FINANCIAL TIMES

THURSDAY 25 AUGUST 2022 INTERNATIONAL NEWSPAPER OF THE YEAR ASIA

Amazon check-up
Cracking healthcare will take more than ambition — BROOKE MASTERS, PAGE 17

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Nasa's new rocket will quickly be replaced by cheaper systems — PAGE 3

It's all about money
Big Tech's real mission isn't about being good at all — JEMIMA KELLY, PAGE 16

Kyiv calls for neutral observers to protect crucial nuclear plant

- Plea for permanent presence
- Ukraine celebrates independence
- War hits six-month mark

ALICE HANCOCK — BRUSSELS

Ukraine has called for nuclear and military experts to be permanently based at its Zaporizhzhia power plant to protect "the security of Europe", as fears grow over the risk of nuclear disaster at the Russian-occupied site.

Ukrainian energy minister German Galushchenko told the Financial Times he was hopeful nuclear experts from the International Atomic Energy Agency and UN officials, as well as military personnel "from any country [but] not Russians", could secure the plant at the beginning of next month.

His comments were made as Ukraine marked its 31st year of independence from Soviet rule, on the day Moscow's invasion hit the six-month mark.

"If there were international experts inside the grid that would make obstacles for [the Russians] to shell or to do crazy things; to put in any military vehicles and to bring additional soldiers," Galushchenko said. A permanent base of international officials was "a question about the security of Europe", he added.

Calls for an international mission to examine the Zaporizhzhia site have met resistance from Kyiv and Moscow as it would require a ceasefire around the plant and agreement on who would host the group. Ukraine argued that a delegation would legitimise Russia's presence.

But Galushchenko said Kyiv's position had changed after explosions near the plant this month caused the shutdown of the electrical power transformer and damaged radiation detectors on the site.

President Volodymyr Zelenskyy yesterday vowed that Ukraine would fight Russia's invasion "until the end".

Speaking in a video address from Kyiv's Independence Square, Zelenskyy said Ukraine had been "born again" by its resistance to Putin's forces.

"After six months of the attempts to destroy us, we are the free people of independent Ukraine," he said. He pledged that Ukraine's military would regain Russian-occupied regions in the far east and south, including the Crimean peninsula annexed in 2014.

UK prime minister Boris Johnson, on a visit to Kyiv, said the west was suffering less than the Ukrainians. "We also know that if we're paying in our energy bills for the evils of Vladimir Putin, the people of Ukraine are paying in their blood. And that's why we know we must stay the course," he said.

The US will send nearly $3bn in weapons and kit to Ukraine in the largest single tranche of security assistance given by Washington since the beginning of the war. US president Joe Biden said the package would include air defence systems, artillery and munitions, anti-drone systems and radar — all intended to ensure Ukraine "can continue to defend itself over the long term".

Biden said the US was "committed to supporting the people of Ukraine as they continue the fight to defend their sovereignty". The weapons will be procured from the US defence industry and from other countries, rather than drawn from existing US weapons stocks, but are expected to take several months to arrive on the battlefield.

This package is designed to meet Ukrainian forces' longer-term needs and to signal Washington's determination to support Kyiv. But it is unlikely to satisfy officials' pleas for offensive weapons, which they say are needed to fight Russian forces in south Ukraine.

As the war hit the six-month mark, the UN said there had been more than 13,000 civilian deaths or injuries.

Winter stalemate & Arrests page 2

Two boys carry a flag at an Independence Day ceremony in Lviv yesterday
Jeff J Mitchell/Getty Images

> Six months on, citizens of Kyiv are in a grey zone, getting moments of peace at a time of war, dancing 'when we can, crying when we have to', says Dima

Mehul Srivastava
Page 16

Briefing

Draghi reform plea to election hopefuls
The outgoing Italian premier has urged competing parties to uphold reform pledges after the rightwing bloc in the lead unveiled costly plans and hinted at renegotiating the EU's Covid recovery plan.— PAGE 2

Biden to cancel students' $10,000 debt
The US president was last night due to unveil the cancellation of $10,000 worth of debt for borrowers earning less than $125,000, a move that will please progressives but could raise inflation.— PAGE 4

BlackRock faces Texas divestment
The US state has declared that the investment manager and nine listed European financial groups "boycott energy companies", subjecting their shares to divestment by state pension funds.— PAGE 8

Court orders Thai premier's suspension

Prayuth Chan-ocha, who took power in a coup but has styled himself as civilian premier, has been suspended after a petition from the opposition said he had exceeded his term.— PAGE 4

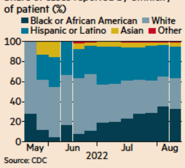
Schneider weighs takeover of Aveva
The French conglomerate has said it is looking into buying the 40 per cent of the software developer that it does not already own, sending shares in the London-listed group soaring.— PAGE 6; LEX, PAGE 18

Noble fined $9mn after 4-year probe
Singapore has fined the commodities business over "misleading information" in financial statements. Critics Iceberg Research labelled the penalty: "A minor fine for a major [scandal]."— PAGE 8

Richemont takes €2.7bn ecommerce hit
The Swiss luxury group has taken a big writedown after selling a majority stake in unprofitable Yoox Net-a-Porter to Farfetch and an Emirati investor. Richemont rose 3 per cent.— PAGE 6; LEX, PAGE 18

Datawatch

Monkeypox toll
Share of cases reported by ethnicity of patient (%)



Source: CDC

Out of 43,000 monkeypox cases around the world, more than 15,000 are in the US. New data from the Centers for Disease Control show that as the outbreak has developed, it has taken a heavier toll on people of colour

Global strife raises risk of pandemics, say scientists

Analysis PAGE 2

Another brick in the Wall Street as Blackstone eyes Pink Floyd catalogue

KAYE WIGGINS — LONDON
ANNA NICOLAOU — NEW YORK

US private equity group Blackstone is vying to buy Pink Floyd's back catalogue, in a major bet on music rights that could value the band's songs at almost half a billion dollars.

The buyout group would strike the deal through Hipgnosis Song Management (HSM), the company founded by Elton John's former manager Merck Mercuriadis that Blackstone now owns a majority stake in, according to corporate filings.

A Pink Floyd deal would burnish Blackstone's credentials as a main player in the music rights business. The band is one of the best-selling groups of all time and its catalogue is sought after, with Sony Music, Warner Music, KKR-backed BMG and Oaktree-funded Primary Wave also bidding, five people with knowledge of the matter said.

Blackstone set up Hipgnosis Songs Capital (HSC), a billion-dollar fund, after buying HSM last year. It has so far bought $341mn of back catalogues from Leonard Cohen, Justin Timberlake, Nile Rodgers, Nelly Furtado and country singer Kenny Chesney.

The Pink Floyd deal could be worth more than all HSC's current holdings combined, underscoring its seriousness about the industry even as rising interest rates make such deals less attractive.

Artists such as Bruce Springsteen and Bob Dylan have sold their songbooks to music companies for hundreds of millions of dollars in recent years, while private equity firms piled into the market in search of steady returns during the long period of low interest rates.

The catalogue of the UK band spans hits such as "Money", "Comfortably Numb" and "Another Brick in the Wall". A deal could be agreed within weeks, the people added.

Pink Floyd is selling the copyrights to its songs and recordings, or master copies, making its catalogue one of the most valuable. It is seeking £400mn or more.

A weaker sterling over the past few months means the price tag of the deal has become cheaper in dollar terms for the US bidders since the process began.

The Blackstone-backed Hipgnosis fund this month issued $221mn of asset-backed securities — bonds that use the music copyrights as collateral. That was used to refinance the debt it took on to initially fund the $341mn of music purchases.

Blackstone and Hipgnosis declined to comment.

Additional reporting by Robert Smith

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 24	Prev	%chg
S&P 500	4152.93	4128.73	0.59
Nasdaq Composite	12490.26	12381.30	0.88
Dow Jones Ind	33068.52	32909.59	0.48
FTSEurofirst 300	1704.63	1701.17	0.20
Euro Stoxx 50	3669.94	3652.52	0.48
FTSE 100	7471.51	7488.11	-0.22
FTSE All-Share	4100.82	4108.39	-0.18
CAC 40	6386.76	6362.02	0.39
Xetra Dax	13220.06	13194.23	0.20

CURRENCIES

Pair	Aug 24	Prev	Pair	Aug 24	Prev
$/€	0.999	0.999	€/$	1.001	1.001
$/£	1.182	1.185	£/$	0.846	0.844
£/€	0.845	0.843	€/£	1.183	1.187
¥/$	136.765	136.250	¥/€	136.656	136.066
¥/£	161.670	161.476	£ index	79.010	78.754
SFr/€	0.965	0.961	SFr/£	1.141	1.141

CRYPTO

	Aug 24	Prev	%chg
Bitcoin ($)	21753.48	21523.73	1.07

GOVERNMENT BONDS

Yield (%)	Aug 24	Prev	Chg
US 2 yr	3.37	3.24	0.13
US 10 yr	3.11	3.00	0.11
US 30 yr	3.29	3.22	0.07
UK 2 yr	3.06	2.82	0.24
UK 10 yr	2.70	2.57	0.12
UK 30 yr	2.93	2.88	0.05
JPN 2 yr	-0.09	-0.09	0.00
JPN 10 yr	0.22	0.22	0.00
JPN 30 yr	1.14	1.15	-0.01

Dubai

Nikkei	28313.47	28452.75	-0.49
Hang Seng	19268.74	19503.25	-1.20
MSCI World $	2730.35	2736.10	-0.21
MSCI EM $	989.54	991.90	-0.24
MSCI ACWI $	634.11	635.46	-0.21
FT Wilshire 2500	5380.57	5389.01	-0.16
FT Wilshire 5000	42036.43	42098.38	-0.15

Ethereum	1677.87	1665.66	0.73

COMMODITIES

	Aug 24	Prev	%chg
Oil WTI $	93.30	93.74	-0.47
Oil Brent $	99.53	100.22	-0.69
Gold $	1746.55	1733.25	0.77

GER 2 yr	0.92	0.84	0.08
GER 10 yr	1.37	1.31	0.05
GER 30 yr	1.50	1.48	0.02

Prices are latest for edition
Data provided by Morningstar

A Nikkei Company

INTERNATIONAL

Italy election

Draghi urges poll victors to back reforms

PM issues warning after Eurosceptics hint at review of EU-funded recovery plan

SILVIA SCIORILLI BORRELLI — MILAN

Mario Draghi urged parties vying to win Italy's election to uphold the country's reform commitments after the right-wing coalition that leads polls unveiled costly economic proposals and hinted at potentially renegotiating the EU-funded coronavirus recovery plan.

Speaking at a conference in Rimini yesterday, in one of his last appearances as premier, Draghi said that while Italy's economic prospects were good, the next government should not overlook the worsening international outlook, the energy crisis and the structural reform objectives agreed with Brussels.

"Domestic credibility goes hand in hand with international credibility," he said. "Italy has never been strong when it decided to set out on its own, Italy's place is at the heart of the European Union and [Nato]," he said.

Draghi's successor will have to tackle slowing growth, rising inflation and possible energy rationing if Russia further cuts gas deliveries in response to EU support for Ukraine, just as the new government will have to pass a new budget.

Eurosceptic parties within the right-wing coalition, which could garner between 47-50 per cent of the votes on September 25, according to latest polls, have recently hinted at reviewing the details of Italy's €200bn EU-funded recovery plan and reforms associated with it. The block is led by Brothers of Italy, whose leader Giorgia Meloni is frontrunner to be next premier, and includes Matteo Salvini's League and Silvio Berlusconi's Forza Italia.

Draghi said the EU-funded plan was the "litmus test of our credibility", adding that most Italians expected the long-awaited reforms and investments to be carried through.

"There is very little appetite in Brussels to revise Italy's recovery fund reforms, partly because of [which politicians would] be asking in Rome, but also because of the precedent it could set with other countries, not least Poland and Hungary, where negotiations over rule-of-law reforms are ongoing," said Mujtaba Rahman, managing director for Europe at Eurasia Group.

The coalition has unveiled proposals for broad tax cuts, a limited tax amnesty and generous minimum pension rises. Any combination would cost more than €80bn, warn official estimates. Such spending could put Rome on a collision course with Brussels, analysts added.

"Brussels will want guarantees the measures are well-targeted, proportionate and address the problems that inflation is creating," Rahman said.

Italy has already spent €40bn to support businesses and households facing rising costs. Energy and inflation were cited as the two most pressing issues for businesses and households, the latest polling says, and experts believe voters will be swayed by the strongest proposals on how to curb rising utility bills and manage wider increases in the cost of living.

In Rimini, Meloni questioned the EU's "strategic choices", blaming past missteps for the bloc's dependence on Russian energy. She also backed a proposed EU-wide cap on gas prices and criticised the centre-left Democratic party's proposal for temporary price controls on energy.

War. Six months on

Ukraine conflict heads for winter stalemate

Neither side appears ready to negotiate as Russians dig in and Kyiv pledges to fight on

MEHUL SRIVASTAVA AND ROMAN OLEARCHYK — KYIV
MAX SEDDON — RIGA
JOHN PAUL RATHBONE — LONDON

Since the first day of the war in Ukraine, Tyson has watched the Russians from afar, the drones that he operates circling above the enemy deep within his country. He has learned to recognise the telltale signs of grass marked by missile launches or the dark spots suggesting freshly dug graves. On a lucky day, the movements of a Russian soldier lead him to a target for Ukraine's artillery.

But six months into Russia's all-out assault, what Tyson sees worries him. Both sides are at a stalemate across much of the 2,400km front line and Russian forces are entrenching themselves for the winter ahead. "All day long, they dig, and they dig, and they dig," said Tyson, agreeing to be identified only by his call sign.

"The enemy has learned fast," he said, with a tone of respect. The entrenched Russians are not the easy targets they once were. "What we saw in the beginning, and what we are seeing now, it's the difference between night and day."

As Ukraine marks 31 years since independence and six months to the day since Russian president Vladimir Putin sent tens of thousands of troops into the ex-Soviet state, what Tyson sees in his southern theatre of the war is true across much of the country.

Neither side has the immediate upper hand. Neither side has shown any lasting appetite for negotiations. And neither side is giving up. Ukraine has vowed to fight on until it drives Russia from its territory; meanwhile, the grinding conflict has appeared only to deepen Putin's resolve to seek victory, despite heavy battlefield losses and western sanctions that have crippled Russia's economy.

"President Putin says that everything is going according to the plan," Gennady Gatilov, Russia's ambassador to the UN in Geneva, told the Financial Times last week. "I very much hope that."

Both sides are so dug in that "there are no prospects for peace at all, only a ceasefire", according to a person close to the Kremlin. So far, about 9,000 Ukrainian soldiers had been killed in the war, the army chief said this week. In July,

Battleground: Russian soldiers patrol an industrial area in Mariupol in the Donetsk region of eastern Ukraine — AP

the CIA said at least 15,000 Russian troops had been killed. Any agreement would be likely to codify the largely static front line separating Ukraine and Russia, with almost a fifth of Ukrainian territory in the invader's control. Russia still hopes to gain control of the remaining part of the Donbas before the winter, according to the person in Moscow. "Putin won't be ready until Russia has all of Donetsk [the mineral-rich eastern industrial region that makes up half of the Donbas]," the person said. "The plan has changed a hundred times. Nobody in Russia has ever fought an army the size of Ukraine's. This is going to go on for a long time."

War of attrition
Area under Russian control (as of Aug 22)

Source: Institute for the Study of War, AEI's Critical Threats Project

Russian artillery is holding off any Ukrainian attempts to claw back territory. The western weapons supplied to Kyiv are weakening, but not defeating, the Russians. "The US gives us enough to stop the Russians from advancing, to reverse some gains, to shape the operational direction, but absolutely, clearly, not enough for a major counter-offensive," said Andriy Zagorodnyuk, a former defence minister of Ukraine.

Kyiv has signalled a counter-offensive to free the southern city of Kherson and push Russian forces east of the Dnipro river but has not yet put in place either the troops or equipment to proceed.

"The tempo of the campaign will slow down over winter, although there will still be ground attacks — Russia attacked Ukraine in the winters of both 2014 and 2022," said Konrad Muzyka, founder of Rochan Consulting, a military consultancy based in Poland. "But, at the end of the day, both sides probably lack sufficient troops to retake ground and make a decisive difference."

> 'President Putin says that everything is going according to the plan'

Putin hopes that the economic blowback from the sanctions will force the west to blink first, leading the US and Europe to end military support for Ukraine and push Kyiv to sign a deal that codifies Russia's territorial gains, according to the person close to the Kremlin.

"The general idea is for the west to recoil in fear when they see how high energy prices are and have to explain that to their voters," the person said.

Some in the Russian elite hope Putin moves to end the war, according to a Moscow businessman. "They want to end this. They understand now that this is a big [mess]," the person said.

Nationalists want him to go further still. The murder of commentator Daria Dugina, daughter of ideologue Alexander Dugin, also sharpened hardline sentiment among a Russian elite that appears to see no shame in things the Kremlin routinely denied for years.

Margarita Simonyan, editor of the RT television channel who once drew ridicule for her interview of the men suspected of a novichok nerve agent attack in the British city of Salisbury in 2018, appeared to casually confirm on Twitter that Russia had indeed carried it out.

In his eulogy for Dugina, Leonid Slutsky, a senator and a Russian delegate to the failed peace talks, made clear there was no room for dissent. "Whatever your political party, faith, or age, there is only one way. One country! One president! One victory!" he boomed.

In the face of such rhetoric, Ukrainian leaders point to battlefield successes. Defence minister Oleksii Reznikov listed the sinking of Russia's Black Sea Fleet flagship Moskva, the retaking of Snake Island and the killing of thousands of Russian soldiers as harbingers of victory.

And in downtown Kyiv, Ukrainians are clear that they hope for of a full victory and the restoration of the country's borders as established in 1991.

Staring inside the blown-off top of a Russian tank, Anton and Tetyana pleaded for western backers to provide more precision weaponry. "The people of Ukraine will not agree to anything short of the return of all territories, including Crimea and Donbas," Anton said. "Ukrainians are capable of getting the job done on our own. Just give us the weaponry," Tetyana said.

Outlook see Letters page

Video claims

Russia arrests opposition politician for criticising invasion

MAX SEDDON — RIGA

Russian police have arrested one of the few prominent opposition politicians who is not yet behind bars or in exile for criticising President Vladimir Putin's invasion of Ukraine.

Evgeny Roizman, the former mayor of Ekaterinburg, the largest city in Russia's central Urals region, faces up to three years in prison on charges of "discrediting Russia's armed forces", the interior ministry said yesterday.

The ministry said Roizman had posted "a video whose content discredited the use of the armed forces of the Russian Federation to defend the country's interests and citizens" and would be taken to Moscow, Interfax stated.

As Roizman was led away by police after they had searched his apartment he called out to bystanders that he had been charged with "basically one phrase, the invasion of Ukraine".

Roizman is the best-known of a small group of dissidents who stayed in Russia and denounced Putin's invasion of Ukraine on social media despite a law that essentially bans all public criticism.

A former MP, anti-drug activist and friend of jailed anti-corruption campaigner Alexei Navalny, Roizman was elected mayor in 2013, beating the pro-Kremlin candidate amid a nationwide backlash against Putin's return to power a year earlier.

He stepped down in 2018 in protest over a decision to scrap elections for the mayoral post as the Kremlin grew increasingly intolerant of dissent.

Last month he posted a photo of himself on Twitter with three other anti-Kremlin activists at a forum in Moscow last year with a caption saying: "I'm the only one still free."

His supporters had expected him to be arrested after two of the other activists in the photo, Ilya Yashin and Vladimir Kara-Murza, were charged earlier this year for criticising the war.

But Roizman remained defiant on social media, where he regularly posted profanity-laden responses to state media reports carrying the Kremlin's narrative about the war.

He has already been fined three times in Ekaterinburg's courts for social media comments. He was also fined for "not respecting the authorities" in connection with a foul-mouthed tweet in May about Russia's foreign minister, Sergei Lavrov.

In an interview on YouTube last week, Roizman had said the pressure was not enough to convince him to leave the country.

"What the hell? Why should I leave?" he said. "I'm tied to this land, I was born and grew up here. I won't move a millimetre. I love my country. I understand all the risks but I can't leave, at least because it'd be running away. I can't allow myself to just up and flee my country."

Once out of office, Roizman remained popular in Ekaterinburg, where he was often spotted jogging around the city with supporters and ran a museum of Orthodox Christian icons.

After Roizman's arrest yesterday, the province's Kremlin-backed governor, Evgeny Kuivashev, a longstanding rival, said Roizman "deserves justice and respect, like any person".

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Public health

Global tensions and lack of funds pose threats in 'pandemic era'

SARAH NEVILLE — LONDON

Geopolitical tensions and dwindling funds are putting the world at risk from further mass outbreaks of infectious diseases, say health experts, arguing that countries have not learned the lessons of a "pandemic era".

Leading figures in the fight to contain the coronavirus pandemic said the fal-

together to eradicate smallpox even at the height of the cold war.

"We've mishandled the response to monkeypox terribly and we're now at risk of having [it] become globally endemic," said Richard Hatchett, chief executive of the Coalition for Epidemic Preparedness Innovations, a global research body.

He said that a failure to quickly roll

spurred by the pandemic were not being maintained. "What we're seeing is, in some countries, a dismantling of those systems, defunding of those systems and workforces being laid off, and that's quite worrying," she added.

WHO director-general Tedros Adhanom Ghebreyesus said this month that

> 'We've no idea what's

under-resourced and understaffed throughout this pandemic".

Despite reduced resources, experts said some progress had been made in preparing for health emergencies.

Farrar pointed to the Financial Intermediary Fund for Pandemic Preparedness announced at the second Global Covid-19 Summit in May, which has raised around $1.3bn ahead of its official

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Representative, Anjali Mahindroo

tering response to the monkeypox outbreak showed governments needed to maintain surveillance and testing systems while investing in vaccines.

"In my professional career we're actually at the most vulnerable we've ever been," said Sir Jeremy Farrar, director of the Wellcome Trust, the medical research charity that is the UK's biggest philanthropic donor.

"We've no idea what's circulating in the animal kingdom or in humans across most of the world . . . because geopolitics is getting in the way," said Farrar. "We have no co-operation scientifically, for instance, with China at the moment [or] with Russia" following the latter's invasion of Ukraine.

By contrast, he pointed out that the Soviet Union and US had worked out vaccines enabled the outbreak, the first public health emergency declared by the World Health Organization since coronavirus, to spread rapidly. More than 36,000 cases have been recorded since May.

Farrar argued that the world could not afford to treat as "discrete episodes" outbreaks of zoonotic diseases such as monkeypox, Covid-19 and Ebola, which he blamed on environmental disruption and commerce such as wet markets and the illegal trade in wild animals.

Otherwise, he said, "we will face more frequent and more complex epidemics . . . We're living in a pandemic era."

Maria van Kerkhove, an infectious diseases specialist and technical lead for Covid-19 at the WHO, said the genome sequencing capacities that had been

circulating in the animal kingdom or in humans across most of the world'

the number of sequences shared each week had fallen by 90 per cent since the beginning of the year.

Hatchett said wealthy countries must help to strengthen surveillance in the developing world. "This is something that is absolutely critical to global health security," he added.

Similarly, Ingrid Katz, associate faculty director at the Harvard Global Health Institute, noted that the US Centers for Disease Control and Prevention, and public health departments across the country, had been "consistently

launch in the autumn.

Health authorities are also adapting their strategies to contain the coronavirus as it continues to mutate. The UK this month became the first country to authorise a Covid vaccine tailored to the Omicron variant. The US plans to approve jabs tailored to the BA.4 and BA.5 Omicron sub-variants.

But Hatchett and others said the handling of monkeypox had shown that health authorities could still be left flat-footed. The outbreak had grown to the point where the several million doses of vaccines available worldwide might not be enough, he said.

Katz said: "When we look at . . . how [monkeypox] has escalated so quickly, I've started to question whether we've really learned anything."

