65%	-1.96%	1.78%	1.370%	1.406%	-2.093%	-0.118%	-1.31%	0.63%

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



Country	Index	Latest	Previous
Argentina	Merval	121458.31	121920.79
Australia	All Ordinaries	7238.70	7278.60
	S&P/ASX 200	6992.70	7029.80
	S&P/ASX 200 Res	5296.40	5342.60
Austria	ATX	3061.48	3021.74
Belgium	BEL 20	3837.90	3811.29
	BEL Mid	10047.45	9921.75
Brazil	IBovespa	110008.67	108651.05
Canada	S&P/TSX 60	1199.53	1181.76
	S&P/TSX Comp	19875.21	19578.30

Country	Index	Latest	Previous
Cyprus	CSE M&P Gen	68.46	68.68
Czech Republic	PX	1249.73	1243.72
Denmark	OMXC Copenahgen 20	1752.22	1711.86
Egypt	EGX 30	9968.88	10123.81
Estonia	OMX Tallinn	1872.07	1830.00
Finland	OMX Helsinki General	11041.04	10895.24
France	CAC 40	6523.44	6490.00
	SBF 120	5051.38	5020.58
Germany	M-DAX	27818.28	27270.82
	TecDAX	3156.78	3106.18

Country	Index	Latest	Previous
Italy	FTSE Italia All-Share	24876.85	24614.86
	FTSE Italia Mid Cap	40662.96	40160.22
	FTSE MIB	22702.44	22488.49
Japan	2nd Section	7228.27	7239.06
	Nikkei 225	27819.33	27999.96
	S&P Topix 150	1659.78	1663.32
	Topix	1933.65	1937.02
Jordan	Amman SE	2586.37	2536.27
Kenya	NSE 20	1744.58	1726.62
Kuwait	KSX Market Index	6633.44	6603.51

Country	Index	Latest	Previous
Philippines	Manila Comp	6471.84	6468.97
Poland	Wig	54928.42	54724.98
Portugal	PSI 20	6210.24	6241.14
	PSI General	4869.66	4912.23
Romania	BET Index	12424.57	12588.91
Russia	Micex Index	2436.57	2445.30
	RTX	1245.71	1212.57
Saudi-Arabia	TADAWUL All Share Index	12329.99	12297.29
Singapore	FTSE Straits Times	3286.33	3270.98
Slovakia	SAX	374.72	374.72

Country	Index	Latest	Previous
Taiwan	Weighted Pr	14939.02	15050.28
Thailand	Bangkok SET	1617.21	1618.80
Turkey	BIST 100	2814.17	2785.16
UAE	Abu Dhabi General Index	9222.93	9251.11
UK	FT 30	2599.20	2558.00
	FTSE 100	7507.11	7488.15
	FTSE 4Good UK	6862.62	6840.30
	FTSE All Share	4150.68	4129.39
	FTSE techMARK 100	6085.60	5979.11
USA	DJ Composite	11426.27	11222.63

Country	Index	Latest	Previous
Cross-Border	DJ Global Titans ($)	463.18	454.45
	Euro Stoxx 50 (Eur)	3753.63	3715.37
	Euronext 100 ID	1262.16	1254.72
	FTSE 4Good Global ($)	10217.81	10026.37
	FTSE All World ($)	427.99	420.49
	FTSE E300	1727.12	1715.45
	FTSE Eurotop 100	3362.13	3349.76
	FTSE Global 100 ($)	2700.47	2648.87
	FTSE Gold Min ($)	1609.18	1602.33
	FTSE Latibex Top (Eur)	4440.00	4432.20

STOCK MARKET: BIGGEST MOVERS

UK MARKET WINNERS AND LOSERS

CURRENCIES

FTSE ACTUARIES SHARE INDICES

Hourly movements	8.00	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High/day	Low/day
FTSE 100	7484.80	7478.69	7489.49	7489.82	7493.61	7493.49	7510.61	7492.95	7506.74	7520.17	7468.97
FTSE 250	19902.32	19931.71	19998.38	19981.33	19963.97	19984.10	20216.89	20221.73	20266.82	20298.59	19846.11
FTSE SmallCap	6529.06	6519.91	6525.24	6524.77	6524.67	6528.36	6563.98	6566.28	6572.29	6580.44	6517.72
FTSE All-Share	4127.50	4125.47	4132.53	4132.14	4133.33	4133.96	4149.55	4141.72	4149.48	4156.21	4119.21

Time of FTSE 100 Day's high:12:33:45 Day's Low07:09:30 FTSE 100 2010/11 High: 7672.40(10/02/2022) Low: 6959.48(07/03/2022)
Time of FTSE All-Share Day's high:15:29:00 Day's Low07:12:00 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

FT WILSHIRE 5000 INDEX SERIES

FTSE GLOBAL EQUITY INDEX SERIES

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

FTSE SECTORS: LEADERS & LAGGARDS

FTSE 100 SUMMARY

UK STOCK MARKET TRADING DATA

	Aug 10	Aug 09	Aug 08	Aug 05	Aug 04	Yr Ago
Order Book Turnover (m)	235.97	59.50	107.47	107.47	107.47	171.60
Order Book Bargains	707428.00	577540.00	631638.00	631638.00	631638.00	751140.00
Order Book Shares Traded (m)	1430.00	1214.00	1270.00	1270.00	1270.00	1675.00
Total Equity Turnover (£m)	3704.74	5514.40	4189.40	4189.40	4189.40	5240.12
Total Mkt Bargains	886323.00	763100.00	813302.00	813302.00	813302.00	936227.00
Total Shares Traded (m)	4755.00	4102.00	4686.00	4686.00	4686.00	5898.00

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

All data provided by Morningstar unless otherwise noted. All elements listed are indicative and believed accurate at the time of publication. No offer is made by Morningstar or the FT. The FT does not warrant nor guarantee that the information is reliable or complete. The FT does not accept responsibility and will not be liable for any loss arising from the reliance on or use of the listed information.
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Data provided by Morningstar | www.morningstar.co.uk

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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	
4imprint Group	Int	515.536	326.808	43.913	3.367	1.189	0.091	40.03700	14.98900	Sep 16	71.100	15.000
Admiral Group	Int	695.600	778.500	251.300	482.200	67.000	272.000	44.20000	87.90000	Sep 30	86.400	151.500
Arix Bioscience	Int	0.062	0.183	29.961L	38.460L	22.000L	30.000L	0.00000	0.00000	-	0.000	0.000
Aviva	Int	22317.000L	14453.000	798.000L	277.000	18.800L	6.200L	0.00000	9.67105	-	19.342	28.092
CLS Holdings	Int	68.300	67.700	20.300	24.700	4.200	2.200	2.60000	2.35000	Oct 3	7.950	7.550
ContourGlobal	Int	1350.500	934.900	226.500	65.500	0.220	0.060	4.91700	4.43200	Sep 9	9.500	8.400
Deliveroo	Int	1013.100	907.000	147.300L	95.400L	8.000L	7.000L	0.00000	0.00000	-	0.000	0.000
GreenRoc Mining	Int	0.000	-	0.484L	-	0.430L	-	0.00000	-	-	0.000	-
Hostelworld Group	Int	27.955	2.891	14.664L	20.698L	0.122L	0.175L	0.00000	0.00000	-	0.000	0.000
Prudential	A	12995.000L	11692.000	300.000	1263.000	0.038	1.542L	5.74000	5.38400	Sep 27		
Quilter	Int	5034.000L	2824.000	37.000	27.000	11.200	1.400	1.20000	1.98333	Sep 19	5.750	6.183

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	0.50	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	-0.50	6.90	4.00	221.9
07/06	75.00	AIM	LIFS	LifeSafe Holdings PLC	54.50	2.00	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

PngAnBnk	12.06	-0.06	21.20	11.94	1.43	7.26	34631.68
Pwr Cons Corp	6.96	-0.01	9.96	5.22	1.27	14.59	11320.48
SaicMtr	16.16	-	23.45	14.63	3.65	8.15	27939.24
ShenwanHong	0.15	-0.01	0.18	0.05	-	4.23	162.79
ShgPdgBk	7.09	-0.03	9.48	7.06	6.44	4.57	30795.42
Sinopec Corp	3.65	-0.02	4.28	3.25	3.86	4.34	11868.34
Sinopec Oil	1.85	-	2.90	1.70	-	620.14	3714.75
Denmark (kr)							
DanskeBk	102.20	0.90	133.25	93.56	1.95	7.04	12264.21
MollerMrsk	21080	380.00	24070	15965	1.61	3.45	24565.51
NovoB	781.80	15.40	863.60	604.50	1.19	37.90	189615.03

Italy (€)				
Enel	4.99	-0.02	8.04	4.61
ENI	11.42	-0.07	14.85	9.98
Generali	15.28	0.16	21.55	13.80
IntSPaolo	1.83	0.02	2.92	1.58
Unicred	9.92	0.13	15.93	7.75
Japan (¥)				
AstellasPh	2014.5	-29.00	2205	1736
Bridgestne	5346	-5.00	5467	4042
Canon	3382	26.00	3390	2467
CntJpRwy	15885	10.00	18110	14660

AutomData	252.95	3.15	255.00	192.26	1.37	43.25	105105.02
AutoZone	2222.97	0.46	2267.4	1503.3	-	22.19	43320.35
Avago Tech	548.59	15.79	677.76	462.66	2.48	34.22	221530.35
BakerHu	24.23	0.38	39.78	19.84	2.77	61.93	24509.75
Bank of NY	44.22	1.03	64.63	39.78	2.66	11.80	35730.28
BankAm	35.26	1.34	50.11	29.67	2.00	10.91	283282.35
Baxter	59.92	0.97	89.70	57.49	1.64	26.16	30176.35
BectonDick	258.62	3.32	277.29	229.24	1.18	49.42	73757.16
BerkshHat	444204.78	4147.03	544389.26	396500	-	8.25	266489.11
Biogen	219.77	2.18	351.86	187.16	-	23.34	31890.77
BlackRock	718.61	22.10	973.16	575.60	2.08	20.77	108343.92

Intuit	478.02	15.95	716.86	339.36	0.49	66.12	134837.05
John&John	170.34	0.16	186.69	155.72	2.23	24.09	447854.5
JohnsonCn	55.61	1.50	81.69	45.52	1.87	28.05	38306.88
JPMrgnCh	118.69	3.31	172.96	106.06	2.90	8.53	348067.02
Kimb-Clark	135.28	0.86	144.53	117.32	3.15	28.04	45673.54
KinderM	18.18	0.14	20.20	15.01	5.53	43.38	40959.56
KLA Corp	373.41	15.09	442.44	282.83	0.95	21.23	52950.95
Kraft Heinz	38.66	0.26	44.87	32.79	3.75	52.07	47369.37
Kroger	47.20	0.33	62.78	38.22	1.51	23.80	33774.45
LasVegasSd	36.97	0.07	48.27	28.88	-	-27.04	28250.85
LibertyGbl	21.77	0.57	30.58	20.18	-	1.03	3773.23

Venezuela (VEF)							
Bco de Vnzla	1.10	-	594.00	0.32	105.81	-	681.17
Bco Provncl	2.39	0.02	798000	1.70	-	0.00	152.18

