FINANCIAL TIMES

FRIDAY 12 AUGUST 2022 INTERNATIONAL NEWSPAPER OF THE YEAR ASIA

A matter of privacy
Amazon's iRobot deal risks triggering antitrust case — RICHARD WATERS, PAGE 6

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The social media experiment for the future of retail — BIG READ, PAGE 15

Stalled smart cars
Public acceptance and regulation are roadblocks — JOHN THORNHILL, PAGE 17

Enemy lines
Crimea attacks ruffle Kremlin

A girl looks at Russian military equipment crippled in battle against the Ukrainian army, displayed as part of an outdoor exhibition in Lviv, Ukraine, yesterday.

Attacks in Crimea this week, which destroyed nine Russian fighter jets, according to a Ukrainian official, are the most severe of a run of recent incidents involving Russian targets that western experts suspect were undertaken by pro-Ukrainian forces under the guidance of Kyiv.

The unclaimed incidents have put the Kremlin in the awkward position of having to deny that they could have been inflicted by Ukraine-friendly groups.

Propaganda boost page 3
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Yuriy Dyachyshyn/AFP

Sanctions make 'limited impact' on Russian oil output and revenue

- IEA raises production outlook
- Rerouting crude offsets hit
- Cheap prices lure Asia buyers

TOM WILSON — LONDON

Western sanctions have had "limited impact" on Russian oil output since the start of the war in Ukraine, the International Energy Agency said yesterday, as it raised its forecast for Russian crude production.

Moscow's exports of crude and oil products to Europe, the US, Japan and Korea have fallen by nearly 2.2mn barrels a day since its full-scale invasion of Ukraine, the group said. But the rerouting of flows to countries including India, China and Turkey have mitigated financial losses for the Kremlin.

Russian oil production in July was only 310,000 b/d below prewar levels, a fall of less than 3 per cent, while total oil exports were about 580,000 b/d lower, the IEA's latest oil report said. As a result, Russia would have generated $19bn in oil export revenues in July, and $21bn in June, the IEA's data showed.

"Asian buyers have stepped in to take advantage of cheap crude," the group said, with China having overtaken the EU as the biggest importer of Russian crude in June.

Increased demand for Russian crude compared with earlier in the year also meant that the discounts being paid for Russian cargoes had narrowed, it said.

Although an EU embargo on Russian crude — due to come into full effect next February — would result in further declines in European imports, "some policymakers have suggested a possible softening of measures", it added.

Last month, the EU loosened its restrictions on supplying Russian oil to countries outside the bloc. Meanwhile, the US is pushing G7 nations to support a price cap mechanism that would allow some Russian oil to reach third countries as long as they agreed to pay below-market price for the cargo.

In response, the IEA said, it had increased its Russian production forecast for the second half of 2022 by 500,000 b/d and 800,000 b/d for 2023.

The revised Russian outlook came as the IEA also increased its global oil demand and forecast for 2022 by 380,000 b/d, despite signs of an economic slowdown.

Record European prices for natural gas following the invasion had spurred "substantial" gas-to-oil switching for power generation that is set to boost crude consumption for the rest of the year even as demand growth from other parts of the economy slows.

Oil use for power generation has also been pushed higher by increased electricity demand owing to the global heatwave, which has seen temperatures hit record levels in some parts of the world, including the UK. Oil burning has soared in Saudi Arabia and Iraq but also increased in Portugal, the UK, Spain, Germany and Italy, it said.

The EU's commitment to reducing member countries' gas consumption by 15 per cent from August 2022 to March 2023 will continue to increase oil demand by roughly 300,000 b/d for the next six quarters, the IEA added.

Moscow's oil exports to the US, Japan, Korea and Europe have fallen by 2.2mn barrels a day since it invaded Ukraine but flows to India, Turkey and China have risen

Scholz backs Europe pipeline page 2
Europe electricity prices hit high page 6
US petrol costs fall page 10

Briefing

Brown leaves SMIC amid US tensions
Tudor Brown, the ex-president of tech group Arm, has quit the board of China's biggest chipmaker, as rising Washington-Beijing tensions put pressure on the country's tech sector.— PAGE 6; LEX, PAGE 18

Bangladesh cautious over China loans
Bangladesh has warned developing nations to think twice about taking loans via China's Belt and Road Initiative as global inflation and slowing growth add to emerging markets' strains.— PAGE 4; FT VIEW, PAGE 16

Erdoğan secures Swedish extradition

A suspected fraudster is to be extradited to Turkey, the first such case since President Recep Tayyip Erdoğan, right, demanded extraditions in return for Ankara agreeing to Stockholm's Nato push.— PAGE 2

Credit Suisse initiates Greensill moves
The Swiss lender has stepped up its legal fight against SoftBank as it seeks to recoup hundreds of millions of dollars on behalf of wealthy clients that it had lent via Greensill, the defunct finance firm.— PAGE 8

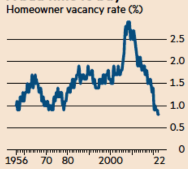
India plans Big Tech rule changes
India has pledged to move quickly regarding internet laws after last week abruptly scrapping a contentious personal data protection bill. Meta and Google had railed at the draft bill's compliance costs.— PAGE 4

Pyongyang declares 'victory' over Covid
Three months after Kim Jong Un first admitted that North Korea had seen an outbreak of Covid-19, he has declared "victory" over the virus and described the official death toll of 74 as a "miracle".— PAGE 4

Exxon divestment hit by Nigeria U-turn
The oil major's sale of its business in the Niger Delta has been thrown into doubt after Nigeria's president withdrew his support for the divestment.— PAGE 9

Datawatch

A bad time to buy
Homeowner vacancy rate (%)



Source: Federal Reserve Bank of St. Louis

The vacancy rate for ownership housing in the US — the proportion of the homeowner inventory that is vacant for sale — is at 0.8 per cent, the lowest since the US Census has been recording. The rate hit 0.9 per cent in 1973, 1978 and 2021.

Carney to head Brookfield asset management spin-off

Chair of investment unit ▸ PAGE 9

Fed's Daly says inflation fight 'not near done' with US core prices still climbing

COLBY SMITH — WASHINGTON

A top Federal Reserve official has warned that it is far too early for the US central bank to "declare victory" in its fight against inflation after data showed a reprieve in consumer price pressures.

In an interview with the Financial Times, Mary Daly, president of the San Francisco branch of the Fed, did not rule out a third consecutive 0.75 percentage point rate rise at the central bank's next policy meeting in September, although she signalled her initial support for the Fed to slow the pace of its increases.

Her comments come amid intense debate on how quickly the Fed will tighten monetary policy in the second half of 2022, after raising rates at the fastest pace since the early 1980s in the first half of this year. The federal funds rate, which hovered near zero in March, is now fixed between 2.25 per cent and 2.50 per cent.

"There's good news on the month-to-month data that consumers and business are getting some relief but inflation remains far too high and not near our price stability goal," Daly said after the latest consumer price index report showed no increase between June and July and a slower annual inflation rate of 8.5 per cent. Still, "core" prices, which strip out volatile items such as energy and food, climbed higher, led by an uptick in services inflation that Daly said showed little sign of moderating.

"This is why we don't want to declare victory on inflation coming down," she said. "We're not near done yet."

Daly maintained that rates should rise to just under 3.5 per cent by the end of the year, a level that constrains business and consumer activity. But she cautioned against moving too aggressively to damp demand.

"There is a lot of uncertainty, so leaping ahead with great confidence that [a 0.75 percentage point rise] is what we need and being prescriptive would not be optimal policy," she said. A half-point rise in September was her "baseline".

Daly pointed out that the Fed had already tightened monetary policy significantly and the full effects of those moves had not yet trickled through the economy. Other global central banks were raising interest rates rapidly in a "synchronised" way to an extent that had dramatically tightened global financial conditions, she added, while growth prospects had soured.

"We have a lot of work to do," she said.

US labour paradox page 9
Brooke Masters page 17

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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World Markets

STOCK MARKETS

	Aug 11	Prev	%chg
S&P 500	4225.20	4210.24	0.36
Nasdaq Composite	12853.74	12854.81	-0.01
Dow Jones Ind	33470.19	33309.51	0.48
FTSEurofirst 300	1728.46	1727.12	0.08
Euro Stoxx 50	3755.65	3749.35	0.17
FTSE 100	7465.91	7507.11	-0.55
FTSE All-Share	4131.26	4150.68	-0.47
CAC 40	6544.67	6523.44	0.33
Xetra Dax	13694.51	13700.93	-0.05

CURRENCIES

Pair	Aug 11	Prev	Pair	Aug 11	Prev
$/€	1.035	1.036	€/$	0.967	0.966
$/£	1.223	1.226	£/$	0.818	0.816
£/€	0.846	0.845	€/£	1.182	1.184
¥/$	132.585	132.125	¥/€	137.166	136.822
¥/£	162.084	162.019	£ index	79.750	79.363
SFr/€	0.972	0.974	SFr/£	1.148	1.153

CRYPTO

	Aug 11	Prev	%chg
Bitcoin ($)	24372.20	23959.99	1.72

GOVERNMENT BONDS

Yield (%)	Aug 11	Prev	Chg (b/p)
US 2 yr	3.17	3.14	0.03
US 10 yr	2.84	2.76	0.08
US 30 yr	3.12	3.03	0.09
UK 2 yr	2.13	2.08	0.05
UK 10 yr	2.06	1.95	0.11
UK 30 yr	2.45	2.33	0.12
JPN 2 yr	-0.10	-0.10	0.00
JPN 10 yr	0.19	0.19	0.00
JPN 30 yr	1.10	1.10	0.00

Dubai

9 770307 176852 32>

Nikkei	27819.33	27999.96	-0.65
Hang Seng	20082.43	19610.84	2.40
MSCI World $	2803.37	2743.62	2.18
MSCI EM $	997.20	1001.69	-0.45
MSCI ACWI $	649.75	637.70	1.89
FT Wilshire 2500	5495.73	5374.13	2.26
FT Wilshire 5000	42924.85	41972.61	2.27

Ethereum	1893.63	1853.98	2.14
COMMODITIES			
	Aug 11	Prev	%chg
Oil WTI $	93.65	91.93	1.87
Oil Brent $	99.01	97.40	1.65
Gold $	1795.05	1795.25	-0.01

GER 2 yr	0.45	0.42	0.03
GER 10 yr	0.97	0.89	0.08
GER 30 yr	1.22	1.12	0.10

Prices are latest for edition
Data provided by Morningstar

A Nikkei Company

INTERNATIONAL

Germany

Scholz backs west European gas pipeline

Chancellor keen to start building new route after Nord Stream supplies cut

GUY CHAZAN — BERLIN

Olaf Scholz has backed the idea of a gas pipeline linking Portugal and Spain to central Europe via France, saying it would vastly improve the continent's energy security.

Speaking yesterday at his first summer press conference as German chancellor, Scholz said he had discussed the idea with the other countries' leaders, as well as with Ursula von der Leyen, European Commission president.

"I made the case that we should really tackle such a project," he said, adding that there would be "other connections between north Africa and Europe that will help us to diversify our [energy] supply".

Europe's efforts to wean itself off Russian gas have been hampered by the lack of alternative pipelines. Brussels has made knitting together the bloc's energy infrastructure, eliminating bottlenecks and ending delays to pipeline projects a priority.

But any such project would not come soon enough for Germany. Berlin is racing to find alternative sources of gas after Russia reduced flows through Nord Stream 1, which is the main conduit for Russian gas into Europe. NS1 is operating at only 20 per cent of capacity.

The dearth of gas has pushed up prices and complicated Germany's efforts to fill its storage ahead of winter. Industry fears the government might be forced to declare a gas emergency, which would mean supplies would have to be rationed.

Germans are braced for rocketing heating bills this winter amid a flatlining economy, soaring inflation and supply chain problems that continue to dog the industrial sector.

> The government will 'do everything it can to ensure people get through this difficult period'

Scholz acknowledged that Germany was living through "serious times" but said the government would "do everything it can to ensure people get through this difficult period", repeating his mantra: "You'll never walk alone."

Import terminals for liquefied natural gas being constructed on the North Sea coast and due to begin operations early next year would make up the shortfall in supplies from Russia, he said.

"We will be in a situation . . . where it might be expensive to get gas, because of the state of the global market, but we will always get enough."

Scholz was asked about the "cum-ex" tax fraud scheme, the subject of a significant inquiry by law enforcement authorities in Germany.

In 2016, when he was mayor of Hamburg, the tax authority there chose not to demand repayment of €47mn in back taxes from a private bank, MM Warburg, which had been involved in some of the cum-ex trades. The opposition accuses him of influencing the tax authority into letting the bill lapse, a charge he denies.

Scholz said there was "no evidence whatsoever of political influence [being exerted] over this decision".

His links to the saga re-emerged in the past few days when it was revealed that authorities had discovered about €200,000 in cash in a safe-deposit box belonging to Johannes Kahrs, a former MP from Scholz's Social Democrats.

Scholz said he knew "nothing" about the money, adding: "I'm just as curious as you and would love to know where it comes from. But [Kahrs] won't tell you or me."

Eurozone. Industry

German powerhouse shaken by series of shocks

Export model strained by inflation, supply chain woes and drop in global demand

GUY CHAZAN — BERLIN
JOE MILLER — FRANKFURT

Germany's finance minister did not pull his punches in describing the grim reality facing Europe's largest economy.

Prospects were "fragile", Christian Lindner said on Wednesday. Growth forecasts were being downgraded. Life had become "much more expensive for lots of people", with rising prices for gas, energy and food.

Germany is experiencing a squall of shocks that are darkening its economic outlook. Along with soaring inflation, persistent supply chain problems and weaker global demand are weighing heavily on its industrial sector.

"What's most worrying is just how broad-based the weakness in the economy is," said Clemens Fuest, head of the Ifo Institute think-tank. In other downturns, services suffered but industry recovered, and vice versa. "Now we're seeing weakness across the board."

The eurozone's powerhouse has become its weak link. Germany's economy stagnated between the first and second quarters, while the single currency area as a whole expanded 0.7 per cent. Last month, the IMF slashed its forecast for German growth in 2023 by 1.9 percentage points to 0.8 per cent, the biggest downgrade of any country.

While growth in France, Italy and Spain was stronger than expected on the back of a tourism-fuelled boom, Germany has had to rely more on domestic demand. But with consumers labouring under high inflation, spending and confidence are fragile. Retail sales fell 8.8 per cent compared with a year previously, the biggest decline on record.

"People are feeling really insecure," said Monika Schnitzer, economics professor at Munich's Ludwig Maximilian University, who sits on a panel of economists advising the government. "They've been told to keep money back for higher energy bills and that has led to a drop in consumption."

The economy is now so weak that many fear a technical recession, defined as two consecutive quarters of negative growth.

Sign of the times: Hamburg port workers strike for more pay in June with a banner that reads 'Stop the inflation monster'
Fabian Bimmer/Reuters

Pessimists point to low water levels on the Rhine affecting river traffic in the heavily industrialised area, rising tension between Beijing and Taiwan and the prospect of a global downturn, always a problem for export-oriented economies such as Germany's.

The BDI business lobby said late last month that a recession was becoming more and more likely. Households as well as companies were suffering from higher energy prices that were stoking inflation, while China's zero-Covid strategy was "paralysing global trade".

Schnitzer said much hinged on whether Russia turned off the gas tap completely and Beijing closed ports and factories should Covid-19 numbers rise.

"If we can muddle through and things don't get worse in the US and China, we may be able to avoid a recession, but even then we can't expect a significant upswing," she said. "Either way, the uncertainty is just huge at the moment."

Recent data have deepened fears of a downturn. Last month, Ifo's index of business confidence fell to its lowest level in more than two years. Industrial production rose modestly in June, but orders fell 0.4 per cent — the fifth successive monthly decline — and are 9 per cent below a year ago.

The challenge of the coming months will be to steer a course between supply chain problems and rising gas prices. "They expect no relief on either," said Fuest.

About 73.3 per cent of companies surveyed by Ifo in July were experiencing shortages, and about 90 per cent in the electronics, machine building and car sectors struggling to procure materials and products.

A bigger problem is the increase in gas and electricity prices. Hans Jürgen Kerkhoff, president of the German Steel Federation, said the industry was incurring additional costs of about €7bn a year, compared with 2021.

For other companies, it is the instability that is most troubling. Claus Bauer, chief financial officer at Schaeffler, the car parts supplier, said: "We're talking about tripling [of energy prices] one day, then going down by 30 per cent the next day."

> 'If we can muddle through and things don't get worse in the US and China, we may be able to avoid a recession'

Some companies are more upbeat. Deutsche Post DHL, one of the world's largest logistics groups by revenue, has been posting record profits in the past year. "The current predictions from some economists are, from my perspective, too pessimistic," said Frank Appel, chief executive. "In our numbers we don't see any recession yet."

The government is not too alarmed by the downbeat statistics. "A lot of companies are telling us that even if they get no new orders they'll still be busy for the next two years," said one official. A recession is a possibility, he said, but it could "be a soft one — where growth is below zero for two quarters, but everything feels OK, companies can pay their bills and we can help everyone through the winter".

Nevertheless, the government is moving to adopt its third package of relief measures for the population since the war in Ukraine broke out. Lindner said he wanted to raise income tax thresholds as well as the child benefit and the tax-free allowance. "We are in a situation where we have to act," he added.

Fraud conviction

Swedish court agrees first extradition after Turkey's Nato threat

RICHARD MILNE
NORDIC AND BALTIC CORRESPONDENT

Sweden is extraditing a man wanted for credit card fraud to Turkey in the first such legal step since Ankara demanded Stockholm expel dozens of alleged terrorists as the price for agreeing to its bid to become a member of Nato.

The government had agreed to extradite the Turkish citizen, who had been convicted of fraud in Turkey, the justice ministry in Stockholm said.

Sweden's bid to join Nato, along with neighbour Finland, has been held up by Turkey, whose president, Recep Tayyip Erdoğan, has demanded that Stockholm extradite 73 people accused by Ankara of terrorism. The Turkish man being extradited is a 35-year-old whose name appears on that list, according to Swedish national broadcaster SVT.

The man was convicted in Turkey of bank and credit card fraud in 2013 and 2016, according to Sweden's justice ministry, and sentenced to 14 years in jail.

According to SVT, he argued in Sweden's Supreme Court that he had been wrongly convicted because he had converted to Christianity from Islam, had refused to do military service and because his mother was Kurdish.

Morgan Johansson, Sweden's justice minister, said: "This is a normal, routine matter . . . The Supreme Court has examined the issue, as usual, and concluded that there are no obstacles to extradition." His ministry underscored that the case was more than a year old and therefore predated Sweden's Nato application.

Turkey has been angered by Sweden's often vocal support for Kurdish groups as well as several Kurdish-born MPs who sit in the Swedish parliament.

Sweden, Finland, and Turkey signed a trilateral agreement at the Nato summit in Madrid in June under which Ankara appeared to end its opposition to the two Nordic countries joining the military alliance. Sweden and Finland have had their membership applications ratified by 23 of Nato's 30 members in record time. The US did so formally this week after President Joe Biden endorsed the decision of the Senate.

But Turkey is still threatening to cause problems, warning Sweden that it wants to see progress on extraditions before its parliament agrees to ratify the Nato application. Swedish newspaper Dagens Nyheter said that of a list published in the Turkish media of 33 people wanted for extradition, Sweden had already rejected 19 of them.

Sweden and Finland have argued that they have separate judicial processes for deciding extraditions and that governments cannot intervene in the process. They pledged under the June deal to process Turkey's pending extradition requests "expeditiously and thoroughly" but the memorandum made no mention of a number of suspects such as Erdoğan's figure of 73.

The people Turkey has demanded are mostly members of two groups it considers terrorist organisations: the armed Kurdistan Workers' party, or PKK, and followers of an Islamic preacher blamed for masterminding an abortive military coup in 2016.

Additional reporting by Ayla Jean Yackley in Istanbul

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Heatwave

France calls for continental help to tackle spate of wildfires

AKILA QUINIO AND DOMITILLE ALAIN
PARIS

European countries are helping France to fight fires raging across the country as the continent deals with a long drought and recurring heatwaves.

Poland, Germany, Austria, Greece and Romania have pledged to send firefighters, vehicles and equipment after France activated the EU's civil protec- and Greece. The commission will also use an EU satellite to help gather data about the fire-damaged areas.

Germany is set to send 64 firefighters and 24 vehicles while Poland plans to send 146 firefighters and 49 vehicles.

"This fire season is particularly ferocious on our continent . . . the EU has full solidarity when a country is facing an emergency situation," said Janez Lenarčič, the European commissioner for humanitarian aid and crisis management.

France's prime minister, Élisabeth Borne, and interior minister Gérald Darmanin yesterday visited Gironde, where about 1,100 firefighters have been deployed.

"We have never mobilised so many resources to fight fires," said Borne, adding that lessons would have to be drawn on how to adapt to climate change and protect biodiversity.

Weather conditions to tackle the fire are "particularly difficult" in Gironde, where it has not rained for more than a month, according to local authorities. Temperatures were touching 40C yesterday and are forecast to remain high until the weekend.

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Representative, Anjali Mahindroo

France activated the EU's civil protection mechanism.

"Our partners are coming to help France as it faces the fires. Thank you to them. European solidarity is in play," French president Emmanuel Macron wrote on Twitter.

Eight fires across France have forced the evacuation of about 10,000 people, according to the latest information.

The country's Gironde department, which includes the city of Bordeaux, is dealing with the largest incident, a blaze that started in July and has begun to rage again in recent days. Local authorities estimate that about 6,800 hectares have been burnt.

The European Commission said it had sent four planes from the EU's firefighting aircraft fleet to France from Sweden

Raging: flames engulf trees just south of Bordeaux yesterday — Thibaud Moritz/AFP/Getty

'Our partners are coming to help France as it faces the fires. Thank you to them'

Investigators are looking at whether any of the fires were started deliberately. "The fire spread on all sides, and with the rise in temperature we've seen a fire which exploded in certain areas," said Marc Vermeulen, who heads Gironde's fire department.

Satellite data suggest about 48,000 hectares of land have been burnt in France this year, compared with an average of roughly 7,000 hectares over the past 15 years.

INTERNATIONAL

Blasts in Crimea hand Ukraine propaganda and morale boost

Unclaimed incident is latest on Russian targets that experts believe Kyiv is behind

ROMAN OLEARCHYK AND MEHUL SRIVASTAVA — KYIV
JOHN PAUL RATHBONE — LONDON

The thick plumes of black smoke that swirled over an air base in Crimea sent scores of sunseekers running from the Russia-occupied peninsula, clogging traffic on the highway leading to the only bridge to their homeland.

Ukrainian officials retweeted the videos of panicked Russian tourists racing for the exits. One assessed that nine Russian fighter jets had been destroyed in the incident on Tuesday evening. But they did not go as far as to take credit for the damage inflicted on the Saki air base, some 200km from the nearest known Ukrainian position.

"Smoking cigarettes kill," a senior Ukrainian official wrote in a tongue-in-cheek text soon after the explosions.

The Crimea blasts are the most severe of a run of incidents involving Russian targets behind the front line that western experts suspect have been undertaken by pro-Ukrainian forces under direct or indirect guidance of Kyiv.

These unclaimed incidents have put the Kremlin in the awkward position of having to deny that they could have been inflicted by Ukraine-friendly groups. Moscow suggested Tuesday's explosions in Crimea, which it annexed in 2014, might have been accidental due to the mishandling of ammunition.

"Only a violation of the fire safety requirements is seen as the main cause of the explosion of several munitions at the Saki airfield," an unnamed Russian defence ministry source was quoted as saying by the Interfax news agency.

Together with what appear to be partisan actions against Russian soldiers in recently occupied Ukrainian territories, they are designed to sow unrest and doubt among the Russian population and boost Ukrainian morale, more than make a material difference on the battlefield, experts and western officials say.

"The mere fact it took place so far behind enemy lines and in Crimea, which [Russian president Vladimir] Putin considers de facto Russian territory, is a real morale boost for Ukraine," said one European intelligence official. "It also shows that Ukraine has higher capabilities than Russia may have thought."

A western military official said the propaganda gain from the Saki air base explosions was "the combination of a grand slam, a hole in one and a last-second goal" all at once.

In the past few months, officials appointed by the Kremlin have been killed in Ukrainian territories seized by Russian forces, some by car bombs, others by gunshot. The Kremlin-picked deputy head of the Russia-occupied Kherson province last week denied reports that his boss had been poisoned or had a stroke after he was evacuated to Moscow for treatment.

Infrastructure that is key to Russia's war effort has also been targeted. A "kamikaze" drone struck a Russian oil refinery in the southern Rostov region in June.