INTERNATIONAL

Nasa rocket is last hurrah for space agency's costly old ways

Launch signals end of business as usual with industry embracing commercial era

RICHARD WATERS — SAN FRANCISCO

If Nasa's big Space Launch System rocket lifts off from Florida's Kennedy Space Center as planned on Monday, it will become the first vehicle in 50 years able to carry humans to the moon.

For the commercial space industry, it could signal something even more significant: the end of the line for the US space agency's old way of doing business and the start of a new era for commercial and international co-operation in space.

The SLS, which stands as high as a 30-storey building and is more powerful than the Saturn V rockets that carried Apollo missions to the moon, is a monument to grand space ambition.

It has taken 11 years to get to the launch pad, nearly twice as long as the Saturn V, and according to a Nasa auditor will have cost US taxpayers $29.5bn by 2025. It is the centrepiece of the $93bn Artemis programme, created to take humans back to the moon by 2025 and, in the longer term, act as a springboard for reaching Mars.

Yet even before the SLS takes off next week, unpiloted, for the first time, the epitaphs are being written. Lacking the reusability that has cut launch costs at Jeff Bezos's Blue Origin and Elon Musk's SpaceX, the rockets are expected to take longer to build and cost more than the heavy launch systems still under development at commercial rivals.

Nasa's plans call for the SLS to take flight about once every two years, at a cost of $2.2bn each time. With another $1bn going to Lockheed Martin to build the Orion spacecraft that sits on top of the SLS, the agency puts the total cost for each Artemis mission at $4.1bn.

The "unjustifiable cost and low launch rate" meant the US was likely to turn to cheaper alternatives when they were available, said Laura Forczyk, a US space analyst. Like others, she described SLS as a "monumental achievement", while also predicting it was "unlikely to be the workhorse" for US space exploration for long.

Nasa is coming to a similar view, even though main contractor Boeing says it is working on lowering the cost of future launches. The agency's auditor wrote last year that to put its manned space flight programme on a secure long-term footing, it would have to turn to cheaper commercial alternatives to SLS.

These are likely to include a number of heavy launch rockets that employ varying degrees of reusability. SpaceX's Starship, Blue Origin's New Glenn, and the Vulcan Centaur being developed by United Launch Alliance, a joint venture between Boeing and Lockheed Martin, are all awaiting their first test flights.

Nasa has scheduled four missions for the SLS, with the third due to take humans to the moon. After that, it is unclear whether it will fly again.

The cost and delays to Artemis partly reflect political reversals. The Obama administration scrapped the earlier Constellation programme to the moon, before the Trump White House set the current course more than six years later.

It was different to the 1960s, when the US launched its Saturn V rockets within six years as it raced to put a man on the moon. With SLS, "it was kind of a backwards approach", said Greg Autry, who in 2016 worked on the Nasa review team planning to return to the moon. Worried about losing ground to China and Russia, Congress pushed Nasa to build a heavy lift launch system and only later found a use for the rocket, he added.

The politics of such space projects also inflated costs, as politicians fought to win parts of the work for their constituents, an "inevitable part" of the process, said Autry. Similar considerations also affected decisions about rocket design, as senators like Alabama's Richard Shelby sought to protect the jobs tied to existing programmes in their states.

Despite calls to make parts of the rocket reusable, the design for SLS followed a more traditional plan. It also called for repurposing parts of the Space Shuttle programme, including the shuttle's engines, which was projected to reduce technology risk and save money. This backfired, with costs soaring as the engines were rebuilt. Above all, SLS stands as a testament to the way Nasa has operated. It was built under a cost-plus arrangement where Nasa retains control and reimburses contractors.

Nasa administrator Bill Nelson called cost-plus contracts like this "the old way of doing business" when he testified before Congress in May. While not commenting on SLS, he said that such deals encouraged companies to bid low to win contracts, which left Nasa with no alternative but to meet heavy cost overruns.

The agency has already had a taste of the alternative. Without a rocket of its own, it has used a fixed-price arrangement to pay SpaceX to carry US cargo and astronauts to the International Space Station. The commercial conditions under which SpaceX operates create heavy incentives for it to hold down expenses. A Nasa official estimated that SpaceX's Falcon 9 rocket cost less than $400mn to develop, and that Nasa would have spent 10 times that to build the rocket under a cost-plus system.

If the Artemis programme turns out to be the last hurrah for an old way of handling big space projects, it also gives a glimpse into the future of space exploration. It includes variations of fixed-price contract, including a commission for SpaceX to build a lunar lander. Blue Origin protested against that agreement, and Nasa is now looking at awarding a contract for a second lander.

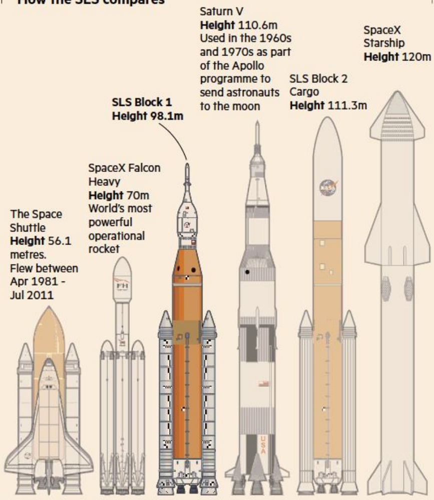
Other parts of Artemis that operate under fixed-price arrangements include contracts with private companies to carry equipment to the lunar surface, and a commission for a "gateway" craft that will sit in lunar orbit and be used as a way-station to landing on the moon.

Projects like these represent new forms of partnership between the private and public sectors and should provide a solid foundation for the commercial space industry, according to Autry.

Artemis has also relied on the backing of international bodies, such as the European Space Agency, as the US builds a broad alliance for human space exploration, while also countering Chinese and Russian space ambitions.

Ready to go: Nasa's moon rocket, the Space Launch System Artemis 1, sits at the Kennedy Space Center in Cape Canaveral, Florida
Joe Skipper/Reuters

How the SLS compares



Sources: Nasa; SpaceX Graphic by Bob Haslett

SLS rocket is 'unlikely to be the workhorse' for US space exploration for long

Laura Forczyk, space analyst

INTERNATIONAL

Energy supplies

Japan reverses nuclear power wind-down

Tokyo will step up reactor restarts and build more plants, says premier

KANA INAGAKI AND LEO LEWIS — TOKYO

Prime Minister Fumio Kishida has moved to restore Japan's status as a nuclear-powered nation for the first time since the 2011 Fukushima crisis, accelerating the restart of reactors and signalling the construction of plants.

Kishida's decision to throw his weight behind the sector is intended to rein in soaring energy costs for households and companies and to support Japan's nuclear technology manufacturers. "As a result of Russia's invasion of Ukraine, the global energy situation has drastically changed," Kishida said yesterday.

"Whatever happens globally, we need to prepare every possible measure in advance to minimise the impact on people's lives," he said, adding that the government would aim to produce firm plans for the sector by the year-end.

The plan to research the construction of reactors, which experts say could be safer than those using existing technologies, marks a U-turn in government policy since the Fukushima crisis.

The prime minister had already announced the restart of some nuclear plants after Tokyo came close to a power blackout this year. With the acceleration, it will aim to bring back 17 out of 33 operable reactors by summer next year and extend the life of existing plants.

Hopes for a nuclear revival sent shares in Tokyo Electric Power Co, owner of the three reactors that melted down in Fukushima, up 10 per cent, while those of nuclear supplier Mitsubishi Heavy Industries rose 6.9 per cent and Japan Steel Works by 5.5 per cent.

No new nuclear plants have been built in Japan since the 2011 disaster, when the largest earthquake in the nation's recorded history led to the meltdowns at the Fukushima Daiichi plant.

But the big rise in global energy prices driven by the Ukraine war has made other countries reconsider their policy, such as Germany, which is rethinking its plan, decided after Fukushima, to exit nuclear power by the year- end.

Japan's energy policy has been largely paralysed since the 2011 disaster sparked the closure of most of its nuclear reactors, forcing Asia's largest advanced economy to burn extra coal, natural gas and fuel oil even as it pledges to hit net zero carbon emissions by 2050.

As Japan imports most of its energy, it has also been hit hard by the rise in commodity prices. It relies on Russia for about 9 per cent of its liquefied natural gas.

"Now is the perfect time to do this," said Tom O'Sullivan of consultancy Mathyos, noting that Kishida did not face any major election for the next three years. "Japan is already paying more for electricity than most other Group of Seven countries, so industrial competitiveness is an issue as well."

Before Fukushima, Japan sourced about a third of its electricity from its nuclear reactors. Now, only six are operational with restarts hampered by a string of safety incidents and public distrust of Tepco and other power groups.

Restarting the plants has been a focus of lobbying by Japanese companies this year, said people involved. The Tokyo blackout threat and Ukraine war were a big part of widening the number of companies involved, they added, but many had begun calls for a restart after the 10th anniversary of the tragedy.

California

Action to save giant trees

Firefighters cut back vegetation in California's Sequoia National Forest in an effort to reduce the risk of wildfires, which have destroyed 20 per cent of giant sequoia trees in the past two years, according to the US Forest Service.

The emergency action is being carried out in an effort to protect unburned sequoia groves, which are vulnerable to fires caused by drought and rising temperatures.

The huge trees can live for more than 3,000 years and average between 180-250ft in height.

Photo: Mario Tama/Getty Images)

Central bankers. Annual symposium

Powell faces bumpy ride at Jackson Hole

Fed chair under pressure to tackle inflation and protect jobs following 'missteps'

COLBY SMITH — JACKSON HOLE, WYOMING

As central bankers from around the world gather today for the first in-person Jackson Hole conference since 2019, Federal Reserve chair and host Jay Powell will face something that was largely absent during the past two virtual versions of the Fed's annual meeting: a tough crowd.

Celebrated two years ago for rescuing the global economy and financial system from a catastrophic pandemic-induced crash, the US central bank has since faltered, initially misdiagnosing what has become the most acute inflation problem in four decades and then being forced to play catch-up.

As a result, Powell, reappointed to a second term in November, is under immense pressure to execute a historically difficult task: fine-tune monetary policy to safeguard the Fed's inflation-

"This is not a great period for the Fed right now, not just because the challenges are tremendous, but I think the Fed has also made some missteps," said Ellen Meade, who served as a senior adviser to the central bank's board of governors until 2021.

"Powell wants to do the right thing, and he's not out there to make a mistake," said Meade, who is a professor at Duke University. "But if he loses this one, this is the whole ball game."

The Fed has already embarked on the most aggressive campaign to raise interest rates since 1981 and is expected to take further action throughout at least the second half of 2022. Central banks across advanced and emerging economies have followed suit, grappling with their own inflation surges exacerbated by Russia's invasion of Ukraine.

But former officials and economists warn another big test of the Fed's credibility will emerge in the next phase of tightening, when inflation has not yet slowed sufficiently but the economy starts to flash more obvious signs of weakness.

Powell, whose legacy will depend in large part on the outcome, must build

The Fed's predicament stems from its early assessment that the consumer price surge triggered by supply chain disruption and trillions of dollars of pandemic-related fiscal stimulus was temporary.

It was a view shared by most but not all economists to begin with, and one that Powell devoted the entirety of last year's Jackson Hole speech to supporting.

Distorted data had concealed the strength of the labour market, which is now one of the tightest in history.

> 'This is not a great period for the Fed right now, not just because the challenges are tremendous'

Viewing inflation through a "transitory" lens — a term Powell officially abandoned in November — laid the basis for a series of policy blunders that led to the Fed expanding its balance sheet long after additional support was no longer necessary. It also waited until March before raising rates.

icy on to the correct path," said Randy Quarles, the Fed's former vice-chair for supervision who left in late 2021. "Had we responded earlier, inflation would not have reached the level it is at now."

The central bank was too wedded to the idea that "you can't step on the gas and the brake pedal at the same time", said Quarles, meaning officials felt obliged to hold off raising rates until they had stopped hoovering up Treasuries and agency mortgage-backed securities.

Quarles, who foresees the federal funds rate rising as high as 4 per cent and a recession next year, said an interest rate increase as early as November would have been appropriate.

Powell also admitted last month that the guidance the central bank had provided in late 2020, in which it laid out the economic milestones that needed to be reached before it would stop easing policy, was too inflexible for an environment of such extreme uncertainty.

"I don't think that that has materially changed the situation, but I have to admit, I don't think I would do that again," he said.

Heading into this year's Jackson Hole takes, having "front-loaded" its interest rate increases and raised the benchmark policy rate from near-zero to a target range of 2.25 per cent to 2.50 per cent in just four months.

Most officials expect rates to rise by at least another percentage point by the end of the year, with a third consecutive 0.75 percentage point rate increase under consideration for the September meeting. But concerns linger about the Fed's resolve to continue squeezing the economy if unemployment climbs higher than expected.

While the Fed has framed its commitment to price stability as "unconditional", officials — unlike most Wall Street economists — maintain that a recession is not a foregone conclusion.

At their most recent policy meeting, they also discussed nascent signs the economy is cooling and the risks of being heavy-handed with tightening, fanning fears that a more divided Fed will back off its inflation fight prematurely.

Tomorrow, Powell is expected to reiterate that it will soon be appropriate to start implementing smaller rate rises, but also underscore the central bank's

College loans

Biden poised to cancel $10,000 of student debt for millions

KIRAN STACEY AND AGENCIES
WASHINGTON

Joe Biden is on the verge of cancelling $10,000 in student loan repayments for millions of Americans, in a move that will please progressives but could push up inflation.

The US president flagged the announcement yesterday after months of deliberations over the exact structure of the debt forgiveness scheme.

Biden paused most student debt repayments during the coronavirus pandemic but has been under pressure from many on the left of his party to cancel a large chunk, if not all of it, outright. But some economists have warned that doing so could add further fuel to the country's already high inflation rates.

The president was set to formally announce the cancellation of $10,000 worth of debt for borrowers earning less than $125,000 a year. That figure will rise to $20,000 for those in receipt of Pell Grants, which are given to students in exceptional financial need.

> Cancelling $10,000 for every student would clear the balance for almost a third of borrowers

He also announced that the pandemic moratorium on payments would be extended until the end of the year.

"In keeping with my campaign promise, my administration is announcing a plan to give working- and middle-class families breathing room as they prepare to resume federal student loan payments in January 2023," Biden wrote on Twitter ahead of the formal announcement.

US consumers currently hold about $1.6tn in outstanding student debt and it can take many decades, especially in minority communities, to complete their repayments.

The Department of Education said the measures could have an immediate automatic impact on eight million borrowers.

Elizabeth Warren, the Democratic senator from Massachusetts, has called for years for student debt forgiveness, and promised during her failed presidential bid in 2020 to cancel $50,000 for 95 per cent of borrowers.

Cancelling $10,000 for every student would completely clear the balance for almost a third of borrowers and add up to $321bn of repayments in total, according to a study by the New York Federal Reserve.

But Marc Goldwein, the senior policy director at the Committee for a Responsible Federal Budget, a hawkish think-tank, has calculated that doing so would almost completely eliminate the deflationary impact of the recently passed Inflation Reduction Act.

The act includes $369bn dedicated to climate and clean energy programmes, new measures allowing the government to negotiate lower prescription drug prices, a provision to apply a minimum 15 per cent tax on large corporations and a new 1 per cent fighting credentials without causing more job losses than necessary.

consensus across what is likely to become a more divided central bank.

"We should have recognised last fall that this was a time to slip monetary pol-

conference, economists say the Fed has tried to correct many of its earlier mis-

commitment to do what is needed to combat inflation.

tax on share buybacks.
Edward Luce see Opinion

Africa

Angola elite risks electoral backlash amid youth's frustration

JOSEPH COTTERILL — JOHANNESBURG

Angolan president João Lourenço yesterday faced what analysts have called an "existential election" for Africa's second-biggest oil producer in the face of mounting anger among the country's youth over lack of reform and mismanagement of the economy.

Support for the National Union for the Total Independence of Angola (Unita), the opposition party that fought and lost the civil war that ended in 2002, has risen among young people disaffected by Lourenço's Popular Movement for the Liberation of Angola (MPLA), according to analysts and recent polls.

This election, with official results not expected for a week or more, was set to herald a "national awakening" against the MPLA, said Paulo Faria, an academic whose inclusion as a Unita candidate reflects the party's broadening of its base under Adalberto Costa Júnior, its leader since 2019.

The head of the party with the most seats will become president.

"I'm excited about these elections as they represent the first time the opposition parties can actually win," said Claudio Silva, a commentator in Luanda, the capital. "I have never seen [the MPLA] this nervous . . . People openly mock them online and in the street."

Lourenço took over five years ago from José Eduardo dos Santos, the nation's longstanding strongman who died last month. On the campaign trail Lourenço has said his party is "committed to the wellbeing of Angolans" and that he has tackled corruption, notably investigating the former president's children, including Isabel dos Santos, Africa's richest woman.

Last weekend the government repatriated the body of the former president from Spain in the face of his children's objections, a sign of the continuing feud. Some of the children favour Unita, signalling the deep rift in the elite.

Lourenço also secured IMF loans and debt relief to restore public finances, and opened up space for civil society. But he has reverted to the crackdowns of his predecessor, violently breaking up protests and strikes. Rising oil prices have buoyed the currency and the windfall has helped with debt payments. Longer term, critics say Angola remains too reliant on declining oil production.

"There was widespread support for Lourenço in the beginning [but] he chose to forgo that to consolidate power in the MPLA," Silva said. "With their paranoia, the MPLA have effectively thrown people back into Unita's arms."

The country's economic straits meant "these are existential elections", said Paula Cristina Roque, an analyst. The country has this year begun to emerge from a long recession and gross domestic product remains below a 2014 peak. "Lourenço has not done enough to make people believe in another five years of MPLA rule," Roque pointed out.

João Lourenço has secured IMF loans and debt relief to restore finances but has cracked down on protests

Many first-time voters have no memory of the civil war. "During previous elections, one of the strongest propaganda weapons of the ruling party was the war, and blaming one side — our side, Unita," said Rafael Massanga Savimbi, the son of Jonas Savimbi, Unita's founder and a polarising figure. But this now meant little to the majority of Angolans under the age of 30, he said.

Polling by Afrobarometer earlier this year found the ruling party ahead of Unita by only 7 percentage points. The MPLA won 61 per cent of the vote in the last election in 2017.

"People are very frustrated about these five years of the MPLA and Lourenço's performance," said David Boio, who worked on the poll. But many voters still feared admitting they would vote for the opposition, he added. Almost half of those polled refused to answer or said they would not vote.

Even an older generation of MPLA power brokers is split, such as Marcolino Moco, a former prime minister, who is backing Unita. "Some people in the elite of the party are not satisfied with Lourenço, that is clear," Boio said.

Roque said vote counting was centralised and the ruling party had heavily "securitised" the election to intimidate voters. "The MPLA is not willing to release its hold on power. These are absolutely the most competitive elections" in 30 years. And yet, she added, they "absolutely will be rigged".

South-east Asia

Thai PM suspended after legal challenge over time in office

ELI MEIXLER — HONG KONG

Thailand's prime minister has been suspended from office after the country's constitutional court agreed to hear a petition brought by the opposition that argues he has exceeded his legally mandated eight-year term.

Prayuth Chan-ocha, who came to power in a military coup but has since refashioned himself as civilian prime minister, will be temporarily relieved of his duties while the petition is considered, the court said yesterday.

While analysts said the move was unlikely to unseat Prayuth, who has ruled since deposing the government of Yingluck Shinawatra in 2014, the decision to accept the legal challenge raises the possibility of political upheaval before elections expected by next year.

The dispute stems from a controversy over the duration and validity of the former strongman's term in power, during which time he has disbanded much of the political opposition, curtailed civil liberties and suppressed student pro-democracy protests that sought to reform the monarchy, the country's most powerful institution.

Opposition parties behind the petition argue that Prayuth's administration began in 2014 as leader of a military junta, meaning he should not be eligible to continue serving as prime minister.

Supporters of Prayuth and his ruling Palang Pracharat party contend that his term should be counted from 2016, when he was anointed prime minister by a military council, or 2019, following an election that was carried out under a military-drafted constitution. An election is due by March next year, when Prayuth's current term expires.

The court said Prayuth had 15 days to respond to its decision. It did not specify when it would issue its ruling.

Protesters yesterday converged for a second day at Government House in Bangkok, which houses the prime ministerial and cabinet offices, to call for Prayuth to step down.

Additional reporting by Nang Uraisin in Bangkok

Debt distress Investors price in $130bn of losses on China developers' dollar bonds as fears of a protracted crisis mount ● MARKETS

Companies & Markets

Schneider eyes full buyout of UK software business Aveva

- Shares in 'Silicon Fen' target up 27%
- Sept 21 deadline for conglomerate

MARK WEMBRIDGE — LONDON

French conglomerate Schneider Electric has said it is exploring a full takeover of UK-based software developer Aveva, sending shares in the London-listed group soaring.

Schneider said yesterday that it was looking into buying the 40 per cent of Aveva that it did not already own and that this would allow it to "reinforce Aveva and enable it to execute its growth strategy faster".

No proposal has been put to Aveva shareholders, Schneider said, "and there can be no certainty that any offer will be made, nor as to the terms on which any offer will be made".

Schneider has until 4pm on September 21 to make an offer for Aveva, under UK Takeover Panel rules.

Aveva declined to comment.

Shares in the Cambridge-based group rose one-third on the news before slipping back to close up 27 per cent at £27.93, giving the FTSE 100 company a market capitalisation of £8.5bn. Schneider shares closed up 1.3 per cent at €129.74.

Aveva is one of Britain's oldest technology companies, having been spun out of Cambridge university in the 1960s. Its software has mainly focused on the energy, infrastructure and manufacturing sectors, but has expanded over the past decade into a wider range of industries.

It is one of the most successful technology companies to come out of the cluster around Cambridge known as "Silicon Fen".

After a long courtship, in 2017 Schneider agreed to take a 60 per cent stake in Aveva in a £3bn reverse takeover. The deal merged Aveva with Schneider's software division.

Last year, Aveva acquired US rival OSIsoft, in a $5bn deal that helped the group diversify away from its traditional customer base in the oil and gas sector.

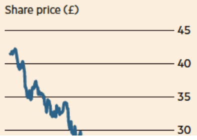
Analysts at Jefferies said a full takeover of Aveva by Schneider "would be against the rationale for the original deal structure, which was to have a separate software company, with a software management team with a software valuation to support any future M&A".

Schneider said: "Whether or not an offer is made, Schneider Electric remains committed to Aveva, to its . . . business model and to its employees."

Before yesterday's news, Aveva shares had roughly halved over the previous 12 months, after a profit warning and in line with a general decline in the tech sector.

Earlier this year it warned that its revenue growth and margins would be affected by the war in Ukraine and higher costs caused by a battle for staff

French interest lifts Aveva
Share price (£)



Net loss Richemont suffers €2.7bn hit after sale of majority stake in Yoox Net-a-Porter

The Yoox Net-a-Porter unit had become an expensive problem for the business that owns Cartier — Richard Levine/Alamy

LEILA ABBOUD — PARIS

Swiss luxury group Richemont has taken a €2.7bn non-cash writedown after selling a majority stake in its unprofitable ecommerce operation Yoox Net-a-Porter to online rival Farfetch and an Emirati investor.

Yoox Net-a-Porter had become an expensive problem for the group that owns Cartier, as nimbler rivals including Farfetch attracted fickle fashion customers with savvy marketing and new services while Richemont stumbled over technology upgrades.

Some investors had been pushing Richemont to offload YNAP, including activists who started to target the

complicated reaching final terms. New York-listed Farfetch's shares are down 80 per cent over the past year.

Richemont shares climbed 3.5 per cent yesterday while Farfetch was up 22.3 per cent.

One of the activists at Richemont, Bluebell Capital, is campaigning for changes to the board and has submitted three resolutions for a vote at a shareholder meeting on September 7.

Under the terms of the deal, YNAP will not have a controlling shareholder and Richemont will deconsolidate the business from its books although it will retain a 49.3 per cent stake. Regulators must still review the deal, which is expected to close next

13 per cent stake in Farfetch. Alabbar, a group backed by Emirati businessman Mohamed Alabbar that has long been a partner of Richemont, will also acquire 3.2 per cent of YNAP.