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

FT 500: TOP 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
Cielo	5.24	5.14	0.10	1.95	0.82	18.6	-1.26
Bausch Hlth	6.93	6.70	0.23	3.43	1.05	17.9	-17.10
Aviva	464.90	414.30	50.60	12.21	62.60	15.6	-6.58
ShenwanHong	0.15	0.15	-0.01	-4.61	0.01	9.8	19.05
Cred Agr	10.00	9.87	0.13	1.34	0.88	9.7	-15.65
ItauHldFin	22.30	22.12	0.18	0.81	1.92	9.4	-11.41
McKesson	357.86	354.77	3.09	0.87	30.76	9.4	2.27
Canon	3382.00	3356.00	26.00	0.77	281.00	9.1	-4.81
AirProd	267.33	258.76	8.57	3.31	21.62	8.8	-0.31
Petrobras	39.70	39.85	-0.15	-0.38	3.18	8.7	-6.38
Nutrien	114.92	113.81	1.11	0.98	9.19	8.7	-14.14
Twitter	44.42	42.83	1.59	3.71	3.42	8.3	-2.72
VertexPharm	297.90	298.83	-0.93	-0.31	22.87	8.3	6.65
Carnival	10.59	9.47	1.12	11.77	0.80	8.1	-34.52
Corteva	60.19	59.72	0.47	0.79	4.49	8.1	-13.17
Corteva	60.19	59.72	0.47	0.79	4.49	8.1	-13.17
Hngzh HikVDT	32.79	32.66	0.13	0.40	2.28	7.5	8.52
Bradesco	15.73	15.60	0.13	0.83	1.09	7.4	-13.19
BcoSantdr	2.61	2.56	0.06	2.29	0.18	7.4	-12.80
Workday	172.28	166.43	5.85	3.51	11.92	7.4	-9.08

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 %
Bayer	51.87	52.16	-0.29	-0.56	-6.15	-10.6	-2.03
Suncor En	38.96	39.22	-0.26	-0.66	-3.95	-9.2	-14.08
Sanofi	89.38	95.48	-6.10	-6.39	-7.38	-7.6	-2.89
WPP	815.00	798.00	17.00	2.13	-66.80	-7.6	-10.68
GlaxoSmh	1556.60	1646.80	-90.20	-5.48	-120.20	-7.2	4.29
Midea	0.42	0.45	-0.03	-6.67	-0.03	-6.7	5.49
Mnstr Bvg	89.75	88.81	0.94	1.06	-6.30	-6.6	7.43
ImpOil	55.71	55.97	-0.26	-0.46	-3.45	-5.8	-16.04
RollsRoyce	85.55	84.66	0.89	1.05	-5.24	-5.8	-2.85
KLA Corp	373.41	358.32	15.09	4.21	-22.52	-5.7	-17.01
Tesla Mtrs	871.77	850.00	21.77	2.56	-50.42	-5.5	-7.91
China Vanke	13.74	14.28	-0.54	-3.78	-0.78	-5.4	13.14
TrnCan	62.46	62.65	-0.19	-0.30	-3.52	-5.3	-9.14
LasVegasSd	36.97	36.90	0.07	0.19	-1.99	-5.1	0.34
ASML Hld	542.20	530.40	11.80	2.22	-28.40	-5.0	-22.45
SK Hynix	91800.00	95100.00	-3300.00	-3.47	-4700.00	-4.9	-18.22
MitsubEst	1881.50	1865.00	16.50	0.88	-87.50	-4.4	-0.43
BMW	77.59	77.09	0.50	0.65	-3.49	-4.3	-1.52
SmsungEl	59100.00	60000.00	-900.00	-1.50	-2600.00	-4.2	-16.99
NXP	177.86	171.04	6.82	3.99	-7.69	-4.1	-20.85

Based on the FT Global 500 companies in local currency

BONDS: HIGH YIELD & EMERGING MARKET

Aug 10	Red date	Coupon	Ratings S*	Ratings M*	Ratings F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
High Yield US$										
HCA Inc.	04/24	8.36	BB-	Ba2	BB	113.75	4.24	0.00	0.12	-
High Yield Euro										
Aldesa Financial Services S.A.	04/21	7.25	-	-	B	71.10	28.23	0.00	0.64	25.98
Emerging US$										
Peru	03/19	7.13	BBB+	A3	BBB+	104.40	2.60	-	-	0.34
Colombia	01/26	4.50	-	Baa2	BBB-	109.50	2.33	0.16	0.52	1.28
Brazil	04/26	6.00	-	Ba2	BB-	115.15	2.78	-0.01	0.65	1.73
Poland	04/26	3.25	-	A2	A-	111.22	0.98	0.03	0.16	-0.07
Mexico	05/26	11.50	-	Baa1	BBB-	149.00	1.61	0.00	-0.12	0.56
Turkey	03/27	6.00	-	Ba2	BB+	101.26	5.82	0.00	0.17	3.07
Turkey	03/27	6.00	-	B2	BB-	102.88	5.43	0.14	0.83	4.38
Peru	08/27	4.13	BBB+	A3	BBB+	103.50	3.66	0.01	-0.02	0.80
Russia	06/28	12.75	-	Baa3	BBB	168.12	2.48	0.07	0.05	-
Brazil	02/47	5.63	-	Ba2	BB-	101.48	5.52	0.08	0.80	-
Emerging Euro										
Brazil	04/21	2.88	BB-	Ba2	BB-	103.09	0.05	0.01	-0.09	-1.19
Mexico	04/23	2.75	BBB+	A3	BBB+	107.76	0.76	0.00	-0.07	-1.56
Mexico	04/23	2.75	-	Baa1	BBB-	106.48	-0.26	-	-	-0.36
Bulgaria	03/28	3.00	BBB-	Baa2	BBB	117.04	1.00	0.02	-0.15	-1.42

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

BONDS: GLOBAL INVESTMENT GRADE

Aug 10	Red date	Coupon	Ratings S*	Ratings M*	Ratings F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
US$										
FleetBoston Financial Corp.	01/28	6.88	BBB+	Baa1	A-	129.00	2.54	-0.01	-0.05	-
The Goldman Sachs Group, Inc.	02/28	5.00	BBB+	A3	A	117.21	2.47	0.00	0.32	-
NationsBank Corp.	03/28	6.80	BBB+	Baa1	A-	127.69	2.72	-0.01	0.06	-
GTE LLC	04/28	6.94	BBB+	Baa2	A-	128.27	2.80	0.00	-0.11	-
United Utilities PLC	08/28	6.88	BBB	Baa1	A-	130.43	2.62	-0.07	-0.22	-
Barclays Bank plc	01/29	4.50	A	A1	A+	96.46	5.02	0.00	0.02	-
Euro										
Electricite de France (EDF)	04/30	4.63	A-	A3	A-	137.45	0.82	-0.01	0.10	-
The Goldman Sachs Group, Inc.	02/31	3.00	BBB+	A3	A	124.42	0.68	0.00	-0.11	-
The Goldman Sachs Group, Inc.	02/31	3.00	BBB+	A3	A	121.70	0.93	0.00	0.02	-
Finland	04/31	0.75	AA+	Aa1	AA+	111.08	-0.27	0.00	-0.05	-0.87
Yen										
Mexico	06/26	1.09	-	Baa1	BBB-	98.73	1.34	-0.02	-0.14	0.27
£ Sterling										
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	137.45	2.19	-0.03	0.02	-
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	128.68	3.20	0.00	-0.01	0.40

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

INTEREST RATES: OFFICIAL

Aug 10	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	[illegible]	[illegible]	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 10 (Libor: Aug 09)	Over night	Change Day	Change Week	Change Month	One month	Three month	Six month	One year
US$ Libor	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.99086
Euro Libor	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.48571
£ Libor	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.81363
Swiss Fr Libor	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-0.55320
Yen Libor	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.04867
Euro Euribor	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.11300
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US$ CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Euro CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Aug 10	Short term		7 Days notice		One month		Three month		Six month		One year	
Euro	-0.22	0.08	-0.21	0.09	-0.18	0.12	0.11	0.41	0.51	0.81	0.85	1.15
Sterling					0.45	0.55	0.58	0.68	0.71	0.86	0.90	1.05
US Dollar	2.16	2.36	2.19	2.39	2.26	2.46	2.73	2.93	3.19	3.39	3.49	3.69
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	203.23	0.26	0.46	-7.53	1.66	-7.97
Corporates(£)	352.16	-0.17	-0.14	-11.03	2.86	-13.11
Corporates(€)	220.72	-0.18	-0.39	-8.61	2.91	-10.22
Eurozone Sov(€)	231.12	-0.38	-0.50	-9.16	3.07	-11.45
Gilts(£)	314.45	-0.29	-0.21	-12.53	2.76	-14.82
Overall(£)	318.91	-0.26	-0.20	-11.90	2.63	-14.13
Overall(€)	224.28	-0.31	-0.53	-9.08	2.90	-11.16
FTSE						
Sterling Corporate (£)	-	-	-	-	-	-
Euro Corporate (€)	104.47	-0.05	-	-	0.54	-1.73
Euro Emerging Mkts (€)	668.10	10.13	-	-	-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	486.20	-31.86	-22.50	-98.87	630.88	330.24
Europe 5Y	96.84	-6.05	-3.55	-21.37	127.35	70.55
Japan 5Y	82.34	0.59	-2.75	-22.93	115.50	57.71
Senior Financials 5Y	105.77	-5.33	-4.06	-23.22	139.21	79.74
Markit CDX						
Emerging Markets 5Y	315.82	7.65	-20.15	-52.26	387.80	219.01
Nth Amer High Yld 5Y	475.07	15.28	-13.10	-60.50	589.25	459.79
Nth Amer Inv Grade 5Y	82.94	2.03	-1.64	-9.52	102.64	63.80

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

VOLATILITY INDICES

	Aug 10	Day Chng	Prev	52 wk high	52 wk low
VIX	19.90	-1.87	21.77	38.94	14.73
VXD	16.95	-1.46	18.41	45.37	3.27
VXN	26.08	-2.33	28.41	44.05	18.01
VDAX	23.14	-1.34	24.48	93.30	-

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

BONDS: BENCHMARK GOVERNMENT

	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Greece	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Poland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United States	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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

GILTS: UK CASH MARKET

Aug 10	Price £	Red Yield	Change in Yield Day	Week	Month	Year	52 Week High	52 Week Low	Amnt £m
Tr 1.75pc '22	100.01	1.59	0.00	7.43	20.45	5200.00	102.28	100.01	29.68
Tr 0.75pc '23	98.77	2.07	0.00	1.97	2.48	1280.00	101.08	98.42	34.36
Tr 0.125pc '24	97.18	2.08	-0.48	2.46	0.48	890.48	99.89	96.51	34.76
Tr 2pc '25	100.58	1.80	-1.64	0.00	-4.26	620.00	106.59	98.95	39.04
Tr 0.125pc '26	94.38	1.80	-2.70	3.45	-1.64	500.00	99.49	92.58	34.53
Tr 1.25pc '27	97.47	1.79	-1.65	3.47	-5.29	383.78	105.48	94.92	40.07
Tr 0.875pc '29	93.72	1.81	-2.16	2.84	-10.40	235.19	103.25	89.57	42.65
Tr 4.25pc '32	120.52	1.94	-2.02	0.52	-12.22	185.29	137.75	114.06	39.43
Tr 4.25pc '36	123.33	2.25	-0.88	1.81	-11.76	177.78	147.61	115.86	30.97
Tr 4.5pc '42	133.75	2.39	-1.24	0.00	-10.82	156.99	169.96	124.40	27.72
Tr 3.75pc '52	130.60	2.33	-0.85	1.30	-10.73	150.54	180.27	118.31	24.55
Tr 4pc '60	144.34	2.24	-1.32	0.90	-11.46	166.67	213.01	128.74	24.57

