FINANCIAL TIMES

WEDNESDAY 31 AUGUST 2022 — INTERNATIONAL NEWSPAPER OF THE YEAR — ASIA

Bland ambition
Dullness helps Biden and Starmer beat the critics — JANAN GANESH, PAGE 17

Living with Covid
Impact on heart and brain disease is a global challenge — BIG READ, PAGE 15

Flight plan
Private jets should be testing ground for green aviation — PILITA CLARK, PAGE 16

Iraq clashes
Cleric Sadr calls for calm

Ahmad Al-Rubaye/AFP

Armed members of Saraya al-Salam, a military wing affiliated with Shia cleric Moqtada al-Sadr, take aim during clashes with Iraqi security forces in Baghdad's green zone yesterday.

The unrest, which has left at least 30 people dead and hundreds wounded, erupted on Monday after Sadr said he was withdrawing from politics. Loyalists broke through the heavily fortified green zone, which houses parliament, before pulling back yesterday after Sadr had called on them to retreat in a televised speech.

Sadr asked his supporters to drop their weapons, saying: "My head is down and I apologise to the Iraqi people. The spilling of Iraqi blood is forbidden."

Baghdad in turmoil page 4

Musk cites Twitter whistleblower as new grounds to halt $44bn deal

- Tesla founder seeks trial delay
- Zatko's testimony seized on
- Financial impact claimed

TIM BRADSHAW — LONDON

Elon Musk has seized on a whistleblower report by Twitter's former security chief to bolster his campaign to terminate his $44bn deal to buy the social media company.

Musk's legal team wrote to Twitter executives on Monday, claiming that Peiter Zatko's allegations, if true, breached aspects of the merger agreement struck in April but which the billionaire has been seeking to abandon since July.

The Tesla chief yesterday requested a delay to the trial over whether he must go through with his takeover of the social media group, scheduled for October in the Delaware Court of Chancery.

Zatko, known in cyber security circles as "Mudge", was also served with a subpoena from Musk's team over the weekend to testify in the case.

Until now, Musk's legal efforts to extricate himself from the deal have centred on the scale of Twitter's fake user problem. Monday's letter outlines a much broader argument, suggesting Zatko's claims give the billionaire the right to terminate the merger agreement on several points.

Twitter's lawyers responded, stating the notice of termination was "invalid and wrongful under the agreement" and based on statements that "are riddled with inconsistencies and inaccuracies".

Zatko, who was fired by Twitter this year, filed a complaint to US authorities alleging that the social media company misled users and regulators on its cyber security. He alleged that Twitter breached its obligations under a 2011 agreement with the Federal Trade Commission to protect user data. He also claimed Twitter failed to disclose material information on security vulnerabilities to investors and its board.

As a result, Musk's legal team argues, the platform could face a large fine, with "material, if not existential, consequences to Twitter's business".

The company responded that it had "breached none of its representations or obligations", adding that Twitter had "not suffered" and was "not likely to suffer a company material adverse effect". Twitter has rejected Musk's charge that it has under-reported spam and fraudulent accounts.

Zatko's complaint was filed to the US Securities and Exchange Commission, the Department of Justice and the FTC on July 6, two days before Musk announced that he wanted to back out of his deal with Twitter.

Twitter rejects Elon Musk's charge that it under-reported spam and fraudulent accounts

Ann Lipton, business law professor at Tulane University, said Musk would have to show that the problems alleged by Zatko "would have a significant, long-term effect on Twitter's finances".

Although Musk's new legal argument is "relying a lot on the Zatko complaint", the testimony supported Twitter's defence of its audience numbers, she added. "Since [user numbers are] almost everything that has been litigated up until now, it all puts Musk in an awkward position," Lipton said.

Additional reporting by Hannah Murphy

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Briefing

- **Counter-attack sparks Kherson combat**
Heavy explosions have been reported around the southern Ukraine city as Kyiv forces seek to retake one of the first conurbations to fall to Russia after the invasion.— PAGE 2; SYLVIE KAUFFMANN, PAGE 17

- **IMF approves $1.1bn for Pakistan**
The fund has revived a stalled assistance package expected to help stave off default. But austerity measures introduced to secure the funds come as the country faces devastating floods.— PAGE 4

- **ExxonMobil at loggerheads with Kremlin**
The US oil group has contested a presidential decree signed by Vladimir Putin this month that it says has stymied its effort to exit Russia, setting the stage for a potential legal showdown with Moscow.— PAGE 8

- **Kerry praises China's climate measures**
US climate envoy John Kerry has lauded Beijing for "generally outperforming its commitments", despite flaring tensions with Washington over the status of Taiwan.— PAGE 4

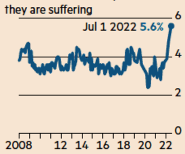
- **Morgan Stanley lawyer oversees traders**
The Wall Street bank has ordered one of its lawyers to shadow its US equity syndicate desk, which is entangled in a federal probe into block trading, as it seeks to beef up its supervision regime.— PAGE 6

- **US consumer confidence shows uptick**
Stronger purchasing and holiday intentions have boosted the Conference Board's index, while a labour department survey showed increasing signs of tightening in the domestic jobs market.— PAGE 2

- **Investors team up for AC Milan swoop**
The New York Yankees baseball franchise and a Los Angeles fund have lined up to invest alongside buyout group RedBird, which is nearing a €1.2bn acquisition of Italy's football champions.— PAGE 6

Datawatch

Hard times
% of US adults who say they are suffering



Source: Gallup Life Evaluation Index, Aug 2022

The share of Americans who consider themselves to be 'suffering' was 5.6 per cent in July, the highest since the 2008 inception of the index. It is small compared with the 51.2 per cent seeing themselves as 'thriving'

Chinese espionage threat to Europe rivals Russia's

Analysis ▸ PAGE 3

Frustrated Evergrande bondholders push own plan for debt restructuring

CHENG LENG AND TABBY KINDER
HONG KONG

Global funds that invested in Evergrande's bonds have come up with their own debt restructuring plan for China's cash-strapped property developer and demanded that its chair repay liabilities with his own fortune, according to two people familiar with the matter.

Bondholders laid out a framework to restructure Evergrande's $20bn of offshore debts in recent days after the company missed a self-imposed deadline in July to present a plan to meet its liabilities, the people said.

The struggling real estate developer, which has $300bn of liabilities and was the most prominent default last year in a liquidity crisis that shook China's property sector, had told creditors it was on track to meet the July deadline. It urged patience amid threats of legal action.

The foreign creditors, who are being advised by law firm Kirkland & Ellis and investment bank Moelis & Co, also proposed that Evergrande chair Hui Ka Yan buy new shares issued by the company and use the capital to repay part of its offshore debts, one of the people said.

The sum investors have requested is not known but a second person familiar with some bondholders' thinking said it made sense to request that the chair "who has sucked a load of money out of the business . . . put some back in."

The plan has been dubbed a "straw man proposal" by people close to the bondholders and company, meaning it was intended to draw a more constructive response from Evergrande. The proposal laid out a framework by which a broader restructuring of Evergrande's offshore debts could work, including foreign bondholders' "expectations and boundaries", one of the people said.

Investors including BlackRock, UBS, Ashmore and funds controlled by HSBC were large owners of Evergrande bonds when it spiralled towards defaulting on its offshore debt late last year, but many have since sold their holdings. Based on filing dates in June or later, international investors in dollar-denominated Evergrande bonds included BlackRock, Ashmore, Prudential and BNP Paribas.

One person familiar with talks at Evergrande said it was unlikely to agree to creditors' demands because of the need to complete projects in China.

Evergrande did not reply to a request for comment. Advisers to the bondholders declined to comment.

Additional reporting by Thomas Hale

Bondholders' threat page 10
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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 30	Prev	%chg
S&P 500	3991.92	4030.61	-0.96
Nasdaq Composite	11882.43	12017.67	-1.13
Dow Jones Ind	31841.45	32098.99	-0.80
FTSEurofirst 300	1656.60	1667.67	-0.66
Euro Stoxx 50	3557.93	3570.51	-0.35
FTSE 100	7361.63	7427.31	-0.88
FTSE All-Share	4045.21	4076.32	-0.76
CAC 40	6210.22	6222.28	-0.19
Xetra Dax	12961.14	12892.99	0.53

CURRENCIES

Pair	Aug 30	Prev	Pair	Aug 30	Prev
$/€	0.999	0.998	€/$	1.001	1.002
$/£	1.163	1.169	£/$	0.860	0.855
£/€	0.859	0.854	€/£	1.164	1.171
¥/$	138.935	138.735	¥/€	138.775	138.507
¥/£	161.596	162.216	£ index	78.540	78.862
SFr/€	0.975	0.968	SFr/£	1.135	1.134

CRYPTO

	Aug 30	Prev	%chg
Bitcoin ($)	19835.47	20294.09	-2.26

GOVERNMENT BONDS

Yield (%)	Aug 30	Prev	Chg
US 2 yr	3.46	3.43	0.03
US 10 yr	3.12	3.12	0.00
US 30 yr	3.24	3.26	-0.02
UK 2 yr	3.02	2.95	0.07
UK 10 yr	2.70	2.60	0.10
UK 30 yr	2.98	2.88	0.10
JPN 2 yr	-0.09	-0.09	0.00
JPN 10 yr	0.22	0.24	-0.02
JPN 30 yr	1.20	1.19	0.01

Ukraine counter-attack

Blasts heard in battle to retake Kherson

Strategically important city hit with missiles and artillery in bid to turn tide

VERONIKA SAMBORSKA — LONDON
JOHN PAUL RATHBONE AND ROMAN OLEARCHYK — KYIV

Residents in Kherson reported heavy explosions around the southern Ukraine city as Kyiv's armed forces continued an offensive to retake one of the first conurbations to fall to Russian forces following Moscow's full-scale invasion of its neighbour.

Ukrainian missile strikes and artillery fire hit the city on Monday night and yesterday morning on the second day of what Kyiv says is a counter-attack to try to turn the tide of the war.

One Kherson resident said she had heard machinegun fire and the sound of large-calibre weapons close to her home in the city centre.

"It's very loud . . . for the second day there hasn't even been an hour break where something did not explode or bang," she added. "It's scary but at the same time joyful when you hear the sound of explosions."

Long-running partisan resistance in Kherson since Russia's takeover has forced Moscow to repeatedly postpone its plans to annex the region through a referendum. Government advisers told the Financial Times that one aim of the latest Ukraine offensive could be to continue to undermine that prospect.

Ukraine has maintained a near-total news blackout on the operation since it began and senior officials in Kyiv cautioned that the operation would be "slow", "grinding" and gradual. "This is a planned slow operation to grind down the enemy, saving the lives of our military and civilians," Oleksiy Arestovych, an adviser to the government, said on a YouTube news channel. "Be patient. This process will not be very fast but will end with the installation of the Ukrainian flag over all settlements of Ukraine."

'This process will end with the installation of the Ukrainian flag over all settlements of Ukraine'

The military aim of the assault is to recapture territory Moscow seized in the early weeks of Russia president Vladimir Putin's invasion, when his troops swept in from the Crimean peninsula.

It comes as a mission from the International Atomic Energy Agency arrived in Kyiv on its way to inspect the Zaporizhzhia nuclear power plant, which is near Kherson on the southern front line and has come under repeated fire, raising fears of a catastrophic accident.

Russia insists it will not return any of the Ukrainian territory it has captured.

Dmitry Peskov, spokesman for Putin, told reporters yesterday that Russia's invasion was "ongoing, methodically and according to plan, and all the goals will be reached", according to the Interfax news agency.

Russia's defence ministry said on Monday evening that Ukraine's new offensive had "completely backfired" and that Russian forces had inflicted "heavy casualties" on Ukrainian troops.

Kherson, a mostly flat province on the delta where the Dnipro river flows into the Black Sea, has strategic importance for Russia as a "land bridge" to Crimea, which it annexed from Ukraine in 2014.

Before the attack, Ukraine conducted two months of strikes deep behind enemy lines on the southern front line using long-range drones and western weaponry such as US-made Himars — truck-mounted guided missile launchers with a range of up to 80km.

According to Britain's defence ministry, Ukraine was continuing such strikes yesterday to disrupt Russian supply lines and infrastructure. Officials in Crimea tacitly confirmed the strikes.

Additional reporting by Max Seddon in Riga

See Opinion

Diplomacy. Transatlantic ties

Truss's blunt approach raises eyebrows in US

Special relationship with UK may be under strain if foreign secretary becomes next PM

FELICIA SCHWARTZ — WASHINGTON

When the UK's newly appointed foreign secretary, Liz Truss, met her US counterpart, Antony Blinken, for the first time last September, the conversation was far from diplomatic.

According to people briefed on the discussion, Truss questioned the special relationship between the two countries, a concept that has underpinned the US-UK alliance since the phrase was popularised by Winston Churchill in the 1940s.

Truss said she had seen few tangible examples to support the idea that the relationship was particularly unique, one of the people said, citing Britain's better trade relations with Canada, Japan and Mexico, as well as a dispute over steel tariffs with the US.

"Her attitude was, 'What have you done for me lately?'" the person said.

That conversation was emblematic of a style described as blunt, binary and assertive by US officials and analysts, some of whom said Truss was quick to take maximalist positions without thinking of the consequences.

With Truss on course to become UK prime minister on Monday following the ruling Conservative party's bruising leadership election, the US foreign policy establishment is asking whether she will take her bombast from the Foreign Office to Downing Street.

"Truss is going to be a lot more assertive in standing up to the Biden administration than Boris Johnson," said Nile Gardiner of the rightwing Heritage Foundation think-tank in Washington.

On the Ukraine war, which has dominated Truss's period as foreign secretary, the US and UK have presented a united front and co-ordinated closely to declassify intelligence before and after Russia president Vladimir Putin's invasion. But beneath the veneer of solidarity, Truss has at times irked her American counterparts, according to people briefed on their thinking.

In a speech in April, she called for the countries to work together on a Marshall Plan for Ukraine, an echo of the US programme that funded the reconstruction of western Europe after the second world war. The speech "raised eyebrows" in the Biden administration, according to a US official, given that Britain has given billions less in economic and lethal aid to Kyiv than Washington.

Speaking out: Liz Truss talks to the media during a trip to Washington in March this year.
Below, Margaret Thatcher dances with Ronald Reagan at the White House in November 1988
Jim Watson/AP; Larry Rubenstein/Reuters

It was but one instance of an approach that another senior administration official described as "very black and white", where her rhetoric has outstripped British commitments and American policy.

In March, Truss said the US and UK must "work together to ensure that Putin loses in Ukraine" and in July said that the Russian president needed to "suffer a strategic defeat".

But the US has backed away from talk of outright defeat of Russia. And after US president Joe Biden used a speech at Warsaw in March to declare that Putin could not remain in power, his aides were forced to make clear the US was not advocating regime change.

Truss and her team have at times been frustrated by Washington's unwillingness to take a harder line on Russia, a person familiar with the matter said.

Some US officials characterised the tensions as the kinds of squabbles that siblings often have and said they would not fundamentally alter Anglo-American ties. The US state department declined to comment. The White House and Truss's leadership team did not respond to requests for comment.

Truss has cultivated ties in the Biden administration and on Capitol Hill and is better known there than her Tory leadership rival, Rishi Sunak.

'She is viewed as a radical Thatcherite politician who is not afraid to shake things up'

She met Biden with Johnson last September, an encounter aides described as "warm".

Sources close to Truss suggest she would be unlikely to take the UK in a radically different foreign policy direction to her predecessor. She saw the US as one of the UK's most important partnerships from an economic and security perspective and would prioritise the relationship during her premiership, an ally of the foreign secretary said.

Truss's efforts to cast herself as heir to Margaret Thatcher has won support among Republicans, who appreciate her embrace of free trade and conservative bona fides.

"Truss is widely admired by conservatives in DC," said Gardiner. "She is viewed as a radical Thatcherite politician who is not afraid to shake things up."

But her stance on Brexit and the Northern Ireland protocol has caused friction with Democrats. Nancy Pelosi, US Speaker of the House, said after a phone call with Truss this summer that she was "deeply concerned" by the UK's intention to discard the protocol.

Truss said earlier this month she would not bow to pressure. "I took on responsibility for negotiating the Northern Ireland protocol . . . and I will be very clear with people like Nancy Pelosi exactly what I think about this and exactly what we need to do."

Additional reporting by Jasmine Cameron-Chileshe in London

US economy

Consumer confidence increases amid tightening jobs market

LYDIA TOMKIW AND ALEXANDRA WHITE
NEW YORK

US consumer confidence increased in August for the first time in three months on stronger consumer purchasing and vacation intentions, while the domestic labour market showed increasing signs of tightening.

The Conference Board's consumer confidence index increased from 95.3 in July to 103.2 in August, above economists' expectations of 97.9, according to a Refinitiv poll.

Consumer purchasing intentions increased in August and vacation intentions hit an eight-month high, the board said. "August's improvement in confidence may help support spending, but inflation and additional rate hikes still pose risks to economic growth in the short term," said Lynn Franco, senior director of economic indicators at the Conference Board.

The survey found that consumers were more optimistic in the next six months about both the labour market outlook and short-term business conditions than they had been previously. In August, 17.5 per cent of consumers said they expected business conditions to improve, up from 13.7 per cent in the previous reading.

The board's present situation index, which reflects consumers' assessment of business and labour market conditions, recorded a gain for the first time since March to 145.4.

Whether the August increase marks a turning point is uncertain as "levels of overall confidence and the present situation and expectations . . . remain far below pre-pandemic readings", said Joshua Shapiro, chief US economist at MFR in a note.

A separate survey of consumer sentiment from the University of Michigan released last week, which reflects the cost of living, showed US consumer sentiment ticked up from historic lows.

There was an unexpected rise in demand for US workers in July, even after factoring in an upward revision to the previous month. The number of job openings stood at 11.24mn on the last business day of July, according to the Job Openings and Labour Turnover Survey released yesterday by the US labour department. That was up from 11.04mn openings at the end of June, which was revised higher from the initial reading of about 10.7mn.

July's figure, which topped economists' expectations for 10.45mn jobs, follows three consecutive monthly declines and brings total openings closer to May's record of 11.55mn.

The number of openings increased the most in transportation, warehousing and utilities, arts entertainment and recreation, federal government and state and local government education. That was offset by a decrease in openings in durable goods manufacturing.

The share of workers that voluntarily quit their jobs was little changed at 4.2mn, but still hovered above pre-pandemic levels, a sign that workers are still confident they can find new employment opportunities.

The number of workers who were laid off edged up to 1.4mn in July from 1.3mn in June.

Martin Wolf see Opinion

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Cost of living

Gas price rise expected to prolong elevated eurozone inflation

VALENTINA ROMEI — LONDON

Eurozone inflation will hit a double-digit rate in the autumn and remain higher for longer as a result of the surge in gas prices, economists have warned.

The higher inflation expectations are adding pressure on the European Central Bank to consider a bigger interest rate even though many economists are forecasting a deepening recession

ber. They expect August's figure, to be released today, to reach 9 per cent.

Inflation continued to surge in Germany, where consumer prices rose by 8.8 per cent in the year to August, driven up from 8.4 per cent in July by soaring energy and food prices to hit the highest level for more than 40 years. A flash estimate released yesterday showed Spanish inflation had fallen to 10.3 per cent in August due to a fall in fuel prices

with growth expectations halved from June to less than 1 per cent. Many are more pessimistic. Schmieding revised down Berenberg's forecast for 2023 eurozone GDP to a 1.5 per cent contraction, while raising inflation expectations for that period to 6.1 per cent from 5 per cent.

"A full pass-through" of wholesale gas prices of about €200 per MWh would add 7 to 8 percentage points to German

inflation, Schmieding said. But the additional pressure would be diluted by long-term gas contracts, delays in higher prices passing through the production process, businesses absorbing some of the costs and government mitigation measures, he said. After a lift from a revival in summer tourism, eurozone GDP "will probably contract significantly until spring 2023 as private consumption, business investment and

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Representative, Anjali Mahindroo

forecasting a deepening recession driven by soaring energy prices.

ECB policymakers warned at last weekend's US gathering of central bankers at Jackson Hole that greater sacrifices in terms of lost growth and jobs will be needed to tame inflation.

The European gas price last week hit a record of €343 per megawatt hour, more than double the figure at the end of July and seven times that of the same period last year. Reduced flows of Russian gas have increased fears of shortages, with the EU preparing emergency measures to curb soaring prices.

Many economists, who have also revised up their forecast for next year, predict the annual change in consumer prices will accelerate from July's record 8.9 per cent to above 10 per cent in Octo-

cent in August due to a fall in fuel prices, even as the cost of other consumer goods and services continued rising.

"The surge in gas prices deals a new severe blow to the European economies," said Holger Schmieding, chief economist at Berenberg. "Higher prices for consumers and higher costs for companies will deepen the recession and worsen the inflation outlook."

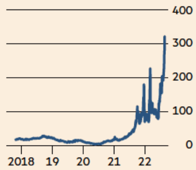
Economists surveyed by Consensus Economics this month revised up their eurozone inflation forecasts for 2023 to an average of more than 4 per cent, double the ECB's target and nearly a percentage point higher than the average forecast in June.

The economists' consensus forecast for eurozone gross domestic product in 2023 has become increasingly gloomy,

add 7 to 8 percentage points to German

European gas futures have surged

Nymex Dutch TTF natural gas front-month price (€ per MWh)



Source: Refinitiv

sumption, business investment and exports fall", Schmieding said.

The impact of surging gas prices on eurozone growth could be long-lasting, said Andrew Kenningham, chief Europe economist at Capital Economics.

"The eurozone is less likely to regain its pre-pandemic trend growth rate because there will be some permanent loss of competitiveness which will lead to some loss of activity, especially in . . . metals and chemicals," he said.

Giada Giani, economist at Citi, said the inflation trajectory for 2023 "has shifted higher", with Citi's 2023 average now at 6.2 per cent.

Additional reporting by Martin Arnold in Frankfurt

Gazprom see Companies
See Lex

after US Taiwan 'provocation'

MERCEDES RUEHL AND OLIVER TELLING
SINGAPORE

Malaysia's former prime minister Mahathir Mohamad has blamed "US provocation" for the increased tension over Taiwan and urged south-east Asian countries to move closer to China.

The 97-year-old politician, who is the country's longest-serving leader and last stepped down as prime minister in 2020, told the Financial Times in an interview that China was a "big market" for Malaysia and the region and maintaining that relationship was crucial.

Mahathir added that China's philosophy — unlike the west — was not to conquer and occupy nations.

"Yes, China is claiming the South China Sea as theirs but they haven't invaded us . . . They want to influence methods in Asean countries, but they have not occupied us, they have invested in us," he said, referring to the Association of Southeast Asian Nations, a political and economic bloc. "China is a very good trading partner."

Asean, which includes the Philippines, Indonesia, Malaysia and Thailand, needs to stay away from the US and the west's "provocation" of China, Mahathir said, referring to this month's controversial trip by US House Speaker Nancy Pelosi to Taiwan. The visit infuriated China, which claims the island as its territory and launched military drills around the country in response.

Mahathir's comments highlighted the bind of south-east Asian countries that have long relied on the US for security and China for trade. Many governments in the region have struggled to find a response to the increased tension between the rival superpowers.

The Mahathir administration from 2018 to 2020 strengthened ties with China even though he had called for greater scrutiny of Beijing's investments in the country.