Richemont and Farfetch have put and call options that would allow Farfetch to acquire the remainder of YNAP in the next five years or for Richemont to sell to another investor or list the shares.

"This represents a significant step in achieving Richemont's vision of making YNAP a neutral industry-wide platform," the group said in a statement, and sets out a path to "Farfetch potentially acquiring the remaining shares".

Pharma group seeks to boost monkeypox jab supplies

DONATO PAOLO MANCINI — LONDON
AKILA QUINIO — PARIS

Bavarian Nordic is making "every effort" to satisfy demand for its monkeypox vaccine, the only approved shot against the rapidly spreading disease, as countries grapple with severely limited supplies.

Paul Chaplin, chief executive, said yesterday the outbreak was "unprecedented" as the Danish biotech company released its first-half results.

"We are making every effort to meet the initial worldwide demand for our monkeypox vaccine and are working to further expand our manufacturing capacity through additional scale-up activities and partnerships," he said.

Henrik Juuel, chief financial officer, said the company was "talking to many potential partners. How many of them are serious and could end up in deals? Two, three, maybe," he said. Bavarian was looking for "speed and scale".

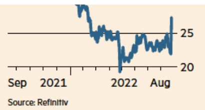
Juuel also said Bavarian was in talks with manufacturers active in India, one of the world's largest vaccine markets, although he declined to specify names.

Bavarian said it had agreed a deal with the World Health Organization to expand access in Latin America and the Caribbean. It had last week announced a limited deal with a US manufacturer to expand supply.

More than 41,000 cases of monkeypox have been detected since May, when a cluster was reported in Europe. Before this outbreak, monkeypox was endemic in sub-Saharan Africa. There are early signs the global spread may be slowing.

Supplies of the shot, known as Jynneos or Imvanex, have been severely limited. The vaccine was originally designed against smallpox and kept in bulk stockpiles in case of a resurgence that governments had hypothesised could come in the form of bioterrorism. Authorities then approved its use against monkeypox, a virus that closely resembles smallpox.

Bavarian said it had recorded a loss before interest, tax, depreciation and amortisation of DKr212mn ($28mn) for the first half on revenues of DKr857mn,



in the software industry.

The profit warning was partly attributed to Aveva's decision to withdraw from the Russian market following the invasion of Ukraine. The group earned 2 per cent of its revenues from Russia in the year to March 2022.

See Lex

company last year, arguing that it should focus on its biggest brands Cartier and Van Cleef & Arpels that generate all of the group's profit.

Richemont had said last year it was in "advanced talks" to cede control of YNAP to Farfetch, but a crash in the latter's share price appeared to have

year.

Farfetch has agreed to acquire 47.5 per cent of YNAP and pay Richemont between 53mn and 58.5mn Farfetch shares, as well as an additional $250mn worth of shares five years after the deal is completed.

Richemont will end up with a 12 to

Some of Richemont's brands are expected to move ecommerce operations to Farfetch's tech platform.

Jean-Philippe Bertschy, analyst at Vontobel, welcomed what he called "a long wait for a painful exit from online" for Richemont.

See Lex

pushing shares 4.6 per cent higher. The company has raised guidance six times since March, buoyed by vaccine orders.

Health authorities in the UK, the EU and US have backed the practice of "fractional dosing", administrating smaller quantities of the usual dose to stretch out supplies.

German wineries and carmakers grasp that luxury is scarcity

INSIDE BUSINESS
EUROPE

Joe Miller

It took 15 years to ruin Ernst Loosen's 200-year-old family business.

"In the mid-1970s my father exported 95 per cent [of his Riesling], mostly to the US," recalls the proprietor of an 80-acre estate in the Moselle valley. "By 1986 it was only 50 per cent, and by 1988 not a single bottle was sold abroad."

Evolving tastes played a part in this decline, mirrored across much of the German fine wine industry.

Rieslings, once so popular that they fetched higher prices than Bordeaux or Burgundies in the ritziest hotels, fell out of fashion as younger drinkers shifted to lighter and drier varieties and, in the US, embraced California's improving wines.

An unfavourable exchange rate as the dollar dropped sharply against European currencies in the 1980s did not help.

But it was the brand that suffered the most dilution. A 1971 law designed to aid mass producers in marketing their multi-grape plonk to less discerning consumers helped make Liebfraumilch labels such as Blue Nun and Black Tower ubiquitous and German wine a byword for bargain-bin fare. Previously prestigious Rheingau vineyards, struggling to differentiate their superior products, faced bankruptcy.

"We ruined 100 years of reputation, which even two world wars had not managed to destroy," Loosen says.

Enter the Verband Deutscher Prädikatsweingüter.

A small association of winemakers that had led a low-key existence for more than 90 years came up with a singular mission: to restore their international reputation and compete in the big leagues with French and Italian producers. To do so, they would adopt a classification system similar to that originally imposed on the châteaux of the Médoc in 1855 and drastically reduce the quantity of wine they produced to focus solely on quality.

This renaissance really took off 20 years ago, with the launch of the VDP's Grosses Gewächs label, a German equivalent of Bordeaux's Grand Crus. Its success has lifted average prices for the 2021 "GG" vintage, which debuted this week, to €40 a bottle, up from €16 in 2001. Loosen's estate, a VDP vineyard, is back to exporting about 80 per cent of its yield.

> VDP estates cut output quantity in favour of quality while Mercedes has shed cheaper models to focus on the higher end

The lessons from this ready-made business school case study seem obvious.

As another German brand, Mercedes-Benz, is belatedly realising, luxury is scarcity. The Stuttgart-based carmaker is taking a leaf out of nearby winemakers' books and slimming down its entry-level range to focus on higher-end models, in an attempt to persuade investors that it deserves a similar valuation to Louis Vuitton owner LVMH.

The wine industry could, in turn, learn from a German carmaker.

As Stifel analyst Daniel Schwarz points out, Volkswagen marque Porsche, which is due to be partially floated in one of Germany's largest listings in the coming weeks, did the opposite of the VDP in the 1990s.

In 1996, after three lossmaking years thanks to an over-reliance on a single model — the 911 — to the US market with a weakening dollar, it launched the cheaper Boxster and branched out into SUVs with the Cayenne in 2002.

Production of both was outsourced, at least in part, to contract manufacturers. But Porsche's Made in Germany brand did not suffer, Schwarz says.

"The expansion was a major success. Porsche increased unit sales from 21,000 in 1995 to 88,000 in 2005. The operating margin increased to 18.5 per cent and Porsche could claim to be the most profitable [manufacturer] in the world — the Tesla story of the 1990s."

Chief executive Oliver Blume argues that Porsche, which now makes more than 300,000 cars a year, is in a "sweet spot" where it has the scale to cater to ever-changing tastes, such as with the electric Taycan.

The VDP will need similar agility to build on two decades of GG success.

In an attempt to avoid pejorative perceptions, it does not allow the imprimatur to be applied to sweet Rieslings, even as interest in them remains high. It was also slow to recognise how Germany's Pinot Noirs could compete with pricey Burgundies.

And as Porsche learnt when Japanese carmakers successfully aped European sports cars in the 1990s, a lack of variety leaves you vulnerable to imitations.

"The success is now our problem because people are copying us," says Loosen of winemakers who are capitalising on the reputation of GG wines. "We are going back to the old system . . . It is already beginning to get diluted."

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COMPANIES & MARKETS

Financials

Noble receives ‘minor’ Singapore fine

Lengthy probe concludes with penalty of $9.1mn over misleading data

MERCEDES RUEHL AND OLIVER TELLING
SINGAPORE

Singapore has fined commodities business Noble Group S$12.6mn ($9.1mn) for publishing “misleading information” in its financial statements, following an investigation that has taken almost four years to complete.

The announcement by the city-state’s accounting authority concludes its probe of a high-profile accounting scandal that brought Noble to the brink of collapse. It also flagged “stern warnings” given to two unnamed former directors of the group.

Noble’s near-collapse from a business worth more than $6bn that had hoped to emulate Glencore, was precipitated by a series of highly critical reports on its accounting practices published in 2015 by short seller Iceberg Research.

By 2018, it had been forced into a debt-for-equity swap and a delisting, and it sold off several key assets to help it survive.

The saga also dented Singapore’s reputation as a commodities trading hub.

The fine, equivalent to 0.4 per cent of Noble’s reported revenues in 2020, was criticised by Iceberg.

“A minor fine for a major [scandal],” it wrote on Twitter.

The improper accounting at Noble is one of a series of scandals in recent years that have raised questions about regulation in Singapore, which has sought to attract multinational companies while promoting its strong “rule of law”.

Several Singapore-based commodities groups have been at the centre of scandals in recent years, including Noble Group, Agritrade International, Hin Leong Trading, ZenRock Commodities Trading, and Petro-Diamond Singapore.

> Short seller Iceberg’s highly critical reports on the trader’s accounting sparked its near-collapse

Some businesses have received hefty fines, and executives have faced imprisonment.

The billionaire founder of Hin Leong, Lim Oon Kuin, in 2020 confessed to hiding $800mn in losses at the Singapore-based oil trading firm he founded.

Singapore police filed more than 100 charges against Lim last year while a former director and an operations executive of ZenRock were charged last month with more than $105mn-worth of dishonesty offences.

The problems make the case for a stronger regulatory framework and oversight of trading houses in Singapore’s small, open economy, say analysts.

But Nirgunan Tiruchelvam, an analyst at Tellimer, said they did not seem to have dented corporate enthusiasm for Singapore.

“Singapore provides these companies with tax haven status and access to financiers, which these businesses are so dependent on,” he said.

Iceberg wrote: “Singapore’s stock exchange [lost] credibility a long time ago.

“The lack of enforcement means even Singapore companies prefer to list elsewhere.”

Loo Siew Yee, assistant managing director of the policy, payments and financial crime group at the Monetary Authority of Singapore, said that measures taken by the authorities against Noble “demonstrates that MAS takes breaches of disclosure obligations seriously and will take firm action against persons found to have fallen short”.

Noble said that it was pleased that the investigation had been concluded.

The business added that its commodity trading operation had been under new ownership and management since December 2018 and “has focused on the highest standards of corporate governance, reporting and transparency since then”.

Retail. Demand outlook

US stores prepare for penny-pinching holidays

Shoppers go on the hunt for deals after inflation dashes hopes of a return to normal

LYDIA TOMKIW AND ANDREW EDGECLIFFE-JOHNSON — NEW YORK

US retailers are gearing up for a more price-sensitive customer ahead of the critical holiday selling season, as soaring inflation clouds their hopes for more

Financials

Texas accuses BlackRock of staging energy sector boycott

PATRICK TEMPLE-WEST AND BROOKE MASTERS — NEW YORK

Texas has declared that BlackRock and nine listed European financial groups “boycott energy companies”, subjecting their shares to divestment by state pension funds with billions of dollars under management.

The announcement by Glenn Hegar, Texas comptroller, escalates the campaign against environmental, social and governance investing in Republican-led US states. Florida on Tuesday passed a resolution banning its pension fund managers from taking ESG considerations into account with their investing strategies.

The largest US producer of oil and gas, Texas in 2021 passed a law which attacked ESG investing for potentially hurting the industry.

The provisions require state pension and school funds to divest shares they hold in groups Texas has identified as boycotting energy companies.

The law defines an energy company boycott as “refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalise, inflict economic harm on, or limit commercial relations with, a company” in the fossil fuel industry that has not made certain environmental pledges.

The Europe-based groups subject to divestment are BNP Paribas, Credit

> ‘The ESG movement has produced an opaque and perverse system’

normal levels of supply and demand than they saw during the first two years of the coronavirus pandemic.

Some of the country's largest store chains have reported robust back-to-school sales in recent days and said they expect consumers to prioritise celebrations with family and friends at Halloween, Thanksgiving and Christmas. But their optimism has been tempered by the acknowledgment that low-income consumers are struggling with higher food and petrol prices.

Walmart, the largest US retailer, is responding by offering entire Thanksgiving meals for four costing less than $50. "We expect inflation to continue to influence the choices families make, and we're adjusting to that reality so we can help them more," Doug McMillon, chief executive, said last week.

Morning Consult, the polling group, reported this week that "sticker shock" about high prices was prompting Americans earnings less than $100,000 a year to cut back, while wealthier consumers were taking inflation in their stride.

That has affected clothing retailers in particular, with shares in Nordstrom, the department store, falling more than 13 per cent on Tuesday after it reported "significantly" lower demand from its lowest-income customers since June.

Macy's, its rival, said on Tuesday that a "competitive promotional climate" was intensifying as discretionary spending weakened. "Inflation is outpacing wage growth. That's just not sustainable for the consumer," said Adrian Mitchell, its chief financial officer.

That echoed the view of Dick Johnson, chief executive of Foot Locker, which last week predicted a 320-330 basis point hit to its full-year margins as a result of having to sell its trainers at a lower price point.

"The promotional environment has become more intense, especially in apparel," he said. "Our view is that the back-to-school season will be strong,

Nordstrom reports lower demand from its lowest-income customers while Walmart, below, is pushing promotions
Jeffrey Greenberg/Universal/Getty; Robyn Beck/AFP/Getty

but we do see increased uncertainty from then until the holiday season begins, given the more challenging macroeconomic environment."

Retailers have been encouraged by signs of slight relief for the US consumer in recent weeks. Consumer prices moderated to a year-on-year pace of 8.5 per cent in July, while US retail sales held steady despite weak consumer sentiment, benefiting from a dip in petrol prices below $4 a gallon.

Executives also detect a strong desire to return to normal patterns of celebrating the holidays after two years during which fears of catching or spreading coronavirus kept many Americans from gathering with family and friends.

"When we talk to consumers . . . one thing that seems to be very consistent is a guest and consumer who says they want to celebrate the holiday seasons," Brian Cornell, Target chief executive, said last week.

That will make consumers likely to spend on gifts and gatherings this year, but in a more "budget-conscious way", said Michael Baker, senior research analyst at DA Davidson. "There will be a focus on value" with retailers highlighting good deals, he said.

After being bitten by supply chain disruptions and high transport costs last year, large retailers increased imports of seasonal merchandise.

> 'There will be a focus on value' with an emphasis on good deals

Target, which had to pay extra to import last-minute goods by air last year, said it had secured temporary capacity near ports allowing it to hold inventory until the "ideal time" to get it into stores for the holidays.

As consumers grapple with inflation near 40-year highs, retailers may struggle to project their inventory needs and which products will be winners, said Neil Saunders, analyst at GlobalData.

"Retailers have really been stung by [excess inventory] in the current quarter,' so they are very wary of overbuying," he said, adding that margins will be the "biggest headache".

Even so, Mattel, the toymaker, said it had swelled inventories in anticipation of holiday demand. On its earnings call last month, Ynon Kreiz, chief executive, said: "We expect [the] traditional holiday season shopping pattern to return."

and perverse system

Glenn Hegar, Texas comptroller

Suisse, Danske Bank, Jupiter Fund Management, Nordea Bank, Schroders, Svenska Handelsbanken, Swedbank and UBS.

A list of 348 mutual funds were also marked for divestment.

The Teacher Retirement System of Texas says it is the 20th-largest public pension fund, with $160bn in assets under management.

It holds $28mn of BlackRock shares or 0.3 per cent of the company, according to Bloomberg.

"The ESG movement has produced an opaque and perverse system in which some financial companies no longer make decisions in the best interest of their shareholders or their clients," Hegar said yesterday.

BlackRock said: "This is not a fact-based judgment." It had invested more than $100bn in Texas energy companies. "Elected and appointed public officials have a duty to act in the best interests of the people they serve. Politicising state pension funds, restricting access to investments, and impacting the financial returns of retirees is not consistent with that duty," it added.

Texas has passed a law attacking ESG investing for potential sector harms

Automobiles

Used-car sales drive stock in dealer Lookers

LEKE OSO ALABI — LONDON

Shares in UK car dealer Lookers jumped yesterday as the robust second-hand car market boosted sales.

They rose more than 11 per cent to 83.4p after surging nearly 20 per cent earlier as the group clawed back some losses since February. The share price remains 20 per cent lower since this year's peak on February 10.

But Lookers warned that the souring economy and rise in the cost of living could hit consumer confidence.

"There has to be some impact on consumer confidence — we all feel that," said chief executive Mark Raban. "[But] we represent a number of brands from premium German brands down to more volume orientated brands — we do have a range of products and makes in our business — so I think that does give us an element of protection."

The jump in sales highlights the changing fortunes of the group that had to suspend its shares in 2020 after it failed to publish its accounts on time.

Total revenue rose 3.6 per cent to £2.2bn in the first half from the same period a year ago, while sales of used cars rose 16.7 per cent to £1.22bn.

Underlying pre-tax profit stood at £47.2mn in the first half, comfortably ahead of forecasts, against an exceptionally strong £50mn in the first half last year, which benefited from £12.7mn of government support.

New car sales in the UK fell to their lowest level in two decades in April as the global shortage of semiconductors hampered output. July registrations fell to 112,162, which was 9 per cent down on a year earlier.

But the shortage of new cars boosted Lookers' average sale price for used cars, which rose 27 per cent in the six months to June.

Raban said some customers may have been encouraged to buy through finance deals because they thought interest rates would rise, making such agreements more expensive. Most new cars and a growing portion of used vehicles are bought in the UK through three-year leasing deals or similar agreements.

The company also outlined energy-saving measures to combat the rising cost of fuel. Raban said utility costs rose by £5mn in the first half. "To be absolutely honest, we're turning everything off that we can because that's good for costs, but also good for the environment," he said.

The company found that it used 35 per cent of its energy while its premises were closed. "We've started to install solar panels and various other energy-saving devices like motion detectors on some of our escalators," Raban said, adding that Lookers was also "routinely now turning off the showroom lights in some dealerships where natural light will suffice".

The group announced an interim dividend of 1p a share.

Climate

Carney pact signatories face tougher checks

OWEN WALKER, KENZA BRYAN, CAMILLA HODGSON AND STEPHEN MORRIS — LONDON
SIMON MUNDY — BOSTON

Financial institutions that signed up to Mark Carney's industry alliance to tackle climate change could be kicked out for failing to hit targets by a new independent panel, under plans set to be made public this year.

Beefed-up checks by the UN on whether finance groups meet criteria on ending coal financing and phasing out fossil fuels from portfolios could be announced at New York Climate Week in September and launched at the COP27 climate talks to be held in Egypt in November, according to Race to Zero, the UN group behind the plans.

More than 450 finance companies accounting for $130tn of assets have joined the Glasgow Financial Alliance for Net Zero.

The initiative, which was announced at last year's COP summit, is spearheaded by Carney, former Bank of England governor and now Brookfield executive, alongside Michael Bloomberg, former New York mayor, and Mary Schapiro, who chaired the Securities and Exchange Commission.

Gfanz's aim is to galvanise the most powerful finance companies to commit to achieving a net zero global economy by 2050. Members are required to meet standards set by the Race to Zero, a UN-led campaign. While the Glasgow alliance was designed to bring together as many new members as possible, the Race to Zero has updated rules to make them more onerous. It introduced tougher criteria in June, including a bar on support for new coal projects. Existing members will be required to comply with the latest criteria from June next year.

More than 450 finance businesses have joined the net zero alliance

Several people with knowledge of the campaign's plans said it was setting up an independent accountability body where civil society groups, including non-governmental organisations, could report financial institutions for not following Race to Zero's criteria.

Under the plans, the body would have authority to expel financial institutions from Gfanz from the start of 2023.

The rules introduced in June require all signatories to phase "down and out all unabated fossil fuels" by 2050. It also requires them to stop financing new coal projects and meet interim 2030 net zero emissions targets.

COMPANIES & MARKETS

US tax credit excludes wide spectrum of electric cars

Climate law link to domestic manufacturing objectives renders host of models ineligible

A Ford Mustang Mach-E compact sport utility vehicle on show at this year's New York International Auto Show
Michael Nagle/Bloomberg

STEFF CHÁVEZ — CHICAGO

A tax credit for electric vehicles wrapped into US climate legislation comes with an asterisk. Later this decade, there will be years when not a single car qualifies for the $7,500 subsidy.

The looming hiatus for the tax credit may make EVs less affordable — at least temporarily — as the Biden administration aims to wean Americans off internal combustion engines. It reflects an effort to advance lower-carbon transport while nurturing domestic manufacturing of battery cars.

The law signed by Joe Biden last week immediately requires that any EV sold

The impending limits on battery components and minerals will further shorten the list.

"If the Treasury department interprets the law strictly as written, that would actually in my view disqualify all vehicles," said Jay Turner, an environmental studies professor at Wellesley College.

A Treasury official said changes to the tax credit would strengthen US clean energy supply chains and the country's energy security. The department expected a range of credit-eligible vehicles to be available beginning in 2023, including when the battery-related provisions took effect in 2024 and 2025.

vehicle cap will be eliminated at the start of 2023.

US EV sales grew from 319,554 in 2019 to 656,845 in 2021 and are forecast to climb to more than 1.2mn in 2022, according to BloombergNEF, a clean-energy research group.

"Many EV buyers today are buying [them] knowing that they are not likely to get a federal tax rebate" because of the sales caps, said Seth Goldstein, an analyst at Morningstar.

The law extends the EV tax credits to 2032. By then, 30 to 50 per cent of EVs could qualify, said Colin McKerracher, analyst at BloombergNEF, who said the law would provide a "significant boost"

Bernard Swiecki, research director at the Center for Automotive Research, said that the law was a net positive for the transition to US electric vehicles. However, some consumers were at risk of being priced out if the tax credit was unavailable for the cars they wanted to buy.

"My big question mark is: will the automakers who produce vehicles that don't qualify drop prices to at least partially offset [the absence of a tax credit]?" he asked.

Swiecki noted that Tesla and General Motors lowered prices once their sales reached the 200,000-vehicle cap.

The impending restrictions on the

> Manchin's 'staff got carried away with the goals they were trying to set'

"I'm going to do everything I can to stop it because I think it's stupid, because we are not able to protect our investments in the country," he said in June.

Dennis Blair, a former director of national intelligence under Barack Obama who chairs Safe, an energy security organisation, said Manchin's "staff got carried away with the [manufacturing] goals they were trying to set", instead establishing ones that "will be too hard to meet" in the timeline set out by the act.

Having more expensive EVs would mean "less energy security for the country" in the short term, Blair said.

in the US be assembled in North America to qualify for the credit. The requirements grow stricter in 2024, when eligible EVs must have battery components not made or assembled "by a foreign entity of concern", which includes China, the dominant battery producer.

In 2025 those batteries must exclude "critical minerals" extracted, processed, or recycled from the same foreign countries. An increasing share would need to be from North America or selected trade partners.

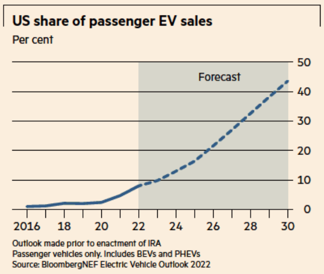
Under the North American final assembly rule, the administration published a list of 21 models eligible for credits for the remainder of 2022. According to the Alliance for Automotive Innovation, a manufacturer group, 72 EVs are available for sale in the US.

No one expects the US EV market to stop short in the face of the domestic manufacturing requirements. The US car industry largely endorsed the law, known as the Inflation Reduction Act.

Ford, which has announced $14bn in US investment in EVs and batteries, was among the supporters. "While its consumer tax credit targets for electric vehicles are not all achievable overnight, the bill is an important step forward to meet our shared national climate goals and help strengthen American manufacturing jobs," it said.

One reason is that EV sales have continued to grow even under the previous tax credit system, in which incentives halted once a manufacturer sold more than 200,000 units, as happened to Tesla in 2018. Further, that 200,000-

for the US EV market.



origin of battery components and minerals loom large over the US industry.

China refines 73 per cent of cobalt, 68 per cent of nickel, 59 per cent of lithium and 40 per cent of copper, making it the "dominant global player in refining strategic minerals", according to a Brookings Institution report.

