FINANCIAL TIMES

FRIDAY 2 SEPTEMBER 2022 INTERNATIONAL NEWSPAPER OF THE YEAR ASIA

ESG under fire
Republicans' attacks are bad for business — GILLIAN TETT, PAGE 17

India's chip gamble
A high-stakes bid to join the global semiconductor race — BIG READ, PAGE 15

Strange things
Netflix looks more like broadcasters it aims to usurp — ALEX BARKER, PAGE 6

Putin broadens scope of war on 'anti-Russia enclave' of Ukraine

● 'Historical territories' targeted ● Warning on oil price cap ● UN agency visits nuclear site

MAX SEDDON AND NASTASSIA ASTRASHEUSKAYA — RIGA
ROMAN OLEARCHYK — KYIV

Vladimir Putin has dismissed Ukraine as nothing more than "an anti-Russian enclave" as Moscow delivered a fresh threat to western efforts to curb surging energy prices.

At the start of the conflict in February, the Russian president said the invasion aimed to liberate the Donbas, a largely Russian-speaking area in eastern Ukraine. But as it has dragged on, Russia's goals have expanded to dismantling the country and annexing swaths of its Russian-speaking south-east, which Putin referred to yesterday as Russia's "historical territories".

Speaking in the Russian enclave of Kaliningrad, Putin said: "[Ukrainians] started creating an anti-Russian enclave on the territory of today's Ukraine that is threatening our country. So our guys who are fighting there are defending both the residents of Donbas, and defending Russia itself."

Russia yesterday threatened to shut off oil supplies to countries that signed up to a plan to cap prices.

The proposal to impose a price cap on Russian oil is backed by the US and other G7 countries.

"For companies or countries that introduce limitations, we will not supply oil or oil products to them because we will not work under non-market conditions," said Alexander Novak, Russia's deputy premier and top energy official, according to state newswire Ria Novosti.

Instead, Russia has said that it is better placed to withstand economic turmoil than European countries, which are grappling with an energy crisis and surging costs.

The EU has been preparing to ban imports of Russian oil and gas from next year. The price cap aims to help Europe buy time to divest from Russian energy by allowing western countries to continue buying its energy without funding Moscow's war.

Vladimir Putin pays his last respects at the coffin of former Soviet president Mikhail Gorbachev in Moscow yesterday AP

But Novak called the idea a complete "absurdity" that he said would destabilise the whole industry.

In Ukraine, the UN's atomic safety watchdog was able to spend "a few hours" inspecting the Russian-occupied Zaporizhzhia nuclear power plant.

A team led by Rafael Grossi, director-general of the International Atomic Energy Agency, left Europe's largest nuclear power station at about 6pm to return to Ukrainian-controlled territory, leaving five inspectors at the site, according to Energoatom, the Ukrainian operator of the facility.

"We were able in these few hours to gather a lot, a lot of information," Grossi said in a video released by Russia's RIA Novosti news agency. "The key things I needed to see, I saw."

The IAEA mission at the sprawling nuclear site is expected to last several days and the UN agency has said it wants to set up a permanent team on the ground.

Russian forces occupied the site soon after Moscow's invasion of Ukraine in February, marking the first time nuclear reactors have been at the centre of a war.

> 'Our guys who are fighting [in Ukraine] are defending Russia itself'
> Vladimir Putin

Both Ukraine and Russia have repeatedly accused each other's forces of conducting military strikes around the plant, triggering fears of a catastrophic nuclear accident. Ukraine, which has four operating nuclear power stations, is home to the decommissioned Chernobyl plant, site of the world's worst nuclear accident while under Soviet control in 1986.

Russian foreign minister Sergei Lavrov said Moscow expected the IAEA visit to assess the situation "objectively" despite what he described as "attempts to make it more difficult".

Ukraine reactor page 2

Briefing

▸ US bids to block Nvidia exports to China
Washington has told the chipmaker that it will need special licences to sell Chinese customers two of its processors that are used to speed up AI calculations, sparking anger from Beijing.— PAGE 6; LEX, PAGE 18

▸ UN cites China 'human rights violations'
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▸ Lukoil chair dies after reported fall
Russian media have reported that Ravil Maganov died after falling out of a hospital window in Moscow. Lukoil is one of the few Russian companies to have criticised the war in Ukraine.— PAGE 2

▸ Richemont investors to oppose activists
Top investors in the Swiss luxury group have said they will vote against proposals by activist Bluebell Capital to shake up the board and challenge chair Johann Rupert.— PAGE 8

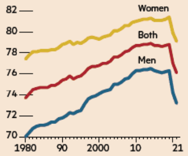
▸ Eurozone jobless figure hits record low
The number of unemployed people has fallen below 11mn for the first time, to an all-time low rate of 6.6 per cent, underlining the resilience of the bloc's labour market despite the energy crisis.— PAGE 2

▸ Taiwan downs drone amid China tension
Taipei's forces have hit an unidentified drone equipped with cameras which they said intruded into restricted airspace, as the island seeks to react more robustly to Beijing's military pressure.— PAGE 4

▸ Kazakh president unveils reform push
Kassym-Jomart Tokayev has called for snap presidential elections this year and announced plans to limit the president's tenure to a single seven-year term.— PAGE 2

Datawatch

Vanishing years
US life expectancy at birth



Source: CDC

Americans born in 2021 can expect to live for 76.1 years, the lowest since 1996. The 2.7-year fall since 2019 is the biggest in a two-year period in almost 100 years. Covid is the main cause but overdoses and accidents are significant factors

Europe eyes windfall tax to rein in electricity bills

Analysis ▸ PAGE 3

Microsoft's $75bn Activision takeover threatens to fall foul of UK regulator

JANE CROFT — LONDON
RICHARD WATERS — SAN FRANCISCO

Microsoft's $75bn acquisition of video game maker Activision Blizzard faces the threat of a UK competition probe with the potential to derail the deal, unless the US tech group addresses antitrust concerns by next week.

The Competition and Markets Authority said yesterday that it believed the deal would hurt Sony and other makers of games consoles, while impeding competition in new markets, such as cloud gaming and subscriptions services. It gave Microsoft five days to come up with undertakings that would resolve its worries or face an extended probe.

The challenge makes the CMA the first regulator to sound the alarm over Microsoft's biggest-ever deal and sets out the hurdles it will have to overcome.

The CMA's objection last year to Nvidia's $40bn purchase of chip designer Arm came after a similar initial investigation and laid down a marker for international regulatory action that eventually led to the deal collapsing.

The Activision acquisition would make Microsoft the third-biggest gaming company in terms of revenues, behind only China's Tencent and Japan's Sony. The CMA warned it would put Microsoft in a position to harm rivals by refusing them access to Activision games, or by providing access on much worse terms.

"We are concerned that Microsoft could use its control over popular games like *Call of Duty* and *World of Warcraft* post-merger to harm rivals, including recent and future rivals in multi-game subscription services and cloud gaming," Sorcha O'Carroll, senior director of mergers at the CMA, said. The deal faces similar scrutiny from other regulators. The European Commission is not expected to begin its formal review process for at least another month, according to one person familiar with the schedule, while the US Federal Trade Commission does not follow a set timetable and has not given any indication of its thinking on the deal.

Microsoft has tried to win over regulators and industry opponents by saying that *Call of Duty*, the blockbuster game that has brought in $30bn in lifetime sales for Activision, would continue to be available on all consoles after the deal, rather than being turned into an exclusive title on Microsoft's Xbox.

"We're ready to work with the CMA on next steps and address any of its concerns," said Brad Smith, Microsoft president and vice-chair.

World Markets

STOCK MARKETS

	Sep 1	Prev	%chg
S&P 500	3914.33	3955.00	-1.03
Nasdaq Composite	11562.86	11816.20	-2.14
Dow Jones Ind	31363.87	31510.43	-0.47
FTSEurofirst 300	1609.57	1637.06	-1.68
Euro Stoxx 50	3450.66	3517.25	-1.89
FTSE 100	7148.50	7284.15	-1.86
FTSE All-Share	3926.25	4007.46	-2.03
CAC 40	6034.31	6125.10	-1.48
Xetra Dax	12630.23	12834.96	-1.60

CURRENCIES

Pair	Sep 1	Prev	Pair	Sep 1	Prev
$/€	0.994	1.006	€/$	1.006	0.995
$/£	1.153	1.164	£/$	0.868	0.859
£/€	0.862	0.864	€/£	1.160	1.157
¥/$	140.020	138.625	¥/€	139.124	139.395
¥/£	161.401	161.304	£ index	77.488	77.742
SFr/€	0.978	0.981	SFr/£	1.135	1.136

CRYPTO

	Sep 1	Prev	%chg
Bitcoin ($)	19738.67	20049.38	-1.55

GOVERNMENT BONDS

Yield (%)	Sep 1	Prev	Chg
US 2 yr	3.53	3.45	0.08
US 10 yr	3.26	3.12	0.13
US 30 yr	3.38	3.24	0.14
UK 2 yr	3.17	3.08	0.08
UK 10 yr	2.88	2.80	0.08
UK 30 yr	3.19	3.08	0.11
JPN 2 yr	-0.08	-0.08	0.00
JPN 10 yr	0.24	0.23	0.01
JPN 30 yr	1.22	1.19	0.03

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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No: 41,109 ★

Printed in London, Liverpool, Glasgow, Dublin, Frankfurt, Milan, Madrid, New York, Chicago, San Francisco, Tokyo, Hong Kong, Singapore, Seoul, Dubai

Nikkei	27661.47	28091.53	-1.53
Hang Seng	19597.31	19954.39	-1.79
MSCI World $	2627.32	2645.37	-0.68
MSCI EM $	994.11	992.76	0.14
MSCI ACWI $	613.11	616.75	-0.59
FT Wilshire 2500	5157.58	5197.96	-0.78
FT Wilshire 5000	40295.16	40607.66	-0.77

Ethereum	1536.47	1554.00	-1.13
COMMODITIES			
	Sep 1	Prev	%chg
Oil WTI $	87.31	89.55	-2.50
Oil Brent $	93.11	95.64	-2.65
Gold $	1715.90	1730.30	-0.83

GER 2 yr	1.17	1.19	-0.02
GER 10 yr	1.56	1.54	0.02
GER 30 yr	1.69	1.62	0.07

Prices are latest for edition
Data provided by Morningstar

INTERNATIONAL

Zaporizhzhia

UN team inspects Ukraine reactor site after delay caused by fighting

Mission leader says colleagues will stay on at Russian-occupied plant

ROMAN OLEARCHYK — KYIV
MAX SEDDON — RIGA

UN atomic safety inspectors intend to maintain an ongoing presence at the Russian-occupied Zaporizhzhia nuclear power plant in southern Ukraine after yesterday completing an initial tour.

A team led by Rafael Grossi, director-general of the International Atomic Energy Agency, left Europe's largest nuclear power station at about 6pm to return to Ukrainian-controlled territory. But five inspectors stayed on, said Energoatom, Ukrainian operator of the site.

Grossi posted a video address, in which he said: "We are finishing our long-awaited visit to Zaporizhzhia nuclear power plant. I have just completed a first tour of the key areas that we wanted to see in this first approach to the whole facility.

"Of course, there is a lot more to do. My team is staying on, and more importantly and the most important thing, we are establishing a continued presence from the IAEA here."

The inspection is expected to last several days and the agency has said it wants a permanent presence at the site that was taken by Russian forces soon after the February 24 invasion.

Ukraine and Russia accuse each other of conducting military strikes around the plant, triggering fears of a nuclear accident.

Ukraine, which has four operating nuclear power stations, is home to the decommissioned Chernobyl plant, site of the world's worst nuclear accident while under Soviet control in 1986.

Earlier, a spokesperson for Grossi said the mission had been "delayed on the Ukrainian-controlled side of the front line for some three hours".

Andriy Yermak, chief of staff to Ukraine's president Volodymyr Zelenskyy, said "Russia shelled Energodar and the territory of the Zaporizhzhia nuclear power plant" as the mission tried to approach.

"They want to disrupt the visit of the IAEA mission," he said.

Energoatom said Russian shelling had caused it to shut down one of the two operating reactors at the plant for the second time in 10 days.

The inspectors, who arrived in Ukraine this week after months of negotiations in which the IAEA sought to secure permission and security guarantees from both warring parties, had set off from Zaporizhzhia on their way to Energodar yesterday morning.

Ukraine and its western backers have called on Russia to demilitarise the plant and return control to Kyiv. They accuse Russia of basing troops, artillery and equipment at the six-reactor site.

The Moscow-based Interfax news agency, citing Russia's defence ministry, reported that a Ukrainian "sabotage group" crossing the Dnipro river by boat had been destroyed in a helicopter attack after disembarking near the site.

Russia's Tass news agency, quoting Alexander Volga, installed by Russia as the head of Energodar, said the city was without power yesterday.

Russian and Ukrainian military claims could not be independently verified.

Safety first: Rafael Grossi, second left, and members of his inspection team negotiate access to the nuclear power station at Zaporizhzhia yesterday — Reuters

Window plunge

Head of Russia company critical of war dies after fall

NASTASSIA ASTRASHEUSKAYA AND MAX SEDDON — RIGA

The chair of oil major Lukoil, one of the few Russian companies to criticise the war in Ukraine, has died after falling out of a hospital window in Moscow, according to Russian media.

Ravil Maganov, one of the longest-serving executives at Russia's second-largest oil producer, died six months after the company's board released a statement calling for a speedy end to the conflict.

Russian state media, citing anonymous law enforcement sources, said Maganov's death was being treated as suicide. Mash, a media outlet with ties to the police, said Maganov was being treated for heart problems and had also been diagnosed with depression.

Baza, another law enforcement-friendly news outlet, said Maganov fell from a balcony at the hospital where repairs were taking place and suggested he could have slipped while going out for a smoke. Police found a pack of cigarettes in his ward, Baza reported.

Maganov, 67, was at Lukoil for nearly 30 years and became its chair in 2020.

He was being treated at Moscow's Central Clinical Hospital, a facility operated by Russia's presidential property management department and normally reserved for the elite. Mikhail Gorbachev, the last leader of the Soviet Union, died at the same hospital on Tuesday after a long illness.

Lukoil was founded from state oil assets during the break-up of the Soviet Union by Vagit Alekperov, a former Soviet deputy energy minister. It is one of the few major energy companies in Moscow not under state control.

Alekperov resigned from the company in April after he was hit with sanctions by the UK and Australia.

In March, Lukoil's board expressed its "deepest concerns about the tragic events in Ukraine" and "sincere empathy for all victims, who are affected by this tragedy".

Lukoil's board refrained from criticising President Vladimir Putin personally or blaming Russia for invading Ukraine; the call to end the war was rare among Russian corporates, most of which continue to maintain an awkward silence.

Lukoil yesterday said: "We deeply regret to announce that Ravil Maganov, chairman of Lukoil board of directors, passed away following a severe illness.

"Ravil Maganov immensely contributed to the development of not only the company, but of the entire Russian oil and gas sector."

Maganov's brother, Nail, is chief executive of another major Russian oil producer, Tatneft.

Several mid-ranking Russian energy executives have died in unusual circumstances since the war broke out. A day after the invasion in February, Alexander Tyulyakov, a deputy head of gas monopoly Gazprom's treasury, was found dead in the garage of his home in Leninsky, an elite St Petersburg suburb.

Tyulyakov's death was the second suicide in the same suburb in less than a month. Leonid Shulman, an executive at Gazprom's transport arm, was found dead in his bathroom in late January.

In July, police found Yuri Voronov, the head of a shipping company that contracts for Gazprom, dead in a swimming pool at his home in the same suburb from a gunshot wound to the head. Russian media linked Voronov's death to a business dispute.

Europe. Cost of living

Inflation costs Spain's premier his poll lead

Opposition gains significant edge over Sánchez coalition ahead of general election

PETER WISE — LISBON

Spanish lawmakers' approval last week of measures to save energy by restricting the temperature of air-conditioning, among other things, was a welcome win for prime minister Pedro Sánchez, who will need all the help he can muster in coming months.

With disgruntled Spaniards facing a sharp rise in the cost of living, Sánchez's Socialist government relies on a fractious coalition partner to get any business done. The conservative opposition, meanwhile, has surged to a poll lead of almost nine points ahead of next year's general election.

"Sánchez is facing his most difficult period since he became prime minister four years ago," said Luciá Méndez, one of the founders of El Mundo newspaper. "He has never been behind in the polls before and the economy is getting worse."

The danger was made clear when the opposition centre-right People's party won a resounding victory in a regional vote in Andalucía two months ago, securing an absolute majority in what had been a longstanding Socialist stronghold. Insisting the defeat had no national implications, Sánchez declared: "The government remains strong."

How the economy performs before next spring, when Spaniards vote in a series of regional elections and nationwide local ballots, could determine who wins the general election. Sánchez is expected to hold off calling the vote until December 2023, as late as possible, in the hope of an economic upturn.

"If the Socialists lose important regional bastions like Valencia or Castilla-La Mancha, it would be very difficult to come back from those defeats in the general election," said Máriam Martínez-Bascuñán, a political scientist at the Autonomous University of Madrid.

Spain's jobless rate fell to its lowest level in 14 years in the second quarter. But a slight upturn in July has raised concerns. "No economic question is more important in Spain than unemployment," said Pablo Simón, a professor of politics at Madrid's Carlos III University. "If it begins to rise again, it will become a critical election issue."

Sánchez's Socialist-led coalition has sought to regain momentum with a €9bn package of pension increases, tax cuts and subsidies to help vulnerable families cope with soaring energy costs and inflation, which rose to a 38-year high of 10.8 per cent in July. Windfall taxes on banks and energy companies aim to recoup €7bn of that spending over the next two years.

Alberto Núñez Feijóo, the PP leader, has accused the government of "fiscal populism" over its windfall taxes and questioned the impact of energy-saving measures on consumption and tourism. But the criticism has been muted, said Simón, because of the popularity of taxing big companies and a lack of policy alternatives on energy.

Feijóo, who headed the regional government in the PP heartland of Galícia for 13 years, has overseen a sharp improvement in the party's fortunes since he was elected in April to unify the party after months of feuding under Pablo Casado, his younger predecessor.

Veteran Feijóo dates from the bipartisan era before the emergence of new radical parties on the left and right began to complicate the formation of stable governments after 2015. Soon after his appointment, the PP overtook Sánchez's Socialists in the polls and has further increased its lead since its victory in Andalucía.

"Feijóo is expanding the PP in both directions," said Simón, attracting voters in the centre who have previously voted Socialist as well as supporters of the hard-right Vox party.

> 'If the Socialists lose key regional bastions, it would be difficult to come back in the general election'

The PP leader has targeted tension between Sánchez and Podemos, the radical left party in his coalition, as a key source of instability, branding the government "weak, sectarian and irresponsible". He has also attacked negotiations with leftwing Catalan and Basque separatists who often provide parliamentary support for the administration.

The PP, however, is not without its own internal tensions. Isabel Díaz Ayuso, the PP head of Madrid's regional government, is mounting a court challenge to the energy-saving package, which also bans the lighting of shops and public buildings after 10pm.

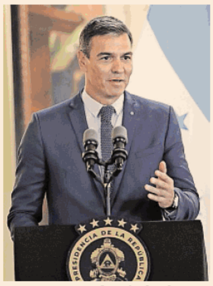
"Madrid will not switch off!" she pledged in a Twitter message this month. Her previous rebellion over coronavirus restrictions, when she refused to close shops and restaurants in Madrid, proved highly popular.

But this time, her defiance clashed with Feijóo's initial backing for the measures, since reversed, and his trademark non-confrontational style.

Whether Sánchez or Feijóo lead Spain's next government will ultimately depend on coalition building. On the basis of current polls, the PP could emerge the single largest party. But it could only hope to form a majority government with support from Vox, as it did after a regional election in February.

Sánchez, meanwhile, has been talking to Catalan parties in an attempt to defuse tensions over the region's independence dispute, Spain's most sensitive issue. Initial agreements include efforts to move the stand-off out of the courts and to "protect and promote" the Catalan language. Such bridge-building could prove vital to his re-election.

"One of Sánchez's virtues is his ability to resist," said Martínez-Bascuñán.



Testing times: Pedro Sánchez has not been behind in the polls before

FINANCIAL TIMES
6th Floor, Nan Fung Tower
Central, Hong Kong

Japan: Nikkei Tokyo Newspaper Printing Center, Inc., 1-10-5, Shinonome, Koto-Ku, Tokyo 135-0062
Representative; Hiroko Hoshino; ISSN 0915-9460

Labour market

Eurozone jobless number dips under 11mn to hit record low

MARTIN ARNOLD — FRANKFURT

The number of unemployed people in the eurozone fell below 11mn for the first time to an all-time low of 6.6 per cent of the workforce, underlining the resilience of the bloc's labour market despite the energy crisis caused by Rus-

inflation and record low unemployment, the ECB at its meeting next week will see little reason to hold back on policy tightening," said Jessica Hinds, an economist at research group Capital Economics.

ECB executive board member Isabel

Central Asia

Kazakh president seeks snap polls and reduction in tenure

NASTASSIA ASTRASHEUSKAYA — RIGA

Kazakhstan's leader has called for snap presidential elections this year and announced plans to limit the president's tenure to a single seven-year term.

approve the presidential term change. "If it is passed, Kazakhstan will enter a new political epoch," Tokayev said.

The president also announced that parliamentary elections would be brought forward from 2025 to next year to allow the public to give the govern-

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Letters to the editor
letters.editor@ft.com

Published by
The Financial Times (HK) Limited,
6th Floor, Nan Fung Tower, 88 Connaught Road Central, Hong Kong
Asia Editor: Robin Harding

Printed by
Australia: Spotpress Pty Ltd, 24-26 Lillian Fowler Place, Marrickville, NSW 2204
Hong Kong: Kin Ming Printing Co Ltd, 15/F BLK A, 18 Ka Yip Street, Ming Pao Industrial Centre, Chai Wan; Representative; Angela Mackay;
ISSN 1025-918X

South Korea: Maeil Business Newspaper, 30-1, 1-Ga, Pil-Dong, Jung-Ku, Seoul, 100-728
Singapore: SPH Media Limited, 2 Jurong Port Road, 619088
Representative, Anjali Mahindroo

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sia's invasion of Ukraine.

The official count of jobless people in the 19-country bloc dropped by 77,000 in July, according to data published by the European Commission's statistics unit yesterday. The bloc's unemployment rate stood at 6.7 per cent in June.

In the wider EU, the number of unemployed people fell 113,000 in July, taking it below 13mn for the first time and its jobless rate to a new low of 6 per cent.

The strength of the labour market and the subsequent risk that wages will rise sharply have been cited by several European Central Bank policymakers as a reason for seeking to accelerate the pace of interest rate rises with a 0.75 percentage point move next week.

"Against the backdrop of record high

Schnabel told the Jackson Hole meeting of central bankers last month that "tight labour markets" were one of the "significant risks" that "threaten to feed an inflationary process that is becoming harder to control the more hesitantly we act on it".

But Hinds said the latest fall in jobless numbers was "likely to be as good as it gets". "The region faces a difficult winter and recession looms. So the jobless rate is likely to rise from here."

Unions are demanding higher pay and several governments are increasing minimum wages sharply. Yet there have been few signs so far of a wage-price spiral. The ECB's tracker of negotiated wage growth showed it slowed to 2.14 per cent in the second quarter, down from 2.84 per cent in the first quarter.

The measures would be the most significant political changes in the oil-rich central Asian nation since it gained independence following the collapse of the Soviet Union three decades ago.

Violent anti-government protests flared across the country early this year, the deadliest in the country's history.

Speaking during the president's annual state of the nation address yesterday, Kassym-Jomart Tokayev said: "For me, the state interests stand above all, so I am ready to hold snap presidential elections despite cutting short my own term." Limiting the presidential term would "significantly lower the risks of power monopolisation", he added. The next presidential election had been scheduled for 2024.

The country's parliament must

ment a mandate for reforms enacted after the January protests.

Tokayev was appointed acting president by former long-serving Kazakh ruler Nursultan Nazarbayev, who stepped down in March 2019 after ruling for 29 years, and was subsequently elected for a five-year term. However, the continuing influence of the Nazarbayev family and other members of the country's political and business elite led to simmering discontent that exploded into January's mass protests, in which more than 200 people died and which led the government to call on Russia for help to quell the violence.

The government subsequently implemented measures to curb Nazarbayev's influence and introduced political and economic reforms.

INTERNATIONAL

Brussels eyes windfall taxes in bid to lower energy bills

Draft paper advises states to levy share of power companies' inflated profits

ALICE HANCOCK AND SAM FLEMING
BRUSSELS
TOM WILSON — LONDON

Brussels is recommending member states levy a share of the inflated profit generated by power companies not reliant on gas to help lower consumers' energy bills, part of a plan to cushion households from soaring wholesale electricity prices.

In a draft paper seen by the Financial Times, the European Commission advises member states to set a maximum price non-gas electricity producers can book and redeploy any excess profit they generate above that level — a system akin to a windfall tax.

The paper leaked shortly after commission president Ursula von der Leyen used her first post-summer break speech to promise quick measures to tackle the energy crisis. She promised a short-term intervention — something that could be "triggered very quickly, in weeks perhaps" — and announced a longer-term "structural reform of the energy market" slated for the new year.

How does the EU's energy market work and why are prices so high?

European energy prices are set through a so-called marginal pricing system in which the most expensive power plant called on to meet demand on any given day sets the wholesale electricity price for all suppliers. This means gas-fired power stations, still needed to keep the lights on in many countries, tend to dictate the wholesale electricity price for the rest of the market even though renewable power can be produced more cheaply.

As gas prices have soared to record levels this year, largely because of Moscow's decision to reduce supplies to Europe, the cost of electricity has been dragged up, too. More policymakers are therefore calling for a new approach that would allow cheaper renewable energy to be sold at a lower price. Polish prime minister Mateusz Morawiecki said on Tuesday proposals to change the market structure "are falling on increasingly fertile ground".

What can the EU do to cut costs for consumers and industry?

In its draft paper, the commission dismisses options such as caps on electricity or retail gas prices, subsidies to neutralise the cost of carbon emissions permits on hard-pressed industrial consumers and even a suspension of the European wholesale energy market.

Instead, it suggests bringing electricity costs down via a combination of cuts to demand and a price limit. The latter would work by charging non-gas power producers the difference between the agreed limit and the actual market price they receive for energy, inflated by the high price of gas due to the structure of the market. Governments "would be obliged to share the resulting revenues with electricity consumers with a view to lowering their electricity bills", the document said.

The price cap mechanism could be applied to day-ahead markets described above, the paper said, and not to previously agreed deals such as power purchase agreements and electricity bought on futures markets, which has been a criticism of more broadly targeted windfall taxes.

The bloc has already replaced about a fifth of its natural gas supply from Russia with fuel from elsewhere, and turbocharged investment in renewables.

The commission declined to comment on the leaked draft.

What are the risks?

The paper, described as a preliminary assessment of options, said the non-gas price cap would not be compatible with any existing windfall tax schemes, which would have to be abolished. Italy, Spain and Greece have already implemented such taxes.

EU energy agency Acer has warned against tearing up the market structure. In an April report, it said EU wholesale electricity markets worked well under normal conditions, ensuring secure electricity supply.

Instead, it suggested there could be a "temporary relief valve" that would limit electricity prices automatically if there were sudden spikes, under predefined conditions, such as unusually high price rises in a short period of time.

William Peck, power market analyst at ICIS, an analytics firm, cautioned against overhauling a mechanism that had functioned well for decades and still served as an incentive for much-needed investment in clean power. He said: "I'd be focusing my energy on the gas supply part of this equation and not ripping up a 20- to 30-year-old market."

What can we learn from Spain and Portugal's price cap experiment?

Both countries reached an agreement with the commission in April allowing them to cap the price of natural gas used in power plants, thus decoupling electricity and gas prices. The measure began in May for a year, with the cap averaging €48.80 per megawatt hour.

The €8.4bn subsidy the two countries will pay to gas companies will be largely recouped by charges on the electricity distributors that the price cap benefits.

The commission granted what has become known as "the Iberian exception" from state aid rules as their electricity bills are strongly linked to wholesale energy prices. They have limited energy connections with the rest of the EU, making the peninsula an "energy island".

Spain claims that between June 15 and August 15, the price of electricity had been €49.85 per megawatt hour cheaper than it would have been had the price cap mechanism not been in place, saving consumers about €1.4bn.

But the amount of gas used for electricity has risen 17 per cent between January and July 2021 to 23 per cent in the same period this year. Madrid said this was because the summer drought has hit hydropower plants.

Peck said expanding such a mechanism Europe-wide could similarly increase gas demand by making it artificially cheap. "That's the exact opposite of what we needed to be doing," he said.

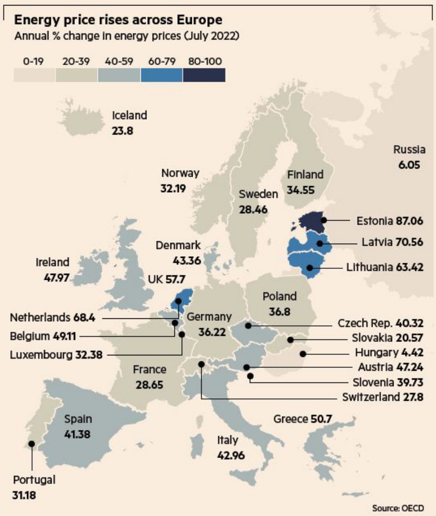
EU energy ministers will meet to discuss the proposals on September 9.