INTERNATIONAL

Baghdad in turmoil after Sadr followers attack 'green zone'

Fatal clashes linked to anger at lack of government 10 months on from election

Gunfight: armed Sadr supporters exchange fire with security forces in the 'green zone' yesterday. Inset, Moqtada al-Sadr — Ahmad Al-rubaye/AFP/Getty Images

RAYA JALABI — BEIRUT

A powerful Iraqi Shia cleric yesterday called on his supporters to pull back immediately from Baghdad's heavily fortified green zone, after nearly 24 hours of fierce fighting with militia groups tied to his Iran-backed rivals that left 30 dead and hundreds more wounded.

The unrest erupted after Moqtada al-Sadr said he would withdraw from politics. Hordes of the cleric's loyalists were out in the streets within hours of his declaration on Monday. They broke through the concrete barriers of the heavily fortified "green zone", which houses the parliament, many foreign embassies and government buildings.

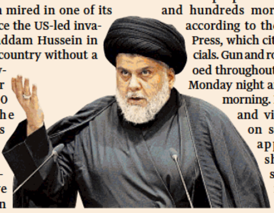
Many of the cleric's followers have been blockading parliament for the past four weeks, staging a sit-in at a tented encampment in protest at the deadlock that has left Iraq without a government since October's parliamentary elections. Sadr's movement won the largest share of seats but he was not able to secure a majority government after refusing to include his fellow Shia rivals.

The cleric, in a televised speech, set a deadline for his followers to leave following the violent clashes. "Within 60 minutes, if the Sadrist Movement does not withdraw, including from the sit-in at parliament, then even I will leave the movement," Sadr said.

Soon after, groups of men began clearing out of the government complex, security officials said, the shooting had stopped and authorities lifted the nationwide curfew that had been in place since the night before.

Sadr also expressed contrition during his speech. "My head is down and I apologise to the Iraqi people," he said. "The spilling of Iraqi blood is forbidden."

Iraq has been mired in one of its worst crises since the US-led invasion toppled Saddam Hussein in 2003, with the country without a functioning government for more than 10 months. The impasse marks the longest period that fractious political groups have taken to agree on a new administration since the first US-backed election in 2005.



Sadr in June withdrew from the protracted government formation talks in protest, pushing Iraq into uncertainty and leaving it marred by intensifying discord between Shia groups who have ruled Iraq since 2003. Sadr has recently been calling for early elections and the dissolution of parliament.

The escalating violence, the worst fighting in the Iraqi capital for years, deepened the turmoil and heightened fears of more instability in the fragile nation.

At least 30 people have been killed and hundreds more wounded, according to the Associated Press, which cited Iraqi officials. Gun and rocket fire echoed throughout Baghdad on Monday night and yesterday morning. News footage and videos posted on social media appeared to show Sadr's supporters firing rocket-propelled grenades and machine guns into the green zone. Security forces, which include members of Iran-backed paramilitary groups not directly under the government's control, appeared to fire back.

Iran suspended flights to its neighbour and closed off its borders, a sign Tehran fears the violence could spread, and at least one country evacuated its diplomatic personnel from the green zone. A statement from the UN mission in Iraq, also housed inside the green zone, urged calm. "The very survival of the state is at stake," it said.

Sadr has long cast himself as being outside the ruling establishment, despite his movement's role in the political system. He has previously stirred civil unrest, notably in 2016 when his followers stormed parliament and the green zone.

An erstwhile militia leader who led the main Shia resistance to the US occupation, he draws much of his support from a devoted working-class constituency that he can mobilise on to the streets. Sadr has championed himself as a nationalist who has spoken against foreign meddling.

COP27 summit

Kerry lauds Beijing's commitments on climate change

ELENI VARVITSIOTI — ATHENS

renewables in the world," Kerry said,

issue, it's global, and no two countries

stating it would start to address its emis-

Austerity measures

IMF approves bailout for Pakistan amid default fears

BENJAMIN PARKIN AND FARHAN BOKHARI — ISLAMABAD

The IMF has approved the disbursement of more than \$1.1bn to Pakistan, reviving a stalled \$7bn assistance package expected to help stave off default despite a severe economic crunch and devastating floods.

The IMF authorised the expenditure after Prime Minister Shehbaz Sharif introduced austerity measures, including an increase in domestic fuel prices.

"The formal resumption of an IMF program is a major step forward in our efforts to put Pakistan's economy back on track," Sharif wrote on Twitter.

Antoinette Sayeh, IMF deputy managing director and acting chair of its executive board, said maintaining the reform measures would be crucial.

"Steadfast implementation of corrective policies and reforms remains essential to regain macroeconomic stability, address imbalances and lay the foundation for inclusive and sustainable growth," she said.

But the austerity measures have proved politically perilous at a tumultuous time for the country. Inflation has soared, with a basket of "sensitive" food and fuel prices last week rising 45 per cent from a year earlier. Flooding has killed more than 1,000 and destroyed rice and cotton crops.

Sharif's arch-rival Imran Khan, who was ousted as prime minister in April as the economic crisis was brewing, has seen his popularity surge and his Pakistan Tehreek-e-Insaf party has called for immediate elections.

The government hopes financial assistance from the IMF, as well as from China and Saudi Arabia, will buy time for inflation to ease ahead of polls, which must be held by the second half of next year.

"I could see why people would not be so enthusiastic but my take is this: if I had let this country default — two or three months ago it would have defaulted — things would have been much worse," Miftah Ismail, finance minister, told the Financial Times.

The government can now "show the people of Pakistan that we are competent, that we know how to deliver", he said, speaking before the disbursement had been finalised.

Pakistan's IMF programme was negotiated in 2019 under Khan but stalled more than once over the implementation of spending cuts. After Monday's announcement, the IMF will provide about \$4bn over the coming year.

But Islamabad's external debt obligations have surged, with repayments for the financial year rising to \$24bn from about \$14bn two years ago, according to research firm Macro Economic Insights.

Budget

Sri Lanka will raise taxes in effort to secure rescue deal

BENJAMIN PARKIN — NEW DELHI

Sri Lankan president Ranil Wickremesinghe said yesterday the government would raise taxes and strengthen social safety schemes in a budget designed to help secure an IMF support deal and steer the bankrupt country out of economic crisis.

Wickremesinghe was inaugurated last month after his predecessor, Gotabaya Rajapaksa, fled the country amid huge anti-government protests. The president used his first budget to outline plans to increase value added tax from 12 per cent to 15 per cent, strengthen central bank independence and reallocate government funds towards relief programmes.

He said these and other policies would help to reduce the country's debt and inflation "in the medium term".

"This crisis will not be solved by accusing one another, nor by faulting the past," he said. "It can only be solved by adopting short- and long-term plans."

The government has already undertaken measures, including raising utility prices and some taxes. Rajapaksa cut taxes sharply two years ago, eroding government revenues and triggering a cycle that many economists blame for tipping the island into crisis.

Sri Lanka in May became the first Asia-Pacific country to default in more than two decades after in effect running out of foreign reserves to service its overseas debt, which stands at more than \$50bn.

Wickremesinghe has sought to agree an IMF bailout that would pave the way for debt restructuring and a gradual recovery. An IMF team is in Colombo for talks and the president said he hoped for a preliminary deal by next month.

Dimantha Mathew, head of equity research at First Capital financial group in Colombo, said the budget was in line with market expectations and would probably be enough to secure a preliminary, staff-level agreement with the IMF. "We believe all the IMF's requirements would be met through the budget in terms of fiscal consolidation," he said.

Debt focus: Ranil Wickremesinghe, Sri Lankan president, will lift value added tax from 12% to 15%

Sri Lanka has partly been a victim of global pressures, such as the surge in commodity prices, which left the import-dependent island of 22mn struggling to pay for essential goods. But the crisis has also been blamed on chronic mismanagement by the Rajapaksa dynasty, which ruled the island for the better part of two decades.

East Asia

AIME WILLIAMS — WASHINGTON

US climate envoy John Kerry praised China's efforts at tackling global warming and urged Beijing to resume suspended talks on the issue, even as tensions flare with Washington over the status of Taiwan.

China cut off climate talks with the US this month in protest at House Speaker Nancy Pelosi's visit to Taiwan, putting negotiations between the world's two largest carbon dioxide emitters in peril.

On climate change, however, Kerry said China had "generally speaking, outperformed its commitments".

"They had said they will do X, Y and Z and they have done more," President Joe Biden's climate envoy told the Financial Times from Athens, where he was on an official visit. "China is the largest producer of renewables in the world. They happen to also be the largest deployer of referring to renewable energy. "China has its own concerns about the climate crisis. But they obviously also have concerns about economic sustainability, economic development."

China's military drills around Taiwan have worsened tense relations with the Biden administration over Beijing's support of Russia's invasion of Ukraine and trade disputes. Disagreements with the US have reached into the clean-energy sector after Congress passed a law barring imports of solar panels and components linked to forced labour in China.

Kerry, who served as secretary of state under Barack Obama, urged Chinese president Xi Jinping to restart climate talks with the US, saying he was "hopeful" that the countries can "get back together" ahead of the UN's November COP27 climate summit in the Egyptian resort of Sharm el-Sheikh.

"The climate crisis is not a bilateral can make a greater difference by working together than China and the United States," Kerry said. "This is the one area that should not be subject to interruption because of other issues that do affect us. And I'm not diminishing those other issues one bit, we need to work on them. But I think a good place to begin is by making Sharm el-Sheikh a success by working together."

Kerry said he and Chinese counterpart Xie Zhenhua were "solid friends" but climate co-operation had been suspended "from the highest level" in China in response to Pelosi's trip.

The US and China made a rare joint declaration at the UN's COP26 climate summit in Glasgow last November to announce co-operation on climate change, with the Chinese special envoy describing it as an "existential crisis".

The US-China statement contained few new commitments other than China sions of methane, a potent greenhouse gas. China did not go as far as to join a US-EU pact to cut methane emissions by 30 per cent by 2030.

China was expected to announce its own ambitious methane reduction plan, and Washington and Beijing were working together to accelerate the phasing out of coal usage and to address deforestation, Kerry said.

China's coal consumption approached record highs this month as heatwaves and drought strained the power supply, while US government forecasters expect a fifth of US electricity will be generated by coal this year.

"The whole world is ground zero for climate change," Kerry said, listing extreme recent events, including Arctic melting, European wildfires and flooding in Asia. It was "imperative" for global leaders to "move faster and do more faster to be able to address the crisis".

Taiwan military shoots at Chinese drone for first time

KATHRIN HILLE — TAIPEI

Taiwan has begun targeting Chinese drones flying over its outlying islands for the first time, highlighting the risk that Beijing's military pressure on Taipei could lead to actual conflict.

Soldiers on Kinmen, a Taiwanese-controlled island close to the Chinese city of Xiamen, shot at a Chinese drone for the first time yesterday, the Army Kinmen Defence Command said. The uncrewed vehicle then flew away in the direction of Xiamen.

"According to procedure, we warn, report, try to expel with measures such as flares, and if that fails, we fire shots," the command said.

The more assertive approach comes as Taipei seeks to balance the risk of sparking outright conflict with China against its desire to prevent it from demonstrating effective control over nearby waters and airspace, or even Taiwanese territory.

"Such activities are presumably all part of Chinese grey-zone tactics to wear down Taiwan's military," said Franz-Stefan Gady, a senior fellow at the International Institute for Strategic Studies think-tank. "While the military threat from small commercially-available unarmed drones is relatively minor, Taiwan still needs to find means to deter such activities lest it set a tactical precedent for larger, armed unmanned aerial vehicles entering the country's airspace above Taiwanese military installations."

Earlier yesterday, President Tsai Ing-wen told troops in Penghu, an archipelago off Taiwan's west coast: "The more the enemy provokes, the more calm we must be. We will not provoke disputes, and we will exercise self-restraint, but it does not mean that we will not counter."

At the start of this month, China conducted a week of unprecedented military exercises in response to a visit to Taipei by US House Speaker Nancy Pelosi. The drills included firing missiles over Taiwan proper for the first time, sailing closer to the island than ever before, and flying several military-grade uncrewed vehicles over Kinmen.

Since the official end of the manoeuvres, Taiwan has reported several incursions of civilian-use drones over military installations on Kinmen and adjacent islets and waters.

Analysts said drones had changed the dynamics of how a conflict could start or develop because they allowed military systems to be deployed without the risk of casualties.

"They are a tool that allows much more flexibility for the deploying force in terms of escalation dynamics-managing," said Jake Harrington, an analyst at the Center for Strategic and International Studies, a US think-tank.

Tough ask Under-fire Rakuten chief attempts to draw interest in online bank unit listing in the middle of a tech rout ● COMPANIES

Companies & Markets

Internal lawyer to supervise Morgan Stanley block trading

- Oversight is latest US probe fallout
- More conservative attitude adopted

JOSHUA FRANKLIN AND ORTENCA ALIAJ
NEW YORK

Morgan Stanley has ordered an internal lawyer to shadow the unit entangled in a federal investigation into block trading, underscoring the gravity of the probe and the steps the lender is taking to beef up supervision.

The bank has embedded one of its lawyers to sit on its US equity syndicate desk to supervise bankers and answer their legal questions, according to people briefed on the arrangement.

The decision had been made after Morgan Stanley placed Pawan Passi, head of the US equity syndicate desk, on leave last year, the people said.

It is the latest example of the fallout from the probes by the Department of Justice and the Securities and Exchange Commission into Morgan Stanley's block trading business, which gathered momentum after the collapse last year of Bill Hwang's Archegos Capital Management. Block trades are bulk sales of shares executed by an investment bank, normally for a client, which tend to be big enough to move markets. US authorities are investigating whether investors gained advance warning of any trades.

> The investigation by the DoJ and SEC gained momentum after the collapse of Archegos

Heightened scrutiny of block trading has emerged as one of the main legal risks faced by Wall Street groups, alongside a separate probe into bankers' use

have been accused of any wrongdoing. The bank has not confirmed that either employee is on leave.

Morgan Stanley declined to comment. Passi did not respond to a request. An email to Leisure's Morgan Stanley account generated an automatic reply saying he was out of the office and would not be reviewing emails.

The people briefed on the arrangement said placing the lawyer on the desk reflected a more conservative approach by Morgan Stanley in engaging with buyers of block trades, which are typically hedge funds. This has included becoming more cautious about receiving inquiries of interest from hedge funds about potential block trades, as well as the language used to test investor appetite for such trades, the people said.

When executing block trades, bankers will typically speak to potential buyers to gauge demand, sometimes sharing details of the trade under a non-disclosure agreement and at other times using generic terms designed to mask the company involved.

Banks have periodically embedded lawyers on their trading desk when they have been under government scrutiny. In the aftermath of the 2008 financial crisis, Morgan Stanley adopted the arrangement on its structured products desk, which was responsible for trading the pools of mortgage-backed securities that became notorious during the subprime housing meltdown.

In addition to the US government probes, Morgan Stanley has warned that it faces private lawsuits over allegations that the bank caused share prices to fall before executing block trades.

Team sports New York Yankees and LA fund join investors in €1.2bn play for AC Milan

Sales pitch: AC Milan's Rafael Leão, right, in action against Denso Kasius of Bologna last Saturday — Luca Bruno/AP

SAMUEL AGINI — LONDON
JAMES FONTANELLA-KHAN AND SARA GERMANO — NEW YORK

The New York Yankees baseball franchise and a Los Angeles investment fund are investing in AC Milan alongside RedBird, a private equity group, which is closing in on the €1.2bn acquisition of Italy's football champions, said two people familiar with the matter.

The baseball team, owned by the Steinbrenner family, and Main Street Advisors, the LA-based fund that counts among its investors LeBron James, the basketball star, Jimmy

The deal, orchestrated by Gerry Cardinale, RedBird's founder, highlights the continued appetite among US investors to buy into the world's favourite sport and particularly teams in Italy's top-flight league.

The Yankees are among the biggest brands in sport, with a Major League Baseball-record 27 World Series championships. The team has been owned by the Steinbrenner family since 1973 when its late patriarch paid $8.8mn for the franchise, which is now valued at $6bn by Forbes.

The Yankees are co-owners, with Manchester's City Football Group, of the New York City FC franchise of US-

with Main Street, said the people. James, Iovine and Drake are passive investors in Milan through the fund and have not taken direct stakes.

Cardinale, who agreed to take over Milan in May, sees the team as a "sleeping giant" and wants to build on an Elliott turnround project that restored it to the lucrative Uefa Champions League tournament and its first league title since 2011 last season.

Elliott agreed to lend RedBird €600mn to help fund the takeover. With interest charged at 7 per cent, Cardinale had spent the summer talking to potential co-investors aiming to slash the loan. It is unclear how much

Wise fined by Abu Dhabi for failures in AML controls

SIDDHARTH VENKATARAMAKRISHNAN AND EMMA DUNKLEY — LONDON

Payments app Wise has been fined $360,000 by the United Arab Emirates' financial regulator over failures in its anti-money laundering controls, piling pressure on the fintech just as rising rates and costs threaten the sector.

The Financial Services Regulatory Authority of Abu Dhabi Global Market, an international financial centre, imposed the fine on Wise Nuqud, a wholly-owned subsidiary of the remittance fintech, over a series of failures in its AML systems.

The failures included carrying out enhanced due diligence on customers identified as high risk only after they had established a business relationship with the company, and overlooking nationality in risk assessments.

Other issues identified include a failure to properly obtain approval from senior managers to establish business relationships with high-risk customers. The regulator said Wise did not identify the expected volume of business from these clients.

The watchdog said it did not identify any instances of money laundering resulting from the failures, and added that Wise and its senior management had co-operated with its inquiries. The fine was reduced by 20 per cent because Wise did not dispute the findings and agreed to settle at the earliest opportunity.

In a statement the fintech said: "Wise takes its responsibility to protect its customers and prevent money laundering very seriously. We have worked closely with the Abu Dhabi Global Market's Financial Services Regulatory Authority to resolve their concerns, and no instances of money laundering or other financial crime were identified by Wise or by the FSRA."

Wise, formerly known as TransferWise, was valued at almost £9bn when it went public in July 2021. In its latest quarterly results released last month, the company reported a 50 per cent increase in revenues year on year, as customers brought forward money of personal mobile phones to communicate with clients and counterparties.

Morgan Stanley last week placed a second member of the equity syndicate desk, Charles Leisure, on leave, according to people familiar with the matter. Leisure's leave was first reported by Bloomberg. Neither Passi nor Leisure

The SEC has been looking into Morgan Stanley's block trading business since 2019, while the DoJ opened an inquiry in 2021. The SEC has also sought information from other banks, including Goldman Sachs, pertaining to their communication with a wide range of buyers, including hedge funds.

Iovine, the music producer, and rapper Drake, will be shareholders in the Serie A team, those people said.

RedBird is set to announce the entry of its new partners today when it is expected to take formal control of the club from Elliott Management, the US hedge fund, the people said.

based Major League Soccer.

The Yankees will work closely with AC Milan as Cardinale tries to increase the Italian club's revenues and on-field successes, people familiar with the matter said.

Cardinale's network of athletes and celebrities helped facilitate the deal of the club the Yankees and Main Street will own.

RedBird's sports investments also include Toulouse FC, the French football club, and a 15 per cent stake in the Rajasthan Royals, one of 10 cricket franchises in the Indian Premier League.

transfers amid fears of greater volatility later in the year.

But the company, whose listing in London was seen as a rare coup for the UK market, has struggled over the past year. Its share price has fallen almost 50 per cent since its listing despite being profitable since 2017.

Victory risks being Pyrrhic for foreign businesses over China IP

INSIDE BUSINESS
ASIA

Primrose Riordan

At first glance, Manolo Blahnik's recent intellectual property victory in a Chinese court signified a maturing landscape for foreign companies in China.

The shoemaker was a victim of China's infamous "first to file" trademark system, where local businesspeople beat major labels to the punch, often with farcical results. For example, Zhan Baosheng, a Chinese businessman, registered the Tesla name before Elon Musk entered the Chinese market.

Baosheng then tried to take the carmaker to court to defend his claim. The suit was eventually resolved amicably.

The win announced in July by the iconic Spanish shoe designer came after a series of cases in which the country's courts finally began to rule in favour of international brands.

New Balance was awarded damages in a lawsuit against two local companies that imitated its "N" logo last year and, in late 2020, former NBA star Michael Jordan was able to stop Chinese sportswear manufacturer Qiaodan Sports using his trademarks.

"It kind of shows the evolution of the Chinese judicial system over the last 20 years," said Edward Chatterton, a partner at DLA Piper who worked on the Manolo Blahnik case. "And how it has evolved . . . [to be] more favourable than it has been in the past and it's a country where brand owners can succeed."

The change is in line with other efforts to boost investor confidence in China's commercial legal system. Last year, China allowed some of its courts to start recognising Hong Kong insolvency judgments, theoretically permitting international companies to chase Chinese debtors into the mainland.

Analysts say the recent wins by foreign fashion brands are in part because of a revision of China's trademark law in 2019, which was amended to prohibit bad-faith filings. The recent case against businessman Fang Yuzhou, who had registered the Manolo Blahnik name, was won in large part because the brand's lawyers used archival research from Beijing's national library to establish that Manolo Blahnik was already a name in China when Fang trademarked it.

> 'He was a person who routinely took advantage of third-party brands and was . . . selling counterfeit products'

Manolo Blahnik's lawyers also sent a team to buy shoes from Fang's store and presented their findings to the court. "He was a person who routinely took advantage of third-party brands and was . . . selling counterfeit products," Chatterton said. Fang's lawyers declined to comment.

For many brands, however, it remains to be seen if these are Pyrrhic victories after the hassle of litigation.

One of Chatterton's cases involved an American security camera company that switched factories in China only to find the previous factory had registered some of its products' trademarks.

As a result, the factory owner was able to stop a big shipment of its goods from Chinese ports before the US company eventually won its IP case. By that stage, however, the company had had enough. "The brand in that case actually switched large amounts of their production out of China," Chatterton said. "So actually, these kinds of cases are potentially damaging to the Chinese economy."

It is not a good time for China's factory owners — the country's zero-Covid border controls are keeping out foreign executives and slowing new investment.

"China is falling from grace," said Lena Sellgren, chief economist of Business Sweden, the country's semi-government trade body, referring to a June survey of Swedish manufacturers published last week. Of those surveyed, 41 per cent said they would scale back purchases from Chinese suppliers in the next three years.

At the same time, brands are now assessing how sustainable their golden run in China will be after the country's market kept high fashion afloat during the start of the pandemic.

In January, Bain & Co predicted that by 2025 Chinese consumers' share of global luxury goods would be the world's largest. Since then, however, the country's economy has been shaken by Covid-19 lockdowns and a property crisis, depressing consumer spending.

There is also the question of whether litigation is worth the effort in a market famous for its *shanzhai* or counterfeit culture. New Balance won just Rmb25mn ($3.6mn) in its case.

Reflecting on the cost of the litigation, which took 22 years to resolve, Kristina Blahnik, chief executive of Manolo Blahnik and the founder's niece, previously told the Financial Times: "I would have a heart attack if I really had to add it all up."

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COMPANIES & MARKETS

Oil & gas

Exxon contests Russia bar on exit

'Notice of difference' submitted in effort to pull out of Sakhalin-1

JUSTIN JACOBS — HOUSTON

ExxonMobil is contesting a presidential decree signed by Vladimir Putin earlier this month that it says has stymied its efforts to exit Russia, setting the stage for a potential legal showdown with Moscow.

The US oil supermajor was part of a wave of western oil companies that said they would cut ties with Russia after the Kremlin launched its invasion of Ukraine, abruptly ending a years-long effort to tap into Russia's energy riches.

But the Russian president complicated those efforts with a decree that barred energy and other companies from shifting control of operations or selling off stakes in certain projects until the end of 2022.