China makes most mineral-rich battery cell components, including 70 per cent of cathodes, which boost the amount of power a battery can deliver. Its dominance in mineral refining and battery manufacturing meant it played a role in the production of every EV sold in the US, experts said.

Senator Joe Manchin, a Democrat whose support was critical to the bill's passage, had been outspoken against supply chains based in China.

Although the Alliance for Automotive Innovation reported that carmakers had invested more than $100bn for EV production expansion in the US, "there's no way the supply chain is going to reach us" over the next two years, said Mike Ramsey, an analyst at Gartner.

However, he and other analysts do not believe that the US EV rollout will be hindered by restrictions on the tax credit, mostly because consumers have shown they are willing to shell out money for EVs.

That Tesla was able to gain such a large market share "without access to the tax credit really tells you that making vehicles that consumers actually want to buy is still more important than making vehicles that qualify for the tax credit", McKerracher added.

COMPANIES & MARKETS

Fixed income. Debt distress

Investors expect $130bn loss on China developers' dollar bonds

Beijing's reluctance to deploy 'bazooka' risks a higher final rescue cost and worse fallout

HUDSON LOCKETT AND CHENG LENG
HONG KONG
THOMAS HALE — LONDON

Investors are pricing in almost $130bn in losses on Chinese property developers' dollar debt on mounting worries the country's housing market will face a protracted crisis unless Beijing steps in with a large-scale bailout.

Two-thirds of the more than 500 outstanding dollar bonds issued by Chinese developers are priced below 70 cents on the dollar, a common threshold for distressed status, according to a Financial Times analysis of Bloomberg data.

The rising pressure on the market comes a year after Evergrande, the world's most indebted developer, began spiralling into default, unleashing tumult throughout a sector responsible for roughly 30 per cent of the country's annual economic output.

Beijing's response has been limited to incremental measures, including a cut this week to the mortgage lending rate. But analysts said policymakers' refusal to launch a sweeping bailout may only add to the ultimate cost of rescuing the industry and could worsen the fallout for global markets and trade as Chinese growth grinds slower.

"With the industry headwinds and negative news, it's very clear many more developers' offshore [dollar] bond prices have fallen sharply since last year," said Cedric Lai, a senior credit analyst at Moody's Investors Service. "We still believe defaults will continue through the rest of 2022, particularly for developers with large offshore debt maturities and weak sales."

Many developer dollar bonds are now priced at a level that implies a very high risk of default. One bond maturing on September 7 issued by Kaisa Group, one of the first in the sector to miss a dollar payment late last year, is priced at $0.09 on the dollar, implying a loss of about $272mn on principal of $300mn. A bond of the same size from Shanghai-based Shimao maturing in just over a year is priced just below $0.10 on the dollar, indicating a potential $268mn loss.

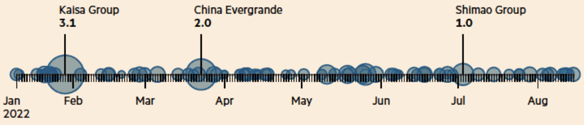
Taken in aggregate, investors have priced in almost $130bn of losses on the more than $200bn in outstanding dollar bond repayments owed by Chinese real estate groups, reflecting a discount of nearly two-thirds to the market's presumed value if all repayments were made successfully.

China's real estate groups have missed payments on a record $31.4bn worth of dollar bonds in 2022. The companies have faced particular strain due to maturity walls, in which several developers are expected to pay back principal, or the amount they initially borrowed, at once. Companies often seek to roll over borrowings into newly issued debt to extend these maturities, but ructions in the market have made this nearly impossible for most issuers.

The drumbeat of defaults is the result of what one veteran investment banker in Hong Kong described as a "perfect storm" for developers, who must try to refinance to stave off more missed payments while struggling to assuage growing doubts among Chinese homebuyers and top leaders in Beijing.

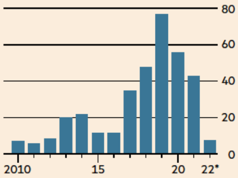
Some two-thirds of the more than 500 outstanding dollar bonds issued by China developers are priced below 70 cents on the dollar, a common distressed status threshold
Noel Celis/AFP/Getty Images

China developers' dollar defaults surge in 2022
Value of dollar bonds defaulted on by Chinese corporates ($bn)



Dollar bonds hit by punishing sell-off
Asian dollar high-yield corporate China issuer total return index

Developers are still frozen out of global bond markets
Property groups' dollar bond sales ($bn)



* Year to date

Sources: Bloomberg; Ice Data Services; Dealogic

"There's a good reason these bonds are trading at distressed levels," said the banker, who is head of debt syndicate for Asia at a major European lender. "The odds of a lot of these guys ever repaying is anyone's guess."

Investors initially hoped the worst of the pressure would be limited to the most debt-laden groups, such as Evergrande, which had grown more reliant on presales of unfinished housing in recent years in response to a crackdown on excess leverage in the sector.

But stalled construction on projects at Evergrande and a handful of high-risk developers stoked broader fears among the general public that other groups might go bust before finishing pre-sold homes. That triggered a crisis of confidence that has throttled sales revenues and thrown large swaths of the industry into a liquidity crunch.

"A more centralised bailout is probably the necessary solution here," said Robin Xing, chief China economist at Morgan Stanley, of the looming crunch in the country's housing market.

Xing said a Beijing-led bailout to address an estimated financing gap of up to Rmb1tn ($146bn) for unfinished housing projects would take "very strong political capital" and that the problem would become worse the longer policymakers waited to step in. "In six months that gap could expand significantly if you don't backstop the downward spiral," he added.

Widespread work stoppages on pre-sold homes have already spurred hundreds of thousands of homebuyers across China to join a nationwide boycott of mortgage payments, which analysts said had further undermined confidence in the industry. "The whole situation is increasingly out of control," said Rosealea Yao, a property market analyst at Gavekal Dragonomics, a consultancy. "This time last year, no one expected what we're seeing today with mortgage boycotts and construction suspensions. A year from now, we could be facing an even worse situation."

> 'The government has to show that at the end of the day, all these households can get a house'

Official figures show home sales fell nearly 30 per cent in the first half of the year to about Rmb6.6tn. Andy Suen, portfolio manager and head of Asia ex-Japan credit research at PineBridge Investments in Hong Kong, said policy support "has not been sufficient in terms of stabilising the property market, if you look at the sales numbers".

He added that the "weakest names in the sector have already defaulted and now the problem is spreading to the higher quality ones".

Even state-run Chinese investment banks have attempted to dump holdings of developers' dollar debt — but staff at the banks' international arms said they had struggled to get timely approval for the sales from Beijing. "Each time the approval arrives, the bonds have crashed further, forcing us to hold them until we can file another request," said a Hong Kong-based product manager at one state bank.

Those crashes have left nearly all Chinese real estate groups frozen out of the international bond market, further constraining their ability to refinance and increasing the risk of default. Data from Dealogic show issuance of dollar bonds by developers has fallen 80 per cent during the year to date to just $7.2bn, on track for the lowest level of annual sales in a decade.

With $17.6bn in dollar bond payments still coming due this year and another $47bn in 2024, there is little hope among analysts for any meaningful rebound in sales this year that could help spare foreign bondholders from further defaults.

Yao, at Gavekal, forecast a 15 per cent fall in annual property sales this year and a 33 per cent drop in construction starts, with further contraction inevitable unless policymakers resolve the impasse over pre-sold homes.

"The government has to show that at the end of the day, all these households can get a house," Yao said. "If they can't do that, it will be very damaging for future home purchases."

Policymakers have been hesitant to publicly discuss the scale or timing of any bailout, although the central bank, housing regulator and finance ministry have pledged to offer special loans through policy banks to ensure property projects are delivered to buyers.

But investors said the measures were either too limited in scope or, in the case of a surprise cut to China's mortgage lending rate made this week, incapable of restoring confidence among homebuyers in pre-sold housing.

"I don't think [policymakers] realise it's not enough," said a veteran fixed-income investor in Hong Kong. "You need some big bazooka action to improve sentiment as a whole."

Asset management

ESG champion Federated Hermes feels the heat over sponsorship of climate sceptics

CHRIS FLOOD — LONDON
PATRICK TEMPLE-WEST — NEW YORK

Federated Hermes, a champion of environmentally friendly investment strategies, is coming under increasing pressure to explain its sponsorship of a coalition of senior US public officials that is opposed to action on climate change.

Three Danish pension fund clients of Federated Hermes are demanding to know why it agreed to act as a gold sponsor for the State Financial Officers Foundation — a Republican group that has threatened to remove state pension assets from financial companies that do not support fossil fuel industries.

The foundation, which draws support from senior elected financial officers from 23 US states, has lobbied aggressively against Biden administration policies aimed at slowing global warming and opposed proposals by US regulators to introduce new climate risk disclosure standards for institutional investors.

The clash highlights a tension between approaches to environmental, social and governance standards on both sides of the Atlantic. Support for stricter ESG standards across the corporate sector has been much stronger among investors based in Europe than in the US, where opposition to action on climate change is widespread among Republican party supporters.

Federated Hermes has a valuable reputation as a proponent of ESG investing. The Pittsburgh-based fund manager has a highly regarded stewardship team based in London that provides advice on ESG and other shareholder issues to institutional investors with combined assets of more than $1.6tn.

In response to growing criticism of its sponsorship of SFOF, Federated Hermes said last week that the relationship "does not serve as an endorsement of any organisation's particular perspective on any issue.

"Diversity of thought and respect for the views of others, no matter how they differ from our own, is critical to long-term consensus building and the betterment of our world," wrote chief executive Christopher Donahue in a statement last week.

Anders Schelde, chief investment officer at the Danish pension fund AkademikerPension, said that the response was "unsatisfactory" as it did not explain why Federated Hermes had chosen to become a gold sponsor of the foundation nor clarify whether the sponsorship would be dropped or reduced in light of SFOF's anti-climate change statements.

Federated Hermes has been urged to better explain the SFOF relationship

"It just doesn't add up, in our view," said Schelde.

Kirstine Lund Christiansen, head of ESG at the Danish pension fund P+, said they had "asked for a more concrete statement from Federated Hermes on how they view the approach to climate of SFOF".

A third leading Danish pension fund said it was "critical" of the connection between Federated Hermes and SFOF. "We are awaiting a response from Federated Hermes before deciding on any further action," it said.

Federated Hermes was created in 2018 after Federated Investors bought a majority stake in Hermes in a deal that valued the London-based manager at £410mn.

The acquisition provided Federated with better distribution in Europe and significant expertise in ESG investing which Hermes had developed under its chief executive Saker Nusseibeh, one of the most fervent supporters of environmental investing in Europe's asset management industry.

In the US, however, opposition has hardened among Republican politicians to work by banks, insurers and investment managers to mitigate climate change risks even as pressure builds on financial organisations from policymakers, regulators and customers for a stronger response to the threats posed by rising temperatures globally.

In an article in The Wall Street Journal in May, Mike Pence, US vice-president under Donald Trump, described ESG as a "pernicious strategy" that enabled "an unelected cabal of bureaucrats, regulators and activist investors to rate companies based on their adherence to leftwing values".

"We are very concerned about the politicisation of ESG which is taking place in the US as we fear that it may hamper much needed climate action," said Schelde.

The US asset managers Fidelity Investments and Invesco, which offer ESG funds, are both listed as SFOF silver sponsors. Both firms declined to comment.

Other firms are sticking with SFOF. Private equity firm KKR said it was still a member. "It is not an endorsement of any policy position, including those around ESG disclosure and management," KKR said.

Derek Kreifels, head of SFOF, declined to comment about its donors. "We are committed to driving fiscally sound public policy and educating Americans on the role of responsible financial management in a free-market economy," he said.

As SFOF is a non-profit organisation, it does not need to disclose its financial supporters.

A senior London-based Federated Hermes employee said the relationship with SFOF was "an embarrassment".

"There are internal discussions about whether it might be possible to find an exit but that has been made more difficult by the negative publicity," the employee said.

COMPANIES & MARKETS

The day in the markets

What you need to know

- Expected rise in interest rates hits UK and EU government bonds
- European gas benchmark up 15 per cent to a closing high
- China stocks fall on debt fears

Short-dated UK and eurozone government debt sold off yesterday as investors cranked up their expectations of how far central banks will raise interest rates to curb inflation.

The yield on the UK's two-year gilt, which is sensitive to changes in interest rate expectations, rose 0.19 percentage points to 2.86 per cent — reflecting a

UK short-term bond yields surge
Two-year gilt yield (%)

Global downturn in oil prices is unlikely to last

Derek Brower
Markets Insight

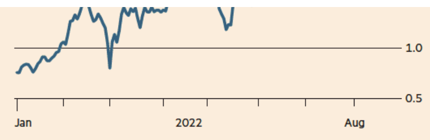
As an energy crisis engulfs Europe, global oil markets have offered modest relief, with crude prices drifting giving rise to fears of recession, especially in Europe.

Tepid oil demand in China is also weighing on a market that has grown to damentals that so spooked oil analysts a few months ago continue to lurk beneath the market's surface. Opec's spare production capacity — the source points to 2.80 per cent — reflecting a significant drop in the price. The 10-year gilt yield added 0.12 percentage points to 2.69 per cent.

Those sharp moves came as pricing in money markets indicated investors were expecting the Bank of England to lift borrowing costs to almost 3 per cent by November, up from projections just a week ago of 2.6 per cent and a current base rate of 1.75 per cent. Data released last week showed UK inflation rose to a more than 40-year high in July.

The UK Debt Management Office's announcement on Tuesday that it will sell £1.5bn in short-term gilts today has added to the unease, said Antoine Bouvet, senior rates strategist at ING. The sale comes at a time when liquidity, or the ease of buying and selling bonds, has been worsening across European fixed-income markets both due to summer holidays and more economic uncertainty.

Eurozone bond prices also dropped, with the yield on the two-year German Bund adding 0.08 percentage points to 0.90 per cent and Italy's equivalent rising



Source: Refinitiv

0.05 percentage points to 1.93 per cent.

Investors were yesterday expecting the European Central Bank to implement 1 percentage point of interest rate rises by October, from a current deposit rate of zero.

A surge in natural gas prices in Europe and the UK is increasing concerns about inflation. The European gas benchmark rose 15 per cent to a new closing high of €300 per megawatt hour while the UK price advanced 13 per cent to £5.58 per therm. That compares with €200 and £3.49 respectively at the start of August.

In equities, Wall Street's S&P 500 was up 0.6 per cent by early afternoon in New York, after closing out a third consecutive day of losses on Tuesday. The tech-heavy Nasdaq Composite rose 1 per cent.

Europe's regional Stoxx 600 ticked up 0.2 per cent. In Asian markets, Hong Kong's Hang Seng closed down 1.2 per cent and China's mainland CSI 300 shed 1.9 per cent, as concerns grow about the indebtedness of the country's mammoth housing market.

In currencies, the euro was steady against the dollar at $0.996, while the greenback was steady against a basket of six other currencies. **Ian Johnston**

with crude prices drifting lower while traders grow anxious about the global economy. But the turn may be shortlived.

For now, cheaper oil is being welcomed by global leaders battling decades-high inflation. US President Joe Biden, whose approval ratings shrank as petrol prices scaled the heights a few months ago, has not wasted the opportunity to tell Americans that their drive is getting cheaper again.

Oil markets have avoided the apocalyptic scenarios energy analysts were warning of just six months ago, when a 1970s-style shock seemed unavoidable as rampantly rising post-pandemic demand met the possibility of new supply disruption.

JPMorgan said Brent oil could hit $300 a barrel if western sanctions on Russia resulted in a large shutdown of the country's oil sector. But it settled at around $100 yesterday, down more than 28 per cent since this year's high near $140, struck in the days after Russia invaded Ukraine in February.

That is still a lot to pay for oil — almost twice the long-term average price, and more than enough to keep churning out profits for producers from Texas to the Kremlin. Still, a price shock it is not.

But no one should be too sanguine about the softer market. Oil prices can fall for good reasons, such as technological breakthroughs that reduce demand or free up more supply, as well as for bad reasons, such as recession. And this oil market is not in a good state.

Today's price is softening not because supply is ample but because soaring inflation and rising interest rates are weighing on a market that has grown to rely on the country's thirst for crude.

Where supply is robust, it is unexpectedly so — as in Russia, where western sanctions have barely scratched the oil sector — or unnaturally so, as in the US, where Biden ordered oil from a federal emergency stockpile to be poured into the market. This has helped cap prices, but a market kept in check by a government's decision to unleash historic volumes of emergency oil is not a natural state of affairs.

> Less fossil fuel supply might sound good news for the climate. But not if it induces a price shock

Some of these bearish factors have an expiry date. America's stock release programme ends by November, and the emergency stash will have to be replenished. In December, Europe and the UK are due to ban insurance for vessels carrying Russia's crude, which may sharply reduce Russian exports in a way sanctions so far have not. A further tightening of the embargo will follow in 2023.

Economic fears are yet actually to hit demand. A deep multiyear recession could upend all the commodity markets' fundamentals, as in the 1980s, when scarcity gave way to almost a decade of abundance. But short recessions tend to cut oil demand only briefly: when economies bounce back, so does consumption.

Meanwhile, the supply-demand fundamentals are tight. Opec's spare production capacity — the source of its market power over decades — is dwindling. Even the cartel's output is now well below its own quotas, as that of some members goes into terminal decline.

Meanwhile, Opec's linchpin producer Saudi Arabia, which does have significant spare production capacity to deploy, is already mooting new output cuts to prop up prices — an idea that will alarm consumer countries.

Investment in new production outside Opec remains sluggish. Wall Street is reluctant to fund more fossil fuel projects that climate policy may render obsolete. The supermajors are committing less capital to the upstream than before the pandemic.

Investors are forcing once-prolific US shale operators to spend their bonanza from higher prices this year on dividends, not costly new drilling. The time when they could drill enough wells to meet all extra global demand is over.

Less fossil fuel supply from producers might sound like good news for the climate. But not if it induces a price shock such as that facing Europe with gas, forcing governments to subsidise consumption. Plus, consumers show little sign of ditching oil in the short term. Global demand is forecast to hit the pre-pandemic level again this year and then romp higher again in 2023.

Supply will struggle to keep up. A recession or the release of more emergency oil might mask that reality, for a while. But it will only make the next upcycle more severe.

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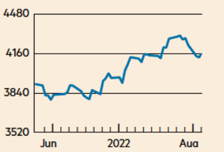
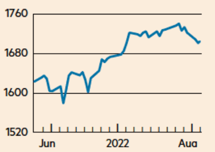
Markets update

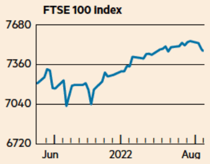
	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	4152.93	1704.63	28313.47	7471.51	3215.20	113160.14
% change on day	0.59	0.20	-0.49	-0.22	-1.86	0.27
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	108.887	0.999	136.765	1.182	6.866	5.102
% change on day	0.242	0.000	0.378	-0.253	0.217	0.249
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	3.109	1.367	0.219	2.697	2.636	12.714
Basis point change on day	10.680	5.300	0.220	12.300	-0.300	-2.300
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	419.26	99.53	93.30	1746.55	18.99	3862.40
% change on day	0.30	-0.33	-0.37	0.77	0.50	0.57

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







Biggest movers

%	US		Eurozone		UK	
Ups	Norwegian Cruise Line Holdings Ltd	8.79	Casino Guichard	4.76	Aveva	26.87
	Illumina	7.41	Novo Nordisk	2.61	Pershing Square Holdings Ltd	3.97
	Royal Caribbean	7.19	Hermes Intl	2.24	Bunzl	2.62
	Intuit	5.97	Beiersdorf	2.21	Dechra Pharmaceuticals	2.34
	Carnival	5.88	L'oreal	2.06	Melrose Industries	2.27
Downs	Advance Auto Parts	-10.36	Repsol	-3.18	Centrica	-2.66
	Autozone	-2.77	Heidelbergcement	-2.67	Prudential	-2.50
	Newell Brands	-2.05	Fresen.med.care	-2.47	Land Securities	-2.49
	Freeport-mcmoran	-1.86	E.on	-2.41	Sainsbury (j)	-2.46
	Laboratory	-1.83	Ageas	-2.22	British Land	-2.46

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

Department store chain **Nordstrom** tumbled, despite posting a solid second-quarter performance. Earnings per share of 81 cents was in line with expectations while revenue of $4.1bn beat the Refinitiv-compiled estimate of $3.97bn.

What soured sentiment was a cut to Nordstrom's outlook, with adjusted core profit margins expected to land between 4.3 and 4.7 per cent for the full year, down from a forecast of 5.6 to 6 per cent.

Surplus stock was partly to blame. Pete Nordstrom, president, said during an earnings call that the retailer, like several peers, was "taking aggressive action to clear through excess inventory".

The US-listed shares of online fashion retailer **Farfetch** surged on news it had secured a 47.5 per cent stake in online rival Yoox Net-a-Porter from luxury goods group Richemont.

José Neves, founder, said the deal included the launch of Richemont Maison's e-concessions on Farfetch's marketplace, which would help to plug a "hard luxury" gap in its line-up.

Home furnishing retailer **Bed Bath & Beyond** jumped after the Wall Street Journal said it had secured financing to bolster its liquidity. The development was set to snap a four-day losing streak trigged by news that one of BB&B's largest shareholders, Ryan Cohen, had offloaded his entire stake. *Ray Douglas*

Europe

Sweden's **Meko** dived after the auto spare-parts chain reported a sharp fall in profits and referred to "turbulence in our business environment".

Adjusted operating profit slid 23 per cent year on year to SKr240mn ($22.5mn) in the second quarter, although net sales climbed 5 per cent to SKr3.4bn.

Pehr Oscarson, chief executive, said rising inflation had "created a cautious trend in several of our markets, which, combined with unfavourable currency fluctuations, impacted our profitability".

Another hit to profitability weighed on Belgium's **Agfa Gevaert**, the image process and printing group, which posted a net loss of €13mn.

Pascal Juéry, president, said the group had "experienced the full impact of cost inflation and supply chain issues on our profitability and working capital in the second quarter".

Swiss luxury goods group **Richemont** rallied on news it was selling a majority stake in its unprofitable ecommerce operation, Yoox Net-a-Porter, to online peer Farfetch and a group backed by Emirati businessman Mohamed Alabbar.

RBC said the deal enabled Richemont to go back to being a pure play luxury group, "which over time could see valuation re-rating" given the strength of its jewellery assets such as Cartier and Van Cleef. *Ray Douglas*

London

A possible takeover approach sent Cambridge's **Aveva** soaring.

France's Schneider Electric, which already owns a 59 per cent stake in the engineering and industrial software group, confirmed it was "considering a possible offer" for the remaining shares.

Jefferies said the deal made sense, "especially as most top managers of Aveva are from Schneider". Aveva was also relatively inexpensive, having fallen about 50 per cent during the past 12 months, before yesterday's rally.

Allied Minds, the intellectual property commercialisation investor, tumbled on plans to delist. Its board said it was considering leaving the London Stock Exchange as the cost of maintaining a listing was "now prohibitively high relative to Allied Minds' current size".

Car dealership **Lookers** rallied after posting an underlying pre-tax profit of £47.2mn for the half year, which was "slightly ahead of management guidance", said Numis.

This performance was "driven by a strong increase in used vehicle and aftersales revenues", said Lookers, which issued an interim dividend of 1p per share, having not paid one a year earlier.