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

GILTS: UK FTSE ACTUARIES INDICES

Price Indices Fixed Coupon	Aug 10	Day's chg %	Total Return	Return 1 month	Return 1 year	Yield
1 Up to 5 Years	84.08	0.07	2405.26	0.13	-2.80	1.86
2 5 - 10 Years	164.96	0.25	3473.46	1.28	-7.21	1.86
3 10 - 15 Years	185.96	0.34	4218.20	2.98	-12.04	2.20
4 5 - 15 Years	168.90	0.27	3649.40	1.70	-8.90	1.98
5 Over 15 Years	285.67	0.49	4873.66	5.42	-23.82	2.31
7 All stocks	158.06	0.30	3500.66	2.66	-13.88	2.21

Index Linked	Aug 10	Day's chg %	Month chg %	Year's chg %	Total Return	Return 1 month	Return 1 year
1 Up to 5 Years	326.07	0.01	0.99	5.85	2749.22	0.99	7.04
2 Over 5 years	695.18	-0.03	5.84	-22.02	5288.77	5.92	-21.73
3 5-15 years	509.20	0.13	3.75	-3.10	4109.81	3.96	-2.39
4 Over 15 years	845.67	-0.12	6.97	-29.23	6246.58	6.97	-29.08
5 All stocks	635.70	-0.03	5.18	-19.22	4933.04	5.25	-18.85

Yield Indices	Aug 10	Aug 09	Yr ago		Aug 10	Aug 09	Yr ago
5 Yrs	1.71	1.74	0.30	20 Yrs	2.40	2.43	0.97
10 Yrs	2.04	2.07	0.66	45 Yrs	2.18	2.20	0.77
15 Yrs	2.32	2.35	0.88				

Real yield	inflation 0% Aug 10	Dur yrs	Previous	Yr ago	inflation 5% Aug 10	Dur yrs	Previous	Yr ago
Up to 5 yrs	-2.43	1.73	-2.42	-3.12	-2.94	1.73	-2.93	-3.44
Over 5 yrs	-1.01	21.27	-1.01	-2.49	-1.03	21.32	-1.03	-2.50
5-15 yrs	-1.65	8.95	-1.64	-2.85	-1.74	8.95	-1.72	-2.94
Over 15 yrs	-0.90	27.11	-0.91	-2.45	-0.91	27.12	-0.92	-2.46
All stocks	-1.03	18.81	-1.03	-2.49	-1.05	18.88	-1.05	-2.51

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

www.ft.com/commodities

Energy		Price*	Change	Agricultural & Cattle Futures		Price*	Change
Crude Oil†	Sep	89.31	-1.19	Corn♦	Sep	620.75	5.25
Brent Crude Oil‡		96.28	-	Wheat♦	Sep	793.50	12.00
RBOB Gasoline†	Oct	2.93	-0.03	Soybeans♦	Sep	1526.25	14.00
Natural Gas†	Sep	7.75	-0.08	Soybeans Meal♦	Sep	459.50	10.40
Base Metals (♠ LME 3 Months)				Cocoa (ICE Liffe)⊕	Sep	1751.00	-3.00
Aluminium		2455.00	-17.00	Cocoa (ICE US)♥	Sep	2377.00	14.00
Aluminium Alloy		1675.00	-905.00	Coffee(Robusta)⊕	Sep	2128.00	33.00
Copper		8067.50	112.50	Coffee (Arabica)♥	Sep	218.15	5.40
Lead		2169.50	4.50	White Sugar⊕		548.10	5.50
Nickel		22305.00	855.00	Sugar 11♥		18.30	0.32
Tin		24460.00	-40.00	Cotton♥	Oct	103.77	-0.77
Zinc		3568.00	43.00	Orange Juice♥	Sep	179.80	2.70
Precious Metals (PM London Fix)				Live Cattle♣	Aug	138.13	-0.23
Gold		1795.25	11.20	Feeder Cattle♣	May	134.88	-
Silver (US cents)		2060.00	40.50	Lean Hogs♣	Oct	99.78	-0.53
Platinum		940.00	2.00				
Palladium		2236.00	15.00		Aug 09	% Chg Month	% Chg Year
Bulk Commodities							
Iron Ore		109.85	-0.53	S&P GSCI Spt	659.98	-9.37	33.04
Baltic Dry Index		1592.00	28.00	DJ UBS Spot	120.26	-11.80	23.70
Richards Bay ICE Futures		296.25	7.25	TR/CC CRB TR	304.29	-8.70	36.52
				LEBA EUA Carbon	58.91	-1.98	129.94
				LEBA UK Power	1048.00	-37.43	-39.60

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

BONDS: INDEX-LINKED

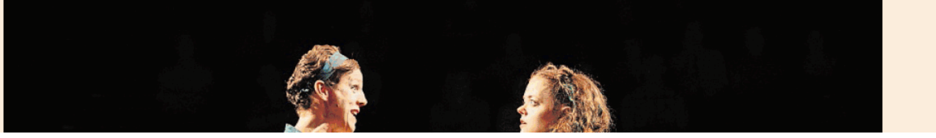
	Price Aug 09	Yield Aug 09	Yield Prev	Month return	Value stock	Market	No of stocks
Can 4.25%' 26	115.06	0.691	0.633	-0.72	5.25	75258.80	8
Fr 0.25%' 24	108.12	-3.674	-3.636	0.21	17.92	265094.92	17
Swe 1.00%' 25	125.21	-1.454	-1.489	0.01	35.15	220454.09	6
UK 0.125%' 24	106.27	-3.603	-3.702	0.16	15.24	697216.98	31
UK 2.50%' 24	380.01	-2.909	-3.011	-0.04	6.82	697216.98	31
UK 2.00%' 35	285.82	-1.509	-1.568	0.21	9.08	697216.98	31
US 0.625%' 24	100.26	0.443	0.374	-0.67	40.98	1668123.97	46
US 3.625%' 28	118.08	0.403	0.349	-1.29	16.78	1668123.97	46

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

BONDS: TEN YEAR GOVT SPREADS

	Bid Yield	Spread vs Bund	Spread vs T-Bonds		Bid Yield	Spread vs Bund	Spread vs T-Bonds
Australia	3.19	2.47	0.37	Netherlands	0.83	0.11	-1.99
Austria	1.13	0.41	-1.69	New Zealand	3.27	2.56	0.45
Canada	2.73	2.01	-0.09	Norway	2.74	2.02	-0.08
Denmark	1.17	0.45	-1.65	Portugal	1.10	0.38	-1.72
Finland	1.18	0.46	-1.64	Spain	1.58	0.86	-1.24
Germany	0.72	0.00	-2.10	Sweden	-1.26	-1.98	-4.08
Italy	0.52	-0.20	-2.30	Switzerland	0.34	-0.38	-2.48
Japan	0.05	-0.67	-2.77	United States	2.82	2.10	0.00

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



OPERA

Heroines facing different directions

Cocteau, those for *Les Mamelles* by Guillaume Apollinaire. Pelly, French, has both directed and


Francesca Martinez (Jess, left) and Francesca Mills (Poppy) in 'All of Us' — Helen Murray

Frank drama explores tough themes

THEATRE

All of Us
National Theatre, London
★★★☆☆

Sarah Hemming

"Do you wish you were normal?" The blunt question is put to Jess, the therapist at the heart of Francesca Martinez's *All of Us*. It prompts a sharp intake of breath around the auditorium. What a question to ask of anybody, and what assumptions it contains — who is to define "normal"? Moreover, this is a man with a mass of problems who has arrived at Jess's door asking the question because she has a visible disability.

All of Us is a state-of-the-nation play: a frank, often funny, often shocking drama about what it is to be disabled or have a chronic condition in contemporary Britain. It's the latest in the National Theatre's cumulative examination of who we are, which has roved from Andrea Levy's *Small Island* to Alecky Blythe's *Our Generation*, which brought teenagers' voices to the stage.

It's also the latest drama to demonstrate that having differently abled actors on stage can be not only inclusive but also expansive and enriching, often revealing new dimensions to a play. When Nadia Nadarajah, a deaf actor, played Celia in *As You Like It* at Shakespeare's Globe, it intensified the intimacy between Celia and Rosalind; Arthur Hughes, who has radial dysplasia, is finding new depths in Richard III at the RSC; Daniel Monks, who is partially paralysed, brings fresh intensity to Konstantin's desire for change in Jamie Lloyd's staging of *The Seagull*. Amy Trigg, in a wheelchair because of spina bifida, lit up the stage with her brilliant *Reasons You Should(n't) Love Me*.

At the National, Martinez's Jess, played with great warmth and wit by the author in Ian Rickson's staging, has cerebral palsy (though Martinez prefers to describe herself as "wobbly"). This means that Jess has a PhD in psychology and an important job as a therapist but needs help to open a packet of cereal or do up her buttons.

When an inexperienced official reassesses Jess's Personal Independence Payment, she ends up losing her Motability car, her work and her patients. Her friend Poppy, played by the excellent, ebullient Francesca Mills, is a sweary, sexy, funny 21-year-old who wants, like so many people her age, to live a little. But cuts mean that she loses her night-time carer and so is put to bed, in a nappy, at 9pm.

The humiliation of this, the reduction of vibrant people to statistics and problems, the "othering" and the "us and them" thinking, come bursting across the stage. Martinez's Jess refuses to get angry; her play, on the other hand, is very angry. It is at its best when it sticks tightly with its characters, showing us, rather than telling us, the details of the grim impact of government policies, cuts and shortages.

Where it goes astray is in trying to encompass a whole raft of issues: there are sections of dialogue that become more political rant than political play, which undercuts its impact. Some characters feel very sketchy. This is a shame, as what the play has to say is serious and important and concerns all of us.

To September 24, nationaltheatre.org.uk

La Voix humaine/ Les Mamelles de Tirésias
Glyndebourne, UK
★★★★☆

Alastair Macaulay

The sociologies of Glyndebourne Festival Opera, onstage and off, remain fascinating. The social order of each audience, the social order of each opera and the social order of each (often revisionist) production have often worked together with subversive tensions. True, the Glyndebourne dinner interval can still seem an embodiment of social privilege — but the fare onstage has often raised issues that rattle complacency.

In this summer's final programme, the topic is womanhood. But the heroines of this double bill of one-act works by Francis Poulenc (1899-1963), in new productions directed by Laurent Pelly, face in opposite directions. The passive, neurotic protagonist of *La Voix humaine* (1958) is one we recognise without often meeting these days: the woman who lives only for the love (and telephone calls) of one man, and whose needy existence is pathetically defined by that love. As she realises he's been cheating, she moves towards suicide.

By contrast — after dinner — arrives the world-changing heroine of *Les Mamelles de Tirésias* (1945), Thérèse announces that she's a feminist with plans to do work usually exclusive to men. So she becomes the trans man Tirésias! She loses her breasts; she gains a beard. Her husband, a reluctant trans woman, devises a laboratory for mass-breeding babies without mothers. *Les Mamelles* is comically surreal, energetically bonkers.

Almost everything in these Glyndebourne productions is a tribute to *la belle France*. The words in *La Voix humaine* are by Jean designed the costumes. The sole singer of *La Voix humaine* is the mezzo Stéphanie d'Oustrac (French) — who happens to be Poulenc's great-niece. A high proportion of the *Les Mamelles* soloists are French, too.

The set designer, Caroline Ginet, has created utterly unalike stage worlds. *La Voix humaine* occurs on a disconcertingly shifting plateau. Only the woman and her telephone occupy the stage, which at first seems to be her room but later seems to be her mind. *Les Mamelles* is one cartoon upon another. Our first view of thousands of babies, in serried rows, is the most hilarious moment of many.

Although lucid diction used to be the *sine qua non* of French operatic style, it's been many years since I've heard opera singers deliver French words so clearly as here. The soprano Elsa Benoit (Thérèse/Tirésias) and baritone Régis Mengus (her husband) both set peak standards.