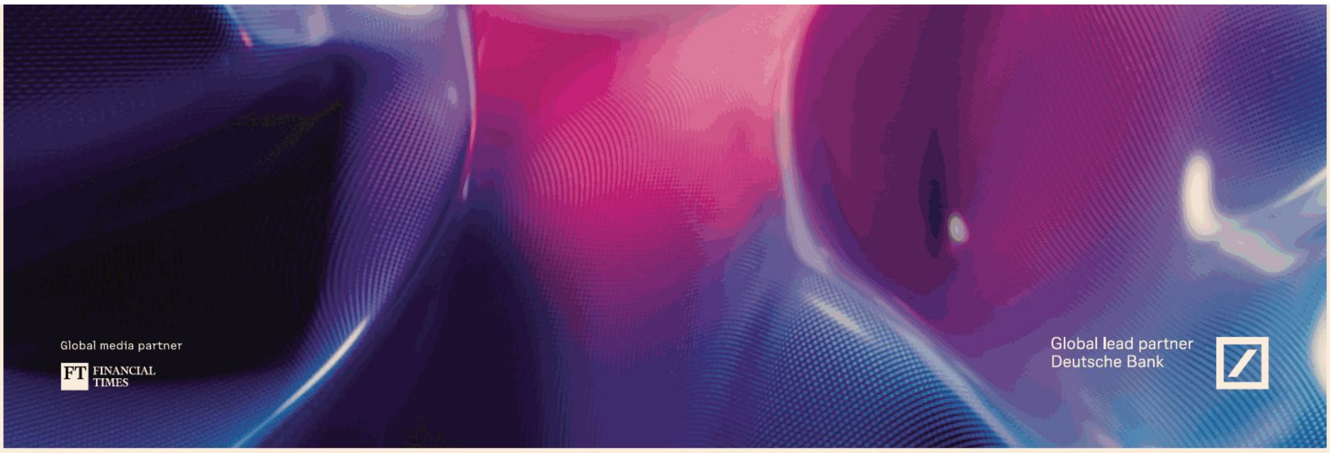
Additional reporting: Peter Wise, Lisbon

Chris Giles see Opinion

> 'I'd be focusing my energy on the gas supply part of this equation, not ripping up a 20- to 30-year-old market'

Nord Stream 1: gas prices have soared to record levels this year, largely because of Moscow's decision to reduce supplies to Europe, driving up the cost of electricity
Lisi Niesner/Reuters





INTERNATIONAL

Human rights

UN accuses Beijing of Uyghurs abuse

Report details evidence of torture and sexual violence in Xinjiang

DEMETRI SEVASTOPULO — WASHINGTON
EDWARD WHITE — SEOUL
YUAN YANG — LONDON

The Chinese government has committed "serious human rights violations" in its treatment of Uyghurs and other Muslim ethnic minorities in Xinjiang, according to the UN High Commissioner for Human Rights.

In a long-anticipated report that was opposed by Beijing, the UN body cited credible evidence that Uyghurs held in detention camps had been victims of torture and sexual and gender-based violence.

"The extent of arbitrary and discriminatory detention of members of Uyghur and other predominantly Muslim groups . . . may constitute international crimes, in particular crimes against humanity," the report said.

The report was the first investigation by the UN into abuses in the north-western region of Xinjiang, where more than 1mn Uyghurs and other minorities have faced mass internment and forced labour. It was released on the day that Michelle Bachelet, the UN human rights chief who visited Xinjiang this year, ended her tenure.

Since 2017, China greatly expanded police control over Xinjiang's Muslim population of about 13mn, describing the measures as "anti-terrorist".

Beijing's permanent mission to the UN said the report was "based on the disinformation and lies fabricated by anti-China forces" and "wantonly smears and slanders China".

The UN also released a 121-page report by China, which said the state's fight against terrorism in the region was "necessary and just", within "the rule of law" and "safeguards human rights". But the UN said the abuses resulted from a "deeply problematic" system from the perspective of human rights.

The anti-terrorism apparatus had led to the "large-scale arbitrary deprivation of liberty" of Uyghurs and other minorities in "vocational education and training centres" between at least 2017 and 2019, the UN said.

"Even if the VETC system has since been reduced in scope, as the government has claimed, the laws and policies that underpin it remain in place," the UN concluded.

The report noted that detentions were part of broader discrimination against Uyghurs and other Muslim minorities, such as curbs on religious identity and expression and "serious indications of violations of reproductive rights through the coercive and discriminatory enforcement of family planning and birth control policies".

> The extent of arbitrary detention 'may constitute international crimes, in particular crimes against humanity'

The report followed allegations of genocide against Beijing by the US, UK, Canada and others, as well as consumer boycotts. In June, the US started blocking imports of goods with parts from Xinjiang, which is a big producer of cotton and polysilicon for solar panels.

"The high commissioner's damning findings explain why the Chinese government fought tooth and nail to prevent publication of her Xinjiang report, which lays bare China's sweeping rights abuses," said Sophie Richardson, China director at Human Rights Watch.

Richardson called on the UN Human Rights Council to investigate Beijing's crimes against humanity" and hold those responsible to account. The potential next step would be to start a formal probe of abuses in Xinjiang.

An image released by an advocacy group shows Chinese police in an apparent anti-escape drill at a detention centre in Xinjiang
Victims of Communism Memorial/AFP/Getty Images

Pandemic. Control measures

China caught in zero-Covid policy tangle

Beijing is wary of dropping a strategy closely identified with the party and its leader

EDWARD WHITE — SEOUL

All it took was 35 coronavirus cases for officials to lock down swaths of Shenzhen, the technology and manufacturing hub that is home to 17.5mn people.

In Chengdu, in China's south-west, 156 new local cases prompted officials yesterday to announce a lockdown affecting 21mn people.

Since Sunday, partial lockdowns, mass testing, public transport suspensions and school closures have been ordered across cities including Harbin and Tianjin in the north-east.

Yet experts believe President Xi Jinping's zero-Covid policy will continue into 2023 until Chinese scientists find ways to stop the spread of the virus or for a dominant mutation to emerge with far milder consequences than Omicron.

"It will require some miracles," said Chen Long, a partner at Plenum, a consultancy. "Any policy loosening can and will be snapped back at a moment's notice if a local outbreak gets out of control. The most likely scenario is waiting for the virus to evolve and become less fatal."

Xi's efforts to rid China of coronavirus are taking a huge economic toll. The policy will shave 1.6-2 percentage points off gross domestic product growth this year, according to Natixis, the French bank, based on a calculation of retail sales and intracity mobility compared with pre-pandemic levels.

That will pile the pressure on economic planners as they chase a growth target of 5.5 per cent, the lowest in decades. The real cost is likely to be higher, said Alicia García Herrero, chief economist for Asia-Pacific at Natixis.

The estimate, she noted, did not include the impact of deteriorating sentiment across the housing sector and falling investment in China.

On Wednesday, China's official purchasing managers' index showed manufacturing activity shrunk for the second straight month, reflecting the property downturn and a crippling drought.

The latest Covid controls come ahead of the Communist party congress starting on October 16, at which Xi is set to secure an unprecedented third term in power.

> 'Any policy loosening can and will be snapped back at a moment's notice if a local outbreak gets out of control'

in early 2020, and a signal that Beijing might soften its border restrictions.

Some analysts predict the zero-Covid policy could be dropped after the congress. But the strategy is seen increasingly as a test of the party's legitimacy and is too closely attached to the most powerful leader since Mao Zedong.

"Shifting away from the zero-Covid policy right after the party congress will look like he is not totally in charge, like he was forced to back away from one of his signature policies right after a leadership transition," said Xinran Andy Chen, senior analyst at Trivium China, a consultancy in Shanghai. "Letting it go will be a very gradual process."

Policymakers will probably tweak the policy instead of making fast or sweeping changes, said Chen.

This would be similar to adjustments made in June and July in response to falling infection rates and Omicron's shorter incubation period, when the control periods for incoming travellers and close contacts of those who tested positive were reduced.

"They're basically trying to fine tune the zero-Covid playbook to make it less

Underlining Xi's stubborn adherence to zero Covid are fears over China's healthcare system, which in many parts of the country is unprepared to deal with sudden or mass patient influxes.

Chen Gang, a China expert at the National University of Singapore, said Beijing was watching as other countries eased their pandemic controls.

Many international commentators have criticised the pace of China's vaccination campaign for the elderly and its refusal to accept the messenger RNA technology used to produce the BioNTech/Pfizer and Moderna jabs. They say Beijing has put nationalist pride ahead of common sense policymaking.

But Plenum's Chen Long said the debate over the effectiveness of China's vaccines compared with leading western jabs "really misses the point because it has become pretty clear that no vaccine in the world is able to protect people from getting Covid".

"Let's assume all Chinese people have Pfizer, three doses . . . there are still going to be a lot of people infected, and a 0.3, 0.4 per cent death rate. Those numbers are still going to be unacceptable

GLOBAL INSIGHT
AFRICA

Samer Al-Atrush

Hopes for diplomatic breakthrough fade in Libya leadership fight

As militia groups fought pitched battles on the streets of Libya's capital last weekend, Fathi Bashagha, one of the two men who claim to be the country's legitimate prime minister, hoped the clashes would end with his rival being removed.

By the time hostilities had subsided, at least 32 people had been killed in the deadliest clashes since Libya's civil war ended in 2020. But Bashagha and his allies could not unseat Abdul Hamid Dbeibah, a businessman appointed last year to head an interim government in Tripoli.

Diplomats and analysts warned that unless the uneasy truce in Libya led to political talks between the two rivals, Dbeibah might have just bought himself time before the next round of hostilities. The Opec member state has endured successive civil wars since a Nato-led intervention overthrew the dictator Muammer Gaddafi in 2011.

"No one gets a victory lap," said Mohamed Eljarh, director of the Libya Desk consultancy. "But the way things are now, Dbeibah and all around him will be emboldened. Bashagha will either have to say 'OK I give up', which is unlikely, or for him to become even more violent and less compromising."

The north African country has become a battleground for foreign powers. In 2019, the eastern warlord Khalifa Haftar, supported by Egypt, the United Arab Emirates as well as Russian mercenaries, sought to overthrow the UN-recognised government in Tripoli. He failed thanks to a Turkish military intervention.

In the complex world of Libyan politics, loyalties can switch easily. The UAE, which still counts Haftar as an ally, has built a relationship with Dbeibah's Tripoli-based administration. Diplomats say the Moscow-linked mercenaries from Wagner Group that once backed Haftar no longer listen to him and now act independently.

> The north African country has become a battleground for foreign powers

Turkey also supports Dbeibah, and Libya, which sits on top of Africa's largest proven oil reserves, is divided between Russian and Turkish zones of influence.

During the weekend battle, one militia working alongside Bashagha, under its leader Osama al-Juwaili, was advancing when it came under what it said were Turkish drone strikes. "We confirmed 18 missiles. You can quote me by name," Juwaili told the Financial Times.

A western official supported his account, although other Libyan sources denied that Turkey, which has troops in western Libya, stepped in to save Dbeibah. One security official with knowledge of the situation also said Turkey had denied to Egypt that it had intervened. The Turkish foreign ministry did not respond to requests for comment.

Dbeibah had been appointed in UN-sponsored talks in early 2021 to lead the country to elections by the end of last year. But the elections were indefinitely postponed, prompting the eastern-based parliament, which is loyal to Haftar, to select Bashagha as a rival premier.

An aide to Bashagha said he was expected to retain the backing of Egypt, where some officials have expressed frustration with his inability to take the capital. The same aide also said that Bashagha, who also tried entering the capital in May, would not resort to violence the next time.

Fadel Lamen, Bashagha's national security adviser, said the rival prime minister would instead seek to win over Dbeibah's supporters in Tripoli, where the loyalties of various militias can shift, as part of efforts to grow his coalition.

"The feeling is that the current status quo is unattainable," said Lamen. With international diplomacy rudderless, the prospects of a diplomatic breakthrough are bleak. The warring parties are now plotting their next moves.

"The latest clashes resolve nothing politically speaking, but the military dynamics are conducive to a change," said Emadeddin Badi, senior fellow at Atlantic Council Middle East Initiatives. "This could be channelled towards kick-starting a new political process, even if the likelihood of sultancy in Beijing. "They are hoping for a super vaccine that's going to be much more effective than the current ones anywhere in the world. Or, for the

In November, Xi is expected to attend the G20 summit in Bali, said Indonesian president Joko Widodo, in his first trip outside China since the pandemic began

disruptive," said Chen. "That said, any policy loosening can and will be snapped back at a moment's notice if a local outbreak gets out of control."

for the Chinese leadership."
Additional reporting by Gloria Li, Eleanor Olcott and William Langley in Hong Kong and Maiqi Ding in Beijing

that happening is slim."
Additional reporting by Laura Pitel in Ankara

samer.alatrush@ft.com

Coronavirus

EU agency signals approval for Omicron vaccine boosters

DONATO PAOLO MANCINI — LONDON

The EU drugs regulator has recommended the approval of Covid-19 shots that target the Omicron coronavirus variant, paving the way for their rollout across the bloc in the autumn, when health authorities expect cases to rise.

The vaccines are bivalent formulations, targeting the strain that appeared in 2019 in China and the original version of Omicron. Both are messenger RNA vaccines made by BioNTech/Pfizer and Moderna.

The European Medicines Agency looked at clinical studies conducted with vaccines designed to target the original virus and the BA. 1 variant. By contrast, US health authorities relied on pre-clinical data to approve bivalent vaccines that target BA.4/BA.5, a later version of Omicron that in recent months drove a global surge in cases.

The US Food and Drug Administration approved them on Wednesday. UK health authorities approved the Moderna bivalent shot last month with a formulation that targets BA. 1, in step with European regulators.

Covid cases and deaths are on a downward trend, the World Health Organization said on Wednesday. But cases in the northern hemisphere are projected to rise in tandem with other respiratory diseases in the coming months.

Emer Cooke, head of the EMA, had said "promises are not enough" after drug companies pushed regulators to approve the shots without looking at clinical data in humans. "We have to have confidence in the vaccines that we authorise," she said.

The EMA said the original vaccines were "still effective" at preventing severe disease and death linked to Covid and "will continue to be used within vaccination campaigns in the EU".

Stella Kyriakides, European commissioner for health and food safety, said EU approval would follow "shortly".

Regional tension

Taiwan military shoots down suspected surveillance drone

KATHRIN HILLE — TAIPEI

Taiwan for the first time shot down a drone over one of its outlying islands yesterday, as Taipei begins to respond more forcefully to a sustained Chinese military pressure campaign.

The Taiwanese army said an unidentified commercial drone equipped with cameras intruded into restricted airspace over the waters around Shihyu, a Taiwan-controlled islet less than 4km from Chinese territory.

"After warnings and attempts to expel it remained without effect, [soldiers in] the garrison brought it down with defensive shots," said the army on the island of Kinmen, which is around 20km from the Chinese city of Xiamen.

Taiwan's defence ministry declined to say whether the drone was Chinese, but the incident follows a series of similar intrusions by civilian-use models into Kinmen airspace in the past two weeks, all of which left in the direction of Xiamen. On Tuesday, Taipei said it had fired shots at a drone to expel it.

The action against drones comes as Taiwan is trying to show more resolve in deterring Chinese aircraft and warships from flying and sailing closer to its territory. These Chinese activities have continued since Beijing held unprecedented week-long exercises in response to a visit to Taipei by US House Speaker Nancy Pelosi in August.

Separately yesterday, Robert Tsao, founder of United Microelectronics Corporation, Taiwan's second-largest chipmaker, said he would give NT$600mn ($19.6mn) to an initiative to train 3mn civilian fighters and NT$400mn to train a further 300,000 civilian marksmen.

The donations were the first portions of $100mn that Tsao has pledged towards Taiwan's defences. Tsao, 75, ran afoul of Taiwanese authorities in the past by trying to circumvent restrictions on investment in China, but has become one of the most vocal critics of Beijing.

IMF package

Zambia $1.3bn bailout to test Beijing over souring of loans

JOSEPH COTTERILL — JOHANNESBURG

Zambia has secured a $1.3bn IMF bailout package, enabling the African nation to advance talks with creditors on exiting a default that will test how Beijing handles the souring of its loans to developing nations.

The three-year bailout "will help re-establish sustainability through fiscal adjustment and debt restructuring" through a "homegrown economic reform plan" formulated by President Hakainde Hichilema's government, said the Washington-based multilateral lender.

The deal is a landmark for how the IMF will respond to debt distress in countries that have borrowed heavily from China. The bailout was unlocked after Beijing agreed in principle in July to restructure loans under a G20 framework to co-ordinate debt relief.

This week, the IMF also announced an agreement with Sri Lanka on a draft $2.9bn bailout that will go to the fund's board for sign-off, and approved a $1.1bn disbursement to Pakistan. Both south Asian countries took significant loans from Beijing in recent years before becoming mired in debt crises.

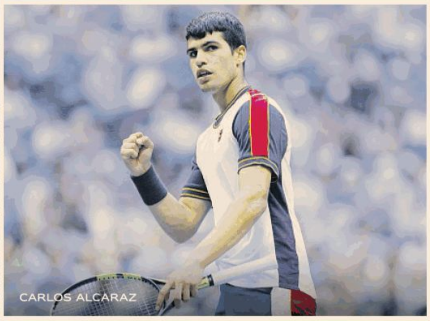
In 2020, Zambia became the first African borrower to default since the start of the pandemic when it stopped making payments on $17bn of external debt under Edgar Lungu, who lost the presidency to Hichilema in an election the following year.

Before the default, China became Zambia's biggest creditor with $6bn in loans to build airports, roads and other infrastructure, many of which became white elephants as the economy slowed and corruption mounted.

The IMF bailout is anchored by a plan from Hichilema's government to cut the fiscal deficit to less than 7 per cent of gross domestic product this year, from double digits in 2021, and to revive growth.

ARTHUR ASHE STADIUM

COCO GAUFF



CARLOS ALCARAZ

IGA ŚWIĄTEK

Asia pivot Prudential believes risks of regional focus are worth taking for chance to grab share in underserved market ➔ COMPANIES

Companies & Markets

Beijing slams US restrictions on Nvidia's chip exports

- Licences needed to sell AI processors
- China condemns tech 'hegemony'

WILLIAM LANGLEY — HONG KONG
RICHARD WATERS — SAN FRANCISCO

China has condemned a US move that threatens its access to high-end processors from US companies that are central to the most demanding artificial intelligence work, after Washington stepped up its efforts to restrict exports of cutting-edge technology to its trade and military rival.

US officials have told chipmaker Nvidia that it will need special licences to sell Chinese customers two of its processors that are widely used to speed up AI calculations, the company said in a filing on Wednesday.

The government is imposing the requirement on any products containing its A100 and forthcoming H100 graphical processing units.

> China said the move undermined the stability of global industrial and supply chains

The processors are used as "accelerators" to speed up the most data-intensive parts of the machine learning calculations used in AI.

AMD, whose GPUs are also used as accelerators for AI calculations, said it had also been told that it would need to apply for licences in order to sell its most advanced accelerator, the MI250X, in China.

Nvidia said the crackdown, which also covered sales to Russia, was aimed at preventing military use of the processors.

[...] in early afternoon trading in New York yesterday.

Chinese foreign ministry official Wang Wenbin said yesterday that the US was attempting to impose a "technological blockade" on China. He said the ban showed the US was trying to maintain its "technological hegemony".

The move marks the latest salvo from the US to restrict tech exports to China over what Washington has described as concerns that they could be used for military purposes. The US has imposed restrictions on exporting technology to a number of Chinese companies and has taken aim at the country's push for self-sufficiency in semiconductors.

Chinese commerce ministry representative Shu Jueting said the move undermined the legitimate rights and interests of Chinese companies and the stability of global industrial and supply chains.

Nvidia said in a filing that it was "engaging with customers in China" and "seeking to satisfy their planned or future purchases of our data centre products with products not subject to the new licence requirement".

Analysts at investment bank Jefferies said the biggest users of the chipsets in China were cloud service providers and large internet companies.

There were no direct local substitutes, they said, and one alternative would be to use multiple lower-end processors from Nvidia that were not banned. This attempt to replicate the processing power would not achieve the same speeds and come at a much higher cost, they added.

Copper quest Rio Tinto digs deep to take full control of Canada's Turquoise Hill for $3.3bn

Rio plans to expand the Oyu Tolgoi mine in Mongolia to make it one of the world's biggest — Ambasuren Byamba-Ochir/AFP

HARRY DEMPSEY — LONDON

Rio Tinto has agreed to pay $3.3bn to take full ownership of Canadian miner Turquoise Hill, giving it greater control over the vast Oyu Tolgoi copper mine in Mongolia.

The move brings an end to a six-month takeover battle, boosting Rio's exposure to copper, which is expected to benefit from governments' climate change plans that rely on renewables and electric vehicles in which the metal is used in vast quantities.

The deal represents an increase on the FTSE 100 miner's original offer in March of $2.7bn to buy out minority [...]

[...] ment owns the remaining stake in the project. Rio Tinto chief executive Jakob Stausholm said that the deal "will simplify governance, improve efficiency and create greater certainty of funding for the long-term success of the Oyu Tolgoi project".

The purchase price of C$43 per Turquoise Hill share is a 67 per cent premium from the day before the initial offer was made. Copper prices have dropped from a record high above $10,600 in March to below $7,800 as soaring energy prices threaten to plunge much of the world into an economic downturn and Covid-19 continues to curb demand in China.

[...] making coal by increasing copper production; but they bemoan the lack of quality projects to invest in.

Rio, which has mined copper from an open site at Oyu Tolgoi for a decade, struck a deal with the Mongolian government this year for a $7bn underground expansion.

It will make the site one of the biggest copper mines in the world, producing at peak capacity 500,000 tonnes of the metal annually.

Richard Hatch, an analyst at Berenberg, said the offer was a "sensible price" and would give "Rio the lowest-risk exposure to a meaningful equity increase in copper production".

OnlyFans owner gains $500mn dividend

PATRICIA NILSSON

The owner of OnlyFans has collected a $500mn windfall over the past two years from the popularity of the platform for sex workers and celebrities to sell content to followers.

The dividend payments to Leo Radvinsky, a Ukrainian-US pornographer and internet entrepreneur, were disclosed by the UK-based company yesterday as it revealed a sevenfold rise in profits.

Payments of $284mn in 2021 and $233mn this year make Radvinsky one of the best-paid founders of an internet start-up in the UK and underline the growth of OnlyFans since the pandemic.

OnlyFans allows content creators such as fitness instructors, musicians and erotic stars to sell videoclips, messages and articles directly to fans who pay between $5 and $50 a month, of which the group takes a 20 per cent cut.

In its annual report, the company revealed that pre-tax profits in the year to November 2021 rose from $61mn to $433mn while revenues climbed from $358mn to $932mn. OnlyFans users spent nearly $4.8bn on the platform in 2021 for pornography, workout advice and cooking tips, the bulk of which went directly to creators.

Radvinsky made his fortune in online pornography and adult live-video sites before buying OnlyFans in 2018. Founders Tim Stokely, an Essex-based entrepreneur, and his father Guy, a former banker, left the company late last year.

OnlyFans lets people with a large social media following monetise content without having to rely on sponsored ads or promotional deals, a breakthrough for adult entertainers who struggled to get viewers to pay for a product freely available on many other sites.

OnlyFans profits far exceed those of MindGeek, the adult entertainment empire behind sites such as Pornhub and YouPorn.

OnlyFans has tried to craft a more mainstream brand, saying that a growing number of its creators sell non-sexual content. But it has yet to disclose figures on the breakdown of its revenues. The company faced a wave of critisors.

However, powerful AI chips are an important dual-use technology that also plays a central role in the datacentres of companies that process large volumes of data, potentially leading to broader economic impact.

Shares of the company fell 11 per cent

Nvidia said the order also applies to GPUs sold in Russia, though it does not currently sell its products in the country. It added that about $400mn in potential sales to China this quarter might be affected by the new licence requirement.

Lex page 18

shareholders in the Quebec-headquartered group, which it last month sweetened to $3.1bn.

Turquoise Hill holds 66 per cent of the Oyu Tolgoi project, one of the world's largest known copper and gold deposits, which is located in the Gobi desert. The Mongolian govern-

However, beyond the energy crisis, demand for copper is set to soar since production needs to double by 2035 to electrify the global economy and meet emissions targets, according to S&P Global. That has fuelled appetite among large miners to diversify their portfolios beyond iron ore and steel-

An independent special committee of Turquoise Hill's board has approved the deal, which will need support from two-thirds of votes cast by shareholders and approval in the majority of votes cast by minority shareholders. Rio already owns 51 per cent of Turquoise Hill.

cism and mockery last year when it unexpectedly banned pornography before backtracking on the decision.

Stokely said at the time that the move had been prompted by banks, wary of being associated with pornography, flagging and rejecting its payments to performers.

Legal Notices

In the matter of N I K O (Cyprus) Limited
and
In the matter of the Cyprus Companies Law Cap 113

Notice is hereby given that the creditors of the above-named company which is being voluntarily wound up are required on or before the 2nd day of October 2022 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Constantinos Constantinou, of PricewaterhouseCoopers Limited, Julia House, 3 Th. Dervis Street, CY-1066 Nicosia, P.O.Box 21612, CY-1591 Nicosia, Cyprus, the joint liquidator of the said company, and if so required by notice in writing from the said joint liquidator, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 2nd day of September 2022

Constantinos Constantinou
PricewaterhouseCoopers Limited
Joint Liquidator of N I K O (Cyprus) Limited

NOTICE TO ALL CREDITORS OF HERITAM SICAV
(In Voluntary Liquidation)
Registered Office: 15, avenue John F. Kennedy L-1855 Luxembourg, R.C.S. Luxembourg B56140
DEADLINE TO SUBMIT CLAIMS

The Extraordinary General Meeting of HERITAM SICAV (in liquidation) ("the Fund") resolved on 11 August 2022, to appoint Ernst & Young S.A., represented by Christophe Vandendorpe as Liquidator ("we" or "the Liquidator"). NOTICE is hereby given that the creditors of the Company, whose debts or claims have not already been admitted by the Liquidator, are required not later than 5.00 pm, 16 September 2022 to prove their debts or claims and to establish any title they may have to the Liquidator. Following expiry of the deadline, creditors will be excluded from the benefit of any distribution made by the Liquidator. All claims (including details of any form of security, pledges, or liens held) are to be substantiated with supporting documents and sent via post or email as follows: HERITAM SICAV (in liquidation), The Liquidator, 35 E Avenue John F. Kennedy, L-1855 Luxembourg, Luxembourg, Attn: Christophe Vandendorpe, Email address: liquidationservicedesk@lu.ey.com
Dated 29 August 2022
For HERITAM SICAV (in liquidation)
The Liquidator, ERNST & YOUNG S.A.
Represented by Christophe Vandendorpe, Partner

Netflix's strategic change makes it look more like traditional TV

INSIDE BUSINESS
MEDIA

Alex Barker

There was a point when the world was not enough for Netflix. When the streaming service commissioned an original show, the contract would literally span "the universe" rather than restricting Netflix's rights to just one country, territory or planet.

The imagination of Netflix's lawyers didn't stop at space travel either. According to one typical agreement shared with the Financial Times, the streamer would also claim the exclusive rights to distribute the show in all forms of media "now known or discovered in the future".

These kind of contractual clauses were more than legal paranoia. It was part of a deliberate policy. When Netflix shouldered the financial risk of original projects such as *Stranger Things* or *Squid Game*, it paid upfront and in return demanded full ownership of the intellectual property.

Such buyouts departed from the traditional model for television commissioning, where producers retained a stake in the commercial success of their show. The approach was yet another way in which Netflix stood out from the TV crowd.

But over the past couple of years, with little public fanfare, Netflix has been adapting this commissioning template. The concept of sharing rights is no longer taboo. Flexibility is now the order of the day.

The change wasn't specifically triggered by Netflix's subscriber losses, the looming "streaming recession", belt-tightening on content budgets or the 60 per cent collapse in Netflix's stock this year. It was a more gradual process of adjustment.

But if Netflix is serious about greater commercial pragmatism, the shift is bound to accelerate in years to come. That will ripple through Netflix's annual $17bn content budget and the wider creative economy. From introducing advertising to developing live programming, Netflix is looking more like the incumbent broadcasters it was created to unseat.

Netflix, of course, has been one of the great beneficiaries of shared rights. Even today, much of its library is made up of shows licensed for secondary use.

> If Netflix is serious about greater commercial pragmatism, the shift is bound to accelerate in years to come

Hits like *Schitt's Creek* or *Peaky Blinders* were first broadcast elsewhere before landing on the Netflix platform.

This has some peculiar effects. Ofcom, the UK's media regulator, recently examined how often shows licensed from the BBC, Channel 4 and other public service broadcasters were streamed on Netflix in the UK.

The estimate was 510mn times in the first quarter of 2022 — almost a third of what Netflix's own original content attracted during the same period.

One survey participant told Ofcom they didn't bother watching a traditional (free-to-air) TV channel because they could simply wait for their shows to "turn up on Netflix" (behind a subscription paywall). Netflix has been protective of its original shows. In return for a considerable upfront fee, the streaming service in effect bought the power to decide where it is aired, and whether to develop spin-offs, merchandise, or games. Netflix, for instance, has commissioned a reality show from *Squid Game*, made by different producers from the drama.

This is considerable power. Yet even for Netflix, the calculus has begun to change.

Some (but not all) producers are pressing to retain rights to the shows that they make. There is greater competition from other streaming services for talent and good projects.

Regulators are also intervening to bolster producer rights, especially in Europe. And Netflix has developed a better idea of what part of a show's lifecycle is most valuable in supporting a streaming business.

Executives making programmes for Netflix say that the result is a more open conversation about rights. On flagship shows, the streaming giant has been introducing creative incentives in contracts to reward producers of successful shows.

But for less prominent original content, it has also become more open to discussing "windowing", where a programme maker can sell a show to traditional television after it has appeared on Netflix for a set period of time. The gamble for the producer is taking a lower payment in return for extra rights.

Netflix's practices change from region to region, and indeed from producer to producer. But the direction of travel is clear. Original Netflix content might be becoming part of the traditional television universe.

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COMPANIES & MARKETS

Personal goods

Richemont investors oppose rejig

Shareholders in luxury group say they will vote against activist's proposals

HARRIET AGNEW — LONDON
LEILA ABBOUD — PARIS

Several top investors in Richemont are planning to vote against proposals by an activist investor to shake up the Swiss luxury group's board and challenge its controlling shareholder and chair Johann Rupert.