The sell-off in **Cineworld** continued, with the chain, which may file for bankruptcy, sliding more than 6 per cent. *Ray Douglas*

MARKET DATA

WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)

S&P 500	Nasdaq Composite	Dow Jones Ind	FTSE 100	FTSE Eurofirst 300	Nikkei	Hang Seng	FTSE All World $	$ per €	$ per £	¥ per $	£ per €	Oil Brent $ Sep	Gold $
0.59%	0.88%	0.48%	-0.22%	0.20%	-0.49%	-1.20%	0.30%	No change	-0.253%	0.378%	0.237%	0.71%	0.77%

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

AMERICAS

Jul 25 - - Index All World
S&P 500 New York

Jul 25 - Aug 24 Index All World
S&P/TSX COMP Toronto

EUROPE

Jul 25 - Aug 24 Index All World
FTSE 100 London

Jul 25 - Aug 24 Index All World
Xetra Dax Frankfurt

ASIA

Jul 25 - Aug 24 Index All World
Nikkei 225 Tokyo

Jul 25 - Aug 24 Index All World
Kospi Seoul

3,921.05	4,152.93		
Day 0.59%	Month -6.73%	Year -11.45%	

Index		Start	End	Day	Month	Year
(S&P 500)			4,152.93	0.59%	-6.73%	-11.45%
		19,104.48	20,010.70	0.25%	-9.84%	-6.47%
		7,306.28	7,471.51	-0.22%	-5.00%	0.44%
		13,096.93	13,220.06	0.20%	-0.77%	NaN%
		27,699.25	28,313.47	-0.49%	-5.14%	-9.83%
		2,412.96	2,447.45	0.50%	-13.64%	-30.07%
Nasdaq Composite	New York	11,562.58	12,490.26	0.88%	-7.23%	-23.37%
IPC	Mexico City	46,674.30	47,855.16	-0.39%	-7.31%	-5.23%
FTSE Eurofirst 300	Europe	1,677.98	1,704.63	0.20%	-6.91%	-9.00%
Ibex 35	Madrid	8,069.60	8,199.40	-0.33%	-8.45%	-7.31%
Hang Seng	Hong Kong	20,905.88	19,268.74	-1.20%	5.78%	-24.49%
FTSE Straits Times	Singapore	3,180.47	3,233.48	-0.39%	-4.28%	-0.96%
Dow Jones Industrial	New York	31,761.54	33,068.52	0.48%	-5.23%	-10.21%
Bovespa	São Paulo	99,771.69	113,109.56	0.27%	-11.14%	-21.26%
CAC 40	Paris	6,211.45	6,386.76	0.39%	-9.62%	-8.86%
FTSE MIB	Milan	21,382.71	22,431.47	0.23%	-13.95%	-14.96%
Shanghai Composite	Shanghai	3,277.44	3,215.20	-1.86%	7.58%	-5.67%
BSE Sensex	Mumbai	56,072.23	59,085.43	0.09%	-5.30%	0.91%

Country	Index	Latest	Previous
China	FTSE A200	10901.81	11095.39
	FTSE B35	9000.71	8988.96
	Shanghai A	3369.17	3433.02
	Shanghai B	307.76	310.31
	Shanghai Comp	3215.20	3276.22
	Shenzhen A	2260.10	2330.25
	Shenzhen B	1216.82	1239.14
Colombia	COLCAP	1261.61	1260.21
Croatia	CROBEX	2013.05	2011.29
	FTSE/ASE 20	2154.21	2156.13
Hong Kong	Hang Seng	19268.74	19503.25
	HS China Enterprise	6565.69	6648.85
	HSCC Red Chip	3600.98	3626.04
Hungary	Bux	43097.98	43004.14
India	BSE Sensex	59085.43	59031.30
	Nifty 500	15140.40	15090.50
Indonesia	Jakarta Comp	7194.71	7163.27
Ireland	ISEQ Overall	7070.44	7058.26
Israel	Tel Aviv 125	2072.08	2093.94
Luxembourg	LuxX	1459.73	1470.10
Malaysia	FTSE Bursa KLCI	1467.26	1482.57
Mexico	IPC	47785.03	47974.03
Morocco	MASI	12137.96	12185.34
Netherlands	AEX	713.81	710.87
	AEX All Share	973.13	969.68
New Zealand	NZX 50	11655.33	11643.21
Nigeria	SE All Share	49344.67	49370.62
Norway	Oslo All Share	1017.37	1006.88
Pakistan	KSE 100	43337.97	43366.77
	FTSE/JSE Res 20	63637.82	63871.09
	FTSE/JSE Top 40	63079.74	63032.89
South Korea	Kospi	2447.45	2435.34
	Kospi 200	319.86	318.69
Spain	IBEX 35	8199.40	8226.30
Sri Lanka	CSE All Share	9011.24	9071.53
Sweden	OMX Stockholm 30	1983.58	1985.63
	OMX Stockholm AS	785.57	785.10
Switzerland	SMI Index	11012.87	10933.06
	DJ Utilities	1036.53	1034.17
	Nasdaq 100	12977.63	12881.79
	Nasdaq Cmp	12490.26	12381.30
	NYSE Comp	15422.38	15338.15
	S&P 500	4152.93	4128.73
	Wilshire 5000	41528.72	41224.39
Venezuela	IBC	7606.14	7436.84
Vietnam	VNI	1277.16	1270.81
	FTSEurofirst 100 (Eur)	4459.15	4461.20
	FTSEurofirst 80 (Eur)	5037.52	5020.18
	MSCI ACWI Fr ($)	634.11	635.46
	MSCI All World ($)	2730.35	2736.10
	MSCI Europe (Eur)	1714.96	1724.12
	MSCI Pacific ($)	2648.56	2662.59
	S&P Euro (Eur)	1680.71	1675.21
	S&P Europe 350 (Eur)	1749.43	1746.37
	S&P Global 1200 ($)	3018.26	3007.14
	Stoxx 50 (Eur)	3648.94	3637.06

(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	LONDON ACTIVE STOCKS	stock traded m's	close price	Day's change	EURO MARKETS ACTIVE STOCKS	stock traded m's	close price	Day's change	TOKYO ACTIVE STOCKS	stock traded m's	close price	Day's change
Tesla	94.9	904.20	14.84	Shell	323.2	2292.50	-25.00	Nestle N	285.3	120.54	1.18	Tokyo Electric Power ,orporated	637.4	552.00	50.00
Apple	43.0	167.54	0.31	Bp	181.9	452.95	-6.45	Novartis N	222.5	83.77	0.63	Softbank .	525.3	5616.00	16.00
Nvidia	42.2	173.50	1.69	Astrazeneca	148.4	11350.00	152.00	Novo Nordisk B A/s	182.9	109.61	2.78	Tokyo Electron	516.2	44330.00	-990.00
Advanced Micro Devices	29.6	93.13	0.64	Gsk	113.0	1399.00	-3.60	Roche Gs	182.8	329.30	0.93	Mitsubishi Heavy Industries,	463.9	5209.00	334.00
Amazon.com	25.3	135.02	1.40	Glencore	103.7	497.70	-8.30	Intesa Sanpaolo	173.1	1.76	0.01	Nintendo Co.,	433.2	57850.00	-1550.00
Microsoft	19.9	276.97	0.53	Unilever	96.8	3991.00	49.50	Totalenergies	163.4	53.92	-0.84	Toyota Motor	379.8	2100.00	-7.50
Occidental Petroleum	17.8	74.76	0.97	Aveva	94.9	2781.00	589.00	Stellantis	153.9	14.19	0.15	Fast Retailing Co.,	360.3	84220.00	-790.00
Intuit	9.3	476.38	26.82	Rio Tinto	91.9	4931.50	-113.50	Richemont N	153.4	118.08	4.04	Nippon Yusen Kabushiki Kaisha	356.8	10710.00	-110.00
Alphabet	8.4	114.60	0.74	Hsbc Holdings	89.7	521.20	-10.10	Unicredit	144.9	9.48	0.01	Mitsubishi Ufj Fin,.	285.4	728.10	5.00
Exxon Mobil	7.8	97.81	-0.19	Diageo	71.3	3893.50	20.50	Asml Holding	126.7	528.40	2.00	Inpex	281.4	1595.00	27.00

BIGGEST MOVERS	Close price	Day's change	Day's chng%	BIGGEST MOVERS	Close price	Day's change	Day's chng%	BIGGEST MOVERS	Close price	Day's change	Day's chng%	BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups				**Ups**				**Ups**				**Ups**			
Norwegian Cruise Line Holdings Ltd	13.98	1.13	8.79	Aveva	2781.00	589.00	26.87	Sartorius Ag Vzo O.n.	445.40	21.50	5.07	Tokyo Electric Power ,orporated	552.00	50.00	9.96
Illumina	209.27	14.43	7.41	Baltic Classifieds	138.60	8.60	6.62	Adyen	1654.60	77.40	4.91	Mitsubishi Heavy Industries,	5209.00	334.00	6.85
Royal Caribbean	41.76	2.80	7.19	4imprint	3920.00	215.00	5.80	Richemont N	118.08	4.04	3.55	Toho Z Co.,	2529.00	145.00	6.08
Intuit	476.38	26.82	5.97	Network Int Holdings	234.40	9.60	4.27	Sartorius Sted Bio	385.70	10.80	2.88	Hino Motors,	622.00	33.00	5.60
Carnival	10.10	0.56	5.88	Pershing Square Holdings Ltd	2750.00	105.00	3.97	Novo Nordisk B A/s	109.61	2.78	2.61	Thb Japan Steel Works,	3015.00	158.00	5.53
Downs				**Downs**				**Downs**				**Downs**			
Advance Auto Parts	178.44	-20.61	-10.36	Aston Martin Lagonda Global Holdings	446.90	-32.10	-6.70	Mowi	21.83	-0.80	-3.53	Konami	7250.00	-210.00	-2.82
Autozone	2228.03	-63.46	-2.77	Provident Fin	178.90	-8.50	-4.54	Holcim N	45.14	-0.91	-1.98	Nintendo Co.,	57850.00	-1550.00	-2.61
Newell Brands	20.35	-0.43	-2.05	Hays	114.80	-5.20	-4.33	Telefonica	4.17	-0.08	-1.97	Marui Co.,	2441.00	-57.00	-2.28
Freeport-mcmoran	31.20	-0.59	-1.86	Just	69.65	-2.95	-4.06	Fresenius Se+co.kgaa O.n.	25.04	-0.49	-1.92	Tokyo Electron	44330.00	-990.00	-2.18
Laboratory	234.47	-4.38	-1.83	Chrysalis Investments	79.50	-2.90	-3.52	E.on Se Na O.n.	8.74	-0.17	-1.91	Shiseido ,	5385.00	-119.00	-2.16

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

UK MARKET WINNERS AND LOSERS

FTSE 100	Aug 24 price(p)	%Chg week	%Chg ytd	FTSE 250	Aug 24 price(p)	%Chg week	%Chg ytd	FTSE SmallCap	Aug 24 price(p)	%Chg week	%Chg ytd	Industry Sectors	Aug 24 price(p)	%Chg week	%Chg ytd
Winners				**Winners**				**Winners**				**Winners**			
Aveva	2781.00	21.2	-	Harbour Energy	430.50	11.8	-5.0	Enquest	28.85	8.9	19.1	Aerospace & Defense	4799.07	5.4	18.4
Bp	452.95	5.1	15.0	Energean	1376.00	8.3	21.6	Lookers	83.40	7.9	16.0	General Retailers	3358.54	1.9	4.7
Shell	2292.50	5.1	45.3	Bank Of Georgia	2095.00	6.1	-	Seraphim Space Investment Trust	64.00	6.7	-	Electricity	11384.78	1.6	3.1
Endeavour Mining	1817.00	4.2	1.2	Plus500 Ltd	1783.00	5.4	17.7	Paypoint	639.00	6.5	-	Industrial Engineering	13537.41	1.2	-
Haleon	268.80	4.0	-	Jlen Environmental Assets	131.60	3.0	16.4	Hunting	226.00	4.4	37.1	Gas Water & Multiutilities index	6280.76	0.9	-0.7
Astrazeneca	11350.00	3.2	23.7	Ferrexpo	148.40	2.6	-	Augmentum Fintech	114.00	4.3	-33.2	Life Insurance	6461.09	0.6	-
Glencore	497.70	2.3	12.2	Capricorn Energy	242.80	2.4	16.2	Biotech Growth Trust (the)	1006.00	4.1	-	Food & Drug Retailers	4227.24	0.5	-7.9
Avast	699.60	2.0	-	Syncona	199.20	2.4	-4.4	W.a.g Payment Solutions	95.80	3.5	-0.6	Health Care Equip.& Services	10973.62	0.3	24.2
Fresnillo	727.60	2.0	-	Tullow Oil	50.75	2.0	-4.2	Rps	210.00	2.9	-16.8	Oil & Gas Producers	7973.99	0.3	24.4
Pershing Square Holdings Ltd	2750.00	1.5	-	Nb Private Equity Partners	1580.00	1.9	-	City Of London Investment	425.50	2.8	-16.3	Pharmaceuticals & Biotech.	20825.70	0.2	15.4
Unilever	3991.00	1.3	-4.3	Centamin	93.50	1.8	-	Bluefield Solar ome Fund	137.50	2.6	6.1	Tobacco	36419.29	0.0	26.2
Flutter Entertainment	10950.00	1.2	-	Blackrock World Mining Trust	619.00	1.5	-3.7	Anglo-eastern Plantations	944.00	2.6	16.3	Mobile Telecommunications	2878.02	-0.1	10.8
Losers				**Losers**				**Losers**				**Losers**			
Ocado	786.20	-14.7	-	Marshalls	341.80	-24.9	-	Cineworld	2.80	-66.0	-	Automobiles & Parts	1639.31	-12.7	-
Abrdn	150.15	-9.5	-	Asos	726.50	-14.7	-	Halfords	130.50	-19.7	-	Real Estate Investment Trusts	2690.03	-6.1	-
Persimmon	1544.00	-9.4	-34.3	Hammerson	21.80	-14.0	-	Made.com	8.10	-18.0	-	Mining	10399.04	-5.2	-50.7
Howden Joinery	596.80	-9.0	-34.5	Dunelm	711.50	-13.6	-	Restaurant	40.84	-16.1	-	Industrial Metals	6810.85	-4.9	-0.6
Jd Sports Fashion	116.65	-9.0	-	Greencore	87.70	-12.6	-	Reach	78.05	-15.6	-	Travel & Leisure	6220.48	-4.6	-
Legal & General	259.40	-8.1	-	Countryside Partnerships	240.40	-12.1	-	Pod Point Holdings	83.40	-14.9	-	Personal Goods	28562.91	-4.5	-
Hikma Pharmaceuticals	1370.50	-8.1	-	Ascential	225.40	-12.0	-	Bakkavor	88.00	-14.4	-	Beverages	29644.28	-4.0	-
B&m Eur Value Retail S.a.	389.30	-8.0	-	Pets At Home	321.60	-11.9	-	Trustpilot	72.00	-14.3	-	Software & Computer Services	1861.07	-3.7	-
Scottish Mortgage Investment Trust	827.60	-7.4	-	Molten Ventures	378.20	-11.9	-	Sabre Insurance	110.60	-12.9	13.5	Real Estate & Investment Servic	2523.17	-3.2	-
Int Consolidated Airlines S.a.	108.42	-7.4	-	Ssp	212.40	-11.9	-3.4	Luceco	84.00	-12.7	-	Electronic & Electrical Equip.	8516.34	-2.4	-
Aviva	425.20	-7.3	-	Ti Fluid Systems	150.20	-11.5	-	Fisher (james) & Sons	321.00	-12.5	-	Food Producers	5915.19	-2.1	-
Hargreaves Lansdown	887.20	-7.2	-	Xp Power	2040.00	-11.3	-46.9	Marston's	38.58	-12.4	-	Household Goods	11146.61	-1.4	-

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

CURRENCIES

Aug 24	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	137.1609	0.2765	137.0512	0.3515	162.1382	-0.0892
Australia	Australian Dollar	1.4465	0.0067	1.4453	0.0075	1.7099	0.0035
Bahrain	Bahrainin Dinar	0.3770	-	0.3767	0.0002	0.4457	-0.0011
Bolivia	Bolivian Boliviano	6.9100	-	6.9045	0.0038	8.1683	-0.0210
Brazil	Brazilian Real	5.1024	0.0127	5.0983	0.0154	6.0315	-0.0005
Canada	Canadian Dollar	1.2976	0.0020	1.2965	0.0027	1.5338	-0.0016
Chile	Chilean Peso	914.4000	-13.2450	913.6691	-12.7253	1080.9150	-18.4771
China	Chinese Yuan	6.8656	0.0149	6.8601	0.0186	8.1158	-0.0033
Colombia	Colombian Peso	4363.5900	-16.3900	4360.1026	-13.9736	5158.2127	-32.6906
Costa Rica	Costa Rican Colon	642.2550	-3.9900	641.7416	-3.6321	759.2116	-6.6812
Czech Republic	Czech Koruna	24.6888	0.0065	24.6690	0.0200	29.1846	-0.0674
Denmark	Danish Krone	7.4429	-0.0050	7.4370	-0.0009	8.7983	-0.0285
Egypt	Egyptian Pound	19.2013	0.0660	19.1860	0.0764	22.6979	0.0198
Hong Kong	Hong Kong Dollar	7.8468	-0.0007	7.8406	0.0037	9.2758	-0.0246
Hungary	Hungarian Forint	409.7028	-4.3313	409.3752	-4.1006	484.3108	-6.3787
India	Indian Rupee	79.8175	-0.0513	79.7537	-0.0074	94.3525	-0.3034
Indonesia	Indonesian Rupiah	14847.5000	10.0000	14835.6507	18.1358	17551.2805	-33.3014
Israel	Israeli Shekel	3.2716	0.0083	3.2689	0.0101	3.8673	-0.0001
Japan	Japanese Yen	136.7650	0.5150	136.6557	0.5894	161.6703	0.1946
..One Month		136.7647	0.5144	136.6556	0.5893	161.6700	0.1940
..Three Month		136.7639	0.5127	136.6554	0.5889	161.6692	0.1925
..One Year		136.7595	0.5040	136.6535	0.5852	161.6700	0.1882
Kenya	Kenyan Shilling	119.8500	-	119.7542	0.0658	141.6750	-0.3644
Kuwait	Kuwaiti Dinar	0.3078	0.0001	0.3075	0.0003	0.3638	-0.0008
Malaysia	Malaysian Ringgit	4.4855	-0.0030	4.4819	-0.0005	5.3023	-0.0172
Mexico	Mexican Peso	19.9080	-0.1240	19.8921	-0.1129	23.5333	-0.2075
New Zealand	New Zealand Dollar	1.6130	0.0079	1.6117	0.0088	1.9068	0.0044
Nigeria	Nigerian Naira	425.7500	-	425.4097	0.2337	503.2804	-1.2943
Norway	Norwegian Krone	9.6540	-0.0571	9.6463	-0.0517	11.4120	-0.0970
Pakistan	Pakistani Rupee	219.3750	2.7250	219.1996	2.8417	259.3238	2.5626
Peru	Peruvian Nuevo Sol	3.8624	0.0065	3.8593	0.0086	4.5657	-0.0041
Philippines	Philippine Peso	56.0750	-	56.0302	0.0308	66.2864	-0.1705
Poland	Polish Zloty	4.7691	-0.0076	4.7652	-0.0050	5.6375	-0.0236
Romania	Romanian Leu	4.8784	-0.0119	4.8745	-0.0093	5.7668	-0.0290
Russia	Russian Ruble	60.3000	0.1500	60.2518	0.1829	71.2808	-0.0055
Saudi Arabia	Saudi Riyal	3.7588	0.0030	3.7557	0.0050	4.4432	-0.0079
Singapore	Singapore Dollar	1.3927	0.0014	1.3916	0.0022	1.6463	-0.0025
South Africa	South African Rand	16.9388	-0.0237	16.9252	-0.0144	20.0233	-0.0796
South Korea	South Korean Won	1342.0500	-3.7500	1340.9773	-3.0085	1586.4414	-8.5241
Sweden	Swedish Krona	10.5843	-0.0153	10.5758	-0.0095	12.5117	-0.0503
Switzerland	Swiss Franc	0.9654	0.0030	0.9646	0.0035	1.1412	0.0006
Taiwan	New Taiwan Dollar	30.2785	0.0795	30.2543	0.0960	35.7923	0.0022
Thailand	Thai Baht	36.0575	-0.0500	36.0287	-0.0301	42.6237	-0.1689
Tunisia	Tunisian Dinar	3.1968	-0.0260	3.1942	-0.0242	3.7789	-0.0405
Turkey	Turkish Lira	18.1545	0.0397	18.1400	0.0497	21.4605	-0.0081
United Arab Emirates	UAE Dirham	3.6730	0.0000	3.6701	0.0020	4.3419	-0.0112
United Kingdom	Pound Sterling	0.8459	0.0022	0.8453	0.0026	-	-
..One Month		0.8460	0.0022	0.8451	0.0026	-	-
..Three Month		0.8462	0.0022	0.8449	0.0026	-	-
..One Year		0.8461	0.0021	0.8432	0.0026	-	-
United States	United States Dollar	-	-	0.9992	0.0005	1.1821	-0.0030
..One Month		-	-	0.9990	-0.1859	1.1822	-0.0030
..Three Month		-	-	0.9985	-0.1860	1.1823	-0.0030
..One Year		-	-	0.9966	-0.1859	1.1823	-0.0031
Vietnam	Vietnamese Dong	23470.0000	35.0000	23451.2776	47.8589	27744.0226	-29.8206
European Union	Euro	1.0008	-0.0006	-	-	1.1830	-0.0037
..One Month		1.0006	-0.0005	-	-	1.1829	-0.0037
..Three Month		1.0001	-0.0006	-	-	1.1826	-0.0037
..One Year		0.9982	-0.0005	-	-	1.1810	-0.0038

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 24	Day's chge%	Euro Index	£ Strlg Aug 23	£ Strlg Aug 22	Year ago	Div yield%	Cover	P/E ratio	X/D adj	Total Return
FTSE 100 (100)	7471.51	-0.22	6892.50	7488.11	7533.79	7125.78	3.56	1.95	14.41	211.58	7613.39
FTSE 250 (250)	19305.23	-0.01	17809.16	19306.89	19499.34	23886.01	2.87	1.27	27.36	366.91	15913.32
FTSE 250 ex Inv Co (176)	19616.96	-0.13	18096.73	19641.87	19834.60	25088.06	2.98	1.47	22.80	397.42	16499.85
FTSE 350 (350)	4137.50	-0.19	3816.86	4145.38	4173.06	4119.52	3.45	1.87	15.51	111.39	8364.22
FTSE 350 ex Investment Trusts (274)	4069.23	-0.23	3753.88	4078.72	4104.97	4015.15	3.51	1.92	14.80	112.22	4251.55
FTSE 350 Higher Yield (129)	3541.40	-0.72	3266.95	3567.20	3570.91	3217.17	4.97	1.88	10.73	127.33	8054.71
Non Financials (339)	5008.97	-0.07	4620.80	5012.61	5045.04	4935.18	3.39	1.67	17.72	128.53	8990.37

Hourly movements	8.00	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High/day	Low/day
FTSE 100	7467.01	7413.16	7462.74	7450.85	7452.27	7468.04	7451.98	7460.56	7469.42	7483.95	7410.79
FTSE 250	19247.84	19156.74	19222.48	19161.74	19190.68	19229.59	19218.31	19257.77	19256.98	19305.23	19152.62
FTSE SmallCap	6404.72	6396.16	6398.26	6389.67	6384.17	6387.02	6385.76	6391.53	6392.55	6409.48	6382.90
FTSE All-Share	4097.02	4069.61	4094.18	4086.76	4088.20	4096.61	4088.95	4094.16	4098.18	4105.89	4069.61

Time of FTSE 100 Day's high:15:16:00 Day's Low08:00:15 FTSE 100 2010/11 High: 7672.40(10/02/2022) Low: 6959.48(07/03/2022)
Time of FTSE All-Share Day's high:15:16:00 Day's Low08:00:00 FTSE 100 2010/11 High: 4296.96(10/02/2022) Low: 3862.39(07/03/2022)
Further information is available on http://www.ftse.com © FTSE International Limited. 2013. All Rights reserved. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. † Sector P/E ratios greater than 80 are not shown. For changes to FTSE Fledgling Index constituents please refer to www.ftse.com/indexchanges. ‡ Values are negative.