Russia has accused Ukraine of inflicting some of the damage but has refused to confirm many of the incidents. State media have taken to reporting "bangs" rather than "explosions", while officials have dismissed some of them as safety violations or industrial accidents.

Close call: smoke and flames rise near bathers on the beach after explosions at Saki air base, Crimea
Stringer/TPX/Reuters; UGC/AP

Moscow's refusal to acknowledge the attacks, analysts say, could be an attempt to prevent panic spreading among locals about Ukraine's ability to strike within Russia and to maintain the illusion it is only engaged in a "special operation" and not a full-scale invasion.

However, the explosions at the Saki air base are of a magnitude far greater than any operations Ukraine is suspected of having carried out.

Western military officials and analysts suggested they may have been caused by a Ukrainian-made missile or a group of saboteurs, rather than the less likely scenario of an accident.

A Nato official declined to elaborate on the incident beyond saying that no weapons provided by the west were used. The New York Times and the Washington Post reported that Ukrainian special forces, working alongside partisans, were behind the assaults.

Ukrainian forces have used domestically developed weaponry, such as the locally made Neptune shore-based missile that sank the Moskva flagship of Russia's Black Sea fleet in April. A western defence adviser said that Kyiv had a few late-model Grom ballistic missiles with a range of 300km.

However, Rochan Consulting, a military adviser, said such a missile should have been picked up by Russian air defence systems, adding there was "no evidence to suggest that Russian air defence [nearby] was activated".

'Why take credit when you can leave behind paranoia? It's not like the Russians don't know what hit them'

Another possibility is that the strike was carried out by resistance fighters or Ukrainian special forces using kamikaze drones. A drone with explosives hit the Black Sea fleet base in Sevastopol in late July. "It's absolutely possible that it was a group of local saboteurs," the European intelligence official said.

The mystery behind the blasts played into Ukraine's hands, said the Nato official. "Why take credit when you can leave behind paranoia? It's not like the Russians don't know what hit them."

For Russia, blaming the attack on Ukraine would imply weakness in its defences and demand a response, as Putin considers Crimea part of Russia.

Crimea's Russia-picked governor, Sergei Aksyonov, declared after the Saki blasts a state of high terror alert, yet insisted the situation was "under full control".

In his daily address later, Ukrainian president Volodymyr Zelenskyy did not refer to the blasts but said: "Crimea is Ukrainian and we'll never give it up."

Additional reporting by Max Seddon, Riga

See Opinion

INTERNATIONAL

Belt and Road Initiative

Bangladesh warns on China project loans

Finance minister blames bad lending decisions by Beijing for Sri Lanka woes

BENJAMIN PARKIN — DHAKA

Bangladesh's finance minister has warned developing countries to think twice about taking loans through China's Belt and Road Initiative as global inflation and slowing growth add to the strains on emerging markets.

AHM Mustafa Kamal also said China needed to be more rigorous in evaluating its loans amid concern that bad decisions risked pushing countries into debt distress. He pointed to Sri Lanka, where Beijing-backed infrastructure projects that failed to generate returns had exacerbated an economic crisis.

"Whatever the situation [that] is going on worldwide, everybody will be thinking twice to agree to [BRI loans]," he told the Financial Times. "Everybody is blaming China. China cannot disagree. It is their responsibility."

He said Sri Lanka's crisis highlighted that China had not been rigorous enough in deciding which projects to support. It needed to "make a thorough study" before lending to a project, he said. "After Sri Lanka . . . we felt that Chinese authorities are not taking care of this particular aspect, which is very, very important."

Bangladesh last month became the latest country in Asia to approach the IMF for financing as surging commodity prices after Russia's invasion of Ukraine

> 'Everybody is blaming China. China cannot disagree. It is their responsibility'

weighed on its foreign reserves. The country, a participant in China's BRI, owes about $4bn, or 6 per cent of its foreign debt, to Beijing.

Kamal said Bangladesh wanted a first instalment from the IMF of $1.5bn as part of a $4.5bn package, which would include financing to help it fund climate change resilience projects and buttress its budget. The fund said a loan to Bangladesh had not yet been negotiated.

Bangladesh was also seeking up to $4bn from other multilateral and bilateral lenders, including the World Bank, Asian Development Bank, Asian Infrastructure Investment Bank and Japan International Co-operation Agency, Kamal said. He was optimistic the country would secure loans from them.

Kamal's comments came after Wang Yi, China's foreign minister, visited Bangladesh, meeting officials including Sheikh Hasina, prime minister. China called itself "Bangladesh's most reliable long-term strategic partner" and said the pair agreed to strengthen "co-operation in infrastructure".

Bangladesh has been hit hard by a rising energy import bill, with fuel shortages forcing daily power cuts. Its foreign reserves have fallen to less than $40bn, from more than $45bn a year ago.

But analysts said the country's strong export sector, notably its garment trade, had helped shield it from the recent global shocks. This meant that although "everybody is suffering [and] we are also under pressure", Bangladesh was not at risk of defaulting like Sri Lanka had, Kamal said. "There is no way to even think of a situation like that."

See The FT View

US. Rightwing fury

FBI raid fires up Trump's diehard supporters

Search of ex-president's home prompts conspiracy theories and threats of violent reprisals

JAMES POLITI — WASHINGTON
ELEANOR OLCOTT — PALM BEACH
CAITLIN GILBERT — NEW YORK

Perched on the side of a bridge connecting the island of Palm Beach to the Florida mainland, a day after Donald Trump's nearby Mar-a-Lago resort was searched by the FBI, Mary Ann Robinson held a White Claw alcoholic drink in one hand and railed against federal law enforcement.

"When they raided our president['s home], I felt hurt, then anger," said the retired healthcare administrator. "I come to these rallies to bring attention to what is happening in our government. We know the Godless commies will never take this republic down as long as we are here."

Robinson was part of a relatively small group of defiant, diehard pro-Trump supporters staging a defence of the former president, many of them brandishing huge flags and blaring their car horns. Their reactions were laced with conspiracy theories about both the 2020 election and the political motivation behind the FBI search, echoing Trump's statements on the raid. Ominously, they suggested the backlash could turn violent if the former president was arrested or prevented from seeking re-election in 2024.

"We're going to fight until the end, whatever it takes," said Mark Harvey, a Florida local who introduced himself as "Beach Cracker". He added: "Ninety-nine per cent of Republicans are armed and ready to go. We're ready to take it to the next level if it comes down to it."

Such threats were not confined to Palm Beach. From the moment Trump announced that his home had been searched by federal agents, anger rippled across conservative America.

Republican lawmakers condemned the FBI and the justice department for being complicit in an oppressive federal regime and a "deep state" bureaucracy that was out to quash any political opposition — even though the search on Mar-a-Lago was approved by a federal judge.

Flying the flag: supporters of Donald Trump, and below, rally near his home in Palm Beach
Giorgio Viera/AFP/Getty Images

"This is America and these Gestapo tactics are not welcome. There will be a reckoning," Laurent Joe Biden. The bill includes a measure beefing up funding for the Internal Revenue Service to audit more wealthy tax evaders, something some conservatives characterised as another sign of impending government persecution.

"The federal Regime is targeting those it dislikes for disfavoured treatment," Ron DeSantis, the Florida governor, wrote in a fundraising email on Wednesday. "They are demanding we get in line or face the consequences. Now, the Regime is getting another 87,000 IRS agents to wield against its adversaries."

When Scott Perry, a Republican lawmaker from Pennsylvania who is one of Trump's most loyal followers on Capitol Hill, disclosed that his phone had been seized by the FBI on Tuesday after facing scrutiny from a congressional probe over the January 6 attack on the US Capitol, more anger flared on the hard right.

The response has highlighted the extent to which many Republicans have drifted towards Trumpian scepticism of federal law enforcement in a party that has traditionally presented itself as tough on crime.

Even Republican leaders in Congress attacked the DoJ and the FBI, with Kevin McCarthy, the top Republican in the House, promising to investigate attorney-general Merrick Garland if the party regained control of the lower chamber of Congress in November.

Meanwhile, Republican candidates appealed for funding on the back of the search and promised retribution. "The question is what comes next," said JD Vance, the author and venture capitalist running for a Senate seat in Ohio. "We either have [a] republic or we don't. If we do, the people who've politicised the FBI in recent years will face investigation and prosecution."

> 'This is America and these Gestapo tactics are not welcome. There will be a reckoning'

Republican strategists hope that the raid will consolidate their advantage with voters heading into the midterm elections by revving up their base. But there is a risk that the anger unleashed the party, and the extent to which the party remains in Trump's grip. On social media, in the hours after the Mar-a-Lago raid, tweets referencing "civil war" and "FBI Gestapo" surged to a peak of more than 3,000 in one hour. Two days later, an average of 1,000 of these tweets were still being sent every hour.

Many on Twitter, Telegram and Trump's alternative platform, TruthSocial, pointed to the raid as evidence of continued targeting of Trump and his supporters by Biden and the "Deep State". Baseless online conspiracies spread rapidly, accusing the FBI of planting evidence to prevent Trump from running for office in 2024.

In far-right spaces such as QAnon Telegram channels and the message boards TheDonald and 4chan, threats of violence were more explicit, with many posting death threats against Garland and FBI director Christopher Wray.

But it was outside Trump's Florida home that feelings were at their most raw and disturbing. Linda Ulmer, a retiree from Jupiter Beach, Florida said: "If Trump is put in prison, there will be a

Online regulation

India plans new Big Tech rules after personal data bill dropped

JOHN REED — NEW DELHI

India plans to move "as quickly as possible" with legislation governing the internet after abruptly scrapping a contentious personal data protection bill last week.

Rajeev Chandrasekhar, India's minister of state for electronics and information technology, rejected criticism from tech groups such as Meta and Google that had complained about the draft bill's compliance costs and some of its provisions, including a requirement that companies store data locally in India.

"Big Tech have got used over the past decade to little or no regulation, little or no scrutiny, and they got away with things they should not have gotten away with," Chandrasekhar said.

"Governments around the world were asleep at the wheel."

Chandrasekhar added that the government would propose a "much more focused data protection and privacy bill", amend or redraft its 22-year-old IT act. and outline a broad data governance framework policy that would deal with artificial intelligence, non-personal data, and data sets.

"We want to do it as quickly as possible," he said. "We don't want to disrupt the momentum that we have today in terms of start-ups and the innovation ecosystem for growth."

India's regulatory push comes after the EU passed laws this year to set the global standard for how large online platforms such as Amazon and Facebook must operate. The US is among the countries considering similar legislation, as regulators worldwide crack down on the market power of the biggest tech companies.

Chandrasekhar said tech companies were protesting at "basically any form of scrutiny and regulation because they had seen nothing before".

He added: "That train has left the station; New Delhi station, and Big Tech has to get used to the fact that openness, safety and trust and accountability, which are the boundary conditions around which we are making policies . . . are here to stay."

After five years of discussions about how to protect online users' data, Narendra Modi's government last week withdrew the personal data protection bill, which had received more than 90 amendments from lawmakers.

India, the world's largest democracy, has roughly 800mn internet users, a number its government estimates will grow to 1.2bn by 2026. However, its IT legislation has failed to keep up with a growing digital economy involving both local start-ups and global tech groups, as well as increasing concerns over privacy, freedom of speech and the impact of tech apps on human rights.

Work on the draft began after India's Supreme Court recognised privacy as a fundamental right in a 2017 ruling on a case challenging the government's Aadhaar digital ID system.

Chandrasekhar said any legislation would give the state "the right to intervene and seek out information about a particular citizen" in cases such as law enforcement, national security, terrorism, pandemics or natural disasters.

Some tied the FBI's move on Trump to the $700bn economic package passed by the US Senate and endorsed by Presi-

ren Boebert, the pro-Trump Republican lawmaker from Colorado, said on Twitter.

might turn off moderate and independent voters by showing how deeply anti-Washington extremism has penetrated

civil war. People will be out on the streets. Buildings will burn. People will take down the Capitol.”

That will be considered as a reasonable exception to the fundamental right of privacy, he added.

Revenge allegation

US charges Iranian with plot to murder Bolton

COURTNEY WEAVER — WASHINGTON
ANDREW ENGLAND — LONDON

Federal prosecutors have charged an Iranian national with plotting to murder John Bolton, Donald Trump's former national security adviser, on US soil.

The Department of Justice said it believed Shahram Poursafi, a member of Iran's elite Revolutionary Guards who is also named Mehdi Rezayi, had attempted to arrange a “murder for hire” targeting Bolton in retaliation for the death of Qassem Soleimani, an IRGC commander, in January 2020.

“Iran's IRGC, through the defendant, tried to hatch a brazen plot: assassinate a former US official on US soil in retaliation for US actions,” said Matthew Graves, US attorney for the District of Columbia.

Iran vowed to avenge Soleimani's death after former US president Donald Trump ordered a drone strike that killed one of the Islamic republic's most powerful commanders near Baghdad airport in 2020. Bolton was not working for the administration at the time of Soleimani's death; he had been fired in September 2019 after his hawkish position on Iran and North Korea led to clashes with Trump.

The assassination of Soleimani, who was head of the Quds Force, responsible for overseas operations, pushed the adversaries to the brink of war. Tehran initially responded by firing missiles at two bases hosting US soldiers in Iraq. No US troops were killed in the attack.

> ‘This is not the first time we have uncovered Iranian plots to exact revenge against people on US soil’

According to court papers, Poursafi tried to organise the murder via an encrypted messaging application, after contacting a US resident online and asking if he could take photographs of Bolton for a book. In November 2021, they put Poursafi in touch with a second person, who was first offered $250,000, then $300,000, to “eliminate” Bolton.

Over several months, Poursafi repeatedly pressured the individual to carry out the attack, sending updates on Bolton's whereabouts as well as photographs of bags of US dollars, the implied payment, said prosecutors. Should the individual fail to do the job, Poursafi's “group” would be angry, he warned.

If convicted, Poursafi could face up to 15 years in prison for “attempting to provide material support to a transnational murder plot” and 10 years “for the use of interstate commercial facilities in the commission of murder-for-hire”. US authorities said Poursafi was at large outside the country.

“The justice department has the solemn duty to defend our citizens from hostile governments who seek to hurt or kill them,” said Matthew Olsen, assistant attorney-general in the justice department's national security division.

“This is not the first time we have uncovered Iranian plots to exact revenge against individuals on US soil and we will work tirelessly to expose and disrupt every one of these efforts.”

Bolton, who served as national security adviser for about 18 months, thanked the DoJ for bringing the case and the FBI for its diligence.

Covid outbreak

North Korea declares ‘victory’ over pandemic

CHRISTIAN DAVIES — SEOUL

North Korea has declared “victory” over Covid-19, three months after Kim Jong Un's regime first admitted to an outbreak of the virus in the country.

“The long-suffered quarantine war is finally over and today we are able solemnly to declare victory,” Kim told thousands of scientists and health officials in a speech put on state media yesterday.

Kim described the official death toll of 74 as a “miracle” and praised the country's “all-for-one and one-for-all collectivist spirit”. He thanked health officials for obeying the regime's orders and “proving” its policies had been correct.

Pyongyang's reporting of Covid-19 numbers has attracted widespread scepticism from public health experts. “The North Koreans don't have the capacity to conduct mass testing for Covid, so their official figures are not credible at all,” said Go Myong-hyun, a senior fellow at the Asan Institute for Policy Studies in Seoul.

Speaking at the same event, Kim Yo Jong, Kim's sister who is a high-ranking regime official, blamed the outbreak on leaflets laced with Covid-19 flown by balloon from South Korea. Accusing Seoul of a “crime against humanity”, she said it was trying to “take advantage of the world health crisis and crush our country”.

“If the enemies continue to do dangerous shit that could introduce the virus into our country, we'll respond of course by not only eradicating the virus, but also exterminating the South Korean authority bastards,” she said.

Kim Jong Un: described the official death toll of 74 as a ‘miracle’ and hailed the regime's policies

South Korea expressed “strong regret over North Korea's insolent and threatening remarks based on repeated groundless claims”.

Kim Yo Jong also said her brother had been “severely ill from high fever during the quarantine war but did not lie down even for a second while thinking only of his responsibility for the people”.

It is the first time that the regime has suggested that Kim Jong Un, who disappeared from public view for several weeks in June and July, may have contracted the virus.

The Kim regime presents its leader as having suffered alongside and on behalf of his people. In February a documentary on state television claimed Kim's body had “completely withered away” as he “suffered” on behalf of his people during chronic food shortages.

For more than two years since the onset of the pandemic, North Korea has maintained that not a single person had tested positive for Covid within its borders. But less than 10 days after admitting to a series of outbreaks of a “malignant virus” in May, an editorial in the state Rodong Sinmun newspaper declared that North Korea was “successfully overcoming” the crisis.

Since then, the country of 25mn has reported about 4.8mn cases of what it euphemistically described as “fever”. A death toll of only 74 would give it the lowest alleged Covid-19 death rate in the world.

FT Weekend

Afghanistan's women speak

Heat on HSBC Top shareholder Ping An says Asia business spin-off would create up to $35bn of additional market value PAGE 8

Companies & Markets

Arm's ex-chief quits board of SMIC as China tensions rise

- US tech curbs hobble big chipmaker
- Brown calls resignation 'bittersweet'

WILLIAM LANGLEY AND ANNA GROSS

The former president of tech group Arm has made a "bittersweet" resignation from the board of China's biggest chipmaker as rising tension between Washington and Beijing puts pressure on the country's technology sector.

Tudor Brown, who worked at Arm for 22 years and was an independent director at Semiconductor Manufacturing International Corp, announced his resignation in a LinkedIn post yesterday.

"Bitter sweet day today. After 9 years I resigned from SMIC board," he wrote. "The international divide has further widened."

> 'The only thing that's frustrated me is the lack of travel. It's hard to engage when that goes on and on'

He later changed the post to remove any allusion to an "international divide" and wrote that he was "sad to leave" but had "opportunities to do other things".

His resignation comes as growing tension between China and the west, as well as Beijing's strict zero-Covid policies, threatens to accelerate the two superpowers' economic decoupling.

Brown said he had not fallen out with the company and that "the only thing that's frustrated me is the lack of travel".

"It's hard to engage when that goes on and on," he said in an interview with the Financial Times, adding that SMIC had been a "great company" to work with.

added SMIC to its "entity list", an export blacklist which requires US companies to obtain licences to sell technology to businesses on it, in December 2020.

That followed months of US regulatory scrutiny of the chipmaker, with the Department of Commerce saying that sales to SMIC carried an "unacceptable risk" of being diverted to "military end use" earlier that year.

"I'm the last westerner on the board . . . which is inevitable, it's the way it is," Brown said.

"US people aren't allowed to be on it because of the entity list. I am because I'm British and I'm freer.

"Part of my value is that I'm different and I have a different perspective. It's good to have differences of opinion."

Officials in the US and allied countries have also been pressuring international chip groups to disentangle themselves from China.

The FT reported this week that Taiwan security officials want Foxconn, the Taiwanese electronic component manufacturer, to drop its stake in Chinese chipmaking conglomerate Tsinghua Unigroup, as the country seeks to align itself more closely with the US.

US officials have also urged the Netherlands to ban ASML, the world's premier manufacturer of the vital lithography equipment required to produce chips, from exporting even lower-end technology to China, according to a Bloomberg report. The country already prohibits exports of ASML's highest-tech systems to China.

Brown, who co-founded UK chipmaker Arm in 1990 and has been a fea-

Culture vulture Antfarm swoops on London's Groucho Club in £40mn deal for Soho venue

Artist Tracey Emin at a GQ Men of the Year awards after-party at the Groucho Club — Richard Young/Shutterstock

OLIVER BARNES — LONDON

The Groucho Club, the private members' club famed for its bohemian clientele drawn from London's art and film scene, has been sold to a hospitality venture run by a former Fortnum & Mason's chief executive in a deal worth about £40mn.

Artfarm said it had purchased the Soho venue from a group of investors including Alcuin Capital Partners, a buyout firm that owns coffee chain Caffè Nero.

The deal marks the third time the Groucho has changed ownership in its 37-year history. The club's new own-

female members. The Groucho, which has been owned by successive private equity firms since 2006, has in recent years worked to overhaul its sybaritic reputation. It has long been associated with the hedonistic revelry of the Young British Artists, of which Damien Hirst was a part, and London's media elite.

Artfarm, founded in 2014 by married couple Iwan and Manuela Wirth who own the world-renowned contemporary art gallery Hauser & Wirth, run eight other venues in England, Scotland and Los Angeles.

The group paid slightly less than £40mn for the club, according to one

important part of London's cultural life for many years," he said.

The venue took its name from a quip from comedian Groucho Marx in which he said he did not want to "belong to any club that would accept me as a member". Its idiosyncratic rules, which comedian Stephen Fry helped write, include a ban on string vests and on mobile phones in the bar.

The Groucho owns an art collection of about 150 pieces, including works by Francis Bacon, Peter Blake and Tracey Emin. Ewan Venters, chief executive of Artfarm and a former Fortnum & Mason boss who is a Groucho member, said he "[looked] for-

European electricity prices hit new record highs

TOM WILSON — LONDON

European electricity prices have soared to new records as a prolonged heatwave disrupted power markets that were already under strain from Russia's cuts to the continent's gas supplies.

German baseload power for delivery next year, the benchmark European price, was up more than 5 per cent yesterday at a record €455 per megawatt hour. This is five times higher than this time last year. The equivalent French contract was up 4 per cent, exceeding €600 per megawatt hour for the first time.

Power prices, which are heavily influenced by the cost of gas as a key source of electricity generation, have been rising all year as the price of gas has more than quadrupled.

The prolonged European heatwave has added to the problem by disrupting generating capacity, while also driving up electricity demand.

Low wind speeds due to the high temperatures had reduced wind power generation, while falling water levels along the river Rhine had disrupted the delivery of coal to power stations in Germany, said William Peck, power market analyst at ICIS, a commodity analytics company.

In France, where rivers are used to cool many of its nuclear power plants, low water levels had also affected generation, he added. More than half of France's nuclear power capacity is currently offline for maintenance.

"The prices this high is the market trying to get someone somewhere to do something to stop blackouts," Peck said. "They are saying: any plant that is currently offline is going to get absolutely loads of money to ramp up."

France usually exports the excess electricity it produces. But this year it has become a net importer, just as Europe is otherwise trying to conserve supplies for the winter.

Germany exported about 600,000 MWh of electricity on a net basis to France in June, compared with 300,000 MWh of imports from its neighbour a

Washington's expanding sanctions and export restrictions have forced SMIC to abandon plans to manufacture some types of advanced chip and stalled its global growth, with the company's shares dropping more than 30 per cent in value over the past year.

The US Department of Commerce

ture of the UK tech sector since, remains an independent director at Chinese electronics group Lenovo, the world's biggest maker of personal computers, according to his LinkedIn profile.

SMIC did not respond to requests for comment.

See Lex

ers hope to increase its 5,000-strong membership by pursuing younger clients and are also considering international expansion.

Founded in 1985, the venue pitched itself as an antidote to London's stuffier gentlemen's clubs, such as the Garrick Club, which still does not accept

person familiar with the matter.

Nick Hurrell, chair of the Groucho, said Artfarm was the "perfect owner" for the members' club. "Their mix of cultural engagement, pedigree in art and excellence in hospitality sits very well with the particular spirit of a members' club that has been an

ward to engaging with its membership to create a long-term future for the Groucho that builds on its eclectic appeal and maverick ethos".

Last year — when trading was restricted because of Covid-19 restrictions — the Groucho booked a £3.4mn loss after tax on a turnover of £5.4mn.

year earlier, according to data from Germany's Federal Network Agency.

The interconnected European network means the record forward power prices in Europe were also driving up costs in the UK. This was one reason for predictions average UK energy bills could surge above £5,000 next year.

Amazon's iRobot acquisition puts antitrust regulators to the test

INSIDE BUSINESS
TECHNOLOGY

Richard Waters

The idea that your robot vacuum cleaner could suck up data about your home and send it back to Amazon might strike some people as creepy.

If that happened, would Alexa start suggesting you buy a new rug when the old one wears out, or recommend a better way to arrange your furniture?

Whether this would also be a threat to competition in the nascent home automation market, however, is an altogether different question.

Separating those two issues has become of critical importance as regulators in the US break new ground in antitrust enforcement, with data very much at the centre.

Amazon's agreement last week to pay $1.7bn for iRobot, maker of the Roomba vacuum cleaner, promises to make the ecommerce company even more of a fixture in customers' homes. It would add another gadget to a portfolio of home automation products that already includes Alexa-powered smart speakers, Ring doorbells and a 17-inch high, wheeled robot called Astro.

Not lost on anyone, however, is the fact that Lina Khan, chair of the US Federal Trade Commission for the past 14 months, made her name in antitrust circles with a 2017 paper arguing for a more expansive approach to antitrust enforcement in order to counter the power of Amazon.