In a June regulatory filing, Exxon said it was "engaged in transitioning" operations at the Sakhalin-1 oil project, its main asset in the country, to another company. That came after it had taken a $4.6bn pre-tax charge on the loss of its Russian business.

But Exxon said yesterday that its exit "has been blocked by the recent presidential decree" and the company had provided a "notice of difference" to the Russian government.

The group said: "We announced in March our plans to exit the venture, and we continue to take the necessary steps to do so. Exiting is a complex process, and as the operator, we must protect the safety of employees, the environment, and the operation."

The Wall Street Journal first reported Exxon's notice to Russia.

The "notice of difference" will trigger negotiations between Exxon and Russian officials over the company's proposed exit from the venture. Those talks could run through to the end of the year. If there is no resolution, Exxon could then take its case to international arbitration, where it could seek financial damages as well as the ability to leave the project.

BP, Shell and Total are among western oil majors that have said they plan to leave Russia since the war in Ukraine began, but which have been ensnared in legal and operational difficulties that in some cases have prevented them from making a swift exit.

The Sakhalin-1 venture was producing about 220,000 barrels of oil a day before the war, making it one of the largest western-run projects in Russia. But Exxon declared *force majeure* at the project in April as sanctions impeded normal operations. Output has fallen to about 10,000 b/d along with some associated natural gas production.

The project's operators had kept oil and gas flowing in part because it provided power to communities around Sakhalin Island in Russia's Far East, according to a person familiar with its operations.

There were concerns about the region's bitterly cold winter, which could require the project to increase output or shut down to avoid damage, said the person.

Exxon has a 30 per cent stake in Sakhalin-1. Its partners in the project include Russia's state-owned producer Rosneft, Japan's Sodeco, and India's state-backed ONGC Videsh.

Financials. Home loans

Big US mortgage lenders turn screws on smaller rivals as rates rise

Rocket and UWM put gaining market share before profits while competitors leave sector

IMANI MOISE — NEW YORK

The two largest US mortgage lenders are turning up the heat on their smaller competitors, offering discounts and other incentives to win market share as rising interest rates have slowed homebuying activity.

The aggressive strategies pursued by Rocket Mortgage and United Wholesale Mortgage, the largest and second-largest US mortgage originators, respectively, come as many lenders are pulling back from the market or going out of business.

Rocket is promising homebuyers it will waive closing, appraisal and other refinancing fees if they obtain a new mortgage and interest rates drop within a three-year period starting from July.

UWM, which specialises in serving independent real estate brokers, said in June it would lower interest rates on its loan products by 50 to 100 basis points to help brokers win more business.

Rocket chief executive Jay Farner said this month he saw an opportunity to "lean in" as competitors retreat, and his counterpart at UWM struck a similar tone during its second-quarter earnings presentation.

"We are being very aggressive in this environment," UWM chief executive

operations and First Guaranty Mortgage has filed for bankruptcy. Wells Fargo, formerly the largest US mortgage originator, said last month its mortgage business would "naturally come down over time". Santander said in February it was exiting the US mortgage market and signed a deal in July under which Rocket would originate mortgages for its customers.

"Pulling out a profit in these difficult conditions is no easy feat," said Marina Walsh, MBA's vice-president of industry analysis.

Analysts said the moves by the two largest US mortgage lenders would increase pressure on smaller originators, and noted that UWM was being more aggressive than Rocket.

"UWMC is going for the jugular with the latest pricing adjustments," said Jefferies analyst Kyle Joseph. "The aggressive pricing strategy is to gain share as competitors are already struggling."

Two months after UWM announced its "Game On" pricing initiative, LoanDepot, second largest in the business of underwriting mortgages for independent brokers, said it was quitting the wholesale business as it reported widening losses in the second

> 'Pulling out a profit in these difficult conditions is no easy feat'
>
> Marina Walsh, MBA

Mat Ishbia said. "I'm not really focused on the margins . . . it's an investment for the long term."

The US housing market has been rocked by the steepest and fastest rise in interest rates in more than 50 years. The average 30-year fixed-rate mortgage jumped from 3.2 per cent at the beginning of the year to nearly 6 per cent in June and was 5.55 per cent last week.

The rising rates combined with historically high house prices have pushed many borrowers out of the market. Average new mortgage applications dropped 1.2 per cent in the week ending August 19 and remained near a 22-year low, according to the most recent data from the Mortgage Bankers Association.

Compared with a year ago, refinancing applications fell 83 per cent and purchase applications dropped 21 per cent.

Independent mortgage lenders and mortgage subsidiaries of banks reported a net loss of $82 on each loan they sold in the second quarter to be packaged into securities, according to the MBA. In the first quarter, lenders saw an average gain of $223 per loan.

Sprout Mortgage has ceased operations this quarter. "It's safe to say the industry competition is driving [LoanDepot's decision] and UWMC is the main driver of competition in the broker channel, which LDI is exiting," said KBW analyst Bose George.

Many lenders have responded with job cuts, including Better.com, which has let go more than a third of its staff this year. Rocket offered 8 per cent of its staff a voluntary buyout this year but has pledged to avoid cutting jobs.

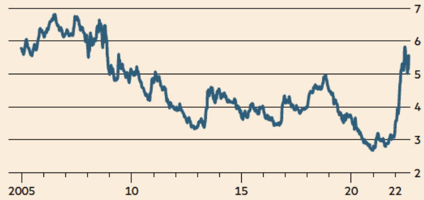
"It wouldn't make a lot of sense for us to go through a significant capacity reduction only to turn around and hire again four or five months later," said Farner.

Joseph, the Jefferies analyst, said both Rocket and UWM "have relatively strong capital structures so over the intermediate term we don't consider it a material risk" for the companies to put pressure on their competitors.

Both companies primarily underwrite conventional mortgages, which are easier to securitise, but if capital market dislocation persists over the longer term, it could weigh on margins, Joseph added.

Charges on 30-year fixed rate mortgages jump

Per cent



Source: Federal Reserve Bank of St Louis

Data watch

Adtech group sued over user tracking

The FTC says the safety of smartphone users is being compromised by the trade in geolocation data — Alexi Rosenfeld/Reuters

Adtech group Kochava is being sued for allegedly selling location data from "hundreds of millions of mobile devices" that could be used to trace individuals' movements.

The action by the US Federal Trade Commission amounts to a warning shot to other data brokers and the broader digital advertising industry.

The FTC said Kochava, which measures the effectiveness of mobile marketing, had violated its policies by acquiring and then selling precise geolocation data that could be used to track users to and from sensitive locations such as abortion clinics and religious institutions.

"Kochava is enabling others to identify individuals and exposing them to threats of stigma, stalking, discrimination, job loss, and even physical violence," the agency said.

It is seeking to stop Kochava from selling sensitive data and compel it to delete any already located.

The lawsuit from the agency led by Lina Khan, a Big Tech critic, is part of a "watershed change in how policymakers, law enforcement and the tech industry approach consumer data and privacy", said Cory Munchbach, president of BlueConic, a customer data platform.

She pointed out that in the past two weeks the FTC had announced it was exploring a rulemaking process to "crack down on harmful commercial surveillance" relating to lax data security. Separately, California's attorney-general last week announced a $1.2mn settlement with Sephora, a beauty store chain, for allegedly failing to tell consumers it was selling their personal information.

"I expect we're going to see a lot of pearl-clutching from the data broker and ad industries, where the majority of the scrutiny and impact will happen, and a lot of contrite non-apologies from violators on the publisher and marketer side," Munchbach said.

Kochava, which buys location data from third-party companies and then makes it available to advertisers to help measure the effect of ads, said in a statement the FTC "has a fundamental misunderstanding" of how its data marketplace operates.

"Kochava operates consistently and proactively in compliance with all rules and laws, including those specific to privacy," said Brian Cox, general manager at Kochava. He said that "100 per cent" of the geolocation data in the Kochava Collective marketplace comes from third-party data brokers via "consenting consumers".

Mike Audi, founder of Tiki, which helps users take control of their data, said that in going after a relatively small company where it has a good chance of winning, the FTC is establishing a precedent likely to have wide ramifications. "The disheartening reality is just how widespread these pseudonymous data practices are," he said.

Zach Edwards, an independent cyber tech researcher, said the FTC's action is probably just "the tip of the iceberg" and was a welcome step.

"It's crucial for the FTC to start to approach their advertising investigations from a data supply chain perspective — where data about people oftentimes flows from one company, to numerous data broker vendors, and then any additional sharing by those vendors creates a near unlimited sprawl of non-compliant user data sharing," he said.

Earlier this month Kochava took some pre-emptive steps as the FTC readied its case, announcing on August 10 a "privacy-first approach" that it said would stop health services location data being shared on its data marketplace, unless consumers explicitly consented first. On August 18 it sued the FTC to try to block the case, accusing the agency of over-reach. *Patrick McGee in San Francisco*

See Lex

Energy

Gazprom flows to Engie set for further cut

SARAH WHITE — PARIS
DAVID SHEPPARD — LONDON

Gazprom is set to further reduce gas deliveries to French utility Engie after a dispute over contracts, exacerbating the slow pace of flows in recent weeks and prompting new warnings from France that it is braced for a total cut to Russian supplies.

Engie said yesterday that the Russian state-owned gas group had informed it of "a reduction in gas deliveries, starting today, due to a disagreement between the parties on the application of some contracts".

Gazprom did not respond to a request for comment.

Engie is France's biggest supplier of gas to businesses and households, competing with rivals including TotalEnergies and EDF.

Its deliveries of Russian gas, which usually account for about 17 per cent of its yearly supply, had already dropped to about 4 per cent, or a monthly level of 1.5 terawatt hours, as flows to Europe fell. France has long been less dependent on Russian gas than neighbours such as Germany but has still been rushing to find alternatives.

"Russia is using gas like a war weapon," French energy minister Agnès Pannier-Runacher told France Inter radio. She said the Engie supply cuts added to France's reasons to prepare for a full end to Russian supplies.

"We must prepare for the worst, a total interruption of deliveries."

French gas storage levels for the coming winter had reached 90 per cent of their capacity, and France was exporting gas to Spain and Germany, Pannier-Runacher said.

President Emmanuel Macron is set to hold a national defence council on Friday to address gas supplies and power planning for the winter, news agency AFP has reported.

Europe's energy crisis has worsened in recent weeks as the price of gas has continued to soar to new heights, passing $500 a barrel of oil equivalent last week. Electricity prices have also leapt, driven primarily by the price of gas and tightness in the market caused by the large number of French nuclear plants that are offline.

That has turned France, normally heavily reliant on nuclear generation, into an importer of electricity, requiring neighbouring countries to increase gas and coal burning to meet its demand.

The EU on Monday said it was preparing emergency measures to curb the price of electricity by separating it from the soaring cost of gas. Utilities and exchanges have warned record prices require additional government support.

Engie said it had secured alternatives to keep supplies flowing to customers, and had put in place measures to mitigate any financial hit to its business from the reduced Russian flows. The group is in discussions with Algeria's Sonatrach to boost gas deliveries through midterm contracts, following Macron's visit to the country last week.

Additional reporting by Max Seddon in Riga

See Lex

Oil & gas

High gas demand bolsters Woodside Energy

NIC FILDES — SYDNEY

The surging gas price has sparked a six-fold rise in profit at Australia's largest producer Woodside Energy, which projected that demand would continue to grow as Europe struggles with reducing dependence on Russian supplies.

Liquefied natural gas represents about 70 per cent of Woodside's business, and volatility following Russia's invasion of Ukraine has sent the price soaring.

"What we've seen is unprecedented," said chief executive Meg O'Neill. "Prices at this level are not sustainable in the long run."

Woodside reported that pre-tax profit in the first six months of its financial year grew to $2.9bn, from $503mn in the same period a year earlier, as the booming gas price and the benefits of its merger with BHP's oil and gas business came to the fore. The group more than trebled its interim dividend payment from 30 cents to $1.09.

Woodside said that the realised price more than doubled to $96.4 per barrel of oil equivalent during the six-month period.

O'Neill said Europe faced a hard winter as it tried to supplement gas supplies to offset its former arrangements with Russia. "Europe does seem very committed to moving away from Russian pipeline gas, and Russia seems to be encouraging them to do so," she said.

Meg O'Neill, chief executive, says that prices at this level 'are not sustainable' in the long term

The EU is considering emergency measures to curb energy prices while the UK is set for a jump in such costs, after the regulator raised the energy price cap 80 per cent in response to soaring wholesale prices. "Europe is having to make some very difficult trade-offs," O'Neill said.

Analysts at ANZ Bank said the gas price had fallen overnight on potential measures by the EU to cut electricity usage and after Germany indicated its storage was at 85 per cent of its target. "Nevertheless, Germany remains at risk of not being able to get through the winter, if Russian gas flows remain at current levels," the bank said.

Europe's need for non-Russian gas has realigned supply chains as stocks from the US and Qatar are diverted towards Europe and away from regions such as Asia. The high cost of transit means it is unusual for Australian gas to be sent to Europe, according to O'Neill, but demand from Asia had risen as a result of the reset.

She warned that the long lead time in developing gas supplies meant there was no quick fix. She pointed to the group's Scarborough project, which will not come on line until 2026.

Gas has also become a political issue in Australia. The Labor government elected in May was backed by a broad vote against the former Coalition government that had supported the fossil fuel industry.

COMPANIES & MARKETS

Under-fire Rakuten boss persists with online bank IPO in middle of tech rout

Market sends ominous signals on Mikitani's plan while ecommerce group's mobile arm bleeds cash

KANA INAGAKI, LEO LEWIS AND ERI SUGIURA — TOKYO

Even before the evening of August 21, Hiroshi Mikitani, founder of Japan's biggest ecommerce company, was having a tough summer.

Rakuten's recently launched mobile business was bleeding cash, shareholders were questioning his investment acumen, and the market was sending ominous signals about the planned listing of the group's online bank.

But five seconds of video, taken at an undated party and posted on social media on August 21, have plunged Mikitani into a new dimension of potential trouble.

The footage, shot in what appears to be a nightclub, captures a beaming Mikitani, wearing his trademark black T-shirt, surrounded by young women and pouring Dom Pérignon into the mouth of a partygoer. The video went viral. It could not have emerged at a more awkward time.

It followed weeks of speculation — including among investors — over some of Mikitani's exchanges on Twitter. In late June, he spent 20 minutes locked in

Travel & leisure

UK pubs warn energy bills could lead to mass closures

MARK WEMBRIDGE

A group of British pub chains has warned that soaring energy prices could lead to a swath of closures across the UK, and urged the government to provide support.

In an open letter published yesterday, six pub operators called for "immediate government intervention" to help with energy bills that are expected to rise beyond already record high levels in the winter.

Greene King, Admiral Taverns, JW Lees, Carlsberg Marston's, Drake & Morgan and St Austell Brewery said some price rises were "upwards of 300 per cent on pre-pandemic energy bills".

The average increase in bills was "about 150 per cent" across the sector, they added.

"Without swift and substantial intervention from government . . . we will witness a huge number of pubs close their doors for good, leaving individuals without jobs during a cost of living crisis and communities without [their] social heartbeat," the letter said.

Energy regulator Ofgem on Friday said the cap on household bills would

a late-night online spat with a YouTuber-turned-parliamentarian over allegations of a mysterious "President M" and his taste for parties with Ukrainian women.

There was nothing to link President M with Mikitani, but the Rakuten founder later broke his silence, writing on Twitter: "When there are Ukrainians suffering from the war, what's wrong with having a party so that they can forget about the war?"

Rakuten said: "We decline to comment on accusations that are untrue, misconstrued, or taken out of context. We are currently considering our options for legal action against these false accusations and speculation."

Mikitani did not respond to a request for comment via the company.

Shareholders said it was stunningly bad timing for Mikitani, however unfounded the allegations might be.

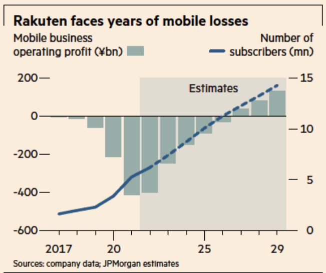
The entrepreneur has been defending his corporate reputation and vision in increasingly tense engagements with investors as the company faces its great question of late 2022: how to draw interest in the listing of an online banking unit in the middle of a tech rout and the worst market conditions?

Analysts said the initial public offering of Rakuten Bank would be critical in stemming a haemorrhage of free cash flow at Mikitani's group as it builds a mobile network to compete with the likes of SoftBank and NTT DoCoMo.

Rakuten also announced in May that it was preparing to list its online brokerage unit.

If successful, Mikitani would be a step closer to achieving his dream of marrying retail with telecoms, a feat few retailers have managed to deliver.

People involved in the talks said Mikitani was targeting a valuation of more than two times price-to-book ratio, estimated by JPMorgan to be about ¥360bn ($2.6bn), for Rakuten Bank, which



Shares in ecommerce business Rakuten, led by Hiroshi Mikitani, below, are down 40% this year on concerns about its financial strength
Toru Hanai/David Paul Morris/Bloomberg

would be comparable to Korean rival Kakaobank, which listed shares in Seoul a year ago.

But potential investors approached by Daiwa, which has been hired as an underwriter for the IPO, said the targeted valuation was too high considering the environment.

Daiwa declined to comment.

Kakaobank is worth Won13tn ($9.6bn) after falling about 30 per cent below its IPO price. In March, SBI Sumishin Net Bank, another Japanese online bank, postponed its IPO, blaming market turmoil caused by the Ukraine war.

Citigroup analyst Mitsunobu Tsuruo said Rakuten needed to consider other financing options, since seeking a high valuation for the listings of both its banking and securities units was unrealistic under the tough conditions.

The brokerage estimated a free cash flow deficit of ¥460bn this year at Rakuten and another ¥230bn next year. The group has reported a deficit of ¥460bn for its non-financial business in the first six months of the year.

The negative free cash flow comes as Rakuten's capital spending plans have exploded since it launched its mobile carrier service in 2020. Mikitani initially told investors the company would need about ¥600bn to build its mobile network, but Rakuten has spent more than ¥1tn and Citigroup estimates that will rise to ¥1.9tn.

Rakuten's shares have fallen more than 40 per cent this year on concerns about its financial strength, even as the company has said it will explore other financing options such as issuing bonds. Last year the company raised $2.2bn through capital tie-ups with Japan Post Holdings, China tech group Tencent and US retailer Walmart.

Tsuruo said: "It doesn't look like Rakuten can raise the necessary funds to invest in growth while continuing to run a huge free cash flow deficit. At least, the markets are concerned, and that is why the share price is being driven by credit risk."

In the April to June quarter, the group's operating loss widened from ¥63.5bn to ¥84.5bn, with challenges in its mobile unit wiping out gains from its ecommerce segment. The mobile unit recorded a net decline of 220,000 subscribers, although the drop was mainly due to termination of plans that allowed users up to 1GB of monthly data for free.

One asset manager who has held Rakuten shares over the past year said: "It's a total dream world for Rakuten Mobile. It's blown up the company, and now they're being forced to sell off the good bits to feed this giant sinkhole of debt."

Rakuten said the mobile losses had peaked, and it hoped that the business would convert into a source of steady cash flow, similar to how SoftBank has fared with its domestic mobile business.

But while SoftBank founder Masayoshi Son used an exclusive deal to sell Apple's iPhone in Japan to transform the company into the country's third-largest carrier, Mikitani has not found a similar weapon to alter the landscape.

"For the mobile business, I can't see when the business will ever turn profitable under current circumstances," said Morgan Stanley analyst Tetsuro Tsusaka. "Mobile is already a commoditised business, so anyone with money and time can do it. But if you don't have the money, then you have to lower the cost base until you reach the break-even line" even if the quality of the mobile network was compromised.

'When there are Ukrainians suffering, what's wrong with having a party so they can forget about the war?'

'It's a dream world for [the unit]. It's blown up the company. Now they're forced to sell off the good bits to feed this debt sinkhole'

rise 80 per cent in October to almost £3,600 per year for the average home. There is no energy price cap for businesses.

Chris Jowsey, chief executive of Admiral Taverns, said tenanted pubs now paid more for energy than for rent.

He criticised the government for failing to implement support until after the Conservative party elects a new leader next Monday.

"I find it incredible that we need to wait for one person to be elected before we get some decisions and some policy," he said.

Nadhim Zahawi, chancellor of the exchequer, yesterday said more measures to help businesses and households with energy bills were on the way.

See Lex

Airlines

Ryanair counts on boost from belt-tightening

PHILIP GEORGIADIS

Ryanair chief executive Michael O'Leary expects the airline to lure passengers from more expensive rivals this winter as travellers tighten their belts amid the economic slowdown.

With households under pressure from soaring energy bills and inflation, the industry is preparing for a grim winter after summer disruption because of staff shortages.

O'Leary said the cost of living crisis would hit demand: passenger numbers across Europe would not return to pre-pandemic levels until 2025.

"You would be crazy not to worry about the looming recession," he said yesterday. "A recession will significantly . . . dampen the traffic recovery post-Covid."

But he said Ryanair would continue to grow "full steam ahead" regardless of the economic climate and UK inflation forecasts of nearly 20 per cent.

He expects Ryanair to benefit as customers have typically turned to lower-cost airlines during previous recessions.

"Some people may travel less . . . but what we see is far more people trading down to the lowest fare operator."

He said early bookings for this winter were ahead of 2019 levels, but suggested this was because passengers were switching to Ryanair as other airlines scaled back their plans.

"While our recovery and growth is still very strong, it is still very fragile and prone to falling over," he said.

The carrier flew 15 per cent more flights this summer than in 2019, benefiting from airlines such as Norwegian downsizing in the pandemic, and rivals including British Airways cutting flight numbers because of staff shortages.

Ryanair expects to carry 166mn passengers in its current financial year to the end of March, up from 149.5mn in the full year before Covid-19. Its long-term target is to carry 225mn passenger by its 2026 financial year.

O'Leary attacked "hopeless" Heathrow's cap on passenger numbers until the end of October.

COMPANIES & MARKETS

Fixed income. Soaring yields

Investors bet against UK government bonds on rising inflation worries

Goldman Sachs warns CPI could exceed 20% if gas prices remain at highly elevated levels

LAURENCE FLETCHER AND CHRIS GILES
LONDON

Big investors are betting on a fresh surge in UK borrowing costs because of mounting concerns the energy crisis will inflame inflation and trigger further Bank of England rate rises.

The darkening outlook for the £2tn gilt market comes as surging energy prices exacerbate Britain's cost of living crisis and heighten fears of recession.

Troubled waters: markets are betting that the Bank of England will raise rates to 4.2% next May, up from 1.75% at present
Charlie Bibby

Goldman Sachs on Monday said UK inflation could exceed 20 per cent by the start of 2023 if gas costs remain highly elevated.

The wagers against UK government debt have already sent short-term borrowing costs in the gilt market soaring.

The two-year gilt yield, which reflects market expectations for BoE policy, touched 3 per cent yesterday for the first time in 14 years.

It has jumped 1.2 percentage points this month in the biggest rise since at least 1992, according to Bloomberg data. Bond yields rise when prices fall.

Sterling has also taken a hit, falling yesterday to as low as $1.1623, the weakest level in more than two years.

"The UK is in a particularly fragile position," said one hedge fund manager shorting gilts. The country is "asking foreigners to basically fund" plans for unfunded tax cuts and spending increases "at super low interest rates", the person added.

Odey Asset Management, BlueBay Asset Management and Transtrend are among the hedge funds betting that yields on gilts will continue rising as investors shun UK government debt.