The vibrant brightness of their voices is what once seemed the basis of French opera; I marvelled to hear it again. They act as they sing: ebulliently.

D'Oustrac, though not lodging words in the audience's ear with the same skill, has the artistry to take the *La Voix humaine* monologue into a kind of expanding love-death morbidity. Robin Ticciati, conducting, finely contrasts the two: *La Voix* becomes a post-Debussy study in changing harmony and fragmented melody, while *Les Mamelles*, Stravinskian at first, is all brio and buffo élan.

How remarkable that Poulenc created women so utterly unalike! Next season, Glyndebourne presents his full-length tragedy *Dialogues des Carmélites* (postponed from 2020), with some of the greatest women's roles in all 20th-century opera.

To August 28, glyndebourne.com


Elsa Benoit in 'Les Mamelles de Tirésias' — Bill Knight

Sri Lankan family ties pulled taut

THEATRE

Counting and Cracking
The Lyceum, Edinburgh
★★★★☆

Alice Saville

A transporting fug of incense fills the auditorium during S Shakthidharan's epic play *Counting and Cracking*, which draws on the stories of his own family in both Sri Lanka and Australia. Hailing from Sydney's Belvoir St Theatre and now playing at the Lyceum as part of the Edinburgh International Festival, this is rich, heady, memorable stuff, made taut by political struggle and the unignorable tug of family ties.

In Sydney in 2004, 21-year-old authorial stand-in Siddhartha (Shiv Palekar) is scattering his grandmother's ashes in the river, guided through this Sri Lankan ritual by his frustrated mother, Radha (Nadie Kammallaweera). She's bewildered by this thoroughly Australian child she's raised and by his media studies degree: "What does that mean, studying studies?" she asks. But Siddhartha's attention is monopolised by Lily (Abbie Lee Lewis), an Indigenous Australian Yolngu law student he woos by starlight.

In her own modest way, Radha is also embracing Sydney life, cautiously flirting with the Turkish engineer who is fitting her air conditioning unit. Then a phone call comes that drags Radha and Siddhartha back to the past, to the Sri Lanka they thought they'd left behind.

A pacy succession of scenes set between the 1950s and 1980s sketches the origins of Sri Lanka's civil war, seen through the story of Radha's family. The grandfather she knows as Apah (Prakash Belawadi) is a leading Tamil politician in a nation where the balance of power is rapidly shifting towards the Sinhalese majority. He rails against the rise of nationalist sentiment on both sides, becoming a political island as the Tamil Tigers marshal their forces against an authoritarian government.

The contours of this story are complex but its emotional appeal is simple. In one memorable scene, the young Radha (an impassioned Vaishnavi Suryaprakash) interrupts her family's complex political debates by handcuffing herself to her grandfather's chair, refusing to abandon her protest until he allows her to marry for love, not political alliance. As violence surges, Radha is left with a painful choice. Should she stay, cowering among the wreckage of her dreams of a harmonious, multicultural Sri Lanka? Or should she go, leaving everything she knows behind?

Director Eamon Flack's multilingual (English, Tamil and Sinhalese) production uses a mixture of splendour and wit to keep its audience's attention as the characters and complications multiply. Sri Lankan musicians play at the side of the stage, soundtracking the action in rich, juddering waves of sound. Siddhartha and Lily escape their struggles to hurl themselves joyfully across the stage on a giant foamy slip-and-slide.

As both Australia and the UK become ever more unwelcoming to refugees, *Counting and Cracking* offers a gentle but insistent plea for humanity. It's impossible not to listen, rapt.

To August 14, eif.co.uk


Sukania Venugopal (left) and Vaishnavi Suryaprakash in 'Counting and Cracking' Jassy Earl

FT BIG READ. ENVIRONMENT

How to stop California burning

After two of the most destructive years of wildfires in the state's history, private groups and local businesses in the Napa Valley are stepping up to mitigate fire risk.

By Dave Lee

Workers clear vegetation in Napa to form a fire break to protect homes earlier this summer — Andri Tambunan/FT

Most people driving through Napa County, California's famed wine region, see only beauty. Steven Burgess sees something different. Spotting clumps of juniper along the edge of a multimillion dollar property, he calls out the combustible shrub's local nickname: "green gasoline!"

The 49-year-old volunteer firefighter and former vintner is giving the Financial Times a history tour, pointing out the scars of mega blazes that have intensified here and around the world over the past decade, capturing global attention and concern.

That's where the Atlas fire started, Burgess says, pointing up at the winding Atlas Peak Road, where a blaze burnt 50,000 acres in 2017. Elsewhere we see remnants of the LNU Lightning Complex fire, which covered 360,000 acres in 2020, part of the most destructive year on record, when 4mn acres were scorched.

The tour takes us right up to the present. So far in 2022, more than 180,000 acres have burnt in more than 5,000 fires, according to statistics published by Cal Fire, the state's fire fighting agency. That's less activity than at the same point in 2021 and 2020, but drought conditions and hot weather suggest a highly active remainder to the season, experts have said.

Burgess wants to do what he can to prevent this. He works with the Napa Communities Firewise Foundation as a wildfire mitigation specialist. It's a non-profit, funded by grant money and private donations, which has earmarked 325 preparedness projects across the county at an estimated cost of $550mn, including maintenance of completed areas.

So far, only $23mn has been committed, mostly from state and federal grants. Napa Firewise sees it as an unpredictable source of income that hinders the ability to plan ahead.

"It's personal," adds Burgess, who grew up in Napa County. "If I wasn't somehow internally motivated to save this Valley's ass, I would not be here right now. I want to help save it. I think it's save-able."

As our planet gets warmer, and our summers get hotter, wildfires are becoming more frequent and more intense across the northern hemisphere. Extreme heat in the Mediterranean region this summer helped create large wildfires in France, Spain, Portugal and Greece.

In California, a state with 33mn acres of forest that has been in drought for much of this century, the past two years have seen fires reach unprecedented levels, according to Cal Fire. The state government has announced plans to mitigate the risk with fuel reduction projects, working with the US Forestry Service. The target, as set out by Governor Gavin Newsom, is to treat up to 1mn acres of forest every year by 2025.

Yet even if it can meet that goal, it will represent just a fraction of the state's forested areas. There's now an increasing realisation among local businesses and private organisations like Napa Firewise that the private sector must step up — from the utility companies burying cables underground, to the vineyards funding private fire fighters, to the insurers and homebuilders being encouraged to work together to make more resilient communities.

"The [government] can't do it alone, it's overwhelming," says Mike Wilson, director of Napa Firewise's wildfire fuel mitigation programme. "A built-up environment of fire suppression over 100 years, now in combination with climate change, drought conditions. The whole thing has come together."

Clearing the fuels

Beside Highway 128 one June day, a team of half a dozen men from Napa Firewise worked in the sweltering sun, chopping off low branches and dragging the brush down a hill and into a chipper. It's a painstaking, dangerous task, surrounded by poison oak and the occasional rattlesnake.

Wilson says the work Firewise does with private funding rather than grant money has an upper hand as it allows them to cut out the "green tape" that can delay treatment projects by many months, while environmental and archaeological approvals are sought. "We can do privately funded projects much more efficiently," Wilson says, "and still provide protection for the environment."

However, private funds make up only a fraction of the revenue Napa Firewise has at its disposal — about 6 per cent. Wilson wishes deep-pocketed businesses based in California would step up. "Google, Facebook, Apple," he says. "We should be tapping into those funds."

As it stands, the team can treat areas at a rate of about a mile a month. It won't stay "done" for long. There's a three- to five-year cycle in which the work is essentially reset by regrowth.

Napa Firewise goes to great lengths to emphasise that their work does not remove the area's natural beauty; merely tames it. The aim is to create a landscape that is "parklike" but safer, improving access for firefighting teams, particularly on the winding roads that act as the main arteries in and out of affected areas.

But no tinderbox bursts into flame without a spark. And while wildfires can be started by arsonists or lightning strikes or bizarre accidents, the majority are ignited by electrical infrastructure. In the areas it protects, Cal Fire has said 74 per cent of wildfires between 2018 and 2020 were caused by issues with electrical power, such as vegetation blowing on to cables due to strong winds.

For that reason, alongside the work of groups like Napa Firewise, mitigation work is also being undertaken by Pacific Gas and Electric, the largest utility provider in the state.

The publicly traded group, responsible for powering the homes and businesses of up to 16mn Californians, has been pinpointed as a culprit in many of the largest fires. Ageing or poorly maintained equipment has typically been to blame.

In 2018, the failure of a badly maintained steel hook, which was holding a high voltage cable, provided the spark for the Camp Fire — a blaze that destroyed the town of Paradise and killed at least 84 people, the deadliest on record. PG&E later pleaded guilty to 84 counts of involuntary manslaughter.

The company was forced into bankruptcy in 2020 due to what bordered on an almost incalculable liability from its equipment being a leading cause of major fires.

Now restructured and today valued at around $27bn, the utility has embarked on a programme to bury cables in areas of high fire risk, such as Pope Valley, an off-the-beaten-track part of Napa County.

The frontline in that work is precisely that: a line, dug into the road, a couple of feet wide and up to 5ft deep.

Along Pope Valley Road, contractors are burying the cables in the soil surrounded by blackened tree stumps sticking up like burnt matchsticks. Often, space restrictions mean digging up the road surface. Despite this, says one worker, "We're doing about 500 or 600 feet a day".

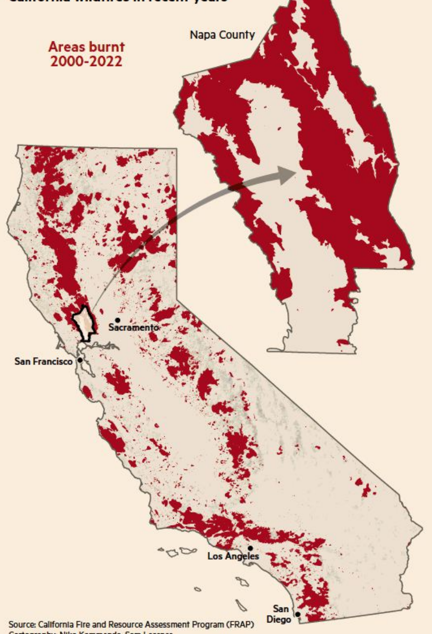
About a month after the work is done, the cables become live. The process reduces the risk of ignition by 99 per cent, says PG&E.

By September, PG&E aims to have buried 175 miles of electricity cable, at a cost of $3.6mn per mile. It hopes to reduce that cost by 2026 to $2.5mn — with the capability to bury 1,200 miles per year by then, on its way to its ultimate target of 10,000 buried miles.

In addition to "undergrounding", the company is engaged in multiple projects to install stronger poles — wrapped in heat resistant fibreglass — and coating smaller power lines in plastic to prevent sparking. The cost of PG&E's programme comes in at $5.96bn for 2022 alone.

PG&E's work may be of unprecedented scale, but some question whether meaningful enough progress is being made by the state and utility companies.

Napa County has been hit hard by California wildfires in recent years



Source: California Fire and Resource Assessment Program (FRAP)
Cartography: Niko Kommenda, Sam Learner

'If I wasn't somehow internally motivated to save this Valley, I would not be here right now'

Steven Burgess, Napa Firewise

In a stinging letter to the governor earlier this year, California's state auditor described wildfire mitigation plans, including PG&E's, as "seriously deficient" in tackling the issue of power lines in high fire threat areas. The governor's energy infrastructure safety director Caroline Thomas Jacobs said she had some "differences of opinion" on some of the report's points, but said, "we welcome the input" of the audit report.