Central to her argument was the need to act more aggressively against vertical integration — deals that combine companies in different parts of a value chain, like Amazon's purchase of iRobot.

Vertical deals are a particular problem in digital markets, she argued, since big tech companies had the power to shut out rival apps that relied on access to their platforms. And she warned that data acquired in one market could be used by these companies against competitors in other areas.

Khan's FTC has already broken new ground in tackling vertical dealmaking in tech, suing Facebook parent Meta last month to stop it buying the maker of a popular virtual reality exercise app called Supernatural.

All of this would seem to put the iRobot deal very much in the FTC's sights. Like VR, home automation is a new market that has attracted the attention of the tech giants. And Amazon has a claim to being an early leader in a field that could one day be dominated by a small number of companies.

> Knowing the position of a piece of furniture hardly seems like it will give Amazon an unfair advantage in other areas

But while privacy campaigners and others were quick to complain, it is not obvious that Amazon's ownership of iRobot's data would do much on its own to tip the competitive balance.

It is hard to predict what inferences AI will be able to draw from a particular piece of information, particularly when it's combined with other data. But on the face of it, knowing the dimensions of a room, or the position of a piece of furniture, hardly seems like it will give Amazon an unfair advantage in other areas, whether home automation or other parts of its ecommerce business.

And even if the data does have competitive value, does it represent a scarce resource? It's often said that data is the oil of the digital economy. Unlike oil, though, there is no limit to the amount of digital information that can be created. A popular new gadget, or a catchy new app, can become an instant gusher of valuable insights for its owner.

Some data sets are certainly harder to replicate than others. When Microsoft bought LinkedIn in 2016, Salesforce complained to regulators that the network of professional users was a unique asset. But in many fields, data is the automatic byproduct of some other action, like mapping a home while vacuuming it.

If the prospect of Amazon getting its hands on Roomba's data doesn't trigger obvious antitrust worries, that doesn't mean the deal won't face a challenge from the FTC.

Khan has been explicit about trying to prevent dominant platforms from forming in new digital markets, even before it is clear exactly what form these markets will take or who the dominant companies will be. That is likely to make Amazon's purchase of companies that own the most important "applications" in home automation as worrying to the regulators as Meta's acquisition of leading VR applications.

Khan's supporters can point to how Google's purchase of YouTube in 2006 and Facebook's acquisition of Instagram in 2012 took place well before the online video and photo sharing markets took off. But convincing a court to be as forward-looking, in the absence of clear present harm to consumers, will be a challenge.

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Financials

Credit Suisse steps up SoftBank fight

Permission sought from UK court to start litigation over Greensill claims

OWEN WALKER
EUROPEAN BANKING CORRESPONDENT

Credit Suisse has stepped up its legal fight against SoftBank, as the embattled Swiss lender seeks to recoup hundreds of millions of dollars on behalf of wealthy clients that it had lent through defunct finance firm Greensill Capital.

Credit Suisse lawyers applied to the English High Court last week, seeking permission to initiate formal legal proceedings against the Japanese tech investor, according to three people with knowledge of the move.

The claims relate to $440mn of Credit Suisse client funds Greensill lent to Katerra, a US construction group that later filed for bankruptcy with more than $1bn in liabilities. Katerra was backed by SoftBank's $100bn Vision Fund.

Credit Suisse revealed its intention to pursue SoftBank last year when it asked judges in California and Arizona to make Katerra hand over documents relating to a deal SoftBank struck with Greensill in 2020 to bail out the ailing construction business.

At the heart of Credit Suisse's claim is a personal dispute between SoftBank chief executive Masayoshi Son and Thomas Gottstein, who stepped down as Credit Suisse chief executive last month.

The rift centres on an emergency cash injection that SoftBank agreed in late 2020 to give Greensill, which lent struggling Katerra money that it had originally borrowed from Credit Suisse clients. As part of the deal, Greensill agreed to write off Katerra's debt in return for a small stake in the construction group, which went on to file for bankruptcy in June last year.

The Financial Times revealed last year the $440mn in cash from SoftBank never reached the Swiss bank's clients.

Credit Suisse alleges in US filings that SoftBank masterminded a restructuring of Katerra that benefited itself at the expense of the Swiss bank's clients.

According to the US filings, Credit Suisse claims a "material discrepancy" between what it says was Son's denial of "all knowledge of the Katerra" deal in a meeting last September with Gottstein, and an email sent by Greensill founder Lex Greensill in December 2019 suggesting Son had given it his blessing.

Credit Suisse has had to request permission from a UK judge to start legal proceedings against SoftBank as its clients' money was lent by Greensill, not the bank itself. A decision over whether Credit Suisse can proceed is not expected for several months. A judge in California in June set Credit Suisse an August 12 deadline to show it was serious about starting a UK legal claim.

SoftBank rejected Credit Suisse's claims, adding: "After failing to bring a claim for over eight months, Credit Suisse has taken a required procedural step in order to prolong its desperate attempt to blame SoftBank for its own poor investment decisions. "We will vigorously defend any claim . . . should a claim actually be brought."

Credit Suisse declined to comment.

Credit Suisse was forced to close a group of supply-chain finance funds when Greensill collapsed, trapping $10bn it managed on behalf of 1,200 clients. It is still trying to recoup more than $2.5bn and has warned court battles and insurance claims could take five years.

Additional reporting by Stephen Morris and Kate Beioley in London

Pharmaceuticals. Reform

US poised to curb drug prices despite intensive lobbying

Package introduces $2,000 cap on annual costs borne by 64mn Medicare beneficiaries

JAMIE SMYTH — NEW YORK

The pharma industry has warned that the biggest shake-up of US drug pricing regulation in decades will cripple innovation and stymie development of life-saving medicines in last-ditch lobbying aimed at blunting new legislation.

The reforms in the Biden administration's climate and healthcare bill would for the first time hand the federal government power to negotiate prices for some of the most expensive drugs purchased by Medicare, the taxpayer-funded healthcare scheme for retirees.

The bill, known as the Inflation Reduction Act, is expected to be passed in the House of Representatives today before being signed into law by US president Joe Biden.

Blockbuster drugs developed by Eli Lilly, AbbVie, AstraZeneca and other Big Pharma groups are expected to be in the first wave of medicines facing negotiation in 2026, according to analysts.

The package would introduce a $2,000 cap on annual "out of pocket" costs — expenses borne by patients — for Medicare's 64mn beneficiaries, who are mainly aged 65 and over. It would also penalise drugmakers that raise prices above the rate of inflation.

Patient advocates have welcomed the bill as a long-overdue response to the high prices charged for drugs in the US. List prices in the country for 20 com- generation". Nevertheless, they are unlikely to reduce total revenues for the industry over the next decade, he said, predicting Big Pharma groups would respond by raising the launch price of new drugs to recover lost revenue.

Provisions allowing Medicare to negotiate prices for a limited number of expensive drugs form the centrepiece of the law and have been estimated by the Congressional Budget Office to produce savings worth $100bn over a decade.

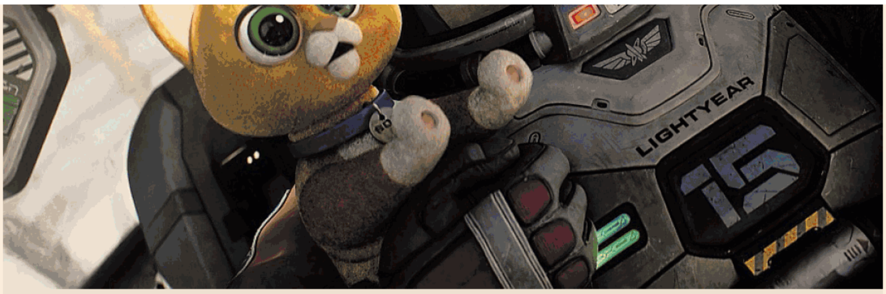
The bill would amend a 2003 law that specifically forbids Medicare from negotiating prices with drug companies for most prescription drugs, which critics say has prevented the US from benefiting from the lower costs logged by other countries' health systems.

Under the proposed reforms, Medicare would be allowed to negotiate prices for a limited number of branded medicines. The negotiation process is scheduled to begin with 10 drugs in 2026, 15 in 2027 and 2028, and 20 each year from 2029 onwards.

Companies risk being hit with an excise tax on historic drug sales if they do not agree to negotiate.

Moderna chief executive Stéphane Bancel argued the process would not involve a genuine negotiation. Instead, companies would be hit with a retrospective tax if they did not agree with the government's price, he said.

"It's a very dangerous slippery slope to control prices. We've seen what has been done in Europe. France had an amazing pharma industry 30-40 years ago and it has been destroyed by price control," he said. "It takes a lot of capital



Buzzing

Disney defies slowdown to add viewers

Popular films such as 'Lightyear' have helped Disney Plus increase subscribers and maintain its goal of reaching profitability by 2024
Disney/Pixar

Walt Disney defied concerns about a slowdown in the streaming industry by adding a robust 14.4mn subscribers to its Disney Plus service in the latest quarter, pushing its total number of paying streaming customers to 221mn — slightly ahead of Netflix.

However, Disney reduced its long-term guidance for its total number of Disney Plus subscribers after its recent loss of rights to stream Indian Premier League cricket. Instead of as many as 260mn total subscribers by 2024, company officials now expect Disney Plus to reach 245mn, they said on Wednesday.

But the company stood by its goal of reaching profitability at Disney Plus by 2024. While Wall Street once cheered on as Disney and its rivals spent heavily on new streaming content to attract subscribers, investors are now focused on how the companies will reach profitability.

The streaming business lost $1.1bn in Disney's third quarter, more than triple its loss of $293mn a year earlier.

Aiming for profitability, Disney said it would raise the price of its streaming services — which include Hulu and ESPN Plus — in the US later this year, a move that will coincide with new ad-supported versions of the services.

The details came as Disney reported strong third-quarter results, thanks in part to booming crowds at its theme parks in the US and France, where attendance has topped pre-pandemic levels despite rising inflation.

Disney chief executive Bob Chapek said the strong park performance was due in part to "pent-up demand", but he added that the rebound was "far more resilient and far more long-

221mn	$21.5bn
Disney Plus subscribers, up 14.4mn in the latest quarter	Disney's overall quarterly revenue, boosted by theme park crowds

lasting" than a short-term recovery from the pandemic. Revenue rose 26 per cent year on year to $21.5bn in the quarter and net profit rose 53 per cent to $1.4bn. Disney's earnings per share of $1.09 were ahead of Wall Street estimates of 96 cents.

The results were a boost to Chapek, whose contract was renewed this summer after a bruising few months over Disney's response to Florida's controversial law to restrict discussion of sexual or gender identity in primary schools. "I'm incredibly pleased with our performance this quarter," Chapek said, highlighting the theme park business and growth in its streaming services.

The entertainment industry has been shaken this year following Netflix's revelation that it was losing subscribers, prompting concerns that the potential market for streaming was smaller than investors had believed. Earlier this month, Warner Bros Discovery announced a strategic shift that de-emphasised subscription streaming services. Like Disney, Netflix has also announced plans for an ad-supported service in hopes of luring more cost-conscious consumers.

In June, Disney lost out in an auction for rights to stream IPL cricket matches, which have been an engine of subscriber growth for Disney Plus. Chapek defended the "disciplined decision" not to bid for the rights, which went for $3bn to Viacom18.

Disney shares rose 6.6 per cent to $119.90 in after-hours trading. The stock is down nearly 30 per cent this year. *Christopher Grimes*

monly prescribed branded medicines were two to four times higher than in Australia, France or Canada, according to a report last year published by the US Government Accountability Office.

The draft legislation has sent a chill through the pharma industry, which faces the shake-up of a US market that is by far its most profitable. The country spent $574bn on medicines last year, almost half the global total.

"They are choosing to single out this industry. I think it's wrong and I hope that reason will prevail when these discussions go to Congress," said Albert Bourla, Pfizer chief executive, who estimates the reforms could cost the industry $270bn over a decade.

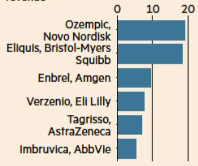
In a call with analysts last month, Bourla warned that the measures would force companies to cut spending on research and development while weakening a sector that had proven its value during the Covid-19 pandemic.

Industry lobby group Phrma, which has funded a torrent of television adverts urging US lawmakers to reject the reforms, issued a last-ditch plea this week calling on them to stop the "dangerous bill".

Analysts are divided on the impact of the legislation. Chris Meekins, healthcare analyst at Raymond James, said the reforms were the "most consequential action on drug pricing we've seen in a

Blockbuster drugs facing price negotiations

2026 revenues as % of total company revenue



Analysis of drugs facing possible price negotiation from 2026
Source: SVB Securities

'France had an amazing pharma industry 30-40 years ago and it has been destroyed by price control'

to do disruptive innovation . . . It takes a lot of money to develop drugs, and 90 per cent of them never make it."

The reforms have spooked industry executives, who fear they will result in further laws, including regulation of the launch price of new drugs, said David Risinger, analyst at SVB Securities.

"Willingness to develop new drugs, in particular . . . for seniors, would likely diminish," he added.

According to an analysis by SVB, the drugs most likely to be affected by the legislation include AbbVie's blood cancer drug Imbruvica, Amgen's rheumatoid arthritis drug Enbrel, and AstraZeneca's cancer drug Tagrisso. Price negotiations for these blockbuster drugs could be concluded by 2026.

The reforms could provide welcome relief for the estimated 1.4mn Medicare patients struggling to pay "out of pocket" costs of more than $2,000 a year for essential medicines.

"It's the stress, you know, the burden, of thinking not only is the cancer going to take me at some point but I'm probably going to leave my husband bankrupt when I die," said Jackie Trapp, a Medicare member.

Trapp spends almost $20,000 a year in "out of pocket" costs on Revlimid, a cancer therapy developed by Celgene, which was bought by Bristol Myers Squibb in 2019. The drug was the subject of an investigation in 2020 by Congress, which concluded Celgene repeatedly raised the price of the drug to hit aggressive sales targets that led to higher bonuses for executives. The price went from $215 per pill in 2005 to $763 in 2019, according to the report.

Rising costs compelled almost four in ten Americans — 98mn people — to delay or skip treatments in the past six months, according to a survey by West Health and Gallup.

Banks

Shareholder Ping An turns up heat on HSBC to spin off lucrative Hong Kong operation

STEPHEN MORRIS — LONDON

HSBC's largest shareholder Ping An has doubled down on its campaign to break up the bank, rejecting executives' arguments that a split would take too long, cost too much, and damage earnings from its global network.

China insurer Ping An, which owns 8.4 per cent of the stock, claims a spin-off of its Asian business would create between $25bn and $35bn of additional market value, according to a person familiar with its thinking.

It would do so by releasing its lucrative Hong Kong operations from the drag of the rest of the world, where HSBC was far less profitable, the person said.

Analysts at Ping An believed a break-up could release the lender from $8bn in additional capital requirements imposed on so-called global systemically important banks, the person said.

The insurer is dismissive of HSBC's assertion that an expensive new IT system would have to be built over a five-year period and that billions in cross-border investment banking revenues would be lost as clients deserted the lender, wary of dealing with a China-headquartered entity.

"HSBC only emphasised and clearly exaggerated the downsides and challenges of spinning off its Asia business but did not mention the huge benefits and long-term value that a spin-off could create," the person said.

HSBC declined to comment.

In February, Ping An, led by tycoon Peter Ma, started agitating for a break-up, frustrated by years of underperformance and the cancellation of its dividend during the pandemic. It has argued that HSBC's position straddling east and west is unsustainable as Sino-US geopolitical and trade tensions escalate.

Executives had hoped better than expected second-quarter earnings would relieve the pressure and pacify its largest shareholder. Pre-tax profit beat analysts' estimates and executives projected a $6bn earnings windfall over the next 18 months as interest rates continue to rise.

A day later, chair Mark Tucker met retail shareholders — which own about a third of the stock and which were angered by the Covid-era dividend cancellation — to set out 14 reasons he believed that "the best structure is our existing structure".

The China insurer, which has an 8.4% stake in the lender, says the move would create between $25bn and $35bn of extra market value
Roy Liu/Bloomberg

He argued that a break-up would be a "hugely complex exercise" that would "negatively impact the ability of Hong Kong to remain a vibrant dynamic international financial centre".

But Ping An told management that almost all of its recent revenue growth was dependent on a "phased, shortlived and uncontrollable interest rate hike cycle" and that its "underperformance has not yet been fundamentally addressed and it is in urgent need of radical change", a person familiar with the engagement said.

"HSBC's Asian business continues to deteriorate and its revenues and profits have been declining for the past two years," the person close to Ping An said, pointing to its lower valuation and higher cost-income ratio than its majority-owned Hong Kong retail banking unit, Hang Seng, and emerging market-focused rivals such as DBS in Singapore.

But the most serious problem flagged by HSBC would be the potential loss of its dollar clearing licence if it moved its Asian headquarters to Hong Kong. HSBC has been the sole settlement institution for dollar clearing in the city since 2000 and is one of the top five clearers of cross-border transactions globally.

This month, the bank said a split could mean the "potential loss of direct access to US dollar clearing and difficulty in securing a new licence". Ping An has not addressed this danger in its arguments for a break-up.

COMPANIES & MARKETS

US labour paradox as businesses jettison staff during jobs boom

Worker shortages have coincided with headcount reductions at a time of low unemployment

ANDREW EDGECLIFFE-JOHNSON
NEW YORK

The largest US newspaper publisher has a problem: it cannot find enough people to toss editions on to doorsteps.

Gannett, which publishes more than 250 titles from the Abilene Reporter-News to USA Today, is short of about 1,000 drivers to drop off papers in the early hours of the morning. About 12 per cent of its delivery routes are unstaffed.

Yet at the same time, Gannett has told employees that "painful" cuts to staffing are coming as it tries to control costs in its declining print operations.

The disconnect between job shortages and job cuts, even in a single company, illustrates the mixed messages emanating from the US labour market. A historic burst of hiring is colliding with questions about whether some employers have hired too fast.

As industries from trucking to fast food complain of labour shortages, businesses as diverse as Coinbase, Goldman Sachs, Microsoft, Netflix, Robinhood, Shopify, Tesla, Twitter and Walmart have warned of job cuts in recent weeks.

Financials

Carney to join Brookfield investment unit as chair

ANTOINE GARA — NEW YORK

Mark Carney, former governor of the Bank of England, will become the chair of Brookfield Asset Management, the investment arm of the Canadian conglomerate that will be spun off by the end of this year.

Carney, a Canadian and former Goldman Sachs executive, was governor of the Bank of Canada from early 2008 to 2013 before taking the BoE top job.

He was hired by Brookfield in August 2020, shortly after stepping down from the UK central bank, and has led the company's launch of a $15bn fund aiming to invest in the transition from carbon-based energy sources to renewables, which closed earlier this year.

Brookfield is planning to spin off a 25 per cent stake in its asset management unit by the end of 2022 in a move aimed at simplifying the structure of the sprawling Toronto-based company and unlocking shareholder value.

The group's asset management unit oversees $392bn in fee-bearing assets across real estate, infrastructure, renewable energy, credit and private equity on behalf of institutional inves-

The backdrop is an economy that added an unexpectedly high 528,000 jobs in July, bringing unemployment down to a historically low 3.5 per cent even after two quarters of declining gross domestic product.

"We're all scratching our heads a little bit," admits Martine Ferland, chief executive of Mercer, which advises companies on workforce and benefits issues.

"I've been in this industry for 25 years and I've never seen anything like it," echoed Joanie Bily, chief workforce analyst at EmployBridge, which places workers in manufacturing, logistics and call centre jobs. "Even if we're in a technical recession, this is a really different type of recession because the labour market still remains strong," she said.

For Andrew Challenger, head of sales for Challenger, Gray & Christmas, the anecdotal evidence of widespread job cuts is not supported by his staffing company's research. Job cuts were above 2021 levels in June and July, but the number it tallied in the seven months between January and July was the lowest for a comparable period since it began tracking such cuts in 1993.

The US government's job openings and labour turnover data only runs up to June but tells a similar story of job cuts still running at historically low levels in most industries.

"We've been in a very severe labour shortage at a time when companies have been completely focused on hiring and have had their eye off job cuts altogether. That being said, there are some reasons to believe we might be at an inflection point," Challenger said.

The recent cuts his firm has tracked have been concentrated in a few sectors such as the automotive, construction and financial technology industries.

Areas of finance that are sensitive to rising interest rates, such as mortgage lenders, had also been affected, Bily at EmployBridge noted. "Two years ago those jobs were in such high demand and wages were going through the roof for loan processors and closers. That has come to a screeching halt."

On Wall Street the mood has shifted from bumper bonuses in 2021 to fears of job cuts in 2022 amid a sharp decline in investment banking fees. Many firms have realised that they have a surplus of bankers, after unprecedented levels of dealmaking led them to cull fewer low-ranked performers than usual.

Analysts attribute the suddenly curtailed hiring plans of techs such as Etsy, Meta, Pinterest and Spotify to something else: overdue cost controls in a once free-spending sector whose funding and valuations have fallen this year.

One change that has caught several industries off guard is a slowdown in employees leaving for better offers.

The quits rate remains well above pre-pandemic levels in most sectors, but Mercer's Ferland said that attrition had stabilised in recent months, making it harder for employers to gauge how many people they will need to recruit to replace the leavers.

Rob Sharps, chief executive of T. Rowe Price, cited this factor at the fund manager's latest earnings announcement. A fall in voluntary attrition "means headcounts can go up meaningfully", he observed in explaining why it had become more careful about recruitment.

Such caution led to the number of job openings falling 5.4 per cent between May and June, although at 10.7mn, the number of available positions remains well above early 2020 levels.

"For the last year-and-a-half it's just been blinders on, trying to hire as many people as you could get in the door. Nobody could keep up with the demand they had. But I think that's starting to level off," said Challenger. Now, he said, clients were starting to think more strategically about who they needed in their workforce after a "wildly unpredictable" period.

In the meantime, he said, history suggested that the continued resilience of hiring might be little guide to the outlook for the US economy.

"We know that employers always hire pedal to the metal two or three months into a recession . . . It's a lagging indicator."

At Gannett, which advertises the chance to earn up to $600 a week by delivering newspapers, the shortages have started to ease up a little since June. But it sees several reasons why they will remain a problem.

"Many of these delivery people [also] work 9am to 5pm jobs," noted Wayne Pelland, its senior vice-president of publishing operations.

As other businesses raise wages and offer more flexibility to fill entry-level positions, people are turning away from low-paid, part-time jobs that require early starts and expensive petrol bills.

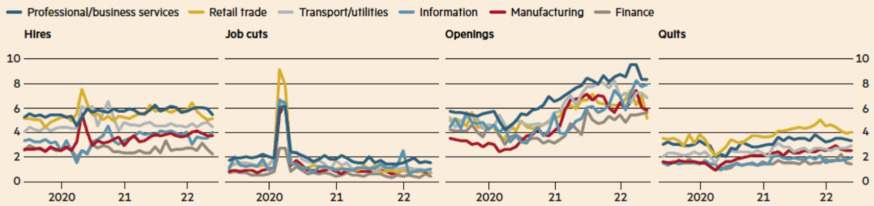
As competition from employers offering better pay and career opportunities continues to drain the pool of people interested in part-time delivery jobs, Pelland said: "We are confronting a perfect storm."

Additional reporting by Caitlin Gilbert, Joshua Franklin and Lydia Tomkiw

'We know employers hire pedal to the metal two or three months into a recession. It's a lagging indicator'

Uneven US jobs recovery

Share of employment, Jun 2019 to Jun 2022 (%)



Source: Bureau of Labor Statistics

Fire and hire: USA Today owner Gannett, Tesla, and Goldman Sachs are among groups warning of job cuts — but Gannett struggles to find people to deliver its newspapers

Paul J. Richards/AFP/ Josh Edelson/AFP/Getty

tors. Brookfield, one of Canada's largest corporations, also has more than $40bn of directly owned net assets, including real estate holdings such as London's Canary Wharf and large stakes in publicly traded partnerships it has spun off over the past decade.

Bruce Flatt, Brookfield's chief executive, will retain his leadership role within the asset management business.

The board of the manager, led by Carney, will consist of Flatt, seven independent directors and the heads of its real estate, private equity and infrastructure businesses, Brian Kingston, Cyrus Madon and Sam Pollock, who will continue to lead their respective businesses.

Brookfield is also clarifying the leadership across its businesses ahead of the spin-off and signalling its eventual succession plans from Flatt by promoting a new generation of leaders, said a source familiar with the matter.

Several executives across Brookfield's businesses, including Connor Teskey, Anuj Ranjan, Sachin Shah and Nick Goodman, were given higher responsibility jobs, potentially putting them in line to lead the company.