Foreign investors ditched £16.6bn worth of gilts in July, the biggest sell-off in the market in four years, according to BoE data released on Tuesday.

"This is only the start," said Crispin Odey, the founder of the eponymous group. "You've got to remember that the [market] consensus is that we're going to be at less than 3 per cent inflation by the last quarter of next year," he said,

The BoE was 'a rabbit in the headlights' wary of aggressive rises for fear of 'cratering the economy'

adding that such a forecast was "rubbish".

Other global bond markets, including US Treasuries and German Bunds, have also sold off sharply in recent weeks as central banks battle inflation.

With inflation running at a 40-year high, the next UK prime minister — due to be announced next week — will inherit an economy under intense pressure, with economists now expecting the UK to slide into recession as the cost of living crisis bites.

Goldman this week forecast that the UK could not escape recession even if Liz Truss, frontrunner to succeed Boris Johnson, reverses national insurance contribution increases and spends a further £30bn on supporting households.

The bank now expects UK economic output to contract by 1 per cent from the final three months of this year and the second quarter of 2022.

Goldman economist Ibrahim Quadri forecast that inflation will peak at 14.8 per cent early next year from 10.1 per cent in July 2022.

But he warned that if gas prices remain at the levels hit last week, inflation could reach 22.4 per cent.

UK gas futures hit a high of almost £6.50 a therm last week but have since eased to about £4.70. They started the year at about £1.70.

Markets are now betting the BoE will raise rates to 4.2 per cent next May, up from 1.75 per cent at present, and 0.1 per cent in November 2021.

Central bank rate rises tend to lead debt investors to sell off bonds maturing in the next few years.

Mark Dowding, chief investment officer at BlueBay who is shorting gilts, said inflation could peak at 15 per cent.

But he compared the BoE to "a rabbit in the headlights" wary of aggressive rate rises for fear of "cratering the UK economy".

The central bank warned this month that inflation would hit 13 per cent by the end of the year as it forecast the economy faced a 15-month-long recession.

Funds have been emboldened in their bets because, after buying gilts for more than a decade as part of its quantitative easing programme, the central bank has now switched to selling government debt — a further downward risk to prices.

The central bank bought 57 per cent of the net £1.5tn of gilts sold between March 2009 and June 2022, according to research by Bank of America.

Kamal Sharma, analyst at BofA, noted this month that a combination of a large current account deficit and a reliance on overseas investors buying gilts was "significant negative" for the market.

Computer-driven hedge funds that latch on to trends in global futures have also seized on the turbulence in the gilt market.

Rotterdam-based Transtrend, which manages $6.1bn in assets, is shorting gilts and other UK fixed income instruments.

Many of these bets are that UK bonds will underperform debt sold by other governments.

While the hedge funds are pessimistic on the overall outlook for the gilt market, some say that longer dated bonds are particularly vulnerable because their level of yield assumes a fairly rapid return to lower inflation.

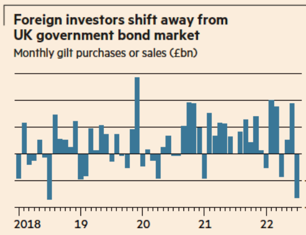
Dowding at BlueBay, which manages $106bn in assets, said he was "perplexed" by the low yields on 10-year bonds since they imply that inflation will be a relatively shortlived phenomenon.

As a result, BlueBay is betting that longer-term yields will rise relative to shorter-term ones.

"The yield curve needs to steepen quite dramatically," he said. Yields on the 10-year gilt "are not compensating me much".

That view was echoed by Odey, who has been betting against very long-dated gilts such as the 30-year, where he said the market consensus was "most entrenched".

The yield on 30-year bonds jumped from 2.4 per cent to almost 3 per cent this month alone.



Sources: Bank of England; Refinitiv

Fixed income

Bondholders threaten Chinese science park developer over $1bn restructuring

WILLIAM LANGLEY — HONG KONG

A Chinese science park developer has been threatened by creditors with legal action over its plan to restructure almost $1bn of debt, in an example of the liquidity crisis spreading to another segment of China's property sector.

A group of bondholders plans to block the proposal from Tuspark, founded by the investment arm of Tsinghua University, one of China's most prestigious educational institutions.

Tuspark has missed the expiry of grace periods on principal and interest payments on two offshore bonds with the principal worth a total of $902.5mn.

Funds managed by Credit Suisse hold the largest reported stake in both of the bonds, according to Bloomberg data.

Tuspark's troubles underline the severity of the liquidity crunch rippling through China's property development sector, which once attracted hundreds of billions of dollars but has since buckled under a wave of defaults.

The company says it runs the world's biggest network of science parks in more than 80 cities worldwide, including two in the UK.

It ran into trouble last year when it delayed maturities on the two bonds until May 2024, citing a shortage of cash and the pandemic. In its proposal issued last week, it blamed its failure to make payments on the fallout from the collapse of China's property sector.

"Property developers and the capital markets that have funded growth and development of the property sector have experienced serious turmoil," the company said. "The parent guarantor has been facing tremendous difficulty . . . in disposing its properties and assets . . . at a reasonable price or at all."

Investors are pricing in almost $130bn in losses on Chinese property developers' dollar debt, Financial Times analysis shows. Holders of bonds issued by heavily indebted property groups such as Evergrande have issued legal threats and seized assets to recover their debts.

"The market for commercial property does not appear to be insulated from the broader slowdown in the economy, nor from the sudden illiquidity in the residential housing market," said Logan Wright, director at consultancy Rhodium Group.

The bondholders' group said through Kobre & Kim, its law firm, that the restructuring proposal offered "no real credit enhancement" or assurances that the group would make the proposed payments.

The group said it collectively held more than 25 per cent of the principal of the bonds required to block any proposal and had issued proxies to custodians to vote against the company's proposal at a meeting on September 14.

It added that it was "prepared to take legal action" if Tuspark did not respond to a request for a meeting with the group by close of business today.

Tuspark, Tus-Holdings and Credit Suisse did not immediately respond to requests for comment.

Additional reporting by Tabby Kinder

Tuspark says it runs the world's biggest network of science parks

Asset management

ESG labelling that lacks nuance provides only limited insights, study cautions

EMMA BOYDE

An analysis of 6,000 US funds has concluded there is no such thing as a "good" or "bad" investment in terms of the UN's Sustainable Development Goals.

Instead, the picture is far more complex, according to Util, a sustainable investment data specialist, which is calling for the unbundling of environmental, social and governance (ESG) factors in a report that identifies leaders and laggards according to UN SDGs.

"Almost every company, industry and fund impacts some goals positively, others negatively," Util said in its report, which used machine learning.

For example, it found that the 10 laggards on Climate Action were mostly utilities funds. Against other SDGs, however, every one of them is among the top 100 leaders in terms of the Quality Education; Affordable and Clean Energy; Decent Work and Economic Growth; and Industry, Innovation and Infrastructure metrics.

The "E", "S" and "G" represented such different, even conflicting, objectives that it was time for the concept to be scrapped, the company argued.

"What our research highlights is the need for an approach that allows for a lot of different investor preferences," said Patrick Wood Uribe, chief executive of Util, adding that attempts to categorise companies as only good or bad did not meet the need for nuance.

"This is more accurate," Wood Uribe said, adding that it fitted with a global trend towards more personalisation.

For some funds, for example the BAD ETF, a US-listed exchange traded fund that focuses on the betting, alcohol, cannabis and drugs (biotechnology and pharmaceutical) industries, its laggard status according to three UN SDGs is exactly where its founder expected it to end up.

'I'm in disagreement with any person who tries to shame someone for the way they invest'

"I wouldn't want to say that we are totally contra ESG but we don't think that investors should sacrifice their returns because of some stigma or something," said Tommy Mancuso, president and founder of the BAD Investment Company.

BAD, which launched in December last year, has $8.7mn in assets under management and has lost more than 16 per cent since the beginning of the year.

Mancuso is adamant, however, that the fund is well positioned to benefit from regulatory changes and a general market upturn.

"I'm in complete disagreement with any person who tries to shame someone for the way they invest. In the end, we invest to make money," Mancuso said.

In the laggard sections across the board, funds focusing on the extractive industries feature heavily.

Kenneth Lamont, senior fund analyst for passive strategies at Morningstar, said the report's findings were welcome in many respects, although he cautioned against putting too much faith in the actual rankings, given the unreliability of data from some developing and frontier markets.

Util defended its decision to include funds that had not even set out to perform well according to UN SDG metrics.

"While demand is growing for tailored funds hooked around individual social or environmental concepts, we're also moving away from the idea that 'brown' or 'dirty' activities should be scrubbed from portfolios," Util said.

COMPANIES & MARKETS

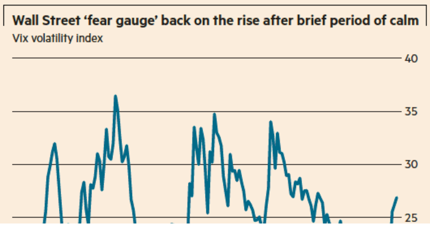
The day in the markets

What you need to know

- Wall Street stocks drop for third straight day on rate rise expectations
- Gilts sell off as concerns intensify over escalating energy crisis
- UK gas prices fall sharply after one-day break in trading

US and European stocks fell for a third straight day yesterday as hawkish rhetoric from last week's economic conference in Jackson Hole fuelled expectations of higher interest rates.

The broad S&P 500 was down 1 per cent by the late morning in New York while the technology-heavy Nasdaq



Sweet spot served by 60/40 strategy is under pressure

Maya Bhandari

Markets Insight

So far this year, an investor in a portfolio of 60 per cent global equities and 40 per cent government bonds would

Management's asset allocation portfolios have been meaningfully short of duration and neutral equities for most of this year

companies can deliver the double-digit earnings expected in a more challenged macro setting with slowing growth and rising inflation baking in a (mild) receswhile the technology-heavy Nasdaq Composite slipped 1.2 per cent.

Across the Atlantic, the pan-regional Stoxx Europe 600 gauge lost 0.7 per cent while Frankfurt's Xetra Dax rose 0.5 per cent, trimming earlier losses.

London's FTSE 100 fell 0.9 per cent following a one-day holiday.

Those moves followed two days of weakness in global equities after central bankers reaffirmed their commitment to tackling inflation at an annual summit in Jackson Hole, Wyoming.

In a speech on Friday, Federal Reserve chair Jay Powell said the US central bank "must keep at it until the job is done", adding that reducing inflation would probably result in lower economic growth for a "sustained period".

Signalling expectations of further tumult to come in stock markets, the Vix volatility index — known as Wall Street's "fear gauge" — registered a reading as high as 27.69 yesterday, its most elevated level since mid-July.

The index could rise further, warned Nicholas Colas, co-founder of DataTrek Research. "US equities do not reflect sufficient fear given current macro and micro uncertainties," he said.

The moves yesterday also came after data showed that US job openings rose to 11.24mn on the last business day of July, above economists' expectations for 10.45mn jobs.

Meanwhile, UK government debt sold off as concerns intensified about an escalating energy crisis worsening inflation and pushing the Bank of England to more aggressively raise rates.

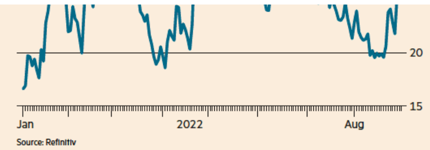
The two-year gilt yield touched 3 per cent for the first time in 14 years.

The two-year US Treasury yield rose as high as almost 3.5 per cent, its highest level since 2007.

European gas prices extended falls from the previous session after Germany's economy minister, Robert Habeck, said Europe's largest economy was on course to hit its storage targets for winter.

Futures contracts linked to TTF, the region's wholesale gas price, traded at €248 a megawatt hour.

UK gas prices fell sharply after a one-day break in trading, sliding by about 30 per cent to below 450p a therm. **Ian Johnston and William Langley**



Source: Refinitiv

government bonds would have lost a bruising 14 per cent. This is a far cry from the 9 to 10 per cent they would have grown accustomed to making on average over the past four decades.

These losses would also be the steepest incurred over this period — even if less bad than at the low point in June when they stood at almost minus 20 per cent.

Has the sweet spot afforded by a "60/40 book" since the mid-1980s — one characterised by firm double-digit positive returns and much less volatility than investing in equities alone — turned sour?

There are reasons to argue it may have done. As central bankers reminded us at Jackson Hole last week, inflation is back to average rates last seen before the early 1960s to mid-'80s and monetary policy is tightening aggressively.

Labour bargaining power has returned and, along with fiscal profligacy and fragmenting global supply chains, it is challenging the structural forces that preserved a four-decade bull run in government bonds.

Furthermore, in both the US and Europe, government yields today lock in relatively low prospective returns and possibly high prospective losses.

During the 1960s, '70s and early '80s, it was much better to own risk assets coupled with cash rather than bonds and it isn't hard for contemporary asset allocators to see these parallels.

This precarious set-up has made active tactical asset allocation particularly important. BNP Paribas Asset

of this year.

These are tactical positions that would have carried heavy losses in recent history, yet they have been particularly helpful in 2022. For us, every dip in yields has provided an opportunity to deepen our longer-term caution on bonds and every rally in risk appetite has been a prompt to build more nuanced equity bets.

Notably, movements in equities and bonds have been intimately linked. Forward equity valuations have moved in tandem with bond yields, falling as they rise. In other words, lower returns on equities this year have been driven almost entirely by cheaper valuations, which in turn have been led by higher discount rates (or bond yields). Losses would have been deeper still were it not for the lofty earnings expectations that remain for the next 12-24 months.

> Cheapness in European equities appears illusory and this remains our chief 'disliked' region globally

This is problematic in two ways. First, while stocks are cheaper than they were at the start of the year, valuations remain above average and richer than the median of the last 15 or so years.

There are a handful of exceptions, including China and Japan. But equities are not ubiquitously cheap and have turned more expensive since the low point in June.

The second question is whether

rising inflation baking in a (mild) recession around the middle of 2023.

This is particularly the case in Europe, where aggregated bottom-up analyst estimates for earnings are more than twice what we expect. Cheapness in European equities appears illusory and this remains our chief "disliked" region globally.

It is also worth noting that not all fixed income assets are created equal.

We have built decent exposures to European investment grade credit this summer, where spreads continue to compensate investors for high levels of defaults. Unusually for this point in the cycle, leverage ratios of these companies is contained and falling, interest coverage is elevated and corporate balance sheets are firm.

This means the pressure to deleverage, which usually tends to dent credit as economic cycles weaken, is conspicuously absent as groups enter a potential recession long on cash and maturities.

Every risk has a price, and higher grade European corporate bonds look attractive to us right now. Ditto commodities. At some point, both sovereign bonds and equities will also look appealing again — and with current heightened volatility in both the macro outlook and asset prices, we are constantly reassessing our medium-term outlook.

But with what we know today, we would need to see much higher yields in bonds and more attractive equity valuations with less optimism in earnings expectations to be tempted by them.

Maya Bhandari is global head of multi-asset for BNP Paribas Asset Management

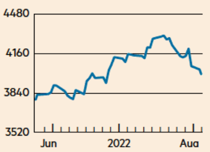
Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	3991.92	1656.60	28195.58	7361.63	3227.22	110743.80
% change on day	-0.96	-0.66	1.14	-0.88	-0.42	-1.41
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	108.566	0.999	138.935	1.163	6.900	5.065
% change on day	-0.247	0.100	0.144	-0.513	-0.305	0.443
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	3.116	1.506	0.222	2.702	2.631	12.855
Basis point change on day	-0.180	0.500	-1.550	9.900	-1.000	7.100
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	407.34	97.91	91.84	1751.25	19.22	3903.80
% change on day	-0.58	-5.97	-4.59	-0.13	-0.57	0.84

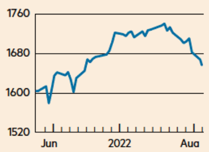
Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets

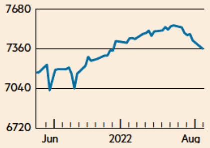
S&P 500 index



Eurofirst 300 index



FTSE 100 index



Biggest movers

%	US		Eurozone		UK	
Ups	Best Buy	2.66	Porsche	3.99	Smith (ds)	2.84
	Ppg Industries	1.83	Volkswagen	3.27	Dechra Pharmaceuticals	2.67
	Corning	1.75	B. Sabadell	3.26	Entain	2.61
	Masco	1.42	Alstom	2.37	Smurfit Kappa	2.43
	Vf	1.40	Colruyt	2.36	Jd Sports Fashion	2.42
Downs	Cf Industries Holding	-6.37	Oci	-7.71	Endeavour Mining	-6.90
	Freeport-mcmoran	-5.49	Tenaris	-5.56	Centrica	-6.59
	Mosaic (the)	-5.02	Omv	-4.46	Bunzl	-6.13
	Marathon Oil	-4.85	Galp Energia	-3.22	Antofagasta	-5.62
	Diamondback Energy	-4.84	Edp	-2.93	Fresnillo	-5.08

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

Forecast-beating results sent **Best Buy** higher with the electronics retailer reporting second-quarter earnings of $1.54 per share, which comfortably beat Wall Street's $1.27 estimate.

Corie Barry, chief executive, acknowledged Best Buy was "clearly operating in an uneven sales environment" as shoppers, hit by rising prices, cooled on discretionary goods in favour of essentials.

The retailer, nonetheless, generated revenue of $10.31bn, which was down from 12.8 per cent from a year earlier — a period marked by "elevated growth driven by unusually strong demand for technology products and services and fuelled partly by stimulus dollars", said Barry.

Luxury electric vehicle group **Lucid** dropped after filing a so-called "shelf" registration, which opened the door to raising up to $8bn.

Under this arrangement, Lucid would have the option to sell a variety of securities in one or more offerings in the future.

Peloton, the fitness bikes and treadmills group, sank after disclosing in a filing that it had to delay the release of its annual report.

It needed more time to account for plans to restructure the business, it said. *Ray Douglas*

Europe

Better than expected results lifted Norway's **Adevinta**, the online ads group.

It posted an 8 per cent year-on-year rise in revenue in the second quarter, driven in part by a strong recovery in Mobile.de, its marketplace for new and used vehicles.

Quarterly sales of €417mn was 1.5 per cent ahead of expectations while core profit of €146mn came in 9 per cent above the company-compiled consensus, noted Jefferies.

Motorcycle manufacturer **Pierer Mobility** rallied after raising its guidance off the back of solid first-half results.

The Austrian group's revenue rose 7.1 per cent to €1.15bn, boosted by strong growth in North America.

Full-year revenue was now expected to grow between 10 per cent and 15 per cent, up from a previous forecast of 6 to 10 per cent, despite supply chain issues that were being addressed through the opening of a subsidiary in Taiwan.

Belgium's **Agfa Gevaert**, the image process and printing group, rose sharply following news that it was selling its offset solutions division to asset manager Aurelius for €92mn, not far off the €116mn KBC Securities had expected.

The broker approved of the divestment as it would "enable Agfa to increase its focus on its growth businesses", it said. *Ray Douglas*

London

Consumable products supplier **Bunzl** sank despite posting an 8.8 per cent rise in first-half pre-tax profit on a constant currency basis.

Credit Suisse was concerned by Bunzl's "ongoing" renegotiation with its large client contract, which represented around 9 per cent of underlying revenues in 2021, said the broker.

Bunzl's cautious forecast for its full-year operating margin, which was expected to be "only slightly lower than that achieved in 2021", also hit sentiment.

Shipbroker **Braemar** jumped following a "strong trading performance", said Shore Capital.

In a sign that the shipping market was recovering from the pandemic, revenue from continuing operations increased 21 per cent year on year to £101.3mn while underlying operating profit rose 31 per cent to £10.1mn.

Countryside clothing brand **Joules** retreated following a Sky News report that said its potential tie-up with retailer Next had "hit a stumbling block".

Joules revealed weeks ago that Next was in talks about becoming a "strategic minority shareholder" but Sky said doubts remained about the price of this stake and the availability of financial information. In reply to speculation, Joules said it continued to have "positive discussions" with Next. *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 $
-0.96%	-1.13%	-0.80%	-0.88%	-0.66%	1.14%	-0.37%	-0.58%	0.100%	-0.513%	0.144%	0.585%	-2.42%	-0.13%

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

AMERICAS

Jul 31 - - Index All World — S&P 500 New York

Jul 31 - Aug 30 Index All World — S&P/TSX COMP Toronto

EUROPE

Jul 31 - Aug 30 Index All World — FTSE 100 London

Jul 31 - Aug 30 Index All World — Xetra Dax Frankfurt

ASIA

Jul 31 - Aug 30 Index All World — Nikkei 225 Tokyo

Jul 31 - Aug 30 Index All World — Kospi Seoul

4,118.63 — 3,991.92
Day -0.96% Month -6.73% Year -11.45%

Nasdaq Composite New York
12,368.98 — 11,882.43
Day -1.13% Month -7.23% Year -23.37%

Dow Jones Industrial New York
32,798.40 — 31,841.45
Day -0.80% Month -5.23% Year -10.21%

19,692.92 — 19,773.29
Day -1.39% Month -9.84% Year -6.47%

IPC Mexico City
48,144.33 — 46,306.57
Day -0.85% Month -7.31% Year -5.23%

Bovespa São Paulo
102,225.08 — 112,190.11
Day -1.41% Month -11.14% Year -21.26%

7,423.43 — 7,361.63
Day -0.88% Month -5.00% Year 0.44%

FTSE Eurofirst 300 Europe
1,718.94 — 1,656.60
Day -0.66% Month -6.91% Year -9.00%

CAC 40 Paris
6,436.86 — 6,210.22
Day -0.19% Month -9.62% Year -8.86%

13,479.63 — 12,961.14
Day 0.53% Month -0.77% Year NaN%

Ibex 35 Madrid
8,085.10 — 7,979.80
Day -1.04% Month -8.45% Year -7.31%

FTSE MIB Milan
22,405.48 — 21,825.22
Day -0.08% Month -13.95% Year -14.96%

27,801.64 — 28,195.58
Day 1.14% Month -5.14% Year -9.83%

Hang Seng Hong Kong
20,165.84 — 19,949.03
Day -0.37% Month 5.78% Year -24.49%

Shanghai Composite Shanghai
3,259.96 — 3,227.22
Day -0.42% Month 7.58% Year -5.67%

2,452.25 — 2,450.93
Day 0.99% Month -13.64% Year -30.07%

FTSE Straits Times Singapore
3,211.56 — 3,239.33
Day 0.53% Month -4.28% Year -0.96%