FT 30 INDEX

	Aug 24	Aug 23	Aug 22	Aug 19	Aug 18	Yr Ago	High	Low
FT 30	2498.50	2504.10	2533.40	2572.60	2595.00	0.00	2880.10	2300.60
FT 30 Div Yield	-	-	-	-	-	0.00	3.93	2.74
P/E Ratio net	-	-	-	-	-	0.00	19.44	14.26

FT 30 hourly changes

8	9	10	11	12	13	14	15	16	High	Low
2504.1	2478.3	2496.4	2579	2579.7	2581.8	2588.4	2490	2492.8	2504.4	2477.7

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	39.66	NON FINANCIALS Index	-1.24	Equity Invest Instr	-15.46
Oil & Gas	39.05	Personal Goods	-1.36	Consumer Services	-15.96
Tobacco	24.34	FTSE All{HY-}Share Index	-2.55	Household Goods & Ho	-16.46
Aerospace & Defense	14.13	Beverages	-4.67	Industrials	-17.17
Electricity	12.86	Fixed Line Telecomms	-6.21	FTSE 250 Index	-17.78
Pharmace & Biotech	11.01	Health Care Eq & Srv	-7.80	Real Est Invest & Tr	-20.57
Health Care	9.74	Media	-8.93	Construct & Material	-20.82
Utilities	7.33	Financials	-8.97	Support Services	-20.89

FTSE 100 SUMMARY

FTSE 100	Closing Price	Day's Change	FTSE 100	Closing Price	Day's Change
3I Group PLC	1222.5	-	Intertek Group PLC	4158	15.00
Abrdn PLC	150.15	-1.55	Jd Sports Fashion PLC	116.65	0.85
Admiral Group PLC	2244	19.00	Kingfisher PLC	234.10	-3.40
Airtel Africa PLC	136.80	-0.40	Land Securities Group PLC	666.00	-17.00
Anglo American PLC	2879	-64.50	Legal & General Group PLC	259.40	-4.00
Antofagasta PLC	1147	-15.00	Lloyds Banking Group PLC	44.12	-0.25
Ashtead Group PLC	4352	23.00	London Stock Exchange Group PLC	8400	66.00

FTSE GLOBAL EQUITY INDEX SERIES

Real Estate Investment Trusts	101	494.53	-1.3	1.1	-17.1	1145.73	-15.5	3.4	
FTSE Global Large Cap	1867	637.03	-0.3	2.4	-16.1	1046.79	-14.8	2.2	

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

UK STOCK MARKET TRADING DATA

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UK RIGHTS OFFERS

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

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

UK COMPANY RESULTS

Company		Turnover		Pre-tax		EPS(p)		Div(p)		Pay day	Total	
BlackRock World Mining Trust	Int			12.009L	163.016	7.380L	90.430	5.50000	5.50000	Sep 30	32.500	13.800
Costain Group	Int	665.200	556.800	11.200	9.100	3.300	3.500	0.00000	0.00000	-	0.000	0.000
Deltic Energy	Int	0.000	0.000	1.031L	0.692L	0.070L	0.050L	0.00000	0.00000	-	0.000	0.000
K3 Business Technology Group	Int	19.939	20.854	2.787L	3.699L	6.200L	11.600	0.00000	0.00000	-	0.000	0.000
Lookers	Int	2230.000	2153.200	49.900	50.400	10.310	6.250	0.00000	0.00000	-	2.500	0.000
Sopheon	Int	15.678	16.531	0.791L	0.518	0.099L	0.036	0.00000	0.00000	-	4.400	4.400

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

UK RECENT EQUITY ISSUES

Issue date	Issue price(p)	Sector	Stock code	Stock	Close price(p)	+/-	High	Low	Mkt Cap (£m)
07/29	10.00		FCM	First Class Metals PLC	9.63	0.44	11.00	9.00	632.1

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

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

FT 500: TOP 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
Occid Pet	74.76	73.79	0.97	1.32	11.79	18.7	-14.17
ImpOil	65.14	64.92	0.22	0.34	7.21	12.4	-16.04
Devon Energy	71.68	70.88	0.80	1.13	7.54	11.8	-27.94
Schlmbrg	39.52	39.36	0.16	0.41	4.12	11.6	-23.63
Equinor	404.20	396.45	7.75	1.95	39.40	10.8	-6.17
Halliburton	31.23	31.22	0.01	0.04	3.03	10.8	-24.08
Suncor En	44.94	44.43	0.51	1.15	4.09	10.0	-14.08
EOG Res	123.33	121.78	1.55	1.27	9.64	8.5	-20.23
PetroChina	3.59	3.51	0.08	2.28	0.27	8.1	-9.44
Hunng Pwr	4.19	4.28	-0.09	-2.10	0.31	8.0	5.41
ChShenEgy	24.60	24.50	0.10	0.41	1.80	7.9	-14.80
ConocPhil	109.31	108.45	0.86	0.79	7.95	7.8	-21.40
CNOOC	10.32	10.16	0.16	1.57	0.74	7.7	-13.50
Nutrien	126.17	124.74	1.43	1.15	8.74	7.4	-14.14
Petrobras	37.34	37.22	0.12	0.32	2.18	6.2	-6.38
ExxonMb	97.81	98.00	-0.19	-0.19	5.61	6.1	-10.52
BakerHu	26.25	26.10	0.15	0.57	1.50	6.1	-22.24
NovoB	815.20	794.50	20.70	2.61	42.20	5.5	1.87
Marathon Ptl	103.91	103.49	0.42	0.41	5.29	5.4	-18.70
BP	452.95	459.40	-6.45	-1.40	22.05	5.1	-11.20

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 %
Zoom	84.54	81.32	3.22	3.96	-17.84	-17.4	3.08
SHOP	43.10	42.06	1.04	2.47	-7.74	-15.2	-9.35
Bausch Hlth	6.92	6.81	0.11	1.62	-1.24	-15.2	-17.10
Continental	60.32	60.72	-0.40	-0.66	-6.90	-10.3	-1.51
Walgreen	36.97	37.44	-0.48	-1.27	-3.91	-9.6	-10.86
UnibailR	51.88	53.00	-1.12	-2.11	-5.28	-9.2	-26.44
Mercedes-Benz	55.98	56.74	-0.76	-1.34	-5.24	-8.6	-21.35
Workday	161.07	157.66	3.41	2.16	-14.83	-8.4	-9.08
E.ON	8.73	8.95	-0.22	-2.41	-0.77	-8.1	-6.22
DeutsPost	37.54	37.52	0.02	0.05	-3.27	-8.0	2.43
Volkswgn	184.25	186.05	-1.80	-0.97	-16.05	-8.0	-3.41
KBC Grp	47.80	47.93	-0.13	-0.27	-4.16	-8.0	-11.17
MTN Grp	135.24	136.00	-0.76	-0.56	-11.67	-7.9	-17.80
Twitter	40.50	39.86	0.64	1.61	-3.49	-7.9	-2.72
Aptiv	97.83	96.03	1.80	1.87	-8.27	-7.8	-14.95
SandsCh	16.18	16.46	-0.28	-1.70	-1.36	-7.8	31.97
BkNvaS	75.30	76.54	-1.24	-1.62	-6.32	-7.7	-10.83
HK Exc&Clr	320.00	327.40	-7.40	-2.26	-26.60	-7.7	16.87
Aviva	425.20	428.80	-3.60	-0.84	-33.60	-7.3	-6.58
Biogen	201.90	202.81	-0.91	-0.45	-15.68	-7.2	5.32

Based on the FT Global 500 companies in local currency

BONDS: HIGH YIELD & EMERGING MARKET

BONDS: GLOBAL INVESTMENT GRADE

INTEREST RATES: OFFICIAL

Aug 24	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

BOND INDICES

	Index	Day's change	Month's change	Year change	Return 1 month	Return 1 year
Markit IBoxx						
ABF Pan-Asia unhedged	200.04	-0.50	-1.11	-8.99	0.30	-8.88
Corporates(£)	337.50	-0.52	-4.30	-14.73	-3.30	-16.86
Corporates(€)	215.28	-0.24	-2.84	-10.87	-1.60	-12.42

VOLATILITY INDICES

BONDS: BENCHMARK GOVERNMENT

GILTS: UK CASH MARKET

GILTS: UK FTSE ACTUARIES INDICES

COMMODITIES

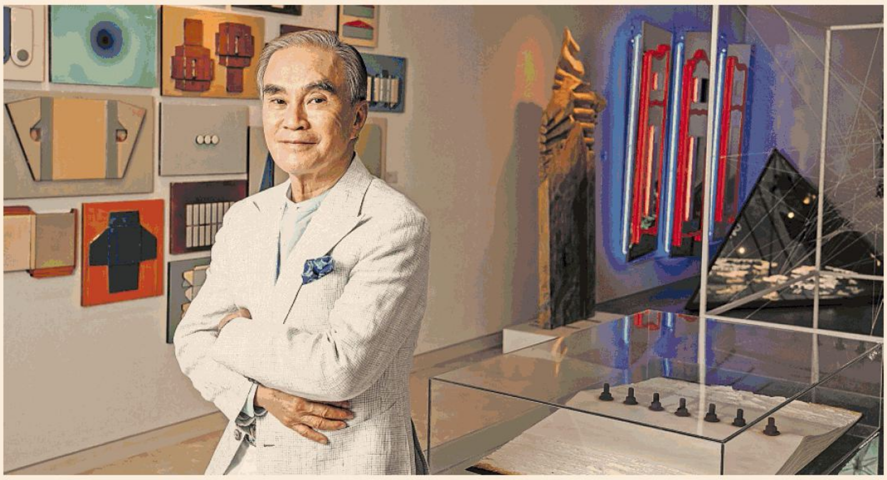
BONDS: INDEX-LINKED

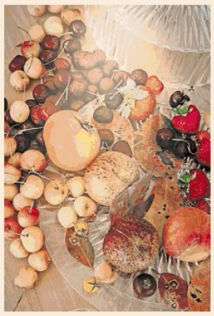
BONDS: TEN YEAR GOVT SPREADS

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

'People are rough. Art works like a tenderiser'

South Korean businessman and collector Higgin Kim is on a mission to bring culture to his employees. He talks to Andrew Russeth



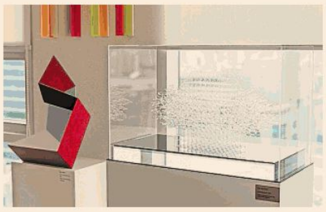


There are many collectors of contemporary art who specialise in just one medium or style or coterie of artists. Higgin Kim, the chair of the Byucksan Engineering and Construction Company in South Korea, is not that kind of collector. "I don't care about art histories and a scholastic sort of approach," he says in his capacious office high above Seoul's Guro district, when asked to define his taste. "I just want to enjoy my life."

The 400 works arrayed throughout Byucksan's headquarters in the Pan-Pacific building suggest a man with unbounded curiosity and a zest for new ideas. There is a Nam June Paik robot sculpture assembled from TV monitors and other tech devices; an amber-coloured glass horse by Shin Sang-ho; an intricate spiderweb — like a tangle of rope suspended in a box — by Tomás Saraceno. ("What in the devil is this?" was Kim's reaction when he saw the latter at Art Basel.) A James Turrell hologram hangs behind his receptionist's desk and behind his is a Yoko Ono Plexiglas edition with small text reading "I LOVE U".

Wearing his trademark bow tie with a tan suit, Kim, 76, has the look of a gentleman scholar, or perhaps even an Indiana Jones-style adventurer. He is erudite and soft-spoken, which lends a certain intrigue to his talk about the cut-throat construction industry. "People are genuinely rough," he says, "so I want to share artworks. The art works like a tenderiser."

As classical music plays in the background, he jokes about some of Byucksan's 1,200 employees discussing, with a measure of exasperation, how he pushes culture on them, with lectures and "points" that employees can spend to attend cultural events. "Once in a while we teach them about the paintings and classical music and things like that," he says.



Clockwise, from above: Higgin Kim in his office; 'Mistral' (2017) by Wolfgang Tillmans; Brad Howe's 'Gentle Is the Resting Hand' (2018), left, and Eun-Suh Choi's 'Housed Barrier IV' (2012)
Jun Michael Park

There is a rich recent history of South Korean conglomerates spending big on art in Seoul as part of their philanthropic activities. Samsung has its Leeum and Ho-Am museums, filled with ancient Korean and global contemporary material; the Amorepacific beauty empire inaugurated a David Chipperfield-designed headquarters and museum in 2017; the energy company ST International went with Herzog & de Meuron for its own place last year.

Kim has taken a different tack. The art is all his own, not Byucksan's, and he has decided against building a dedicated home. "I have designed the museum twice already. I have a piece of land to build a museum. But to maintain a museum is very costly." Some who have embarked on that path have had financial issues and had to offload art. "You can't do that," he says. "You have to learn from history and other countries."

Kim's own history spans post-second world war Korea. He was born in Seoul in January 1946, just months after the country's liberation from Japan, and in 1948 his father started the company, before the family fled to Busan during the Korean war. They returned to Seoul when Kim was 10; later he attended Miami University in Ohio.

After mandatory military service, he worked for the family business and found his way to Saudi Arabia in 1973 for about a dozen years. "There I made my first million dollars," Kim says. "I was 31. Nothing to spend it on. There was nothing there." Half his time there was spent working for arms dealer Adnan Khashoggi's Triad International, looking after Asian business in investment and trade, he says.

Returning in 1985 to Seoul, and to the family business, Kim began amassing an art collection with his wife, Sohyung Lee Kim, though Khashoggi's love of opulence seems not to have rubbed off on him. "Within the budget, you have to find the best," he tells me. "That's the principle of the collection." They focused on contemporary art because the sky-high prices of Impressionism and modernism seemed beyond their reach. ("I could sell this," he says, gesturing at the art on the walls, "and buy one piece.")

> 'I have a piece of land to build a museum. But to maintain one is very costly'

His approach was to buy one or two pieces a month, and the collection now has more than 1,000 works. While Kim is open to trades, he has sold only once, when a relentless dealer convinced him to part with an Anselm Kiefer. But he did sell off a number of subsidiaries while fighting to stay afloat in the late-1990s Asian financial crisis. "I was so dumb," he says. "We knew it was coming. I didn't do anything about it. And I didn't know what it meant. I thought it was somebody else's problem."

Even years after their purchase, many works continue to have a deep resonance for him. An early buy, a Salvador Dalí print of the crucifixion, "never bores" Kim. ("I was born a Christian, never missed Sunday," he says.)

After his first wife died, he began seeing his current wife, art dealer Ihn Yang Kim, 12 years ago, while he was on the steering committee of the Korea International Art Fair (which runs alongside Frieze Seoul next week). She sold him a James Casebere photograph and a Liam Gillick wall piece that hang in a conference room. "I was dating my wife, so I had to buy some artworks from her gallery," he says. "That also helped our collections."

When not thinking about art, there are philanthropic and community projects to keep him busy. For instance, he loans three rare instruments — two violins (one a 1683 Stradivarius) and a cello — to Manhattan's Sejong Soloists ensemble. "I don't have a talent for painting, or playing different instruments or singing, but I really appreciate their professions," he says, and supporting artists comes with benefits. "It's fun to talk with them. Nowadays it's another way to meet young people."

Kim has given an art-buying budget to his son, who works at Byucksan, and his son's wife, an artist, and their recent acquisitions include a radiant still life of fruit by photographer Wolfgang Tillmans that hangs near the elevators. "I try not to buy," Kim says, a hint of mischief in his voice. "It's difficult."

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FRIEZE SEOUL 2022

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How Joan of Arc went from 'she' to 'they'

Playwright Charlie Josephine and Shakespeare's Globe director Michelle Terry talk to Sam Moore about challenging conventions with 'I, Joan'

Joan of Arc is offering a note of thanks to the people who are scattered around Shakespeare's Globe on London's South Bank in rehearsal. In their white vest and blue jeans, they're grateful to those assembled "for giving me kindness, for giving me courage". Behind Joan, played by Isobel Thom, at the back of the stage is a half-pipe of the kind used by skateboarders — which actors will run up and slide back down — and a band. *I, Joan*, a new play by Charlie Josephine, in which the title character is non-binary, and uses they/them pronouns, is preparing for its opening tonight.

For writer Josephine (who also uses they/them), the title character's gender and pronouns were inevitable. Josephine insists that they're "definitely not the first person to question Joan's gender", and says there will be many more stories in the future that will do exactly that. Josephine says there are many characters in the play, not just Joan, who are trying to find a way to live "in that fluid space in between binaries", the kind of space that both Josephine and the Globe have grappled with in the past.

Josephine is no stranger to this venue: they performed in *Metamorphoses* at the Sam Wanamaker Playhouse in 2021. In returning to the Globe as a writer, they

Playwright Charlie Josephine

that Josephine wants to challenge, asking what would happen if "the version of history we were taught is missing something". It's this space in between that they hope will create something that, freed from the need to be fully accurate to one specific retelling of history, offers something like liberation.

The fraught relationship between history, the canon and gender is something the Globe has been grappling with for years. In her first role after taking the reins of the theatre in 2018, artistic director Michelle Terry took on the title role in *Hamlet*. Two years before that, she played Henry V at Regent's Park, and insists that both times, rather than wanting to "play a man", she wanted to understand how to play Henry or Hamlet. And in spite of the responses she saw at the time — around who owns these characters, as if a woman playing one of them meant taking something away

she thinks bring to life both *I, Joan* and the Globe.

For Terry, the importance of the theatre, both then and now, is the importance of theatre for all — that the space is open to all kinds of audiences, and all kinds of stories. Josephine echoes this, saying that seeing your own story told is a way of being reminded not only that you exist, but that you matter.

Josephine acknowledges that not everyone will like it. But they're finding their peace with that, saying that one of reasons we have plays is so that people can wrestle with these ideas and even "not like bits of it", hoping instead that people are able to reconsider their ideas around gender, God and community.

The same is true for Terry, who says there are basically no plays she "meets the whole way", meeting them all somewhere in between instead. It's this space — somewhere in between, or a world elsewhere — that *I, Joan* is hoping to inhabit. Both Josephine and Terry insist that the questions asked in the play are more important than its answers, and that what matters most is being able to ask them.

To October 22, shakespearesglobe.com

hope to engage with what they think of as theatre at its best: "Asking big questions rather than just making statements", while making it clear that "none of us likes to be preached at."

Much of the backlash against the productionhas been about the notion of historical accuracy, but it's this very idea from a male actor — she still finds herself driven by what she sees as the heart of Shakespeare's writing: "Holding both sides of the argument in your hands."

When Terry talks, she uses her hands a lot: they move back and forth, overlapping, as if she's trying to grasp the shapeshifting, abstract concepts that

Michelle Terry, artistic director

FT BIG READ. SOUTH ASIA

Bangladesh swept up in crisis

Power blackouts and high import and energy prices are fuelling fears that the country's previous gains could be reversed. Some economists argue it is time for the international community to step in.

By Benjamin Parkin and John Reed

A night fish market in Barishal, Bangladesh. The country is grappling with a severe energy crunch as prices continue to rise. Below: A garment factory in Gazipur, Bangladesh.
Mustasinur Rahman Alvi/Shutterstock

Mohammad Sharif Sarker's factory is in many ways a model. Spread over three spacious floors in Ashulia, a suburb of Bangladesh's capital Dhaka, hundreds of young women and men sit in orderly assembly lines, sewing machines before them, ready to stitch trendy flat-brim caps for export.

There's only one problem: Sarker and his workers are sitting in the dark, their machines idle. Ashulia is currently in the middle of one of the daily mandatory power cuts that the government introduced in July, as Bangladesh grapples with a severe energy crunch. And with a recent government-mandated 50 per cent increase in fuel prices, Sarker has opted to keep the power off while his workers take a lunch break, rather than fire up an expensive diesel-powered generator.

"The sector will be unsettled if the price of everything keeps going up," Sarker says. "It is the workers who will ultimately carry the burden."

Factories like his have helped propel Bangladesh, previously one of the world's poorest countries, to become

the third-largest garment exporter after China and Vietnam according to World Trade Organization data — notching up significant gains in income, education and health along the way. In South Asia, a region of almost 2bn people across India, Pakistan and Sri Lanka, Bangladesh stood out for its development and success in fostering a globally competitive goods export sector.

But now, along with most of its south Asian neighbours, the country of 160mn people is being rocked by soaring prices of energy and food following the Covid-19 pandemic and Russia's invasion of Ukraine. These have led to energy shortages and rising import bills that are, in some cases, straining their ability to keep up with debt payments.

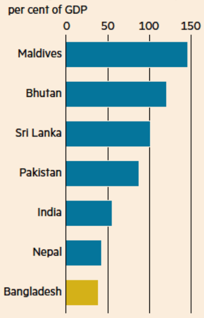
The regional economic crisis in South Asia has been swingeing in its casualties, claiming countries whose governments pursued reckless spending policies, such as Sri Lanka, alongside model development economies. It now threatens to reverse hard-won, generational gains made in the world's most populous emerging market region, which sits at the geopolitical junction where Indian and Chinese interests meet. Beijing is among the leading creditors of both Sri Lanka and Pakistan — and India, which is wary of China's influence on its smaller neighbours, is watching for signs that the crisis might allow it to strengthen its hand.

"The crisis is punishing countries with an array of different economic performances and models," says Mark Malloch Brown, a former UN and World Bank official who now heads the George Soros-backed Open Society Foundations. "Bangladesh, a very internationally oriented economy known for its garment sector, is getting killed by economic conditions elsewhere in the world."

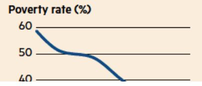
Better insulated

Sri Lanka in May became the first Asia-Pacific country to default in two decades, with the economic mismanagement of President Gotabaya Rajapaksa triggering mass street protests in Colombo that forced him to flee the country on a military jet in July. Pakistan, where authorities have charged former leader Imran Khan with terrorism offences, also appears to be entering a period of enhanced political volatility,

Bangladesh has the lowest debt burden among south Asian countries
Central government debt in 2020, per cent of GDP



Bangladesh's poverty level has fallen sharply but inequality has risen
Poverty rate (%)



In addition to raising fuel prices, which triggered protests, Bangladesh's government has cut school and office hours to conserve energy and introduced import restrictions on luxury goods to protect its foreign reserves.

South Asian countries share much in common with other emerging markets from Ghana and Ethiopia to Chile, where long-festering problems have been brought to a head in a year of the most acute sovereign debt crises seen since the 1980s.

Many south Asian countries are heavily dependent on imports of energy resources, such as crude oil and coal and foodstuffs, including cooking oil. Bangladesh, for example, was forced to shut its diesel power plants in July due to import shortages. Some of these countries also owe money to China for projects pursued under Beijing's Belt and Road Initiative, adding a layer of geopolitical risk to any coming debt workouts for regional economies in peril.

AHM Mustafa Kamal, Bangladesh's finance minister, insists that while "everybody is under pressure", Bangladesh is not in danger of falling into the deep financial distress of its neighbours. "Bangladesh is in no way connected" to what is happening in countries like Sri Lanka, he says. Creditors "know our projects, know our balance sheet very well. [Bangladesh] is a good place to offer money". He highlighted the inauguration in June of the $3.6bn Padma Bridge, a Chinese-built but domestically financed project near Dhaka that will drastically cut travel times for people and goods.

The IMF says that with a debt-to-GDP ratio of 39 per cent — lower than its neighbours — Bangladesh is "not in a crisis situation", but warns the country is vulnerable to the "huge uncertainty surrounding global economic developments".

Yet the regional economic ructions have caused concern in India, which has itself steered clear of crisis but, as of late

resilience," he says. "The west and the [lending] institutions should really look at that . . . it should not be allowed to free fall."

Boom time

Following the end of British colonial rule on the Indian subcontinent in 1947, Bangladesh became a province of Pakistan, before gaining independence in 1971 after a devastating civil war that left the new country stricken by famine.

The economy made significant strides in the decades that followed. Low-skilled manufacturing took off, helped by tax breaks and duty-free access to wealthy markets, creating mass employment for women as well as men. Overseas remittances also provided much-needed capital.