Flatt was named chief executive of Brookfield in the early 2000s and has steered its growth from an ailing real estate conglomerate into the second-largest alternative investment management business globally. Flatt has no plans to retire, said the source.

"[We] believe it is once again time to further strengthen our senior management team with the elevation of the next generation of leaders, while continuing to have the company's team working together . . . ," Flatt told investors yesterday alongside publication of the group's second-quarter earnings.

Brookfield reported a net profit of $1.2bn buoyed by $21bn in asset sales made during the quarter. It also drew in $56bn in new assets, putting its available capital to invest at a record $111bn.

Brookfield's planned spin-off, first reported by the Financial Times in February, aims to give shareholders an independent valuation of its fee-based earnings divorced from their more complex holding of real estate and public market interests.

Oil & gas

Nigeria leader in U-turn over Exxon asset sale

AANU ADEOYE — LAGOS
TOM WILSON — LONDON

ExxonMobil's divestment of its oil business in Nigeria's Niger Delta has been thrown into doubt after the country's president withdrew his support for the sale less than three days after approving it.

Garba Shehu, spokesperson for Nigeria's president Muhammadu Buhari, told the Financial Times that the $1.28bn sale of Exxon's four oil permits to local producer Seplat Energy had been put on hold pending a further review by Nigeria's petroleum regulator. Shehu said: "Due process must be done."

Seplat Energy, which is listed in both London and Lagos, said it had received no official confirmation from the Nigerian government that Buhari's approval had been rescinded, adding that it was "seeking clarification" from the authorities.

Shares in Seplat Energy were down more than 7 per cent in London yesterday. ExxonMobil, one of the world's largest oil and gas companies, based in the US, declined to comment. The sudden reversal by Buhari, 79, who is also the country's oil minister, is the latest twist after his decision to approve the landmark deal.

At issue is who has the authority to approve the sale. Nigeria's Petroleum Industry Act, signed into law by Buhari last year, introduced a new requirement that sales or transfers of oil licenses can only proceed after the oil minister has been advised by the regulator.

Gbenga Komolafe, head of the Nigerian Upstream Petroleum Regulatory Commission, said just hours after Buhari approved the sale that he did not have the power to authorise the deal.

"The issue at stake is purely a regulatory matter," Komolafe said in a statement.

However Seplat said on Monday that Buhari's approval had been granted under the previous version of the act, ratified in 1969, under which the licenses in question were originally signed.

The confusion not only casts doubt on Exxon's exit but also threatens to deter future investment.

One Nigerian oil executive, who asked not to be identified, said the presidency was split, with one side favouring Seplat's bid and the other supporting an acquisition by the state-owned Nigerian National Petroleum Corp.

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

Buhari appeared to have overruled the court on Monday, before changing course.

The oil executive said NNPC's supporters inside the presidency argue that a sale to the state-oil company would be in "Nigeria's national strategic interests".

Seplat said it had become aware of "reports alleging impropriety in the process of securing ministerial consent to the acquisition".

"Such reports are wholly untrue and the company will pursue legal action against any parties involved in disseminating false information related to its business," Seplat said in a statement.

Mining

Antofagasta warns on Chilean tax proposals

NEIL HUME — LONDON

The head of FTSE 100 miner Antofagasta said it would review copper projects in Chile if plans to increase taxes and royalties were approved.

Chief executive Ivan Arriagada said the proposed changes by the government of leftwing president Gabriel Boric would take taxation to levels that would make investment "challenging".

"The current 40 per cent effective tax rate . . . could under different cases rise above 50 per cent," he said, as the company released its half-year results.

Copper will be vital to achieve carbon neutrality targets due to its use in the batteries that power electric vehicles, wind turbines and solar panels.

The country, the world's biggest producer of copper, is producing 5.6mn tonnes of the metal a year but has the potential to mine 7mn-8mn tonnes if new projects are given the go-ahead.

Antofagasta said it had the resources to increase its production up to 900,000 tonnes by 2026, from about 650,000 tonnes this year. However, new mines are more costly to develop in part because the quality of ore is lower and more processing is needed.

"Those investments . . . if the current proposals are not changed, will be challenging to make," said Arriagada. "Projects will be reviewed and looked at differently."

Chile is also set to vote on a new constitution in September that could create greater uncertainty for miners. Antofagasta revealed the estimated cost of building a second concentrator to grind and process ore at its Centinela mine had risen $1bn to $3.7bn, from an initial estimate of $2.7bn.

"It's a great project but certainly all of the factors need to come together in a way that makes sense for us to go ahead," said Arriagada. In the six months to June, Antofagasta reported a more than 60 per cent drop in profits as it battled volatile commodity markets, cost pressures and drought that hit production at its Los Pelambres mine.

Pre-tax profit was $680mn, down from $1.78bn in the same period a year ago, on revenue 30 per cent lower at $2.58bn.

Tyler Broda, analyst at RBC Capital Markets, said the higher capital expenditure forecast for Centinela was a further complication for Antofagasta.

"The higher capex highlights the challenges that even the best copper mining companies in the world face to even maintain production base," he said.

The miner, which is controlled by Chile's wealthy Luksic family, declared a dividend of 9.1 cents a share, down from a record 23.6 cents last year, but in line with its policy of paying out at least 35 per cent of earnings to shareholders.

In the area of central Chile where Los Pelambres is located there has been a 13-year drought and, due to water shortages, the company had to cut production in the first half of the year. A new desalination plant is set to come on line by the end of the year, reducing the exposure to "water scarcity risk".

'Those investments . . . if the current proposals are not changed, will be challenging to make'

COMPANIES & MARKETS

Commodities. Governance spotlight

Glencore severs ties with China merchant over missing copper

Commodities

US petrol price falls below $4 a gallon in sign of lower inflation

MYLES MCCORMICK — NEW YORK

US petrol prices have dropped below $4 a gallon for the first time since Russia's invasion of Ukraine as fears of a recession put the brakes on soaring fuel markets, tempering rampant inflation.

The average price of a gallon of gasoline tumbled to $3.99 yesterday, according to motoring group AAA.

That leaves the price at the pump down by a fifth since hitting record levels over $5 in mid-June in the fastest decline since the 2008 recession.

"It feels like a pretty big decline to go from a five to a four to a three," said Patrick De Haan, head of petroleum

Red alert: China is the largest metals consumer and these case raises questions over the financial health of the country's commodity trading sector Chinalmages/Reuters

Global trading groups stop supplying Huludao Ruisheng amid $500m metals scandal

CHENG LENG — HONG KONG
HARRY DEMPSEY — LONDON

Glencore and other global trading groups have stopped supplying Chinese metals merchant Huludao Ruisheng after $500mn worth of copper went missing in a scandal that threatens to squeeze commodity financing in the country.

Glencore and Geneva-based IXM have stopped supplying the Hebei-based group, according to people familiar with the matter.

Glencore had also transferred some of its existing metal stocks from the port city of Qinhuangdao to alternatives such as Qingdao in an effort to avoid similar problems, added a trader.

The case has put the spotlight on the financial health and corporate governance of commodity traders in China, the world's largest metals consumer.

"It's not the first time we've had the problem with material going missing in China," said Colin Hamilton, managing director of commodities research at BMO Capital Markets. "Onshore financing in China for any foreign bank or trading house will become harder."

A total of 13 Chinese trading companies — 12 of which are state-owned — have a total claim on 300,000 tonnes of Huludao Ruisheng's copper concentrate worth about Rmb5bn ($740mn).

But only one-third of that was in the warehouses, said the trader involved.

The Chinese companies are bracing for potential losses as high as Rmb3.3bn ($490mn) and dispatched a team to the city of Qinhuangdao last week to investigate the situation and determine subsequent legal action.

Several onshore and foreign traders said the exposure of western companies to the Huludao Ruisheng scandal was limited.

Some of those traders said the Chinese state-owned enterprises acting as letter of credit agents for Huludao Ruisheng — which include Jiangxi Copper International Trading, Zhuhai Huafa Group and Wanxiang Resources — are likely to have suffered the brunt of the losses.

"Glencore had letters of credit in place on some cargoes" that were bound for Huludao Ruisheng, said a person with direct knowledge of the matter, explaining that Glencore had hedging arrangements in place to mitigate losses. "But if you have the ability to divert cargo, then it's less of an issue."

Glencore and IXM declined to comment. Jiangxi Copper International Trading, Zhuhai Huafa Group and Wanxiang Resources did not respond to calls and emails seeking comment. Huludao Ruisheng did not respond to a request for comment.

Huludao Ruisheng, together with its sister company Ningbo Hesheng International Trading, sold copper concentrate to multiple buyers because of a severe liquidity crunch, according to a Chinese-based trader.

The medium-sized trading company purchases between 800,000 and 1mn tonnes of imported copper concentrate a year for distribution to domestic Chinese smelters.

The alleged mishandling of the copper trades by Huludao Ruisheng is not the first metals financing scandal in China.

In 2014, Citigroup and Mercuria, one of the world's biggest commodities traders, went to court over a $270mn financing arrangement on metal-backed lending deals in north-east China.

Chinese authorities are also investigating the repeated pledge of aluminium stocks as collateral for loans in Guangdong province.

Hongyuan Hengyi, a unit of middle-sized Chinese brokerage Shenwan Hongyuan Securities, has sued Foshan CICC ST Source Warehouse Management after it failed to collect 4,125 tonnes of aluminium stockpile from the warehouse, according to a June stock exchange filing.

Hongyuan Hengyi is seeking compensation of up to Rmb85.6mn.

Foshan has not publicly contested the litigation so far. The Shanghai Futures Exchange disqualified it as a designated delivery warehouse in late June.

Several trading sources said the string of incidents could shake the willingness of western banks to extend financing for commodity trading activity in China.

"It's not great," said one trading source. "You don't want these kinds of things. It begs questions from the banks to be answered."

> 'The bigger problem is western banks and whether their appetite for further financing takes a hit'

Another trader said: "The bigger problem is western banks and whether their appetite for further financing takes a hit."

He added that the fallout would have been worse if the banks were taking heavy losses as they did when $800mn of hidden losses at Singapore's Hin Leong Trading led to the collapse of the company in 2020.

Hamilton said the scandals could trigger a push for consolidation of China's trading industry, much as Beijing is moving to create a centralised iron ore buyer.

"Regulations are not there in terms of protection from these sorts of losses," he said. "It doesn't build confidence in the Chinese system."

analysis at GasBuddy, a price tracking service. "It's good news for beleaguered motorists that were hit by record high prices this year."

The slide in prices is not confined to the US as jitters over an impending global economic slowdown and a corresponding drop-off in driving offset some of the upheaval in oil markets triggered by the war in Ukraine.

The Energy Information Administration has reported US petrol demand over the past four weeks has been running about 6 per cent lower than a year ago, at 8.9mn barrels a day.

European prices have fallen 9 per cent from their June highs to €1.86 a litre ($7.32 a gallon), according to the latest European Commission data. In the UK, they are down 8 per cent to £1.76 a litre ($8.20 a gallon), according to the RAC motoring group.

> 'It's good news for beleaguered motorists that were hit by record high prices this year'

Heavier taxation in those jurisdictions, coupled with the strength of the dollar, mean the drop has been shallower than in the US.

The rapid fall in US prices has helped to cool inflation. The US consumer price index rose at an annual rate of 8.5 per cent in July, decelerating slightly on the back of lower petrol prices.

The US has one of the world's highest car ownership rates, with about 92 per cent of households having access to at least one vehicle, according to the latest census, making petrol prices a prominent political issue.

The US consumes about a fifth of the world's oil despite having just 4 per cent of its population.

High petrol prices have become a political liability for President Joe Biden. He has released record volumes of crude from emergency stockpiles and urged producers to pump more supply.

The price of diesel, used in industries such as trucking and agriculture, has also fallen sharply. It sat at $5.08 yesterday, according to the AAA, down 12 per cent from $5.81 in June.

The fall in prices is a sharp reversal on recent months. Prices were already rising rapidly early in the year, fuelled by resurgent post-pandemic demand, then Russia's invasion of Ukraine shook global oil markets.

Commodities

Two former JPMorgan metals traders convicted at spoofing and fraud trial

STEFF CHÁVEZ — CHICAGO
JOSHUA FRANKLIN — NEW YORK

A federal jury in Chicago has convicted two former JPMorgan metals traders on charges of manipulating metals markets, handing prosecutors a partial victory at the end of a month-long trial.

Michael Nowak, the former head of JPMorgan's global metals trading desk, and Gregg Smith, who worked as a trader and executive director in New York, were each convicted on Wednesday of spoofing, wire fraud, commodities fraud and attempted price manipulation.

Spoofing, which was outlawed in the US in 2010 by the Dodd-Frank Act, is the practice of quickly placing and withdrawing buy and sell orders to create a false impression of demand.

However, the jury acquitted Smith, Nowak and a third defendant, Jeffrey Ruffo, who worked in sales, of conspiracy charges and racketeering under the Racketeer Influenced and Corrupt Organizations Act, or Rico, a federal law passed over 50 years ago that was meant to target organised criminal enterprises.

Ruffo, whose clients the traders executed buys and sells for, was cleared of all the charges against him.

Guy Petrillo, his attorney, said: "Mr Ruffo, his family and we always believed in Jeff's innocence and are grateful that these unfortunate charges are now behind him."

The verdict in the case is a win for the Department of Justice in its efforts to punish wrongdoing on Wall Street and in particular to target individuals involved in financial crimes.

JPMorgan had already agreed in 2020 to pay a $920mn fine to authorities after admitting to manipulating precious metals futures and US government bond markets over eight years.

Michael Nowak was convicted of manipulating metals markets

The DoJ alleged the traders on trial had "scammed the market" in a years-long conspiracy to manipulate the global gold and silver markets.

"While we are gratified that the jury acquitted Mr Nowak of racketeering and conspiracy, we are extremely disappointed by the jury's verdict on the whole and will continue to seek to vindicate his rights in court," said David Meister, a lawyer for Nowak.

JPMorgan declined to comment. Prosecutors and attorneys for Smith did not respond to requests for comment.

Prosecutors had accused traders of flooding the market with buy and sell orders they never intended to execute while trying to gain an edge over algorithmic traders.

The alleged fake trades "represented 50 to 70 per cent of the visible gold and silver markets at a particular time", assistant US attorney Lucy Jennings said at the start of the trial.

Defence attorneys argued the prosecution "cherry-picked" trading examples to try to prove spoofing had occurred and they could not prove criminal intent on the part of the traders.

Insurance

Zurich chief eyes business investment or deals after best start to year since 2008

IAN SMITH
INSURANCE CORRESPONDENT

Zurich, one of Europe's largest insurance companies, has enjoyed its best start to a year since 2008 as commercial insurance prices continued to outpace cost inflation while an imminent disposal paved the way for a SFr1.8bn ($1.9bn) share buyback.

Chief executive Mario Greco told the Financial Times that Zurich would have excess capital even after the "special" return, which was linked to the forthcoming sale of a portfolio of German life policies, and that the preference was to invest any surplus funds in the business or to fund deals.

"We have excess capital, we don't deny that," he said. "It gives us flexibility should we ever find an opportunity to deploy more capital in businesses or [to make] acquisitions."

Zurich's key measure of operating profit rose by a quarter to $3.4bn in the first half, exceeding analysts' consensus expectations and representing the best interim performance since 2008.

Its solvency ratio — capital as a percentage of the regulatory minimum — reached 262 per cent at the end of June, having increased by 51 percentage points in the period. The group targets a ratio in excess of 160 per cent.

Rising interest rates have lifted insurers' solvency positions and paved the way for capital returns.

The UK's Aviva announced its latest buyback on Wednesday, citing the macroeconomic tailwinds.

> 'We have excess capital, we don't deny that. It gives us flexibility should we ever deploy more capital'

Zurich's first-half performance was driven by its property and casualty division, which posted its best ever combined ratio — a key measure of underwriting profitability that tracks claims and expenses as a proportion of claims — at 91.9 per cent.

In particular, natural catastrophe-related claims were well down on last year, although still slightly above the group's expectations.

At the group level, net income was up 1 per cent at $2.2bn but undershot analysts' forecasts because of adverse market movements.

Greco also highlighted a significant shift in appetite from the reinsurers on which Zurich relies, amid a tightening in the global reinsurance market.

Such appetite to offer so-called global aggregate reinsurance cover — designed to protect insurer clients against years of multiple bad US storms, for example — had fallen, he said, meaning Zurich now would retain about $200mn extra losses under such a scenario.

Elsewhere, Dutch insurer Aegon's shares rose 9 per cent as it boosted cash flow and capital generation guidance.

It expects cumulative free cash flow of at least €2.2bn between 2021 and 2023, ahead of the €1.6bn top end of the target range it set two years ago.

Chief executive Lard Friese told the FT that Aegon had a "clear priority" for excess capital, which was to return it to shareholders, most likely through buybacks. It announced yesterday that a third €100mn tranche of a previously announced buyback programme would begin in October.

COMPANIES & MARKETS

The day in the markets

What you need to know

- Wall Street extends gains on signs of steadier inflation
- Europe stocks also advance with rises for FTSE 100 and Stoxx 600
- Dollar faces more selling after previous session's declines

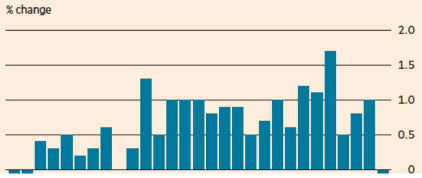
US stocks edged higher, extending gains from the previous session after inflation data for the world's largest economy came in lower than expected.

The broad S&P 500 added 0.3 per cent by mid-session on Wall Street, having closed 2.1 per cent higher on Wednesday.

The Nasdaq Composite — which is

US producer price index registers first monthly decline since April 2020

% change



Next financial crisis is likely to centre on private investments

Satyajit Das

Markets Insight

Just as US subprime mortgages were at the heart of the 2008 financial turmoil, a future crisis may centre around booming

revenues, assumed "terminal" values at a point in time, funding costs and the often complex options embedded in the investment structures.

distressed conditions are less predictable as the replacement cost of tangible items no longer provides a price floor.

Fourth, for non-profitable or cash

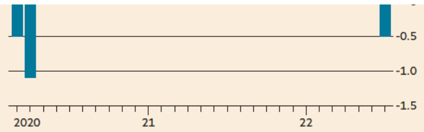
The Nasdaq Composite — which is weighted towards technology shares that are more sensitive to changes in interest rate expectations — traded flat after previously closing up 2.9 per cent in a move that took its gains to 20.7 per cent from a low in mid-June.

Figures on Wednesday had shown that the US consumer price index rose 8.5 per cent year-on-year in July, a slower annual increase than the 9.1 per cent recorded for June and below economists' forecasts.

There was no increase in the CPI month-on-month to July after a 1.3 per cent rise in June.

Fresh data on Thursday revealed that prices paid to US producers for goods and services registered an unexpected fall in July, declining 0.5 per cent month-on-month, on the back of lower petrol costs. This marked the first monthly decline for the US producer price index since April 2020.

On an annual basis, prices rose 9.8 per cent in July, lower than economists' expectations of a 10.4 per cent increase and below June's 11.3 per cent.



Source: US Bureau of Labor Statistics

"I'm not sure this alone is a needle mover," said Liz Ann Sonders, chief investment strategist at Charles Schwab. "It's more just a confirmation that maybe the peak is in."

Investors have been watching inflation data closely ahead of the Federal Reserve's September monetary policy meeting for clues about the extent to which the central bank will raise borrowing costs to curb price growth.

"It's encouraging for investors that you see some cooling of inflation but one swallow doesn't make a spring," said Guillaume Paillat, a multi-asset portfolio investor at Aviva, pointing to strong US labour market data released last week.

Across the Atlantic, the pan-regional Stoxx Europe 600 edged up 0.1 per cent as London's FTSE 100 lost 0.5 per cent.

In government debt markets, the yield on the policy-sensitive two-year US Treasury bond slipped 1 basis point to 3.2 per cent.

The yield on the 10-year benchmark Treasury note added 5bp to 2.83 per cent.

In currency markets, the dollar lost a further 0.2 per cent against a basket of six currencies after declining on Wednesday. **Ian Johnston**

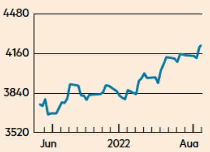
Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	4225.20	1728.46	27819.33	7465.91	3281.67	110524.49
% change on day	0.36	0.08	-0.65	-0.55	1.60	0.26
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	104.845	1.035	132.585	1.223	6.738	5.139
% change on day	-0.334	-0.097	0.348	-0.245	-0.286	1.791
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	2.838	0.971	0.188	2.056	2.733	12.844
Basis point change on day	7.760	8.400	0.000	10.600	-0.300	4.800
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	430.21	99.01	93.65	1795.05	20.44	3913.70
% change on day	0.42	2.84	3.26	-0.01	-0.80	1.19

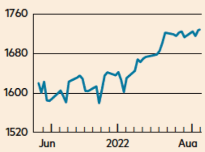
Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets

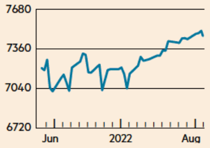
S&P 500 index



Eurofirst 300 index



FTSE 100 index



Biggest movers

%	US		Eurozone		UK	
Ups	Walt Disney (the)	5.87	Aegon	9.42	Entain	3.74
	Devon Energy	5.48	Casino Guichard	4.25	Coca-cola Hbc Ag	3.33
	Cardinal Health	5.13	Telecom Italia	3.33	Aveva	3.24
	Vornado Realty Trust	4.44	E.on	3.17	Flutter Entertainment	2.47
	Ralph Lauren	4.37	Galp Energia	3.09	M&g	2.07
Downs	Pfizer	-3.09	Sanofi	-4.88	Gsk	-10.06
	Welltower	-2.34	Michelin	-2.76	Haleon	-4.90
	Ansys	-2.12	Evonik Industries	-2.17	Airtel Africa	-4.89
	Chipotle Mexican Grill	-1.74	Amadeus It	-2.02	Rio Tinto	-3.74
	Take-two Interactive Software	-1.70	Reed Elsevier	-1.92	Astrazeneca	-2.88

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

Entertainment conglomerate **Walt Disney** rallied after reporting "largely positive" results, said Bank of America.

Its streaming service Disney+ added 14.4mn subscribers in its fiscal third quarter, topping the 10mn BofA forecast and taking the group's total subscriptions to 221mn — slightly ahead of Netflix.

Disney's theme parks also bounced back strongly with revenue hitting $7.4bn, beating analyst estimates of $6.8bn and up from the $4.3bn a year earlier.

Another theme parks operator, **Six Flags**, dived after its net income came in at $45mn for the second quarter, down 36 per cent year-on-year and below the Refinitiv-compiled estimate of $80mn.

Attendance during the quarter fell to 6.7mn from 8.5mn last year, although guest spending per capita rose 23 per cent to $63.87 as Six Flags corrected "for decades of heavy price discounting", said Selim Bassoul, its president.

An earnings miss alongside a guidance cut sent **Sonos** tumbling.

The speaker maker reported a loss of 1 cent per share, falling short of the 7 cents profit analysts had estimated.

Full-year revenue was expected to land between $1.73bn to $1.76bn, down from an earlier range of $1.95bn to $2bn, "as the dollar's appreciation and high inflation" affected consumer sentiment, said its chief executive. *Ray Douglas*

Europe

A surge in half-year sales lifted **Fastned**, the Dutch fast-charging group.

Revenue rose 188 per cent year-on-year to €12.59mn while its operational core profit climbed 298 per cent to around €3mn.

Fastned opened 23 new stations during the first six months of the year with the pace of openings set to increase in 2022.

In its key markets, 10 to 20 per cent of new cars sold were now electric, said the Amsterdam-based group.

Danish IT consultancy group **Netcompany** fell sharply after posting "weak" quarterly results, said Citi.

A 58 per cent rise in revenue to DKr1.31bn ($180mn) missed the consensus estimate of DKr1.36bn.

Norway's **Kahoot!** jumped after delivering robust billings and earnings growth in the second quarter.

The provider of a game-based learning platform reported a 81 per cent year-on-year rise in invoiced revenue of $37.2mn while adjusted core profits leapt 65 per cent to $6.9mn.

Danish pharma company **ALK-Abelló** rallied after declaring its "best ever second-quarter results".

With a 123 per cent rise in operating profit, ALK upgraded its outlook for 2022, forecasting core profits of DKr675mn-DKr750mn, up from a previous range of DKr625mn-DKr725mn. *Ray Douglas*

London

Personal care product group **Revolution Beauty** tumbled after revealing that auditors had "raised certain accounting issues with management".

This development "could have a material impact on the results", said Revolution, which added that its "profitability for the 2022 full year could be materially reduced".