London-based hedge fund Bluebell Capital Partners, which owns a small stake in Richemont, has proposed three resolutions to be voted on at a shareholder meeting next Wednesday, including one that would nominate former Bluebell partner and luxury industry veteran Francesco Trapani to the board.

They contend that Richemont, whose biggest brands are Cartier and Van Cleef & Arpels, has underperformed peers such as LVMH and Hermès and has been hurt by poor governance and strategic choices, such as sticking with money-losing ventures in fashion and ecommerce.

Bluebell, which has been part of successful campaigns at Danone and Hugo Boss, has also criticised Rupert for behaving like a "padre-padrone" or godfather-like figure, who makes most decisions at Richemont even though he owns only a minority stake.

But Stephen Paice, head of European equities at Baillie Gifford, which is a top 15 investor in Richemont, said the fund was planning to vote against Bluebell's resolutions. "You can see that the composition of the board has changed over the past five years and Richemont has tried to address some of the gaps in the skillset," said Paice. "I think the direction of travel is positive."

A second top 15 investor said that changes by Richemont to its board — notably the appointment last year of Patrick Thomas, the former chief executive of luxury rival Hermès — showed that "the company is going in the right direction".

Rupert, 72, who built Richemont into a powerhouse in jewellery and watches with a market value of about SFr63bn ($65bn), has said shaking up the board is not necessary and has opposed Trapani because of his links to LVMH, which he worked for until 2016.

> 'We think we have the support of some of the largest shareholders'
> Guiseppe Bivona, Bluebell

Although he owns only a 9.1 per cent stake in Richemont, Rupert has almost total power to set strategy and choose directors because he owns B shares that carry 50 per cent of the voting rights.

Proxy advisers Institutional Shareholder Services and Glass Lewis have opposed Trapani joining the board.

Bluebell has proposed Trapani's nomination to represent the A shareholders as provided for in the company's bylaws but never applied by Richemont.

The company has agreed to appoint a representative of the A shareholders but wants to name current board member Wendy Luhabe to the post.

It also has come out against Bluebell's other proposals to increase the minimum size of the board and mandate that A and B holders each had equal representation.

Bluebell partner Guiseppe Bivona said he was confident about the vote. "We think we have the support of some of the largest shareholders," he added.

Bluebell's campaign became public in July and since then executives at the Swiss group, including Rupert, have been holding calls with top shareholders. This marks a change in approach for a company that usually restricts its investor communication to its twice-yearly earnings.

Richemont declined to comment.

Mining. Joint venture

Australian lithium refinery plans EV push

IGO and China's Tianqi begin talks to tap global carmakers' demand for battery material

NIC FILDES — KWINANA

Australia's first battery-grade lithium refinery, the largest outside China, has opened talks with electric-vehicle makers as it seeks to meet surging demand from global carmakers for the mineral.

Tianqi Lithium Energy Australia, jointly owned by Chinese group Tianqi and Australia's IGO, said it was aiming to supply a number of global carmakers with lithium hydroxide from its plant in Kwinana, near Perth, Western Australia. Lithium hydroxide is the refined product used in EV batteries.

"I think it's a matter of time," said Raj Surendran, chief operating officer of the joint venture that owns the plant, about supplying lithium hydroxide directly to EV companies rather than exporting the raw mineral to be refined in China.

He did not give further details of the talks, but he said that the Kwinana plant's production could quadruple in the coming years.

Global lithium supply is expected to triple in the next nine years, according to investment bank Barrenjoey, but that still will not be enough to match the needs of the EV market.

Even though it is majority owned by a Chinese company, TLEA is seen as important to realising a push to access supplies of refined minerals outside China, which dominates the market.

Carmakers in Europe and Japan are

since the start of the Covid-19 pandemic — were much lower.

The project was beset by problems. Tianqi, which is listed in Shenzhen and also floated in Hong Kong this year, once fully owned the refinery and the mine.

But the indebted Chinese company found itself on the brink of bankruptcy two years ago when the lithium price collapsed. It also became embroiled in a dispute with its construction contractor.

IGO bought into the refinery and Tianqi's Australian hard-rock lithium mine in 2020 in a $1.4bn deal for a 49 per cent stake.

Peter Bradford, chief executive of IGO, told the Diggers and Dealers conference in Kalgoorlie, Western Australia, this month that the refinery was critical to his company's push into the booming lithium market.

"I'm confident that now we have the recipe right, we can stop the focus on quality and move the focus to quantity," he said of the refinery's output.

Spodumene, a lithium ore, is refined in Kwinana by heating it in rotary kilns at 1,100C and using sulphuric acid to separate other components — including gypsum and sodium sulphate, which is used for detergent — from the core

> 'Now we have the recipe right, we can stop the focus on quality and move the focus to quantity'

product. The white powder is then packed into 450kg bags which, at current prices, are worth A$28,000 each.

High spirits
Pernod raises payout after strong sales

Bar none: French drinks group Pernod Ricard says there are few signs that consumers are choosing cheaper products to cope with record inflation — Christophe Morin/Bloomberg

Pernod Ricard has raised its dividend and promised a fresh share buyback after annual profit rose by almost one-fifth and sales exceeded €10bn for the first time.

The family-controlled French spirits group has benefited, like larger rival Diageo, from people drinking more premium spirits during the pandemic and now also from their return to bars, restaurants and travel.

Chief executive Alexandre Ricard said that demand this summer had been particularly strong with few signs that consumers were picking cheaper products to cope with record inflation.

"So far we have not seen trading down yet in our portfolio, and brand loyalty in spirits tends to be more resilient than in other consumer goods," he said. "Most of our brands cost about $30 per bottle, so it's an affordable treat."

Pernod shares have fallen about 14 per cent this year, while Diageo's are down 7 per cent, as investors worry about the potential for recession triggered by the energy crisis as well as the lingering effects of the pandemic in China.

Even so, Ricard expressed confidence that Pernod was well positioned to cope with challenging economic conditions. "The global situation is volatile, but our geographic diversity and agility should allow us to keep growing," he said.

In June, the group laid out midterm sales growth targets of 4 to 7 per cent annually, which would mark a normalisation after the disruption of the pandemic.

The maker of Jameson whiskey and Absolut vodka reported like-for-like sales growth of 17 per cent in the 12 months to June 20, and a fourth quarter rise of 14 per cent.

17% Growth in like-for-like sales in the 12 months to June 20	19% Rise in operating profit on a comparable basis to reach €3bn

About 6 per cent of the growth came from price rises, including two rounds of increases in the US, which were needed to respond to spiralling costs on everything from transport to packaging.

Pernod Ricard's operating profit also beat expectations to increase 19 per cent on a comparable basis to reach €3bn.

The world's second-biggest spirits group said it would raise its dividend by one-third to €4.12 per share and buy back €500mn to €750mn of its shares in the coming year.

Ricard said the drought that hit Europe this summer had not harmed their production of grapes in the regions of Champagne, Cognac and southern France. "Paradoxically the harvest will be really good," he said.

Simon Hales, an analyst at Citigroup, said "encouraging results and [the share] buyback" were likely to be "enough to close [the] valuation discount to Diageo", although he pointed out that there was still "some risk of down trading in spirits later this year".

Diageo is valued at 22 times forward price-to-earnings, according to S&P Capital IQ data, compared with 21.3 times for Pernod Ricard. *Leila Abboud in Paris*

expected to be important customers of the refinery.

Groups including Ford, Tesla and their Japanese rivals, are already signing deals with other Western Australian miners including BHP, Wesfarmers, Liontown and Lynas to secure raw materials such as nickel and lithium that are critical for EVs.

Hayden Bairstow, head of resources research at Macquarie, said that demand for lithium hydroxide was driving partnerships to transform Western Australia into the centre of the industry outside China.

"People are desperate to get hold of it but a lot of the knowledge is in China, so joint ventures like Tianqi [and] IGO are happening," he said. "This is the first big buildout of hydroxide capacity anywhere else on the planet. It is still in its infancy but within a decade, it will be a substantial and important region for everyone's supply chain."

TLEA said it had taken A$1bn ($687mn) of investment to produce lithium that is pure enough for use in batteries. Erik Laurent, general manager of the plant, described it as refining the equivalent of "a teaspoon of water from a backyard swimming pool".

Tianqi started building the refinery six years ago when Sino-Australian tensions — which have become elevated

The refinery is fed by the Greenbushes mine 250km south of Kwinana, which exports spodumene to China. The mine, which is jointly owned by Tianqi, IGO and US company Albemarle, is set to almost double its output to 2.2mn tonnes by 2027.

Albemarle is planning to build a separate refinery alongside a local company, Mineral Resources, that will also be supplied by Greenbushes.

Some worry about the political risk of the TLEA refinery, given China-Australia tensions. The Chinese influence is still apparent in Kwinana. Visitors are greeted by two giant marble Chinese lion statues at the door. The Chinese ambassador to Australia visited the plant in June

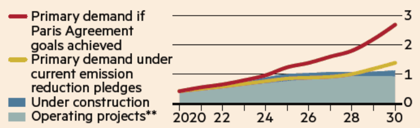
But Surendran said that the business operated independently of its majority owner and has its own board. He said that Tianqi has not been "heavy-handed" in its approach to the Australia-based business.

Susan Zou, senior metals analyst with Rystad Energy, said that the investment in jobs and high value-added lithium products was beneficial to the Australian market.

"These factors, as well as the existing joint venture and collaboration with local partners, help to mitigate any political risks," she said of the refinery.

Global demand for lithium is expected to far outstrip supply

Committed mine production and projected primary demand* (mn tonnes of lithium carbonate equivalent)



* Primary demand is total demand net of recycled volume
** Volumes include the expansion of existing mines
Source: IEA

Technology

Arm sues Qualcomm for breach of contract

RICHARD WATERS — SAN FRANCISCO

UK-based chip design group Arm has sued one of its most important customers, Qualcomm, accusing the company of breach of contract and trademark infringement over its attempt to create new chip designs that effectively take it into direct competition with Arm itself.

The lawsuit, filed in federal district court in Delaware on Wednesday, centres on Qualcomm's rights to use chip designs it acquired after buying chip start-up Nuvia last year.

The $1.4bn purchase of the two-year-old start-up has been seen as a critical step in Qualcomm's attempts to design more efficient computer processors, or CPUs, complementing its core strengths in mobile communications.

Besides improving the performance of its smartphone chips, Qualcomm has hoped to use the acquisition to break into the data centre market, selling its own server processors in competition with chip companies such as Intel and Nvidia, as well as tech giants such as Amazon that design their own chips.

The lawsuit, which seeks unspecified damages, could also complicate an important strategic partnership for Qualcomm. Cristiano Amon, the mobile chipmaker's chief executive, said this year that his company wanted to buy a stake in Arm and create a consortium to acquire it in order to guarantee that its technology remains widely available.

Qualcomm was reported to have been one of the companies that objected to Nvidia's attempts to buy Arm from Japan's SoftBank. The deal was called off this year after regulators objected.

According to the lawsuit, Nuvia's designs were developed under an Arm architecture licence, which allows other companies to develop basic chip designs based on Arm technology. Arm said Qualcomm had failed in a similar effort to design CPUs of its own under an architecture licence, forcing it instead to buy chip designs directly from Arm under a different form of technology licence.

By using the Nuvia designs without Arm's permission, Qualcomm was effectively saving itself from having to make purchases of chip designs directly from Arm, the lawsuit alleged.

Qualcomm said: "Arm has no right, contractual or otherwise, to attempt to interfere with Qualcomm's or Nuvia's innovations. Arm's complaint ignores the fact that Qualcomm has broad, well-established license rights covering its custom-designed CPUs, and we are confident those rights will be affirmed."

Technology

MicroStrategy chair accused of tax evasion

LYDIA TOMKIW — NEW YORK

Billionaire technology executive and bitcoin enthusiast Michael Saylor has been sued by the District of Columbia's attorney-general for allegedly evading more than $25mn in taxes.

The lawsuit against Saylor and MicroStrategy, the software company he co-founded, alleges that he evaded income taxes in Washington by pretending to live in lower-tax jurisdictions, either Florida or Virginia, despite living in the US capital for more than a decade.

Saylor bragged about his plan to confidants, according to the complaint.

The lawsuit, announced by DC attorney-general Karl Racine, alleges that MicroStrategy was aware that Saylor lived in Washington for more than half the year and conspired to help him evade taxes.

"[The] company reported to the Internal Revenue Service on form W-2s for taxable years 2014 through 2021 that Defendant Saylor's address was that of his house in Florida rather than his true place of abode," the suit alleges.

The attorney-general's office said it was seeking to recover unpaid income taxes as well as penalties from Saylor and MicroStrategy, which it said could total more than $100mn.

Saylor, who stepped down as chief executive last month but still serves as executive chair, has become a major figure in the world of cryptocurrency and regularly speaks about bitcoin.

MicroStrategy said the case was a "personal tax matter" of Saylor's and that it did not "oversee his individual tax responsibilities." It added: "The District of Columbia's claims against the company are false and we will defend aggressively against this over-reach."

Saylor said he disagreed with the lawsuit and that he lives in Florida.

The lawsuit is the first being brought under the district's amended False Claims Act, which encourages whistleblowers to report residents who evade taxes by misrepresenting where they live, Racine said. Under the updated law, whistleblowers can collect up to 30 per cent of any recovery.

People who maintain a residence in DC for at least 183 days are required to pay income taxes.

In a whistleblower lawsuit in April 2021, which was unsealed on Wednesday, Saylor was accused of failing to pay income taxes from 2014-20. The attorney-general said Saylor, whose net worth is put at more than $1bn, has lived in a waterfront penthouse in Washington's Georgetown since about 2015.

COMPANIES & MARKETS

Pru has bet the ranch on a turbulent Asia

Insurer's chosen ground is being jolted by geopolitical instability, an economic downturn and continuing virus curbs

TABBY KINDER — HONG KONG
IAN SMITH — LONDON

When Anil Wadhwani takes over as chief executive of Prudential next February, the FTSE 100 group will be unrecognisable from the British insurer that has traded from London for 174 years.

Having spent much of the last century growing into a financial services conglomerate, in the past three years Prudential has shed its European business, spun off its US operations and slashed its UK headquarters, relocating all its senior management and operations to Hong Kong.

Its listing on the London Stock Exchange and UK domicile are the only remnants of its UK business. Now the £24bn life insurer is gambling the farm on mainland China, Hong Kong and south-east Asia, plus a small but growing bet on Africa.

"They're chasing after the shiny thing," said Richard Harris, chief executive of Port Shelter Investment Management, an Asia investor. "Certain margins were better. But that can be a short-term impact."

The culmination of Prudential's more than decade-long Asia pivot silenced years of criticism, including from activist shareholder Third Point, that its business model had become too compli-

Kong, trading of its shares has been very thin there, averaging 1 per cent of its daily turnover. The bulk of the trading is in London.

The group is hoping to turn a corner when it is included in the Hang Seng from September, meaning it can be considered for inclusion in the Shenzhen-Hong Kong stock connect scheme and mainland investors would be able to trade its shares for the first time.

This, after a $2.4bn equity capital raise late last year, is intended to boost Prudential's visibility and liquidity with Asian investors, whom its executives have courted in meetings in Hong Kong last month. Prudential has expanded its analyst coverage in Asia from two to seven banks this year.

But straddling the UK and China is complex. HSBC, which has also shifted focus from its UK base to prioritise Asia, has had to walk a geopolitical tightrope, while its large Hong Kong and Chinese investor base has pressed it to split off its Asian operations.

Like HSBC's investment bank joint venture in China, Prudential's CPL business has a party committee in its ranks, a legal requirement. As a western organisation partnering with a state-owned Chinese bank, there has been some investor scrutiny in the past, according

cated and its share price had suffered because the value of its Asia businesses were being diluted by lower margins and slower growth in the US and Europe.

But it comes at a difficult time for the region, with an economic downturn, geopolitical instability and ongoing pandemic restrictions in Hong Kong and mainland China all weighing on prospects for Prudential's core markets.

That also makes it a difficult time for a long transition to a new leadership. Industry watchers were surprised that a new chief executive had not been lined up when former boss Mike Wells announced in February that he would retire after seven years in the role.

When Wadhwani's appointment was unveiled in May, analysts at Jefferies expressed disappointment at the long transition period. That was compounded by the departure of Prudential's Asia and Africa chief executive Nic Nicandrou, who had been the internal frontrunner for the job, with the broker warning that the gaps at the top could "impair . . . institutional memory".

A former Prudential executive said: "The optics aren't great, with so many senior departures. You'd want it to be smoother." They were "surprised . . . that it took quite some time" to find a replacement. The final announcement of the appointment, the day before the insurer's annual shareholder meeting, seemed "rushed".

A person familiar with Prudential's view said the search had been held up because of the need for Wells to complete the strategic changes, as well as the board's desire to meet candidates face to face, which had been complicated by the pandemic.

The risks of its strategy became clear in August, when Prudential announced its results for its first six months as an entirely Asia and Africa-focused business. In Hong Kong, its largest market and responsible for a quarter of operating profit before the pandemic, new business profits fell almost a third. The closed border with the mainland has prevented Prudential's army of agents from selling insurance products to Chinese people travelling to Hong Kong, a line worth profits of $694mn in 2019 before the pandemic.

Tensions over Taiwan are a risk in its fastest-growing market, while virus curbs in Indonesia have hit the source of about 10 per cent of operating profits.

"As a pure-play Asia business, Prudential is a lot cleaner story than it has been historically," said Andrew Baker, an equity analyst at Citi in London. "Unfortunately for them . . . this is the most difficult macro environment they've faced in a long time in Asia."

Wadhwani, who has worked in Hong Kong for five years, will have to set out his plan for rescuing Prudential's shares, which have lost more than 30 per cent of their value since the insurer began its transformation in 2019.

Rival AIA, an Asia-focused insurer that spun out of AIG and listed in Hong Kong in 2010, is dealing with the same regional headwinds but has a market capitalisation of HK$898bn ($114bn) compared with Prudential's £24bn ($28bn).

Until Wadhwani sets out his agenda, investors face uncertainty about what Prudential will do to try to close the gap. He will run the group with a new management team, after a layer of regional executives were cleared out in the restructuring. Because he does not speak Mandarin, he will rely heavily on senior executive Lilian Ng, who has responsibility for mainland China, Hong Kong and Taiwan.

"We are in all the markets we want to be in," said Mark FitzPatrick, Prudential's interim chief executive and an ex-Deloitte consultant who stepped up from his role as chief financial officer in February. "We are not drifting, we are driving the business forward."

Prudential's Asia pivot was "emotional" as well as physical, according to FitzPatrick, who opted out of taking on the permanent chief executive role.

Prudential first signalled plans to focus on Asia under former chief executive Tidjane Thiam. In 2010, it listed its shares in Hong Kong and Singapore to help fund a $35bn attempt to take over AIA. The bid failed, but Thiam went on to oversee rapid growth in the region.

Central to that strategy was expanding Prudential's life insurance venture with Chinese state-owned bank Citic, which launched in 2000, and has benefited from a vastly underserved insurance market and rising household incomes. China generates about 7 per cent of Prudential's profits. Yet Prudential faces roadblocks to growth in the mainland. It owns a 50 per cent stake in the company and has laid out plans to increase that since Beijing lifted ownership restrictions on foreign financial services businesses in 2020. But it does not have the capital to do so, nor a willing seller.

"We'd both like to own a greater share," FitzPatrick said.

Citic Prudential Life is expanding — gross premiums have grown almost fourfold to $2.4bn since 2016 — but the domestic market is increasingly competitive and its share is tiny, at about 1 per cent. It could lose ground as foreign financial services groups invest in China's market. AIA, Allianz and Axa have all established wholly owned insurance companies in China.

The other question for Prudential is whether a quintessential London-listed stock will sever ties with the UK completely. Its large UK investor base and low liquidity in Hong Kong mean dropping its premium London listing is not a foregone conclusion.

"We want investors to buy and hold our shares on the Hong Kong line," said FitzPatrick, though he did not want to "say goodbye" to Prudential's UK investor base.

Since the business listed in Hong Kong ... to FitzPatrick. But unlike HSBC, Prudential has been regulated only in Hong Kong since its UK business was spun off into M&G in 2019, providing it some shelter from geopolitical pressures.

For Prudential, the risks of its strategy are more than worth the opportunity to win a larger share of Asia's underserved market. But with six months until its new chief executive takes over and no certainty on when the border between Hong Kong and the mainland will reopen, the catalyst for its stock has been just around the corner for a while.

Some think, as a result of these short-term challenges, Prudential is undervalued in London.

"I kind of expect it to be [taken over] . . . I'm surprised it hasn't been," said the former Prudential executive.

Journey from the west: Prudential, to be led by Anil Wadhwani, below, from February, believes the risks are more than worth it for the chance to seize a larger share of an underserved market
Sipa US/Alamy

'This is the most difficult macro environment they've faced in a long time'
Andrew Baker, Citi analyst

'We are in all the markets we want to be in. We are not drifting'
Mark FitzPatrick, Prudential interim boss

Prudential lags behind AIA
Share prices rebased (% change)

Includes Prudential's Hong Kong price
Source: Bloomberg

Food & beverage

Campbell Soup boosted by 'elevated demand'

LYDIA TOMKIW — NEW YORK

Campbell Soup raised its guidance for the fiscal year and reported increased sales as consumers continued to buy soup and pasta sauce despite inflationary pressures.

The group set its net sales guidance for fiscal year 2023 at a range of 4 to 6 per cent, saying it expected "elevated consumer demand" for its products. .

That works out as better sales growth than the 1 per cent it reported for fiscal 2022 and potentially better adjusted earnings growth than the flat result it achieved in the past year.

"Productivity improvements and cost savings initiatives will continue to play an important role in mitigating inflation, which is expected to remain elevated," the company said.

Campbell Soup reported that net sales rose 6 per cent to $1.98bn in the quarter ending July 31, in line with analysts' expectations, according to Refinitiv.

Volume was down in its meal and beverages and snack division, partially offset by inflation-driven pricing and sales.

Campbell Soup reported net income of $96mn for the quarter, down from $288mn a year earlier. That was below analysts' expectations of $168.91mn.

Packaged food companies have raised prices but continued to see consumer demand. Hormel Foods, whose brands include Spam luncheon meat and Planters peanuts, also reported yesterday that its net sales were up 6 per cent to $3bn.

Hormel increased its net sales guidance for the year to a range of $12.2bn to $12.8bn, up from the previous guidance of $11.7bn to $12.5bn.

But concerns about cost inflation for logistics and raw materials caused the company to lower its earnings guidance to $1.78 to $1.85 a share from the previous level of $1.87 to $1.97.

Currencies. Recession fears

Sterling hit by worst monthly drop since Brexit vote fallout

Retail & consumer

Narasimhan to step down from top job at Reckitt

JUDITH EVANS AND MARK WEMBRIDGE
LONDON

Laxman Narasimhan will step down as chief executive of Reckitt Benckiser at the end of September, the company announced yesterday, in a surprise departure after three years leading the consumer-goods group.

The UK-based maker of Dettol disinfectant and Durex condoms said Narasimhan had decided to move to the US "for personal and family reasons" and to pursue "an opportunity that enables him to live there".

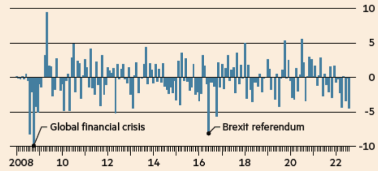
Shares in the company dropped 5.2 per cent to £63.04 on the news by

Currency pair: the pound has started this month with a further 0.8% retreat against the dollar although it gained about 0.3 per cent against the euro — FT montage

UK assets slide in August on jitters over outlook for the economy and political change

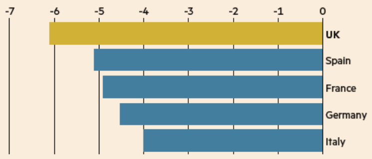
CHRIS FLOOD AND NIKOU ASGARI

Pound notches up worst month against dollar since 2016
% change



Sources: Refinitiv; Bloomberg Global Aggregate indices

UK bond market hit with heavier August selling than regional peers
Total returns in local currency (%)



Sterling has recorded its steepest monthly decline against the dollar since the wake of the Brexit referendum against a backdrop of intensifying economic and political uncertainty.

The pound fell 4.5 per cent in August to $1.16 in the biggest monthly drop since October 2016.

It also declined by almost 3 per cent against the euro. It started September with a further 0.8 per cent fall against the dollar, although it gained about 0.3 per cent against the common currency.

The currency's August tumble reflects the deteriorating outlook for Britain's economy as the energy crisis deals a powerful blow to businesses and consumers.

The new prime minister, set to be named next week, could bring further uncertainty as they set new fiscal priorities.

"Cyclical crosswinds are likely to intensify for the pound into the autumn as the UK economy navigates new fiscal initiatives against still-rising energy costs and consumer price index," JPMorgan analysts said last month.

Liz Truss, frontrunner to win the Conservative party leadership contest, has vowed to offer £30bn in tax cuts as part of a plan to buttress the UK economy against the worsening cost of living crisis.

Economists say a loosening of fiscal policy could alleviate the recession that is forecast by the Bank of England and many City economists to begin later this year.

But some analysts have said a stimulus of this nature could make it more difficult for the BoE to battle the worst bout of inflation in more than 40 years.

Philip Shaw, chief economist at Investec in London, said that sterling's rapid fall was "very worrying" because it underlined concerns that, if Truss were named prime minister, her government's policies would diverge from the BoE.

UK debt markets also sold off in August, with a broad Bloomberg index tracking government and corporate debt falling more than 6 per cent — much worse than regional peers including Germany and France.

The selling sent 10-year government borrowing costs in the gilt market soaring more than 0.9 percentage points in the biggest rise since at least 1989.

In equities, the FTSE 250 index of medium-sized UK-listed companies, which are considered more sensitive to the domestic economic outlook than those listed on the more internationally focused FTSE 100, fell 5.5 per cent in August.

George Saravelos, global head of FX research at Deutsche Bank, said investors were right to question whether the UK's mix of fiscal and monetary was appropriate and how it would affect inflation. "Pricing pressures are becoming persistent and broader. But what kind of signal is the UK government sending about inflation?"

Saravelos added that the BoE had not been as aggressive or effective in its communications about inflation risks as either the US Federal Reserve or the European Central Bank.

Saravelos said the reaction of currency markets to aggressive fiscal promises that were unfunded or a broad-based VAT tax cut were likely to be less favourable than help on energy bills targeted at the relevant income groups.

The pound was also pulled lower by a broad rise in the US dollar last month as traders bet that the Fed will pursue a strategy of aggressive rate increases in the coming months.

But the pound's fall in August was still more severe than any of the G10 currencies besides Sweden's krona.

There are tentative signs that pressure on the currency could be easing. Speculators, including funds that trade currency derivatives, have cut their bearish bets against sterling in recent weeks.

> 'Cyclical crosswinds are likely to intensify for the pound into the autumn'

The group now holds a net short futures position of 27,966 contracts, compared with a recent high of 80,37 in late May, according to Commodity Futures Trading Commission data compiled by Bloomberg.

"Leveraged funds are not aggressively short against [sterling]," said Stephen Gallo, European head of FX strategy at BMO Capital Markets. "Other fund managers — asset allocators — are reducing their sterling hedges, which suggests they are trimming their exposure to UK assets But it is unclear if these recent moves are being driven by short-term portfolio flows or by shifts in longer term foreign direct investment flows."

Large international investors cut their exposure to the UK stock market in July with a net 15 per cent of global fund managers reporting an "underweight" UK equity position, a fall of 11 percentage points compared with the previous month's position, according to Bank of America, which canvassed the views of 250 respondents with combined assets of $752bn.

yesterday's close.

Nicandro Durante, the senior independent director who was previously chief executive of British American Tobacco, will take over temporarily while the company seeks a permanent replacement.

The unexpected announcement follows three years in which Narasimhan pursued a turnround following a series of missteps and lacklustre growth that marked the final years of his predecessor, Rakesh Kapoor.

Martin Deboo, an analyst at Jefferies, said: "Narasimhan has attracted a dedicated following for his turnround and investment plan, and we expect the announcement of his departure to be a

> 'We expect the announcement to be a cause for concern amongst holders of Reckitt'

cause for concern amongst holders of Reckitt."

Tineke Frikkee, fund manager at Waverton Investment Management, which has a small holding in Reckitt, said: "Whilst it is understandable that for family reasons he is moving back to the US, it is surprising that it is immediate, rather than serving his notice period."

Frikkee added: "The Reckitt strategy appeared sensible and margin fears had receded. These will now raise their head again, until it is clear what the new strategy is."

The board will consider both internal and external candidates in its search for a new chief executive, said people briefed on the situation.

Reckitt said Narasimhan, a former PepsiCo executive and consultant at McKinsey, had "led a successful rejuvenation of the company's strategy, execution and foundational capabilities".

Narasimhan has restructured the Slough-based group since taking over, selling off underperforming businesses such as its Chinese infant nutrition arm, which had suffered problems since Kapoor's ill-fated $18bn acquisition of baby milk group Mead Johnson.

He has also wrestled with supply chain challenges since the start of Covid-19 but avoided problems such as a failed Scholl foot product launch, a cyber attack and manufacturing mishaps that affected his predecessor.

See Lex

Commodities

Oil industry condemns first US fee on greenhouse gases amid energy crisis

MYLES MCCORMICK — NEW YORK

The landmark climate law signed by President Joe Biden last month contains billions of dollars of financial carrots to reward investment in clean energy. The lone stick has been less heralded: a first-of-its kind fee on leaks of methane from the oil and gas sector.

Methane traps 80 times more heat in the atmosphere than carbon dioxide over a 20-year period, making it a driver of climate change. In the US, the energy sector is the single largest source of methane emissions.

The fee established by the Inflation Reduction Act marks the US's first nationwide price on a greenhouse gas as efforts to tax CO_2 fizzle. Oil lobbies were quick to condemn it.

"Fundamentally, we don't think the government should raise taxes, particularly in the middle of a recession," said Frank Macchiarola, senior vice-president at the American Petroleum Institute. "And in the middle of a global energy crisis."