BSE Sensex Mumbai
56,857.79 — 59,537.07
Day 2.70% Month -5.30% Year 0.91%

Country	Index	Latest	Previous
Argentina	Merval	141966.16	143805.16
Australia	All Ordinaries	7230.40	7193.40
	S&P/ASX 200	6998.30	6965.50
	S&P/ASX 200 Res	5608.00	5587.60
Austria	ATX	2890.16	2915.70
Belgium	BEL 20	3629.34	3641.91
	BEL Mid	9633.60	9689.23
Brazil	Bovespa	110743.80	112323.12
Canada	S&P/TSX 60	1182.06	1198.56
	S&P/TSX Comp	19560.83	19836.12
	S&P/TSX Div Met & Min	1398.34	1434.32
Chile	S&P/CLX IGPA Gen	29097.22	29062.01
China	FTSE A200	10893.82	10932.44
	FTSE B35	9000.71	8988.96
	Shanghai A	3381.87	3396.00
	Shanghai B	309.73	310.84
	Shanghai Comp	3227.22	3240.73
	Shenzhen A	2236.31	2246.84
	Shenzhen B	1232.68	1224.39
Colombia	COLCAP	1261.61	1260.21
Croatia	CROBEX	2013.05	2011.29
Cyprus	CSE M&P Gen	68.46	68.68
Czech Republic	PX	1182.91	1164.57
Denmark	OMXC Copenhagen 20	1694.87	1698.15
Egypt	EGX 30	10122.32	10178.15
Estonia	OMX Tallinn	1796.07	1792.40
Finland	OMX Helsinki General	10688.16	10689.79
France	CAC 40	6210.22	6222.28
	SBF 120	4800.61	4810.69
Germany	M-DAX	25393.83	25470.50
	TecDAX	2944.27	2935.20
	XETRA Dax	12961.14	12892.99
Greece	Athens Gen	855.00	868.25
	FTSE/ASE 20	2060.53	2093.10
Hong Kong	Hang Seng	19949.03	20023.22
	HS China Enterprise	6840.17	6872.26
	HSCC Red Chip	3712.17	3721.59
Hungary	Bux	42362.17	42631.81
India	BSE Sensex	59537.07	57972.62
	Nifty 500	15325.05	14972.75
Indonesia	Jakarta Comp	7159.47	7132.05
Ireland	ISEQ Overall	6940.57	6950.84
Israel	Tel Aviv 125	2081.08	2112.94
Italy	FTSE Italia All-Share	25853.75	25877.36
	FTSE Italia Mid Cap	38455.96	38466.28
	FTSE MIB	21825.22	21841.88
Japan	2nd Section	7228.27	7239.86
	Nikkei 225	28195.58	27878.96
	S&P Topix 150	1691.07	1669.05
	Topix	1968.38	1944.10
Jordan	Amman SE	2555.18	2561.75
Kenya	NSE 20	1749.16	1752.11
Kuwait	KSX Market Index	6633.44	6603.51
Latvia	OMX Riga	1124.20	1133.10
Lithuania	OMX Vilnius	926.89	934.57
Luxembourg	LuxX	1420.13	1444.65
Malaysia	FTSE Bursa KLCI	1512.05	1501.57
Mexico	IPC	45927.58	46322.10
Morocco	MASI	12177.18	12201.61
Netherlands	AEX	690.31	698.33
	AEX All Share	942.89	955.88
New Zealand	NZX 50	11648.65	11506.94
Nigeria	SE All Share	49682.15	49661.87
Norway	Oslo All Share	1017.37	1006.88
Pakistan	KSE 100	42195.26	42504.34
Philippines	Manila Comp	6690.27	6706.43
Poland	Wig	50247.78	51274.10
Portugal	PSI 20	6020.56	6112.27
	PSI General	4690.90	4783.50
Romania	BET Index	12184.82	12190.46
Russia	Micex Index	2436.57	2445.30
	RTX	1245.71	1212.57
Saudi-Arabia	TADAWUL All Share Index	12530.66	12528.11
Singapore	FTSE Straits Times	3239.33	3222.26
Slovakia	SAX	345.83	358.20
Slovenia	SBI TOP	-	-
South Africa	FTSE/JSE All Share	67908.48	69207.02
	FTSE/JSE Res 20	60859.92	63105.64
	FTSE/JSE Top 40	61321.55	62546.78
South Korea	Kospi	2450.93	2426.89
	Kospi 200	319.49	316.35
Spain	IBEX 35	7979.80	8063.90
Sri Lanka	CSE All Share	8865.40	8732.47
Sweden	OMX Stockholm 30	1942.43	1940.13
	OMX Stockholm AS	768.39	766.53
Switzerland	SMI Index	10884.95	10896.74
Taiwan	Weighted Pr	14953.63	14926.19
Thailand	Bangkok SET	1639.45	1626.52
Turkey	BIST 100	3164.96	3164.98
UAE	Abu Dhabi General Index	9222.93	9251.11
UK	FT 30	2446.80	2453.50
	FTSE 100	7361.63	7427.31
	FTSE 4Good UK	6662.08	6709.47
	FTSE All Share	4045.21	4076.32
	FTSE techMARK 100	6122.21	6152.97
USA	DJ Composite	10939.13	11040.78
	DJ Industrial	31841.45	32098.99
	DJ Transport	14050.36	14232.72
	DJ Utilities	1023.85	1031.30
	Nasdaq 100	12338.60	12484.32
	Nasdaq Cmp	11882.43	12017.67
	NYSE Comp	14969.94	15118.85
	S&P 500	3991.92	4030.61
	Wilshire 5000	39912.46	40313.24
Venezuela	IBC	9304.64	9701.14
Vietnam	VNI	1279.39	1270.80
Cross-Border	DJ Global Titans ($)	435.45	439.40
	Euro Stoxx 50 (Eur)	3557.93	3570.51
	Euronext 100 ID	1212.68	1223.17
	FTSE 4Good Global ($)	9615.77	9694.57
	FTSE All World ($)	407.34	409.73
	FTSE E300	1656.60	1667.67
	FTSE Eurotop 100	3244.84	3258.62
	FTSE Global 100 ($)	2537.79	2563.05
	FTSE Gold Min ($)	1481.28	1514.14
	FTSE Latibex Top (Eur)	4440.00	4432.20
	FTSE Multinationals ($)	2671.71	2702.33
	FTSE World ($)	735.72	740.56
	FTSEurofirst 100 (Eur)	4332.66	4364.64
	FTSEurofirst 80 (Eur)	4894.01	4899.79
	MSCI ACWI Fr ($)	621.52	627.90
	MSCI All World ($)	2668.79	2694.62
	MSCI Europe (Eur)	1688.56	1699.35
	MSCI Pacific ($)	2586.92	2656.84
	S&P Euro (Eur)	1634.97	1636.99
	S&P Europe 350 (Eur)	1698.90	1710.38
	S&P Global 1200 ($)	2924.37	2945.58
	Stoxx 50 (Eur)	3547.91	3584.13

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

STOCK MARKET: BIGGEST MOVERS

AMERICA

ACTIVE STOCKS	stock traded m's	close price	Day's change
Tesla	59.9	281.15	-3.67
Apple	53.8	159.20	-2.18
Nvidia	38.7	154.54	-3.47
Advanced Micro Devices	31.7	86.49	-2.00
Amazon.com	29.7	127.77	-2.02
Microsoft	19.5	262.69	-2.54
3m	17.8	123.80	-2.64
Alphabet	10.8	108.73	-0.69
Occidental Petroleum	10.5	72.01	-3.25
Alphabet	9.8	109.72	-0.62

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Best Buy	75.66	1.96	2.66
Ppg Industries	128.24	2.30	1.83
Corning	34.69	0.60	1.75
Masco	51.51	0.72	1.42
Vf	42.01	0.58	1.40
Downs			
Cf Industries Holding	106.12	-7.22	-6.37
Freeport-mcmoran	29.77	-1.73	-5.49
Mosaic (the)	57.31	-3.03	-5.02
Marathon Oil	25.49	-1.30	-4.85
Diamondback Energy	132.52	-6.75	-4.84

Based on the constituents of the S&P500

LONDON

ACTIVE STOCKS	stock traded m's	close price	Day's change
Glencore	359.4	483.95	-14.95
Shell	275.1	2339.50	5.50
Bp	237.2	449.25	-8.55
Astrazeneca	230.5	10970.00	-394.00
Diageo	160.0	3791.50	-34.00
Unilever	151.5	3943.50	8.50
Rio Tinto	140.3	4815.00	-165.00
Entain	121.9	1279.00	32.50
Bt	114.8	151.85	0.40
Lloyds Banking	108.4	43.75	0.08

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Baltic Classifieds	151.60	12.20	8.75
Currys	63.50	2.50	4.10
Aston Martin Lagonda Global Holdings	445.00	16.40	3.83
Tui Ag	131.95	4.50	3.53
Ashmore	205.60	6.50	3.26
Downs			
Endeavour Mining	1659.00	-123.00	-6.90
Centrica	76.56	-5.40	-6.59
Bunzl	2924.00	-191.00	-6.13
Antofagasta	1108.00	-66.00	-5.62
Ascential	207.60	-12.00	-5.46

Based on the constituents of the FTSE 350 index

EURO MARKETS

ACTIVE STOCKS	stock traded m's	close price	Day's change
Novartis N	315.9	81.21	-0.83
Nestle N	307.8	118.15	-0.31
Roche Gs	247.3	324.60	2.05
Totalenergies	223.4	52.61	-1.79
Intesa Sanpaolo	219.7	1.73	0.03
Asml Holding	206.8	489.30	-14.00
Eni	190.5	12.24	-0.26
Novo Nordisk B A/s	160.8	106.85	-1.25
Unicredit	155.9	9.38	0.11
Stellantis	140.4	13.62	-0.14

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Infineon Tech.ag Na O.n.	25.16	1.02	4.25
Volkswagen Ag St O.n.	191.30	6.05	3.27
Volkswagen Ag Vzo O.n.	145.82	3.22	2.26
Siemens Health.ag Na O.n.	49.22	0.95	1.97
Vestas Wind Systems A/s	25.14	0.48	1.96
Downs			
Totalenergies	52.61	-1.79	-3.29
Umg	19.63	-0.59	-2.90
Asml Holding	489.30	-14.00	-2.78
Prosus	62.27	-1.57	-2.46
Eni	12.24	-0.26	-2.11

Based on the constituents of the FTSEurofirst 300 Eurozone index

TOKYO

ACTIVE STOCKS	stock traded m's	close price	Day's change
Softbank .	735.3	5588.00	92.00
Softbank	527.5	1535.50	31.00
Tokyo Electron	495.4	44250.00	720.00
Nippon Yusen Kabushiki Kaisha	450.8	10760.00	70.00
Fast Retailing Co.,	435.1	82790.00	240.00
Toyota Motor	355.7	2105.00	15.00
Nippon Telegraph And Telephone	328.5	3811.00	58.00
Mitsubishi Heavy Industries,	324.1	5383.00	268.00
Mitsubishi Ufj Fin,.	318.8	728.30	3.20
Nippon Steel & Sumitomo Metal	318.3	2226.00	44.00

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Nec	5060.00	285.00	5.97
Mitsubishi Heavy Industries,	5383.00	268.00	5.24
Sumitomo Osaka Cement Co.,	3530.00	150.00	4.44
Inpex	1663.00	69.00	4.33
Unitika	268.00	11.00	4.28
Downs			
Credit Saison Co.,	1745.00	-18.00	-1.02
Hino Motors,	623.00	-6.00	-0.95
Tokyo Tatemono Co.,	2119.00	-18.00	-0.84
Sumitomo Dainippon Pharma Co Ltd	1035.00	-8.00	-0.77
Mitsui Chemicals,.	3120.00	-20.00	-0.64

Based on the constituents of the Nikkei 225 index

UK MARKET WINNERS AND LOSERS

FTSE 100	Aug 30 price(p)	%Chg week	%Chg ytd
Winners			
Aveva	2780.00	26.8	-
Pershing Square Holdings Ltd	2785.00	5.3	-
Dechra Pharmaceuticals	3532.00	3.3	-
Avast	705.00	1.6	-
British American Tobacco	3456.50	1.0	29.3
Sage	719.40	1.0	-25.9
Shell	2339.50	0.9	45.3
Meggitt	798.60	0.9	6.5
Barclays	164.70	0.7	-
Informa	545.80	0.6	1.3
Spirax-sarco Eng	10650.00	0.6	-
Crh	3202.50	0.3	-
Losers			
Ocado	720.00	-9.9	-
Centrica	76.56	-9.2	14.0
Endeavour Mining	1659.00	-8.3	1.2
Sse	1711.00	-7.3	0.6
Hargreaves Lansdown	836.80	-7.0	-
Phoenix Holdings	597.40	-6.1	-9.8
B&m Eur Value Retail S.a.	372.80	-6.0	-
Tesco	251.00	-5.6	-
Anglo American	2786.50	-5.3	-6.6
Persimmon	1500.50	-5.2	-34.3
Intercontinental Hotels	4685.00	-5.1	-8.5
Experian	2653.00	-5.0	-

FTSE 250	Aug 30 price(p)	%Chg week	%Chg ytd
Winners			
Micro Focus Int	519.20	93.2	-
Baltic Classifieds	151.60	16.6	-
Harbour Energy	470.80	11.1	-5.0
Network Int Holdings	240.40	6.9	-
Hg Capital Trust	376.00	5.8	-
Nb Private Equity Partners	1610.00	5.6	-
Royal Mail	275.30	5.3	-47.6
Currys	63.50	5.0	-23.0
Abrdn Private Equity Opportunities Trust	430.00	3.6	-3.6
Vinacapital Vietnam Opportunity Fund Ltd	510.00	3.4	-7.0
Bridgepoint	249.80	3.4	-
Jlen Environmental Assets	134.40	3.4	16.4
Losers			
Wood (john)	127.40	-12.9	-
Chrysalis Investments	74.00	-10.2	-59.7
888 Holdings	124.50	-9.7	-
Drax	670.50	-8.4	7.9
Ascential	207.60	-8.2	-
Essentra	202.00	-8.2	-25.0
Provident Fin	172.50	-8.0	-44.0
Aston Martin Lagonda Global Holdings	445.00	-7.1	-
Xp Power	1956.00	-7.1	-46.9
Genuit	357.00	-6.4	-
Hill & Smith Holdings	1038.00	-6.1	-
Cmc Markets	231.00	-6.1	6.8

FTSE SmallCap	Aug 30 price(p)	%Chg week	%Chg ytd
Winners			
Hunting	277.00	18.1	37.1
Ao World	43.00	10.7	-
Made.com	8.80	9.7	-
Blackrock Energy And Resources one Trust	132.50	9.5	4.8
Lookers	81.40	8.5	16.0
Lamprell	8.76	8.4	-
Sig	34.10	7.6	-
Dignity	434.00	6.6	-
De La Rue	87.40	6.6	-
Seraphim Space Investment Trust	61.45	5.9	-
Metro Bank	83.10	5.2	-
Cvc ome & Growth	94.60	5.1	-
Losers			
Cineworld	2.36	-21.4	-
Esken	4.63	-20.2	-
Nanoco	39.20	-12.1	76.6
Macfarlane	102.00	-11.3	-
Saga	145.60	-10.5	-
Hollywood Bowl	176.00	-10.2	-9.9
Funding Circle Holdings	33.40	-9.7	-
The Gym	142.20	-9.5	-
Reach	73.45	-9.4	-
Hochschild Mining	65.25	-8.3	-
Luceco	81.50	-7.9	-
Marston's	36.04	-7.9	-

Industry Sectors	Aug 30 price(p)	%Chg week	%Chg ytd
Winners			
Aerospace & Defense	4721.24	5.4	18.4
General Retailers	3260.30	1.9	4.7
Electricity	10600.10	1.6	3.1
Industrial Engineering	13305.04	1.2	-
Gas Water & Multiutilities index	6098.30	0.9	-0.7
Life Insurance	6321.61	0.6	-
Food & Drug Retailers	4160.52	0.5	-7.9
Health Care Equip.& Services	10992.75	0.3	24.2
Oil & Gas Producers	8059.54	0.3	24.4
Pharmaceuticals & Biotech.	20301.59	0.2	15.4
Tobacco	36448.98	0.0	26.2
Mobile Telecommunications	2854.63	-0.1	10.8
Losers			
Automobiles & Parts	1587.18	-12.7	-
Real Estate Investment Trusts	2660.58	-6.1	-
Mining	9685.73	-5.2	-50.7
Industrial Metals	6625.69	-4.9	-0.6
Travel & Leisure	6055.86	-4.6	-
Personal Goods	28234.60	-4.5	-
Beverages	28851.52	-4.0	-
Software & Computer Services	1889.74	-3.7	-
Real Estate & Investment Servic	2471.60	-3.2	-
Electronic & Electrical Equip.	8279.15	-2.4	-
Food Producers	5864.35	-2.1	-
Household Goods	10967.03	-1.4	-

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

CURRENCIES

Aug 30	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	138.5702	0.2862	138.4110	0.3548	161.1712	-0.5172
Australia	Australian Dollar	1.4560	0.0039	1.4544	0.0046	1.6935	-0.0044
Bahrain	Bahrainin Dinar	0.3770	-0.0001	0.3765	0.0001	0.4384	-0.0024
Bolivia	Bolivian Boliviano	6.9100	-	6.9021	0.0034	8.0370	-0.0425
Brazil	Brazilian Real	5.0651	0.0223	5.0593	0.0248	5.8912	-0.0050
Canada	Canadian Dollar	1.3098	0.0072	1.3082	0.0078	1.5234	0.0004
Chile	Chilean Peso	879.9500	-8.8500	878.9393	-8.3966	1023.4715	-15.7569
China	Chinese Yuan	6.8997	-0.0211	6.8918	-0.0176	8.0251	-0.0671
Colombia	Colombian Peso	4400.7000	-0.6050	4395.6469	1.5915	5118.4643	-27.7579
Costa Rica	Costa Rican Colon	644.8150	4.6700	644.0743	4.9838	749.9855	1.4967
Czech Republic	Czech Koruna	24.5633	-0.0754	24.5350	-0.0630	28.5696	-0.2392
Denmark	Danish Krone	7.4461	-0.0043	7.4376	-0.0006	8.6606	-0.0509
Egypt	Egyptian Pound	19.2339	0.0554	19.2118	0.0649	22.3710	-0.0535
Hong Kong	Hong Kong Dollar	7.8490	0.0020	7.8399	0.0059	9.1291	-0.0459
Hungary	Hungarian Forint	405.3913	-4.3348	404.9256	-4.1256	471.5113	-7.5605
India	Indian Rupee	79.4582	-0.5006	79.3669	-0.4602	92.4179	-1.0738
Indonesia	Indonesian Rupiah	14842.5000	-54.5000	14825.4672	-47.0088	17263.3454	-154.9800
Israel	Israeli Shekel	3.3267	0.0071	3.3229	0.0087	3.8693	-0.0121
Japan	Japanese Yen	138.9350	0.2000	138.7754	0.2689	161.5955	-0.6202
..One Month		138.9346	0.1993	138.7753	0.2688	161.5952	-0.6208
..Three Month		138.9338	0.1977	138.7751	0.2683	161.5945	-0.6223
..One Year		138.9293	0.1886	138.7728	0.2637	161.5952	-0.6267
Kenya	Kenyan Shilling	120.1000	0.1000	119.9620	0.1597	139.6885	-0.6213
Kuwait	Kuwaiti Dinar	0.3081	-0.0002	0.3077	0.0000	0.3584	-0.0021
Malaysia	Malaysian Ringgit	4.4755	-0.0145	4.4704	-0.0122	5.2055	-0.0445
Mexico	Mexican Peso	20.1225	0.0908	20.0994	0.1006	23.4045	-0.0176
New Zealand	New Zealand Dollar	1.6320	0.0045	1.6301	0.0053	1.8982	-0.0047
Nigeria	Nigerian Naira	428.7500	-	428.2575	0.2138	498.6799	-2.6355
Norway	Norwegian Krone	9.8303	0.0531	9.8190	0.0580	11.4336	0.0017
Pakistan	Pakistani Rupee	219.7500	-0.9000	219.4976	-0.7890	255.5916	-2.4031
Peru	Peruvian Nuevo Sol	3.8254	-0.0074	3.8210	-0.0055	4.4493	-0.0322
Philippines	Philippine Peso	56.2300	0.2075	56.1654	0.2352	65.4012	-0.1030
Poland	Polish Zloty	4.7281	-0.0149	4.7227	-0.0125	5.4993	-0.0465
Romania	Romanian Leu	4.8701	-0.0045	4.8645	-0.0021	5.6644	-0.0353
Russia	Russian Ruble	61.0263	-0.0987	60.9562	-0.0682	70.9797	-0.4906
Saudi Arabia	Saudi Riyal	3.7565	0.0008	3.7522	0.0027	4.3692	-0.0222
Singapore	Singapore Dollar	1.3986	0.0023	1.3970	0.0030	1.6267	-0.0059
South Africa	South African Rand	16.9638	0.1238	16.9443	0.1320	19.7306	0.0404
South Korea	South Korean Won	1346.7000	-3.6500	1345.1531	-2.9726	1566.3493	-12.5458
Sweden	Swedish Krona	10.7083	0.0272	10.6960	0.0325	12.4548	-0.0340
Switzerland	Swiss Franc	0.9758	0.0062	0.9747	0.0067	1.1350	0.0013
Taiwan	New Taiwan Dollar	30.4770	0.0795	30.4420	0.0946	35.4479	-0.0944
Thailand	Thai Baht	36.3500	-0.1100	36.3082	-0.0917	42.2787	-0.3521
Tunisia	Tunisian Dinar	3.1966	-0.0125	3.1929	-0.0108	3.7180	-0.0342
Turkey	Turkish Lira	18.1880	0.0047	18.1671	0.0138	21.1545	-0.1062
United Arab Emirates	UAE Dirham	3.6730	-	3.6688	0.0018	4.2721	-0.0226
United Kingdom	Pound Sterling	0.8598	0.0045	0.8588	0.0049	-	-
..One Month		0.8598	0.0045	0.8587	0.0049	-	-
..Three Month		0.8600	0.0045	0.8584	0.0049	-	-
..One Year		0.8600	0.0045	0.8570	0.0049	-	-
United States	United States Dollar	-	-	0.9989	0.0005	1.1631	-0.0061
..One Month		-	-	0.9986	-0.1704	1.1632	-0.0061
..Three Month		-	-	0.9982	-0.1704	1.1633	-0.0061
..One Year		-	-	0.9965	-0.1704	1.1634	-0.0062
Vietnam	Vietnamese Dong	23420.0000	-15.0000	23393.1262	-3.2839	27239.8661	-161.5232
European Union	Euro	1.0012	-0.0005	-	-	1.1644	-0.0067
..One Month		1.0009	-0.0005	-	-	1.1643	-0.0067
..Three Month		1.0005	-0.0005	-	-	1.1641	-0.0067
..One Year		0.9988	-0.0005	-	-	1.1626	-0.0068

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 30	Day's chge%	Euro Index	£ Strlg Aug 26	£ Strlg Aug 25	Year ago	Div yield%	Cover	P/E ratio	X/D adj	Total Return
FTSE 100 (100)	7361.63	-0.88	6677.16	7427.31	7479.74	7148.01	3.62	1.95	14.19	218.14	7508.02
FTSE 250 (250)	19149.65	-0.10	17369.16	19169.72	19257.87	24059.72	2.91	1.32	25.96	381.37	15796.91
FTSE 250 ex Inv Co (176)	19411.08	-0.01	17606.28	19413.94	19527.63	25303.07	3.03	1.54	21.41	412.73	16339.44
FTSE 350 (350)	4080.77	-0.77	3701.35	4112.34	4139.86	4135.49	3.51	1.87	15.23	114.95	8256.63
FTSE 350 ex Investment Trusts (274)	4011.19	-0.78	3638.23	4042.82	4070.95	4030.57	3.57	1.93	14.53	115.78	4194.57
FTSE 350 Higher Yield (129)	3520.12	-0.49	3192.82	3537.56	3543.01	3225.14	5.01	1.87	10.66	129.66	8011.59

FTSE Sector Indices

FT 30 INDEX

	Aug 30	Aug 26	Aug 25	Aug 24	Aug 23	Yr Ago	High	Low
FT 30	2446.80	2453.50	2486.80	2498.50	2504.10	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
2453.5	2477.8	2476	2579	2579.7	2581.8	2588.4	2462.3	2451.1	2484.7	2443.5