A slide in profitability weighed on **Savills**, the real estate services group.

For the first half of the year, the group reported underlying pre-tax profit of £59.2mn, down from £66.1mn for the same period in 2021.

Drax, the biomass and hydroelectric group, sank under pressure from comments from Kwasi Kwarteng, the UK's business secretary, who said its importing of US-made wood pellets to be burnt for energy by the company did not "make any sense".

Citi said these comments were "incrementally negative" for the company's prospects, although Kwarteng has since said he "fully backed" biomass.

Drax replied that its pellets were responsibly sourced.

Gambling company **Entain** climbed on news that it had bought SuperSport, a betting and iGaming group based in Croatia, in order to "unlock . . . expansion into central and eastern Europe", it said.

Ray Douglas

may centre around booming private markets.

Believing they had found the latest formula for success, investors have ploughed about $9.8tn into unlisted equity, private credit and early stage or new venture funding.

Alongside well-known problems — overvaluation, optimistic assumptions, aggressive accounting and high debt levels, there are additional concerns.

First, as private investments are inherently illiquid, investors cannot cauterise losses easily. Monetisation, largely reliant on initial public offerings and trade sales, is now difficult.

Where investments are made through funds, there may be mismatches between the redemption rights granted to ultimate investors and the ability to realise underlying assets.

In such scenarios, investors can become exposed to forced distressed sales or trapped by restrictions on withdrawals resulting in opportunity costs.

Second, the lack of market prices means opaque valuations, which frequently misstate investment or fund values. Unlisted equity valuation models rely on comparable traded companies and private financing rounds.

The discrepancies between these values and market prices can be large.

After being valued in 2021 at $46bn, a 2022 $800mn funding round valued Klarna at $6.7bn (an 85 per cent fall). As the disappointing IPOs of Uber and WeWork show, the case is not isolated.

Private real estate or infrastructure, generally treated as leveraged bond-like investments, are sensitive to growing uncertainty over once-predictable investment structures.

Subjective approaches and difficult to verify inputs can result in large variations in private investment valuations.

Values derived from transactions between different in-house managed funds or with other asset managers are affected by potential conflicts of interest as manager remuneration is based on investment values and performance.

Infrequent valuations mean prices lag behind changing market conditions, resulting in real gains and losses for investors buying into or withdrawing money from funds.

> Recent history has encouraged investors to take on unquantifiable and poorly understood hazards

Third, private equity originally focused on long holding period investments purchased with substantial borrowings in traditional industries that offered undervalued shares, strong cash flows, low operating risk and the potential for business improvements.

Today, many of these elements, other than leverage, are frequently absent.

Consistent with industrial shifts outside of property and infrastructure, transactions are not secured by hard assets such as real estate, plant or equipment but supported by intellectual property such as internet platforms or software. The latter are harder to value and more exposed to economic cycles.

Asset recovery values under Fourth, for non-profitable or cash flow-negative enterprises, availability of follow-on funding for operations is presumed. Other private investments, typically with sizeable borrowings, face refinancing risks. All are vulnerable to market disruptions, especially if prolonged.

Finally, private markets exhibit complicated layers of risk. After 2008, when securitised debt and off-balance sheet structures aggravated shocks, the so-called shadow system of banking outside traditional lenders regrouped.

Today, investments are frequently held through tiers of funds, some with borrowings from banks or private providers. Securitisation of private equity loans and non-bank credit display familiar opacity and exacerbate leverage in the system. Falls in asset value anywhere can create instability elsewhere within the financial system.

The recent history of highly managed money supply, low interest rates and artificially suppressed volatility encouraged investors to take on often unquantifiable and poorly understood hazards.

The rush into private assets was predicated on the continuous availability of cheap capital as a sustainable investment strategy.

It also ignored the immutable positive correlation between risk and return.

To crib from US actor and humourist Will Rogers, it seems markets advance by finding new ways to lose money, which is surprising given that the old ways continue to work just as well.

Satyajit Das is a former banker and author of A Banquet of Consequences — Reloaded and Fortune's Fool

MARKET DATA

WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)

S&P 500	Nasdaq Composite	Dow Jones Ind	FTSE 100	FTSE Eurofirst 300	Nikkei	Hang Seng	FTSE All World $	$ per €	$ per £	¥ per $	£ per €	Oil Brent $ Sep	Gold $
0.36%	-0.01%	0.48%	-0.55%	0.08%	-0.65%	2.40%	0.42%	-0.097%	-0.245%	0.348%	0.118%	1.03%	-0.01%

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

AMERICAS

Jul 12 - - Index All World S&P 500 New York

Jul 12 - Aug 11 Index All World S&P/TSX COMP Toronto

EUROPE

Jul 12 - Aug 11 Index All World FTSE 100 London

Jul 12 - Aug 11 Index All World Xetra Dax Frankfurt

ASIA

Jul 12 - Aug 10 Index All World Nikkei 225 Tokyo

Jul 12 - Aug 11 Index All World Kospi Seoul

3,801.78 — 4,225.20
Day 0.36% Month -6.73% Year -11.45%

18,678.64 — 20,039.91
Day 0.74% Month -9.84% Year -6.47%

7,156.37 — 7,465.91
Day -0.55% Month -5.00% Year 0.44%

12,756.32 — 13,694.51
Day -0.05% Month -0.77% Year NaN%

26,812.30 — 27,819.33
Day -0.65% Month -5.14% Year -9.83%

2,328.61 — 2,523.78
Day 1.73% Month -13.64% Year -30.07%

Nasdaq Composite New York
11,247.58 — 12,853.74
Day -0.01% Month -7.23% Year -23.37%

IPC Mexico City
47,461.35 — 47,932.10
Day 0.41% Month -7.31% Year -5.23%

FTSE Eurofirst 300 Europe
1,626.57 — 1,728.46
Day 0.08% Month -6.91% Year -9.00%

Ibex 35 Madrid
7,944.90 — 8,380.00
Day 0.33% Month -8.45% Year -7.31%

Hang Seng Hong Kong
20,797.95 — 20,082.43
Day 2.40% Month 5.78% Year -24.49%

FTSE Straits Times Singapore
3,145.77 — 3,301.96
Day 0.48% Month -4.28% Year -0.96%

Dow Jones Industrial New York
30,772.79 — 33,470.19
Day 0.48% Month -5.23% Year -10.21%

Bovespa São Paulo
97,881.16 — 111,118.67
Day 0.26% Month -11.14% Year -21.26%

CAC 40 Paris
6,000.24 — 6,544.67
Day 0.33% Month -9.62% Year -8.86%

FTSE MIB Milan
21,286.33 — 22,858.18
Day 0.69% Month -13.95% Year -14.96%

Shanghai Composite Shanghai
3,284.29 — 3,281.67
Day 1.60% Month 7.58% Year -5.67%

BSE Sensex Mumbai
53,886.61 — 59,262.86
Day 0.76% Month -5.30% Year 0.91%

Country	Index	Latest	Previous
Argentina	Merval	123920.51	122129.90
Australia	All Ordinaries	7325.40	7238.70
	S&P/ASX 200	7071.00	6992.70
	S&P/ASX 200 Res	5365.20	5296.40
Austria	ATX	3088.23	3061.48
Belgium	BEL 20	3839.96	3837.90
	BEL Mid	10098.60	10047.45
Brazil	IBovespa	110524.49	110235.76
Canada	S&P/TSX 60	1209.23	1200.24
	S&P/TSX Comp	20032.48	19885.94
	S&P/TSX Div Met & Min	1250.19	1211.80
Chile	S&P/CLX IGPA Gen	28156.58	28139.36
China	FTSE A200	11148.04	10926.79
	FTSE B35	9000.71	8988.96
	Shanghai A	3438.40	3384.14
	Shanghai B	307.31	304.37
	Shanghai Comp	3281.67	3230.02
	Shenzhen A	2319.27	2281.42
	Shenzhen B	1264.06	1256.59
Colombia	COLCAP	1261.61	1260.21
Croatia	CROBEX	2013.05	2011.29
Cyprus	CSE M&P Gen	68.46	68.68
Czech Republic	PX	1252.67	1249.73
Denmark	OMXC Copenahgen 20	1765.44	1752.22
Egypt	EGX 30	9965.46	9968.88
Estonia	OMX Tallinn	1865.21	1872.07
Finland	OMX Helsinki General	11086.93	11041.04
France	CAC 40	6544.67	6523.44
	SBF 120	5066.28	5051.38
Germany	M-DAX	27896.16	27818.28
	TecDAX	3194.10	3156.78
	XETRA Dax	13694.51	13700.93
Greece	Athens Gen	882.00	875.47
	FTSE/ASE 20	2129.72	2109.48
Hong Kong	Hang Seng	20082.43	19610.84
	HS China Enterprise	6823.39	6644.13
	HSCC Red Chip	3582.69	3537.68
Hungary	Bux	44148.98	44130.61
India	BSE Sensex	59262.86	58817.29
	Nifty 500	15095.15	14985.80
Indonesia	Jakarta Comp	7160.39	7086.24
Ireland	ISEQ Overall	7024.97	7014.08
Israel	Tel Aviv 125	2041.26	2047.40
Italy	FTSE Italia All-Share	25017.14	24855.22
	FTSE Italia Mid Cap	40871.74	40662.96
	FTSE MIB	22858.18	22702.44
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	2577.24	2586.37
Kenya	NSE 20	1744.58	1744.58
Kuwait	KSX Market Index	6633.44	6603.51
Latvia	OMX Riga	1141.44	1143.85
Lithuania	OMX Vilnius	931.31	927.02
Luxembourg	LuxX	1514.11	1502.20
Malaysia	FTSE Bursa KLCI	1505.56	1492.33
Mexico	IPC	48005.58	47808.21
Morocco	MASI	11985.35	11945.84
Netherlands	AEX	725.79	724.27
	AEX All Share	988.51	984.30
New Zealand	NZX 50	11760.01	11752.09
Nigeria	SE All Share	49350.71	50489.73
Norway	Oslo All Share	1017.37	1006.88
Pakistan	KSE 100	42243.33	42494.85
Philippines	Manila Comp	6680.68	6471.84
Poland	Wig	55692.80	54955.75
Portugal	PSI 20	6239.25	6210.24
	PSI General	4875.64	4869.66
Romania	BET Index	12570.35	12424.57
Russia	Micex Index	2436.57	2445.30
	RTX	1245.71	1212.57
Saudi-Arabia	TADAWUL All Share Index	12431.45	12329.99
Singapore	FTSE Straits Times	3301.96	3286.33
Slovakia	SAX	374.61	374.72
Slovenia	SBI TOP	-	-
South Africa	FTSE/JSE All Share	71264.77	69744.90
	FTSE/JSE Res 20	65850.54	64484.85
	FTSE/JSE Top 40	64616.68	63161.18
South Korea	Kospi	2523.78	2480.88
	Kospi 200	329.92	324.35
Spain	IBEX 35	8380.00	8352.80
Sri Lanka	CSE All Share	8706.17	8500.00
Sweden	OMX Stockholm 30	2024.48	2025.48
	OMX Stockholm AS	818.47	817.57
Switzerland	SMI Index	11154.58	11155.10
Taiwan	Weighted Pr	15197.85	14939.02
Thailand	Bangkok SET	1622.26	1617.21
Turkey	BIST 100	2872.24	2829.58
UAE	Abu Dhabi General Index	9222.93	9251.11
UK	FT 30	2585.80	2599.20
	FTSE 100	7465.91	7507.11
	FTSE 4Good UK	6808.27	6862.62
	FTSE All Share	4131.26	4150.68
	FTSE techMARK 100	6120.29	6085.60
USA	DJ Composite	11514.03	11430.16
	DJ Industrial	33470.19	33309.51
	DJ Transport	15166.03	14975.07
	DJ Utilities	1034.76	1027.65
	Nasdaq 100	13372.39	13378.32
	Nasdaq Cmp	12853.74	12854.81
	NYSE Comp	15654.48	15552.70
	S&P 500	4225.20	4210.24
	Wilshire 5000	42321.92	42155.08
Venezuela	IBC	7290.12	7261.15
Vietnam	VNI	1252.07	1256.50
Cross-Border	DJ Global Titans ($)	464.06	463.74
	Euro Stoxx 50 (Eur)	3755.65	3749.35
	Euronext 100 ID	1268.34	1262.16
	FTSE 4Good Global ($)	10241.78	10228.65
	FTSE All World ($)	430.21	428.40
	FTSE E300	1728.46	1727.12
	FTSE Eurotop 100	3361.68	3362.13
	FTSE Global 100 ($)	2705.02	2705.38
	FTSE Gold Min ($)	1625.04	1609.18
	FTSE Latibex Top (Eur)	4440.00	4432.20
	FTSE Multinationals ($)	2828.46	2766.13
	FTSE World ($)	780.11	777.59
	FTSEurofirst 100 (Eur)	4509.12	4514.62
	FTSEurofirst 80 (Eur)	5177.70	5167.23
	MSCI ACWI Fr ($)	649.75	637.70
	MSCI All World ($)	2803.37	2743.62
	MSCI Europe (Eur)	1748.44	1735.74
	MSCI Pacific ($)	2692.54	2653.43
	S&P Euro (Eur)	1728.12	1723.53
	S&P Europe 350 (Eur)	1778.12	1777.15
	S&P Global 1200 ($)	3092.37	3078.06
	Stoxx 50 (Eur)	3652.71	3657.09

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

STOCK MARKET: BIGGEST MOVERS

AMERICA

ACTIVE STOCKS	stock traded m's	close price	Day's change
Tesla	121.6	868.82	-14.25
Nvidia	50.5	182.22	1.25
Apple	46.9	169.22	-0.02
Advanced Micro Devices	42.2	99.89	0.84
Walt Disney (the)	40.5	119.03	6.60
Amazon.com	30.8	141.62	-1.07

Ups			
Vornado Realty Trust	30.61	1.30	4.44
Ralph Lauren	99.69	4.17	4.37
Downs			
Pfizer	48.41	-1.55	-3.09
Welltower	81.36	-1.95	-2.34
Ansys	281.12	-6.09	-2.12
Chipotle Mexican Grill	1629.40	-28.89	-1.74
Take-two Interactive Software	121.69	-2.10	-1.70

Based on the constituents of the S&P500

LONDON

ACTIVE STOCKS	stock traded m's	close price	Day's change
Gsk	400.8	1400.00	-156.60
Shell	269.8	2213.50	44.00
Haleon	227.6	265.80	-13.70
Astrazeneca	149.0	10506.00	-312.00
Unilever	137.1	3921.00	-27.50
Glencore	129.7	474.60	4.65

Ups			
Osb	576.50	29.00	5.30
Molten Ventures	440.00	21.80	5.21
Downs			
Gsk	1400.00	-156.60	-10.06
Savills	1027.00	-97.00	-8.63
Jupiter Fund Management	120.90	-8.20	-6.35
Ferrexpo	142.70	-8.30	-5.50
Haleon	265.80	-13.70	-4.90

Based on the constituents of the FTSE 350 index

EURO MARKETS

ACTIVE STOCKS	stock traded m's	close price	Day's change
Sanofi	691.9	83.39	-4.28
Roche Gs	459.7	319.16	-7.00
Novartis N	444.9	83.40	-1.51
Nestle N	327.2	118.53	0.86
Asml Holding	267.4	546.90	2.80
Novo Nordisk B A/s	222.5	106.35	1.25

Ups			
Sartorius Sted Bio	386.00	10.20	2.71
Lonza N	600.97	14.61	2.49
Downs			
Orsted A/s Dk 10	14.30	-1.19	-7.66
Sanofi	83.39	-4.28	-4.88
Roche Gs	319.16	-7.00	-2.15
Amadeus It	56.28	-1.16	-2.02
Novartis N	83.40	-1.51	-1.78

Based on the constituents of the FTSEurofirst 300 Eurozone index

TOKYO

ACTIVE STOCKS	stock traded m's	close price	Day's change
Tokyo Electron	886.5	44410.00	-1190.00
Softbank .	886.4	5315.00	20.00
Fast Retailing Co.,	516.4	82780.00	-2330.00
Nippon Yusen Kabushiki Kaisha	333.1	10860.00	-40.00
Toyota Motor	314.0	2088.00	12.00
Sony	307.4	11210.00	-225.00

Ups			
Idemitsu Kosan Co.,	3535.00	115.00	3.36
Toho Z Co.,	2232.00	72.00	3.33
Downs			
Daiwa House Industry Co.,	3051.00	-139.00	-4.36
Fujitsu	17150.00	-675.00	-3.79
Advantest	8120.00	-300.00	-3.56
Sumco	1884.00	-66.00	-3.38
M3,.	4532.00	-153.00	-3.27

Based on the constituents of the Nikkei 225 index

UK MARKET WINNERS AND LOSERS

FTSE 100	Aug 11 price(p)	%Chg week	%Chg ytd
Winners			
Hargreaves Lansdown	977.00	15.8	-
Aviva	463.30	15.4	-
Admiral	2234.00	13.5	-
Fresnillo	750.40	8.4	-
Flutter Entertainment	9382.00	7.9	-
Endeavour Mining	1790.00	6.1	1.2
Losers			
Wpp	822.00	-7.9	-
Hikma Pharmaceuticals	1565.00	-5.2	-
B&m Eur Value Retail S.a.	412.60	-4.4	-
Next	6420.00	-4.4	-
Dechra Pharmaceuticals	3656.00	-3.4	-
Berkeley Holdings (the)	4094.00	-2.6	-23.1
Taylor Wimpey	124.55	-2.6	-
Spirax-sarco Eng	11655.00	-2.3	-
Reckitt Benckiser	6542.00	-2.3	-2.0

FTSE 250	Aug 11 price(p)	%Chg week	%Chg ytd
Winners			
4imprint	3750.00	19.0	-
Tp Icap	150.00	16.1	-
Synthomer	207.20	10.2	-
Aston Martin Lagonda Global Holdings	540.60	10.1	-
Osb	576.50	9.1	-
Energean	1270.00	8.9	21.6
Losers			
Drax	701.00	-8.5	7.9
Quilter	113.10	-7.8	-
Molten Ventures	440.00	-7.4	-
Indivior	305.00	-6.8	18.9
Asos	1007.00	-6.8	-
Ip	82.25	-6.6	-
Coats	65.50	-6.4	-
Shaftesbury	477.20	-6.1	-
Jupiter Fund Management	120.90	-5.9	-

FTSE SmallCap	Aug 11 price(p)	%Chg week	%Chg ytd
Winners			
Rps	206.00	80.7	-16.8
Zotefoams	318.00	27.7	-
Puretech Health	227.00	16.4	-
S & U	2460.00	16.3	-
Fisher (james) & Sons	360.00	15.9	-
Pendragon	24.70	14.9	-6.3
Losers			
Seraphim Space Investment Trust	65.00	-10.0	-
Pod Point Holdings	101.20	-8.3	-
Galliford Try Holdings	160.00	-6.8	-9.6
Ao World	40.92	-6.5	-
Halfords	164.90	-6.1	-
Tt Electronics	168.20	-5.6	-
Reach	93.95	-4.9	-
Secure Trust Bank	1100.00	-4.8	-
Xaar	224.00	-4.5	2.8

Industry Sectors	Aug 11 price(p)	%Chg week	%Chg ytd
Winners			
Aerospace & Defense	4805.92	5.4	18.4
General Retailers	3396.25	1.9	4.7
Electricity	10992.53	1.6	3.1
Industrial Engineering	14700.46	1.2	-
Gas Water & Multiutilities index	6234.27	0.9	-0.7
Life Insurance	6947.98	0.6	-
Losers			
Industrial Metals	6705.52	-4.9	-0.6
Travel & Leisure	6217.28	-4.6	-
Personal Goods	29591.90	-4.5	-
Beverages	29259.57	-4.0	-
Software & Computer Services	1869.05	-3.7	-
Real Estate & Investment Servic	2684.59	-3.2	-
Electronic & Electrical Equip.	9090.03	-2.4	-
Food Producers	6243.45	-2.1	-
Household Goods	12603.50	-1.4	-

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

CURRENCIES

Aug 11	Currency	DOLLAR Closing Mid	DOLLAR Day's Change	EURO Closing Mid	EURO Day's Change	POUND Closing Mid	POUND Day's Change
Argentina	Argentine Peso	134.2425	0.1867	138.8811	0.0596	164.1106	-0.2761
Australia	Australian Dollar	1.4040	-0.0049	1.4525	-0.0064	1.7164	-0.0112
Bahrain	Bahrainin Dinar	0.3770	-	0.3900	-0.0004	0.4608	-0.0014
Bolivia	Bolivian Boliviano	6.9100	-	7.1488	-0.0069	8.4474	-0.0260
Brazil	Brazilian Real	5.1392	0.0904	5.3168	0.0885	6.2826	0.0915
Canada	Canadian Dollar	1.2745	-0.0014	1.3185	-0.0027	1.5581	-0.0065
Chile	Chilean Peso	880.7050	-8.3950	911.1370	-9.5710	1076.6565	-13.6082
China	Chinese Yuan	6.7384	-0.0193	6.9712	-0.0267	8.2377	-0.0490
Colombia	Colombian Peso	4228.6400	-38.8600	4374.7575	-44.4543	5169.4868	-63.5645
Costa Rica	Costa Rican Colon	671.9350	-0.2900	695.1531	-0.9698	821.4365	-2.8839
Czech Republic	Czech Koruna	23.5165	0.0203	24.3291	-0.0024	28.7488	-0.0636
Denmark	Danish Krone	7.1905	0.0057	7.4389	-0.0013	8.7903	-0.0201
Egypt	Egyptian Pound	19.1527	0.0480	19.8145	0.0306	23.4141	-0.0132
Hong Kong	Hong Kong Dollar	7.8440	-0.0024	8.1150	-0.0103	9.5892	-0.0325
Hungary	Hungarian Forint	380.2862	-0.2749	393.4266	-0.6636	464.8975	-1.7681
India	Indian Rupee	79.6219	0.1044	82.3732	0.0288	97.3373	-0.1716
Indonesia	Indonesian Rupiah	14767.5000	-104.5000	15277.7884	-122.9385	18053.1811	-183.7125
Israel	Israeli Shekel	3.2335	-0.0277	3.3452	-0.0319	3.9529	-0.0461
Japan	Japanese Yen	132.5850	0.4600	137.1664	0.3443	162.0844	0.0652
..One Month		132.5847	0.4594	137.1666	0.3445	162.0841	0.0647
..Three Month		132.5840	0.4579	137.1662	0.3439	162.0834	0.0633
..One Year		132.5799	0.4497	137.1647	0.3410	162.0841	0.0599
Kenya	Kenyan Shilling	119.3000	0.0500	123.4223	-0.0671	145.8435	-0.3876
Kuwait	Kuwaiti Dinar	0.3063	0.0003	0.3168	0.0000	0.3744	-0.0008
Malaysia	Malaysian Ringgit	4.4450	-0.0120	4.5986	-0.0169	5.4340	-0.0314
Mexico	Mexican Peso	19.9793	0.0340	20.6696	0.0153	24.4245	-0.0335
New Zealand	New Zealand Dollar	1.5512	-0.0060	1.6048	-0.0078	1.8964	-0.0132
Nigeria	Nigerian Naira	425.7500	-0.2500	440.4614	-0.6831	520.4768	-1.9086
Norway	Norwegian Krone	9.4945	-0.0166	9.8226	-0.0266	11.6070	-0.0561
Pakistan	Pakistani Rupee	217.1500	-4.4750	224.6534	-4.8504	265.4646	-6.3046
Peru	Peruvian Nuevo Sol	3.8877	-0.0437	4.0220	-0.0491	4.7527	-0.0682
Philippines	Philippine Peso	55.2950	-0.3700	57.2057	-0.4382	67.5978	-0.6618
Poland	Polish Zloty	4.5264	0.0131	4.6828	0.0090	5.5334	-0.0010
Romania	Romanian Leu	4.7362	-0.0042	4.8999	-0.0091	5.7900	-0.0230
Russia	Russian Ruble	61.4000	0.1500	63.5216	0.0942	75.0611	-0.0471
Saudi Arabia	Saudi Riyal	3.7572	-0.0023	3.8870	-0.0062	4.5931	-0.0170
Singapore	Singapore Dollar	1.3681	-	1.4153	-0.0014	1.6724	-0.0051
South Africa	South African Rand	16.2119	0.0769	16.7721	0.0635	19.8189	0.0333
South Korea	South Korean Won	1303.0500	-7.4500	1348.0759	-9.0130	1592.9708	-14.0386
Sweden	Swedish Krona	10.0235	0.0027	10.3698	-0.0072	12.2536	-0.0344
Switzerland	Swiss Franc	0.9393	-0.0009	0.9718	-0.0018	1.1483	-0.0046
Taiwan	New Taiwan Dollar	29.9450	-0.0860	30.9797	-0.1189	36.6076	-0.2181
Thailand	Thai Baht	35.1875	-0.3750	36.4034	-0.4234	43.0165	-0.5922
Tunisia	Tunisian Dinar	3.1235	0.0191	3.2314	0.0166	3.8185	0.0116
Turkey	Turkish Lira	17.9578	0.0670	18.5783	0.0515	21.9532	0.0146
United Arab Emirates	UAE Dirham	3.6731	-	3.8000	-0.0037	4.4903	-0.0138
United Kingdom	Pound Sterling	0.8180	0.0025	0.8463	0.0018	-	-
..One Month		0.8181	0.0025	0.8461	0.0018	-	-
..Three Month		0.8182	0.0025	0.8459	0.0018	-	-
..One Year		0.8189	0.0024	0.8446	0.0018	-	-
United States	United States Dollar	-	-	1.0346	-0.0010	1.2225	-0.0038
..One Month		-	-	1.0343	-0.1917	1.2226	-0.0038
..Three Month		-	-	1.0339	-0.1917	1.2227	-0.0038
..One Year		-	-	1.0317	-0.1917	1.2234	-0.0038
Vietnam	Vietnamese Dong	23395.0000	5.0000	24203.4054	-18.1736	28600.2740	-81.9499
European Union	Euro	0.9666	0.0009	-	-	1.1817	-0.0025
..One Month		0.9664	0.0009	-	-	1.1815	-0.0025
..Three Month		0.9659	0.0009	-	-	1.1813	-0.0025
..One Year		0.9637	0.0010	-	-	1.1800	-0.0025