Poverty halved from 58.8 per cent in 1991 to 24.3 per cent in 2016, while education and health indicators such as literacy and infant mortality also improved. Bangladesh's per-capita income of $2,500 is now higher than that of both India and Pakistan. The UN plans to reclassify Bangladesh from "least developed country" to developing-country status by 2026.

"Bangladesh was nowhere, not [even] on the map, as an economy," Kamal says. That has changed "through our hard work".

Since the 1980s, Bangladesh's garment industry has grown from 4 per cent to 80 per cent of the country's exports, which total more than $50bn, according to the country's garments exporters association. Most employees are women. "This sector has addressed the unemployment problem a lot," says Sarker, himself a former assembly-line worker. "Before there were child marriages; now girls have jobs."

Yet this growth has been blighted by labour exploitation and dangerous working conditions, including the collapse of the Rana Plaza factory building in 2013 that killed more than 1,000 people. Sarwer Hossain, a union leader in Ashulia, says that working conditions

"In the villages, we did not have jobs," she says. "But life is harder here in the city. In the village I could go to school and I had food to eat. Here, everything is expensive."

Her story underscores not only how marginal the gains from this global industry are, but how easily they can be swept away. The garments sector helped shield Bangladesh during the pandemic, with exports rising to a record as locked-down consumers overseas shopped for clothes online. But it is now starting to feel the strain. The IMF warns that demand for Bangladesh's cornerstone industry's products will suffer due to slowing growth in major buyers in the US and European countries. "This is definitely going to affect export performance going forward," the fund says. The country's garment makers import everything from raw

'[The garment industry] will be unsettled if prices keep going up. The workers will ultimately carry the burden'

materials to machinery. David Hasanat, chair of Dhaka-based manufacturer Viyellatex Groups, says the price of cotton had increased more than 50 per cent, but that his company was only able to pass on about 10 per cent of that cost to buyers. "Eventually [the higher costs] will give us more pain," he says.

The rising import bill has taken a toll on Bangladesh's foreign reserves, which

cial crisis, they were not compelled to undertake the economic reforms that would have insulated them from the worst of this year's crisis.

Unlike Bangladesh, Sri Lanka and Pakistan "have never really been forced to try to improve economic policymaking", he says. "Rather, they are engaged in seemingly endless rounds of negotiations with the IMF, with individual creditors and with internal constituencies, that never seem to come to an end and seldom result in permanent policy changes."

'Taking flight from riskier assets'

Sri Lanka, in particular, was storing up problems long before the pandemic, enacting sharp tax cuts in 2019 while borrowing heavily from bondholders and countries like China for infrastructure projects that failed to generate returns. Pakistan also struggled with a low tax base and a weak export sector.

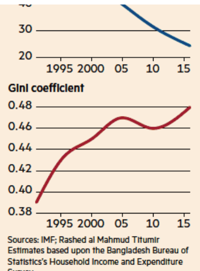
"What makes Pakistan and Sri Lanka stand out is that a lot of their borrowing was done in foreign currency — this is what underpinned the issues that are coming to a head now," says Shilan Shah, senior economist with Capital Economics. "Then the impact of the war in Ukraine caused investors globally to take flight from riskier assets."

India, with its better economic management, strong services sector and lower debt-to-GDP ratio, has remained insulated from direct spillover from its neighbours' financial distress. However, officials in New Delhi are worried the crisis might allow Beijing to flex its regional leverage.

"Sri Lanka is deemed geopolitically pretty important, given Chinese investment into Sri Lanka and the default on the port [of Hambantota], which was taken over by China," Shah says. "That is a huge concern for India."

While talks with Dhaka on a lending facility remain nascent, IMF staff will travel to Sri Lanka this week to continue talks on a bailout with Ranil Wickremesinghe, the new president. The even as it seeks to nail down financing from the IMF and bilateral creditors that would allow it to avert default. Smaller Nepal and the Maldives are also vulnerable to the fallout from global inflation.

Bangladesh had until recently been better insulated from recent economic shocks, in part because of its successful export sector. But Prime Minister Sheikh Hasina's government in July approached the IMF for a loan to try and shore up its foreign currency reserves and help the low-lying country build resilience against climate change. Bangladesh is seeking about $4.5bn from the fund, and as much as $4bn more from other lenders, including the World Bank and Asian Development Bank.



Sources: IMF; Rashed al Mahmud Titumir
Estimates based upon the Bangladesh Bureau of Statistics's Household Income and Expenditure Survey

July, had committed $3.8bn of aid to its bankrupt neighbour, Sri Lanka, in loans and other assistance.

Malloch Brown says the experience of south Asian countries shows how the pressures on emerging markets are part of a wider "systemic crisis which really endangers the global economy". He has called for an international policy response akin to the Marshall Plan extended to war-ruined countries after the second world war. These strains are now resonating across the global south.

Rashed al Mahmud Titumir, an economics professor at Dhaka University, argues that the international community should step in to protect the hard-won gains of Bangladeshi workers. "You see the working class has a kind of

have since improved but more progress is needed, with injuries and deadly accidents continuing. The minimum wage of 8,000 taka ($84) a month has also not increased since 2018, he adds. This has left workers vulnerable to inflation, which stood at 7.5 per cent year-on-year in July.

Like many workers in Sarker's cap factory, 18-year-old Rezwana Akhtar left the rural poverty of her village a year ago for a job in the city. While many of her school friends are now married and outside the workforce, even the minimum wage helps give workers like Akhtar an income and independence. But it remains a difficult life — her anxiety compounded by the recent inflation in her rent.

have fallen to less than $40bn, from more than $45bn last year. While this remains enough for about five months' worth of imports, Dhaka university's Titumir says he expects it to fall below three months' import cover — the level economists often consider critical — by the end of the year.

He argues that the situation is laying bare "cracks in the economy", from Bangladesh's slowing poverty reduction to its stagnating wages and rising debt. He argues that this has "exposed the [success] story that we hear as a kind of a mirage".

Steve Cochrane at Moody's Analytics argues that because south Asian countries did not suffer as much as other regions during the 1997-98 Asian finan-

IMF also reached a preliminary agreement with Pakistan in July to lend $1.2bn as part of an existing $7bn assistance package, but it remains subject to approval by the Washington lender's executive board, which is due to meet on August 29.

In Ashulia, Akhtar and the other young workers worry about how they're going to continue paying for rent and food on top of supporting families in their villages. "How much more do we need to earn to keep paying?" she asks.

"All [workers'] dreams involve money," says Hossain, the union leader. "But they don't have alternatives other than working here. What they want is to save enough money to have a house and a good life."

The FT View

FINANCIAL TIMES
'Without fear and without favour'

ft.com/opinion

Orbán strengthens his crony state capitalism

Previously foreign-owned sectors are coming under the control of loyal groups

Vodafone's announcement of the €1.8bn sale of its Hungarian business to two state-linked holding companies this week said strangely little about the rationale for Vodafone, but a lot about what it meant for Hungary. The Budapest government, it noted, has a "clear strategy to build a Hungarian owned national champion" in telecoms. There is no indication Vodafone was lent on by Budapest to sell, unlike in some other cases; the disposal fits with its strategy of simplifying its structure, and it received a generous price. But the deal is the latest step in the construction by Hungary's premier Viktor Orbán of a state-dominated crony capitalism.

Orbán's Fidesz government has been on a mission since coming to power in 2010 to return key foreign-owned parts of the economy to Hungarian control, using often sharp-elbowed tactics. After facing a variety of regulatory pressures including special taxes and utility price caps — presented by the government as in consumers' interests — some foreign owners pulled out, helping to bring domestic control of the banking, energy and media sectors back above 50 per cent. Three banks are being merged into a state-linked Hungarian Bank Holding.

Now, as Hungary's economic development minister declared this week, the Vodafone acquisition creates a chance to "step up as an important player in the telecoms market". The leading operator, Magyar Telekom, has long been majority owned by Deutsche Telekom.

Hungary's premier is not alone in such ambitions. Especially after the financial crisis, many central European states fretted that sales of communist-era assets in the 1990s had left their economies too much at the mercy of foreign owners. In the US, Orbán's brand of political and business nationalism has made him a favourite of "America First" Republicans. But for Orbán, repatriation of ownership is part of a broader effort to extend his political dominance into the commercial sphere — and to create a socio-economic system that endures even if Fidesz loses power.

Part of that has involved channelling funds and opportunities to loyalists, in some cases childhood friends of the premier. A state-linked business elite of "Orbán oligarchs" has emerged, more akin to models in ex-Soviet republics but inside the EU. Indeed, these tycoons often owe much of their fortunes to winning state contracts financed in part by EU funds. In the Vodafone Hungary deal, one buyer, 4iG, is headed by an ex-lieutenant of Orbán's closest business ally; the other, Corvinus, is one of several holding companies created to manage state assets.

The pitfalls of such a model are plenty. Businesses can become government servants. Part of the motivation for squeezing out foreign control of media

> Since 2010, his Fidesz government has been on a mission to return key parts of the economy to Hungarian authority, using often sharp-elbowed tactics

outlets was to turn them into Fidesz mouthpieces. Basing financing decisions on closeness to power leads, too, to inefficient allocation of capital. In theory, a Hungarian strategic bank could be a good thing, but finance professionals say its books are full of loans to businesspeople tied to the regime.

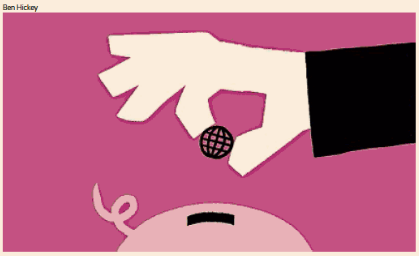
Such crony capitalism also risks institutionalising graft, which a weakened Hungarian judiciary is ill-placed to police. The EU is withholding €15bn of pandemic recovery funds over rule of law concerns; EU officials fear, too, that as Orbán moves closer to a "Putinism-lite" political and economic model, Budapest — already a holdout over an EU oil embargo — will be an impediment to further sanctions on Russia.

Current high inflation and a gaping fiscal shortfall may yet force Hungary's premier into some tactical concessions to Brussels in hope of unlocking EU funds. But this week's telecoms deal suggests the key features of Orbánism are becoming ever more entrenched.

Opinion Silicon Valley

Please spare us all the guff about doing good

Ben Hickey



Jemima Kelly

If you believe the spin, the reason that Andreessen Horowitz — or a16z — is betting billions of dollars on the chimerical, crypto-powered idea of "Web3" is because the current version of the internet, "Web2", gives too much money and power to Big Tech, and not enough to users. You might wonder whether one of Silicon Valley's biggest venture capital funds might themselves be trying to grab as much money and power as they can but no, really, it's *you* they care about.

"My hope is through Web3, we can return to . . . a much more decentralised distribution of power and control," Chris Dixon, head of the firm's $7.6bn crypto fund, told the FT's Tech Tonic podcast. "Facebook, Instagram . . . They figured out a way to have other people create their content and take basically all of the money".

> 'What we have learnt is that Big Tech does not give away things for nothing'

This is bemusing. Isn't a16z at the very heart of Big Tech, having massively profited from Web2? Is co-founder Marc Andreessen not still on the board of Meta — the company that owns both Facebook and Instagram —

the internet, "data is controlled by users", one of his investments, Worldcoin, has been collecting biometric data from people in developing countries in return for crypto tokens and has been accused of deceptive marketing. Worldcoin's chief executive told BuzzFeed News that the company "will improve" communication and marketing.

The extractive practices of a more mainstream investment, Coinbase, helped the crypto exchange rake in $3.6bn of profits in 2021.

The truth is that the lofty claims made by a16z are part of a have-your-cake-and-eat-it culture that we have all helped create. We so demonised the "vampire squid" banks in the aftermath of the financial crisis that the business of making money became seen as ugly and immoral. Cue young business school graduates — the young are the most likely to demand a job with "purpose" — shunning investment banking for Silicon Valley, which offered them not only free beers and ping pong tables, but the chance to feel they were making a difference.

"Big Tech was saying 'we're better than finance'," says Martin Walker, director of banking and finance at the Center for Evidence-Based Management. "They were more socially conscious and you could get all kinds of stuff for free . . . but what we have learnt is that Big Tech does not give away things for nothing. They're either trying to build monopolies or they're trying to extract value from people in some other way."

Since the explosion of ESG, too, investors want to be told they are putting their money into projects that are doing good — whether or not that is true is somewhat beside the point.

Letters

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Debt is one thing, but fall in sales is bigger risk for companies

Capstone founder and chief executive Paul Britton is right to think that we are entering a new phase in the current crisis when corporate debt will become a risk for stock markets ("Volatility investor warns of false dawn for US equities market after recovery", Interview, August 15).

However, besides the level of debt on balance sheets and the potential refinancing issues in the near future, companies' profit and loss accounts will also be affected, this time by their clients' behaviour, whether they are companies or consumers.

For the former, when more is needed to pay back debt, then investments, expansion plans or marketing budgets will have to be curtailed. This would negatively impact their suppliers and partners, thus accelerating the crisis.

For the general public, higher mortgage and credit card repayments, coupled with inflation and potentially lower income due to more unemployment, will make the management of household expenses a crucial and difficult exercise.

Some industry sectors may remain resilient because they produce goods that are essential, like food and energy, even when prices go up. Others will suffer because consumers can live without them during a storm.

In this context, a company with a relatively low debt leverage might suffer more than an indebted company that continues to sell with the same margins. The current inflation-based crisis will not just destabilise equity markets through corporate indebtedness, but also because many businesses will see their income diminish. And companies that simultaneously experience both afflictions may be the first to fall.

Christophe Cauvy
Oxford, UK

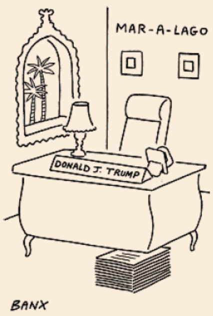
Liberal intellectuals tend to have poor war records

The lucidity of Janan Ganesh's prose ("Liberals must overcome their aversion to conflict", Opinion, August 17) advocating for the supposed virtues of muscular masculine liberalism, especially in regard to international relations, does not comport well with the historical evidence of intellectual oracles in democratic politics.

If anything, intellectuals have been all too willing to uncritically and disastrously advocate on behalf of state violence, be it Max Weber and Walter Lippmann (first world war), Isaiah Berlin (Vietnam war), Michael Ignatieff (Afghanistan and Iraq wars), Christopher Hitchens (Afghanistan, Iraq) or Susan Sontag (Bosnia) — when she wasn't romanticising revolutionary violence in China and Vietnam.

War only continues to be "the health of the state" in the late Randolph Bourne's memorably reproachful phrase, in part because of the rationalising appeal of such seducing failed faux tough-guy mystiques that Ganesh's column unwittingly champions and perpetuates.

Toby Zanin
Toronto, ON, Canada



Pots and kettles

Many will remember that winning Tory slogan "Labour isn't working".

Surely it's time to return the favour: Tories aren't working, literally. They felt they needed a holiday after all that partying.

S Kaba
Limassol, Cyprus

Finnish PM's drugs test did not warrant such coverage

Was it really necessary to carry a front-page photograph and an inside news story on Finnish prime minister Sanna Marin's decision to take a drugs test?

I expected better from the FT than to add to the unhelpful and frankly misogynistic narrative that has surrounded the story elsewhere.

Your decision to report on this ("Finland PM agrees to take drugs test after partying accusations", Report, August 20), and the tone used reinforces the sad fact that women in leadership are held to a different standard and are reported on in ways never considered for men. The FT can and should do better than to contribute to this damaging narrative.

Elizabeth Tissingh
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Why stop at tigers — what about mythical beasts?

Now that the Tasmanian tiger has been scheduled for recreation ("Biotech experts vow to recreate extinct tiger", Report, August 17), and your reader Robert Boston has suggested that the Zanzibar leopard be placed on the waiting list (Letters, August 19), I'd like to suggest that the directors of Colossal Biosciences broaden their scope. And use a little imagination.

Mythical beasts also deserve some attention. Those clever genetic engineers should try their hand at a few of these next. Obvious candidates would be the unicorn, the faun and the griffin. Maybe the minotaur. But in a departure from the Eurocentric classical tradition, I'd like to nominate the wendigo.

It's been unjustly overlooked in the mythical bestiary. As far as I know, its only appearance in literature is in Algernon Blackwood's eponymous novella. The wendigo's origin is in Native American folklore, chiefly among the Ojibway of far western Ontario, Canada. It was reputed to be an exoskeletal winged ice giant, approximately 50 feet high, that roamed the North Woods at night seeking to satisfy its insatiable appetite. Human beings were its favourite prey. Kenora, Ontario prides itself in being "the world's wendigo capital". If this has any basis, then wendigo tourists are well advised to confine visits to the daylight hours.

Harvey Clark Greisman
Wilmington, DE, US

OUTLOOK
UKRAINE

Six months into the conflict, Kyiv adjusts to

Three months into recovery from a shrapnel injury on the front lines in eastern Ukraine, Serhii Dziubanovskyi took himself and the 10cm piece of metal still stuck in his forearm out to party in Kyiv.

I found the 41-year-old slouched on a couch at an underground techno club called Closer, caressing the bandage over the shrapnel he's nicknamed Freddy, "because I got him

laced, he promised, with "just a little [psychedelic] mushrooms."

Except for the occasional air raid siren, a strict 11pm curfew and lax checkpoints, there are few immediate reminders that this is the capital of a country locked in a conflict with Russia. More than half of those who fled when the war started have now returned, city officials estimate, including tens of thousands of young women, many of whom spent months separated from their partners when

air-raid sirens, from the war, from all this shit."

As I wandered through Kyiv, the war echoed in unlikely refrains. At the bar, I saw a collection box for batteries from used vapes, to be refurbished into power sources for drones. At the DJ's turntable, a song for the Sea of Azov, lost to Russia in 2014. And on Khreshchatyk Street, the city's main boulevard, a macabre parade of the burnt out shells of Russian tanks, now the backdrop for selfies on Instagram owns both Facebook and Instagram — and doesn't he still own millions of dollars' worth of shares in it? And anyway, isn't the whole point of venture capital to generate returns? Why does this company — and the tech sector more broadly — feel the need to insist that their raison d'être is saving the world, when in reality they are simply out to make as much money as they can? Shouldn't it be OK to say that?

Dixon in fact went still further. Web3, he said, wouldn't just follow the old Google mantra of "Don't be evil" — which was quietly abandoned a few years ago — because this relies on fallible human beings sticking to it.

Making the internet run on blockchains instead, and introducing new financial incentives in the form of crypto tokens, would actually somehow mean this idea was built into the system: "That's a very, very important concept in Web3: 'can't be evil' instead of 'don't be evil'."

Now this, of course, is a farcical idea, as a quick glance at some of the projects that a16z's crypto fund has invested in can demonstrate. While Dixon insists that in this new vision of

true is somewhat beside the point.

What this all means is that companies are spending more of their resources on optics, leaving them with less time and money to focus on doing something that might actually be of value. We live in a society so obsessed with how things appear that in the US today there are more than six "flacks" — as my profession affectionately calls PRs — for every journalist.

Further, by creating the expectation that companies must tell us they exist to do good in the world rather than to turn a profit, we are making them better at telling us lies. That makes it harder to tell fact from fiction, and thus to hold these firms to account.

From the giants of Silicon Valley to the grifters of the crypto casino, the world of tech should try being a little more honest with itself and with the rest of us. We should allow them to tell it to us straight — if we don't, we are complicit in building a culture that does not value the truth, and in which the critical line between reality and fakery become increasingly blurred.

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Kyiv adjusts to its new normal

by Mehul Srivastava

nicknamed Freddy, "because I got him on a Friday".

In front of him, a DJ played some techno. Women danced in the mellow sunshine. Beers were passed around, and in the distance there was the light whiff of marijuana.

The war, he says, felt very far away all of a sudden. "The war was the worst thing that happened to me," he tells me. "I don't judge anyone for having fun, but this is hard too, you know — maybe it will be nice if someone said thank you to me."

In Kyiv this summer, the war does feel far away. In the months since Ukrainians beat back the Russian convoy menacing their capital for all of March, the city slowly stumbled, and then rushed back into a surprising normality.

Now, six months on from the beginning of the Russian invasion on February 24, its citizens occupy an awkward grey zone, snatching moments of peace at a time of war, dancing "when we can, crying when we have to", says Dima, a handsome young man, passing around a salad

separated from their partners when the government barred men between 18 and 60 from leaving.

Now, restaurants are full, bars are slammed, concert tickets sold out and romances are being rekindled. The Ukrainian military has pushed the war hundreds of miles away, to an artillery-scarred front line that cuts a jagged line through the country's south and east.

But in Kyiv, few duck into shelters when the sirens go off — it has been weeks since it was last hit by a Russian missile. Left unsaid is the growing realisation that the country must now prepare, "like Israel," according to one adviser to Ukraine's president Volodymyr Zelenskyy, for the long war. With that comes the guilt from living near-normal lives in Kyiv while young men fight and die on the front.

"The war is here too — just 150km north is the border, and the air bases in Belarus," says Dasha Zuckerman, who runs a small shop selling vintage clothing. "It's pointless to search for stupid labels to describe what this feels like — it's a distraction, from the

the backdrop for selfies on Instagram.

In nearly every conversation I had, even the most carefree acknowledged a pang of guilt, and felt the need to justify these stolen moments of joy. "They fight there so we can do this here," says Nika Kuznetsova, an artist and photo stylist, wearing Prada sunglasses and a "Russophobia" sticker on her designer handbag. "Maybe some of them think it's inappropriate, but I live my life like I could die any day.

"All Ukrainians do," she adds.

I followed the crowds to Keller, a sprawling club in Kyiv's warehouse district. The queues started early, and the music was loud enough to be heard blocks away. Downstairs, in a small, sweaty basement, a crowd of shirtless men watched a DJ take over the turntables and unfurl a large Ukrainian flag.

"Glory to Ukraine" he screamed. "Glory to the heroes," the crowd screamed back.

And then, the DJ dropped the beat.

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Opinion

Is the time ripe for Amazon to disrupt healthcare?

BUSINESS

Brooke Masters

Last weekend, I got yet another email from my good friends at Amazon. Rather than touting my favourite romance novelist, this one promised "instant savings" on medications from a "new Prime Rx service" that routes prescriptions to the company's mail order pharmacy and offers discounts at local drugstore chains.

But when I looked into it, I learnt that Prime Rx has been around for almost 18 months. It just hasn't had many takers. The same could be said of Amazon's other efforts to dabble in healthcare — at least until now.

Healthcare companies have been living in fear of the ecommerce group since 2018. Back then, Amazon spooked their investors with its purchase of online pharmacy PillPack and by announcing a partnership with JPMorgan Chase and Berkshire Hathaway aimed at cutting healthcare costs and improving care.

But the rebranded Amazon Pharmacy "failed to gain meaningful traction", in the words of one analyst; a telehealth and mobile medicine offering founded in 2019 has thus far attracted few corporate customers. And the much trumpeted partnership quietly folded up its tent last year.

Now new chief executive Andy Jassy is leading a fresh push into the sector at what could be an opportune time for a disrupter with deep pockets. The pandemic has sped up adoption of telemedicine and other uses of technology, and rising inflation has made both retail prescription drug customers and corporate insurance buyers more price sensitive.

Last month Amazon shelled out $3.9bn for One Medical, a subscription-based healthcare provider that brings along more than 200 medical offices and 790,000 members. This week, it emerged that Amazon plans to bid against pharmacy chain CVS for Signify Health, a $6bn home health services provider in a September auction. Amazon has long searched for counterweights to its ecommerce and cloud computing services that would be big enough to impact revenue in a $1tn company. Initially it seemed that supermarkets might be the answer. But despite the 2017 purchase of the Whole Foods chain, physical stores account for less than 4 per cent of net sales.

> Such cash-rich buyers hope to have their pick of rapidly growing groups that need money to keep the lights on

Jassy, who took over from founder Jeff Bezos last year, cited telehealth on a call with employees last autumn as one of the company's most exciting innovations. After testing its offerings on the company's Seattle area employees for several years, Amazon Care now offers virtual services to external customers nationwide and plans to have in person offices in nearly 30 cities by the end of the year. "We think healthcare is high on the list of experiences that need reinvention," Amazon Health Service's Neil Lindsay said after the One Medical deal.