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

FT WILSHIRE 5000 INDEX SERIES

	Aug 29		Aug 29
FT Wilshire 5000	41072.24	FT Wilshire Mid Cap	5498.73
FT Wilshire 2500	5256.80	FT Wilshire Small Cap	5020.52
FT Wilshire Mega Cap	5244.72	FT Wilshire Micro Cap	5025.01
FT Wilshire Large Cap	5287.15		

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FTSE SECTORS: LEADERS & LAGGARDS

Year to date percentage changes

Oil & Gas Producers	41.23	Personal Goods	-2.52	Life Insurance	-17.23
Oil & Gas	40.59	NON FINANCIALS Index	-2.81	Household Goods & Ho	-17.51
Tobacco	24.45	FTSE All{HY-}Share Index	-3.87	Consumer Services	-18.30
Aerospace & Defense	12.25	Beverages	-7.22	FTSE 250 Index	-18.45
Pharmace & Biotech	8.21	Fixed Line Telecomms	-7.50	Industrials	-18.73
Banks	7.59	Health Care Eq & Srv	-8.69	Construct & Material	-19.66
Health Care	7.07	Financials	-9.53	Real Est Invest & Tr	-21.38
Electricity	5.08	Software & Comp Serv	-11.52	Support Services	-22.97
Mining	3.67	Media	-11.53	Leisure Goods	-23.34
Utilities	3.08	Technology	-11.85	Real Est Invest & Se	-24.65
Gas Water & Multi	2.42	Travel & Leisure	-12.11	Food & Drug Retailer	-27.05
Mobile Telecomms	1.84	Food Producers	-12.69	Chemicals	-28.46
Beverages	31.66	Financial Services	-13.17	Industrial Eng	-29.34
FTSE 100 Index	-0.31	Nonlife Insurance	-14.26	Electronic & Elec Eq	-32.00
Telecommunications	-0.82	FTSE SmallCap Index	-14.85	General Retailers	-33.99
Basic Materials	-2.26	Tech Hardware & Eq	-14.91	Industrial Transport	-34.32
Consumer Goods	-2.30	Equity Invest Instr	-15.78	Automobiles & Parts	-56.25

FTSE 100 SUMMARY

FTSE 100	Closing Price	Day's Change	FTSE 100	Closing Price	Day's Change
3I Group PLC	1209	16.00	Intertek Group PLC	4005	-16.00
Abrdn PLC	146.40	-0.65	Jd Sports Fashion PLC	112.30	2.65
Admiral Group PLC	2159	-33.00	Kingfisher PLC	232.70	2.50
Airtel Africa PLC	134.70	-0.80	Land Securities Group PLC	656.60	5.80
Anglo American PLC	2786.5	-136.00	Legal & General Group PLC	254.70	-0.80
Antofagasta PLC	1108	-66.00	Lloyds Banking Group PLC	43.75	0.08
Ashtead Group PLC	4269	-29.00	London Stock Exchange Group PLC	8176	-92.00

FTSE GLOBAL EQUITY INDEX SERIES

Real Estate Investment Trusts	101	489.05	-1.0	-4.4	-18.0	1133.17	-16.4	3.4
FTSE Global Large Cap	1868	623.97	-1.1	-2.7	-17.8	1025.48	-16.5	2.3

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

For all queries e-mail ft.reader.enquiries@morningstar.com

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

UK RIGHTS OFFERS

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	
Bens Creek Group	Pre	**5.412**	0.000	**25.286**	1.452L	**0.062**	0.000	**0.00000**	0.00000	-	**0.000**	0.000
Bigblu Broadband	Int	**14.894**	13.092	**0.183L**	0.067L	**1.100L**	1.300L	**0.00000**	0.00000	-	**45.000**	0.000
Blackfinch Spring VCT	Int			**0.095**	0.225L	**0.580**	2.860L	**0.00000**	0.00000	-	**0.000**	0.000
Braemar Shipping Services	Pre	**101.310**	83.695	**8.543**	5.136	**45.560**	14.450	**0.00000**	5.00000	-	**2.000**	5.000
Bunzl	Int	**5650.800**	4866.600	**296.600**	275.700	**66.200**	63.300	**0.00000**	16.20000	-	**40.800**	54.500
Byotrol	Pre	**6.327**	11.214	**1.245L**	1.037	**0.300L**	0.200	**0.00000**	0.00000	-	**0.000**	0.000
CentralNic Group	Int	**334.600**	173.800	**15.800**	2.200L	**0.026**	0.014L	**0.00000**	0.00000	-	**0.000**	0.000
Fletcher King	Pre	**2.967**	2.264	**0.134**	0.834L	**1.620**	7.470L	**0.00000**	0.00000	-	**0.000**	0.000

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

UK RECENT EQUITY ISSUES

Issue date	Issue price(p)	Sector	Stock code	Stock	Close price(p)	+/-	High	Low	Mkt Cap (£m)
07/29	10.00		FCM	First Class Metals PLC	9.63	0.00	11.00	9.00	632.1

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

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Stock	Price	Day Chg	52 Week High	52 Week Low	Yld	P/E	MCap m
Australia (A$)							
ANZ Bank	22.57	0.13	28.75	20.78	6.08	10.40	46346.96
BHP Group	41.75	-0.44	53.72	35.56	8.95	10.78	145156.35
CmwBkAu	96.55	0.27	110.19	86.98	3.30	19.96	112829.78
CSL	293.90	-0.34	319.78	240.10	0.93	46.27	97232.53
NatAusBk	29.99	0.15	33.75	25.43	2.72	17.56	65249.32
Telstra	3.98	-0.01	4.20	3.62	2.28	35.60	31583.56
Wesfarmers	47.70	0.30	61.34	40.03	3.39	26.96	37144.96
Westpac Bank	21.28	0.01	26.44	18.80	3.79	17.02	51169.26
Woolworths	36.63	0.10	41.91	32.62	2.68	45.93	30538.69
Belgium (€)							
AnBshInBv	49.24	-0.26	58.72	46.66	-	-	-
KBC Grp	47.12	0.83	86.50	45.53	-	-	-
Brazil (R$)							
Ambev	15.42	-0.19	18.12	12.81	3.44	24.71	47949.33
Bradesco	16.21	0.07	18.40	13.53	4.82	7.96	15587.46
Cielo	5.61	-0.20	6.22	2.01	2.44	20.15	3009.09
ItauHldFin	22.65	0.02	29.21	18.86	3.22	9.51	22172.38
Petrobras	36.14	-2.13	40.51	24.50	12.50	5.47	53102.65
Vale	64.91	-2.00	107.11	61.85	18.85	3.07	61242.18
Canada (C$)	[illegible]						

[illegible]

FT 500: TOP 20

[illegible]

Based on the FT Global 500 companies in local currency

FT 500: BOTTOM 20

[illegible]

Based on the FT Global 500 companies in local currency

BONDS: HIGH YIELD & EMERGING MARKET

[illegible]

BONDS: GLOBAL INVESTMENT GRADE

[illegible]

INTEREST RATES: OFFICIAL

[illegible]

INTEREST RATES: MARKET

[illegible]

BOND INDICES

[illegible]

VOLATILITY INDICES

[illegible]

BONDS: BENCHMARK GOVERNMENT

[illegible]

GILTS: UK CASH MARKET

[illegible]

GILTS: UK FTSE ACTUARIES INDICES

[illegible]

COMMODITIES

[illegible]

BONDS: INDEX-LINKED

[illegible]

BONDS: TEN YEAR GOVT SPREADS

[illegible]

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

ARTS

Why the whodunnit refuses to be killed off

The directors of two new films, 'See How They Run' and 'Bodies Bodies Bodies', talk to Dan Einav about how the genre endures

The new whodunnit movie *See How They Run* opens with a skewering and a dissection. The target isn't a person, but the film's own genre. "You've seen one, you've seen them all," sneers narrator Leo Köpernick, an American movie director (played by Adrien Brody) in postwar London, where he has begrudgingly agreed to adapt Agatha Christie's hit play *The Mousetrap*. He goes on to itemise the many storytelling limitations of the form. Moments later, he finds himself the victim of irony — and a blow to the head.

The murder mystery itself has proven more adept at dodging death. For well over a century, it has survived critiques and weathered forecasts of its imminent decline as narratively richer, psychologically more complex "whydunnits" have emerged. As Dr Lucy Donaldson, who teaches a course on detective and murder mystery cinema at the University of St Andrews, points out, it's the "basic, often predictable structure of the whodunnit" that has enabled the genre to survive. Its commitment to rules and resolutions provides a welcome sense of "safety, comfort and reassurance", while the inherent simplicity of the form gives it a "flexibility which means it can be adapted to any time or place".

Two new films capture both the genre's elasticity and consistency. *See How They Run* is a period-set detective yarn. Directed by British film-maker Tom George, it follows the odd couple of semi-sozzled veteran Inspector Stoppard (Sam Rockwell) and bright-eyed rookie Constable Stalker (Saoirse Ronan) in their investigations into the cast and crew of *The Mousetrap* following Köpernick's death.

From left, Maria Bakalova, Amandla Stenberg, Myha'la Herrold and Rachel Sennott in 'Bodies Bodies Bodies' — Gwen Capistran

The other film, *Bodies Bodies Bodies*, is a TikTok-era tale about a group of vapid, narcissistic Gen-Zers (Pete Davidson, Amandla Stenberg and Maria Bakalova among them) whose party at a country mansion during a hurricane is soured when they start being picked off by an unknown killer. The two films couldn't be more different tonally but both are, in essence, classic ensemble whodunnits driven by the conventions of clue-searching, shifting suspicions, red herrings and revelations.

For Halina Reijn, director of *Bodies Bodies Bodies*, those conventions were a source of security and comfort, much as they are for audiences. "I felt the safety of the anchor of the closed-off constructs, and that was completely freeing," the Dutch actress-turned-film-maker tells me via Zoom from the roof of a house in The Hamptons, New York. "When you can lean on the puzzle, you have more time to focus on how to create your own dark, crazy vibe."

In her film, that vibe is "nihilistic", the characters shedding any veneer of kinship at the first sign of threat. "We are all beasts even though we're so enlightened and intellectual," she says. "When the WiFi cuts out, the monsters arrive."

This pessimism might have been a hard sell were it not packaged in such an entertaining form. "If you use a genre, you can reach a much bigger audience and then you can talk about our times and secretly spoon-feed them your darker ideas," she says. "We are all capable [of evil], so it's important to keep telling stories about it, and the murder mystery construct makes it more accessible than if it was *Who's Afraid of Virginia Woolf?*"

In the case of *Bodies*, not only more accessible, but almost tangible. For all its knowing, ever-escalating absurdity, the film also has a very real and spontaneous feel. The whodunnit typically leaves little room for authenticity (due to its heavy use of stock characters, explanatory dialogue and necessary trajectory), but for Reijn it was imperative to keep things "raw and truthful".

"It was constantly on my mind that you feel trapped with them, that you're looking for clues and don't understand what's going on," she says. "The genre works because it sucks you in. It [speaks to] our animalistic side of wanting to solve something."

An anecdote shared by Tom George illustrates this neatly: as a youngster he would watch whodunnits with a notepad, trying to beat Poirot to the punch. I ask if he thinks the immersive nature of the murder mystery has helped it compete with more sophisticated modes of storytelling. "In every film you're looking to get the audience to relate to the core characters but in a whodunnit there's an easy path: the [viewers] are literally trying to solve the case, so they're totally in lockstep with the [protagonists]."

Given his longstanding affection for the genre, I ask whether the archness of his film risks breaking the spell. "The film isn't about undermining its own stakes. It has to satisfy as a whodunnit in its own right, otherwise the audience feels short-changed," he says. "But it's taking advantage of tropes and structures to add a layer of self-awareness that gives it a contemporary feel, even though it's set in the 1950s."

Sam Rockwell and Saoirse Ronan in 'See How They Run' — Parisa Taghizadeh

George's efforts to give his film a distinctly modern feel extend beyond its modishly self-reflexive humour and sitcomy cadences. The costumes and the soundtrack were meticulously devised to echo the murder mysteries of the postwar era, even while taking liberties with colour and sound "to stop [anything] from feeling like a stuffy revisit of what's gone before." In this way, George has managed to steer the film away from the nostalgia trap that Kenneth Branagh fell into with his big-budget, big-moustache Poirot movies.

> The two films are driven by the conventions of clue-searching, red herrings and revelations

While the throwback nature of those films served only to make the whodunnit feel dated, a new crop of more original, more subversive whodunnits has helped refresh the genre. Old traditions are revitalised by being juxtaposed with zeitgeisty humour (as in *See How They Run* and TV series such as *The Afterparty* and *Only Murders in the Building*) or with social commentary, as found in *Bodies Bodies Bodies*' depiction of validation-craving youth culture, and the biting satire of affluent white America in Rian Johnson's *Knives Out*.

Jamie Lee Curtis in 'Knives Out'

The immense box-office success of the latter (which persuaded Netflix to pay $469mn for two upcoming sequels) shows that there is still a healthy appetite for whodunnits. But could the genre's popularity be undercut by the ever-increasing popularity of true crime, which offers viewers meatier, real-life stakes?

"More often than not, in my experience, true crime leaves you wishing for more of a story or complexity. There's a saturation point at which all those [procedurals] start to sound the same," says George, sounding almost like Köpernick. You've seen one true crime series, you've seen them all. "There will always be a place for the narrative version."

'See How They Run' and 'Bodies Bodies Bodies' are in cinemas from September 9

Survival in a game of agonising choices

GAMING

Tom Faber

The year is 1982 and the fictional Soviet-style country of Arstotzka has just opened a border checkpoint in the war-torn city of Grestin. In this time of high political tension, I've been appointed by job lottery to work in the immigration booth. I trudge through the grey streets on my first day and see a long queue of people waiting to enter the country. Already weary, I lean into the tannoy and call "next!"

These first moments of Lucas Pope's breakout indie game *Papers, Please*, first released in 2013 and launched on mobile this month, will seem unusual to players raised on action games. How could this gloomy exercise in bureaucracy be anything other than tedious? Play for an hour, though, and you'll discover one of gaming's most politically incisive, startlingly original experiments.

On the surface, my job in the immigration booth seems simple: check that each applicant's papers are in order and then decide whether to accept or reject them. I must look for discrepancies in their documents and at first often miss small details — a misspelt name, or passport numbers that don't match up. But the more I play, the better I get and the more satisfying it feels.

Each morning I receive a telegram imposing Byzantine new rules about who is permitted to enter Arstotzka. On one day I must reject all applicants from the neighbouring state of Kolechia, on another foreigners are suddenly required to bring an "entry permit" meagre wages. Do I pay for food or heating today? I can't afford both. Before the end of the first week my son falls sick from the cold and I cannot afford medicine. He dies, and I return to work the next day. In *Papers, Please* you must choose between responsibility to your family, your job and your conscience.

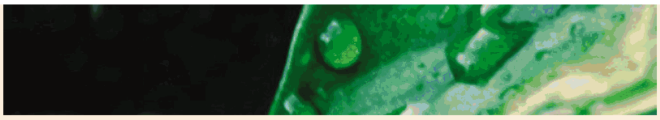
The characters who enter my booth pose interesting conundrums. There's a secret organisation that wants you to join them in working to destabilise the government. Elsewhere a woman asks me not to allow entry to a dangerous man further back in the queue. When I see him, his papers are in order so I approve his entry. The following morning I see in the newspaper that she has been murdered. A common industry maxim says that "a game is a series of interesting decisions". Few releases take this to heart like *Papers, Please*.

> To keep my family alive, I find myself arresting applicants for even small infractions

Over time, I sense myself hardening. A guard gives me cash for detaining people rather than simply turning them away. In order to keep my family alive, I soon find myself arresting applicants for even small infractions. This game ruthlessly confronts us with our own capacity for inhumanity. Behind this lurks another idea: how the structure of an authoritarian state can reduce a person's sense of moral responsibility for their actions. If Hannah Arendt had made a game to explore the banality of evil, it would look something like this.

It is impossible not to reflect on contemporary geopolitics while playing *Papers, Please*. The stories from my booth evoke the Syrian refugee crisis, Trump's "Muslim ban" and the British plan to deport refugees to Rwanda. There is even a pandemic and I must start checking that applicants have the correct vaccination certificates. The game expertly shows how society's most urgent questions play out at the border.

As Christmas approaches, I go rogue. Hearing of an upcoming audit, I forge passports for my family and flee to neighbouring Obristan. This is just one of the game's 20 possible endings. Now for the first time I'm on the other side of the booth, standing in line nervously, clutching fake paperwork. I am praying that when Obristan's inspection officer gets to me, he will see more than a sheaf of papers. That he will see my hardships, my tiredness, the difficult choices I've had to make. That he will look me in the eyes and see that I am human.



instead of an "entry ticket". These changes add challenge to my daily tasks and infuriate prospective migrants. Yet I have no choice but to enforce this inscrutable bureaucratic system.

Why do I have no choice? Because at the end of each day I go home to my family and must decide how to allocate my

'Papers, Please' is a startlingly original experiment

FT BIG READ. HEALTH

Some doctors believe the aftershocks are leaving people susceptible to a wide range of conditions, posing a threat to global health systems that are already struggling with poor resources and ageing populations.

By Sarah Neville

The Covid aftermath

When Dr David Strain encountered a 64-year-old patient on his ward round, the British geriatrician had a bleak epiphany.

Less than six months earlier he had treated the man for Covid-19. Now, his deterioration was painful to witness. "He came in with a stroke and really bad delirium, a precursor of dementia," Strain says. "I saw the patient, recognised him [and] recognised the fact that his brain had dramatically aged."

By unsettling coincidence, the same day Strain, who is based at the University of Exeter in England's west country, had read a newly published study which identified significant brain shrinkage in a cohort of about 400 people aged between 51 and 81 who had recovered from coronavirus.

The encounter crystallised Strain's belief that Covid generated a kind of epidemiological aftershock by leaving people susceptible to a huge range of other conditions, threatening global health systems already struggling with insufficient resources and ageing populations. "This is something that we're going to be facing in a really big way in the near future," he says.

As he started to see a rise in certain conditions in the first year of the pandemic, Strain assumed it was the result of people having been unable or unwilling to access healthcare. Only as the

Dr David Strain says: 'The level of damage that's been done would be as if everybody decided to take up smoking'

pandemic entered its second year did he begin to suspect that Covid itself could be increasing vulnerability to other serious illnesses.

He now sees it as an inversion of the huge drop in respiratory illness doctors saw from the 1980s onwards, when millions either stopped or reduced smoking. "The level of damage that's been done to population health [during Covid], it would be as if everybody suddenly decided to take up smoking in one go," Strain says.

While more data will accumulate in the coming years, there is already evidence to back up his concerns. A Financial Times analysis of data from the UK's NHS, one of the world's richest health data sets, showed significant rises in deaths from heart disease since the start of the pandemic in all but the very oldest age groups. In the 40-64 age group, heart attack deaths increased 15 per cent in 2021 compared with 2019.

In February, meanwhile, an analysis of more than 150,000 records from the national healthcare databases at the US Department of Veterans Affairs suggested that even some people who had not been seriously ill with Covid had an increased risk of cardiovascular problems for at least a year afterwards.

Researchers found that rates of many conditions, such as heart failure and stroke, were substantially higher in people who had recovered from Covid than in similar people who had not been infected. A separate analysis of VA data, published in March, suggested that in the "post-acute phase" of the disease, people with Covid "exhibit increased risk and burden of diabetes".

"What's particularly alarming is that these are really life-long conditions," says Dr Ziyad Al-Aly, chief of research and development at the VA St Louis Health Care System and clinical epidemiologist at Washington University in St Louis, who led both pieces of research.

While just 4 per cent more people contracted heart failure following a Covid infection than those who had not been infected, "because the number of people infected with Sars-Cov-2 in the world is colossal, even small percentages will translate into huge absolute numbers.

"Will it be sufficient to elevate the burden of chronic disease and subsequently put an additional strain on healthcare systems? We think the answer is yes," he adds.

Some researchers caution it is too

Bringing healthcare closer to where people live with telemedicine, nursing programmes and community health workers could be key to countering the effects of the pandemic
FT montage: Getty Images

whether from the increased propensity to contract serious illness after Covid, or from the lingering impact of long Covid, or a backlog of patients. At the same time, many healthcare workers have burnt out, or were lost fighting the pandemic on the front lines. "Our capacity may be shrinking at a time when the demand in the population is increasing," warns Eric Schneider, an executive vice-president at the National Committee for Quality Assurance, a non-profit organisation that focuses on improving healthcare quality.

This combination of rising disease levels and scarce resources is forcing medical professionals to re-evaluate the way they practise medicine, putting a greater emphasis on preventive care, collaborative working, and telehealth to manage chronic disease and boost population health.

Given the many challenges "it's impossible to square the circle unless we are prepared to very fundamentally rethink how we deliver healthcare," says Jeremy Lim, director of the Leadership Institute for Global Health Transformation at Singapore's NUS Saw Swee Hock School of Public Health.

'The whole patient'

Many of these changes were under consideration before the pandemic struck, especially in countries with ageing populations. But the crisis has accelerated their implementation while also serving as a kind of large-scale demonstration project for the advantages of a different approach.

One lesson the pandemic has taught, say experts, is the degree to which different conditions intersect, and how that affects patients' potential to recover. "I do think the connection between chronic disease risks, like diabetes and obesity, and infectious disease outcomes, which people knew abstractly, [has] become so tangible during Covid that it is breaking down some of those barriers," says Murray.

For infectious diseases specialists like himself, he says, the past two years had increased awareness that "you have to think of the whole patient. You can't think of managing pandemics, or infectious threats, as distinct from good management of primary care and general health of the community and patients."

The effect of that may be greatest in middle-income countries, he argues, where "a lot of health policies are still focused on maternal and child health and infectious disease. And now the connection to diabetes, heart disease and chronic conditions is so obvious that we will see more health system interest and attention on tackling those issues," he says.

Even in the rich world, however, Covid has created a new understanding of the different elements that contribute to keeping people healthy. This spans not simply medicine in its conventional sense but nutrition and decent housing, for example.

Dr Katrina Armstrong, who heads Columbia University's Irving Medical Centre, says over the past 20 years of her career, "one of the challenges in medicine has been this division between people who say 'we're public health people', and then people who say 'we're healthcare'. I think the revolution that is happening is that we are truly bringing those pieces together."

After more than two years in which doctors and nurses had witnessed their patients' home lives through a telemedicine screen "we are starting to see so many people be able to really understand the context around their patients and really engage with every part of the healthcare team," she says.

Armstrong believes that part of the solution to keeping people fitter lies in bringing healthcare closer to where they live — using telehealth, nursing programmes and community health workers to reach patients in their homes.

Columbia is also rethinking how to educate the next generation of doctors. Medical students now spend more time outside the hospital, undertaking stints in the community. A team approach is encouraged, in order to break down the barriers between different specialisms and categories of staff.

Similar lessons have been absorbed in Europe, building on the ethos established during the pandemic when normally rigid lines between different specialisms blurred.

Björn Zoëga, chief executive of Sweden's Karolinska University Hospital, one of the continent's biggest teaching hospitals, says that in a highly specialised institution such as his, "you have a lot of silos".

However, at the height of the pandemic, "in the [intensive care unit] we had plastic surgeons staying in the dispensary taking out the meds for the nurses because they could not operate," he adds. "One of the things that we want to keep working on now, post-Covid, is that collaboration, that team work."

Educating and empowering

As they cope with rising demand, many health systems will have little choice but to use existing staff more flexibly. Even before the pandemic, experts calculated that the world was 6.4mn doctors and almost 31mn nurses short of the numbers needed to provide safe and high quality care.