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

FTSE ACTUARIES SHARE INDICES

UK SERIES www.ft.com/equities

Produced in conjunction with the Institute and Faculty of Actuaries

	£ Strlg Aug 11	Day's chge%	Euro Index	£ Strlg Aug 10	£ Strlg Aug 09	Year ago	Div yield%	Cover	P/E ratio	X/D adj	Total Return
FTSE 100 (100)	7465.91	-0.55	6882.52	7507.11	7488.15	7220.14	3.55	1.96	14.38	192.85	7588.74
FTSE 250 (250)	20245.43	-0.26	18663.44	20298.00	19912.40	23756.83	2.73	1.40	26.17	361.62	16683.92
FTSE 250 ex Inv Co (176)	20720.26	-0.44	19101.17	20811.50	20359.33	24903.62	2.82	1.47	24.19	390.88	17422.28
FTSE 350 (350)	4164.99	-0.50	3839.53	4186.07	4164.79	4160.05	3.43	1.89	15.47	102.40	8401.69
FTSE 350 ex Investment Trusts (274)	4089.35	-0.55	3769.80	4112.09	4093.47	4056.35	3.49	1.93	14.86	102.97	4262.94
FTSE 350 Higher Yield (129)	3561.43	-0.39	3283.14	3575.49	3580.22	3258.08	4.94	1.88	10.74	113.39	8068.63

FT 30 INDEX

	Aug 11	Aug 10	Aug 09	Aug 08	Aug 05	Yr Ago	High	Low
FT 30	2585.80	2599.20	2558.00	2576.70	2548.20	0.00	2880.10	2300.60
FT 30 Div Yield	-	-	-	-	-	0.00	3.93	2.74
P/E Ratio net	-	-	-	-	-	0.00	19.44	14.26

FT 30 hourly changes

8	9	10	11	12	13	14	15	16	High	Low
2599.2	2599.2	2594.8	2592.6	2592.6	2591.4	2595.3	2591.4	2590.4	2606.7	2583.7

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

FT WILSHIRE 5000 INDEX SERIES

FTSE SECTORS: LEADERS & LAGGARDS

Year to date percentage changes

Oil & Gas Producers	33.73	Consumer Goods	-1.65	Household Goods & Ho	-13.39
Oil & Gas	33.23	FTSE All{HY-}Share Index	-1.82	FTSE 250 Index	-13.78
Tobacco	20.42	Personal Goods	-2.60	Technology	-13.98
Aerospace & Defense	14.50	Fixed Line Telecomms	-3.37	Industrials	-14.03
Banks	11.30	Health Care Eq & Srv	-3.87	Software & Comp Serv	-14.30
Electricity	8.97	Financials	-4.89	Real Est Invest & Tr	-14.94
Mobile Telecomms	7.00	Beverages	-5.89	Support Services	-17.95
Utilities	5.77	Media	-6.60	Construct & Material	-18.02

FTSE GLOBAL EQUITY SERIES

FTSE 100 SUMMARY

FTSE 100	Closing Price	Day's Change	FTSE 100	Closing Price	Day's Change
3I Group PLC	1255	-18.50	Intertek Group PLC	4217	-16.00
Abrdn PLC	172.85	1.50	Jd Sports Fashion PLC	131.55	-1.15
Admiral Group PLC	2234	18.00	Kingfisher PLC	255.80	-2.10
Airtel Africa PLC	145.90	-7.50	Land Securities Group PLC	717.80	-16.40
Anglo American PLC	3007	50.00	Legal & General Group PLC	281.00	-0.20
Antofagasta PLC	1167	-26.00	Lloyds Banking Group PLC	45.61	0.14
Ashtead Group PLC	4614	-73.00	London Stock Exchange Group PLC	8302	22.00

UK STOCK MARKET TRADING DATA

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

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UK COMPANY RESULTS

UK RECENT EQUITY ISSUES

Friday 12 August 2022 ★ FINANCIAL TIMES 13

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

FT 500: TOP 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
Devon Energy	63.34	60.05	3.29	5.48	8.85	16.2	-27.94
Aviva	463.30	464.90	-1.60	-0.34	61.90	15.4	-6.58
MTN Grp	158.94	145.83	13.11	8.99	18.94	13.5	-17.80
Bausch Hlth	7.57	7.22	0.35	4.85	0.90	13.5	-17.10
Occid Pet	64.77	62.86	1.91	3.04	7.31	12.7	-14.17
EOG Res	111.69	108.99	2.70	2.48	11.87	11.9	-20.23
Allstate	127.35	123.79	3.56	2.88	13.43	11.8	-2.97
Fuji Hvy Ind	2457.50	2404.50	53.00	2.20	258.00	11.7	7.20
Nutrien	117.59	115.46	2.13	1.84	12.29	11.7	-14.14
ConocPhil	99.60	95.98	3.62	3.77	9.72	10.8	-21.40
ItauHldFin	22.64	22.49	0.15	0.67	2.11	10.3	-11.41
Disney	119.03	112.43	6.60	5.87	10.91	10.1	-11.95
Walt Disney	119.03	112.43	6.60	5.87	10.91	10.1	-11.95
ShenwanHong	0.15	0.15	0.00	0.00	0.01	9.8	19.05
Corteva	60.65	59.94	0.71	1.18	5.43	9.8	-13.17
Corteva	60.65	59.94	0.71	1.18	5.43	9.8	-13.17
Petrobras	39.88	39.71	0.17	0.43	3.56	9.8	-6.38
CardinalHlth	65.97	62.75	3.22	5.13	5.73	9.5	-4.20
AmerIntGrp	55.97	54.92	1.05	1.91	4.85	9.5	-10.06
Aptiv	107.96	105.33	2.63	2.50	8.89	9.0	-14.95

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 %
GlaxoSmh	1400.00	1556.60	-156.60	-10.06	-258.40	-15.6	4.29
Sanofi	83.39	87.67	-4.28	-4.88	-12.94	-13.4	-2.89
Bayer	51.65	51.90	-0.25	-0.48	-7.11	-12.1	-2.03
WPP	822.00	815.00	7.00	0.86	-70.80	-7.9	-10.68
Continental	65.98	67.10	-1.12	-1.67	-4.80	-6.8	-1.51
Mnstr Bvrg	90.25	89.82	0.43	0.48	-6.11	-6.3	7.43
KLA Corp	372.43	374.51	-2.08	-0.56	-24.97	-6.3	-17.01
Tesla Mtrs	868.82	883.07	-14.25	-1.61	-57.08	-6.2	-7.91
TokioMarine	7385.00	7434.00	-49.00	-0.66	-414.00	-5.3	6.71
ASML Hld	546.90	544.10	2.80	0.51	-29.30	-5.1	-22.45
Applied Materi.	106.01	105.05	0.96	0.91	-5.05	-4.5	-24.63
MollerMrsk	21030.00	21080.00	-50.00	-0.24	-1000.00	-4.5	-19.16
SK Hynix	93300.00	91800.00	1500.00	1.63	-4200.00	-4.3	-18.22
LasVegasSd	37.62	36.65	0.97	2.65	-1.68	-4.3	0.34
Perrigo	40.67	41.78	-1.11	-2.66	-1.78	-4.2	2.50
TrnCan	63.82	63.26	0.56	0.89	-2.58	-3.9	-9.14
Advanced Micro	99.89	99.05	0.84	0.85	-4.02	-3.9	-27.22
Softbank	5315.00	5295.00	20.00	0.38	-181.00	-3.3	-4.16
Zoom	109.24	112.01	-2.78	-2.48	-3.63	-3.2	3.08
Toyota	2088.00	2076.00	12.00	0.58	-68.00	-3.2	-2.68

Based on the FT Global 500 companies in local currency

BONDS: HIGH YIELD & EMERGING MARKET

[illegible]

BONDS: GLOBAL INVESTMENT GRADE

[illegible]

INTEREST RATES: OFFICIAL

Aug 11	Rate	Current	Since	Last
US	Fed Funds	1.5-1.75	15-06-2022	0.83
US	Prime	4.75	15-06-2022	4.00
US	Discount	1.00	05-05-2022	0.50
Euro	Repo	-0.64	19-05-2022	0.00
UK	Repo	1.75	04-08-2022	1.25
Japan	O'night Call	0.00-0.10	01-02-2016	0.00
Switzerland	Libor Target	-1.25-0.25	15-01-2015	-0.75--0.25

INTEREST RATES: MARKET

[illegible]

BOND INDICES

	Index	Day's change	Month's change	Year change	Return 1 month	Return 1 year
Markit IBoxx						
ABF Pan-Asia unhedged	202.86	-0.18	0.28	-7.70	1.48	-7.95
Corporates(£)	352.68	0.15	0.01	-10.89	3.01	-12.99
Corporates(€)	221.23	0.23	-0.16	-8.40	3.15	-10.02
Eurozone Sov(€)	232.07	0.41	-0.09	-8.79	3.50	-11.16
Gilts(£)	316.01	0.50	0.29	-12.09	3.27	-14.42
Overall(£)	320.19	0.40	0.20	-11.55	3.04	-13.80

[illegible]

VOLATILITY INDICES

[illegible]

BONDS: BENCHMARK GOVERNMENT

[illegible]

GILTS: UK CASH MARKET

[illegible]

GILTS: UK FTSE ACTUARIES INDICES

[illegible]

COMMODITIES

[illegible]

BONDS: INDEX-LINKED

[illegible]

BONDS: TEN YEAR GOVT SPREADS

[illegible]

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

Sci-fi blockbuster mixes popcorn and provocation

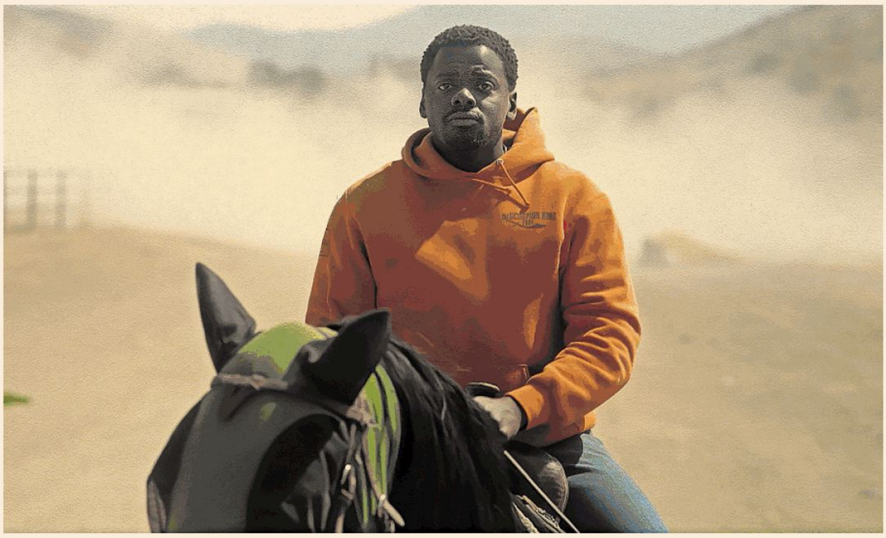
This week's new film releases reviewed by Danny Leigh and Leslie Felperin

Nope
Jordan Peele
★★★★☆

Where Is Anne Frank
Ari Folman
★★★★☆

Blind Ambition
Warwick Ross & Rob Coe
★★★☆☆

Eiffel
Martin Bourboulon
★★☆☆☆



Above: Daniel Kaluuya in 'Nope'. Left: 'Where Is Anne Frank' follows Anne, right, and her imaginary friend Kitty

Jordan Peele does not scare easily. For many directors, being hailed as a saviour of cinema might nudge them towards safety first. Nope. And for proof, see **Nope**, Peele's most supersized movie yet. Consider the prologue. Stanley Kubrick opened *2001* with primal apes about to evolve into humans. Peele begins his space odyssey with an enraged chimpanzee in a party hat. But the party is over. The whole scene hums with menace and WTF-ery, staged on the wrecked set of a TV show. Something has clearly gone very awry.

That Peele can riff like this on a cinematic giant is part of why his movies are an event. Another is the splash made by his 2017 triumph *Get Out*, whose star Daniel Kaluuya returns here as Otis Haywood Jr, a horse wrangler for the entertainment industry. Peele's debut was a shot in the arm for the movie business, a take-no-prisoners satire of race wrapped in a midnight crowd-pleaser. His second film *Us* divided opinion (I rated it even higher than *Get Out*). But that breakthrough has kept studio hopes pinned to the director. Now in the midsummer box office feeding frenzy, he unveils a blockbuster of aliens among us, a grandly ambitious sci-fi-horror-thriller. All of Hollywood's favourite things, whatever Hollywood is in 2022.

It is still the client base for Otis and peppy younger sister, Emerald (Keke Palmer). Early on, the pair inherit Haywood's Hollywood Horses after the sudden death of their father. The business has been in the family since before movies were movies. The anonymous black jockey in the (actual) 19th-century photographs of cine-pioneer Eadweard Muybridge? A (fictional) ancestor.

What is often seen as Peele's blessing-and-curse is already evident: the sheer abundance of his storytelling. Five minutes in, real film history has been spliced into the imaginary, loaded with chewable stuff about America and the moving image. Two adult children must confront life without a parent. And don't think we've forgotten the chimp.

Answers take shape on the ranch. A spoiler warning is due. In fact, the whole movie is best seen without knowing anything in advance. If you're still reading, a clue lurks high above the Haywoods' California homestead: a lone, unmoving cloud. But in a film tied up with everything we spend time staring at — social media, virtual reality — who watches clouds? Of course, that changes when horses start to vanish. And horses are just the beginning.

This being the 21st century, Otis and Emerald's first response is neither to befriend the visitors nor go to war as the world has before. Instead, they plan to film them — and monetise the footage. Peele has his own plot in mind. As mayhem breaks out, the back catalogue of American movies is knowingly quoted. *Nope* is nothing if not its own film, but it also takes the form of bloody horror. The shadow of a million Westerns falls across it too. (Steven Yeun co-stars, running an Old West theme park.) And most of all there is *Jaws*: Spielberg evoked in sly deadpan and gliding death.

But Peele is more than a recycler. At the heart of *Nope* is a whole pop culture of his own invention, one of fictitious 1990s sitcoms and their second lives on YouTube. The coup isn't just the fun involved, but how complex themes of viewership and consumption brilliantly fuel a big-screen fairground ride.

Could the focus be tighter? Sometimes. But better a busy head than an empty one. Would an old-school producer hurry Peele along? Probably. And how many ideas would be lost in haste — how much of some of the most audaciously weird spectacle to ever see the inside of a multiplex? No, flaws and all, the beauty of *Nope* is being two things at once. Art and cheap thrills, popcorn and provocation, blockbuster and brain-food: the old, mixed-up formula that is still cinema's secret weapon. **DL**
In UK and US cinemas now

'Nope' has some of the most audaciously weird spectacle to ever see the inside of a multiplex

The story of Anne Frank, the teenager who died in the Holocaust after being discovered hiding with her family in an Amsterdam attic, is carved deep into the collective consciousness. The diary she kept is still read widely and taught in schools, but that bright voice is too often bowdlerised, turning her into the bland face of an impersonal personality cult. There's a big difference between all that and the girl who loved books and movies, had issues with her mother, and slipped dirty jokes into her diary.

In **Where Is Anne Frank**, Israeli writer-director Ari Folman, whose own parents survived Auschwitz, explores that weird disconnect between myth and history by, paradoxically, using fantasy. His vehicle is that most fluid and malleable type of film-making: animation. As with his earlier, weird, wonderful and quite unclassifiable works *Waltz with Bashir* and *The Congress*, Folman mixes textures and techniques to make a work that's deliciously *sui generis*.

The story follows both Anne (voiced by Emily Carey) and Kitty (Ruby Stokes), the latter being the imaginary friend to whom Anne addressed her of visitors to her home who can sometimes see her and sometimes not (the physics of Kitty's existence is a bit fudged), while Kitty is unaware at first of what has happened to her creator Anne.

As she sets out to explore a city where a bridge, a school, a theatre and so much more are named after Anne Frank, Kitty comes to see that Anne is both everywhere at once and tragically, irrevocably absent. Meanwhile, the tourists lining up at the museum pay scant attention to the contemporary asylum seekers in Amsterdam's streets, a few of whom Kitty befriends.

Folman sets himself a formidable tonal challenge with this material but pulls it off beautifully, creating a lively, thoughtful work that would appeal to inquisitive kids and adventurous oldies alike. The phantasmagorical climax that blends Greek myth, operatic scale and proper tragedy is at once batty and beautiful, and feels true to Anne's spirit. **LF**
In UK cinemas now

Co-directors Warwick Ross and Rob Coe's amiable documentary **Blind Ambition** rolls smoothly down a predictable rags-to-results trajectory. It follows the story of four men, all immigrants to South Africa from Zimbabwe, who team up to compete in the World Blind Tasting Championships in France.

During the competition, teams must try to identify the provenance of 12 different wines, down to the vineyard.

Each member of this particular team, whose formation was encouraged by an industry rightly embarrassed by how white-centric the competition tends to be, took a different path that led to becoming a sommelier. But the men — Joseph Dhafana, Marlvin Gwese, Tinashe Nyamudoka, and Pardon Taguzu — have similar stories to tell of desperation back in "Zim", as they call their homeland, and strength found in family support and religious faith. You couldn't pick a more wholesome, handsome, audience-friendly quartet. In fact, some viewers might wonder if they're a bit too good to be true. Shouldn't even heroes have flaws?

If the film has a bad guy, it's bombastic blowhard Denis Garret, the French coach who seemingly does a poor job getting them ready for their first competition in 2015 and picks fights with the competition's authorities. But even that is kept to the sidelines. The film is too sweet-natured to spoil its Cinderella story with backstage bitchiness. **LF**
In UK cinemas now

Apparently **Eiffel**, a drama about Gustave Eiffel, the entrepreneurial mastermind who devised Paris's most famous landmark, was a project that passed through many hands before it finally achieved this, its final form. Perhaps a few more years in gestation might have been helpful and saved it from being such a ponderous, hacky snooze-fest.

Even Romain Duris (*The Beat That My Heart Skipped*) looks a bit embarrassed that he's been cast as Eiffel. We meet him as he's finishing off the big tower that bears his name, a construction feat that the film approvingly sees mostly as the fruit of monumental micromanagement on Eiffel's part. But this metal mistress has a rival for our hero's affections: Adrienne Bourgès (Emma Mackey, from *Sex Education*).

She's an old flame, from before Eiffel grew a very big beard that helps viewers keep track of which scenes are in the present. She broke his heart back in the day and is now married to a gentlemen journalist (Pierre Deladonchamps). Much smouldering and bodice-ripping ensues, interleaved with long scenes where men covered in sweat and mud struggle mightily with construction challenges, making this the perfect movie for romantic-minded fans of civil engineering with Francophile inclinations. **LF**
In UK cinemas now

Left: Emma Mackey and Romain Duris in 'Eiffel'. Below: four sommeliers compete in a wine-tasting contest in the documentary 'Blind Ambition'

diary entries. One night in the Anne Frank House museum during a storm, some sort of supernatural force brings Kitty to life, the ink of the diary seeming to waft into the air and reform as a teenage girl.

At first, this sprite-like red-headed creature is baffled by the endless stream

FT BIG READ. ONLINE RETAIL

Internet platforms including TikTok, YouTube and Amazon say the future of retail is live ecommerce, but early experiments in the UK and US suggest there is still a long way to go. *By Cristina Criddle and Hannah Murphy*

Will the next shopping revolution be livestreamed?

Manrika Khaira regularly broadcasts live on TikTok to her following of more than half a million people. She uses the social media platform to demonstrate how she gets ready in cheerful tutorial-style videos, while marketing cheap or discounted beauty products.

In one livestream, testing out some heated hair crimpers sent to her, she realises her dark locks are burning and quickly snaps out of her smiley routine to warn those tuning in.

"If a product arrives and it is shit, I will say I don't like it, don't buy it," she says in an interview. "I need to build a reputation of trust."

Her approach has made Khaira, a UK-based influencer, one of the top sellers on TikTok Shop, the short video app's live ecommerce feature. It allows her audience to buy the products she promotes directly on the app, through a clickable orange basket in the bottom left-hand corner of the screen.

It's a scene familiar to anyone who has watched QVC or what used to be the Home Shopping Network, except this version involves social media influencers plugging products in livestreams, featuring heavy discounts, flash sales and gifts in mystery boxes.

Social media platforms are betting on this model as the future of shopping, hoping to reap the rewards of an industry that has had huge success in China, where live ecommerce sales are expected to reach $423bn this year, according to management consultancy McKinsey.

Yet efforts to bring this model to western consumers have had a turbulent

Big in China

Source: Insider Intelligence *Estimates

start, with low viewing numbers, poor sales, clunky tech and logistical challenges. Several employees and people close to the company say TikTok Shop's expansion into Europe and the US was put on hold after setbacks and controversy in the UK, though a TikTok spokesman denies the company has "paused, delayed or withdrawn the planned rollout of TikTok Shop into any other international markets".

While TikTok says plans to expand may have been discussed with businesses, it says its focus is on making the feature successful in regions where it is already available.

Major players in the sector — influencers, brands, merchants — are sceptical, but a reliance on Big Tech for their livelihood means they are reluctant to miss out. Some insiders are resigned to the idea that social media giants are simply too powerful to let their live shopping experiment fail.

As well as TikTok, platforms including Amazon, YouTube, Facebook and Instagram have all been trialling live ecommerce, which combines entertainment and shopping underpinned by the pulling power of influencers.

"When phones came into our hands, the power dynamic completely shifted," says Shimona Mehta, European head of Shopify, which provides the software used by social media companies to enable quick purchases and live updates on stock and shipping.

"We don't go shopping any more, we are shopping all of the time," says Mehta, who considers social media platforms the new shopping malls.

"Rather than driving consumers away from where they're trying to spend their time, [live ecommerce] allows consumers to convert right there in what they're

but social networks want the transaction to take place inside the app, where they can take a cut of the revenue. Amazon, the dominant force in ecommerce, is now courting big-name influencers to get a piece of the live shopping action.

"We basically see YouTube as a place where shopping activity has been taking place for a long time, and our goal is to . . . make that shopping activity more seamless and natural," says David Katz, vice-president of product management at YouTube Shopping.

Features that allow users to click on product links while watching a live broadcast on YouTube are available in the UK and the US, where Katz admits it is still in an "experimental phase". Interaction with the tools in these countries is trailing behind others including South Korea, Brazil and India.

"It is still very early to draw conclusions," he adds. "The behaviour is more advanced in some markets . . . [and] we'll have to learn whether there are intrinsic differences or if it's simply a matter of developing user understanding and enthusiasm."

A week-long livestreaming event on YouTube last year featuring Gordon Ramsay cooking a festive dinner using "his favourite line of pans", generated 2mn live views. Though this is a fraction of YouTube's 2bn users, Katz considers it a success.

YouTube, TikTok and Instagram all say live shopping is a nascent feature and none has provided figures on the sales or revenue that have been generated. Estimates from TikTok employees suggest the company has been running the feature at cost, with some livestreams resulting in zero sales. One person with knowledge of Instagram's trial says it is failing to drive any meaningful sales.