Beginning in 2024, the law imposes a charge of $900 a tonne of methane emitted by oil and gas companies from wells, pipelines, liquefied natural gas terminals and other facilities.

After two years the fee rises to $1,500 a tonne. The fee has the potential to cut total US methane pollution by nearly a fifth at the end of the decade as compared with 2020 levels, according to a University of Maryland study released this week.

The US under the Biden administration has committed to a 30 per cent reduction by 2030.

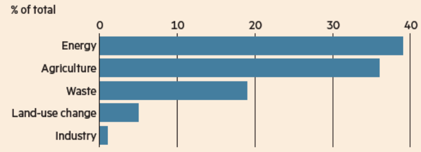
"Having this sort of Congressional law is the gold standard for emissions reduction," said Nathan Hultman, director of the University of Maryland's Center for Global Sustainability and a former policy adviser in the Biden administration and that of Barack Obama.

The Congressional Budget Office estimates that the fees will bring in revenues of more than $6bn by the end of the decade. Yet the breadth of the fee programme falls short of many environmentalists' goals.

Exemptions were carved out during months of negotiations between Senator Joe Manchin, the conservative Democrat from West Virginia, which is a big hydrocarbon producer; and Delaware's Tom Carper, chair of the Senate Environment and Public Works committee.

The smallest producers — those estimated to emit less than the CO_2 equivalent of 25,000 tonnes of a year — will be exempted from the fee. That could exclude as much as 60 per cent of industry emissions, according to a report by the Congressional Research Service.

The energy sector is the biggest contributor to US methane emissions
% of total



Total is c. 28,000 tonnes
Sources: University of Maryland; Environmental Protection Agency

Another clause exempts operators that are deemed to already be in compliance with parallel regulations that are pending from the Environmental Protection Agency. The bill also grants emitters more than $1.5bn to help clean up, effectively subsidising laggards.

"Joe Manchin and I are practical politicians," Carper told the Financial Times. "I wanted to make sure at the end of the day that we addressed a source of greenhouse gas emissions 80 times more potent than CO_2," he said. "He wanted to make sure that we didn't needlessly put out of business those who are interested in doing the right thing — committed to doing right — and we came to this compromise."

Analysts said the fee's cost to producers would be limited. A study by S&P Global Commodities found it would add about 50 cents to the $45-a-barrel oil price that many US producers need to break even.

Shell, the UK-based oil major with assets in the US, said it supported the fee approach "because it incentivises industry to do more. Lawmakers listened carefully in crafting a bill that is not duplicative of current or potential future regulations but could lead to meaningful methane emissions reductions not covered by current laws".

However, Lee Fuller at the Independent Petroleum Association of America, which represents big and small oil and gas producers, said the administration was going after them while turning a blind eye to emissions from agriculture, another significant source of methane.

"This is really just targeting our industry for purposes of targeting our industry — as a way to try to further argue that oil and natural gas is a bad product," he said.

The smallest producers cautiously welcomed the exemption for emissions below 25,000 tonnes CO_2 equivalent but fretted over a lack of detail as to how the cut-off would be defined and calculated.

"We understood clearly from Senator Manchin that he made it clear that he wanted the smaller producers to be exempt," said Nick Powell, chief executive of Kansas-based Colt Energy and head of the National Stripper Well Association. "So the question gets to be . . . what do we have to do to prove that we're exempt?"

The amount of emissions will also depend on how the EPA interprets the law and how the fee meshes with other regulations.

Hultman estimated that methane leaks could decline in a range of 6 per cent to 19 per cent by the end of the decade as a result of the legislation.

Environmentalists said the fee drew a line under years of regulatory chop and change as different presidential administrations imposed and then tore up methane rules.

Rules brought in under Obama were torn up by Donald Trump before being reinstated.

A recent Supreme Court ruling curbing the ability of the EPA to limit carbon emissions from power plants also underlined the vulnerability of regulations to judicial review.

"It ultimately does no good for society or for business to have policies that radically yin and yang back and forth," said Mark Brownstein, senior vice-president of energy at the Environmental Defense Fund.

"If there was any doubt in the mind of folks in industry, if there was any doubt in the mind of jurists down the line, it is clear now Congress has spoken," he added.

COMPANIES & MARKETS

The day in the markets

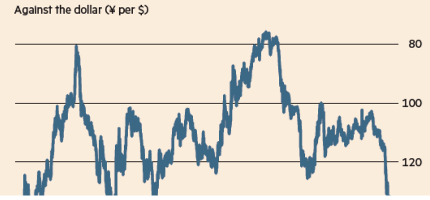
What you need to know

- **Global stocks extend falls into new month over darkening outlook**
- **Semiconductor stocks hit after US blocks Nvidia from China sales**
- **Treasuries under pressure from strong weekly jobless claims data**

Global stocks dropped and the dollar jumped after fresh Covid-19 lockdowns in China and gloomy data from the manufacturing powerhouse compounded investor worries that the global economy is faltering.

Wall Street's S&P 500 was down 0.9 per cent by the early afternoon in New York

Yen sinks to weakest level since 1998
Against the dollar (¥ per $)



Property sector will be key to the next Fed pivot

Ian Harnett

Markets Insight

Investors are desperate for signals about any "pivot" by the US Federal Reserve. It may be that American housing will be more important in

emerge. New home sales of 511,000 in July were down almost 50 per cent from two years earlier.

At the same time, the National

balance sheets were often seen prior to previous recessions. Also, consumer confidence about their financial position is worse than any time other than cent by the early afternoon in New York, leaving it on track to close down for a fifth day in what would be its longest losing streak since mid-July.

The latest bout of equity selling highlights how many investors are worried that surging energy prices will weigh on consumers and businesses worldwide, just as central banks are raising borrowing costs in an attempt to damp down blistering inflation.

A jolt of geopolitical angst also weighed on markets. The tech-heavy Nasdaq Composite dropped 2 per cent with Nvidia sliding after US officials told the chipmaker to stop selling to Chinese companies two of its chips designed for artificial intelligence work. Other semiconductor groups also tumbled.

Across the Atlantic, the Stoxx Europe 600 index retreated 1.8 per cent.

Traders darted into the dollar, seen as a shelter during times of market tumult, sending a measure of the US currency against half a dozen peers rallying as much as 1 per cent to a new 20-year high.

Other currencies slumped against the dollar with the pound falling as much as 1 per cent to $1.15, the euro falling up to 1.4 per cent to $0.991 and Japan's yen losing as much as 0.9 per cent to touch ¥140 for the first time since 1998.

Concerns over global growth flared up after Chinese authorities yesterday moved to lock down the south-western megacity of Chengdu.

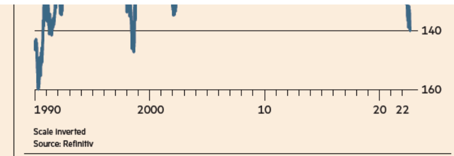
A survey of manufacturers in China also came in worse than expected with the Caixin manufacturing purchasing managers' index registering a reading of 49.5 for August, down from 50.4 in July and below expectations of 50.2.

Oil, which is sensitive to expectations for global growth, extended a recent fall. Brent, the global benchmark, slipped 3.3 per cent to $92.52 a barrel, down from a high of more than $105 on Tuesday.

US government bonds came under selling pressure following strong weekly jobless claims data.

The yield on the 10-year Treasury note added 13 basis points to 3.27 per cent while the yield on the two-year note, which closely tracks interest rate expectations, added as much as 10bp to 3.55 per cent, hitting a new 15-year high.

Harriet Clarfelt



Scale inverted
Source: Refinitiv

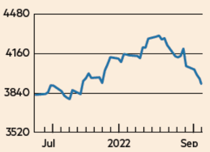
Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	3914.33	1609.57	27661.47	7148.50	3184.98	108671.07
% change on day	-1.03	-1.68	-1.53	-1.86	-0.54	-0.78
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	109.169	0.994	140.020	1.153	6.899	5.214
% change on day	0.431	-1.193	1.006	-0.945	0.073	0.646
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	3.256	1.561	0.235	2.876	2.626	12.741
Basis point change on day	13.300	2.300	1.020	7.900	-1.300	-12.300
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	397.68	93.11	87.31	1715.90	17.95	3739.40
% change on day	-1.67	-4.26	-4.43	-0.83	-4.01	-0.91

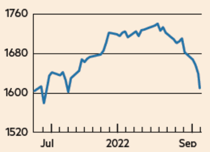
Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets

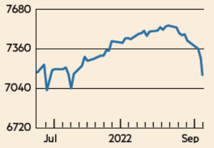
S&P 500 index



Eurofirst 300 index



FTSE 100 index



Biggest movers

%	US		Eurozone		UK	
Ups	Dxc Technology	3.91	Rwe	1.31	Jd Sports Fashion	1.28
	Abbvie	2.30	Iberdrola	1.16	Pearson	1.23
	Kroger Co (the)	2.14	Muench Rueckvers	0.84	Centrica	1.03
	Merck & Co	2.10	Acs Const.	0.81	Avast	0.88
	Dollar General	2.06	Pernod Ricard	0.63	Sse	0.73
Downs	Nvidia	-11.36	Arcelormittal	-5.75	Entain	-7.66
	Advanced Micro Devices	-6.92	Wartsila	-4.74	Intermediate Capital	-7.50
	Freeport-mcmoran	-6.00	Swatch	-4.61	Rolls-royce Holdings	-7.39
	Albemarle	-5.75	Kleplerre	-4.20	3i	-6.75
	Hormel Foods	-5.75	Amadeus It	-4.18	Glencore	-6.61

Prices taken at 17:00 GMT
Based on the constituents of the FTSE Eurofirst 300 Eurozone
All data provided by Morningstar unless otherwise noted.

Wall Street

Chipmaker **Nvidia** fell sharply after disclosing in a filing that the US government had asked it to stop selling two kinds of chips — used for artificial intelligence work — to China and Russia.

The group said the restrictions were likely to affect its results, having issued guidance for its third fiscal quarter that forecast "around $400mn in potential sales to China", it said.

News of the curbs ricocheted across the semiconductor sector, sending **AMD**, **Intel**, **Qualcomm** and **Broadcom** all lower.

A cut to its outlook weighed on **Hormel Foods**, which includes Spam among its roster of brands.

A diluted earnings forecast of 40 cents per share was in line with the consensus for its fiscal third quarter but, for the full year, it forecast EPS of between $1.78 and $1.85, lower than its previous range of $1.87 to $1.97.

Jim Snee, chief executive, said the revision was down to higher prices "primarily related to operations, logistics and raw material inputs", although he viewed these pressures "as transient".

Another guidance cut pushed **Signet Jewelers** lower.

The diamond retailer said it expected diluted EPS to land between $10.98 to $11.57 for its fiscal 2023 year, down from the $12.72 to $13.47 range stated in June.
Ray Douglas

Europe

Poland's **InPost**, the automatic parcel machines group, rallied after delivering better than expected results.

Core profits jumped 41 per cent year on year to 511mn zlotys ($109mn) in the second quarter, which was 18 per cent ahead of consensus, noted Jefferies.

Rafał Brzoska, chief executive, added that InPost "accelerated market share gains in all our core markets" during the period.

The Oslo-listed shares of offshore drilling contractor **Seadrill** rallied on news that it was selling seven jack-ups, a type of platform with moveable legs.

Subsidiaries of ADES Arabia Holding signed a binding share purchase agreement to acquire the rigs for about $100mn each, which was significantly higher than the $75mn estimate from Fearnley Securities.

Simon Johnson, chief executive, said the sale was "transformative" as it crystallised "the valuation of these rigs at a substantially higher level than currently implied in Seadrill's share price".

Germany's **Zalando** retreated following a report that it might have to contend with a new rival.

The online fashion retailer was set to face fresh competition from Alibaba's ecommerce company Lazada, which was preparing to enter Europe, according to Bloomberg. *Ray Douglas*

London

Textile rental company **Johnson Service Group** fell after warning of "some margin pressure in the short term, particularly in respect of energy costs".

The news overshadowed a return to profitability in the first half of this year with Johnson posting a pre-tax profit of £5.1mn against a loss of £13.9mn a year earlier.

Reckitt Benckiser, the consumer goods group, sank on announcing that its chief executive would be stepping down at the end of this month.

Laxman Narasimhan was departing "for personal and family reasons to relocate back to the US" where he was pursuing a new opportunity, said the group.

The share price reaction did not surprise Jefferies, which said Narasimhan had "attracted a dedicated following for his turnround and investment plan" during his three-year tenure.

Cake Box rallied on news that its chief executive had bought shares in the franchise retailer, which tumbled 30 per cent on Wednesday after issuing a profit warning.

Sukh Chamdal purchased 225,000 shares at 121.85p each, taking his holding to more than 10mn, which equated to a 25 per cent stake in the company that specialises in egg-free cakes.
Ray Douglas

housing will be more important in forcing the Fed to ease than either inflation or unemployment.

Over the last century, housing has helped define the swings in the economic cycle, being a key driver of investment, employment and consumption (especially white goods). As one recent research paper put it: "Housing IS the Business Cycle."

Easy monetary and fiscal policy, post-pandemic, has helped fuel 20 per cent US house price inflation, the fastest seen since December 1946.

Three-year house price inflation of 46 per cent in nominal terms and 28 per cent in real terms has been matched by only the bubbles of the early 1980s and mid-2000s in the past 70 years.

However, these "good times" for US housing look to be ending as property faces a perfect storm of rising financing costs, squeezed demand and increased supply.

Investors often focus on mortgage rates and refinancing activity as key drivers of housing demand but trends in real income tended to play a bigger role.

These are being squeezed by the rise in CPI inflation. The US house price to income ratio is now at a postwar high of 4.8x and, with financing costs rising, affordability is at its lowest since just before the subprime crisis.

Consumer confidence about this being "a good time to buy a house" is now lower than at any time since 1980. But just as demand is being challenged, the potential supply — homes started but not completed — is at record highs.

The consequences of this demand/supply imbalance are beginning to

At the same time, the National Association of Home Builders index has fallen faster this year than at any time other than the start of the pandemic.

The importance for the real economy is that new home sales lead housing starts. If starts slow by 600,000 in the next 12 months to below 1mn as our models suggest, this could cut about 1.5 per cent from US gross domestic product.

Slower new home sales pushed the inventory/sales ratio up to 10.9 months of supply in July. These inventories

US housing faces a perfect storm of rising financing costs, squeezed demand and increased supply

typically lead unemployment, signalling that the unemployment rate could be more than 5 per cent in 18 months' time — definitely not the "soft landing" hoped for by many investors.

We hear two main counters to this narrative: first, low existing-home inventories constrain current supply and, second, healthy consumer balance sheets limit any demand risk.

While the existing-home inventory is currently low, at only three months' supply, the changes in new-home inventories lead existing-home inventories by three months, suggesting that the inventory of existing homes could increase quickly by the end of 2022.

While household balance sheets remain strong, historically this has been no protection against recession. Strong

tion is worse than any time other than the global financial crisis. The reality is that the bulk of this wealth is owned by a minority of higher income households.

The investment consequences of housing downturns are many. Equities suffer as new home inventories rise, the economy slows, unemployment rises and profits go down. Housing-related equities and commodities struggle.

But the key market risks from this housing cycle are likely to lie with those non-bank mortgage lenders central to funding the post-crisis housing boom.

However, these risks multiply if the slowdown in house prices spreads into commercial real estate — as it has tended to in the past 70 years — potentially posing broader risks to US financials and "alternative" assets.

In conclusion, US housing is central to both the real economy and financial markets, making it potentially critical to the timing of any Fed pivot, perhaps more so than either inflation or unemployment.

Historically, US rate cycles typically only turn as the Fed is forced into easing by financial crisis. It is unlikely that this time will be different.

Given the importance of housing for the US economy and markets, perhaps it is time for the Fed and other central banks to follow the Reserve Bank of New Zealand, and explicitly add housing into their policy mandates. After all, housing *is* the business cycle.

Ian Harnett is co-founder and chief investment strategist at Absolut Strategy Research. David Bowers contributed to this article

MARKET DATA

WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)

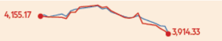
S&P 500	Nasdaq Composite	Dow Jones Ind	FTSE 100	FTSE Eurofirst 300	Nikkei	Hang Seng	FTSE All World $	$ per €	$ per £	¥ per $	£ per €	Oil Brent $ Sep	Gold $
-1.03%	-2.14%	-0.47%	-1.86%	-1.68%	-1.53%	-1.79%	-1.67%	-1.193%	-0.945%	1.006%	-0.231%	-1.54%	-0.83%

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

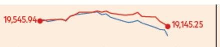
AMERICAS: Aug 02 - - Index — All World — S&P 500 New York; Aug 02 - Sep 01 Index — All World — S&P/TSX COMP Toronto

EUROPE: Aug 02 - Sep 01 Index — All World — FTSE 100 London; Aug 02 - Sep 01 Index — All World — Xetra Dax Frankfurt

ASIA: Aug 02 - Sep 01 Index — All World — Nikkei 225 Tokyo; Aug 02 - Sep 01 Index — All World — Kospi Seoul

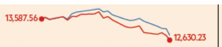


Day -1.03% Month -6.73% Year -11.45%

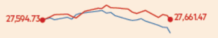


Day -1.47% Month -9.84% Year -6.47%

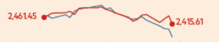
Day -1.86% Month -5.00% Year 0.44%



Day -1.60% Month -0.77% Year NaN%

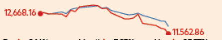


Day -1.53% Month -5.14% Year -9.83%



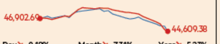
Day -2.28% Month -13.64% Year -30.07%

Nasdaq Composite New York



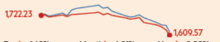
Day -2.14% Month -7.23% Year -23.37%

IPC Mexico City



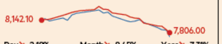
Day -0.18% Month -7.31% Year -5.23%

FTSE Eurofirst 300 Europe



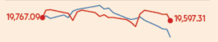
Day -1.68% Month -6.91% Year -9.00%

Ibex 35 Madrid



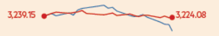
Day -2.18% Month -8.45% Year -7.31%

Hang Seng Hong Kong



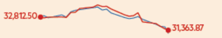
Day -1.79% Month 5.78% Year -24.49%

FTSE Straits Times Singapore



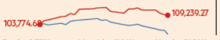
Day 0.07% Month -4.28% Year -0.96%

Dow Jones Industrial New York



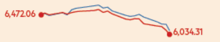
Day -0.47% Month -5.23% Year -10.21%

Bovespa São Paulo



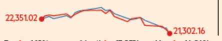
Day -0.78% Month -11.14% Year -21.26%

CAC 40 Paris



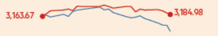
Day -1.48% Month -9.62% Year -8.86%

FTSE MIB Milan



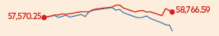
Day -1.19% Month -13.95% Year -14.96%

Shanghai Composite Shanghai



Day -0.54% Month 7.58% Year -5.67%

BSE Sensex Mumbai



Day -1.29% Month -5.30% Year 0.91%

Country	Index	Latest	Previous
Argentina	Merval	137206.26	136240.97
Australia	All Ordinaries	7079.90	7226.10
	S&P/ASX 200	6845.60	6986.80
	S&P/ASX 200 Res	5248.40	5501.70
Austria	ATX	2810.49	2898.80
Belgium	BEL 20	3533.13	3585.84
	BEL Mid	9422.39	9584.18
Brazil	IBovespa	108671.07	109522.88
Canada	S&P/TSX 60	1151.10	1166.33
	S&P/TSX Comp	19046.25	19330.81
	S&P/TSX Div Met & Min	1344.83	1332.73
Chile	S&P/CLX IGPA Gen	28499.00	28903.15
China	FTSE A200	10806.64	10915.47
	FTSE B35	9000.71	8988.96
	Shanghai A	3337.62	3355.60
	Shanghai B	306.17	304.84
	Shanghai Comp	3184.98	3202.14
	Shenzhen A	2176.52	2192.72
	Shenzhen B	1216.09	1216.60
Colombia	COLCAP	1261.61	1260.21
Croatia	CROBEX	2013.05	2011.29
Cyprus	CSE M&P Gen	68.46	68.68
Czech Republic	PX	1153.79	1173.82
Denmark	OMXC Copenahgen 20	1641.14	1690.99
Egypt	EGX 30	9998.61	10132.15
Estonia	OMX Tallinn	1798.44	1810.22
Finland	OMX Helsinki General	10411.51	10678.87
France	CAC 40	6034.31	6125.10
	SBF 120	4667.87	4740.74
Germany	M-DAX	24415.91	25219.13
	TecDAX	2861.27	2923.71
	XETRA Dax	12630.23	12834.96
Greece	Athens Gen	843.00	856.36
	FTSE/ASE 20	2028.15	2060.62
Hong Kong	Hang Seng	19597.31	19954.39
	HS China Enterprise	6742.04	6865.12
	HSCC Red Chip	3667.96	3704.41
Hungary	Bux	41447.57	41877.22
India	BSE Sensex	58766.59	59537.07
	Nifty 500	15211.20	15325.05
Indonesia	Jakarta Comp	7153.10	7178.59
Ireland	ISEQ Overall	6786.74	6977.77
Israel	Tel Aviv 125	2074.70	2080.98
Italy	FTSE Italia All-Share	23264.60	23579.02
	FTSE Italia Mid Cap	37434.96	38065.01
	FTSE MIB	21302.16	21559.32
Japan	2nd Section	7228.27	7239.06
	Nikkei 225	27661.47	28091.53
	S&P Topix 150	1661.02	1685.92
	Topix	1935.49	1963.16
Jordan	Amman SE	2546.95	2555.85
Kenya	NSE 20	1750.05	1750.54
Kuwait	KSX Market Index	6633.44	6603.51
Latvia	OMX Riga	1087.99	1118.28
Lithuania	OMX Vilnius	917.68	924.25
Luxembourg	LuxX	1370.35	1418.10
Malaysia	FTSE Bursa KLCI	1491.95	1512.05
Mexico	IPC	44837.50	44919.22
Morocco	MASI	12117.32	12169.05
Netherlands	AEX	666.94	680.31
	AEX All Share	912.46	931.27
New Zealand	NZX 50	11609.82	11601.10
Nigeria	SE All Share	49642.69	49676.75
Norway	Oslo All Share	1017.37	1006.88
Pakistan	KSE 100	42460.08	42351.15
Philippines	Manila Comp	6588.28	6583.65
Poland	Wig	48532.03	50174.09
Portugal	PSI 20	5961.93	5995.24
	PSI General	4635.86	4658.14
Romania	BET Index	11867.68	12058.08
Russia	Micex Index	2436.57	2445.30
	RTX	1245.71	1212.57
Saudi-Arabia	TADAWUL All Share Index	12283.33	12455.65
Singapore	FTSE Straits Times	3224.08	3221.67
Slovakia	SAX	346.66	346.66
Slovenia	SBI TOP	-	-
South Africa	FTSE/JSE All Share	66021.71	67257.14
	FTSE/JSE Res 20	58151.06	60313.66
	FTSE/JSE Top 40	59516.37	60735.70
South Korea	Kospi	2415.61	2472.05
	Kospi 200	315.02	322.96
Spain	IBEX 35	7806.00	7979.80
Sri Lanka	CSE All Share	9254.81	9071.32
Sweden	OMX Stockholm 30	1875.49	1920.23
	OMX Stockholm AS	742.08	763.08
Switzerland	SMI Index	10663.44	10855.03
Taiwan	Weighted Pr	14801.86	15095.44
Thailand	Bangkok SET	1621.95	1638.93
Turkey	BIST 100	3173.30	3171.21
UAE	Abu Dhabi General Index	9222.93	9251.11
UK	FT 30	2366.40	2437.50
	FTSE 100	7148.50	7284.15
	FTSE 4Good UK	6464.37	6597.41
	FTSE All Share	3926.25	4007.46
	FTSE techMARK 100	5967.86	6116.67
USA	DJ Composite	10775.99	10809.31
	DJ Industrial	31363.87	31510.43
	DJ Transport	13748.26	13860.65
	DJ Utilities	1020.74	1009.08
	Nasdaq 100	12033.29	12272.03
	Nasdaq Cmp	11562.86	11816.20
	NYSE Comp	14637.29	14801.24
	S&P 500	3914.33	3955.00
	Wilshire 5000	39025.80	39560.86
Venezuela	IBC	9319.51	9324.64
Vietnam	VNI	1280.51	1279.39
Cross-Border	DJ Global Titans ($)	425.75	432.21
	Euro Stoxx 50 (Eur)	3450.66	3517.25
	Euronext 100 ID	1176.57	1196.28
	FTSE 4Good Global ($)	9380.19	9519.83
	FTSE All World ($)	397.68	404.43
	FTSE E300	1609.57	1637.06
	FTSE Eurotop 100	3150.99	3201.18
	FTSE Global 100 ($)	2474.30	2515.26
	FTSE Gold Min ($)	1439.61	1453.86
	FTSE Latibex Top (Eur)	4440.00	4432.20
	FTSE Multinationals ($)	2629.87	2648.48
	FTSE World ($)	717.76	730.06
	FTSEurofirst 100 (Eur)	4209.18	4271.61
	FTSEurofirst 80 (Eur)	4761.34	4838.18
	MSCI ACWI Fr ($)	613.11	616.75
	MSCI All World ($)	2627.32	2645.37
	MSCI Europe (Eur)	1667.74	1682.72
	MSCI Pacific ($)	2599.78	2605.64
	S&P Euro (Eur)	1590.05	1617.24
	S&P Europe 350 (Eur)	1650.22	1679.69
	S&P Global 1200 ($)	2855.86	2899.36
	Stoxx 50 (Eur)	3446.46	3501.61

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

STOCK MARKET: BIGGEST MOVERS

AMERICA ACTIVE STOCKS	stock traded m's	close price	Day's change	LONDON ACTIVE STOCKS	stock traded m's	close price	Day's change	EURO MARKETS ACTIVE STOCKS	stock traded m's	close price	Day's change	TOKYO ACTIVE STOCKS	stock traded m's	close price	Day's change
[illegible]															

BIGGEST MOVERS	Close price	Day's change	Day's chng%	BIGGEST MOVERS	Close price	Day's change	Day's chng%	BIGGEST MOVERS	Close price	Day's change	Day's chng%	BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups				**Ups**				**Ups**				**Ups**			
[illegible]															
Kroger Co (the)	48.97	1.03	2.14	Chrysalis Investments	73.30	1.40	1.95	Muench.rueckvers.vna O.n.	240.20	2.00	0.84	Haseko	1645.00	45.00	2.81
Merck & Co	87.15	1.79	2.10	Jd Sports Fashion	114.40	1.45	1.28	Pernod Ricard	184.70	1.15	0.63	Konami	7250.00	170.00	2.40
Dollar General	242.30	4.88	2.06	Pearson	873.40	10.60	1.23	Orange	10.14	0.04	0.44	Toyobo Co.,	1081.00	23.00	2.17
Downs				**Downs**				**Downs**				**Downs**			
Nvidia	133.80	-17.15	-11.36	Pagegroup	383.20	-51.00	-11.75	Vestas Wind Systems A/s	23.50	-1.57	-6.25	Unitika	248.00	-12.00	-4.62
Advanced Micro Devices	79.00	-5.87	-6.92	Baltic Classifieds	130.80	-14.00	-9.67	Dsv A/s	139.57	-7.87	-5.34	Marubeni	1390.50	-61.50	-4.24
Freeport-mcmoran	27.83	-1.78	-6.00	Liontrust Asset Management	833.00	-83.00	-9.06	Siemens Energy Ag Na O.n.	14.01	-0.66	-4.53	Denso	7332.00	-319.00	-4.17
Albemarle	252.55	-15.41	-5.75	Redde Northgate	312.00	-30.50	-8.91	Richemont N	107.26	-5.01	-4.46	Itochu	3686.00	-157.00	-4.09
Hormel Foods	47.39	-2.89	-5.75	Molten Ventures	342.40	-31.40	-8.40	Amadeus It	50.42	-2.20	-4.18	Advantest	7680.00	-320.00	-4.00

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

UK MARKET WINNERS AND LOSERS

FTSE 100	Sep 01 price(p)	%Chg week	%Chg ytd	FTSE 250	Sep 01 price(p)	%Chg week	%Chg ytd	FTSE SmallCap	Sep 01 price(p)	%Chg week	%Chg ytd	Industry Sectors	Sep 01 price(p)	%Chg week	%Chg ytd
Winners				**Winners**				**Winners**				**Winners**			
[illegible]															
Losers				**Losers**				**Losers**				**Losers**			
[illegible]															
Rolls-royce Holdings	71.31	-11.4	-	Jupiter Fund Management	91.40	-12.5	-	Trustpilot	60.20	-13.7	-	Mining	9286.83	-5.2	-50.7
Bunzl	2792.00	-11.0	-7.5	Hill & Smith Holdings	960.00	-12.1	-	Avon Protection	774.00	-11.8	-	Industrial Metals	6274.74	-4.9	-0.6
Intermediate Capital	1264.50	-10.7	-	Apax Global Alpha	164.60	-11.9	-	Pod Point Holdings	74.40	-11.0	-	Travel & Leisure	5838.91	-4.6	-
Ocado	684.20	-10.4	-	Carnival	682.00	-11.3	-	S & U	2010.00	-10.7	-	Personal Goods	27122.43	-4.5	-
Fresnillo	657.60	-10.2	-	Redde Northgate	312.00	-11.1	-	Harworth	138.50	-10.6	-17.5	Beverages	28392.72	-4.0	-
Antofagasta	1050.00	-10.0	-	Liontrust Asset Management	833.00	-10.6	-	Speedy Hire	38.25	-10.0	-	Software & Computer Services	1847.96	-3.7	-
Hargreaves Lansdown	785.20	-9.7	-	Watches Of Switzerland	737.00	-10.6	-	Reach	70.35	-10.0	-	Real Estate & Investment Servic	2390.07	-3.2	-
Admiral	2009.00	-9.4	-	Londonmetric Property	201.80	-10.5	-	Civitas Social Housing	67.50	-9.9	-	Electronic & Electrical Equip.	7898.86	-2.4	-
Segro	891.60	-9.1	-	Diversified Energy	126.00	-10.4	5.9	Luceco	76.70	-9.7	-	Food Producers	5713.36	-2.1	-
St. James's Place	1044.00	-9.0	-	Imi	1071.00	-10.4	-	Hollywood Bowl	165.40	-9.5	-9.9	Household Goods	10533.24	-1.4	-