Wine country at work

While they are sympathetic to the enormity of the state's task, patience is wearing thin among some of Northern California's most prominent business owners — particularly in the industry that makes the region famous: winemaking.

There are 475 wineries in Napa County alone, producing 9mn cases of wine every year. Almost all are family-owned, according to data from the Napa Valley Vintners trade association.

One of the most celebrated wineries is Chappellet, which for more than 50 years has been producing award-winning wines.

Cyril Chappellet, the company's president and chief executive — and son of its founders, Donn and Molly — has seen the environment around the winery change dramatically as a result of the growing wildfire threat. "The fire concerns have become much more real, much more intense than we've ever seen before," he says.

Since 2017, when the ferocity and frequency of fires began to escalate, he has invested about $300,000 per year on fire mitigation efforts. "You don't really have a choice. If we don't save our properties and protect our properties from burning, there will not be the Napa Valley as we know it today."

The expensive work has also become necessary if Chappellet is to be able to insure his property. To receive his current coverage, Chappellet had to show evidence of what fire prevention methods they were using, including a video submission.

Even with this effort, Chappellet says he can only now afford to cover a fraction of what needs protecting, with huge deductibles, or excess. "I'm insuring less than a fourth of our insurable assets," he says. "And I'm paying four times the price that I used to pay to have full insurance for the whole property."

So crippling are the costs, he says, that other vineyards have opted to leave their properties uninsured — resigning themselves to simply losing the business should the worst happen.

It means many are turning to private fire fighting forces in order to protect their investment. These private firefighters have become the source of considerable controversy. During one fire in 2020, Cal Fire began investigating concerns that a private company had illegally set backfires as a way of protecting a property they had been hired to defend.

Backfires are intentionally lit, small fires that serve the purpose of removing fuel, creating a fire break. Cal Fire uses the technique regularly, but private services are not permitted to use the strategy.

Chappellet says private firefighters must be allowed to supplement the work of the state authorities. "Cal Fire has a job to do and I am completely supportive of it," he says. "But it's really important that we have private firefighting companies to come protect us because the resources for the state and CalFire are minimalistic."

Using the land more responsibly

Chappellet's frustration over insurance costs are by no means isolated. Indeed, some think the tension holds the key to a future which doesn't rely solely on the unending task of removing fuel and thinning trees.

One shared characteristic of many communities devastated by wildfire has been a susceptibility to blazes thanks to the materials used to build houses, and often a lack of will or foresight in hardening those locations.

More than 11mn Californians live in the wildland urban interface, known as the WUI, where risk of losing homes — and lives — to wildfires is greatly increased. In these areas there exists an inconsistency on standards and enforcement of building codes, meaning many properties are rebuilt without adequate fire protection. Most insurers, facing huge losses, have pulled out.

Preventing wildfires requires rethinking urban planning and land use, say Dave Winnacker and Donnie Hasseltine, two fellows at the Hoover Institution at Stanford University, where they have studied wildfire mitigation.

"The future will be hotter, it will be drier, and it will continue to have destructive wildfires," says Winnacker, who is also fire chief of the Moraga-Orinda Fire District. "The question is how destructive."

The researchers are calling for insurance companies, using input from government and climate scientists, to better assess risk over future years; and then, using that insight, offer financial incentives to encourage stronger home-building in return for lower premiums in the long run.

It would mean two neighbours could be paying vastly different rates depending on their investments in protecting their homes. Early discussions with insurers and other industry groups had been positive, Winnacker says.

"I am moving beyond cautiously optimistic to just optimistic that we're getting close. People are willing to talk in ways that would have been just politically not possible three, four or five years ago."

It is hoped the approach will move the burden of tackling the fire problem to the population at large, rather than relying on the slow-paced, expensive work of state and federal agencies.

"Going the government route is kind of a Hail Mary," says Hasseltine, referring to a last-gasp, hopeful long pass in American football. "It depends on a lot of time, a lot of bureaucracy and a lot of money — which we can't ensure is going to be there for the future."

The FT View

FINANCIAL TIMES
'Without fear and without favour'

ft.com/opinion

Turkey's Erdoğan is playing a risky double game

Closer co-operation with Moscow could trigger retaliation from the US

Russia's invasion of Ukraine opened an opportunity for Turkey's Recep Tayyip Erdoğan to play statesman and power-broker. The Turkish president deserves credit for brokering a deal with Kyiv and Moscow that has allowed grain shipments to resume from Ukrainian ports. But he has been careful to safeguard important economic ties with Moscow. After his cosy-seeming four-hour meeting with Russian president Vladimir Putin last Friday, western capitals worry Erdoğan is deepening links with Moscow when its Nato partners are doing the opposite, and the Kremlin is looking for ways to bypass western sanctions. The Turkish leader is playing a complex but risky game.

Erdoğan has had a bumpy relationship with Putin, a fellow strongman and geopolitical rival, notably over the Syrian conflict. In Ukraine, Ankara courted Moscow's wrath by providing Bayraktar attack drones to Kyiv's forces. But Turkey hasn't adopted US and EU sanctions on Moscow, is buying Russian oil and gas as normal and kept its skies open to Russia's commercial planes — keen to hold on to the lucrative Russian tourist trade it lost in 2015 after Turkey shot down a Russian fighter over Syria. Exactly what Erdoğan and Putin agreed in Sochi remains unclear. A joint statement talked of increasing trade and energy ties and deeper collaboration in sectors including finance, transport, industry and construction. A Russian deputy prime minister said Turkey would start paying for gas partly in roubles.

Turkey's president was later quoted as saying five Turkish banks would adopt Russia's Mir payments system — a boon for Russian tourists in Turkey after Visa and Mastercard suspended Russian operations. Western capitals worry the Mir link could also be used to skirt sanctions, though there was no evidence Erdoğan had accepted supposed Russian proposals, leaked by Ukrainian intelligence, for deeper banking and energy co-operation that might help Moscow evade western restrictions.

Erdoğan has good reason to woo Russian financial inflows as he tries to win re-election next year amid an escalating debt and currency crisis, caused largely by his own economic mismanagement. Inflation hit a 24-year high of 79.6 per cent in July and the lira has halved in value against the dollar over 12 months. Despite Turkey's Nato membership, it has no legal obligation to impose US and EU sanctions against Russia.

Any deepening of economic ties with Moscow, however, is likely to inflame frictions with the west when Turkey is already dragging its feet over Sweden and Finland's Nato membership. Erdogan's position also provides a test of the western alliance's ability to make sanctions stick globally. Failure to prevent sanctions leakage via Turkey

> The president has good reason to woo Russian financial inflows as he tries to win re-election next year amid an escalating debt and currency crisis

would make it all the more difficult to restrain other emerging market powers such as China — which has so far been cautious about providing help to Russia.

One senior official has suggested western countries might call on companies and banks to pull out of Turkey if Erdoğan follows through with the intentions he signalled on Friday. But Turkey is simply too important geopolitically and for western businesses. Europe frets over Ankara's ability to flood the continent with the 3.7mn refugees from Syria and elsewhere that Turkey is hosting.

Yet the US has imposed punitive measures on Turkey before — for example, over its purchase of a Russian air defence system — and secondary US sanctions are a risk. Though these would have to be calibrated to avoid creating a domestic backlash that Erdoğan could exploit, they could still do damage that would offset the benefits of co-operation with Moscow. In his game of geostrategic poker, Erdoğan should be wary of overplaying his hand.

Opinion Society

In praise of the bearable lightness of boredom

Ben Hickey

Jemima Kelly

The last time I was truly, painfully, bored, in the way that I remember from childhood — watching the minutes tick by as if they were hours; desperately craving stimuli other than the contemptible ones on offer; feeling an increasing urge to somehow vent the frustration physically, vocally, or preferably both — was almost exactly a year ago.

It was during a seemingly never-ending church service held to celebrate the feast of the Assumption in a sleepy village in northern France. The service being led by a man distinctly lacking in charm, not tomention priestliness, and my understanding of ecclesiastical French leaving something to be desired, every long minute beyond the first 30 or so became more and more torturously, tantrum-worthily boring.

> The sensation can end up creating the space for reflection, enjoyment, creativity and motivation

This was the kind of stretching-out of time that modern life only rarely affords. But it was only once the ordeal was over — and memories of the Catholic masses I'd been dragged to as a teenager had subsided — that its unusualness struck me, and I noticed that my feelings of pleasure were now intensified. How the river glistened in the morning sunshine! How wonderful to be alive and free and on holiday!

This had been an unadulterated form of boredom — the kind that can find its way into minds used to constant stimulation when the stimulants are taken away. While it can be painful for a period, this is the kind of boredom that can end up creating the space for reflection, creativity and a renewed sense of enjoyment and motivation.

But it is not the sort most of us experience on a regular basis. There is a different, rather more listless strain of boredom that our always switched-on lives lend themselves to. This is the one you might experience while fran-

that, despite the embarrassment of digital distractions available these days, boredom had been on the rise among US adolescents for several years, and had increased especially markedly among teenage girls. This mirrors the rise in teenage depression and suicide that has been recorded over the same period, and is widely attributed to the rise of social media.

The study did not examine the root causes of the boredom, nor its precise nature, instead simply asking teens to rate how much they agreed with the statement "I am often bored" on a five-point scale. But its lead author, Elizabeth Weybright, did note the link between increasing levels of boredom and depression and, more specifically, "sensation-seeking".

This somewhat directionless "seeking" evokes Tolstoy's description of the boredom in *Anna Karenina* — "a desire for desires" — that afflicts Vronsky, who is not content despite having had his most burning desires fulfilled.

The French translation from the Russian, *ennui*, allows for a more nuanced characterisation of Vronsky's feelings — indeed, our use of the word in English suggests it captures something that "boredom" does not. Patricia Meyer Spacks, a literary scholar, differentiates between the two mental states in her 1995 book, *Boredom: The Literary History of a State of Mind*, thus: "Ennui implies a judgment of the universe; boredom, a response to the immediate."

The mind that is suffering from ennui is not one that is desperate for stimulation, or to be freed from its current constraints; its problem is that it isn't desperate for anything at all — it has total freedom and yet it cannot find anything to satisfy it. This is not the kind of boredom a child repeatedly asking "Are we there yet?" on a long car journey is experiencing — this child knows exactly what it desires.

And it is this latter kind we should spend more time trying to create the conditions for. James Danckert, professor of cognitive neuroscience at the University of Waterloo and co-author of *Out of my Skull: The Psychology of Boredom*, tells me that the argument that boredom itself begets creativity is misguided. And indeed, it has been linked to far more destructive behaviour and violence. But creating space in the mind for at least the possibility of boredom is vital.

Only boring people get bored, goes the old aphorism. These days, it might be more true to say that only boring people do not get bored — at least not

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Letters

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UK reliance on the charity state is an indictment of Tory rule

Tim Pitt says the Conservative party's economic policies have had four tenets ("Tories risk forgetting a rich economic tradition", Opinion, August 8).

He says the party has been "pragmatic, sceptical of ideology and grounded in realism", has "welcomed economic change", has believed in "the need for prosperity and opportunity to be shared broadly", and has believed in "the state as an enabler".

But is it pragmatic in 2022 to assert that "a plan to maximise [economic growth] is an absolute priority"?

This column by a former senior adviser to two chancellors, Philip Hammond and Sajid Javid, does not mention the environment once. A strategy of maximising economic growth in the 21st century would be an absolute disaster.

What was pragmatic and non-ideological about selling the playgrounds of England's state schools? What was pragmatic in slashing benefits for the poor and unemployed, as has happened since 2010 under successive chancellors and as shown in a vivid graph in Peter Foster's piece "Charities play greater role in social safety net" carried in the same FT (Report, August 8)? Mass dependency on charities is hardly indicative of an "enabling state".