Meta, which will stop live shopping on its Facebook platform from October to focus on short form video, is pressing on with the feature on Instagram. Its focus is "getting the experience right" in the US before rolling it out in other markets, says Ashley Yuki, co-head of product at Instagram.

A series of FT investigations have revealed that TikTok Shop has been failing to gain traction since launching in the UK last year, its first live shopping market outside Asia.

Staff spoke of a culture clash with the company's Chinese owner ByteDance in its efforts to bring its ecommerce model — and working practices — to western markets. London-based employees, complaining of poor conditions and unrealistic targets, quit in their droves and the head of the department was replaced after telling his colleagues he didn't believe in maternity leave.

The slow start in the UK market is in stark contrast to live shopping in China, where it is a mature and established sector across platforms such as Taobao, Pinduoduo and Douyin. The latter, TikTok's Chinese sister app, has enjoyed a 300 per cent rise in sales year on year, with users buying more than 10bn products — proving it can be a lucrative business if you get it right.

The platforms in China, however, are supported by a sophisticated live commerce ecosystem involving dedicated talent agencies, academies providing specialised courses for livestream presenters, as well as studios, lighting and production companies.

Aggressive selling

At the heart of successful livestreams are the people in front of the camera. China's most popular influencers such as Austin Li sell more than $1bn worth of goods in a single broadcast. Influencers are paid a commission, which varies depending on the platform, how many followers the influencer has, and how many sales they make.

Livestreams can take place in an influencer's home or a professional studio, with products in the background

$423bn

Guthrie says. "[Influencers] can't just pour old skills on to a new format."

British influencers have complained that Livestreams on TikTok, which can last for hours, were repetitive and exhausting. Many have stopped altogether, saying the time invested wasn't worth the commission. Meanwhile, sellers such as Khaira have generated tens of thousands of pounds in sales.

"If you select the right influencer, they have much more reach than we would on our own platform . . . they are the revenue drivers," says Luke Williams, founder of Justmylook, a UK-based beauty retailer on TikTok Shop. "Live shopping is new and exciting but it is still in its infancy. It is one to watch but there's a long way to go."

Khaira agrees. "Because certain people spend most of their time on TikTok, it is a way to get in front of those consumers," she adds.

TikTok's UK launch best captures the barriers facing the fledgling sector. TikTok Shop livestreams sometimes end abruptly because of technical glitches, though the company says its studio staff have extensive experience.

Some merchants say that the cost of holding livestreams in studios, along with paying influencers and crew, was not worth the return on investment.

"We wanted to be first adopters but TikTok has underestimated just how much technology businesses would need," says one luxury brand, speaking under the condition of anonymity. "It isn't just uploading your products, you need massive infrastructure."

In response, TikTok says it is working to make things better for merchants.

TikTok Shop customers have also complained of delays in receiving items, sometimes not receiving them at all, and issues with unresponsive sellers when asking for a refund. The platform receives about 200 complaints from customers in the UK each day, many involving fraudulent sellers, according to a person at the company.

There is also an issue with counterfeit products available on the platform, leading to complaints from brands including Dyson and L'Oréal. These livestreams are recommended by the platform's algorithm and easily found within seconds of logging on to the app.

"When it comes to counterfeits, fake or unauthorised replicas of an authentic product are forbidden on TikTok Shop," says Patrick Nommensen, senior director of ecommerce operations at TikTok. "We make this absolutely clear in our policies . . . and we remove such cases when found."

Several merchants say the Chinese live ecommerce model was a "race to the bottom" on pricing, which devalued their products and made it hard to compete with bad actors selling counterfeit or cheaply made items.

"Trying to drag and drop the Chinese model into western markets isn't how it is going to work long-term," says one TikTok Shop merchant.

Too big to fail

Olly Lewis of The Fifth, a creative influencer agency, predicts that UK social ecommerce will grow from £4.2bn in 2021 to about £6.1bn next year, with live shopping increasing its share from 29 per cent to 45 per cent. But he says the sector will not change much in the next 12 months, calling it a "long-term play".

"Some of the technology is clunky, the fulfilment partners are not in place," he adds. "But the [main] issue is the consumer appetite to buy [in] one click."

Ease of purchase is fundamental to making livestream shopping work: users should be able to watch content with a featured item and purchase it immediately, creating the "seamless" experience the industry strives for.

In web design, there is an established "three-click rule": unless a user can find the information they want within three clicks of a mouse, they will leave the site. This rule was revolutionised by ecommerce websites such as Amazon, which reduced this to one click. For businesses getting into the ecommerce game, there is an increasing body of research that reinforces the idea that the fewer clicks needed to complete a transaction, the more likely the customer is to finish their purchase.

Brands and retailers who were slow to adapt to the online shopping boom by launching their own websites are nervous about missing the boat a second

'If you select the right influencer, they have more reach . . . they are the revenue drivers'
Luke Williams, founder of Justmylook

time. They are now conflicted over whether to jump into live ecommerce: they want to be visible on the platforms popular with young people, but they aren't seeing the promised sales.

The platforms also take a cut of any sales made. YouTube wouldn't disclose its fees but TikTok and Meta, which owns Facebook and Instagram, receive 5 per cent of each sale made on the platform.

Merchants worry they aren't getting click-throughs back to their websites, which means the consumer data generated belongs to the social media platform. How long a customer's mouse hovers over a dress, or the pair of shoes added to the basket before logging off, are insights brands are reluctant to lose.

Personalisation is the bread and butter of social media platforms, whose powerful algorithms can predict which content you are likely to interact with, making it perfect for recommending items to add to a person's shopping list and generating targeted advertisements.

Since Apple introduced software that allows people to opt out of how data on their phones is used to sell personalised advertising, these companies have taken a hit to their primary form of revenue. Meta estimates that it would result in a $10bn reduction to advertising growth this year.

Bringing shopping to social media has the potential to create a lucrative revenue stream for those platforms providing access to consumer data, which can be used not only to sell products but also advertising.

Instagram's Yuki says shopping features can generate insights to "personalise [user] experience" on the platform, including for ads. "Your activity, includdoing without disrupting what's got their attention in the moment."

Experimental phase

Social media-driven shopping is not new. Almost two-thirds of consumers say they have bought something via social media, according to an Accenture survey of more than 10,000 global users.

The popular #TikTokMadeMeBuyIt hashtag has been clicked on more than 18.5bn times and average daily uploads on YouTube featuring the words "Shop With Me" in the title increased more than 60 per cent in 2021, compared with the year before.

Consumers have historically left these platforms to complete their purchases, using links to websites such as Amazon, that the influencer can pull out and interact with. The presenting style is animated and aggressive, with a flurry of deals such as bundling items, random gift boxes and flash giveaways to draw in sales. Influencers respond to questions in the comments and call out usernames to thank people for their orders.

Scott Guthrie, head of the Influencer Marketing Trade Body, says that live shopping influencers require a particular skill set. An influencer who is good at creating aspirational content with product placement in an edited video might be terrible at direct sales.

"Someone in Selfridges selling Clinique might be much better than an influencer because . . . they are used to talking to someone and trying to upsell,"

$125bn
Expected value of live ecommerce sales this year in China, where livestreams have become increasingly popular

18.5bn
Number of clicks on the hashtag #TikTokMadeMeBuyIt. On YouTube, the daily uploads of videos featuring 'Shop With Me' in the title increased more than 60 per cent in 2021, compared to the previous year

$10bn
Estimated reduction in value of advertising caused by Apple's new privacy settings, according to Meta


Livestreaming influencers and celebrities like Gordon Ramsay (above right) are using social media to sell products to their followers
FT montage; Dreamstime

ing purchases, may influence what you see," she says. "For instance, if you look through collections of bicycles in shops [on Instagram], you might see more content about bicycles on other Facebook products."

Despite a rough start, platforms are still pushing on with these features, hoping that the livestream experiment will eventually pay off.

"It is a second coming for social media, it is all going to change rapidly over the next few years," says one brand, speaking under condition of anonymity for fear of falling out of favour with the social media companies.

"As a brand, you have to be on board: these platforms are so big, they will make it work."

The FT View

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

Western companies are waking up to China risk

Taiwan crisis has shown the need to hedge exposure and draw up contingency plans

A global pandemic, a major war in Europe — both were risks that seemed almost unimaginable, until they happened. Now the tensions with China provoked by US House Speaker Nancy Pelosi's trip to Taiwan last week, coming just months after Russia's invasion of Ukraine, have forced businesses to confront the possibility that a danger long seen as similarly distant could yet come to pass: a US-China conflict, or something close to it.

Companies face a rapid shift in mindset. In the post-cold war era, and after Beijing's 2001 accession to the World Trade Organization when the belief persisted that deepening commerce with the west could pull China into the liberal world order, businesses grew used to operating in a largely benign global environment. Purely economic considerations — where it made most commercial sense to build a factory or source supplies — could take priority.

With Beijing's emergence as a geopolitical rival, security considerations again trump economic ones. Western governments now view it as vital to build supply chains that rely less on potential foes such as China and are instead based around strategic allies — so-called friendshoring. The corporate world, which has a great deal invested — in all senses — in the previous status quo, has under-appreciated the extent of the change in government thinking.

In reality, Donald Trump's trade tariffs on Beijing, China's clampdown on democracy in Hong Kong and its persecution of Uyghurs in Xinjiang had prompted many companies to begin reviewing reliance on China years ago. The pandemic, too, prompted them to reconsider dependence on single suppliers for critical components, and work on making supply chains more robust.

The pressure to pull out of Russia after its assault on Ukraine has now forced nearly every US company to confront the question of what it would do if China invaded Taiwan. McDonald's withdrawal from Moscow — where its arrival in 1990 was a pivotal moment in the advance of globalisation — was heavy with symbolism. Western companies have understood a crisis over Taiwan could similarly lead to investments being stranded, unwound or written off and throw supply chains into chaos, but on a vastly larger scale.

Unlike Russia, China, together with Taiwan — which makes 90 per cent of the world's most advanced semiconductors — is both a crucial production hub and a vast market. Anything that forced western business to freeze or withdraw from operations there would be a punishing double blow.

As many companies have already discovered, it is difficult to replace China in many industries. Attempts to create supply chains within specific blocs have also run into problems; even simple products can involve hundreds of global inputs. Wholesale "decoupling" of western companies from China, for fear of future frictions or conflict, is unachievable and undesirable. It would push up costs and weaken western economies.

With Beijing's emergence as a geopolitical rival, security considerations again trump economic ones

But multinationals should not simply conclude reducing China exposure is too hard and hope Beijing finds a peaceful resolution with the US over Taiwan. The Kremlin's attempt to redraw European borders has shown the perils of wishful thinking. Companies that derive a significant part of their revenues and profits from China do need to find ways, where possible, to hedge exposure to this market. Investors should demand more disclosure on their vulnerability.

Boards should also be devoting more time to geopolitical risk assessment and contingency planning — for evacuating staff or relocating operations.

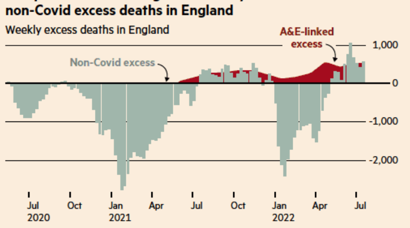
As Ukraine and the Taiwan stand-off have shown, not only can the unthinkable happen, it can do so very suddenly.

Opinion Data Points

The NHS is being squeezed in a vice-like grip

John Burn-Murdoch

The number of deaths that may have resulted from exceptional A&E waiting times closely matches total non-Covid excess deaths in England



Source: FT analysis of data from Office for Health Improvement & Disparities; NHS England; Rebecca Thomas / the Independent; Steve Black
FT graphic: John Burn-Murdoch

Since Covid-19 took its first English life in March 2020, the country has recorded around 120,000 more deaths than would have been expected over the same months of three typical, non-pandemic years.

This is a huge number but one that, for the first year of the pandemic, was relatively straightforward to explain. A novel and deadly infectious disease was spreading through the community. In a population with no immunity, it wreaked havoc.

Since then, however, the picture is much less clear. Between July and December 2021, England recorded 24,000 more deaths than in a typical year, but only two-thirds of these could be attributed to Covid. And this year, less than half of the 10,000 excess deaths accrued since May were Covid-related. In total, there have been just over 12,000 additional non-Covid deaths across the two periods.

There has been much debate over the cause of this unexplained excess. But as the crisis engulfing the UK's health service has come into focus, it is increasingly difficult to avoid the conclusion that the excess is linked to the failure to address the failings of a chronically under-resourced and overburdened system.

A 2022 British Medical Journal

many of the extra deaths may be the result of the A&E crisis.

During June of this year, 102,000 people waited 12 or more hours in A&E, almost four times the pre-pandemic average for the same month. A further 441,000 waited between four and 12 hours, double the typical number. By my calculations, June's waiting times alone are likely to have resulted in more than 2,000 additional deaths due to the significantly elevated mortality risk associated with waiting so long for urgent care or admission. The total number of additional A&E-linked deaths since waiting times rocketed is an almost perfect match for the missing 12,000.

England's hospitals are being squeezed in a vice. On one side, the race to work through the enormous backlog of care means an unceasing stream of new patients into fewer beds. On the other, a decade of flatlining funds for social care means that even when treatment is concluded, thousands of patients remain in hospital beds waiting for follow-up care.

Casualty departments have no beds to send new arrivals to the wards, patients with urgent needs wait for hours on end, ambulances cannot hand over patients, and stroke or heart attack patients are left waiting an hour for a paramedic, stuck in a

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Selling shares in oneself doesn't have to be a zero-sum game

As the brothers at the centre of the New Yorker article mentioned in Jemima Kelly's column "Selling shares in our future sheds light on past" (August 4), we would like to respond to some questions she raises.

First, she seems to state that one's younger self has not really earned the share of wealth that one's older self will possess. Could we not say that one's younger self is the one who works hard to make one's older self's wealth a reality? Transferring the entirety of the wealth of one's older self to one's younger self is not fair and balanced. That's why the model we propose implies that one's younger self will get a share corresponding to their contribution (even though the result is perhaps significantly delayed).

For example, the five years spent in college is about 10-12 per cent of one's work-life/career years. This is why we can say that students have earned the 10-12 per cent of statistical risk-weighted earnings of their future financial output.

Second, is raising capital against future financial output just a zero-sum game between you today and the future you? Or does it create potential for additional wealth growth at both points of time?

To answer this question, we can look at the example of raising investment for a company. Startups raise capital not to smooth their own highs and lows but to achieve more. Capital is raised not to avoid suffering but to take risk. The majority of the most renowned companies today were built using venture capital and we can say with reasonable certainty that these companies would not have been able to achieve the same heights without it.

As for whether early access to capital would negatively affect the motivation of young people, we must admit that no one can fully predict that.

The individuals who we personally invested in using the model experienced more, and in some cases have already managed to achieve greater results.

Daniil and David Liberman
Los Angeles, CA, US

Tory leadership race has ingredients of comic opera

The saga of the election of a new UK prime minister (Report, August 11) brings to mind the delightful political satire highlighted in Gilbert and Sullivan's comic opera *Iolanthe*, which premiered in 1882.

In Act Two, while on guard duty in Palace Yard, Westminster, the sentry muses (in song): "When in that House MPs divide/If they've a brain and cerebellum, too/ They've got to leave that brain outside/ And vote just as their leaders tell 'em to./ But then the prospect of a lot/ Of dull MPs in close proximity/ All thinking for themselves, is what/ No man can face with equanimity."

Ongoing repartee of this sort with other characters includes reference to a second reading of a parliamentary bill to throw the peerage open to competitive examination and the comment:

"The House of Peers, throughout the war/ Did nothing in particular/And did it very well."

Plus ça change.

Penelope Visman
Sandgate, Kent, UK

Thatcher, Brexit and the pro-growth mantra

In Tim Pitt's description of the Tories' "rich economic tradition" (Opinion, August 8), one searches in vain for any mention of Brexit as one of the structural factors inhibiting economic growth in the UK, or for any reference to what was a decades-old pro-growth Tory tenet — the need to eliminate regulatory barriers to trade in the EU, the UK's largest market.

And the architect of this now discarded policy? None other than

Why Bangladesh minister is phlegmatic on BRI loans

We appreciate the Financial Times reporting on developments in the Bangladesh economy.

However we feel the headline on your report "Bangladesh's finance minister warns on Belt and Road loans from China" (Interview, FT.com, August 9) does not properly reflect the minister's actual position.

The report mentioned Sri Lanka, which defaulted on its sovereign debt in May and is in negotiations with the IMF. The report said that BRI loans had "exacerbated a severe economic crisis" in that country but it did not say that Chinese loans led to the defaulting; rather the problem arose from sovereign debt.

Minister AHM Mustafa Kamal in the interview made clear that any project in any country could be financed if it is proven financially viable through

Saudi's new city deserves brickbats FT dishes out

Have we really learnt nothing? Edwin Heathcote makes the point in his piece "Saudi's Neom is dystopia portrayed as Utopia" (Opinion, August 2) that this "apartheid architecture of a post-apocalyptic security-city" is a supposedly technical solution to global warming that is funded and majorly caused by hydrocarbon production.

Too true. Equally awful would be the psychological and social impact on the 9mn people living in this 170km, 500 metre-high tower-block. Work, family and play life will be completely encased in glass, steel and concrete; utterly divorced from the landscape; and wholly at the mercy of whoever is in charge of the technology.

Cities are grouped communities of people: this "line city" is a gilded prison (unwittingly) designed to create maximum social isolation and misery.

The FT Outlook piece criticises this horrific "wonder" in the same issue as a full-page ad for Neom. Sometimes, you have to bite the hand that feeds you.

Mark Hudson
Blandford Forum, Dorset, UK

SoftBank boss's shame and his valuation mark-ups

In "Son 'ashamed' of focus on profits as SoftBank logs record $23bn loss" (Report, August 9) you report on the embarrassment expressed by Masayoshi Son, at the profits previously reported by the SoftBank conglomerate he founded.

Having invested in markets for over 35 years, is it not time for accountants and finance directors to create a new term — "unrealised private equity revaluations"?

Politicians should heed voters' population worries

Professor Ian Goldin ("Demography is not destiny", Opinion, August 9) takes a lofty view but one that perhaps befits a professor of globalisation at Oxford university. However he forgets that all politics, especially the politics of population, is local.

The UK continues to experience rapid population growth — last year over 900,000 residence permits were issued. That will probably mean a permanent increase in our population of some 400,000-500,000, requiring us, inter alia, to build over 200,000 houses. Meanwhile no projections I have seen suggest that the population of the UK in 2100 will be below that of today.

The knock-on effects of this growth on our countryside, our ecology, our environment, on our food security and, perhaps, on our social cohesion are never analysed and measured. According to recent polling over 70 per cent of people believe the country is already overcrowded, and the government ought to have policies to address these challenges.

So where the professor is absolutely right is that we need to analyse the inevitable trade-offs of population change (up or down). That is why I have been pressing the government to set up an "Office for Demographic Change" (along the lines of the Office for Budget Responsibility) to carry out strategic, transparent, evidence-based work and so respond to these public concerns.

My private members' bill, which I introduced in February would have done just that.

Lord Hodgson of Astley Abbotts
House of Lords, London SW1, UK

A 2022 British Medical Journal study found that the risk of death in the month after A&E attendance was 16 per cent higher for those who waited over 12 hours than those seen within four. By combining this with data on the long waiting times currently seen in NHS emergency departments, it is possible to estimate how

an hour for a paramedic, stuck in a queue of ambulances outside A&E.

This week it is energy costs dominating UK headlines. But every week that goes by without addressing the crisis in the NHS risks making an already dire situation even worse.

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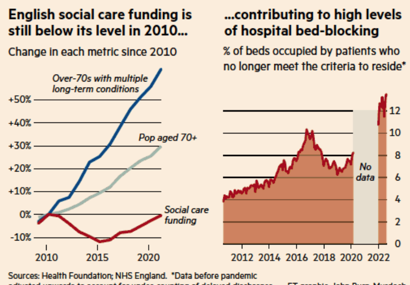

Sources: Health Foundation; NHS England. *Data before pandemic adjusted upwards to account for under-counting of delayed discharges   FT graphic: John Burn-Murdoch

discarded policy? None other than Margaret Thatcher to whom Tory leadership candidates are falling over each other to pay homage.

Richard Wright
London NW8, UK

Where Truss's promise of tax cuts falls on deaf ears

Liz Truss is reported to have said she does not favour "handouts" as a way of resolving the cost of living crisis, preferring tax cuts (Report, August 6).

When she is installed in Number 10 can I invite her to travel a few hundred yards south of Westminster to meet the workers relying on our food bank and advice services?

They ask us not to give them potatoes because they can't afford to cook them — and this is before this autumn's energy price rises.

For these people tax cuts are worthless; they don't pay tax although many are in employment. "Handouts" are precisely what they need.

Philip Warland
Founding Chairman, Oasis Trust
London SE1, UK

is proven financially viable through rigorous study. He stressed that Bangladesh would never take on finance from any authority if it were not feasible. He was in no way warning about Chinese loans.

To be clear, Bangladesh owes approximately $4bn to China — a trifling amount compared with Bangladesh's gross domestic product of $416bn, and its external debt of $51bn (2021 figures).

The FT report said "[Bangladesh] foreign reserves have also fallen to less than $40bn from more than $45bn a year ago". It should have been made clear that reserves stood at only $32.7bn in June 2019. By August 2021, they had risen 47 per cent to $48.1bn, the highest ever recorded in the history of Bangladesh.

Today, reserves stand at $40bn, enough for more than five months of import payments and beyond the risk threshold prescribed by the IMF.

Gazi Towhidul Islam
Public Relations Officer, Ministry of Finance, Government of the People's Republic of Bangladesh
Dhaka, Bangladesh

revaluations"?

After all, these are not profits, as such mark-ups in valuation only serve to enhance private equity managers at the expense of their investors.

It is amazing through a cycle that investors invariably see large mark-ups followed by similar writedowns while the managers receive their bonuses on these unrealised "profits".

Mark Pears
Chair, Talisman Global, London NW3, UK

Is political donation hedge fund 'deal of the century'?

Hedge funds sure know a deal when they see one ("Democratic senator defends stance on private equity tax perk", Report, August 8). By "investing" a mere $500,000 in the re-election campaign of the US senator Kyrsten Sinema, they have collectively avoided $14bn in taxes. The annual rate of return on their "campaign contribution" must rank it as one of the deals of the century — even for hedgies.

Guy Wroble
Denver, CO, US

Give me Beethoven over Beyoncé any day

How enlightening to read your interview with Jordi Savall ("A world at his fingertips", Music, August 10).

All the more so, as it arrives after a week in which the FT's critics dedicated, not one, but three articles to Beyoncé, her new album and her superstardom.

Without detracting from the pop singer's remarkable achievements, it is tremendously uplifting to see that Savall and others are not only engaging with time-honoured classics but also exploring rich new veins of musical culture.

Savall and his band have transformed the works of long-forgotten composers into some of the freshest music in the world.

You can keep Beyoncé.

I'll take Beethoven, or Jordi Savall and his meditation on the medieval traveller Ibn Battuta, any day of the week.

Nathaniel Norman
New York, NY, US

Opinion

Russia's diplomats are now reduced to propagandists

Alexander Baunov

The Russian Embassy in the UK sparked outrage and fierce criticism recently when it tweeted that prisoners of war from Ukraine's Azov battalion, who had defended the city of Mariupol right up until the bitter end, deserved "a humiliating death" by hanging. Following an avalanche of complaints, Twitter's moderators decided to leave the tweet visible, as a kind of monument to the madness into which Russian diplomacy has descended.

Many international observers have been surprised by the hardening of the language used by Russian diplomats. But since the beginning of this war, and even before, Russian diplomacy has focused on one mission: to show that the Russian leader alone sees the world as it really is and is acting in the best way possible. Statements by Russian diplomats are increasingly targeted not at external audiences, but at the domestic one.

The phrase "allied forces", for example, is regularly used by Kremlin propagandists to refer to the Russian army as it wages war in Ukraine. Using this expression is an attempt to equate modern-day Russia with both the Soviet Union, which fought Nazism alongside the allies during the second world war; and the US, which is able to gather broad coalitions for its military campaigns — even the most controversial ones, including the 2003 Iraq war. However, contrary to the intentions of those who came up with it, this term emphasises once again that Russia is fighting in Ukraine alone, because by "allies", they can only mean the self-proclaimed "people's republics" of Donetsk and Luhansk.