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

CURRENCIES

Sep 1	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	139.0074	0.2791	138.1179	-1.3804	160.2335	-1.1910
Australia	Australian Dollar	1.4746	0.0159	1.4652	-0.0016	1.6998	0.0024
Bahrain	Bahrainin Dinar	0.3770	-	0.3746	-0.0045	0.4346	-0.0041
Bolivia	Bolivian Boliviano	6.9100	-	6.8658	-0.0826	7.9651	-0.0754
Brazil	Brazilian Real	5.2144	0.0334	5.1811	-0.0287	6.0107	-0.0179
Canada	Canadian Dollar	1.3178	0.0082	1.3093	-0.0076	1.5190	-0.0049
Chile	Chilean Peso	901.4750	8.8750	895.7067	-1.8479	1039.1284	0.4967
China	Chinese Yuan	6.8990	0.0050	6.8548	-0.0774	7.9524	-0.0694
Colombia	Colombian Peso	4467.0000	43.7750	4438.4181	-9.3593	5149.1026	2.2262
Costa Rica	Costa Rican Colon	656.5450	6.5800	652.3439	-1.2288	756.7981	0.4972
Czech Republic	Czech Koruna	24.6503	0.2781	24.4925	-0.0150	28.4143	0.0547
Denmark	Danish Krone	7.4853	0.0890	7.4374	0.0000	8.6282	0.0219
Egypt	Egyptian Pound	19.2296	0.0307	19.1066	-0.1989	22.1659	-0.1740
Hong Kong	Hong Kong Dollar	7.8483	-0.0005	7.7981	-0.0943	9.0467	-0.0862
Hungary	Hungarian Forint	403.7088	3.8529	401.1256	-0.9498	465.3543	0.0810
India	Indian Rupee	79.5600	0.1018	79.0509	-0.8483	91.7086	-0.7491
Indonesia	Indonesian Rupiah	14882.5000	40.0000	14787.2776	-137.6277	17155.0421	-115.7571
Israel	Israeli Shekel	3.3985	0.0720	3.3767	0.0318	3.9174	0.0467
Japan	Japanese Yen	140.0200	1.3950	139.1240	-0.2704	161.4008	0.0964
..One Month		140.0197	1.3943	139.1240	-0.2705	161.4005	0.0958
..Three Month		140.0188	1.3927	139.1237	-0.2710	161.3997	0.0942
..One Year		140.0142	1.3834	139.1214	-0.2758	161.4005	0.0897
Kenya	Kenyan Shilling	120.1500	-0.0500	119.3812	-1.4860	138.4967	-1.3684
Kuwait	Kuwaiti Dinar	0.3084	0.0005	0.3064	-0.0032	0.3555	-0.0028
Malaysia	Malaysian Ringgit	4.4810	0.0055	4.4523	-0.0480	5.1652	-0.0425
Mexico	Mexican Peso	20.2540	0.1420	20.1244	-0.0992	23.3467	-0.0556
New Zealand	New Zealand Dollar	1.6470	0.0160	1.6365	-0.0036	1.8985	0.0006
Nigeria	Nigerian Naira	428.7500	-	426.0065	-5.1233	494.2192	-4.6754
Norway	Norwegian Krone	10.0478	0.1237	9.9835	0.0043	11.5821	0.0343
Pakistan	Pakistani Rupee	218.7250	-0.0250	217.3254	-2.6388	252.1238	-2.4142
Peru	Peruvian Nuevo Sol	3.8649	0.0193	3.8402	-0.0268	4.4551	-0.0197
Philippines	Philippine Peso	56.4350	0.2800	56.0739	-0.3928	65.0525	-0.2896
Poland	Polish Zloty	4.7467	0.0542	4.7163	-0.0023	5.4715	0.0112
Romania	Romanian Leu	4.8645	0.0483	4.8334	-0.0095	5.6073	0.0032
Russia	Russian Ruble	60.5000	-0.1500	60.1129	-0.8738	69.7382	-0.8343
Saudi Arabia	Saudi Riyal	3.7575	-0.0015	3.7335	-0.0464	4.3313	-0.0427
Singapore	Singapore Dollar	1.4024	0.0073	1.3934	-0.0094	1.6165	-0.0068
South Africa	South African Rand	17.2950	0.2506	17.1843	0.0453	19.9359	0.1030
South Korea	South Korean Won	1354.9500	17.4000	1346.2801	1.3057	1561.8482	5.4715
Sweden	Swedish Krona	10.8070	0.1737	10.7378	0.0455	12.4571	0.0843
Switzerland	Swiss Franc	0.9848	0.0088	0.9785	-0.0029	1.1352	-0.0004
Taiwan	New Taiwan Dollar	30.5280	0.0905	30.3327	-0.2738	35.1896	-0.2276
Thailand	Thai Baht	36.6700	0.2075	36.4354	-0.2295	42.2694	-0.1584
Tunisia	Tunisian Dinar	3.2342	0.0462	3.2135	0.0078	3.7281	0.0185
Turkey	Turkish Lira	18.2095	0.0150	18.0930	-0.2025	20.9901	-0.1811
United Arab Emirates	UAE Dirham	3.6730	0.0000	3.6495	-0.0439	4.2339	-0.0401
United Kingdom	Pound Sterling	0.8675	0.0081	0.8620	-0.0022	-	-
..One Month		0.8676	0.0081	0.8619	-0.0022	-	-
..Three Month		0.8677	0.0081	0.8616	-0.0022	-	-
..One Year		0.8677	0.0081	0.8601	-0.0023	-	-
United States	United States Dollar	-	-	0.9936	-0.0119	1.1527	-0.0109
..One Month		-	-	0.9934	-0.1700	1.1528	-0.0109
..Three Month		-	-	0.9930	-0.1700	1.1529	-0.0109
..One Year		-	-	0.9913	-0.1700	1.1529	-0.0109
Vietnam	Vietnamese Dong	23445.0000	-	23294.9820	-280.1933	27025.0549	-255.6085
European Union	Euro	1.0064	0.0120	-	-	1.1601	0.0029
..One Month		1.0062	0.0120	-	-	1.1600	0.0029
..Three Month		1.0058	0.0120	-	-	1.1597	0.0029
..One Year		1.0041	0.0119	-	-	1.1583	0.0029

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 Sep 01	Day's chge%	Euro Index	£ Strlg Aug 31	£ Strlg Aug 30	Year ago	Div yield%	Cover	P/E ratio	X/D adj	Total Return
FTSE 100 (100)	7148.50	-1.86	6467.43	7284.15	7361.63	7149.84	3.77	1.93	13.77	224.73	7297.26
FTSE 250 (250)	18493.74	-2.99	16731.76	19063.75	19149.65	24250.83	3.02	1.32	25.06	397.02	15268.37
FTSE 250 ex Inv Co (176)	18677.99	-3.36	16898.46	19327.33	19411.06	25494.75	3.15	1.54	20.59	427.77	15734.60
FTSE 350 (350)	3959.37	-2.03	3582.14	4041.53	4080.77	4142.37	3.66	1.85	14.76	118.55	8018.16
FTSE 350 ex Investment Trusts (274)	3891.48	-2.02	3520.72	3971.57	4011.19	4035.22	3.73	1.91	14.08	119.35	4073.04
FTSE 350 Higher Yield (129)	3427.45	-1.67	3100.90	3485.68	3520.12	3209.56	5.13	1.88	10.37	130.70	7803.01
[illegible]											
FTSE Sector Indices											
Non Financials (339)	4779.06	-1.93	4323.74	4873.33	4929.32	4961.28	3.61	1.65	16.79	137.17	8592.75

Hourly movements	8.00	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High/day	Low/day
FTSE 100	7240.40	7208.52	7168.97	7174.05	7174.44	7197.59	7176.58	7159.69	7138.93	7243.87	7132.19
FTSE 250	18938.18	18843.87	18726.84	18737.70	18723.96	18749.60	18631.36	18581.82	18525.45	18938.18	18493.74
FTSE SmallCap	6341.40	6321.18	6303.70	6295.20	6288.04	6287.36	6278.04	6262.33	6251.05	6342.34	6240.14
FTSE All-Share	3963.48	3965.74	3943.86	3946.36	3945.98	3957.27	3943.91	3934.44	3923.07	3984.05	3919.48

Time of FTSE 100 Day's high:07:04:15 Day's Low15:25:45 FTSE 100 2010/11 High: 7672.40(10/02/2022) Low: 6959.48(07/03/2022)
Time of FTSE All-Share Day's high:07:04:00 Day's Low15:26:00 FTSE 100 2010/11 High: 4296.96(10/02/2022) Low: 3862.39(07/03/2022)

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FT 30 INDEX

	Sep 01	Aug 31	Aug 30	Aug 26	Aug 25	Yr Ago	High	Low
FT 30	2366.40	2437.50	2446.80	2453.50	2486.80	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
2437.5	2401.6	2382.7	2579	2579.7	2581.8	2588.4	2375.7	2366	2437.5	2363.1

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

FT WILSHIRE 5000 INDEX SERIES

	Aug 31		Aug 31
[illegible]			

FTSE SECTORS: LEADERS & LAGGARDS

Year to date percentage changes

Oil & Gas Producers	37.65	NON FINANCIALS Index	-5.77	Life Insurance	-19.55
Oil & Gas	37.04	FTSE All{HY-}Share Index	-6.70	Consumer Services	-20.35
Tobacco	24.33	Basic Materials	-7.29	Household Goods & Ho	-21.02
Aerospace & Defense	7.79	Beverages	-8.70	FTSE 250 Index	-21.24
Banks	5.57	Health Care Eq & Srv	-9.25	Industrials	-21.78
Pharmace & Biotech	4.41	Fixed Line Telecomms	-11.18	Construct & Material	-22.50
Health Care	3.49	Financials	-12.11	Real Est Invest & Tr	-25.54
Electricity	2.33	Software & Comp Serv	-13.18	Support Services	-25.64
[illegible]					

FTSE 100 SUMMARY

FTSE 100	Closing Price	Day's Change	FTSE 100	Closing Price	Day's Change
3I Group PLC	1133.5	-82.00	Intertek Group PLC	3873	-86.00
Abrdn PLC	141.55	-5.30	Jd Sports Fashion PLC	114.40	1.45
Admiral Group PLC	2009	-113.00	Kingfisher PLC	229.90	-2.20
Airtel Africa PLC	131.30	-1.00	Land Securities Group PLC	617.00	-33.60
Anglo American PLC	2678	-105.00	Legal & General Group PLC	245.40	-7.10
Antofagasta PLC	1050	-51.00	Lloyds Banking Group PLC	42.70	-1.18
[illegible]					

FTSE GLOBAL EQUITY INDEX SERIES

Sep 1 Regions & countries	No of stocks	US $ indices	Day %	Mth %	YTD %	Total retn	YTD Gr Div %	Sep 1 Sectors	No of stocks	US $ indices	Day %	Mth %	YTD %	Total retn	YTD Gr Div %
[illegible]															
								Real Estate Investment & Services	148	259.60	0.0	-3.2	-21.1	502.43	-19.4
								Real Estate Investment Trusts	101	481.46	-0.4	-5.9	-19.3	1116.24	-17.6
								FTSE Global Large Cap	1869	616.02	-0.6	-3.9	-18.9	1012.65	-17.6

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

	Sep 01	Aug 31	Aug 30	Aug 26	Aug 25	Yr Ago
[illegible]						

All data provided by Morningstar unless otherwise noted. All elements listed are indicative and believed accurate at the time of publication. No offer is made by Morningstar or the FT. The FT does not warrant nor guarantee that the information is reliable or complete. The FT does not accept responsibility and will not be liable for any loss arising from the reliance on or use of the listed information.
For all queries e-mail ft.reader.enquiries@morningstar.com

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

POWERED BY MORNINGSTAR

UK RIGHTS OFFERS

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

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

UK COMPANY RESULTS

Company		Turnover		Pre-tax		EPS(p)		Div(p)		Pay day	Total	
Airtel Africa	1st	1257.000	1112.000	276.000	259.000	0.044	0.033	0.00000	0.00000	-	5.000	3.900
Alba Mineral Resources	Int	0.000	0.000	0.815L	0.568L	0.009L	0.009L	0.00000	0.00000	-	0.000	0.000
Alfa Financial Software Holdings	Int	43.900	41.100	13.800	11.000	3.920	2.980	0.00000	0.00000	-	1.100	1.000
Camellia	Int	125.800	105.500	15.600L	7.800L	724.100L	220.900L	0.00000	44.00000	-	102.000	188.000
Dev Clever Holdings	Int	3.341	2.412	3.921L	0.297L	0.650L	0.060L	0.00000	0.00000	-	0.000	0.000
Eurocell	Int	190.500	168.100	15.200	14.200	11.200	9.900	0.00000	3.20000	-	6.400	3.200
Johnson Service Group	Int	176.200	99.600	5.100	13.900L	1.100	2.500L	0.00000	0.00000	-	0.000	0.000
Sportech	Int	12.571	11.827	0.802L	0.253	0.800L	14.100	0.00000	0.00000	-	7.000	0.000
Zenova Group	Int	0.075	0.000	1.038L	0.217L	1.110L	0.000	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	9.38	0.29	11.00	9.00	615.7

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

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Stock | Price | Day Chg | 52 Week High | Low | Yld | P/E | MCap m — [illegible]

Stock	Price	Day Chg	52 Week High	52 Week Low	Yld	P/E	MCap m
PngAnBnk	12.61	-0.14	20.99	11.94	1.31	7.91	35469.61
Pwr Cons Corp	7.65	-0.07	9.96	5.99	1.11	16.71	12187.93
SaicMtr	15.30	-0.17	23.45	14.63	3.70	8.04	25910.76
ShenwanHong	0.15	0.00	0.18	0.05	-	4.63	167.28
ShgPdgBk	7.23	-0.04	9.48	7.06	6.06	4.86	30760.78
Sinopec Corp	3.64	-0.07	4.28	3.25	3.64	4.60	11832.88
Sinopec Oil	1.91	-	2.90	1.70	-	667.17	3756.68
Denmark (kr)							
DanskeBk	96.84	-2.34	133.25	93.56	2.01	6.81	11154.46
MollerMrsk	17165	-590.00	24070	15965	1.93	2.87	19200.14
NovoB	773.30	-19.20	863.60	604.50	1.18	38.28	180024.01

FT 500: TOP 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
Bausch Hlth	7.86	7.88	-0.02	-0.25	1.02	14.9	-17.10
Ch OSLnd&Inv	21.45	21.20	0.25	1.18	1.65	8.3	7.79
China Vanke	15.58	15.36	0.22	1.43	1.18	8.2	13.14
SandsCh	17.16	17.70	-0.54	-3.05	0.98	6.1	31.97
Tencent	324.60	327.20	-2.60	-0.79	14.60	4.7	4.27
ChStConEng	5.15	5.14	0.01	0.19	0.23	4.7	-0.91
Fuji Hvy Ind	2547.50	2535.50	12.00	0.47	113.50	4.7	7.20
Daqin	6.54	6.45	0.09	1.40	0.29	4.6	-1.49
PingAnIns	46.05	46.35	-0.30	-0.65	2.00	4.5	10.64
JardnMt US$	54.34	53.10	1.24	2.34	2.31	4.4	-10.81
ChinaCitic	3.40	3.37	0.03	0.89	0.14	4.3	-6.65
Nppn Stl	2236.50	2208.50	28.00	1.27	90.00	4.2	-14.34
ChinaPcIns	16.46	16.66	-0.20	-1.20	0.64	4.0	7.34
Unicred	9.69	9.80	-0.11	-1.09	0.36	3.9	-16.82
Ch Rail Gp	4.62	4.50	0.12	2.67	0.17	3.8	-12.27
Nissan Mt	547.00	549.90	-2.90	-0.53	19.00	3.6	1.19
Ch Evrbrght	2.43	2.41	0.02	0.83	0.07	3.0	0.79
ChinaMBank	40.00	40.30	-0.30	-0.74	1.15	3.0	9.25
CSR	2.91	2.94	-0.03	-1.02	0.08	2.8	-3.31
MuenchRkv	240.20	238.20	2.00	0.84	6.60	2.8	5.12

Based on the FT Global 500 companies in local currency

FT 500: BOTTOM 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
Broadcom	482.78	499.11	-16.33	-3.27	-67.35	-12.2	-16.70
3M	125.48	124.35	1.13	0.91	-17.28	-12.1	-12.25
ASML Hld	468.20	484.65	-16.45	-3.39	-64.00	-12.0	-22.45
Analog Devices	147.09	151.53	-4.44	-2.93	-19.98	-12.0	-13.27
RollsRoyce	71.31	77.00	-5.69	-7.39	-9.22	-11.4	-2.85
Delta	30.18	31.07	-0.89	-2.86	-3.81	-11.2	-25.34
Autodesk	196.30	201.74	-5.44	-2.70	-23.85	-10.8	-16.16
SouthCpr	45.16	47.07	-1.91	-4.06	-5.47	-10.8	-19.16
Boeing	151.16	160.25	-9.09	-5.67	-18.22	-10.8	7.03
NXP	159.85	164.58	-4.73	-2.87	-19.17	-10.7	-20.85

Based on the FT Global 500 companies in local currency

BONDS: HIGH YIELD & EMERGING MARKET

	Red date	Coupon	S*	M*	F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
Mexico	04/23	2.75	BBB+	A3	BBB+	107.76	0.76	0.00	-0.07	-1.56
Mexico	04/23	2.75	-	Baa1	BBB-	106.48	-0.26	-	-	-0.36
Bulgaria	03/28	3.00	BBB-	Baa2	BBB	117.04	1.00	0.02	-0.15	-1.42

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

BONDS: GLOBAL INVESTMENT GRADE

	Red date	Coupon	S*	M*	F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
Electricite de France (EDF)	04/30	4.63	A-	A3	A-	137.45	0.82	-0.01	0.10	-
The Goldman Sachs Group, Inc.	02/31	3.00	BBB+	A3	A	124.42	0.68	0.00	-0.11	-
The Goldman Sachs Group, Inc.	02/31	3.00	BBB+	A3	A	121.70	0.93	0.00	0.02	-
Finland	04/31	0.75	AA+	Aa1	AA+	111.08	-0.27	0.00	-0.05	-0.87
Yen										
Mexico	06/26	1.09	-	Baa1	BBB-	98.73	1.34	-0.02	-0.14	0.27
£ Sterling										
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	137.45	2.19	-0.03	0.02	-
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	128.68	3.20	0.00	-0.01	0.40

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

INTEREST RATES: OFFICIAL

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

INTEREST RATES: MARKET

	Over night	Day	Change Week	Month	One month	Three month	Six month	One year
£ Libor	0.18063	-0.005	0.000	0.010	2.03470	2.53420	3.25040	0.81363
Swiss Fr Libor				-0.002	-0.77540	-0.75300	-0.70280	-0.55320
Yen Libor				0.000	-0.04632	-0.01847	0.04330	0.04867
Euro Euribor				0.034	0.23000	0.65400	1.20300	1.77800
Sterling CDs				0.000	0.50000	0.63000	0.78500	
US$ CDs				0.000	2.51000	3.01000	3.43000	
Euro CDs				0.070	0.37000	0.74000	1.22000	

Sep 01	Short term		7 Days notice		One month		Three month		Six month		One year	
Euro	-0.22	0.08	-0.20	0.10	0.22	0.52	0.59	0.89	1.07	1.37	1.61	1.91
Sterling					0.45	0.55	0.58	0.68	0.71	0.86	0.90	1.05
US Dollar	2.15	2.35	2.19	2.39	2.41	2.61	2.91	3.11	3.33	3.53	3.68	3.88
Japanese Yen	-0.20	0.00	-0.20	0.00	-0.20	0.00	-0.15	0.05	-0.10	0.20	-0.05	0.25

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

BOND INDICES

	Index	Day's change	Month's change	Year change	Return 1 month	Return 1 year
Markit IBoxx						
ABF Pan-Asia unhedged	199.07	0.16	-1.59	-9.43	-1.59	-10.51
Corporates(£)	330.40	-0.78	-6.31	-16.52	-6.31	-18.16
Corporates(€)	212.18	-0.39	-4.24	-12.15	-4.24	-13.34
Eurozone Sov(€)	220.48	-0.20	-5.08	-13.34	-5.08	-14.84
Gilts(£)	289.29	-0.97	-8.19	-19.52	-8.19	-20.69
Overall(£)	295.33	-0.90	-7.58	-18.41	-7.58	-19.69
Overall(€)	214.63	-0.21	-4.82	-12.99	-4.82	-14.43
FTSE						
Sterling Corporate (£)	-	-	-	-	-	-
Euro Corporate (€)	104.47	-0.05	-	-	0.54	-1.73
Euro Emerging Mkts (€)	717.19	0.02	-	-	-4.57	-12.91
Eurozone Govt Bond	110.04	-0.19	-	-	-0.34	-0.64

CREDIT INDICES	Index	Day's change	Week's change	Month's change	Series high	Series low
Markit iTraxx						
Crossover 5Y	586.71	-4.43	56.54	57.78	630.88	330.24
Europe 5Y	120.16	-0.10	12.89	15.85	127.35	70.55
Japan 5Y	91.39	4.89	11.19	6.29	115.50	57.71
Senior Financials 5Y	131.22	1.10	15.88	17.41	139.21	79.74
Markit CDX						
Emerging Markets 5Y	327.64	1.14	18.79	3.12	387.80	219.01
Nth Amer High Yld 5Y	533.26	5.35	51.06	58.80	589.25	421.25
Nth Amer Inv Grade 5Y	92.28	1.22	9.56	10.78	102.64	63.80

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

VOLATILITY INDICES

	Sep 01	Day Chng	Prev	52 wk high	52 wk low
VIX	27.20	1.33	25.87	38.94	14.73
VXD	23.92	0.90	23.02	45.37	3.27
VXN	33.53	1.34	32.19	44.05	18.01
VDAX	29.22	0.57	28.65	93.30	-

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

BONDS: BENCHMARK GOVERNMENT

	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	11/22	2.25	99.97	2.40	-0.03	0.04	0.18	2.39
	05/32	1.25	80.84	3.60	-0.01	-0.03	0.54	-
	02/50	1.00	95.59	1.57	-0.02	-0.07	0.33	1.56
Austria	02/29	0.50	91.45	1.92	0.06	0.26	0.91	2.25
	02/47	1.50	84.32	2.35	0.02	0.18	0.67	1.96
Belgium	06/27	0.80	96.23	1.62	0.04	0.23	0.89	2.12
	06/47	1.60	81.37	2.63	0.00	0.11	0.58	1.96
Canada	03/25	1.25	94.50	3.57	-0.01	0.12	0.69	2.90
	06/30	1.25	87.38	3.09	0.00	0.01	0.49	1.93
	12/48	2.75	95.61	2.99	-0.02	-0.08	0.20	1.23
Denmark	11/29	0.50	90.99	1.85	0.02	0.20	0.82	2.09
	11/52	0.25	62.18	1.91	0.03	0.14	0.49	1.58
Finland	09/24	0.00	97.45	1.27	0.05	0.28	0.87	1.95
	09/29	0.50	91.05	1.87	0.05	0.23	0.84	2.19
France	05/28	0.75	94.79	1.71	0.03	0.21	0.85	2.08
	05/48	2.00	90.38	2.51	0.01	0.11	0.59	1.86
Germany	08/29	0.00	90.97	1.37	0.04	0.22	0.77	1.90
	08/50	0.00	63.79	1.62	0.03	0.13	0.57	1.53
Greece	01/23	3.50	101.18	0.60	0.03	0.07	-0.08	0.94
	01/28	3.75	101.46	3.45	0.09	0.16	1.01	3.21
Ireland	10/22	0.00	99.95	0.38	-0.12	0.08	0.18	0.97
	05/26	1.00	98.10	1.53	0.05	0.27	0.85	2.04
	02/45	2.00	90.72	2.55	0.01	0.15	0.67	1.98
Italy	02/25	0.35	95.26	2.38	0.08	0.27	0.81	2.58
	05/30	0.40	93.02	1.36	0.18	0.39	0.67	2.08
	03/48	3.45	92.10	3.94	0.05	0.16	0.61	2.30
Japan	04/25	0.05	100.12	0.01	0.00	0.00	0.00	-0.05
	12/29	0.10	99.47	0.17	0.00	0.02	0.11	0.24
	12/49	0.40	82.67	1.14	-0.01	0.03	0.02	0.52
Netherlands	07/27	0.75	96.30	1.55	0.04	0.25	0.88	2.12
	01/47	2.75	115.07	1.97	0.02	0.15	0.61	1.90
New Zealand	05/31	1.50	82.13	3.95	0.01	0.15	0.56	2.22
	09/40	2.50	116.24	2.43	-0.02	0.09	0.60	1.61
Norway	08/30	1.38	86.18	3.38	-0.05	0.07	0.60	2.12
Poland	01/23	2.50	98.32	6.89	0.07	0.17	0.52	6.62
	07/27	2.50	83.02	6.68	0.04	-0.03	0.71	5.34
	04/47	4.00	74.69	5.99	0.00	0.04	-0.36	3.72
Portugal	04/27	4.13	110.12	1.82	0.04	0.20	0.87	2.20
Spain	10/22	0.45	100.00	0.46	-0.32	-0.04	0.42	1.11
	10/29	0.60	89.03	2.28	0.02	0.18	0.84	2.21
	10/46	2.90	96.71	3.09	0.03	0.12	0.70	2.00
Sweden	06/30	0.13	118.94	-0.85	0.03	0.17	0.59	0.88
	03/39	3.50	121.89	1.94	-0.01	0.15	0.54	1.45
Switzerland	04/28	4.00	117.99	0.71	0.00	0.02	0.53	1.24
	06/29	0.00	95.44	0.69	0.00	-0.01	0.46	1.13
United Kingdom	07/23	0.75	98.20	2.81	0.12	0.17	1.01	2.68
	07/27	1.25	93.14	2.76	0.08	0.07	1.17	2.36
	07/47	1.50	71.70	3.15	0.09	0.17	0.69	2.07
United States	-	-	-	-	-	-	-	-
	03/25	0.50	92.74	3.47	-0.01	0.07	0.60	2.94
	02/30	1.50	88.95	3.18	0.03	0.06	0.54	1.98
	02/50	0.25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GILTS: UK CASH MARKET

Sep 01	Price £	Red Yield	Change in Yield Day	Week	Month	Year	52 Week High	52 Week Low	Amnt £m
Tr 1.75pc '22	100.00	1.75	0.00	4.79	25.00	5733.33	102.03	100.00	29.68
Tr 0.75pc '23	98.15	2.89	3.58	14.68	62.36	2308.33	101.08	98.15	34.36
Tr 0.125pc '24	95.80	3.20	3.56	9.59	73.91	1500.00	99.89	95.80	34.76
Tr 2pc '25	97.45	2.89	2.12	11.15	81.76	1011.54	106.59	97.45	39.04
Tr 0.125pc '26	91.15	2.87	2.14	9.54	87.58	856.67	99.34	91.15	34.53
Tr 1.25pc '27	92.79	2.84	2.90	10.94	85.62	667.57	105.20	92.79	40.07
Tr 0.875pc '29	87.62	2.80	3.70	11.55	75.00	418.52	102.36	87.62	42.65
Tr 4.25pc '32	111.31	2.91	3.56	11.49	62.57	309.86	136.82	111.31	39.43
Tr 4.25pc '36	110.91	3.25	4.17	12.07	53.30	273.56	146.20	110.91	30.97
Tr 4.5pc '42	117.12	3.33	4.06	11.37	42.92	229.70	169.96	117.12	27.72
Tr 3.75pc '52	110.23	3.21	4.22	11.46	42.04	214.71	180.27	110.23	24.55
Tr 4pc '60	120.37	3.08	5.12	11.59	41.28	224.21	213.01	120.37	24.57

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

GILTS: UK FTSE ACTUARIES INDICES

Price Indices Fixed Coupon	Sep 01	Day's chg %	Total Return	Return 1 month	Return 1 year	Yield
1 Up to 5 Years	81.76	-0.15	2350.07	-2.83	-5.07	2.93
2 5 - 10 Years	154.34	-0.64	3249.90	-7.61	-13.15	2.85
3 10 - 15 Years	165.77	-1.10	3808.79	-10.84	-20.22	3.19
4 5 - 15 Years	156.15	-0.76	3384.61	-8.42	-15.37	2.97
5 Over 15 Years	241.81	-2.47	4130.63	-16.32	-34.18	3.20
7 All stocks	143.54	-1.20	3188.52	-9.86	-20.88	3.13

Index Linked	Sep 01	Day's chg %	Month chg %	Year's chg %	Total Return	Return 1 month	Return 1 year
1 Up to 5 Years	327.43	-0.15	0.25	6.03	2760.63	0.25	7.22
2 Over 5 years	616.05	-3.39	-13.87	-29.63	4686.77	-13.87	-29.37
3 5-15 years	484.69	-1.04	-5.61	-7.76	3911.97	-5.61	-7.08
4 Over 15 years	720.39	-4.71	-18.06	-38.25	5321.24	-18.06	-38.11
5 All stocks	573.10	-2.94	-12.08	-26.00	4447.23	-12.08	-25.66

Yield Indices	Sep 01	Aug 31	Yr ago		Sep 01	Aug 31	Yr ago
5 Yrs	2.74	2.66	0.30	20 Yrs	3.33	3.20	1.05
10 Yrs	3.02	2.92	0.69	45 Yrs	3.00	2.86	0.89
15 Yrs	3.28	3.16	0.94				