Similarly, what is pragmatic and geared to share prosperity broadly in implementing a regime of 1,190 selective subsidy schemes that have been predominantly regressive and not subject to government evaluation? For instance, why should landlords be given full tax breaks for their gardening expenses when ordinary householders are not? What is pragmatic about slashing inheritance tax on wealthy property owners? And is it non-ideological to cut funding for local councils, forcing them to reduce social services for the poor?

The growing tragedies of the overburdened charity state is a testament to a decade of failure on the part of the Conservative party.

Guy Standing
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This is what the China-US communiqués did not say

Stephen Roach (Opinion, August 5) calls Nancy Pelosi's visit to Taiwan "a direct affront to the 'One China' principles of reunification stipulated in the 1972 Shanghai Communiqué".

He echoes claims often made by Beijing that the US is not sticking to the three joint communiqués.

Both claims are false.

In the text of the 1972 communiqué the US "acknowledges that all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is a part of China. The United States Government does not challenge that position. It reaffirms its interest in a peaceful settlement of the Taiwan question by the Chinese themselves." The US also used similar wording to acknowledge Beijing's one China policy in the joint communiqués of 1979 and 1982.

While the US did not challenge the one China position held by Mao and Chiang Kai-shek, it also did not specifically agree with it, and neither said nor implied anything about "reunification"; it just affirmed that the "Taiwan question" should be settled peacefully. The US has stuck to this position. Of course, the people of Taiwan, suffering under Chiang's corrupt and brutal dictatorship at the time, had no say in this themselves.

Alan Watson
Taipei, Taiwan

"IT'S NOT JUST THE COST OF LIVING – IT'S THE LIVING"

How Lukashenko bullies Belarus trade unionists

Tony Barber's column on Belarus (Opinion, August 8) cites the 1981 call by Poland's Solidarity for workers in eastern Europe to establish free trade unions. Belarus workers have done just that, like working people around the world where democratic rights are repressed. The Belarusian Congress of Democratic Trade Unions comprises independent sectoral unions accountable to their members, not to the Lukashenko regime.

In recent weeks, a campaign to repress the BKDP and deny the right to strike has culminated in the banning of independent trade unions and the detention of many of their leaders, dozens of whom face politically motivated trials.

The regime has been repeatedly called to account by the International Labour Organization, while public resentment in Belarus at Alexander Lukashenko's bullying dictatorship continues to grow.

Sharan Burrow
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Higher rates can avoid rocketing unemployment

Carol Wilcox asks someone to explain why "increasing interest rates decreases inflation except via recession and unemployment" (Letters, August 8). Easy. It happens because higher interest rates reduce inflation expectations thereby allowing markets, especially for labour, to clear without the need for price rises.

For two years now, central banks and others have been saying that the higher inflation we have will soon go away. If they are right, and expectations adjust downwards accordingly, economies will not experience the skyrocketing unemployment of the 1970s and 1980s.

Paul Hallwood
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Don't bank on NHS reform

There will never be reform of the NHS (FT View, July 29), for what on earth would politicians talk about should it ever happen?

Mark Peaker
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OUTLOOK

FOOD SECURITY

Irish history warns on perils of ignoring the famine in Somalia

It has been nearly 40 years since Band Aid and Live Aid, but Sir Bob Geldof is back with another wake-up call to the world.

The activist musician, who once called himself a "loudmouth twat with hair", wants us all to stop worrying for a moment about how the Ukraine war-fuelled cost of living crisis will affect us and start focusing on the famine that is devastating Africa again.

The 70-year-old Boomtown Rats frontman made his appeal after a visit to a village in County Cork in his native Ireland, whose plight alerted the world in 1846 to the scale of devastation in the country's potato famine.

Just like Band Aid's infamous Yuletide appeal to "feed the world", a letter published in The Times on Christmas Eve 1846, written by Nicolas Cummins, a local justice of the peace, urged London for help. It described the "famished and ghastly skeletons", frozen corpses devoured by rats and "demonic yells" of those "delirious, either from famine or fever" that he witnessed on a visit to South Reen.

Such "absolute horror . . . is happening this second in countless thousands of devastated farmlands all over this fragile world", Geldof said in a statement after appearing at a

blown famine by next month. The situation is also grave in the Horn of Africa and Yemen, according to aid groups.

Though the west dug deep to help its populations through Covid or to support Ukraine, a cash drought has compounded the misery: relief efforts have so far secured less than half the funding needed for Somalia, the Food and Agriculture Organization says.

Besides famine, Russia's Black Sea blockade paralysed grain shipments from Ukraine for months, putting 47mn people globally at risk of acute hunger, according to the World Food Programme. Only recently have the first vital cargoes since the invasion been able to depart.

In the video, wearing a bright blue shirt, white jeans and shades, Geldof looked a far cry from the scruffy rocker of his youth — but his message had not lost his songwriting punch.

"It is understandable that people live their own lives full of their immediate concerns. And today we are all fearful of [Russian president Vladimir] Putin's filthy illegal murder and its consequences, the price of everything, and . . . the uncertain world outlook," he said.

But he insisted: "Development isn't some feel-good function of virtue-

— which seek to end poverty and ensure peace and prosperity for all by 2030 — "sound boring, but the mind-deadening bureaucratic title belies the vital necessity of their aims, and we need to maintain our commitment to them", he added.

Ireland understands what happens if you look away. Rural communities in the south and west were the most devastated after blight in 1845 struck the potato crop on which thousands relied — at that time, men would typically eat a staggering 6.35kg of potatoes a day. When early reports were deemed exaggerated, people like Cummins went to see for themselves.

An Gorta Mór — the Great Hunger — killed more than a million people and forced some 1.2mn more to emigrate. Irish language and culture was lost and the country's population only last year rose above 5mn for the first time since 1851.

With a 21st-century double whammy of war and climate change, Geldof fears the world is turning away from the "newly Forgotten Ones of our time".

Ireland knows all about that. Many blame laissez-faire officials in London at the time for abandoning the starving Irish to their fate.

Statistics in an exhibition on the

tically flitting from app to app on your phone, perhaps with the TV on in the background, while also stuffing something into your mouth — maximum stimulation in order to attain . . . something.

A study by Washington State University published in late 2019 found

in boredom's more constructive form. By turning to digital devices in order to avoid one of the great taboos of modern times, uncomfortable feelings, we end up suffering a much more profound sense of malaise.

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By Jude Webber

history festival in West Cork via a video filmed in Reen, where he read Cummins' letter.

The UN has warned that parts of Somalia, facing food shortages as drought has killed 3mn animals and caused crops to fail, could see full-

signalling liberal democracy, it is a critical necessity of humanity and politics. Otherwise the spores of poverty find fertile ground in the poisonous fields of ethnicity, populism and nationalism. Ask Putin."

UN sustainable development goals

famine in Dublin spell it out in chilling detail: Irish famine relief from 1845 to 1852: £7mn. The cost of sending troops to keep the peace in Ireland during the famine years: £10mn.

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Opinion

Germany is now the fulcrum for Putin's pressure

EUROPE
Constanze Stelzenmüller

In a strong bid for least surprising prediction of the year, Germany's Commerzbank said last week that Russian cuts in natural gas supplies could trigger "a severe recession" and possibly even an economic crisis like "the one that occurred after the financial crisis in 2009". Gas rationing would "probably be inevitable".

Well . . . yes. Courtesy of Vladimir Putin, most Germans have just learnt from the evening news what a gas turbine looks like: sort of like a rocket engine, and a lot larger (and heavier) than German chancellor Olaf Scholz.

Germany's national turbine drama began months ago when Gazprom, the Russian state-controlled operator of its main gas supply line, Nordstream 1, sent the Siemens-made piece of machinery to Canada for maintenance. Ottawa refused to send it back, citing Ukraine sanctions; in response, Gazprom suspended all deliveries to Germany. Berlin had to beg the Canadians for the turbine's return, so as not to give the Kremlin excuses for keeping the gas tap turned off.

When the behemoth landed in Germany, Gazprom first sent the gas supply back up to 40 per cent, and then throttled it back down to a fifth of the pipeline's capacity; gas prices jumped 20 per cent. The company says the missing turbine is to blame. But it refuses to take it back without "guarantees", said Kremlin spokesman Dmitry Peskov, alleging that otherwise the turbine could be placed under sanctions or turned off remotely. German industry and policymakers say the former assertion is untrue and the latter groundless.

Chancellor Scholz gave a snap televised press conference in front of the colossal piece of kit, still awaiting its onward journey in a factory hall. It was, he said, in perfect working order and ready to travel; Gazprom's (and the Kremlin's) cynical feints were just a "bluff".

But Putin, of course, is not bluffing. His message to Berlin is simple: turn on Nord Stream 2, or your economy gets it.

To its credit, the "traffic light" government has been labouring to wean Germany off Russian fossil fuels for months. Coal imports have been stopped. Oil imports are scheduled to end by December. But decoupling from gas, Berlin says, will take until the end of 2024 — chiefly because key German industries (chemicals, paper, glass) depend on it, and because most private households heat with it.

> The Russian president's message to Berlin is simple: turn on Nord Stream 2 or your economy gets it

Some companies have been nimble enough to adapt: for example, SKW in Saxony Anhalt, a producer of fertiliser that was being priced out of the market, switched to manufacturing a water-urea mix that is much in demand to reduce diesel engine pollution. Mayors are announcing that they will turn off building lights at night, and stop heating public pools. The government is promising energy allowances to companies hit particularly hard by rising gas prices.

The coalition might even give up its refusal to extend the life of Germany's last three nuclear plants. (In which case I will have been wrong in my previous column.) By way of bait, the opposition has dangled a speed limit — and this despite the fact that Germans consider tearing up and down the Autobahn at 200km per hour as a sacred and inalienable birthright, comparable only to Americans' second amendment right to bear arms.

Still, lowering consumption, switching products, and government handouts will not stop insolvencies, offshoring, and loss of jobs — or gas rationing. And so Germans are bracing themselves for a possible recession, with continuing inflation, a marked drop in consumer spending power and a darkening business climate.

The latest polls still show strong support for Ukraine, and for decoupling from Russian fossil fuels; but it is diminished, and shows a clear east-west divide. Eastern mayors and state legislators have warned of "massive social tensions". The minister president of Saxony wants the war in Ukraine to be "frozen", his Bavarian counterpart calls for "thinking of our own people". The frictions between the three government coalition partners are beginning to show.

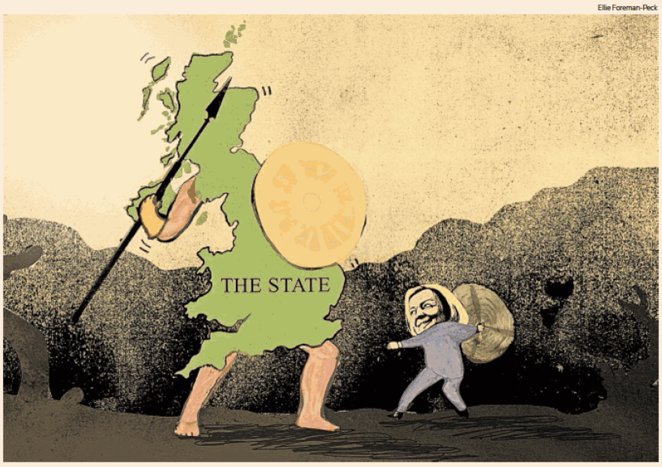
A bizarrely self-congratulatory Russian propaganda video that recently went viral said: "Winter is Coming [Time to Move to Russia]." But conceding to the Kremlin by pushing Ukraine towards an armistice and putting Nord Stream 2 into operation would be political suicide. Putin is waging war not just against Ukraine, but against the west. And Germany is the fulcrum where he must apply maximum force to break up Europe and the alliance.