Russia's isolation can be considered a failure of Russian foreign policy, which now speaks only one language: that of propaganda. Russian diplomacy is no longer responsible for developing major foreign policy decisions together with the Kremlin. It is busy simply justifying President Vladimir Putin's decisions. And this makes the ministry just another propaganda agency, whose main target is at home and whose messages must above all penetrate within the walls of the Kremlin. Hence the London embassy's appalling tweet and, indeed, foreign minister Sergei Lavrov's absurd assertion that Russia did not invade Ukraine.

A competition seems to be under way to see who can come up with the worst insult for Ukraine

As the radicalisation of senior Russian officials' language gathers pace, a competition seems to be under way to see who can come up with the worst insult for Ukraine and the country's friends in the west. This again is a way to curry favour with Putin and to show readiness to remain loyal to the end.

Against this backdrop, the silence of the more discreet officials starts to look suspicious to the vocal advocates of the invasion. Yet both serve Putin's regime, playing a game of good cop, bad cop. The foreign ministry finds itself in the bad cop camp, if only because — unlike the government's economic bloc — it directly deals with the hostile west, so it must demonstrate intransigence and loyalty.

This change is far from easy for diplomats, who are used to thinking of themselves as the sophisticated crème de la crème of public service. In mid-January, deputy foreign minister Sergei Ryabkov praised the popular Russian rapper Oxxxymiron, who has a following among critically minded Russians. After the outbreak of war, the rapper condemned the invasion, cancelled a series of sold-out concerts in Moscow and St Petersburg and left the country. Now the idea of him performing in Russia is unthinkable and Ryabkov can certainly no longer afford to express his fandom.

This new language of Russian diplomacy may be primarily addressed to the domestic audience but it also helps to gather a pool of sympathisers around the world — particularly among anti-western regimes and politicians in developing countries, as well as internal critics of western countries themselves.

Many of these people are indifferent to both Ukraine and Russia, but rejoice at the simple fact of Russia's opposition to the west, even if it does take the form of a brutal war of aggression. These sympathisers are passive spectators, however, and have no intention of trading that role for that of true allies.

Russia is not as isolated as its opponents would like to see it, but it is fighting this war only with the support of diehard fans.

Just like the Russian economy, Russian diplomacy is trying to replace its ties with the west by switching to the domestic market and looking for audiences in other parts of the world — and with all the problems and shocks that such a switch entails.

The writer is a senior fellow at the Carnegie Endowment for International Peace and a former Russian diplomat

The Tories cannot afford to waste any more time

POLITICS

Sebastian Payne

Imagine Westminster as a 1980s Chicago classroom in which an economics teacher scans the sullen ranks of pupils asking, "Boris? Boris? Boris?" The prime minister has less than a month left in office and, like Ferris Bueller on his day off, he seems to have disappeared. In his political pomp it was nigh-on impossible to get Boris Johnson off the television.

In a normal summer season, appearing to give up on governing would not matter so much. But this year is different. Anxiety at the looming economic crisis is spreading. When energy bills soar to a fresh high in a few months' time and thousands contemplate civil disobedience, voters will rightly be asking: where on earth was the government?

Some ministers are working on contingency plans, but this is a moment that demands the attention not only of the current prime minister but the next one. Ben Houchen, the influential Conservative mayor of Tees Valley, has correctly noted that neither Rishi Sunak nor Liz Truss "fully appreciates and understands" the scale of what is happening.

As the Tory leadership race passes its halfway mark, the two contenders are tearing chunks out of each other. But when one of them takes office on September 6, he or she must put the rancorous tone of this contest behind them and launch a serious plan. Here is what it could look like.

First, the next premier should form a "quad" of ministers to take critical decisions throughout the winter. Under the coalition government of 2010-15, a senior quad of two Tory and two Liberal Democrat ministers proved highly effective in governing through economic turbulence. A similar arrangement of, say, the prime minister, chancellor, business secretary and energy minister should meet daily.

When the new prime minister takes office, he or she must launch a serious plan to deal with the crisis

Second, the new leader will need a council of external economic advisers to challenge groupthink, share experience and expertise, and thrash out policy options. Johnson tried something like this, convening regular meetings with the former Bank of England governor Lord Mervyn King, economist Gerard Lyons, Baroness Minouche Shafik of the London School of Economics, and former Treasury aide Rupert Harrison. Mirroring the scientific Sage committee, this advisory group should be formalised.

The next chancellor is likely to be current business secretary Kwasi Kwarteng, if it is prime minister Truss, or health secretary Steve Barclay if Sunak pulls

Business stutters as goods are left on the shelf

Efi Chalikopoulou

COMPANIES

Brooke Masters

Consumers have soured on stuff.

For nearly two years, the pandemic supercharged online purchases of everything from home office equipment and furniture to cooking gear and gardening tools. The surging demand for goods exacerbated supply chain woes and sent prices skyrocketing, even as lockdowns strangled spending on travel and entertainment.

But now western economies are rebalancing back towards services and away from goods at a time when inflation concerns are running high and labour markets remain tight. That shift has caught big companies on both sides of the equation flat-footed and left them struggling to adjust.

Three-quarters of last month's surprisingly large jump in US payrolls, or about 400,000 new jobs, were in services, and inflation-adjusted spending by Americans on services continues to rise, while outlays for goods peaked last year. Even spending on clothing, which had enjoyed a post-lockdown bump, recently started to fall. In the UK, total household articles have dropped below 2019 levels.

Consumer goods retailers and ecommerce companies who profited amid lockdowns and mistakenly expected the good times to continue rolling have been hard hit. Big box retailers Target and Walmart, which won last year by scooping up inventory and paying extra for air freight, are now having to slash prices and cancel orders to clear excess stock.

Ecommerce companies such as UK fast fashion site Asos are similarly coming down to earth, as it becomes clear that pandemic-related online buying marked a one-time jump rather than a permanent shift to faster growth. Overall US online prices for goods fell in July for the first time since May 2020, with price drops recorded in 14 of 18 categories tracked by Adobe. Electronics, the largest ecommerce category, saw a 9.3 per cent year-on-year decline, as the bulge driven by home office upgrades begins to recede.

Now it is the service providers who are struggling to keep up. After two grim years marred by closures and limited demand, their sales are climbing. Walt Disney reported record revenue in its theme parks division, hotel chain Marriott bragged of "outstanding" results and both American and United Airlines returned to profit for the first time since the start of the pandemic.

But behind the rosy numbers lie some deep and worsening stresses. Tens of staffed bars and dirty restrooms are taking their toll even as customers find themselves paying much higher prices. Satisfaction with US airlines, hotels and fast-food restaurants all fell this year, with surveys recording meaningful drops in the ratings for speed of service and cleanliness, among other things. European leisure activities are similarly fraught, with London's Heathrow and Amsterdam's Schiphol airports capping passenger numbers, and airlines across the continent cutting back on cheaper tickets.

Corporate executives universally blame the problems on lack of staff, despite efforts to attract employees with higher wages. Shake Shack chief financial officer Katherine Fogertey noted ruefully on an analyst call last week that "our best-staffed restaurants tend to meet our sales expectations" but others at the upscale burger chain are falling short.

Rebalancing back towards services has caught firms on both sides of

Bain consultant Aaron Cheris says "some of the demand for services has been suppressed unnaturally". Fast food clients report that sales at some locations are lagging because "they literally can't staff the drive-through". That puts travel and hospitality providers in a bind. They want to capitalise on the pent-up demand and grab market share, but also fear getting caught out, as goods providers were, if sentiment shifts again.

Surveys suggest consumers are alarmed by rapid increases in food and energy prices. Though these are starting to ease, they have already led to a spending rethink that bodes ill for providers of non-essential goods and services.

The July edition of McKinsey's periodic consumer surveys found that 39 per cent of Europeans plan to spend less on non-food discretionary items in the expect — with good reason — to spend more on food and energy. In the UK, two-thirds of shoppers have already started buying less or cheaper clothing and electronics, an EY survey found.

Service businesses will not be immune. More than half of UK consumers told EY that they plan to save money by spending less on home delivery, and US travel spending growth slowed to nearly flat in July, even as total consumer spending rose 2 per cent year on year, according to Earnest Research.

The next few months will be particularly confusing for consumer-facing businesses of all kinds. Retailers must place their Christmas orders, and hospitality providers have to take bets on whether Covid and recession fears will combine to put another damper on holiday parties and travel.

Either way, the chance that some companies will get caught out is rapidly rising. There is after all a reason why economists call it discretionary spending.

purchases of furniture, lighting and

thousands of cancelled flights, short-

the equation flat-footed

next three months, partly because they

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off an unexpected triumph. Both are already in the cabinet, but there is no reason they cannot start preparations for an emergency Budget in September.

Immediate action on energy bills will also be vital. The most straightforward course is to cut VAT on energy — as proposed by Sunak. When Alistair Darling cut the tax in 2008, it was announced on November 24 and came into effect on December 1. The next chancellor can roll it out within weeks.

Parliament will then take a break for the annual party conferences where the Tories and Labour will try to rally the faithful behind competing visions for dealing with this crisis. A Conservative plan must be rooted in the experience of ordinary voters — not the theoretical effusions of rightwing think-tanks that have taken up too much airtime during the leadership race.

The next major intervention will be needed in October when the energy price cap is raised. Truss has shied away from "handouts" yet offers no convincing alternative. The answer may be for the government to intervene on energy prices, combined with additional fiscal transfers. Some will complain that is un-Tory, but the alternative is unpalatable.

The first 100 days of the next administration will be the most challenging faced by a new leader since the second world war. The UK has already endured a summer with its government missing in action. It cannot afford to waste any more time.

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Intelligent cars need intelligent regulation

TECHNOLOGY

John Thornhill

A few years ago, we were told that self-driving cars were just around the corner and would soon be pulling up at the kerbside. Then, when the fiendish complexities of developing and deploying the technology became clearer, we discovered they were stuck in heavy traffic many blocks away. But it would be wrong to conclude that fully autonomous vehicles will never arrive — cancelling on us like some frustrated Uber driver. While the challenges remain enormous, steady progress is being made.

This week, for example, the Chinese technology company Baidu announced it had won approval to operate fully driverless robotaxis in Chongqing and Wuhan on a commercial basis. It will test five vehicles in each city in controlled areas during restricted times. Baidu's pilot robotaxis, with a human safety operator in the passenger seat, have been running in some of China's biggest cities for many months. To date, they have amassed a total of 32mn kilometres of real world driving data to feed Baidu's ever-improving algorithms.

Last month, Baidu unveiled its sixth-generation Apollo RT6 robotaxi with 38 sensors, including eight Lidar systems and 12 cameras. It aims to deploy up to 100,000 of these cars from next year. The company said it had slashed the production cost to $37,000, pushing the technology towards commercial viability. "We are moving towards a future where taking a robotaxi will be half the cost of taking a taxi today," said Robin Li, Baidu's co-founder.

In the US, Waymo, the self-driving company owned by Alphabet, has been testing autonomous cars in Phoenix, Arizona, since 2020. The company recently announced that it had learnt enough to remove human safety operators from its cars and extend its service downtown. In June, Cruise, General Motors' autonomous car unit, became the first company in the US to offer commercial robotaxi rides in San Francisco. But it suffered an embarrassing setback when more than half a dozen immobile Cruise robotaxis blocked an interchange for a couple of hours before being manually removed. Worryingly, the US National Highway Traffic Safety Administration this year opened an investigation into the Autopilot function installed on an estimated 830,000

> Lack of public acceptability and legal certainty may prove to be the industry's biggest roadblock

Tesla cars following a series of crashes, one fatal. Investigators are focusing on whether Tesla's driver assistance systems undermined "the effectiveness of the driver's supervision."

In the US, where suspicion of government regulation runs deep, there is a belief that the increasingly sophisticated "hive mind" software that runs fleets of autonomous cars will eventually overcome all obstacles — even if investors are impatient about how long it is taking. Unsurprisingly, China is pursuing a far more statist approach. Its self-driving car companies, including Baidu, are benefiting from the Chinese Communist party's 14th five-year plan, which includes the promotion of autonomous driving as a national priority.

Wuhan has been designated as a technological development zone with a remit to accelerate the deployment of driverless cars. The city has opened 321km of "smart roads" for testing, one-third of which have full 5G coverage. Similarly in Chongqing, supporting digital infrastructure has been built on more than 30 test roads to facilitate real-time, vehicle-to-road communication.

Some industry leaders argue that the fastest progress is likely to be made in "operational design domains" — controlled environments away from ordinary traffic. For years, autonomous trucks have been operating in opencast mines and are increasingly being used in business parks and airports. These off-road markets are great places to deploy at pace and scale, argues Paul Newman, founder and chief technology officer of Oxbotica, the Oxford-based software company. Although he is "pathologically positive" about the industry's technological progress, Newman says autonomous car companies still confront the dual challenges of reassurance and insurance. Oxbotica's MetaDriver software, which runs synthetic simulations of the hazardous surprises that can ambush drivers drawn from real-world data, can help reassure users and operators that the technology is safe.

But insurers want additional clarity about operational responsibility and legal liability — as outlined in a recent report from the UK's Law Commission. "We need to move towards systems that put architectural design above algorithmic obsession," Newman says. "We have to view regulators as co-founders."

Few quick-witted entrepreneurs relish intense talks with slow-moving bureaucrats. But the lack of public acceptability and legal certainty may yet prove the industry's biggest roadblock. When it comes to autonomous cars, innovators and regulators have to work as frenemies.

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Semiconductor stocks: chips and dips

The US chip sector is experiencing both feast and famine. This week, the US signed $52bn of subsidies into law. It is a transformative level of support designed to spur the expansion of domestic chip manufacturing.

The timing, however, is unfortunate. Around the world, demand for chips is collapsing. With inflation in the US at 8.5 per cent it makes sense that spending on PCs and other personal tech is down. The knock-on effect has been reported by Intel and Nvidia.

Idaho-based Micron Technology has also pointed to weaker demand in cloud computing and cars. These two areas were expected to hold up better than consumer tech.

Before inflation rose, the chip sector was already wrestling with a couple of problems. Firstly, the end of the coronavirus pandemic sales boom. Secondly, the aftermath of a production increase that could lead to overcapacity.

Inventory is running down. Sales of the chips that power computers, cars and other electronics are unlikely to recover this year. Global sales rose 13 per cent in the second quarter of the year, according to the Semiconductor Industry Association. But within that period, sales in June were down 2 per cent on the previous year. Overall, they are expected to rise just 7 per cent this year, down from 26 per cent in 2021, according to Gartner, a consultancy.

The Philadelphia semiconductor index, which comprises the 30 largest US companies involved in the design, manufacture and sale of semiconductors, is down 25 per cent this year. That is twice as large as the decline in the broader S&P 500.

Yet valuations remain elevated. Micron, for example, is valued at over 10 times forecast 2023 earnings — a 12-month high.

The saving grace is that investment from the US government will not create oversupply. The programme is a counterpoint to similar efforts in China. Both countries want to bolster self-sufficiency in semiconductors, a commodity now crucial to higher end manufacturing.

Projects will take years, perhaps decades, to come to fruition. It will take three or four years for production to start at Intel's Ohio chip plant. Micron's $40bn investment will be spread over 10 years. The chip cycle is typically around three to five years. With luck, the next upswing will coincide with a renaissance in US manufacturing.

Savills: floored plan

Property prices inflated in the pandemic. Higher interest rates could let some air out of the balloon. FTSE 250-listed agency Savills, which posted a 10 per cent fall in interim underlying profits yesterday, says real estate markets are beginning to adjust.

That is delicate phrasing. Estate agents rarely use blunt language. But it is clear investor confidence in the commercial property market has been hit by the war in Ukraine and inflation, as well as higher interest rates. The cost of five-year fixed rate debt has risen by 200 basis points to 4.25 per cent over the past year. Sellers will need to accept lower prices for dealmaking to resume.

Prospects are bleak for large chunks of the office market that will not meet environmental regulations. Compliant buildings that command rising rents will continue to appeal to investors who have been increasing their allocation to alternative assets.

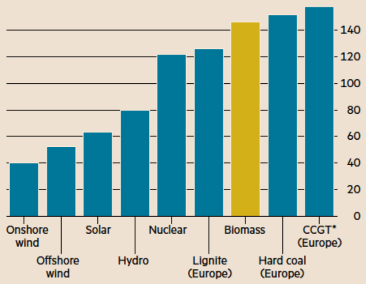
Savill's shares suffered a double-digit fall in thin, holiday trading. But the business is confident in the residential property market's resilience, expecting UK prices to flatten, not drop. Any slowdown in transactions will be short-term, it hopes. Wealthy customers are more likely to be cash buyers, less directly affected by rising mortgage rates.

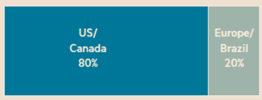
With the shares trading on a price/earning multiple just below its long-term average, shareholders have not yet deserted Savills. But much depends on interest rate predictions. Capital Economics, which expects rates to peak at 3 per cent — more than most forecasts — sees a 7 per cent drop in UK house prices over the next two years. It expects housing transactions to fall to their lowest level in more than a decade next year.

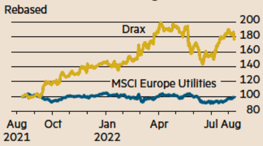
Estate agents are cyclical businesses. At least Savills has reduced its pre-financial crisis dependence on transaction-based profits, down from nearly half of sales 15 years ago to about 40 per cent. Even so, Savills will feel the drought if property transactions wither.

Drax/Kwarteng: wood you believe it

Among renewable sources of energy, biomass looks relatively expensive, nearly the same as hard coal and natural gas. Much of biomass generator Drax's pellet fuel comes from across the Atlantic. But Drax's share price has done very well among European utilities







FT graphic Sources: Credit Suisse; Lex calculations; company data; Bloomberg *Combined cycle gas turbines

The UK government cannot make up its mind about woody biomass electricity generation. Business minister Kwasi Kwarteng earlier this week said "it doesn't make any sense" to import US pellets to burn. Yesterday, he "fully backed" biomass.

Furious power companies and bureaucrats had presumably applied thumbscrews in the meanwhile.

Drax is the UK's largest biomass generator. Its shares wobbled, as well they might. Kwarteng's department has backed woody biomass for some time. Drax (formerly a coal-fuelled generator) and others receive subsidies. The idea behind woody biomass is that fibre used to make fuel pellets is spare anyway. Managed forestry involves thinning out trees and any excess would be burnt anyway, proponents say. Combine woody biomass generation with carbon capture and storage, they add. Hey presto! Biomass offers not just low-carbon solution but a negative one.

Lex demurs. Why encourage wood burning? Already this year about 6mn tonnes of carbon have been released from forest fires in the EU and UK, according to the European Commission. Whether trees burnt at Drax will be replaced like-for-like, locking up released carbon, is questionable. A good portion of the subsidies for woody biomass must end up in the pockets of lumber mill and forestry industry owners. At least half of Drax's wood fibre comes from sawmills, according to its own data. This year, 80 per cent of Drax's biomass pellets will ship from North America.

If the biomass generators sat in a heavily forested Nordic country, not denuded Yorkshire, this fuel would make more sense. But ransacking forests in America's south-east, as does US-listed pellet maker Enviva, to ship to Europe for burning is bonkers. Moreover, measured against other sources of renewable energy, it is almost as expensive as coal and natural gas. The combination of biomass burning and carbon capture is a complex solution to Drax's desire to stay in business in a way that appears sustainable.

The UK should focus instead on energy that is unequivocally renewable: wind and solar.

SMIC/Tudor Brown: a disArming departure

The news that a non-executive director is stepping down after nine years is typically greeted with snores. However, the departure of Tudor Brown reflects worsening east-west tech tensions.

Brown, a founding engineer of Arm, is quitting the board of Semiconductor Manufacturing International Corp, China's largest chipmaker. One parting sally was: "The international divide has further widened." Chinese chipmakers face growing pressure from the US and at home. Tightening US export restrictions on SMIC may also make Brown's experience less useful.

Arm's business is not fully free of US export curbs despite being a UK group because its designs contain "US-origin" tech. Arm designs are used in 90 per cent of mobile processors. It stopped licensing tech to Huawei in 2019.

SMIC has done the most of any China group to advance Chinese chip tech. But although design capabilities have improved, production is far from self-sufficient. Local makers continue to rely on imported chipmaking gear.

US chip-gear makers Lam Research, Applied Materials and KLA Corp are suppliers to SMIC. The US has already banned sales to SMIC of equipment that can make advanced chips.

Washington is broadening the ban to less advanced chips. That would threaten one of China's targets: mass-producing 14nm chips by next year.

The processors are many levels less advanced than those made by peers such as TSMC of Taiwan, but a step up for Chinese manufacturers.

SMIC shares have fallen more than 30 per cent in the past year. This week, regulators announced chip-related probes. Their previous warmth to the sector is cooling. Beijing has been generous with handouts. The backdrop to probes is suspicion that makers and designers may have overstated chip tech advances to please politicians.

China is hardly likely to put the brakes on its push to cut dependence on foreign chip tech of the Arm kind.

But SMIC and peers can expect far tougher scrutiny of their progress.

Disney/Discovery: stream dream

Maybe Rupert Murdoch and AT&T knew what they were doing all along. In recent years, both have curtailed their Hollywood ambitions. The pair sold entertainment assets to buyers keen to do battle in the content streaming wars. So far this year, Fox and AT&T shares have held up against declining market indices.

Other media titans have discovered that the direct-to-consumer content business is not only expensive but a smaller market than hoped.

Disney, which has acquired Fox's studio assets, said late on Wednesday that it had signed up 14.4mn new streaming subscribers to its Disney+ service, more than expected. The next day, shares rose 6 per cent in response. But that growth was costly. Disney+ recorded a quarterly operating loss of $1.1bn on $5.1bn of revenue. The group also admitted that it would not reach its long-term outlook for 260mn subscribers by 2024.

An even bigger high wire act in media is the recently christened Warner Brothers Discovery, the result of Discovery's acquisition of Warner Media from AT&T for $43bn in 2021.

The middle-fare Discovery and highbrow Warner hardly made a natural fit. Discovery's net debt to ebitda ratio is at an elevated five times.

That looks precarious. The new company admits to some painful integration issues. Warner Brothers Discovery shares have already lost 42 per cent this year. Still, that looks better than Netflix, the worst performer among the group in 2022.

Meanwhile, the sellers have returned to their roots. AT&T has retreated to its cash flow-rich, legacy mobile phone service and broadband businesses.

Fox has focused on its traditional legacy linear pay-TV networks in news and sports. While sports rights remain expensive, affiliate fees and advertising have proved surprisingly resilient.

For the likes of Disney and Discovery, standing still was never an option. But their streaming battles may make them think twice about the cost of expansion.

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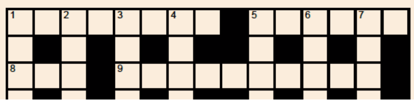
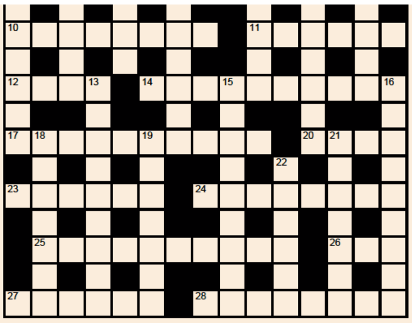
CROSSWORD

No 17,171 Set by BRADMAN



ACROSS
1 Depressed with nowt changing in city centre? (4,4)
5 Horses quietly sitting by maple trees? (6)
8 Prophet's right to leave Liverpool maybe (3)



9 Bumpkin and a fifties-style youth suspended by Oxford? (10)
10 Nasty cousin, gangster disregarding other people (8)
11 Confession of previous protester in compound? (6)
12 The fellow trapped by a maiden? Excuse me! (4)
14 Panicky gent fired unfairly – hard to bear (10)
17 Informal radio star is torn apart (10)
20 Gnomes? They have teeth (4)
23 Strive in street against wet weather (6)
24 What once offered accommodation for male member (8)
25 Girl and quiet French actor performing in film based on a book? (10)
26 Language of one leading party (3)
27 Climb Andes with difficulty, getting cold inside (6)
28 Test mama out with family trees (8)

DOWN

1 Show disrespect and put worker down as bolshy type? (9)
2 Cry of misery from some wife, female put out terribly (3,2,2)
3 Old country spot as setting for hotel (6)
4 We're crass, not right, I fancy (9)
5 Slight sign of affection – is husband ready for meal? (7)
6 Actors get upset – they have relatively small accommodation (9)
7 Socialist victory ending with the party drink? (3,4)
13 Household penning short account – it shows a measure of intelligence (6,3)
15 Scientist to understand about old records found around India (9)
16 Some French devil descending on a woman on stage (9)
18 Church observances offering some spiritual satisfaction? (7)
19 I'd get in drunk and fired up (7)
21 Country boy hugged by a mother (7)
22 Special name of English horse followed by millions (6)

JOTTER PAD

Solution 17,170