Real yield	Inflation 0% Sep 01	Dur yrs	Previous	Yr ago	Inflation 5% Sep 01	Dur yrs	Previous	Yr ago
Up to 5 yrs	-2.21	1.67	-2.30	-3.09	-2.80	1.67	-2.90	-3.47
Over 5 yrs	-0.39	20.31	-0.56	-2.40	-0.42	20.37	-0.58	-2.42
5-15 yrs	-1.01	8.82	-1.12	-2.82	-1.11	8.83	-1.22	-2.92
Over 15 yrs	-0.27	26.38	-0.45	-2.35	-0.29	26.40	-0.47	-2.37
All stocks	-0.41	17.72	-0.58	-2.41	-0.45	17.80	-0.61	-2.43

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

Tradeweb

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

COMMODITIES

www.ft.com/commodities

Energy		Price*	Change	Agricultural & Cattle Futures		Price*	Change
Crude Oil†	Oct	88.17	-1.38	Corn♦	Sep	662.00	-11.75
Brent Crude Oil‡		93.11	-4.14	Wheat♦	Sep	806.00	-3.00
RBOB Gasoline†	Oct	2.38	-0.05	Soybeans♦	Sep	1488.00	-19.50
Natural Gas†	Oct	9.03	-0.10	Soybeans Meal♦	Sep	457.90	-1.00
Base Metals (♠ LME 3 Months)				Cocoa (ICE Liffe)⊕	Sep	1789.00	-11.00
Aluminium		2302.00	-61.00	Cocoa (ICE US)♥	Sep	2430.00	8.00
Aluminium Alloy		1675.00	-905.00	Coffee(Robusta)⊕	Sep	2225.00	-22.00
Copper		7563.00	-227.50	Coffee (Arabica)♥	Sep	236.60	-2.50
Lead		1899.50	-56.00	White Sugar⊕		559.70	8.90
Nickel		20365.00	-1005.00	Sugar 11♥		17.87	-0.02
Tin		20855.00	-2035.00	Cotton♥	Oct	113.89	-4.40
Zinc		3236.00	-227.00	Orange Juice♥	Sep	193.10	-5.45
Precious Metals (PM London Fix)				Live Cattle♣	Oct	142.63	-1.20
Gold		1715.90	-14.40	Feeder Cattle♣	May	134.88	-
Silver (US cents)		1794.50	-75.00	Lean Hogs♣	Oct	91.65	-1.95
Platinum		845.00	-13.00				
Palladium		2080.00	-29.00		Aug 31	% Chg Month	% Chg Year
Bulk Commodities				S&P GSCI Spt	652.40	-9.37	33.04
Iron Ore		100.82	2.47	DJ UBS Spot	119.79	-11.80	23.70
Baltic Dry Index		1002.00	37.00	TR/CC CRB TR	311.06	-8.70	36.52
Richards Bay ICE Futures		346.45	-0.15	LEBA EUA Carbon	58.91	-1.98	129.94
				LEBA UK Power	1048.00	-37.43	-39.60

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

BONDS: INDEX-LINKED

	Price Aug 31	Yield Aug 31	Yield Prev	Month return	Value stock	Market	No of stocks
Can 4.25%' 26	112.32	1.258	1.250	-2.40	5.25	73422.55	8
Fr 0.25%' 24	107.10	-3.314	-3.580	-0.14	17.92	253908.15	17
Swe 1.00%' 25	124.71	-1.009	-1.028	-0.33	35.15	217223.95	6
UK 0.125%' 24	107.10	-4.237	-4.250	1.56	15.24	646357.83	31
UK 2.50%' 24	382.07	-2.901	-3.264	0.64	6.82	646357.83	31
UK 2.00%' 35	269.75	-0.939	-1.105	-5.34	9.08	646357.83	31
US 0.625%' 24	99.28	1.155	1.068	-0.65	40.98	1655605.65	46
US 3.625%' 28	115.86	0.739	0.678	-2.00	16.78	1655605.65	46

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

BONDS: TEN YEAR GOVT SPREADS

	Bid Yield	Spread vs Bund	Spread vs T-Bonds		Bid Yield	Spread vs Bund	Spread vs T-Bonds
Australia	3.60	2.23	0.42	Netherlands	1.55	0.18	-1.63
Austria	1.92	0.55	-1.26	New Zealand	3.95	2.58	0.77
Canada	3.09	1.72	-0.09	Norway	3.38	2.01	0.20
Denmark	1.85	0.48	-1.33	Portugal	1.82	0.45	-1.36
Finland	1.87	0.50	-1.31	Spain	2.28	0.91	-0.90
Germany	1.37	0.00	-1.81	Sweden	-0.85	-2.22	-4.03
Italy	1.36	-0.01	-1.82	Switzerland	0.69	-0.68	-2.49
Japan	0.17	-1.20	-3.01	United States	3.18	1.81	0.00

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

Bedazzled by a genie's kaleidoscopic visions

This week's new film releases reviewed by Raphael Abraham and Leslie Felperin

Above: Tilda Swinton and Idris Elba in 'Three Thousand Years of Longing'. Below: Jessica Chastain and Ralph Fiennes in 'The Forgiven' — Metro-Goldwyn-Mayer Pictures Inc; Nick Wall

With petrol fumes fading in the background, *Mad Max* director George Miller parks the hot rods and takes us on an old-fashioned magic carpet ride in **Three Thousand Years of Longing**. Having premiered earlier this year at the Cannes Film Festival, it's a visually opulent bedazzler that wears its fantasy elements lightly and with playful humour.

Tilda Swinton is Alithea, a prim northern English academic who lives for ancient stories until those stories start to invade her daily life during a visit to Istanbul. The first otherworldly sight comes when, after a chance purchase in the Grand Bazaar, she returns to her hotel room and is confronted with the grand bizarre: a colossal genie, or djinn, with problems of his own. Alithea lends a sympathetic ear — stories are her bread and butter, after all — but no amount of book learning can prepare you for this.

The first sight of Idris Elba's oversized apparition, especially his screen-filling foot, can't help but stir Technicolor memories of *The Thief of Bagdad*, though he quickly warns Alithea (and us) not to believe everything she's heard about his kind. The djinn's millennia-spanning tales of woe and wonder form the core of the film, Elba's rumbling tones casting their own spell, even if his near-eastern accent wobbles occasionally.

We meet the magnificent Suleiman, the seductive Sheba and a neo-hippie-looking King Solomon whose supposedly seductive tunes sound like something out of a bath salts commercial. Each story is the cue for a kaleidoscopic wave of fantasia from Miller, the djinn transforming in a glittery CGI swirl that resembles liquid Murano glass.

This kind of thing could easily become exhaustingly overblown, as it does in many a fantasy epic, but helping to level the grandiosity are Swinton's down-to-earth interjections and self-effacing northern humour. Often the tone is more *Shirley Valentine* than *Scheherazade*, one of Alithea's wishes a simple sip of tea.

This too informs the emotional heart of the film: our heroine shrugs that her own life is "not much of a story" while the djinn chides her for an "absence of desire". For all her love of fairytale, Alithea is wary of wishful thinking and emotionally a little stunted. Having uncorked the djinn, she may learn to let loose something within herself too.

If the magic fizzles somewhat on the pair's return to London — and what trip isn't brought down to earth by the sight of Heathrow? — the film's earlier exotic images linger like postcards in the mind.

Perhaps all Alithea needed was a break from the suffocating claustrophobia of modern city life; perhaps we all do. If so, the intoxicating *Three Thousand Years of Longing* is the perfect tonic — and that's not just the djinn talking. **RA**
In UK and US cinemas now

Three Thousand Years of Longing
George Miller
★★★★☆

The Forgiven
John Michael McDonagh
★★★★☆

The Territory
Alex Pritz
★★★☆☆

It Snows in Benidorm
Isabel Coixet
★★☆☆☆

Few actors alive could match the expressiveness Ralph Fiennes injects into the c-word. It's the silky insouciance with which he drops it into sentences, sometimes saving it for the last word so that the final plosive "t" flashes like a tiny dagger. In his latest film, **The Forgiven**, his character deploys it in a sour aside, savouring the flinch of disgust it prompts from his American wife, played by Jessica Chastain. The interaction tells us so much about the terms of engagement between this couple, David and Jo Henninger, a pair of London-based elitists locked in an endless marital war of tit-for-tat.

The two have come to Morocco — quite cross at the invitation's imposition but still dressed to the nines — for a louche and lavish party being thrown by their old friend Richard (Matt Smith) and his partner Dally (Caleb Landry Jones). Richard and Dally are another quarrelsome couple who have restored a castle in the Sahara, creating a sort of boutique brothel of earthly delights.

On the way a drunken David, distracted by his never-ending argument with Jo, accidentally drives over and kills Driss (Omar Ghazaoui), a young local man who was planning either to sell David a fossil, to rob him, or both. Driss becoming "road kill", as David calls him at one point, rather puts a damper on the weekend, especially when Driss's father Abdellah (Ismael Kanater) arrives and insists David must accompany him back to his home for the funeral.

Adapting an acclaimed novel by Lawrence Osborne, writer-director John Michael McDonagh has crafted a complex tale of crime, punishment and guilt, much in the manner of his earlier work (*War on Everyone*, *Calvary*, *The Guard*). Here, the morality is as shifting as sand, and just as uncomfortable when it gets inside your clothes. It's not just the subtle way the screenplay manipulates sympathy for the main characters; it's also embedded in the way the film lures us into ogling the beauties it puts on display — the sets, clothes, food, even the landscape itself — and then scorns us for our gluttony.

McDonagh has chosen to work a very broad canvas here, incorporating intricately shaded supporting characters. places, with corners of the panorama not entirely filled in, simultaneously too much and never enough.

But the film's little duets and ensemble scenes are often magnificent, with McDonagh's trademark comic timing, and his cast perform them perfectly. There's a leitmotif wherein major-domo Hamid (Mourad Zaoui) keeps delivering gnomic "sayings" about camels, couscous and good fortune to which everyone reacts with solemn respect until a colleague finally looks at him, laughs, and says in Arabic: "You should have a Twitter account." As with the way Fiennes curses, the comedy is all about timing and pronunciation. **LF**
In UK cinemas now

Set in the Amazon basin, Alex Pritz's documentary **The Territory**, about the conflict between the indigenous Uru-Eu-Wau-Wau tribe and poor Brazilian farmers trying to settle the land, is well made but profoundly depressing, with only a microscopic crumb of hope towards its end. The horror is there from the start, with satellite photography-based animation over the credits showing the deforestation of the rainforest, a lacy network of brown, deforested regions nibbling away at the edges of the territory of the title which the tribe are holding on to with their very lives.

Echoing recent news headlines, the film captures the aftermath of the killing of one young tribesman who was trying to stop settlers invading his land. Bitate, a young man about the same age, has been chosen to lead his people, but he must also learn diplomatic skills. He takes advice from Brazilian environmental campaigner Neidinha Bandeira, whose own family has been put in danger by her activism. It's to the film's credit that we also learn something about the farmers' point of view, which they also see as a struggle for survival but on a more personal, less global scale. Katya Mihailova's tinkling, eerie score offers some balm as the message of despair sinks in. **LF**
In UK and US cinemas now

Part noirish story about corruption and a missing person, part romantic comedy about a buttoned-up Brit who discovers a sensual side in a southern clime, **It Snows in Benidorm** is a whole paella of cliché and messy storytelling. A prawn in the paella is Timothy Spall, one of the film's few redeeming features. He stars as Peter, a gentle soul from Manchester who suddenly gets laid off by the bank where he works.

He flies to Benidorm to stay with his brother Daniel whom he hasn't seen for years, but Daniel fails to meet him at the airport. Turns out Daniel isn't the guy Peter remembered. He has all sorts of side hustles on the go, including owning a burlesque club, a finger in land swindles by local gangsters, and a murky relationship with his club's manager Alex (Sarita Choudhury).

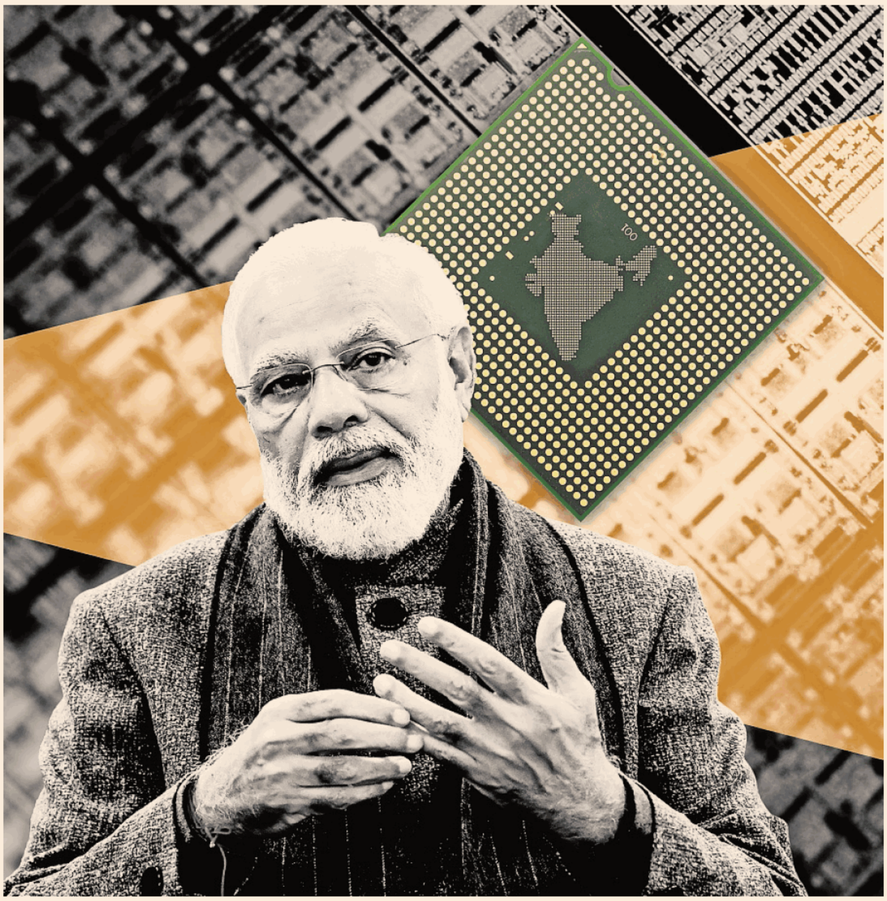
As some of the mysteries are solved, Spanish writer-director Isabel Coixet keeps adding new ones: what is the point of all the references to Sylvia Plath, for example, and what's with all the meteorological symbolism? (Peter is an amateur weather scientist.) Most baffling of all, does anyone really think there is an audience for this kind of mouldy whimsy? Coixet has a good eye for the town's architectural surreality but she can't write a good screenplay to save a life. **LF**
In UK cinemas now

Left: Sarita Choudhury and Timothy Spall in 'It Snows in Benidorm'. Below: documentary 'The Territory' tells a story of conflict between indigenous Brazilians and poor settlers
Alex Pritz/Amazon Land Documentary

They're all played by strong actors, such as Christopher Abbott as an enigmatic Wall Street wonderboy, Saïd Taghmaoui as Abdellah's soulful underling who dreams of a life in Sweden, Abbey Lee on hilarious form as a perpetually sloshed party girl, practically relegated to the background. Inevitably, it feels bitty in

FT BIG READ. SEMICONDUCTORS

The Modi government wants to develop a domestic semiconductor industry at a time of growing geopolitical tension. But the country does not have a track record in precision engineering.
By John Reed



India bets on chipmaking

The factories outside Chennai, in India's southern state of Tamil Nadu, are home to an array of global corporate names that lend credibility to Prime Minister Narendra Modi's "Make in India" campaign, which aims to turn Asia's third-largest economy into a workshop to the world.

The state's industrial parks host international investors such as Renault-Nissan and Hyundai, which have large car factories; Dell makes computers there and Samsung produces TVs, washing machines and fridges. There are enough suppliers to Apple (including Taiwan's Foxconn and Pegatron, and the Finnish contract manufacturer Salcomp) that people in Tamil Nadu's business community commonly refer to the American tech group, which does not discuss its suppliers, as "the fruit company".

Now India wants to take a step up the manufacturing value chain, with a high-stakes bid to begin making semiconductors. The Modi government has put $10bn of incentives on the table to tempt manufacturers to set up new "fabs" (semiconductor fabrication plants) and encourage investment in related sectors such as display glass. One plant is being planned in Tamil Nadu.

India's ambition to enter the chipmaking business comes at a time of growing trade and geopolitical tension as western economies have pushed to decouple their supply chains from China, which has invested heavily to become a leader in the semiconductor industry.

The Covid-19 pandemic and Beijing's draconian lockdowns have disrupted global chip supply and sent companies and governments on a hunt for alternative sources of production. India, which has cracked down on Chinese social media apps and phone producers against the backdrop of a long-running geopolitical dispute, is offering itself as a democratic alternative tech hub to China.

If successful, an Indian chipmaking industry has the potential to be extremely lucrative for the country, feeding rapidly growing global demand as well as its domestic industry's voracious needs for the computers, appliances and cars it already makes.

India's IT minister Ashwini Vaishnaw unveiled New Delhi's pitch to chipmakers last December

"From a geopolitics point of view, India is attractive . . . We are increasingly one of the largest consumers of semiconductors outside of the US and traditional markets," says Rajeev Chandrasekhar, India's minister of state for electronics and information technology.

Manufacturers are now lining up to take up the $10bn offer. Singaporean group IGSS Ventures has signed a memorandum of understanding with the Tamil Nadu state government for what its founder and chief executive Raj Kumar says will "very likely" be a wafer factory it wants to build within three years. The Israeli group ISMC, a joint venture between Israel's Tower Semiconductor and Abu Dhabi-based Next Orbit Ventures, has signed a letter of intent with the state of Karnataka, home of India's tech capital, Bangalore, to build a $3bn semiconductor chipmaking plant. And Foxconn has teamed up with Indian group Vedanta to build a semiconductor plant, surveying sites in the western Indian states of Gujarat and Maharashtra.

Young Liu, Foxconn's chair, said on an investor call in August that the group "will be actively expanding" in India. While declining to comment on specific products, he noted "improvements in the overall industry environment in India" adding: "We think India will play a very important role in the future."

Even given its geopolitical advantages, the road ahead will not be smooth for India as it tries to market itself abroad as an alternative to China. There are risks inherent in the push, not least that Europe, the UK, the US and many

'It's about laying out the red carpet and bringing in a lot of companies seeking to diversify their production away from being only in China'

ment. Meanwhile the EU is looking to build semiconductor resilience with its own €43bn Chips Act.

While India does not yet make microchips commercially, it does contribute to the design of semiconductors because of its strong software base, says Mahinthan Joseph Mariasingham, a statistician and researcher with the Asian Development Bank.

"When it comes to manufacturing, India has lagged behind many of the other countries, partly because of its lack of facilitating infrastructure," he says. "It was easy for them to get into the software market because it doesn't require elaborate physical infrastructure."

A push into microchip production, which demands some of the most exacting factory conditions of any in manufacturing, would mark a major shift for India. The country has built a reputation as one of the world's foremost producers (and exporters) of engineering talent, but has struggled to capture a share of top-notch tech manufacturing relative to its 1.4bn population that would come close to that of either China or Vietnam.

Multinationals in lower-tech sectors have long struggled with the country's at times erratic transport and public utilities. Making silicon chips requires the utmost precision: an interruption in power or water supply lasting just a few seconds can lead to multimillion-dollar losses. Power cuts are common in much of India, prompting many companies to build their own electricity supply.

India's traditional competitive advantage in low wages will give it little or no edge in the capital-intensive business of making chips. There are also questions about whether the $10bn will be money well spent. India has a tradition, dating back to its post-independence years, of disastrous import substitution policies — measures put in place to protect or promote local industries that instead ended up wasting money and holding back the broader economy.

Some analysts believe India could spend state money better by applying its proven advantages in nurturing skilled IT talent to designing chips for the world to manufacture rather than making its own.

"It's an attempt to follow the China path and create manufacturing in India," says Raghuram Rajan, a professor of finance at the University of Chicago Booth School of Business and former governor of the Reserve Bank of India. "But you have to ask why people aren't manufacturing in India . . . There are a bunch of reasons the government itself accepts: we don't have the logistics, we don't have the utilities. Sometimes we don't have the R&D and the workers."

Reviving an industry

If manufacturers in India harbour any doubts about a national foray into chipmaking, they are not voicing them. Instead, the generous central government and local incentives that will defray their initial costs — and a blast of nationalistic, can-do rhetoric from the

as "a beautiful partnership" with Foxconn of Taiwan, the world's largest contract electronics manufacturer.

"Most of the technology work will be done by Foxconn," says Agarwal. The operation, he adds, will produce both semiconductors and display glass, which Vedanta already makes in Japan, South Korea and Taiwan. For its part, Foxconn is giving little information about its plans for the venture, but points out that it has been an early mover in new markets before.

"Foxconn goes to places no one thinks of going at the time," says Jimmy Huang,

acting spokesperson for the company, whose trading name is Hon Hai Technology Group. "Look at our global footprint and consider when we set up shop in each location . . . Today no one believes that India can build up a semi-

Above: Narendra Modi's 'Make in India' campaign aims to turn Asia's third-largest economy into a workshop to the world; Below: an employee at a Foxconn-owned phone factory in southern India
FT montage: AP/Unsplash; Karen Dias/Bloomberg

'Wouldn't it make more sense to

about laying out the red carpet and bringing in a lot of companies who are seeking to diversify their manufacturing away from being only in China to other places," says Chandrasekhar.

When Modi came to power in 2014, he says, India had "an almost moribund, nothing electronics industry", which had been "cannibalised and devastated" by years of free trade agreements. Today, he says, India's ambition is to more than triple its revenues from the electronics industry to $300bn by 2026, up from $75bn in 2021, and to export $120bn of this amount.

Aside from the central government subsidies, business-friendly states in India's south and west are vying with one another to capture investments, with tax and other incentives, as well as assurances on land, water, power and other production inputs.

"We give so many incentives, starting with land, the biggest thing in short supply," says P Thiaga Rajan, Tamil Nadu's finance minister and a former Standard Chartered and Lehman Brothers banker, who has been active in luring investors to the state. "We have a very proactive policy."

He points to Tamil Nadu's past support for investors, including Tata and Foxconn, in building their operations in the state: "We have figured out how to put all the pieces of the puzzle together."

The lagging edge

Some observers of India's ambitions to push into semiconductors argue that its heavy emphasis on building up local chip fabrication misses the mark, in a fiercely competitive global industry. They ask how much the industry will have to show for itself when the subsidy money runs out.

"In the semiconductor value chain, there are a lot of steps in the process, and the actual fabrication of chips is only one," says Christopher Miller, a professor at Tufts University's Fletcher School and author of *Chip War: The Fight for the World's Most Critical Technology*, a book about global rivalry in semiconductors. "Many countries that play a big role in the process don't make chips — and that can still be a lucrative role to play."

$10bn	$52bn
Modi government's incentives for new semiconductor fabrication plants	US grants to fund chipmaking research and development

While India might plausibly set up factories making "lagging edge" chips of the kind usable in cars and appliances — which are much in demand in places such as Chennai — it will still struggle to compete against efficient Taiwanese producers or the heavily subsidised Chinese, he says.

Instead of trying to take on longer-established producers in China and elsewhere and setting up "fabs" producing lagging-edge chips made using legacy technology, Miller argues, India might better use its money in chip assembly and packaging facilities, where labour costs are more important. If India were to direct its subsidies into investment in new assembly and packaging facilities, where labour costs are more important, he says, "$10bn could go a long way".

Rajan, the former central banker, argues that India should be focusing on building human capital rather than chip factories. "Wouldn't it make more sense to build the software rather than focus on the hardware — and educate 10,000 Indians who can do chip design?" he says.

Rather than trying to direct investment into chip fabrication capabilities, Rajan says, India could channel $100mn into 100 new universities that would train graduates — not just in engineering — and "seed many sectors". "Even if you were interested in chips alone, training software and design engineers can be the road toward [a major chip designer such as the US's] Qualcomm, which might be far easier and cheaper," he says, than imitating a leading manufacturer like Taiwan's TSMC.

But early investors in the sector echo

other countries are simultaneously laying out billions to subsidise the onshoring of chipmaking, in a move that analysts say is bound to increase global chip capacity. To have any chance of achieving its goal, India will need to move exceptionally quickly and decisively.

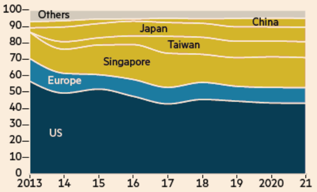
'A whole lot of deficiencies'

The complexity of semiconductor production and supply chains means that manufacturers in a handful of East Asian countries, led by China, Taiwan and South Korea, have been responsible for much of global supply.

That is now changing. In July, the US passed the Chips and Science Act that includes $52bn of grants to support chipmaking and research and develop-

Asia's role in global chip production has steadily increased

Share of semiconductor manufacturing capacity (%)



Source: Semiconductor Industry Association

government — has been welcomed by Indian business.

"This is India's moment," wrote Anil Agarwal, chair of the natural resources group Vedanta in a LinkedIn post marking the 75th anniversary of Indian independence in August.

"In the next 25 years, we will build the world's leading technology hub, even better than Silicon Valley," claimed the industrialist, who began his career as a Mumbai scrap-metal trader. His subsequent rise through the metals and mining business to sit at the helm of a globally diversified conglomerate is sometimes seen as an exemplar of India's rise up the business value chain. Vedanta is now set to be one of the country's first to make chips, in what Agarwal describes

conductor supply chain, but Foxconn is working with the government to set up a semiconductor industry."

Madhav Kalyan, chief executive of JPMorgan India, says the bank is advising some companies discussing financing operations for chip ventures in India. "They do believe, based on their interactions with the government and this dedicated body, that there is a nuanced understanding of what it takes — and that the government is willing to invest to make it happen," he says.

New Delhi laid out its pitch to chipmakers last December with the India Semiconductor Mission, unveiled by the IT Minister Ashwini Vaishnaw. "We have a strategy of broadening and deepening our electronics ecosystem. It's

sense to build the software rather than hardware — and educate 10,000 Indians who can do chip design?'

the government's view that demand from a growing domestic electronics industry, coupled with the government's help in defraying producers' start-up costs, will inevitably support a full value chain, given India's pool of engineering talent.

Kumar, of IGSS Ventures, who formerly worked for chipmaking giant Global Foundries, points out that Singapore, with a population of less than 6mn and where the domestic consumption of semiconductors is "peanuts", already hosts several wafer fabs.

"Imagine the potential of India," he says. "For a country that's going to be a top economic nation, it needs some minimum semiconductor capabilities domestically."

The FT View

FINANCIAL TIMES
'Without fear and without favour'

ft.com/opinion

Biden's imperfect but necessary plan to tackle student debt

America's mountain of college loans harms rather than helps social mobility

Around 20mn students are entering university campuses across America to start the new academic year. They have bought into the American dream, which holds that a college education is a ticket to the middle class. Unfortunately for many, it has proven a ruinously expensive ticket. The US student-debt burden now stands at $1.6tn, with 45mn borrowers, making it the biggest consumer debt after mortgages. Millennials, around 14mn of whom are still paying off their college debt, now outnumber Baby Boomers in America. This makes student loans a pressing political issue, particularly ahead of November's midterm elections.

After months of deliberation, President Joe Biden at a stroke recently cancelled $10,000 of debt for millions of Americans. The debt jubilee applies to those earning up to $125,000 (or a household with $250,000), while those who receive grants given to students in financial need qualify for $20,000 of debt cancellation. Biden also extended a pandemic moratorium on repayments until the end of the year. Once they restart, repayments can be capped at 5 per cent of disposable income rather than the current 10 per cent.

True to form, America is divided over the plan. There are understandable questions over who the plan will benefit, how much it will cost — up to $1tn by some estimates — and whether it is legal. Some on the left fear it does not go far enough. Some on the right dub it an unfair transfer from blue-collar taxpayers to irresponsible elites. Meanwhile, economists are split over the plan's stimulating effects at a time when US inflation is increasing at the fastest pace in 40 years.

Politics aside, statistics show that America's student debt mountain is a pernicious, worsening intergenerational problem for households, and particularly acute for black students. The debt's structure means that too often, education is harming rather than helping chances of social mobility.

Some debt forgiveness is needed. But the plan is a sticking plaster that will not tackle the underlying debt pile. A more effective, albeit politically difficult, remedy might have been to cut student loans' interest rates, which have meant that just beginning to eat into the principal owed often takes years. Even that would not resolve the fundamental problem: the preposterous amounts universities charge for qualifications that do not secure jobs.

With no cap on fees, the cost of a university degree has nearly tripled in real terms since 1980, far outpacing household income, with some private universities' fees topping $80,000 a year. Over the period, federal and state funding for tertiary education has plummeted, forcing even public institutions to become reliant on students for income. An arms race of offering flashier campuses, and fat salaries to attract the best teaching staff and administrators has ensued.

> With no cap on fees, the cost of a university degree has nearly tripled in real terms since 1980, far outpacing household income

A toxic congressional debate over total debt cancellation rendered impossible a sensible conversation about more effective reforms. These might include a tighter focus on means testing for loans, more regulation of the for-profit colleges where there have been shocking instances of fraud, and greater backing of vocational training, particularly in key areas where there are shortages, like nursing and manufacturing. On-the-job training and tailored corporate courses have merit, as do existing "6 in 4" diplomas that combine two years of college credit with a high-school qualification.

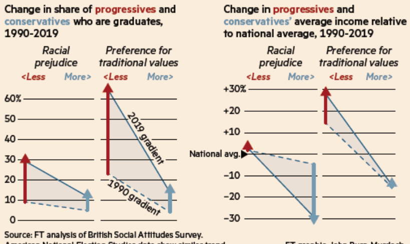
The majority of new US jobs do not require a degree. That means employers, prospective students and politicians ought to emphasise skills as much as schools. Biden's sticking plaster is necessary. But it will not cure the illness in American education.