Hard times lie ahead. So be it.

The writer is Fritz Stern Chair at the Brookings Institution

Tory terror spurs new war with the state

BRITAIN
Robert Shrimsley



Ellie Foreman-Peck

If only Britain had had a Conservative government for the past decade instead of the crypto-socialists who botched everything, including Brexit. Ever since his resignation last year, David Frost, Boris Johnson's Brexit negotiator, former cabinet minister, peer and latterly ferocious evangelist of the lost creed of true Toryism, has been compiling a charge sheet against the government in which he served.

He has now published an essay which is the latest salvo in the ever shortening cycle of disavowal which characterises Tory politics. Naturally the problem is not too much conservatism but too little. Forget austerity or Brexit, Frost suggests the past 12 years were an era of surrender to the New Labour consensus of Blair and Brown. Such is the party's malaise that he opens with Orwell: "We have now sunk to such a depth at which restatement of the obvious is the first duty of intelligent men." Crikey.

These are not just the musings of someone who used to be somebody. Frost was an early backer of Liz Truss and with her ascent to the premiership looking ever more likely, he is tipped for a big role. More important, he captures the terror and rage of a party that fears it has lost the big political argument. He may not speak for Truss, but his pamphlet does speak for those on the Tory right who will have helped win her the top job and it offers a good sense of her own point of departure. Truss has declared implausibly that there will be no "handouts" to help with energy bills. The phrase is nebulous — is targeted help a handout? — but it shows her world view.

Frost's charge is that Tories have been complicit in entrenching the role of an overweening and inefficient state. From in-work benefits to increased labour regulations to the pursuit of net zero goals, the Tory right sees a leadership which pursued policies that create dependency and elevate crises only the state can solve. Meanwhile, artificially depressed interest rates have undermined market economics, preserving "zombie" companies and inflating asset prices. Too much political ground has been ceded, too many people are being sheltered from the harsh, clarifying winds of capitalism.

The Tories must again fight back against the statist orthodoxy. The essay is infused with the spirit of Thatcher and the language of Hayek, replete with warnings of sleepwalking towards "more collectivism, more socialism".

This argument handily connects the diverse grievances on the Tory right. It reflects the disappointment over Brexit which was meant to be the catalyst for lower taxes and deregulation but has morphed into a Conservative Gaullism: protectionism, interventionism and higher taxation. The pandemic lockdown was a midwife to big government and the net zero targets are seen as a back door to socialism. The same is true of social reforms which Tories argue have been used by left-leaning campaigners to take the state deeper into the private realm. Notably, the labour regulation Frost targets for priority repeal is the anti-discrimination Equality Act. One does not have to share this outlook to recognise that the Tories under Johnson and Theresa May abandoned the case for a smaller state (defenders might note it has adapted to the prevailing need).

And it is important that Conservatives make some of these arguments. The state should not be the first resort for any problem and the lure of regulation is often too strong. Frost is not a libertarian. Progress for him is to take tax down to the levels seen under Blair. Public services, the NHS and the police especially, are crying out for serious reform.

> The logical stance is for a victorious Truss to talk the smaller-state talk, while picking her battles carefully

The dilemma for Truss is that while her heart will be with Frost, the political head that got her here, on the brink of entering Downing Street, knows she must contain these tendencies. For they are a challenge to the electoral coalition built and held together by Johnson — an active state was part of the deal.

And we may not be in a small-state moment. Many of today's challenges, especially energy security and climate change, require government. Discomforting as it is to the right, the centre ground of politics has shifted towards a belief in a more active state — if not necessarily in the taxes to fund it.

The logical stance is for a victorious Truss to talk the smaller-state talk, while picking her battles carefully. She can set the course with promised tax cuts and some deregulation. It is hard, though, to see any premier choosing this moment to slash in-work benefits. And for all the bravura, Truss knows there will need to be a new support package for energy bills. Public service reform takes time. Hence the appeal of totemic steps like cutting civil service numbers and confronting political correctness.

Get the balance right and she can borrow to maintain spending until a general election while goading Labour to walk into a sucker punch of calls for higher taxes. The risk is that a cost-cutting party is out of step with the public mood. Labour victories come when voters think key services are not working. Even temporary caution may disappoint Truss's right flank but, while the ideological direction has been reset, the path runs through an economic downturn and an election in two years.

Frost is not wrong to say Tories have surrendered the argument but it cannot be re-won overnight. Thatcher built her case while out of power. It's a strong agenda in opposition. But overdo the zeal now, and it may become a prescription for getting there.

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Chinese technology in the Internet of Things poses a threat to the west

Alexi Drew

The UK's move to ban Huawei from its 5G telecoms networks has brought the

evolved from niche industrial applications to being ubiquitous in homes, offices and some vehicles. They are also a critical component of our national infrastructure. This is the technology that will automatically turn our lights on when it gets dark, or power domestic surveillance cameras capable of facial and object recognition. But the same data collected and used by IoT devices —

number of Chinese companies including Huawei, Hikvision and DJI, which have been linked to the repression of Uyghurs in Xinjiang (although the three companies have disputed these ties). While the products of these latter three companies are already either under scrutiny or actively restricted in either the US, UK, or Europe, the same underlying cellular IoT modules are also used

the presence of workers or changes in the weather. Taken separately, these are relatively innocuous episodes in your day. But collectively, and over a longer period of time, this data provides a rich and deep impression of your lifestyle that could be highly lucrative to a private company, or a powerful tool for the Chinese government seeking to shape the behaviour of its overseas

and at worst has been intentionally designed with "bug doors" through which manufacturers can gain access if they want to.

When challenged over poor coding or product quality, the response from Chinese companies is often conciliatory. They make promises of improvements and investment in training to ensure that the problems are fixed. But, as

Why the Fed is to blame for the boom in zombie companies

Andrzej Rzońca

Zombie companies — businesses whose operating profits are persistently lower than their interest payments — have something in common with high global inflation. Surprisingly, the root cause of both is the Federal Reserve.

How did we find ourselves in a situation where, according to a 2021 report, roughly 10 per cent of public companies in the US are zombies? The 2008 financial crisis scared policymakers. US and European central banks introduced unconventional monetary policies — ultra-low interest rates and large-scale asset purchasing programmes. When Lawrence Summers, former US Treasury secretary, claimed that the "natural" interest rate was negative, and thus conventional policies were ineffective, this was an excuse for monetary policymakers to keep their feet on the accelerator pedal. Focused on boosting demand, policymakers forgot about supply and started zombifying the economy.

So how can the Fed change a perfectly sound company into a zombie? It can't. But it can create an environment where zombification is possible. When interest rates are at zero, creditors are encouraged to renew financing to unproductive companies. When interest payments are low, not much is needed to keep a zombie stumbling along. Moreover, weak companies pay slightly higher interest — an important fact for investors desperately hunting returns in an ultra-low-rate environment.

It makes sense for creditors, but why do zombie companies not restructure? This is simply unnecessary when rates are low and interest payments pose no threat. Riskier projects usually reap higher profits so limited risk-taking depresses future productivity — but those effects happen beyond the average chief executive's career horizon. Such behaviour turns healthy companies into zombies and perpetuates existing ones.

> When interest payments are low, not much is needed to keep these businesses stumbling along

Creditors and managers are fine with zombies when rates are low. What about shareholders? Our research suggests that by allowing zombies to live, investors may increase their expected returns. As a result, neither creditors, managers, nor owners have any incentive to kill zombies when rates are ultra-low, so once they emerge they keep going. In countries such as the UK, Belgium, Spain, Greece, Portugal, and Italy, zombie companies control more than 40 per cent of all assets.

Why is this a problem? Zombies trap assets and employees, making life harder for start-ups, slowing innovation. Moreover, their existence lowers margins, making investing in healthy competitors less attractive.

All these effects directly distort the crucial process of "creative destruction," defined by Joseph Schumpeter as an innovation mechanism "by which new production units replace outdated ones". When it fails, resources (capital and people) are inefficiently allocated. This in turn is a significant cause of slowing productivity growth, as observed in western countries over the past two decades.

Productivity increases are crucial for economies and explain around 70 per cent of their growth. In Europe, ultra-low interest rates — through zombification and resulting misallocation — lowered productivity, slowing GDP growth debate about the security threat from Chinese equipment into the mainstream. There are increasing concerns about western exposure to potentially risky technology: only last month, British MPs and peers called on the government to crack down on the use of surveillance equipment from two Chinese companies, Hikvision and Dahua, which have already been blacklisted by Washington. However, there is one threat that has gone under the radar: the tiny components made by Chinese companies in devices connected by the Internet of Things.

IoT products, which are fitted with data-transmitting sensors and connected over WiFi networks, have on individuals' movements, for instance — could easily be used by a hostile state such as China to influence, pressure or threaten an adversary, company or individual.

All these connected functions are enabled by tiny cellular IoT modules. Unlike semiconductors or 5G base stations, they are rarely marketed as complete products, which goes some way to explaining why the risk appears to have been lost on London and Washington.

In a clear parallel with the market domination of telecoms suppliers such as Huawei and ZTE, three Chinese manufacturers hold over 50 per cent of the global market share of cellular IoT modules. Between them Quectel, Fibocon, and China Mobile provide modules to a

> Data collected by these devices could easily be used by a hostile nation to exert influence or pressure

by western producers including Tesla, Intel, Dell and Parrot.

This is of concern because we are interacting with IoT devices increasingly regularly: the smart plug on your coffee machine comes on just before you wake up in the morning, and the power usage is collected and quantified by your smart meter. The lighting and heating systems in your office adapt to

diaspora, blackmail espionage targets, or to exert influence.

Some IoT devices are increasingly being shown to be insecure, not necessarily by design but by dint of poor manufacturing. Recently, CISA, the US cyber security agency, warned of critical vulnerabilities in Chinese-made GPS-enabled IoT devices in cars and motorcycles. They were found to contain hard-coded admin passwords and other flaws that would not only allow Chinese suppliers to monitor the location of these devices remotely, but to potentially cut off the fuel supply while vehicles were in motion.

We in the west are beginning to rely on technology that at best fails to live up to our high cyber security standards

reports from the UK's Huawei Cyber Security Evaluation Centre show, these changes are often slow in coming and rarely solve the underlying issues.

Individuals should educate themselves about how their data can be used, where it is stored and processed and who has access to it. Governments in the US, UK and Europe should take action. The use of these devices and the data they can collect poses a clear risk to national and economic security — and threatens to undermine the commitment to human rights and privacy that we hold dear.

The writer is director of Penumbra Analysis, a consultancy specialising in geopolitical risk and emerging technologies

by up to three per cent in the years following the financial crash, further denting stagnant European economies.

For more than a decade, central banks chased elusive lost demand. By loosening monetary conditions they not only zombified countless companies and slowed output growth, but also precipitated rising inflation. We do not know whether demand was missing, but the proposed remedy certainly hurt supply. It is high time central banks stopped feeding zombies and returned to conventional policies.

The writer is a former member of the Monetary Policy Council in Poland. His co-author, Grzegorz Parosa, is head of equities at AXA's investment arm in Poland

Lex.

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Nord Stream 1: pipeline is no lifeline

Gas pipelines were safe infrastructural investments once. That was before Russia invaded Ukraine, throwing the future of Nord Stream 1 into doubt.

German utility Eon has written down the value of its indirect 15.5 per cent stake by three-fifths. That implies a €4.5bn plunge in the value of the whole asset to €3.2bn. The move means odds are lengthening against a return to Europe's prewar reliance on Russian energy. Just as well.