Amazon isn't commenting on Signify, which uses technology to help manage care, but it and CVS are not the only big companies out shopping. Retailer Walmart added a telehealth provider last year, and Walgreens boosted its investment in Village MD, which runs primary care clinics.

Until this year, digital healthcare companies had been growing rapidly both in the number and size of deals. But technology stocks took a beating in the spring and private financing is drying up. New funding to US digital health companies dropped by half year on year to $4.1bn in the three months to June 30, according to venture firm Rock Health.

Cash-rich buyers such as Amazon hope to have their pick of rapidly growing companies that need money to keep the lights on. "This is the best risk-adjusted pricing we've seen in four to five years, and four or five years ago there wasn't anything big enough that Amazon would want to buy," says Bill Evans, Rock Health's founder.

Ambition may not be enough for Amazon when it comes to healthcare. US antitrust enforcers have the group squarely in their sights and are likely to try to block any deal they think gives it too much power in a new sector. US healthcare is also a notoriously difficult market to disrupt. Patients and the employers who pay for insurance want to cut costs but are quick to complain of service changes. And synergies are tough to create in a market full of many interlocking vested interests.

Prescription drugs are a case in point. Amazon's Prime Rx promises to cut prices, but patients who have insurance that covers part of their drug bill cannot combine the two benefits. Such customers are far more likely to find deals at CVS, which owns health insurer Aetna and Caremark, one of the biggest managers of pharmacy benefits. And the reach of Amazon's offering is surprisingly limited: when I checked prices for two drugs I take, neither was available.

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The battle to keep an American state

Ellie Foreman-Peck

POLITICS

Edward Luce

It is no surprise that Grover Norquist, the single-minded head of Americans for Tax Reform, Washington's main anti-tax group, is behind the latest US political drama. Norquist, whose group gets Republican Congress members to pledge never to vote for tax increases, said his goal was to shrink America's state to the point that it can be drowned in a bathtub. Starving the Internal Revenue Service of funds is a key way of realising his ambition.

Alas, Joe Biden has just upset Norquist's plans. Last week, the US president signed a law that will add $8bn annually over the next decade to the IRS budget, which will undo years of Norquist's work. Though the law only restores the agency's funding to pre-2013 levels, when Tea Party Republicans imposed steep cuts, Republicans are depicting it as an armed assault on US freedom.

"How long until Democrats send the IRS "SWAT team" after your kids' lemonade stand?" tweeted Ronna McDaniel, head of the Republican National Committee. Chuck Grassley, the Repub-

strike force will be storming family-owned businesses. A Fox News commentator said the agency would "hunt down and kill middle-class taxpayers that don't pay enough".

In which case, Washington's power grab would be deserving of another Boston Tea Party — America's original rebellion that helped spark the revolution against the British. Biden would be King George III and Ted Cruz, the Texas senator, who last week called for the IRS to be abolished, would be George Washington.

Like many political uprisings before it, this carries Norquist's fingerprints. Republicans are using a number he gleaned from an obscure US Treasury paper which said that the IRS's new money could be used to hire 87,000 new agents. Somehow, this turned into an army of federal officers primed to break into middle-class homes.

Propaganda on this scale is tougher to fight than the smaller stuff, and that is part of its effectiveness. In politics, as the saying goes, if you are explaining you are losing. Moreover, the IRS-as-globalist-autocracy is only one of many disinformation campaigns directed at Biden.

The same Republican figures are claiming the FBI's raid on Donald Trump's Mar-a-Lago residence earlier this month was a Gestapo-type operation to eliminate Biden's chief rival. Many in the traditional party of law and order are now calling for the FBI to be

Energy and Education, and Norquist's bathtub starts to look fit for purpose. The broader goal is to cripple the US federal government.

Disabling the non-military side of America's state is not a recent priority of the Republicans. But their anti-state record is decidedly mixed. On the one hand, day-to-day US administration has become ever harder. The restrictions placed on federal agencies, including the IRS, have grown more onerous over the years. People's interface with the US government can be a painful experience. The Democratic habit of micro-regulation — which acts like a full employment charter for lawyers — has also added to DC's slow-movingness. That, in turn, makes voters more receptive to anti-government rhetoric.

> In reality and by design, the government is losing its collective IQ and the IRS

On the other hand, US federal spending as a share of the economy has not fallen over the past two decades. Nor has the size of the government workforce. The net result is a progressively less effective state that remains as bloated, or shrunken (depending on your politics), as before. Bill Clinton used to talk of creating smarter government. In reality, and by design, US government is losing its collective IQ.

The IRS is a prime victim of this. As the number of its agents has fallen, its ability to audit big companies and wealthy taxpayers has also dropped, which means it mostly leaves the rich alone. Wealthy Americans were 80 per cent less likely to be audited in 2018 than in 2011. There are years where some of America's super-wealthy, including Tesla's Elon Musk, have paid zero taxes.

By contrast, the share of middle-class Americans subjected to IRS audits has risen sharply because they are cheap and easy to do. Mostly, the investiga-

only the poorest Americans are eligible. IRS agents are little match for the wealthy whose advisers can choose from a labyrinthine menu of tax-avoidance vehicles.

The upshot is that US government revenues have been steadily falling. Those uncollected tens of billions of dollars have been masked by the era of zero US interest rates, which is now coming to an end. Financing the US government is about to get much costlier. Biden's new law, the Inflation Reduction Act, will go some way towards levelling the playing field between underpaid IRS agents and overpaid corporate lawyers.

But if Republicans regain control of Congress in November's midterm elections, it could prove a short-term victory. They can simply block the IRS budget. The societal cost of this latest disinformation campaign is hard to count. Millions of Americans now think the US government is armed, dangerous and out to get them. It is a whopper of a lie but lies have a way of taking root.

Conservatives should beware of 'assassin's remorse'

Hannah White

Many in Westminster trace the origins of Boris Johnson's downfall to the Owen Paterson scandal of November 2021, in which loyal friends attempted to spare the former senior minister the loss of his job over a serious breach of House of Commons rules. Ministers sought to save Paterson by undermining the standards committee, the body that had determined his guilt. But outrage forced the government into a damaging U-turn.

History is in danger of repeating itself as the rivals to succeed Johnson ponder how to handle the inquiry into his own conduct in office. At the height of partygate, MPs passed — without opposition — a Labour motion asking the privileges committee to investigate whether the prime minister had lied to parliament about parties in Downing Street that breached Covid lockdowns, committing a "contempt" of parliament.

The committee's inquiry has barely begun, yet Johnson's allies have launched pre-emptive attacks on both its members and the process. Ultra-loyalist ministers Nadine Dorries and Jacob Rees-Mogg have argued that the inquiry should be halted.

One might expect Rishi Sunak and Liz Truss, the two remaining candidates in the leadership contest, to distance themselves from their predecessor's mistakes. That would allow the due process of the inquiry to take place and the consequences, which could see him ejected from the Commons, to play out. But it is not that easy. Neither has been keen to criticise Johnson, and Truss has

> History might repeat itself as leadership rivals ponder how to handle the inquiry into conduct in office

gone as far as to say that — given the chance — she would vote to stop the committee's inquiry.

This position is designed to appeal to Tory members, who are choosing the next prime minister. Polling suggests that among the grassroots Johnson remains wildly more popular than either candidate. Meanwhile, among Conservative MPs, a severe case of "assassin's remorse" appears to have set in. There is little appetite to see Johnson ejected from parliament to cap the indignity of having been removed from the top job.

But, should she win, Truss's pledge to thwart the privileges committee inquiry ought not to survive the transition to power. The new PM will have to switch focus rapidly from pleasing the narrow party selectorate to wooing the electorate. Polls indicate that a majority of voters continue to believe it was right for Johnson to step down. Many would take a dim view of any attempt to halt the inquiry into whether he lied, seeing it as lican senator who oversees the IRS, suggested on a Fox News show that an IRS

abolished. Add to that list the US Federal Reserve and the departments of

is a prime victim of this

tions are into alleged fraud on the Earned Income Tax Credit, for which

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China faces a new test of its economic diplomacy

Yu Jie

When President Xi Jinping came to power in 2012, his vision was for China to become a leader of the global south. His Belt and Road Initiative, launched in 2013, and the Global Development Initiative, which Xi announced at the UN General Assembly in September last year, are tools for projecting Chinese influence in the developing world.

Whether the GDI succeeds will serve as a test of China's economic statecraft. The keyword in Beijing's description of the initiative is sustainability, with the emphasis less on physical infrastructure projects, and more on poverty alleviation and sustainable development through grants and capacity-building, all with the stamp of approval of the UN's 2030 Sustainable Development Goals.

The GDI has attracted less criticism thus far in the west than its older sibling, the colossal BRI with its reputation for opacity and a lack of financial sustainability.

Nevertheless, it displays many of the distinctive characteristics of past grand Chinese initiatives. It is fluid in nature, opaque in implementation and flexible in the measures used to deliver projects and offer grants. This has long been the preferred style of Chinese political elites. Former Chinese leader Deng Xiaoping described his ethos for reform in the late 1970s as "crossing the river by feeling the stones".

Xi has adopted the same approach with the GDI. Deng used this tactic for the domestic economy at a time when China was isolated in the aftermath of the Cultural Revolution.

But Xi needs the involvement of many countries to achieve his vision, just as Beijing's global relationships are becoming more fraught in the wake of the Russian invasion of Ukraine and a tense military and diplomatic stand-off over Taiwan.

Another issue is foreign assumptions about the nature of one-party rule in China and the belief that policy is immaculately planned and executed from the upper echelons of Xi's team. This may lead to unrealistic expectations among the developing countries participating in the GDI. In fact, the initiative requires laborious co-ordination between various ministries, agencies and state-owned banks in Beijing.

> Can Beijing tighten its belt while also maintaining close relations with developing countries?

China has already realised that aspects of its international development programmes are no longer as popular as they were — partly because some of these projects carry serious risks for participating countries without proper due diligence. In the case of the GDI, China should focus on producing a clear and concrete action plan tailored to specific regions and themes. This would enhance the scheme's clarity and financial credibility.

But the eventual success of the GDI is not only dependent on China's money and capability. It also relies upon the co-operation of around 60 countries that are already part of a GDI "Group of Friends" established within the UN in January 2022. For many countries in this group, the ravages of the Covid-19 pandemic have exacerbated problems with already fragile social welfare networks. These states, many of them extremely vulnerable, crave meaningful assistance rather than diplomatic bromides.

In the past two decades, China has poured hundreds of billions of dollars into building physical infrastructure across the developing world. Meanwhile, many of the countries involved have pinned their hopes on China, as well as the advanced economies, continuing to finance poverty alleviation programmes and public health provision.

But Beijing's spending spree must come to an end as it grapples with its own economic woes. This presents China with a dilemma: can it tighten its belt while also maintaining close relations with developing countries? Beijing has sought to solicit their support in the multilateral institutions, notably on issues related to Taiwan.

The ultimate test of Beijing's economic statecraft is whether it can engage with developing countries beyond relationships built on financial resources and diplomatic capital. Showering cash on these places is not always guaranteed to win hearts and minds. China must show that it understands what such economies really want from their interactions with it and what they fear, based on their experiences of past initiatives.

Beijing should avoid the mistakes it made with the BRI, and instead focus on high-quality project delivery and bringing real benefits to participating countries. This requires more than merely forming a Group of Friends, which promises much but risks delivering little.

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yet another example of politicians willing to apply one rule for them and another to the rest of us.

The inquiry's outcome is not a foregone conclusion. Even if the committee finds Johnson guilty of misleading MPs, it may say there is insufficient evidence to determine whether it was deliberate — which he denies. If it is unproven, the committee may recommend a sanction that falls short of the suspension from parliament of 10 days or more required to trigger a challenge in his constituency. Even if it does recommend a serious sanction, this would still need to be endorsed by a vote of all MPs.

There is an important convention that Commons business, including internal inquiries, disciplinary proceedings and votes on procedure, should not be subject to political influence. Although weakened by recent bad practice, this endures because it is essential that the Commons should be able to maintain its rules and make judgments without becoming politicised. Politicians of all parties behave badly on occasion; MPs must be able to hold them to account. And governments should always be wary of using their majority to set precedents they would not want to see opponents rely on in power.

The Johnson administration wasted significant political capital and undermined its credibility by defending inappropriate behaviour. The new PM should beware repeating such mistakes.

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Energy support scheme: blunt instrument

The numbers are numbing. An energy support scheme mooted by UK energy group Scottish Power has a price tag of more than £100bn over two years. That eye-watering sum is based on a £2,000-a-year discount for households. Taking no account of extra help needed by other users, it would be a blunt solution to a complex problem.

Suppliers would cover the gap between a household's £2,000 cap and wholesale energy prices — assumed to average £4,000 — using a fund underwritten by the government. It would be paid off through taxation or levies on bills over the next 10-15 years.

Politicians in continental Europe have already introduced similar measures. Greece is covering 94 per cent of the increase in power bills for most households next month. It will spend almost €2bn in September.

Orthodox economists disapprove. Such blunt instruments help richer households that can afford higher bills. They reduce incentives to save energy.

Moreover, price support might be needed for far longer than two years. Global demand for liquid natural gas — at 20mn tonnes a year — is growing at twice the pace at which countries are adding new capacity, says Bernstein.

Significant amounts of new LNG supply will not reach the market until midway through the decade. Energy transition risks have hit investment. Even if high prices attract more capital, it would take four to seven years for new LNG projects to start production.

Europe bought 74 per cent of US LNG exports in the first four months of 2022, more than double last year's share. But demand from Asia could rebound strongly once China's pandemic restrictions ease. Though Russia is pivoting to China, the existing pipeline capacity limits flows.

The risk of an extended gas crunch underlines the importance of targeting help, though drawing the line will be hard. Half of all households could fall into fuel poverty without intervention, the boss of French energy group EDF said this week. One option would be to limit the number of discount units of gas per household. That would reduce the benefit to wealthier customers, typically living in large houses.

Measures to ease the gas crisis are needed urgently. But they also need to be carefully designed. Withdrawing price-suppressing measures is notoriously difficult for politicians. They should beware of short-term fixes that can turn into long-term problems.

Aveva/Schneider: goodbye, stranger

Another day, another underperforming UK business poised to succumb to a foreign takeover. France's Schneider Electric has confirmed its interest in buying Aveva. The horror of protectionists will only be partially assuaged by the industrial software group's low profile and the fact that the French would-be bidder owns 60 per cent already.

Aveva shares rose more than 30 per cent, valuing the group at £9bn. Recent performance has been disappointing. If Aveva is bought, the event may be mourned more by patriotic pundits with deadlines than investors with cash on the line.

Aveva is one of the UK's few big remaining listed technology businesses. But only a tiny fraction of sales originate in the country. That reflects a focus on the energy industry.

The UK listing is a legacy of the group's founding in Cambridge, where it produced computer-aided-design software. Schneider arrived in 2018, merging in its own industrial software assets in return for a controlling stake. Since then, the group's pursuit of a "software as a service" subscription model has rankled with investors.

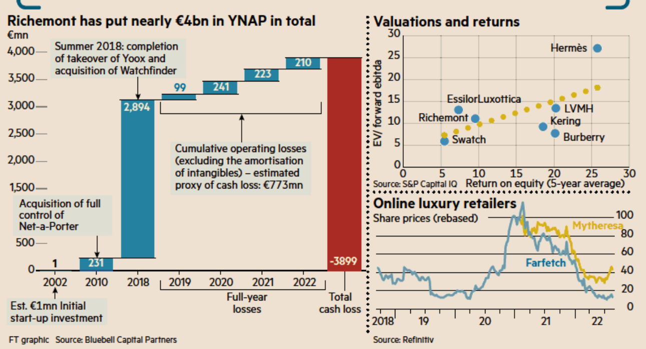
That ambition has been a double-edged sword. Near-term earnings have fallen as smaller recurring subscriptions replace chunky one-off licence sales. Lost Russian sales and margin-eroding cost inflation have compounded Aveva's difficulties.

The latest hiccup came in July, when the group warned that annual recurring revenue growth over the previous year was just 11 per cent, well below the expected 15 per cent.

That helped wipe almost half the value off Aveva shares in the past year. The stock has underperformed the FTSE 350 Software index by almost 40 per cent. Yesterday's rise in shares left them at a valuation of 22 times forward earnings. That represents a modest premium to the UK sector but still about a third below the group's average in the past five years. Investors may not be able to do any better than that.

Richemont/YNAP: jumbled sale

The Swiss luxury group has put an estimated €4bn of cash into YNAP, which it is now offloading to rival Farfetch for a knockdown price. Share prices for online luxury retailers have fallen sharply as sales have disappointed. Eliminating YNAP's losses from Richemont will at least boost lagging returns on equity.



FT graphic Source: Bluebell Capital Partners

When Switzerland's Richemont fully acquired Yoox Net-a-Porter in 2018, Lex thought it was an odd fit beside luxury brands such as Cartier jewellery and Mont Blanc pens. As predicted, the online luxury goods retailer has found its way back on to the market after just a few years.

A €2.7bn writedown after two decades as an investor in YNAP adds grist to the mill of activists hoping to loosen the grip of chair Johann Rupert. The trigger is Richemont's decision to sell a controlling stake in YNAP to Farfetch for 12 per cent of the rival's shares. The US-listed acquirer has an option to buy the rest of YNAP's stock later.

Pressure on Rupert from the likes of Bluebell and Third Point is lessened by a dual-share class structure. These are typically destructive of shareholder value, unless accompanied by a sunset clause. But for longtime boss Rupert this is more than compensated for by wielding half the votes with an economic interest of only one-tenth of the stock.

Bluebell, a small UK activist, wants to get Francesco Trapani, who ran Bulgari and is close to LVMH, on to the board. This got a thumbs down from proxy adviser Institutional Shareholder Services. Underperformance supports the case for minority shareholders to do the opposite at September's annual meeting.

The theory that luxury goods lend themselves to online retailing remains unproven. Inside Richemont, YNAP sales growth failed to impress even during the pandemic. The business has never made a profit. Shares in Farfetch and Germany's Mytheresa, down 87 per cent and 66 per cent respectively since the start of 2021, tell the same story.

Including operating losses YNAP has absorbed about €4bn of Richemont cash since its inception, says Bluebell. Hence a discounted sale price, 0.4 times sales or below half of Farfetch's valuation.

Underperformance extends to Richemont's own shares. These have lagged behind peers LVMH and Kering over the past five years. It is time to start dusting the cobwebs out of the boardroom.

BeReal/social media: get real

Instagram is for influencers and Facebook is for boomers. Young social media users who want to connect with friends have to look elsewhere. The app of the moment is French start-up BeReal. But BeReal will struggle to exceed its novelty status.

If you have seen a group of teenagers freeze, pull out their phones and take a selfie you may have witnessed BeReal in action. The app sends a push notification once a day at random times instructing users to take a simultaneous selfie and main camera photo. Because there are no filters and a two-minute time limit, it claims more authenticity than larger social media networks.

Launched in 2020, the app has reached the top slot in Apple's free US app charts this year, according to SensorTower. Its popularity was boosted by "ambassadors" paid to encourage students to sign up.

Investors include Silicon Valley venture capital firm Andreessen Horowitz. This July, BeReal's reported valuation rose from $150mn to $660mn. Facebook-owned Instagram is so impressed that it is reported to be working on its own version of a daily photo-sharing feature.

So far, BeReal is revenue-less. In social media this is not uncommon. Facebook and Snap made no revenue while building their user base and later introduced advertising. But BeReal's decision to trade on authenticity limits its advertising opportunities. If users only post photos once a day they will not spend much time on the app. And while snaps of a friend's daily dog walk might be amusing, not many users will want to pay a subscription to see it.

BeReal has less in common with Snap and Facebook than shortlived Yo. Launched in 2014, its only function was to send users' friends the message "yo". At the height of its popularity it was the most downloaded US social media app. Two years later it shut. The founder said he wished he had charged users from day one. It is a lesson BeReal's creators should have heeded.

Intel/Brookfield: looking fab

Investors hope a Canadian private capital giant will help revitalise Intel — with a little support from the US government. The beleaguered semiconductor company has said it will partner with the infrastructure affiliate of Brookfield Asset Management to spend up to $30bn building two chip fabrication plants in Arizona.

Intel is a large, mature company that must keep shareholders placated with a decent dividend. But it also wants to improve its market position against Taiwan's TSMC and other Asian rivals with better tech. Its plan includes entry into the foundry or "fab" business, making chips for design-only firms.

Along with Brookfield's multibillion-dollar firepower, Intel stands to benefit from the recent Chips Act signed by President Joe Biden. This provides federal support for a domestic US semiconductor market. Intel's share of that bounty is substantial. Now all it needs to do is execute on its strategy.

The investment partnership between Intel and Brookfield is split 51/49 per cent, with Intel retaining control. The company estimates Brookfield's modelled return to be between Intel's annual cost of debt and cost of equity, at roughly 6 or 7 per cent.

Details from the company are vague but it appears the bulk of cash flows owed to Brookfield will come as production increases, making the new capital less onerous than debt. Overall, Intel says its capital needs could be mitigated by nearly a third with these external sources.

The seemingly modest return for Brookfield is mitigated by a few factors. It said it had secured "three-to-one non-recourse financing" for much of its commitment. Its overall equity commitment comes in at less than $1bn. Moreover, private capital firms, particularly in infrastructure, often prefer to put long-term capital to work.

Is Intel a sure thing? Hardly. In its last quarter, it missed revenue forecasts. Shares are down 34 per cent for the year. At least shareholders can be reassured it is not short of cash.

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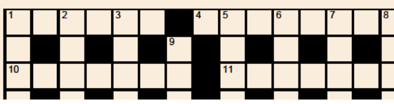
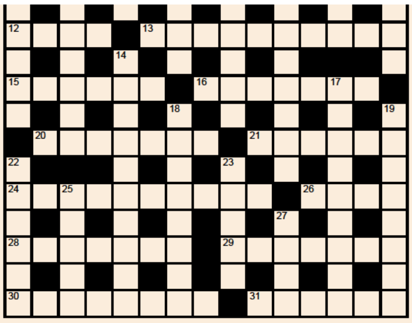
CROSSWORD

No 17,182 Set by GUMM



ACROSS
1 Churches grasping a new opportunity (6)
4 Start to shroud face with cape, revealing conceit (8)
10 Musical group overwhelmed by endless nasty, harsh criticism (7)
11 Editing loses volume, then turns louder



(7)
12 Standard portion of protein or meat (4)
13 Italian citizen staggering into a plane (10)
15 Ruling on information technology, primarily (6)
16 On the whole, boring thing rang out loud (3,4)
20 Introduce American narcotic with nothing taken out (5,2)
21 Proceeds company invested in abandoned mine (6)
24 Coward, perhaps, unusually wary in sticky situation (10)
26 Nick's positive response in Germany and Israel (4)
28 A series of four letters entertains an Asian (7)
29 Boy captures French director in channel (7)
30 Exercises for singer if legs go wobbly (8)
31 Box, for example, in extremely soft way (6)

DOWN
1 Keen to take over outlet in place of exile (8)
2 Curiously agree with lots of trusted friends (5,4)
3 Josh is under Charlie's bed (4)
5 Cut back in funds? Nothing replaces European domination (8)
6 Piece of office equipment popular after many become involved in craft (10)
7 Live departures with a twist in the tail (5)
8 Upcoming races taking in northern beach (6)
9 Many ships are fast (5)
14 Knit pants I wear, even tighter at the front (10)
17 See fine boxer, with first of knockouts, start to earn double (9)
18 Calling on one to protest in very good surroundings (8)
19 Ring wife about large rears becoming muscular (4-4)
22 Special crest associated with southern states (6)
23 Spirit that's surrendered on dying? (5)
25 Heavenly messenger turning up in musical, eg "Nativity!" (5)
27 Reportedly overcrowded settlement (4)

JOTTER PAD

Solution 17,181