Opinion Data Points

Link between values and earnings may spell trouble

John Burn-Murdoch

Sorting mechanism: higher education is sending socially liberal progressives on to more prosperous futures than conservatives



Source: FT analysis of British Social Attitudes Survey. American National Election Studies data show similar trend

FT graphic: John Burn-Murdoch

Picture the scene: it's 1990 and you're in a British pub. Over your shoulder, you hear someone telling a racially insensitive joke to their friend. A moment later, that friend gloats about the lengthy sentence recently handed down to a local youth for possession of cannabis. The third member of their party then says they wish Britain still had the death penalty.

Listening to their conversation, it would be easy to gauge their social values. But working out how much they earn would be significantly harder: 30 years ago, the British Social Attitudes Survey reveals virtually no difference in average earnings between social conservatives and progressives, authoritarians and libertarians.

Today, however, the task would be much easier. By my calculations, in 2019, Britons with xenophobic leanings earned about a third less than their peers with liberal views on race, traditionalists earned half as

> There has been a quiet division of societies into liberal high-flyers and conservative left-behinds

Recent research suggests it is being mediated by the role of higher education as a sorting mechanism, sending those who are more open to new experiences and comfortable with difference into an engine of income and opportunity, while their schoolmates are left by the wayside.

For years, researchers have sought to disentangle the web of factors that result in university graduates being, on average, more socially liberal than non-graduates. Two new papers, one by Ralph Scott in June, and another by Elizabeth Simon earlier this week, find that most if not all the differences in world view are already locked in place long before a student sets foot on campus.

The implications are striking. As successive governments have expanded access to higher education, and employers have come to rely ever more on degrees as the passport to high-paying, high-skill, high-status careers, one unintended result has been the quiet division of societies into socially liberal high-flyers and socially conservative left-behinds.

The mechanism is clear in the data. According to my calculations, between 1990 and 2019, the share of progressive Britons with a degree has surged from 23 to 66 per cent, while the increase among social conserva-

Letters

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Germany offers model for what a liberal Russia could achieve

As Ukrainian troops cut their way through the first line of Russian defences in Kherson, the obituaries for Mikhail Gorbachev are being written. In this elegiac tone, I agree that it seems vacuous to write Gorbachev off in the face of Putin's reckless war of aggression (FT View, September 1).

In the story of Russia, Gorbachev is a literary foil to Putin. He stands out as a Russian leader loath to resort to violence. Unlike some of his successors, he was never caught with his hand in the till. Nor was he an isolationist with a jaundiced worldview: he preached openness and reform.

Gorbachev helped emancipate millions of people trapped behind the Iron Curtain. When the Berlin Wall collapsed it seemed as if the triumph of liberalism was final; the "end of history" had been achieved. This reasoning was dangerous.

Some three decades later, the spectre of authoritarianism haunts us yet again. This isn't true only in the Kremlin and China's Zhongnanhai.

If the totalitarian star was ascendant during the interwar years, it was (in great measure) because America reneged on the Wilsonian promise to underwrite democracy. Britain and France, too weak to resist totalitarianism on their own, flirted with appeasing it. Without a strong bulwark, western values are vulnerable.

The 20th century was defined by a bitter battle between two irreconcilable ideologies: liberalism and totalitarianism. Gorbachev offered to bury the hatchet. George HW Bush's reticence to engage in a gaudy victory dance over the carcass of a defeated foe was statesmanlike.

In the long run, however, the west has stood by as Russia has fallen on hard times. As happened in Germany, a humiliated giant is wont to rise from the ashes — with a vengeance.

If a reformed, liberal Russia ever again offers to build bridges, we must embrace it, enabling it to take a dignified place in the Concert of Nations. In the late 1940s, we tried this approach with Germany. It worked remarkably well. Even as America and Britain have — embarrassingly — flirted with the allure of strongman rule, Germany remains the staunchest defender of democracy and multilateralism.

Alex Lecanda-Moreno
Luxembourg, Grand Duchy of Luxembourg

Some data points on meme stock mania

Jake Freeman cashing out his position in Bed Bath & Beyond contradicts the idea that the mania for pandemic-era meme stocks is over ("How a 20-year-old student made $110mn riding the meme stock wave", Report, August 23).

Issues around manipulation apart, the story underlines the simple fact that this new breed of semi-professional individual investor is the biggest area of growth in markets today.

Goldman Sachs says for every $100 put in stock market mutual funds and exchange traded funds over the 74 weeks to May 2022, only $2 was redeemed. Most of this has been retail investing, not institutional money — which has exited in droves.

The World Economic Forum says that three out of four retail investors would invest more if they had better opportunities to learn about investing.

Individuals can't easily access institutional information and insights served by the large incumbent data providers, nor access sell-side research which has in any case declined because of regulation and cost. They use a variety of channels to make their decisions, including financial news media and social media.

They've also come to rely on the "creator economy" such as software platforms like YouTube, TikTok and Instagram. Stripe estimates 50 platforms could be supporting more than 15.5mn creators in five years' time, including those focused on business and finance.

Despite the down cycle, many retail investors — especially the younger ones — report greater confidence in their

Texas shouldn't impose arbitrary limits on, say, Target selling organic towels in favour of microfibre ones. Sadly, copious and opaque campaign contributions to venal, unqualified politicians help breed such nonsense.

In solidarity, financial institutions would be well-positioned to speak loudly against the Texas blacklist. Yes, this move would impact on revenue in the short term but may stave off more onerous blacklistings that are sure to be imposed in future by rogue Republican "warlords".

Republicans have gone so far off the rightwing deep-end as to be guilty of the very things they pretend to abhor: they have become thought police and anti-capitalists, wrecking democracy on their lock-step march to authoritarianism.

Together, we are better than this. As in America writ large, we are all of us

If America's is the Bolshoi, Chile's is performance art

Chile's sprawling, impressionistic 388-article draft constitution is to the gold standard of constitutionalism — by which I mean the US constitution — what performance art is to the Bolshoi Ballet.

Lord Gladstone effused that the US constitution "is the most wonderful work ever struck off at a given time by the brain and purpose of man". Its brevity (four parchment pages), separation of powers, judicial review, federalism, national economic market and scrupulous protection of private property gave birth to opulence and unprecedented liberty, attracting genius and ambition from every corner of the globe.

Chile's book-like draft constitution, in contrast, invites regional protectionism, an unchecked national executive and the subservience of private property to the fantasies of the economically unschooled such as Karl Marx or Fidel Castro.

Chileans would be well advised to embrace the US constitution as the template for a new constitution and to consign the draft constitution to a museum.

Bruce Fein
Former Associate Deputy Attorney General of the United States
Author of 'Constitutional Peril: The Life and Death Struggle for Our Constitution and Democracy', Washington, DC, US

Why earlier globalisation theorists are also relevant

Gideon Rachman's column "The enemies of globalisation are circling" (Opinion, August 30) made several

From carrots to kiwis, let's embrace 'wonky' produce

Your article "Farmers fight to save crops stunted by heat" (Report, FT Weekend, August 13) will have been an eye-opener for many on the pressures farmers are facing in this summer's drought. But it also noted how retailers are rejecting fruit and veg that have not been grown to their required specifications due to the heat. This practice cannot continue.

From carrots to kiwis, supermarkets assume that shoppers want the same shape, same size and same colour. As a result, a third of the fruit and veg grown in the UK never reaches our plates.

In drought conditions, it is unacceptable to waste water growing crops that are perfectly good yet are never sold. Some supermarkets have led the way with wonky ranges — now we need the whole industry to go further and faster.

Customers need to play their part too. The National Farmers' Union has urged British shoppers to "pull together" and accept buying wonky vegetables. Drought or not, food waste is one of the biggest environmental challenges we face, and overcoming it means we can no longer reject fruit and veg based on looks.

Just a generation ago, fruit and veg of all shapes and sizes were sold everywhere as standard. But today, pickiness from retailers and consumers is worsening an already pressing crisis. Now we can all do our bit to relieve pressure on our farmers.

Alex Wright
Co-Founder, Dash Water, London W1, UK

English water gives Scots

much as liberals, and proponents of the death penalty earned half as much those who supported its continued abolition.

It's a similar picture across the Atlantic. In the US in 1990, the National Election Studies show that white conservatives were about as likely to be in the top third of the income distribution as their progressive peers. By 2020, they were much less likely to be high earners compared with white compatriots who had liberal views on race.

What do these numbers tell us? After centuries in which personal beliefs were largely independent of socio-economic outcomes, the two unrelated axes have become increasingly aligned. Over the past three decades, people with a particular world view — one shaped by nature, nurture and everything in between — find themselves several socio-economic rungs below many of their former classmates.

There is no evidence that this tilt is the result of any conscious choice.

tives has been much smaller, from four to 14 per cent. The gap between the two has therefore expanded from 19 to 52 points.

That in turn has boosted the share of working-age social progressives in managerial and professional roles from 20 to 25 per cent, while the share of more conservative Britons in such roles has fallen from 16 to 15 per cent.

With those of a more traditional worldview finding themselves increasingly squeezed out of the path to high-status positions — and in some cases reporting directly to their liberal peers — the recent trend in anti-expert rhetoric makes a bit more sense.

As Leonardo Carella, a political science researcher at the University of Oxford suggested earlier this week, this trend may have far wider implications. How many of the west's recent political shocks and realignments, he asked, could be due to 40 years of sorting liberals into high-income positions and traditionalists into low-income roles?

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own skills, despite the challenges of the market, and are reading more to help their investment theses.

With increasing opportunities for experts and commentators to share their insights, the democratisation of investment research is here to stay.

Duncan Wales
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London SE1, UK

You'd think Republicans would hate Texas blacklist

Financial institutions that "survive" Texas's politicised blacklist should collectively return invested funds to Texas pensions ("Targeted groups attack Texas ESG blacklist", Report, August 30).

There are markets for all types of sector-based funds to suit niche retail and other investor interests. An environmental, social and governance investment strategy is just one of many more or less imperfect strategies.

However, it is not for rightwing politicians to tell corporations which products to offer on their shelves —

stronger unified against extremism in any form.

Peter Wahl
Boston, MA, US

Heathrow passes the buck on summer capacity chaos

Cat Rutter Pooley's article on Heathrow ("Heathrow's hopelessness is its faux helplessness", Opinion, August 17) is right to say what really rankles is the failure of the UK's leading airport, which wants to build a new runway to add more volume, to take responsibility sooner for the unfolding disaster of its summer capacity issues.

But it's also probably fair to say this looks deliberate to a degree. By keeping quiet and failing to plan for the capacity problems before they arose, this allows the airport to blame the airlines and keep its head in the sand while customers take out their displeasure on the airlines' staff and not Heathrow's own shortsighted management.

Lee Callaghan
London N22, UK

crucial points. First, globalisation is not just about economics, but involves politics. Second, deglobalisation involves the two-way "decoupling" trends between China and others. Third, he suggested we consider globalisation's detrimental costs in terms of inequality and the environment.

However, it is a pity he did not go further to contextualise and ground this analysis by locating it in two ways. First, in the many previous examples and "waves" of globalisation that have occurred. Second, in the earlier explanations of globalisation, such as Andre Gunder Frank, with dependency theory, and Immanuel Wallerstein with world system theory.

Their concepts, such as the roles of differentially-resourced core, semi-peripheral and peripheral countries in the global economy, still remain relevant today.

Professor Chris Rowley
Kellogg College, University of Oxford
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English water gives Scots a taste of Schadenfreude

As a consumer of water in Scotland, where this vital resource is under public ownership and where we do not pour sewerage into our rivers and on to our beaches, I couldn't help reading Camilla Cavendish's article on the unfolding disaster that privatisation of water in England is proving to be (Opinion, FT Weekend, August 20) without a feeling of Schadenfreude. Isn't capitalism just wonderful?

Izhar Khan
Aberdeen, UK

Corrections

● The first previously all-male colleges at Oxford university began admitting women in 1974, not 1979 as wrongly implied in an article on September 1.

● Football agent Marlon Fleischman said Chelsea Football Club "know how to run sport franchises. It's not their first rodeo", not Giovanni Branchini as wrongly stated in an article on September 1.

Opinion

Why the US is re-engaging with Africa

AFRICA

David Pilling

Donald Trump thought it was full of "shitholes" and countries with names such as "Nambia". Barack Obama, for all his eloquence and family ties to Kenya, was underwhelming when it came to defining a practical strategy towards Africa — a continent that always slipped behind other regions in the list of priorities.

You have to go back to George W Bush, particularly his principled stance in fighting the Aids epidemic, or Bill Clinton, with his Africa Growth and Opportunity Act, a preferential trade pact, for an American leader with a compelling offering.

If the US has been relatively low key, others have not. Since the turn of the century, China has moved from a bit-part player to the main investor and trading partner for many countries, from Angola to Ethiopia. Much of the infrastructure that has sprung up across the continent has been built by Chinese companies.

Outside the extractive industries, American companies have been slower to see commercial opportunities than those from emerging nations such as Turkey and India. More recently, Russia has pursued a cut-price diplomacy, sending mercenaries to Mali and the Central African Republic to prop up dictatorships and shady companies.

President Joe Biden is now seeking to redress the balance. The reticence of African states to vote with the west in condemning Russia's invasion of Ukraine (26 refused to do so) may have sharpened his thinking. Diplomatic engagement has been stepped up. Washington will hold a US-Africa summit in December, the first in eight years. Biden has reversed a decision by the Trump administration to draw down US troops from Somalia and the Sahel, both regions of persistent terrorist threat.

Antony Blinken, US secretary of state, has made two tours of the continent, the latest in August when he swept through the Democratic Republic of Congo and Rwanda. In South Africa, he launched what was billed as a reset of relations.

As he said, the 54 countries that make up the continent play a more important role in world affairs than is widely recognised. By 2050, one in four people on Earth will be African. If a majority are flourishing, they will be a source of huge dynamism and ideas.If many are floundering, they will fuel the problems of uncontrolled migration and unstoppable deforestation.

> The reticence of many African states to condemn Russia's invasion may have sharpened Biden's thinking

A third of the minerals that will be needed for the transition to sustainable energy lie beneath African soil. African people — and not just their elites — must benefit from the potential windfall with more transformation of raw materials on the continent itself. In the Congo Basin rainforest, central African states host the world's second-largest lung. African capitals marshal a quarter of UN votes. A Nigerian heads the World Trade Organization and an Ethiopian leads the World Health Organisation.

The policy paper that underlies the new approach lays out broad strategic objectives. Washington will support open societies, democracies, recovery from the shock of the pandemic and a just energy transition (for which read: it won't oppose gas). Washington will work with its "African partners": a phrase intended to convey that it is listening, not hectoring.

The US offering is positioned in deliberate contrast to what it calls China's "narrow commercial and geopolitical interests" and the Russian view of Africa as a playground for private military companies.

What are African governments to make of this? Many were not impressed with US leadership during the pandemic, when the west gobbled up available vaccines and left Africans to fend for themselves. (Biden's support for overriding intellectual property on Covid vaccine technology was seen as an important exception). The US — with its contested elections and rolling back of liberties — has also somewhat lost the democratic high ground.

Chidi Odinkalu of the Fletcher School of Law and Diplomacy at Tufts University detects a cold war throwback. "The US has come to the conclusion that, if they don't re-engage, they will be abandoning Africa to Russia and China."

Still, Alex Vines, director of the Africa Programme at the UK think-tank Chatham House, sees an opportunity for the continent. "This is Africa's moment," he says of the multinational engagement. However shaky, the US with its deep well of wealth, innovation and democratic ideals is a partner worth courting, he says. If diplomacy is transactional, then the countries of Africa should get ready to deal.

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For energy crisis solutions, look across the Channel

ECONOMICS

Chris Giles

Britain and France are long-standing allies with remarkably similar economies. Yet both countries share a false perception that their own economic policy stands miles — or kilometres — apart from those on the other side of the Channel.

In the current energy crisis, however, the response of the French and UK governments could not have been more different. The government of arch globalist President Emmanuel Macron plumped for a populist strategy, while Boris Johnson reached for the economic textbook recommended by the IMF.

Both countries face the same shock — that of wholesale gas prices being roughly ten times normal levels. France is helped by a large nuclear sector, which normally provides 70 per cent of its electrical generation, but far less at the moment with half its reactors shut down. The UK has the advantage of its North Sea gas reserves, that provided around 40 per cent of consumption last year. Overall, net imports of gas in the UK are similar to that in France.

In Paris, the response to the energy crisis has been a concerted attempt to find a large carpet in the Élysée Palace and brush all problems under it. The so-called "tariff shield" policy of Macron's government has capped electricity price increases at 4 per cent this year, and frozen domestic gas prices. Shielding consumers requires the public finances to bear the cost of rising wholesale prices.

In Downing Street, by contrast, the UK government has so far taken the grown up option of exposing the problem and tackling it transparently. Rises in wholesale energy costs are passed on to consumers, albeit with a lag, suppliers are not bailed out and every household has been given a huge incentive to conserve energy.

> Both the UK and French governments will find it hard to climb down from their current positions

To help households, the government has put in place a £37bn package of targeted support for the elderly and the poorest with lump sum payments for all to enable payment of the higher costs of energy. A small part of this package has been funded by a windfall tax on companies making unexpectedly large profits from North Sea operations.

Although the UK package is complicated, messy and results in much higher inflation, it is pretty close to the IMF recommendation that countries should allow prices to rise and compensate vulnerable energy users for their losses. Overall, this is cheaper than a blanket tariff cap, as well as being transparent and providing the right incentives.

Republican ESG stance is bad for business

FINANCE

Gillian Tett

Efi Chalikopoulou

Until recently, Federated Hermes was a darling of the sustainability world. The Pittsburgh-based fund manager of a combined $1.6tn in assets seemed a champion of environmental, social and governance goals — and its London-based team is admired for the advice it dispenses to institutional managers.

But then it emerged that Federated Hermes is also a so-called "gold sponsor" (ie funder) of the State Financial Officers Foundation. SFOF is a Republican lobby group which is campaigning to remove state pension assets from funds and companies that are hostile to fossil fuel.

Chris Donahue, its chief executive, says this contradictory stance simply reflects a desire to support "diversity of thought" in polarised times. Maybe so. But three big Danish pension funds have issued furious complaints. The halo, in other words, has cracked.

Other western companies should take note. For one thing, this case underscores how closely ESG activists are now tracking an issue that has often been ists and industry groups, and whether this tallies with their stated public position on a variety of issues. Other corporate boards should brace themselves for similar scrutiny — and potential embarrassment.

The second key point is that America is now a minefield for financial companies when it comes to ESG. Companies such as Federated Hermes are trying to square a near-impossible circle and the challenge will only get worse.

The issue at stake is that during the past couple of years there has been rising pressure on financial companies who operate in the European Union, or in liberal states such as California and New York, to embrace ESG norms. That is because investors, including big pension funds, are increasingly demanding more disclosure on issues such as carbon emissions — and using ESG ratings from entities such as MSCI to judge how to allocate money.

This has sparked a dizzying pace of growth in ESG products. But it has also caused a backlash from parts of the Republican party, who are opposed to so-called "woke" ideas and any curbs on the fossil fuel industry. One sign of this can be seen in the ESG-bashing statements from figures such as the Fox television host Tucker Carlson and former vice-president Mike Pence.

The conservative-leaning Supreme Court also ruled in June that the Environmental Protection Authority could not curb carbon emissions without spe- attention than the court's overturning of the right to abortion, it is crucial for business since it could also undercut the work of agencies such as the Securities and Exchange Commission.

However, the central focus for the Republican backlash is the state-level laws: politicians are seeking to curb ESG products locally. In Florida, for example, governor Ron DeSantis has lashed out against Disney over its LGBTQ policies and — more recently — told state pension funds to exclude ESG considerations from their work.

States such as Idaho and West Virginia are introducing rules that could deter their public pension funds from investing in ESG products or companies. And last week the Texas government issued a blacklist of ten financial companies that state and school pension funds are supposed to shun because the entities are deemed to boycott fossil fuel. Nine of these are European, but one is American — the mighty BlackRock.

> Demands that investment groups ignore climate risk could harm returns (as well

Unsurprisingly, this has sparked furious complaints. "Trying to stop a US company from doing business in its own backyard is bad for business," Mark McCombe, the head of BlackRock's US business, told the FT.

In an effort to avoid being blacklisted, some US banks and asset managers are busy pointing out to Republican politicians that they are also still funding fossil fuels. Ironically, BlackRock is the single biggest investor in Texas oil and gas groups.

But it is hard to please both the pro and anti-ESG camps. Or as one large British fund manager laments: "It looks increasingly hard to create a single strategy for the American market." And carving out different approaches for different regions is costly and likely to spark accusations of hypocrisy — as view, it is entirely reasonable for investors and politicians to challenge the tenets of ESG, and reject some of them; the frameworks are imperfect. And it is often a strength of the US political structure that it permits plenty of local policy experiments.

But Republican politicians do not need to ban ESG ideas to express their dislike for them; they can simply choose not to use them. Demanding that investment groups ignore climate risks is likely to harm returns (as well as the environment). Moreover, it makes rule-making in America look capricious, contradictory and unpredictable.

That is something that both the SFOF and the leaders of Federated Hermes should dislike. So let us hope that the latter either drops its backing for the lobbying group, or uses its financial muscle to demand a policy change. And that Republican politicians realise that attacking ESG in the name of business will actually harm — not help — business confidence in the long run.

(lamentably) ignored — the degree to which US companies are backing lobby-

cific Congressional approval. Although this EPA decision received less public

as the environment)

Federated Hermes has now found. This is distinctly depressing. In my

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The problem is that while economists tend to love the UK solution, the public hates it. The government has got next to no credit for the support it has offered so far and the national conversation has centred on rising bills rather than the help on its way.

The truth is that both countries now need to learn from each other. Retail energy prices have already risen so far in the UK that households no longer need additional reasons to cut their use — energy conservations will happen anyway. Targeting households for support by income also has its limits because it provides far too much help for those in small energy efficient homes and too little for those in old, draughty houses. Some sort of French-style publicly-funded discount for bills, temporary but sizeable, is now required.

In France, though, the public finances are far too exposed to wholesale energy prices. Too much of the burden is being loaded on to future generations rather than current consumers, who face little additional pressure to limit their gas and electricity use. Retail prices need to rise further with additional support offered for the vulnerable.

Both governments will find it difficult to climb down from their current positions to provide energy support. Difficult as it will be for Macron and the next UK prime minister to look across the waters and learn lessons, the solution to their energy woes lies partly on the other side of the Channel.

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The metaverse evolves from fiction into fact

TECHNOLOGY

John Thornhill

Thirty years ago, the science fiction writer Neal Stephenson invented the concept of the metaverse. Now, he is intent on building it in real life. We must hope his constructive feats are more uplifting than his imaginary fears — the metaverse he depicted in 1992's *Snow Crash* was an escape hatch into an alternative virtual world from the hellscape of 21st-century Los Angeles. The novel's main character, Hiro Protagonist, lived in a shipping container, worked as a pizza delivery driver and tried to survive in a brutal anarcho-capitalist world disfigured by menacing monopolists, economic collapse and environmental degradation.

Yet in a video call from his home in Seattle, in which he spells out his current thinking on the metaverse, Stephenson expounds a much cheerier theory about the future uses of technology. "*Snow Crash* is both a dystopian novel and a parody of dystopian novels," he says. "And I am increasingly of the view that technologies, with a few notable exceptions, aren't really dystopian or utopian; people are."

Whether the metaverse is a good or a bad thing will depend on how we develop and use it. Stephenson sees the real-life metaverse — as opposed to his fictional creation — emerging as the next big computing platform, a kind of next generation "3D internet". He is excited by its possibilities as a deeply immersive new means of communication and entertainment that will open up "new categories of experiences". But the metaverse will only fully flourish if it is decentralised, interoperable and not dominated by a few giant corporations, as the current internet has been. He himself is working on the latter problem, attempting to build "the base layer for an open metaverse".

Mere mention of the metaverse nowadays is enough to provoke eye-rolling mockery. Meta (formerly Facebook) has tied its corporate reputation to the idea's evolution and has bet more than $10bn on reinventing virtual reality. For the moment, though, poorly pixelated avatars of founder Mark Zuckerberg are not setting pulses racing.

Still, others are shouting about the metaverse's longer term potential too. In March, Citi forecast that 5bn people might be using the metaverse by the

> It will only flourish if it is decentralised, interoperable and not dominated by a few giant corporations

end of this decade, transforming commerce, art, media, advertising and healthcare. CB Insights also predicts the metaverse could be a $1tn market by the end of the decade.

Stephenson says he is not paying much attention to what the big corporations are doing. Instead, he is focusing on the creative possibilities being explored by an expanding army of games developers using increasingly powerful engines. The games industry, he believes, has already introduced billions of players to new experiences in three-dimensional virtual worlds and thereby created a huge market. Out of all that intellectual ferment, the future metaverse will evolve.

Although coy about the details, Stephenson is developing his own experiences in the metaverse; a kind of multi-modal prequel, or sequel, to *Snow Crash*. He dismisses those who see computer games as no more than escapist fantasy. Every society since the dawn of time has sought distraction and entertainment, albeit in different forms, he insists. Neanderthals painted cave walls while the 19th-century bourgeoisie listened to grand operas and now we play computer games. "Why the hell were they painting walls when they could have been out stabbing mammoths?"

One of the big issues for the metaverse will be how to ensure all these different worlds interact. Several companies are working on that challenge including Lamina1, a blockchain start-up where Stephenson is chair and chief creative officer. These companies are aiming to provide the underlying infrastructure, smart contracts and payments systems that will make the metaverse interoperable. So, for example, in future it will be possible for users to transport their avatars from one domain to another, taking their virtual identities and possessions with them — although they may have to check their lightsabres at the door if they enter a medieval role-playing game.

As with many blockchain companies, it is not entirely clear how Lamina1 will make money. Can Stephenson turn prophecy into profit? He is the first to acknowledge it is hard to anticipate the future. "The reason that entertainment is such a fascinating industry is that you never know," he says. "Not even the best informed people can predict what it's going to be." He seems convinced that something fascinating is finally emerging in the metaverse, 30 years after he imagined the concept. But as ever with the creative process, it may require a temporary suspension of disbelief.

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Hong Kong banks: red flags

Hong Kong's lenders once viewed exposure to mainland China as the magic solution to flagging growth. Instead, their bets on its property market have proven costly.

Half-year results published by mainland banks this week show the strains of the local property market crisis, which is getting worse. Hong Kong peers, despite reassurances, have not escaped the fallout.

Dah Sing Banking Group's credit impairment losses rose 161 per cent to HK$305mn ($39mn) in the first half. It cited concerns over the real estate sector in mainland China. HSBC increased its allowance for expected credit losses on loans tied to mainland property by 62 per cent to $990mn in the six months to June.

Hong Kong lenders' move into mainland China, which started in the 1990s, has accelerated rapidly in the past six years as growth in the city slowed.

The strategy gained momentum as Hong Kong's outlook darkened following the 2019 outbreak of political unrest in the city. Today, loans to mainland China account for more than a third of the total loan portfolio of the city's smaller banks.

Some perspective is needed. On a percentage basis, the sector's exposure is not a cause for panic on its own. Unlike the largest mainland Chinese banks, for which outstanding real estate loans make up about a third of their total loans, Hong Kong's largest lenders are a more cautious lot. They have less than 5 per cent of their total loan books in the mainland property sector. HSBC's exposure, for example, of $21bn at the end of last year makes up a small fraction of its $1.1tn of net loans and advances to customers.

Scope for further damage remains. The latest surge in non-performing loans to the real estate sector as reported by mainland Chinese banks suggests more bad news lies ahead.

An 80-fold increase in these bad loans over a six-month period to June at Postal Savings Bank of China, one of the country's largest lenders, offers one warning. The rapidly spreading homeowner boycotts on mortgage payments is another. Its share price has dropped 30 per cent since peaking in February. Meanwhile, shares of both HSBC and Standard Chartered have risen sharply over the same period.

The potential for more bad news calls for a cautious approach to Hong Kong's banks as well.

Y Combinator: pressing on the accelerators

Next week, Y Combinator will hold its 35th Demo Day. Tech start-up founders will have just one minute to present their ideas to potential investors.

This year, the stakes are particularly high as new chief executive Garry Tan will be aware. His recent appointment coincides with a sharp downturn in start-up investment.

In the second quarter of the year, global start-up funding fell 23 per cent from the previous quarter to just over $108.bn, according to CB Insights.

Megaround investments of $100mn or more fell almost a third. This drop reflects the fall in public market share prices. In May, Y Combinator warned start-ups to plan for the worst.

So-called accelerators live at the sharpest end of the start-up funding ecosystem, backing ideas that may not yet be products. Few make it to the next round of funding.

The rise of software companies that do not carry big upfront costs has made the business of early-stage investing more lucrative. But if venture capital firms reconsider their investment plans, accelerators could struggle to sell their start-up stakes.

Launched in 2005, Y Combinator is the best known of the Silicon Valley accelerators. Its alumni includes Airbnb and payments group Stripe. As more rivals have appeared, it has tried to differentiate itself by offering more money. In addition to offering $125,000 for 7 per cent of equity, it offers $375,000 in the form of notes that convert to equity. It has also increased the size of its intake. A decade ago, Y Combinator would take on just a handful of start-ups twice a year. Its last batch had more than 400.

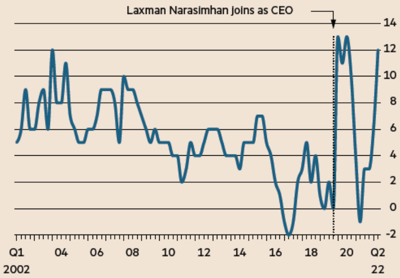
The slowdown offers a chance to reflect on this model. Instead of trying to elbow out rivals by backing ever-increasing numbers of start-ups, Y Combinator could return to its roots and focus on a smaller number of companies, providing them with more assistance. The next round of world-changing start-ups could be in the making.

Reckitt Benckiser: no avoiding inflection

Organic sales growth has improved markedly since Laxman Narasimhan arrived. But the shift was amplified by the pandemic and no clear trend has set in since. The pandemic boost partly came from increased sales of disinfectants. The shares have rebounded, but they have gained little overall during Narasimhan's tenure.