In this context, ensuring resources meet demand may entail a more organised system of risk stratification, with patients' individual vulnerabilities cal-

'You can't think of managing pandemics, or infectious threats, as distinct from good management of primary care and general health of the patients'

highly qualified staff would then have more time to care for the patients whose conditions really warranted it.

Patients would in turn need to be educated to take responsibility for their own health, he argues. But healthcare professionals, policymakers, patients and citizens would all have to align around the new approach to avoid "fear and resistance", he warns.

Some patients may struggle with this notion of empowerment. At Columbia, Armstrong says the pandemic taught her how many patients without health insurance relied on informal networks of support, whether from nurses at urgent care centres, pharmacists or family members. The pandemic had frayed these support structures, revealing a big gap in patients' ability to care for themselves.

"When people came in, we kind of talked at them, sent them home and assumed it was all going to be OK [but] you really have to have basic health literacy to survive in this new world order," she says.

In Singapore, Jeremy Lim acknowledges that structures must be kept in place for those who, perhaps for reasons of disability or discomfort with technology, are not able to take their health destinies into their own hands.

Yet even if only 50 per cent of patients were able to take charge in this way, "that means that there's 50 per cent of the resources freed up to care for those patients who otherwise would have gotten five minutes with a doctor when they should have gotten 35," he says.

As an example, Lim pointed to patients who would previously have visited their family physician four times a year for blood pressure checks but could now take their own measurements automatically via their phones, with the

Jeremy Lim says that structures must be kept in place for those who are not able to take care of themselves

result uploaded to a system that a doctor or nurse could track remotely. An algorithm would flag up outliers.

One of the big discoveries of the pandemic was that technology and self-testing are key to enabling health systems to cope with a workforce that does not rise in line with demand, he says.

The calculus had shifted during the Covid crisis, moving the sector closer to the model of financial services, in which physical visits to a bank are reserved for complex transactions, with more quotidian needs met online. "Over the last two and a half years we have learned which types of health conditions are amenable to telemedicine, [for] which types of diseases patients can actually self-help," Lim says.

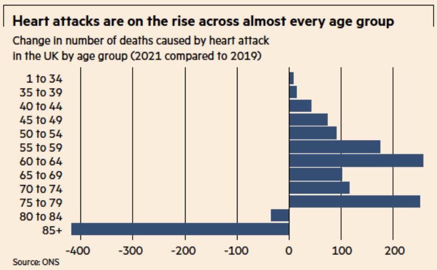
Far from being a solution that was only practicable in wealthier countries, "I would argue it needs to happen in the developing world even more because resources are more constrained. The rich world has the luxury of being inefficient to some extent, but the developing world has no choice but to be clever."

Even as health systems around the world adjust to what many fear will be an era of structurally higher demand for healthcare, researchers and clinicians remain divided on how irrevocably the landscape of illness has been reshaped by Covid. The IHME's Murray believes that more data is needed to draw firm conclusions. "What will the future trajectory for people's health be once we come out of Covid? Will it look very different? That's the question. And that's the part that I think still remains to be proven," Murray says.

Gwenaëlle Douaud, associate professor at Oxford university's Nuffield Department of Clinical Neurosciences who led the study on brain shrinkage that shocked Strain, agrees that it is too soon to make predictions. "Some of these impairments — cerebral and cognitive — may partially normalise in time," she says. "Ultimately, this is something only extensive follow-up studies will be able to tell us."

But, as he prepares to publish further findings from his scrutiny of the VA early to draw broad conclusions from limited data. Dr Christopher Murray, director of the Seattle-based Institute for Health Metrics and Evaluation (IHME), says the increases might also reflect inconsistencies in reporting. In the first year of the pandemic, for example, many of the deaths in older people had been assigned to dementia when they may in fact have been due to undiagnosed Covid, which had a high death rate in the very elderly. "Disentangling that is quite tricky", he says.

But although the evidence is still coming into focus, it is already becoming clearer to clinicians and health leaders in medical systems around the world that they are coping with a higher burden of disease in the population —



culated before decisions are taken, not only about their treatment but the level of healthcare professional who should provide it.

Dr Xavier Cos Claramunt, a Barcelona-based general practitioner and diabetes researcher, who chairs Primary Care Diabetes Europe, believes that resources are no longer sufficient to give every patient the same level of follow-up. Far more precise assessments of individual risk will be required, perhaps involving the use of artificial intelligence to interrogate big data sets.

In some instances, this could mean patients working with "coaches" rather than clinical staff to look after their health, perhaps with the support of wearables-type technology. The most

database, Al-Aly is in no doubt that clinicians and society at large will be dealing with the after-effects of Covid in perpetuity. "This is not something that will go away in a week, in a year, or two, or three. This will reverberate with us for generations," he says.

In Singapore, Lim says that healthcare is "front and centre of many governments' and many global agencies' agendas". Whether that meets the world's health needs in the aftermath of the pandemic is another matter, he warns. "If our tools to address healthcare demand don't change, if our models of care don't change, then let's just say we're in a for a very bumpy ride."

Data research and analysis by Federica Cocco

The FT View

FINANCIAL TIMES
'Without fear and without favour'

ft.com/opinion

Chile's draft constitution is seriously flawed

The successful emerging market deserves a better bill of rights

Chileans vote on Sunday on whether to adopt a radical new constitution. At stake is the economic model of one of the world's most successful emerging markets. The omens are not good.

Over the past three decades, Chile was widely touted as an example. Investors loved its steady growth, stable and predictable laws and technocratic government. But the impressive economic numbers and reductions in poverty hid major flaws. Inequality remained high and public health, education and pensions inadequate. A class-ridden society and an economy dominated by traditional families limited opportunities for those not born into wealth.

Student protests bubbled up in 2006 and again in 2011-13. In October 2019, public anger boiled over, with weeks of sometimes violent demonstrations. A government promise of a new constitution to replace the current dictatorship-era document helped persuade protesters to abandon the barricades.

Chileans entrusted the drafting of a new charter to a special assembly elected in 2021. Most citizens hoped for a document to preserve prosperity but tilt the balance towards a stronger state to improve public services and distribute wealth more fairly. That did not happen. Chosen on a low turnout during the pandemic, the constituent assembly was dominated by the hard left. A large faction of "independents" turned out to be radical activists. The body proved unrepresentative of Chilean society, which is balanced between left and right, and generally shuns extremes.

After a year of sometimes chaotic deliberation, the assembly produced its draft. It is not brief. The new charter runs to 388 articles and 57 transitional clauses. It would be one of the world's longest constitutions, yet one of its most vague. The state, for example, would "recognise and promote intercultural, horizontal and transverse dialogue between the diverse cosmovisions of the peoples and nations".

A long list of government responsibilities extends to developing Chile's culinary heritage and establishing regional media. The state would guarantee citizens' rights to develop their personalities and life projects. Overall, the charter reads more like a lengthy political manifesto than a succinct distillation of fundamental rights.

Worryingly for business, the document erodes property rights and would Balkanise Chile into a "plurinational, intercultural, regional and ecological" state, including autonomous territories with their own justice systems. It replaces the senate with an emasculated "chamber of regions", removing vital checks and balances. Chile is the world's biggest copper producer and its second-biggest exporter of lithium. But the draft charter creates so much legal uncertainty that it risks deterring the big investments needed for new mines.

> Alarmed by its radicalism and suffering a sharp economic downturn, Chileans have turned against the new charter

Alarmed by its radicalism and suffering a sharp economic downturn, Chileans have turned against the new constitution. Polls show a slim majority rejecting it (though their reliability is unclear). Gabriel Boric, the country's leftwing president, is in favour but has promised amendments. This would not address the biggest problem: that the draft lacks the broad support needed for a foundational document. Investors have given their verdict: Chile's currency devalued faster in the year to July than any of its regional peers, a trend exacerbated by the weak copper price.

There is broad consensus in Chile that a new constitution is needed. This deeply flawed draft is not the solution. Instructing Congress to appoint a fresh constitutional convention would be a better course. That would be more likely to deliver the future prosperity and fairer society to which Chileans rightly aspire.

Opinion Environment

Turn private jets into a green testing ground

Ana Yael

Pilita Clark

The holidays are over, the billionaires are back and a private jet in one mogul's company has just emitted as much carbon dioxide in a single day as the average French car does in a decade.

So said a post the other day from "I Fly Bernard", one of a new breed of social media accounts that has sprung up in France to highlight what private jets are costing the planet.

The Bernard refers to Bernard Arnault, head of the LVMH luxury group, though that particular post was about a jet belonging to the business of media tycoon, Vincent Bolloré, which did not respond to a request for comment.

Both men belong to a tiny club of the super-rich that is responsible for an outsized share of carbon emissions, as "I Fly Bernard" points out. And that

> The entire sector only represents around 3.5 per cent of the warming impact caused by humans

message is resonating with unusual force right now as France lurches from a scorching summer of wildfires to the threat of a winter energy crisis so dire that people are being urged to embrace "energy sobriety". With out-

much difference to the climate as you might think. These flights only account for about 4 per cent of global aviation emissions, which in turn made up only 2.4 per cent of global CO_2 emissions in 2018.

That 2.4 per cent is not nothing. If the aviation industry were a country, research suggests its total emissions would have ranked number six in the world between Japan and Germany in 2019. Still, even when you take nitrogen oxides and other non-CO_2 aircraft pollution into account, the entire sector only represents around 3.5 per cent of the warming impact caused by humans, scientists estimate.

The problem lies in the explosive rise of flying, which was driving the highest and fastest growth of individual emissions before Covid struck — plus the industry's sluggish pace of decarbonisation. Electric or hydrogen-powered planes are years away from widespread commercial use and truly green versions of aviation kerosene are expensive and scarce.

Countries that lobbied fiercely against EU efforts to regulate their airlines' pollution a decade ago have since agreed to a global aviation carbon offsetting scheme that will shock if it proves to be effective.

But what if private jets are the answer to this unpromising situation? Instead of banning them, should regulators turn them into a testing ground for a greener aviation future?

This elegant idea comes from a 2021 report by Transport & Environment, a European group that has spent more than 30 years campaigning for cleaner transportation, often successfully.

The study says private jet owners are worth an average of €1.3bn, so they can afford to finance the develop-

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Only BoE intervention can save the economy from meltdown

There has been much discussion of the impact of increasing energy costs on households and the impossibility for many of settling the sums that will be demanded of them ("Millions face energy poverty as household bills set to surge 80%", Report, August 27).

We share those concerns but are as worried that in this debate the wider impacts of energy price rises, interest rate increases and other causes of inflation are being ignored when consumer confidence, which is predictive of recession, is now below levels seen since the series started in 1974.

Households that cannot pay for energy, food, their rent or mortgages will stop spending on everything else. The knock-on effect of that on the retail, leisure and hospitality sectors will be significant. Many companies will fail. It is likely that millions of jobs will be lost. Mortgage repossessions and tenant evictions will increase. Public services in education, health and care will also be drastically impaired due to rising bills. The likelihood of recession on a scale not seen since the 1930s is very high.

None of this is necessary. In 2008 and 2020 economic crises were averted using government-created money and the Bank of England's quantitative easing process. Interventions on those occasions were of £150bn or more. It is quite likely that a further £200bn will be necessary in the coming year if the meltdown of our economy is to be avoided. Intervention on such a scale, coupled with cuts in interest rates, energy price reform, nationalising energy supply and investment in new technologies could save us from the catastrophe currently awaiting us. Not much else can.

David G Blanchflower
Bruce V Rauner Professor of Economics
Dartmouth College, Hanover, NH, US
Lord Sikka
Emeritus Professor of Accounting
University of Essex, Colchester, UK
Richard Murphy
Professor of Accounting Practice
Sheffield University Management School
Sheffield, South Yorkshire, UK

Hit Russian tourists with leaflet campaign, not a ban

Regarding your leader entitled "Europe should not shut its doors to Russian tourists" (FT View, August 29), would it not be easier for EU states to publish a short bullet-point leaflet to be handed out at border crossings, hotels and petrol stations, explaining why the west likes Russia as a people, has fought alongside Russians in the defence of freedom, has not actively threatened Russia in the past 40 years, welcomed many Russians as immigrants and greets them as holidaymakers — despite the Ukraine war?

Such a leaflet would force ordinary Russians to ask themselves why Europe is enduring economic hardship, accepting millions of refugees and paying for arms for Ukraine's defence.

Maybe (and probably) this would be seen as propaganda. But there is an outside chance the message might get through, if constructed in the right way. Indeed Russians might even take these leaflets home with them, photocopy them and send them on to their friends.

If this campaign takes hold, it might be Vladimir Putin who stops Russians from travelling and then they really would dislike him. We can but dream!

Peter Brooks
Damerham, Hampshire, UK

Dutch PM is wrong not to restart Groningen gasfield

Last week, natural gas prices in Europe reached a peak equivalent to $571 per barrel of oil (Report, August 27).

At this level, I calculate it will cost the EU over €1tn or around 8 per cent of its gross domestic product annually. The impact is of an order of magnitude

research suggests that the stress costs five to 21 lives per year.

Mark Rutte, the Dutch prime minister, said in May that the effect of having the Groningen gasfield in full operation again would be limited. The gas price proves otherwise. It has tripled due to Russia's Nord Stream 1 "maintenance".

Rutte also said he had not received any official foreign requests to change policy, so reopening was not considered. The invitation is clear! And don't forget to appeal to the good citizens of Groningen as well.

Chris Mulder
Former Staffer, IMF, World Bank and Dutch Finance Ministry
Warten, The Netherlands

Britain has chance to forge new set of net zero policies

Pilita Clark is correct to say net zero policies are not the cause of the

It's time for less froideur and more realpolitik

Duncan Weldon believes that Britain has no good options to ease its pending economic hardship ("Britain has no good options with the threat of recession looming", Opinion, FT Weekend, August 6). Much of the burden is due to inflation caused by rising prices for energy and global commodities.

But unencumbered by EU diktats, could Britain not use its newfound freedom to do a deal with Russia on energy and raw materials? One can militarily support another country without shooting oneself in the foot. While the UK and Ireland were at loggerheads over Northern Ireland, even during the darkest times of the 30 years of Troubles, trade happily continued between the countries.

Indeed, the current situation with Russia is not unprecedented. After the Bolsheviks seized power following the October Revolution of 1917, the international allies, Britain included, implemented economic sanctions against Russia and funded the White side of their civil war.

By early 1920, the high price of commodities had damaged the UK economy and so trade was resumed. The froideur continued but not at the cost of the UK economy.

Is it time for realpolitik, before we all freeze and lose our jobs this winter?

Anna Mackey
Dublin, Ireland

Leaving the last word to the great Roman orator

I felt profound disquiet on reading Stefan Stern's column about Jeffrey Pfeffer's book *7 Rules of Power* ("The stark truth about management and

Cabinet has duty to bring capricious leaders to heel

Sebastian Payne makes a compelling case for the new prime minister to appoint an ethics adviser (Opinion, August 26).

The role is crucial to the credibility of government and to its efficiency. But while essential, such an appointment is not sufficient. Cabinet too has a duty to hold its senior members to account. Even Winston Churchill, at his most capricious, could be restrained by the wisdom of his peers.

In October 1940, the Sunday Pictorial demanded the dismissal of "Old Failures and Old Blunderers" following the failed Anglo-Free French mission to Dakar.

The newspaper declared doom for the age of "crusty colonels" and "stinted Tories". Churchill was incensed. He accused the Sunday Pictorial and its sister paper, the Daily Mirror, of journalism "so vicious and malignant" that it would be indecent if applied to Nazi Germany.

Churchill sought his cabinet's agreement to close the titles using emergency powers. Herbert Morrison, then home secretary and Lord Beaverbrook, minister of aircraft production, persuaded the prime minister to reconsider.

The most brilliant and courageous ethics adviser would have struggled to achieve this outcome.

Professor Tim Luckhurst
Principal, South College
Durham University, Durham, UK

Who needs a wendigo if you've got Boris as leader

Harvey Clark Greisman ("Why stop at tigers — what about mythical beasts?", Letters, August 25) says the mythical embrace "energy sobriety". With outrage building among non-billionaires, France's transport minister has called for private jet flights to be restricted and the head of the country's Green Party is urging an outright ban.

Resentment is also growing in the US, where sites that have long tracked city-hopping celebrity flights are suddenly being used to flight shame as evidence of climate extremes rises. Kylie Jenner, the reality TV star, was branded a climate criminal after one site showed her private jet taking a flight of just 17 minutes in July, the same month the US reeled from record-breaking heatwaves and blazing wildfires.

Public anger about the carbon-belching elite is understandable, though the elite's lifestyles are scarcely news. Researchers showed years ago that the world's richest 10 per cent accounted for more than half the emissions growth between 1990 and 2015. And before the pandemic, just 1 per cent of people were causing half of all passenger flight emissions.

Yet if private jets were banned tomorrow, it would not make nearly as they can afford to finance the development of technologies such as green aircraft. Also, the first electric or hydrogen planes will only carry a few passengers over relatively short distances, which is what most private jets do.

Adding these two factors together, the report recommends that a ticket tax of at least €3,000 should be slapped on all private flights departing from Europe. The money raised should be used to fund greener alternatives and by 2030, regulators should require private planes taking flights of less than 1,000km in Europe to be powered by green hydrogen or electricity. The industry will moan of course. But it has had a good run for a long time. Flying has enjoyed decades of light taxation, even when it's done in a private jet that is up to 14 times more polluting than a commercial aircraft per passenger.

Banning private jets would make a lot of people happy but in fact, it may well be better for the climate to keep them in the air.

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The impact is of an order of magnitude greater than the 1973/74 oil price shock, and the effect is far worse for the EU than the EU's sanctions will be for Russia. Indeed if Russia manages to charge these prices to its remaining customers it can pocket a windfall of about half of its current government revenues to support its war.

Just 10 years ago the Dutch were pumping about 50bn cubic metres of gas annually, mostly from their Groningen gasfield. This is as much natural gas as was flowing through the massive Nord Stream pipelines until Russia halted the flow last week. Back in 2018, after years neglecting complaints about earthquake damage, the Dutch government decided to close the Groningen field, at the time Europe's largest.

The Groningers, the locals, were angry and understandably so. Earthquake repairs are still done at a snail's pace. Of the hundreds of billions it earned the Dutch exchequer, the government paid the Groningers in compensation the equivalent of just 0.33 per cent of national tax revenues. While direct deaths were avoided,

zero policies are not the cause of the current energy crisis ("Gaslighting finds new meaning in energy crisis", Opinion, August 24).

They are, however, the latest in a long series of dysfunctional energy policies promoted by successive UK governments and make it more difficult to respond to the crisis.

Hopefully, our next prime minister will be honest enough to admit that government cannot predict when or how the war in Ukraine will end or, therefore, when and how the energy crisis will be resolved. The consequence of these unknowns is that there can be no clarity about the best way to deliver net zero. Even if that is not admitted for political reasons, hopefully our new government will have learnt in recent months that transitioning sources of energy supply at scale is difficult, expensive, can bankrupt individuals and companies and leave countries highly indebted.

It will then be able to produce a new set of net zero policies that are technically deliverable and affordable.

Alan Hearne
Woodstock, Oxfordshire, UK

stark truth about management and power", Work & Careers, August 29) in light of the immense harm done by Donald Trump and countless others of his ilk — who apparently are held up as examples of the efficacy of this system.

Do the ends really justify the means, as Pfeffer suggests? Cicero had this to say on the subject: "Thus this error of wicked human beings must be arrested: when something that seems to be expedient is immediately separated from what is honourable. Hence daggers, hence poisons, hence forged wills, arise; hence theft, embezzlement, pillaging and plundering of allies and citizens; hence longings for excessive influence, for intolerable power, finally, even for rule over free political communities, emerge — longings more foul or loathsome than which one cannot conceive. For while these people see what is to be gained from such false judgments, they do not see the penalty — I do not say of the laws, which they very often escape — but of disgrace itself, the harshest penalty."

Damien Morris
Perth, WA, Australia

Letters, August 25) says the mythical wendigo, which he suggests could be created by scientists, has only appeared once in literature. That depends on whether he regards "Fantasy" and "Science Fiction" as literature. I'm sure Mercedes Lackey wrote a short story about such a beast. In it, the beast was a shape-shifting creature which could not be killed, only outwitted.

Although would that not be a description of the current UK prime minister?

In which case, Greisman's suggestion of creating one becomes unnecessary.

Mike Pugh
Woodford Green, Essex, UK

These FT readers should probably stop digging

I assume FT readers who want to "reopen the coal mines" (Lex, August 27) won't be volunteering themselves for chthonic labour. Reactivating deep mines would entail grim and unhealthy jobs for humans. However, perhaps, robots could be thus employed.

Michael Zehse
London SE15, UK

Opinion

Why Biden and Starmer keep beating the critics

POLITICS

Janan Ganesh

As the waters closed over him at Manchester United, José Mourinho showed three fingers to a group of impertinent reporters. He was comparing his haul of Premier League titles with that of the 19 other coaches in the division. "Three for me. Two for them. Respect. Respect, man."

Now there is a speech on British soil that Joe Biden *should* plagiarise. Often treated as a figure of fun, he has been on three winning presidential tickets. He led the 2019-20 Democratic primaries almost from start to finish, even as opinion-formers preferred Elizabeth Warren, Pete Buttigieg, Kamala Harris, Bernie Sanders and almost any bipedal mammal in the vicinity. This summer, he has salvaged a failing presidency with major climate legislation. His approval rating is up. He isn't a Lincoln, no. He is not even a Clinton. But his reputation as an affable klutz dies harder than it should.

At a given time, the reigning US Democrat and UK Labour leaders will resemble each other. John F Kennedy and Harold Wilson were slick but shallow icons of generational change. Jimmy Carter and James Callaghan were decent plodders in difficult times. Bill Clinton and Tony Blair were silver-tongued centrists. The pattern goes back to those modest men with much to be immodest about: Harry Truman and Clement Attlee.

Well, Biden and Keir Starmer are of a piece, too. Each has a low-to-middling reputation that belies the weight of evidence. Two years ago, the cognoscenti wondered how a man who so bored them could save Labour from terminal crisis. They now scold him for being mere favourite, rather than a racing certainty, to win the next election. From the derisive way he is still discussed, you wouldn't know that Starmer has bucked all expectations. Or that he has done so despite losing his first year to a pandemic that made an irrelevance of Her Majesty's Opposition.

> The elite liberal and the heartland populist are part of the same club: the politically obsessed

What is going on here? More, I think, than the same random error in two countries. It is the atomisation of modern life.

Imagine that you are a pundit or some other kind of liberal politico. Your education has deracinated you from home town and less-lettered parents. Or it has made patriotism seem a tad silly. Something has to fill that void of belonging. It turns out to be partisan tribe. Politics being no mere interest now, but a source of identity, you crave less a leader than a messianic shepherd to your flock. And so you over-index such things as passion, vision, rhetoric and romance. You develop a blind spot for the electoral power of well-meaning blandness.

I am picking on elites, here, but a Donald Trump fan in a diner isn't so different. The atomising force there might be the decline of unions. Or of religion. (The rise of American partisanship more or less tracks the drop in church membership.) It amounts to the same thing: a need for human communion through politics, for inspirational leadership. And an incomprehension of those with no such need. Whatever their enmity, the elite liberal and the heartland populist are part of the same club: the politically obsessed.