Russia has been trying to blackmail the west using the pipeline, which is controlled by Gazprom. It should only get one chance to do that.

Russian gas and crude oil pipelines have been Europe's energy lifeline. Supply squeezes are now testing European political relations. The southern branch of the Druzhba oil transport system, which passes via Ukraine, recently stopped pumping. Russia refuses to pay transit fees. That causes serious problems for Hungary. National oil company MOL has decided to pay Ukraine on behalf of Russia.

Russia has done the most damage to Europe with gas. German gas storage is just over 72 per cent full this week, the Federal Network Agency says. With Nord Stream 1 running at only a fifth of capacity, the watchdog fears Germany will miss a target of filling three-quarters of capacity by September 1.

Eon's impairment slashes the value of its stake, held via its pension fund, by well over half to €500mn. It is not the only one giving up hope on Nord Stream 1. Its cut roughly aligns with that of fellow minority shareholder Engie. The French energy group, which holds 9 per cent, made a slightly gentler impairment back in May.

As yet, Nord Stream 1's other German shareholder, Wintershall DEA, which also has 15.5 per cent, has not adjusted its own valuation.

The German utility picked a good time to take this hit to its pension fund's investments. Rising interest rates have reduced pension liabilities by over €3.7bn. Most of us know that a minority stake in a private company rarely amounts to a hill of beans. The controlling shareholder calls the shots when it matters.

In the case of state-owned Gazprom, that chain of command extends to the Kremlin. Its enthusiasm for consensual decision-making is hardly legendary.

For German utilities, writing down Russian energy asset stakes therefore represents the end of a delusion rather than of a beautiful friendship.

Singapore/food: an unclucky break

A "chicken rice crisis" has sparked gastronomic panic for many Singaporeans this year. The de facto national dish of the city-state consists of poached, preferably fresh, chicken on a bed of rice. This has been scarce since Malaysia halted chicken exports in June. The ban is expected to lift later this month, says Reuters, but a quick improvement to supply is unlikely.

Chicken is the most widely consumed meat in Singapore. The limited land area of the island means it imports nearly all its supplies, a third from its neighbour, Malaysia. For decades, that proximity has meant that every month 3.6mn live chickens have crossed the border. Malaysia is also one of the world's largest consumers of chicken. It has been hit by a severe shortage resulting from world supply problems, rising input costs and clumsy state intervention in markets.

Hopes that chook consignments to Singapore will resume have bolstered shares of chicken suppliers. Lay Hong is up 15 per cent year to date, QL 8 per cent and CCK Consolidated 5 per cent.

Chicken prices are strictly controlled by the Malaysian government. That limits scope for poultry companies to profit from sharp spikes in demand.

Meanwhile, feed prices have soared because of the Russia-Ukraine war. The Malaysian ringgit is at a five-year low.

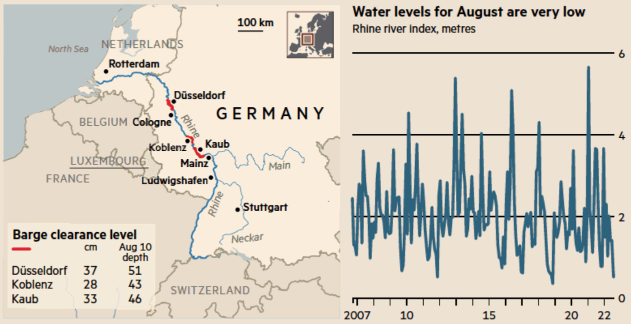
After domestic consumers have extracted their pound of poultry, Malaysia has a surplus of less than 10 per cent, about half of the historic levels. Food inflation hit over 6 per cent in June, the biggest increase in over a decade. That means the government may tighten price controls. Further export bans cannot be ruled out.

Longer term, Singapore should seek security of chicken rice supply via ties to other neighbours. Poultry is Thailand's biggest food export.

The amount rose a tenth last year to a record 4.6mn tonnes. Shares of local producers are up a quarter in the past year. Singapore's cooks may just have to embrace chilled chickens in place of live or recently deceased birds.

Rhine/drought: river dread

Water levels are extremely low for this time of year. That is making it difficult for vessels to navigate the Rhine, especially at shallow points such as Kaub, west of Frankfurt. The river plays a crucial role transporting raw materials for industrial production.



FT graphic Sources: S&P Global Platts; German Federal Institute of Hydrology; Bloomberg

A heatwave and drought are draining the Rhine. Barges must sail when only part-loaded, disrupting the delivery of raw materials.

The blow to German industry could be even worse than in 2018 when water levels fell to the lowest since the 1920s. Four years ago 1.5 per cent was knocked off industrial production in November alone, according to the Kiel Institute for the World Economy. Chemicals giant BASF suffered a €250mn hit.

The river remains about 50 per cent higher than its 2018 low. But it is almost a quarter lower than in August that year. Levels should subside further. The river, fed in part by glaciers, normally reaches its lowest point in the autumn. It is already getting difficult to pass at certain points.

Utility Uniper last week warned of limited output from a coal-fired power station east of Frankfurt owing to a shortage of coal supplies. It blamed low Rhine levels. Though inland waterways account for only about 6 per cent of overall German transport volumes, they are used to ship about 30 per cent of the coal, crude oil and natural gas.

Researchers from Kiel estimate that 30 days of low water levels on the Rhine cuts inland water transportation by about a quarter and industrial production by about 1 per cent.

Insurers will take some of the strain, particularly if there are claims on parametric insurance, a relatively new way of filling gaps in traditional policies. This is a kind of rapid-response cover that pays in full when a pre-determined trigger is activated.

Broker Jefferies suggests that water levels might need to reach 30cm-35cm, about 15cm lower than current levels, to trigger policies. That could result in sizeable, but manageable, claims for the likes of French insurer Axa, which has a parametric business, AXA Climate.

Companies that were hard hit in 2018 have tried to prepare for a recurrence. Measures include using ships with lower drafts, making greater use of rail and building up inventories in response to early warning signals. Given the frequency of extreme weather events, expect more of such self-help investment.

Aviva: strides ahead

Looks like they have the right woman for the job. Half-year results from Aviva were not an intentional riposte to baffling, Ron Burgundy-style gibes against the chief executive at May's annual meeting. You might still read them as such.

The UK insurer's shares are on a tear. They have risen 12 per cent this week to a three-year high, Bloomberg data say. Amanda Blanc is delivering better returns to investors, including activist Cevian, while avoiding the worst effects of inflation. The figure that matters is Aviva's 213 per cent coverage of regulatory capital. The business has a self-imposed target of 180 per cent. The difference between the two figures is equivalent to £2.3bn. That surplus could pay for business investment, acquisitions or payouts to investors.

The running total for the latter this year is £4.75bn. Aviva is now promising an additional buyback. The amount will send an intriguing signal. If it is £250mn, the insurer will have covered the total mooted by Cevian. Better, perhaps, for Aviva to exhibit greater agency and exceed that threshold.

Turn to Aviva's statutory income statement to see how confusingly such P&Ls represent insurers.

This shows a £1.4bn pre-tax loss for the six months amid mind-bending swings in the value of assets and liabilities owing to interest rate rises.

Cash remittances — the surplus sent to corporate HQ by divisions — are a better proxy for profit. The amount fell to £800mn, down £260mn on a prior period when divisions were releasing pandemic buffers. That is still enough to keep Aviva on track for a total of £5.4bn in remittances for 2022-24.

The insurer is raising prices enough to compensate for inflation.

Bosses of complex businesses must produce a simple output: returns that meet or exceed expectations. Blanc is managing this. Years ago, Lex might have said investors were trousering the proceeds. Enough fund managers and chief executives now wear skirts for this to be an anachronism.

Elon Musk/Tesla: liquid preference

Tesla chief Elon Musk insists that he should not be forced to complete his $44bn deal to buy Twitter. The social network repeatedly breached the merger agreement, he claims.

Musk says it failed to give him the information he needed to evaluate its fake account and bot problem.

Musk says Twitter has so many bots they compromise the business. Still, he appears to be making preparations for defeat.

Musk's fight with Twitter will be up to a Delaware court to decide later this year. But Musk is on the defensive. This week he sold $6.9bn of his Tesla shares. Their price had rallied as much as 47 per cent off the lows reached in July.

In a tweet on Tuesday night, Musk acknowledged he might be forced to close the Twitter deal and some of his equity co-investors may not put up the $33.5bn he agreed to pay. The October trial is not far off. The world's richest man knows that he needs cash, pronto.

Musk has ditched a lot of Tesla stock. In April, he sold $8.5bn worth of stock as the Twitter buyout plan unfolded. This followed $16.5bn of sales last year, largely for tax payments due on the exercise of options. Musk's ownership of his electric-vehicle group has fallen to 15 per cent. According to the group's most recent proxy statement, more than half of the shares he owned have been pledged for personal loans.

Musk is no longer relying on margin loans to fund a portion of the $33.5bn in equity he committed for Twitter. But banks have put in place a $13bn debt package against Twitter's future cash flows. Amid the digital ad slump that is plaguing social media companies, those loans look increasingly precarious.

Twitter shares, like Tesla's, have been inching up too. They are up a third from their lows a month ago, though still 20 per cent below the deal price.

Baked into the stock value is the chance the parties will settle for a lower deal price or a multibillion-dollar damages payment. Musk may be raising the cash he needs; whether he will need to raise more is unknown.

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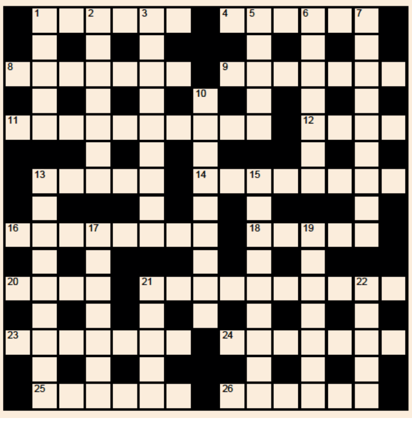
NIKKEI Asia The voice of the Asian century

CROSSWORD

No 17,170 Set by GAFF



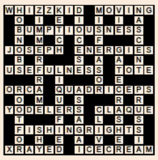
An anniversary puzzle

ACROSS

1 About a hundred damaged trees are hidden (6)
4 Capital stimulus a kangaroo produces (6)
8 Mean to state the time (7)
9 Last incomplete exam penned by firm (7)
11 Following triathlon, exhaustion's starting to be replaced (2,3,5)
12 Order members' pigeons (4)
13 Eat a lot or nothing preserving energy (5)
14 With canteen opening early, Protestants made a mistake (6,2)
16 Congratulations for charitable actions (4,4)
18 Sign over letter after removing a terrible detail (5)
20 Light flame of passion in sack (4)
21 Succeed by following beat (3,7)
23 Heavens! Trick produces bird (7)
24 Wolves' leaders to count on yellow outfits to excite supporters (7)
25 Force to turn into don (6)
26 Order NY team to return after story ends (6)

JOTTER PAD

Solution 17,169



DOWN
1 First Lady points out sins count (5)
2 Spies seizing port with tip-off for treecreepers (7)
3 Why I get to change number (6-3)
5 Normal to find saunas odd in mid-July (5)
6 Loan leading to progress (7)
7 Exploit coming over the river (9)
10 Bill creating trouble for short Malawi leader (9)
13 Had fun finding "wet" in French dictionary (9)
15 Bit of maths problematic for the oyster (3,6)
17 Little bit of excitement in rather boring fighter (7)
19 Beware of guard (7)
21 Labour's compositions (5)
22 Brilliance of jungle ambush (5)