No wonder, then, that Biden and Starmer are underestimated. Swing voters aren't as weird and needy as committed ones. They are at ease with the idea that each election pits a lesser against a greater evil. They don't notice politics the rest of the time, much less use it as a source of vicarious fellowship. And so a leader need not have star-power to woo them. It is enough to be someone they can just about live with.

Here is a truth that has been lost since 2008. Barack Obama won the White House because he was the blander of the two candidates. John McCain, his erratic rival, named an unserious running mate. Out of some mystifying principle, he suspended his campaign when Lehman Brothers fell. He was a military interventionist in a war-scarred nation. "Hope and change", it is true, secured Obama the Democratic nomination. But the "no drama" side of him clinched the larger prize.

People forget the golf-playing innocuousness of Dwight Eisenhower, the caution and barely middlebrow inner life of Franklin Roosevelt. As for Attlee, the one postwar UK premier who can look Margaret Thatcher in the eye, name one vivid thing he said. When Starmer is called a visionless bore, or Biden a lifelong mediocrity, I hear only votes rolling in. Because so many people seek some kind of rapture in politics, they forget that an electorally decisive number of voters still don't. Diligent, unprepossessing, best-of-a-bad-bunch candidates have long thrived in politics. What is new is the surprise when it happens.

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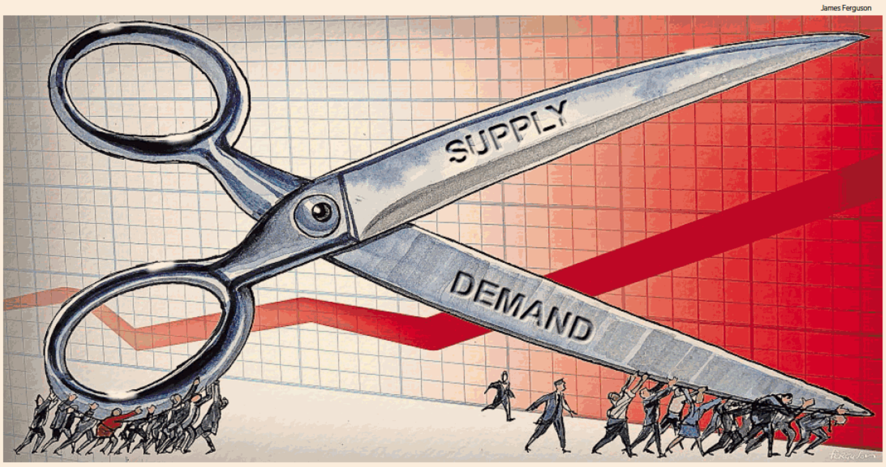
We must prepare for tough times

Martin Wolf Economics

Central banks are playing catch-up but they cannot tackle the energy shock directly

James Ferguson

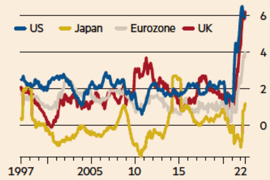


Central banks are determined to bring inflation back under control. This was the message from Jay Powell, chair of the Federal Reserve, and Isabel Schnabel, an influential member of the board of the European Central Bank at the Jackson Hole symposium last week. So, why were the central banks so insistent on this message? Are they right? Above all, what might it imply for future policy and the economy?

"Reducing inflation is likely to require a sustained period of below-trend growth . . . While higher interest rates, slower growth, and softer labour market conditions will bring down inflation, they will also bring some pain to households and businesses. These are the unfortunate costs of reducing inflation. But a failure to restore price stability would mean far greater pain." These were the words of Powell. Again, Schnabel argued that central banks must act decisively, since expectations risk being de-anchored, inflation has been persistently too high, and the costs of bringing it under control will rise the longer action is delayed. There are risks of doing too much and of doing too little. Yet "determination" to act is a better food) has been above target for a prolonged period. Of course, this unhappy outcome has much to do with a series of unexpected supply shocks, in the context of the post-pandemic shift towards consumption of goods, the constraints on energy supply and now the war in Ukraine. But the scissors have two blades: demand, as well as supply. Central banks, notably the Fed, persisted with the pandemic's ultra-loose policies for too long, though US fiscal policy was also too expansionary. (See charts.)

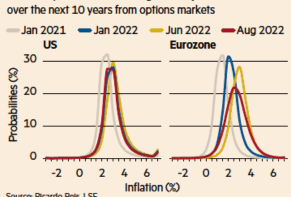
In an important analysis, Ricardo Reis of the London School of Economics points to four reasons why this happened. First, central banks repeatedly interpreted supply shocks as temporary interruptions, not quasi-permanent hits to potential output. Second, they misread short-term expectations, focusing too much on the mean rather than the shift towards higher expectations at the upper edges of the distribution. Third, they tended to view credibility as an infinitely deep well, instead of a shallow one that needs to be refilled promptly. Thus, they failed to note that the distributions of long-term inflation expectations were also shifting against them. Finally, their belief in a low neutral rate of interest led them to worry too much

Even core inflation is far above target in the US and UK
Annual % change in core* consumer prices



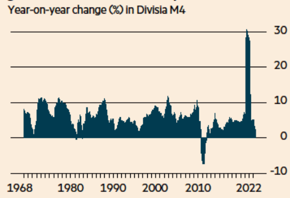
* Excludes volatile items such as energy, food and tobacco
Source: Refinitiv

Investors' confidence in the stability of inflation has become somewhat unstable
Probability densities for average risk-adjusted inflation over the next 10 years from options markets



Source: Ricardo Reis, LSE

Bust follows boom in the growth of US broad money
Year-on-year change (%) in Divisia M4



Source: Center for Financial Stability

risk losing credibility and, if they did, the costs of regaining it would be far higher than of acting now. This fear is reinforced by the risks to wage inflation from the combination of high price inflation with strong labour markets. The fact that higher energy prices raise the prices of essentially everything makes this risk bigger. This could then start a second-round wage-price spiral.

They are right to take this judgment. A shift into a 1970s-style era of high and unstable inflation would be a calamity.

Yet there is indeed a risk that the slowdown in economies caused by a combination of falling real incomes, and tightening financial conditions will cause an unnecessarily deep slowdown. One part of the problem is that calibrating monetary tightening is particularly difficult today, because it involves raising short-term rates and shrinking balance sheets at the same time. A bigger one is that policymakers have not confronted anything like this for four decades.

In the US, there is a particularly optimistic view of "immaculate disinfla- argues that this would be unprecedented. The Fed has responded by saying that everything now is unprecedented, so why not this, too? In reply, the authors of the original paper insist that there is no good reason to believe things are that unprecedented. Think about it: how can one expect a general monetary tightening only to hit firms with vacancies? It is sure to hit firms that would then have to lay off workers, as well.

If the planned tightening of monetary policy is likely to generate a recession in the US, what might happen in Europe? demand will need to be curbed, too.

Monetary policy will play a part in the European story. But the core of its current crisis is the energy shock. Central banks cannot do anything directly about such real economic disturbances. They must stick to their mandate of price stability. But a huge effort must be made to shield the most vulnerable from the crisis. Moreover, those most vulnerable will include not just people, but countries. A high level of fiscal co-operation will be needed in the eurozone. A political understanding of the choice than "caution".

It is not difficult to understand why central bankers say what they are saying. They have a clear mandate to control inflation on which they have failed to deliver. Not just headline inflation, but core inflation (excluding energy and

about deflation and too little about the return of inflation. A central point is that these were intellectual mistakes. So, in my view, has been the lack of attention paid to monetary data.

In essence, central banks are playing catch-up because they fear that they

If the planned tightening of policy is likely to generate a recession in the US, what might happen in Europe?

tion", promulgated by the Federal Reserve. This debate focuses on whether it is possible to reduce labour market pressure by lowering vacancies without raising unemployment. An important paper by Olivier Blanchard, Alex Domash and Lawrence Summers

The answer is that the recessions there are likely to be deep, given that the energy price shock is so large. Here too, the balance between the impact on supply and demand is unclear. If the impact of higher energy prices on the former is larger than on the latter,

need for solidarity within countries and among them is a precondition.

A storm has come from Europe's east. It must be weathered. How best to do so will be the subject of future columns.

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War in Ukraine has shaken the EU's power dynamics

Sylvie Kauffmann

Addressing Finland's ambassadors in Helsinki a week ago, Sanna Marin, the country's prime minister, spoke highly of Estonia, the first European country to ratify Finnish membership of Nato. Then she made a rare admission: "Over the past decades, we could have listened to our friends in the Baltics more closely along the way in questions related to our common security and Russia."

That was music to the ears of Toomas Hendrik Ilves, who experienced first hand, as Estonia's president from 2006 to 2016, "the dismissive arrogance" of western European governments when officials of the young democracies of Eastern and central Europe tried to warn them about Moscow's objectives. That arrogance, Ilves says, "lasted until February 24" this year, when Russia invaded Ukraine. Now, as a result of the Russian invasion, power dynamics in the EU are changing. Member states formerly occupied by the Soviet Union, and geographically closer to Ukraine and Russia, are not only taken more seriously — they are also wielding more clout because their mistrust has been vindicated by Vladimir Putin's unprovoked war, and because their position as front-line states makes them strategically more important. This shifting of the centre of gravity is challenging the once almighty Franco-German tandem.

This trend has been obvious in the current debate over a visa ban for Russian citizens in the Schengen area. Ukrainian president Volodymyr Zelenskyy called for it; Poland, Finland, the three Baltic states and the Czech Republic have actively supported it. Kaja Kallas, Estonia's prime minister and an increasingly influential voice in the EU, made the strongest plea.

Germany opposed such a ban, as did

The shifting of the centre of gravity is challenging the once almighty Franco-German tandem

Josep Borrell, the EU's chief diplomat. The Czechs, who hold the rotating presidency of the EU, decided to put it on the agenda of the 27 foreign ministers meeting this week in Prague. The Lithuanian foreign minister, Gabrielius Landsbergis, threatened to craft a regional agreement if a deal was not reached. Eventually, France and Germany had to fight back and work towards a compromise.

This is not the old east-west divide, nor old Europe versus new. The war in Ukraine has upset existing coalitions. Viktor Orbán's proximity to the Kremlin has paralysed the Visegrad group, comprising Hungary, Poland, Slovakia and the Czech Republic. Poland and the Baltic states can now count on the support of Nordic countries such as Finland and Sweden, pushing Paris and Berlin on the defensive.

The shift actually started before the war in Ukraine. In June 2021, then German chancellor Angela Merkel suffered a major defeat when she failed to rally her European partners, with the exception of France, to a proposal for an EU-Russia summit with Putin. Kallas led the charge, backed by Poland, Sweden and the Baltic states.

This year, both Merkel's successor Olaf Scholz and French president Emmanuel Macron have faced harsh criticism — Scholz for his hesitations on weapons deliveries to Ukraine, Macron for his insistence on working the phones with Vladimir Putin.

Over the past few days both have felt the need to reaffirm their commitment to supporting Ukraine militarily "for as long as it takes", as Scholz put it in a speech in Prague on Monday that was strong on European defence and enlargement. On the same day, Macron welcomed Polish prime minister Mateusz Morawiecki for talks at the Elysée. This took no small effort on the French president's part for this was the same Morawiecki who, in an article published earlier in the month, had denounced the Franco-German partnership as a "de facto oligarchy", opposing any attempt to reform the EU's unanimous voting rule.

The Polish leadership may be wasting a golden opportunity to make its case. With its exemplary treatment of millions of Ukrainian refugees, its close relationship with Kyiv and its crucial role as a hub for military support to Ukraine, Poland could now exert major influence in the EU — provided it addresses its problems with the rule of law. In Prague, Scholz called for a "gradual transition" to majority voting, directly contradicting Morawiecki, as the EU grapples with the enormous task of integrating new members, including Ukraine, which was granted candidate status in June. For the time being, France and Germany still feel strong enough to resist Warsaw's challenge to EU treaties.

But there is another potential wild card. Victory for the far right in the Italian election on September 25 could see Europe's fluctuating power dynamics shift still further.

The writer is a columnist at Le Monde and fellow of the Robert Bosch Academy

Lex.

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China property: hardy perennial feels chill

You know things are bad when a former Steady Eddy is buckling at the knees. Country Garden, China's largest and previously safest property group, has reported a 96 per cent drop in earnings. This has worrying implications for investors.

Net profits fell to Rmb612mn ($88mn) in the first half, the biggest decline since Country Garden listed in 2007. The group's fortunes mirror China's economic health more accurately than peers. It specialises in homes for mid to lower income people and avoids high-risk projects.

The read-across to smaller, more speculative peers is that some of them will report terrible numbers in the coming weeks. Ronshine China Holdings, Sino Ocean and Zhenro Properties are just some of the property groups expected to book steep net losses.

For Central China Real Estate, that figure could run as high as Rmb6bn. Stalled construction projects and falling property sales will trigger a number of impairments. Developers are caught up in a vicious cycle of undercutting each other.

Banks will bear the brunt of the fallout. Industrial and Commercial Bank of China, the country's largest lender, reported a sharp rise in non-performing loans for the first half yesterday. The NPL ratio for the real estate sector was more than four times the lender's average. At Postal Savings Bank of China, real estate NPLs at the end of June rose 80-fold compared with December. The problem is spilling over mainland China's border.

Hong Kong lenders show signs of stress. Credit impairment losses for the first half more than doubled at Dah Sing Banking Group. A significant part of these related to problem properties on the mainland. HSBC has registered net impairment charges of $1.1bn compared with a $700mn positive reversal a year ago. This is largely owing to its portfolio of Chinese real estate. The bank's mainland exposure was more than $21bn at the end of last year. Nearly all Standard Chartered's total credit impairment charges have come from the sector.

Highly geared property groups such as Evergrande will continue to grab headlines. But that business has long been seen as an outlier by investors.

Moderately bad news from Country Garden is a more alarming portent of China's economic weakness and the threat it poses to investment returns.

Twitter: Spamalot

Twitter says spam and fake accounts make up less than 5 per cent of its monetisable daily users. Elon Musk is trying to extract himself from a $44bn deal to buy the social media company by arguing that this figure is a gross underestimate. A whistleblower has since claimed that Twitter deliberately misled regulators about security. Neither claim guarantees Musk's case. But there is reason to think Twitter's valuation is too high.

The company says it has 237.8mn daily active users — aka mDAUs. Revenue in the last quarter, most of which comes from advertisers paying to show their adverts to users, was $1.18bn. That means the average revenue per user is less than $5, about half as much as Facebook parent Meta.

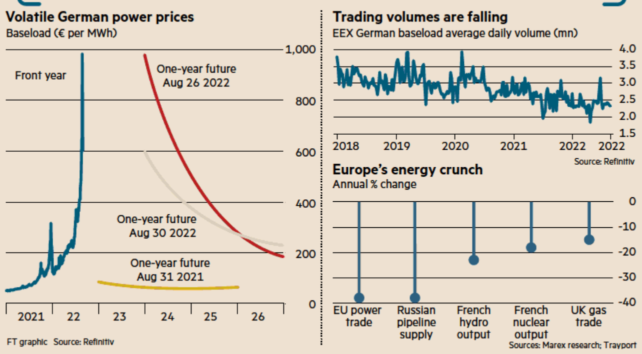
Musk has mused that the real fake account figure could be at least 20 per cent. If true, then advertisers are paying over $6 per real user. If they paid $5 per user, revenue would be below $1bn in the last quarter. On the current revenue multiple, Twitter's enterprise value would drop to $24bn. This still looks generous compared with peers. On the same forward ebitda multiple as Meta, Twitter's enterprise value would be closer to $9bn.

Yet Musk's hopes of using such calculations to get out of the deal or force a discount are muddied by the fact that it is nearly impossible for social media groups to count user numbers accurately. Twitter's central user metric, mDAU, is not based on any standardised industry methodology.

Nor is there an industry definition of bots. Or an agreed measure to calculate real user numbers. For years, social media companies have had things their own way. They have encouraged growth by making it extremely easy to open accounts, something that also makes it easy to create fake accounts. Meanwhile, they have enticed investors with high user-growth metrics while also admitting that these are hard to calculate precisely. The sector's biggest companies are more than a decade old. Time to stop promoting flawed metrics.

Energy prices: dislocation for the nations

Power prices in Europe have become very volatile, hitting record highs last week before slumping. Falling trading volumes reflect the shrinking number of market participants. That is contributing to lower liquidity and shakier price discovery



What is wrong with the European energy market? The simple reply is that Russia is using it for political blackmail. But everyone has known that for months. It does not explain why a key German energy future, the "front year" power baseload contract for 2023, rose last Friday. It leapt 25 per cent to close at almost €1,000 per megawatt hour.

Volatility in this and other contracts is rattling energy suppliers and purchasers. The price movements feed into steep inflation forecasts for next year, worsening western Europe's apocalyptic mood.

The European Energy Exchange was alarmed enough to call an extraordinary meeting of its member council this week. This rejected a halt to trading while calling on EU states to bolster the finances of energy buyers. That stress was reflected in a plea from German utility Uniper for another €4bn bailout to keep the lights on.

Wild volatility is sometimes a characteristic of a malfunctioning market. That was the diagnosis when nickel surged in London earlier this year. That did not reflect fundamentals but one big, overextended short seller.

Liquidity, or the lack of it, is playing a part in recent energy price swings, which predate Russia's full-scale invasion of Ukraine. Prices rose in August 2021, triggering bankruptcies at UK energy suppliers. Other participants have quit European energy markets, deterred by volatility and soaring collateral requirements.

Traded power volumes are down 40 per cent in Europe in the first six months, says broker Marex.

Disruptions at French nuclear and hydro generators are adding to the pressure that shortages of Russian gas are putting on energy markets.

Enough substitute gas has been found in the short term. In that respect, energy markets cannot be described as broken. They may be badly skewed, though. One theory blames Germany's "whatever it takes" philosophy of support for power groups in their rush to secure winter supplies. That encourages sellers to sit on their hands, waiting to see how high prices can spiral. Germany may thus be exacerbating the crisis that it seeks to quell.

Syngenta IPO: sow far, sow good

War, floods and droughts are disrupting the world's food supply. That has not stopped farmers stocking up on seeds and crop protection products. Yesterday, Chinese-owned Syngenta Group, one of the world's largest agrochemicals businesses, said it increased sales by a quarter and ebitda by 32 per cent in the first half.

Last year's results were impressive too: a 23 per cent increase in sales and a 14 per cent rise in ebitda.

Coming after a prolonged period of stagnation, the bumper profits make a flattering backdrop for a planned initial public offering. The IPO — back on course after a false start in 2021 — is expected to raise $10bn on Shanghai's Nasdaq-style Star Board by the year-end. Syngenta Group would be worth about $50bn, including debts, if valued on the same 11 times ebitda multiple as US peer Corteva.

Farmers prospered last year after China imported corn and soy to rebuild its weakened pig herd. Despite soaring costs of fuel and fertiliser, their income remains at a near record high.

The Chinese operations are growing fast, with sales expanding 26 per cent to $5.3bn in the first half. China's need to improve domestic crop yields encouraged ChemChina to buy Switzerland-listed Syngenta for $43bn in 2017. Sinochem Holdings Corp absorbed ChemChina last year.

The IPO should further reduce Syngenta's debt load, which last year fell from 4.9 times ebitda to 3.9 times, according to Moody's. It would also allow for an increase in research spending. Farmers need new products to cope with climate change. Syngenta spent 6.6 per cent of sales on R&D last year; not far off Corteva's 7.6 per cent.

But it is well behind Germany's Bayer, which is investing €2bn a year in crop science research, a tenth of sales.

Potential investors in the IPO know agriculture is cyclical. When incomes drop, cash-strapped farmers cannot afford expensive inputs. But investing more heavily in research will help Syngenta defend its market share.

Adtech/US regulators: not-so private Idaho

Digital advertising is already a $200bn industry and growing quickly every year. It has spawned such juggernauts as Meta and Google. Yet the effectiveness of the adverts remains something of a mystery.

"Adtech" businesses claim they have the tools needed to measure the precise impact of digital marketing. But they too resemble black boxes to outsiders.

That has attracted the interest of energised regulators in Washington.

On Monday, Lina Khan's Federal Trade Commission announced an enforcement action against Idaho-based Kochava. The FTC alleged that "data sold by Kochava, may be used to track consumers to sensitive locations", including medical facilities and houses of worship. The company denies it does anything improper with geolocation data it collates. It says customers can always opt out of tracking.

The technology industry has tried to erect its own guardrails. Apple made privacy-related changes to its iOS operating system, hammering revenue at the likes of Meta and Snap.

But data is becoming richer and analytical abilities more powerful. It must therefore fall to lawmakers and regulatory oversight to create rules that prevent abuse.

Kochava's customers include the likes of Uber, Disney and McDonald's, according to its website. It also highlights investment institutions, which are using alternative sources of data to gain an edge. Days before the FTC action, Kochava said it had strengthened protections to keep data about user visits to healthcare facilities obscured. It has also sued the FTC to block the enforcement action.

An adtech crackdown will not only curb the growth of specialist start-ups. Marketers have convinced themselves and their investors that finite budgets should include spending on adtech services. The richest data that justifies that case may now be drifting beyond their grasp. They may in future have to revert to shots in the dark in deciding where and when to advertise.

Lex on the web
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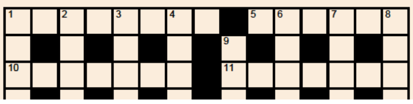
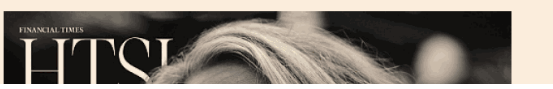
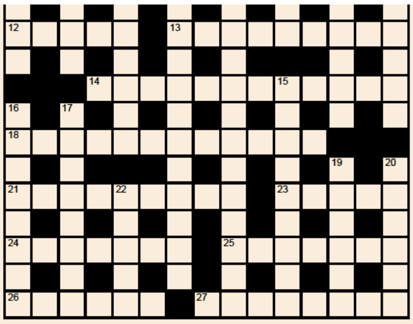


ACROSS
1 *Ursus arctos* with tails bitten off start to torment cow (8)
5 Arm militant OAP in overcrowded city (6)
10 Italian city diary kept by an aristo in retirement (7)





11 Managed at least a dozen deliveries and a wicket (7)
12 Bill prone to change (5)
13 Part of shower in a hotel's broken (9)
14 Band into R'n'B lacks Abba theatricality (5,7)
18 Tool for cutting and polishing fish skin in Germany (5,7)
21 American interdisciplinary degree resit rejected, for starters (9)
23 Hearts 0-1 St Mirren (star given red card, heavy tackle) (5)
24 I sit around, nibbling odd bits of brill in a Georgian city (7)
25 A type of cabbage stuffed with the Spanish sausage (7)
26 Daughter left stick outside, which is wicked (6)
27 Maybe Rudolph was king in this place, it's commonly rumoured (8)

DOWN

1 Auntie saves old article on Vermont's last wild feline (6)
2 Old island salt knocked over tin of lubricant (6)
3 Top-of-the-table game is something of little significance (9)
4 I hit Chas – a great novel writer (6,8)
6 50-50 chance of the next clue having singular ending? (5)
7 Visiting MP Astor, a Lady from the countryside (8)
8 Bash we held in the capital (3,5)
9 A washed-up individual, dodgy neocon Boris is infiltrated by Russia (8,6)
15 He couldn't hear buzzer on time on hot stove (9)
16 Rocky, small area surrounded by sea (8)
17 African, beginning to experience pain, ain't going to work (8)
19 Field sports guide that is supporting good and bad (6)
20 Plucky horse tears maniacally around yard (6)
22 Hearing test? (5)

JOTTER PAD

Solution 17,186