Reckitt: like-for-like sales growth

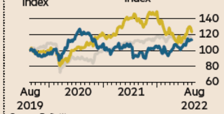
Quarterly, per cent



FT graphic Source: Jefferies

Shares have improved only in the past year

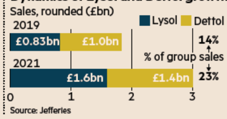
Total return (rebased)



Source: Refinitiv

Dynamics of Lysol and Dettol growth

Sales, rounded (£bn)



Source: Jefferies

Reckitt Benckiser sells plenty of remedies for coughs and colds. But since chief Laxman Narasimhan joined three years ago, he has had to focus on healing Reckitt itself. Yesterday, the FTSE 100 company announced that its doctor is leaving at the end of this month to return to the US. That came as a surprise to shareholders. Its share price fell more than 4 per cent on the day.

That is understandable. Reckitt had managed to have a decent pandemic, given its relative strength in popular disinfection products such as Dettol, and especially Lysol in the US. Sales of these have held up reasonably well, even this year.

Better yet, Narasimhan could report promising vital signs just six weeks ago. Healthy operating profit margins — over 25 per cent — came with the interim results, plus the promise of better sales and profitability to come for the full year.

That, plus a boost to its US infant-formula business earlier this year, has made Reckitt's shares a winner. While they have climbed 13 per cent over the past year, Europe's Stoxx Personal & Household Goods index has fallen by single digits. The question is whether Narasimhan deserves all the credit.

True, he has helped to reverse a long trend of diminishing percentage growth of its organic, like for like, sales. But the organic top-line growth has vacillated widely, mostly because of the impact of its disinfection businesses.

Together, Lysol and Dettol went from roughly 14 per cent of sales before the pandemic to 23 per cent by the end of 2021, Jefferies estimates say. One would expect that proportion to decline as the pandemic recedes.

Narasimhan has a job offer in the US. But his early departure will concern shareholders.

Reckitt has turned to one of its senior board members, Nicandro Durante, as an interim choice while the group searches for a replacement. Any active management of the group's portfolio seems unlikely until a fresh pair of eyes arrives.

Reckitt's occasionally feverish growth begs the question of what happens after its disinfection-goods turnover normalises. It is enough to give shareholders the shivers.

Nvidia: reality check

Nvidia is known for its bet on cutting-edge graphics chips, the kind designed to power a gamer-led metaverse. But a front row to the virtual universe cannot shield it from some real world woes.

The US group, whose $334bn market value makes it the world's second most valuable semiconductor maker after Taiwan's TSMC, has found itself caught out by the fractious relationship between the US and China.

The White House wants to make it harder for Beijing to obtain advanced chip technology. This week it ordered Nvidia to stop selling two of its top computing chips to companies in China. Nvidia warned that the new licensing requirements could cost it as much as $400mn in lost sales for the current quarter.

A 12 per cent drop in Nvidia's share price suggests investors believe the losses will increase if Washington moves to widen the scope of its export ban. China is one of Nvidia's biggest markets. The country accounted for $7.1bn in revenue, or 26 per cent of the group total, last year.

Nvidia cannot easily source alternative markets for its chips. The pandemic triggered a surge in demand for PCs, video game consoles and other electronic devices that Nvidia's chips power. But consumers are now cutting back on discretionary spending. Sales of tech devices and chip demand have dipped. At Nvidia's key gaming unit, which makes graphics processors used in PC gaming, sales fell by a third during the second quarter. Demand is not expected to rebound anytime soon.

It is not alone. Global chip revenue is expected to grow just 7.4 per cent in 2022 and will contract 2.5 per cent in 2023, research group Gartner says.

But a temporary lull in the chip cycle may not be Nvidia's biggest worry.

The White House's determination to create a homegrown chip sector has spurred Beijing to funnel more resources into building up its own chipmakers and suppliers. This desire for self-sufficiency on both sides could change the global chip market for good.

Pay-for-performance: table stake

When it comes to American chief executives, do shareholders get what they pay for? The US Securities and Exchange Commission wants to make that puzzle easier to evaluate.

The boss's remuneration will be juxtaposed against the total shareholder returns of the company and peers in a new table in proxy statements, under a rule adopted last week. Sophisticated investors and watchdog groups can do such analysis on their own. Some companies already disclose stock price performance elsewhere in their proxy statements.

But forcing groups to compile and present the data themselves in a standardised location will be more powerful. Lawyers are naturally worried about another disclosure burden. But if shareholders bear the burden and benefits of pay, clear data about that bargain seems reasonable.

Summary compensation tables currently value pay packages at "fair value" at the time of grant, though stock-based compensation fluctuates over time. The new rule requires companies to show "actual" pay that accounts for the change in the value of equity awards from grant date.

Most interestingly, a company will be required to select a financial metric that it believes best explains its pay practices. A tech company, one could imagine, would favour overall revenue growth. A bank, on the other hand, might choose return on equity.

The median pay for CEOs in 2021 hit a record high of $14.5mn, a 17 per cent rise from 2020 which itself was a record year, research firm Equilar says.

Bosses would argue that sharp stock market rises justifies such pay packages. A few years back, the SEC implemented another pay disclosure change. Companies are now required to disclose the ratio of CEO pay to the median worker. Equilar's data shows that in 2021 that gap widened from 166:1 to 186:1. Perhaps a bold CEO will choose to cite restraining ordinary worker pay as the justification for his or her own million-dollar pay package.

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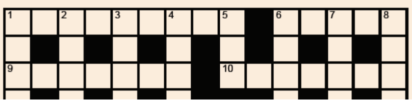
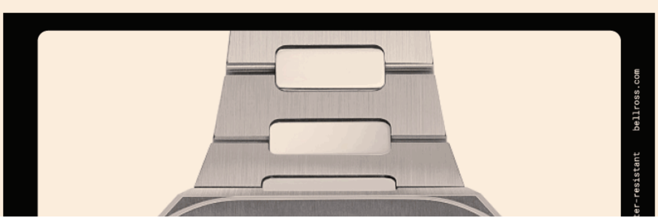
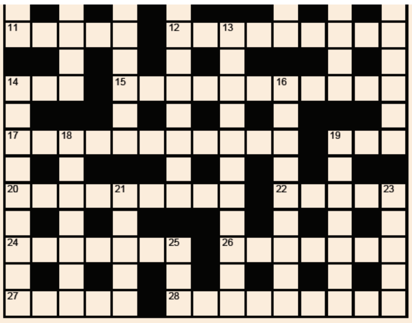
CROSSWORD

No 17,189 Set by BRADMAN



ACROSS
1 Socialist maidens? They are unwanted at the meal table (9)
6 Backward place, what? Makes one agitated (3,2)
9 Something cold and crunchy served by gross girl (7)
10 Study piece of electrical equipment





10 Shady piece of electrical equipment giving puzzle (7)
11 Work around weak material (5)
12 Bird gives donkey hesitation when entering wood (9)
14 Report of deposit being expected (3)
15 Strong man out to protect one, having right heavenly body (7,4)
17 We need fewer to file around prominent landmark (6,5)
19 The old man had temporary lodgings (3)
20 Deal roughly with fellow, northern worker being kept in (9)
22 Cockney school? It did for Harold or Robin! (5)
24 A gang crossing island is becoming apparent (7)
26 One theologian entertained by monarch is fooling around (7)
27 Avoid magistrate, admitting misdeed finally (5)
28 Odd roses I arranged in entrances (4,5)

DOWN

1 Land journey – female heading off (5)
2 Line on outside of material that's cheap and apt to rip? (7)
3 Standard email form needs to be revised (9)
4 Former lover, a dear pest troubled and annoyed (11)
5 Thus one art form puts Greek character off (3)
6 Joint aching excessively? Not entirely (5)
7 "To the biblical city first!": is that what I say? (7)
8 Quiet football official, having made a mistake, is favoured (9)
13 Awful whisper on troubled deck – with sailor in danger of being this? (11)
14 A country with a vision? (9)
16 Decorated message from successful angler? (9)
18 Made up to be appealing to the opposite sex? (7)
19 Drink one firm provided in entrance to building? (7)
21 Lively time in which one's turning 51 (5)
23 Pay comics, including foremost of entertainers (5)
25 Fuel additional to requirements? Not hydrogen (3)

JOTTER PAD

Solution 17,188

FT SPECIAL REPORT

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Jewellers explore the many faces of an emoji
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'Courtesy' watches create fresh collectors' market

Customers see the appeal of not-for-sale timepieces, says *Kate Youde*

Ten years ago this month, Hublot launched a watch that was exclusive to its boutiques. The Atelier was not available to buy, but loaned to customers who left their own timepiece in the store for service or repair.

A decade on, this black composite model with quartz movement attracts attention among collectors. "There is an interest in these Atelier watches, as they are not for sale," says Ricardo Guadalupe, Hublot chief executive. Due to a lack of stock, the watch is now issued only "sporadically in some exceptional cases".

Over the years, a number of brands have offered this aftersales service, which is comparable to the courtesy vehicle available to car drivers. In some cases, these service watches have inspired commercial designs. In others, their history is shrouded in mystery.

When launching the Atelier, Guadalupe said it would enable a customer to "remain both physically and emotionally connected to Hublot". A similar sentiment inspired the British brand, Bamford Watch Department, to launch its own quartz service watch, in March 2017: "it kept our name on their wrist", says founder George Bamford.

Despite having "property of Bamford Watch Department" on the dial, none of the 97 service watches that left the company made their way back, bringing the loan scheme to an end. The piece is "in quite a few people's collections", says Bamford. "There's one or two times where I've seen people with their briefcase full of different watches and I've gone, 'What the hell is my service watch doing in there?'"

When a client telephoned Bamford asking to buy four, he launched his other business, Bamford London, with an upgraded version of the service watch – the Bamford Mayfair – in November 2017. Bamford recently started collecting service watches and bought a Hublot Atelier on eBay.

> 'People thought the service watch would be worth more than their personal watch and never brought it back'

Guadalupe says some clients "were so fond of their Atelier watch that [the] decision was exceptionally made to offer it to them". Hublot – which Guadalupe says first offered a courtesy watch under its founder Carlo Crocco, following the launch of the Swiss brand in 1980 – also reproduced the Atelier to give to guests who travelled to the Fifa World Cup in Brazil, in 2014.

Wempe, which sells its own and other brands' watches, does not worry about returns: it gifts its quartz service watch to customers. The German retailer issued 3,600 of its free men's model (with a 40mm dial) and 3,300 of the 35mm women's version in 2019. It declined to disclose the cost to its business.

Lynn Schroeder, managing director of Wempe UK, says take-up has decreased during the 15-20 years the company has offered the service, which is available in its 32 showrooms worldwide. She says around 20 per cent of customers who leave their timepiece for checks or repair accept the free watch. "Now, with all the smartphone functions and the smartwatches, people [already] have a second watch," she explains.

Continued on page 4

Photo: Barbara Kieboom

Collaboration Helping jewellers find the right tone

An accident led Fleur Damman-van Gelder to discover Marc Mulders' art and then to echo his work in her new collection. Combining an awareness of abstract artist Mark Rothko's colour field paintings, that aimed to elicit an emotional response, and her own experience of how colour can affect mood, she explains how she found the right hues for the gold jewellery in Mulders' pastel palette — those that made her "feel". **Page 11**

Watches & Jewellery

You've got the bespoke classic car – now find a watch to go with it

Singer Reimagined Car restorer's watch brand is a hit with loyal customers, writes *Simon de Burton*

While many classic car enthusiasts still regard originality as king, a whole new area of interest has grown up around "restomods" and "backdates" – historic models that are expensively modernised without compromising their intrinsic character.

And among the specialists who have helped create this booming market is Rob Dickinson, formerly guitarist and singer with rock band Catherine Wheel. He set-up California-based Singer Vehicle Design in 2009.

Dickinson's mission was to upgrade Porsche 911s (specifically aircooled, type 964 models made between 1989 and 1994) and transform them into meticulously engineered, no-expense-spared 21st-century supercars that combine old-school appeal with present-day performance for anyone with upwards of $500,000 to spend.

It proved so successful that, five years ago, Singer joined forces with Oxford-based Williams Advanced Engineering and Porsche doyen Hans Mezger to develop a new programme called the Dynamics and Lightweighting Study (DLS). This has led to the production of 75 cars with ultralight bodies and 500-horsepower engines.

Despite a price tag of $2.1mn, more than 100 people applied to buy the DLS models – which are engineered and built in the UK – and 25 are due to be delivered by the end of this year.

It has become a truism that people who like interesting and valuable cars tend to like interesting and expensive watches, too. So it makes sense that, in 2017, Dickinson teamed up with industrial designer Marco Borraccino to launch a chronograph under the Singer Reimagined brand name – to complement Singer's cars and to appeal to its wealthy buyers.

The result could be described as a horological interpretation of the Singer philosophy, inasmuch as it is a watch with retro looks that combines an innovative movement designed by independent master watchmaker Jean-Marc Wiederrecht.

His business, Agenhor, invents and creates remarkably complex mechanisms for leading luxury houses such as Hermès, Fabergé and Van Cleef & Arpels.

So, the main feature of the 43mm Track1 watch, for example, is Wiederrecht's AgenGraphe movement (versions of which have also been supplied to Fabergé and Hermès), which brings together all the chronograph functions in the centre of the watch for ease of use.

Jumping minute and hour indicators enhance legibility, with the chronograph mechanism being connected to the timekeeping gears with a space-saving clutch of Wiederrecht's own design. A self-winding rotor is positioned on the dial side, to allow an unimpeded view of the 477-part movement through the transparent case back.

> 'Just as we have delivered around 200 vehicles since we launched Singer Vehicle Design, so we have delivered around 200 watches'

The Track1 range comprises several variations on the theme, including models dedicated to the UAE and Hong Kong as well as ceramic-cased and skeleton-dial versions. All are limited editions, sometimes of just 15 examples, and cost from SFr45,000 (£39,000) to as much as SFr90,000 – prices that those who can afford a Singer-enhanced 911 are unlikely to be fazed by.

Two years ago, Singer Reimagined also launched a minimalist watch called the Flytrack with another new Agenhor movement: this time, a hand-wound effort that shows the time using a single hand for the minutes and a rotating ring for the hours.

Its most notable feature, however, is its "sweep" seconds hand that, when controlled by the push-piece at the 2 o'clock position, works as a flyback chronograph that can be stopped and instantly reset in order to time short-term events or for precise time-setting.

Then, at last weekend's Geneva Watch Days, Borraccino unveiled an all-new version of the Track1 that combines the brand's first forged carbon case with a transparent dial.

The dial design, which takes the form of the spokes of the Fuchs road wheels synonymous with classic Porsches, was first seen on a gold version of the Track1 launched in March.

The dial is unusual in being "suspended" above the AgenGraphe movement in order to make it visible from the front of the watch as well as through the transparent back.

Priced at SFr60,000 plus VAT, it will be made in 25 examples and is likely, says Borraccino, to appeal to wealthy Singer enthusiasts in the Middle East and other Islamic regions where gold is less popular.

The arrival of this SKLT Carbon Edition came just days after Singer Vehicle Design unveiled its first convertible car – and five years after the founding of Singer Reimagined as a subsidiary of the overall Singer Group.

"It's well known that cars and watches go hand in hand and, just as we have delivered around 200 vehicles since we launched Singer Vehicle Design, so we have delivered around 200 watches suggesting that many people who bought cars also bought watches," says Dickinson.

"But there is now a real sense that Marco's work is breaking through into the wider world of watch collectors and gaining independent legitimacy outside of the car business.

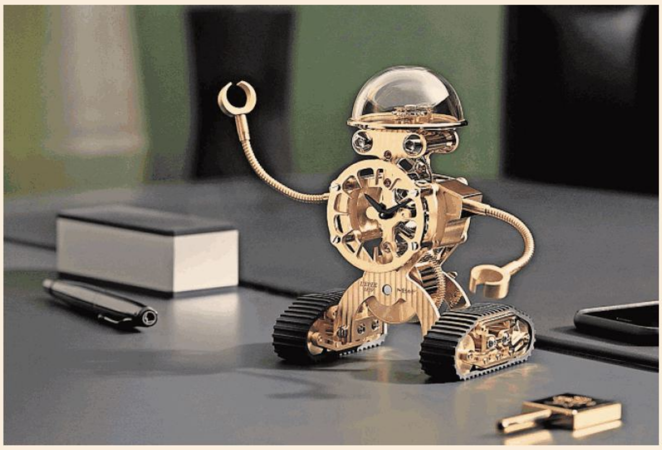
"Growing a watch brand is a slow process, but Singer Reimagined is clearly attracting respect in its own industry and is set to grow in a very interesting way," he adds – hinting that there is more to come.

"There are some incredible products in the pipeline."

Clockwise from above: Marco Borraccino and Rob Dickinson; the brand's Track1 SKLT Carbon Edition; the Flytrack Barista Edition tend to like interesting and expensive sometimes of just 15 examples, and cost have delivered around 200 watches – of the car business. in the pipeline.

Mechanical desk clocks wind their way back to popularity

Homewares Buyers seek standout design and a good back-story, writes *Ming Liu*



If mechanical watches seem anachronistic in our digital age, the time-honoured desk clock is perhaps even more so — but, paradoxically, a luxury item that is ever more popular.

At this year's Watches and Wonders trade fair in Geneva, the storied watchmaker Jaeger-LeCoultre unveiled two new models of its Atmos clock: the company's famed timepiece that dates back to 1928 and which seems to run on air.

Fluctuations in temperature and a special gas-filled capsule ultimately wind the clock, with a change of just one-degree Celsius enough to power the clock for 48 hours.

In past years, Jaeger-LeCoultre has sparked interest in Atmos via cross-disciplinary collaborations with Hermès and the designer Marc Newson. But, this year, the maison looked within, creating two new pieces in-house.

The first was the celestial-themed Atmos Hybris Mechanica Calibre 590 (€500,000) — the brand's most complex Atmos to date. Inspired by 18th-century tellurium mobiles and clocks that were used to map time via the skies, the clock has a tellurium function alongside the hour, minute, seasons and zodiac calendar. The clock is limited to 10 pieces, several of which were sold during the trade fair. The second Jaeger-LeCoultre clock announced at the show, the Atmos Infinite (€14,000), is more minimalistic in style and functionality, and comes housed in a chic and understated circular glass case.

Catherine Rénier, Jaeger-LeCoultre's chief executive, hinted at more Atmos clocks to come, adding to a collection that aims to showcase mechanical "complexity and creativity". She says the clocks and their ability to run sustainably on just a change in temperature resonate with younger buyers, who increasingly seek meaningful objects in a digitalised world.

"There is a return to essentials," says Rénier. "I think the idea fits what we're all looking for: something that makes sense — and something deeply rooted in the timelessness of objects."

Patek Philippe has long created desk clocks, with interest waxing and waning throughout its 183-year history. But, now, they seem especially popular. Dome table clocks feature in its Rare Handcrafts collection, which each year sees some 40 one-of-a-kind wristwatches, pocket watches and table clocks produced, the latter a kind of canvas for highlighting *métier d'art* such as cloisonné enamelling and engraving. The dome clocks are highly coveted and only available to long-term clients, but they're not the only Patek Philippe desk clock high in demand. Last year, for the biennial Only Watch charity auction, the watchmaker created a special, grand complication desk clock (right) that nodded to a historic 1923 clock from its archives. The piece sold for SFr9.5m ($9.96mn) — far exceeding its estimate of SFr400,000-SFr500,000 — and accounted for more than 30 per cent of the auction's total proceeds.

The 53-lot Only Watch sale featured three desk clocks in all, including the one-off Ulysse Nardin UFO, which sold for nearly five times its high estimate at SFr380,000. The UFO collection was created in April last year to commemorate the maison's 175th birthday, and the 264mm-tall, three-time zone desk clock can playfully oscillate on its axis up to 60 degrees — recalling the maison's lineage in 19th-century ship's watches and marine chronometers. Limited to 75 pieces, the clock quickly sold out, with Patrick Pruniaux, chief executive of Ulysse Nardin, adding that the UFO's "extremely desirable" contemporary design, "very easy to understand" specs — such as a one-year power reserve — and strong back-story all combined to make the clock a success.

Younger buyers increasingly look for meaningful objects in a digitalised world

Clockwise from above: L'Epée manufactured MB&F Sherman robot clock; Monsieur de Chanel chronosphere; Jaeger-LeCoultre Atmos Infinite; and Patek Philippe's Ref. 27000M-001

"I think consumers want to express themselves differently now," he says, adding that buyers of desk clocks also seek functional items that can be used daily. "It's one of the nicer objects that you can have either at home or work."

Indeed, contemporary, avant-garde design is seen as the driving force — and future — of desk clocks. This is most embodied by the pioneering, independent watchmaker MB&F, which has been partnering with the storied Swiss clockmaker L'Epée 1839 since 2014. The pair's first collaboration, the sci-fi inspired Starfleet Machine (SFr28,000; limited to 175 pieces) was created by MB&F and manufactured by L'Epée. It kicked off a partnership of some two clocks per year, with motifs ranging from robots and rockets to jellyfish and spiders.

Charris Yadigaroglou, MB&F's chief communications officer, recalls how the first designs took off and made clocks cool again.

"They really opened up this whole new aesthetic," he says. "Most of the clocks are not bringing anything massively new in terms of technology or technique. It's the good old clocks movements we know . . . But they're more emotional in terms of what they represent — plus [they] are just cool objects. These were definitely conversation pieces, whereas the old fashioned clocks from before were maybe not so interesting." To date, MB&F and L'Epée have created 15 clocks, all limited in number and priced between SFr10,000 and more than SFr40,000, with the sweet spot between SFr15,000 to SFr30,000, says Yadigaroglou.

The partnership has transformed L'Epée's core business, which has gone on to produce contemporary desk clocks for other watchmakers including Chanel and Bucherer. It was also behind the Ulysse Nardin UFO. Arnaud Nicolas, L'Epée's chief executive and creative director, says that, since 2014, when it teamed up with MB&F and started a new line of contemporary clock design, revenues have increased between two to five fold annually. Today, the new line of clocks accounts for up to 97 per cent of its business.

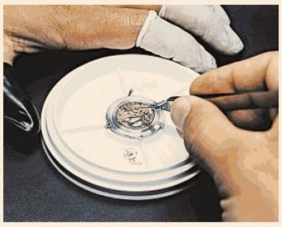
There is even interest beyond horology and into the art world where, says Nicolas, the name L'Epée is unknown by 99 per cent of people. He sees a strong market for these new-age desk clocks, where a kind of storytelling has replaced traditional time telling.

"What we are selling today is a kind of experience — it's not a clock anymore," says Nicolas, "It's a piece of art that speaks to the heart, to the soul. A clock today should evoke, inspire or even shock people."

Watches & Jewellery

Revamping the online pre-owned watch market

Sales Subdial, a digital marketplace, claims to make transactions more transparent. By *Robin Swithinbank*



Ross Crane and Christy Davis, co-founders of Subdial; each watch is examined by a watchmaker at the company's base in east London
Perry Gibson

The booming secondary market in watches is often seen as a Wild West, where speculators push prices through the roof in search of big profits. But the founders of Subdial, a British online watch-trading platform, aim to make buying and selling pre-owned watches more community focused.

Subdial chief executive Ross Crane, who founded the business with Christy Davis in 2018, says many of his competitors are like "less reputable estate agents", who "promise the moon to get a transaction, but then can't fulfil it".

His company's approach is to buy, sell and trade watches via its website, "dropping" a collection of pieces every Thursday. Each watch is examined by a watchmaker at the company's base, in Hoxton, east London, and sold with a 12-month warranty. Any blemishes are included in the listing. Crane says Subdial sold 125 watches in July and had a projected annual revenue of £18mn, based on the last 60 days' sales.

All watches sold are sourced in the UK and, post-Brexit, 85 per cent of sales are domestic. Subdial's credentials were boosted last November when investors sank £4mn into it, adding to £400,000 from a previous funding round. Among its backers are John Ayton, founder of Links of London and Annoushka, as well as a former chair of Bremont Watch Company, and Nick Evans, managing partner of Active Partners and former chief executive of Watches of Switzerland and Mappin & Webb. Both are now Subdial directors. Bookmaker Paddy

fees and low service levels on peer-to-peer platforms, or high fees and service levels via boutiques and dealers. They aim to sit in between: offering better service without scalping a sale, encouraging enthusiasts to trade more often.

As well as committing to open, regular dialogue during transactions, Crane and Davis say their prices are set "scientifically" through daily collecting of secondary market data from dealers and platforms around the world, particularly in the UK, EU, US and Japanese markets.

But the service still comes with a significant price tag. If it is selling a watch on consignment, fees range from 10 to 15 per cent, including VAT, falling as the value of the watch rises. The percentage

Payments on watches they buy outright, say the founders, are paid into sellers' accounts the next day, or after 14 days for consigned watches, the point at which the buyer's return window closes. "People were shocked when money landed in their account," says Davis, who adds he once waited three months for a watch to be posted on a secondary site.

Subdial arrives in a fast-growing market. A report produced by McKinsey and *The Business of Fashion* last year predicted sales of pre-owned watches will grow 8-10 per cent annually from 2019 to 2025, with values soaring from $18bn in 2019 to as much as $32bn in 2025 — a figure expected to be more than half the value of new-watch sales that year.

first-hand market," says Björn Timelin, senior partner at McKinsey and one of the 2021 report's authors. "Thirty per cent of sales were digital in 2019. That's expected to reach 45 per cent by 2025."

But he strikes a note of caution. "Looking ahead, there are some signs that the market will be more difficult because of the challenging macroeconomic outlook," he says, citing high inflation and Bank of England forecasts that point to a recession.

Subdial also remains a fledgling player in a competitive market dominated by the Richemont-owned Watchfinder, WatchBox of the US, and Chrono24, which, according to its chief executive, Tim Stracke, has annual revenues of "significantly north of €2bn" — dwarfing Subdial's takings.

Jon Cox, head of Swiss equities at the financial services company Kepler Cheuvreux, argues the window is closing to newcomers. "There are competitors out there offering a similar service [to Subdial]," he says. "The market is expanding rapidly so there is room for all-comers but, eventually, [it] will consolidate around the larger players."

Crane and Davis met at accounting firm EY in the mid-2010s. Crane had a degree in industrial economics from Nottingham University; Davis in psychology and philosophy from Oxford. "Christy was that guy at EY who everyone wanted to hate," says Crane. "He came in as a graduate, managing managers, who said, 'This guy's really annoying, but he's really good.'"

Before Subdial, they tried an online grocery business, Dynr. It flopped, but the experience was invaluable. Neither Crane nor Davis, who retain about 75 per cent of Subdial shares, had a background in watches beyond an "amateur" interest and a few bad experiences of selling watches online. The business grew slowly at first, run by the pair from a front room, with single-figure sales in each of the first six months. Now, it has

Power's former chief marketing officer Christian Woolfenden has also invested.

Crane and Davis say Subdial offers a trustworthy, managed community to enthusiasts who once bought and sold watches on WhatsApp or social media. Typically, they say, buyers, sellers and collectors had to choose between low

drops further when a member sells two watches via the platform, and again when they sell four or more, to a minimum of 8 per cent for a "grail level" watch costing £75,000 and up. Chrono24, the powerful German-based peer-to-peer online marketplace, charges a 6.5 per cent commission fee.

Secondary values have risen sharply in recent years, led by in-demand pieces by Swiss brands such as Rolex and Patek Philippe. Demand post-pandemic has surged, further inflating prices.

Analysts say Subdial's digital approach will help. "The pre-owned market is much more digital than the

'[Many competitors] promise the moon to get a transaction, but then can't fulfil it'

19 staff and has moved to new premises.

The company's investors say its focus on plain speaking and consumer experience will prove critical. In the words of Ayton: "Subdial offers transparency and honest pricing in a market that is growing so fast and yet, for many collectors, is confusing and opaque."

Lange marks car show with special 1985 piece

High-end German watchmaker A Lange & Söhne is showcasing a unique Hampton Court edition of its 1815 Flyback Chronograph *(right)* at the Concours of Elegance classic car show, which starts today at Hampton Court Palace, near London. A Lange & Söhne has been a partner of the concours since 2018, but this is the first time it has created a watch dedicated to the event. The piece will subsequently be auctioned at Phillips Geneva on November 6, with all proceeds going to the Prince's Trust.

Rose to the challenge

One of the rarest and most unusual Cartier watches of the past 50 years is expected to sell for up to €400,000 at the Sotheby's Paris auction house on September 27. Made from three colours of 18-carat gold moulded into the shape of a Bedouin head dress called a Cheich, the watch was awarded to Belgian motorcycle racer Gaston Rahier in 1985 for winning the gruelling Paris-Dakar rally two years running. Only two other Cheich watches have been made. Rahier died in 2005 and his family has kept his watch and its original box in pristine condition.

Taycan play that game

Tag Heuer has launched a special edition of its Connected smartwatch as part of its partnership with carmaker Porsche. The software inside the touchscreen watch enables it to pair with the management systems of Panamera, Cayenne and Macan hybrid Porsches as well as the all-electric Taycan. Once linked, the £2,300 watch will display total mileage, electric and petrol range and battery temperature.

The full skinny

Spinnaker, the affordable watch range belonging to UK-based Dartmouth brands, claims to have created the thinnest mechanical dive model on the market. Its Spence 300 measures less than 11mm in thickness but is guaranteed waterproof for more than 300 metres. Designed in the UK, the watch uses a Japanese Miyota automatic movement and is assembled in Hong Kong — hence a price tag of just £500. Five dial colours are available and each watch is supplied with both a metal bracelet and a leather strap.

Red alert

German brand Nomos is doing its bit to help in the world's disaster zones with the introduction of a special version of its best-selling Tangente model, called the Red Twelve. Prompted by a spate of heatwaves, droughts, crop failures, the Covid-19 pandemic and the Ukraine war, the Red Twelve will raise money for Médecins Sans Frontières with €100 from the sale of each €1,620 watch going to the aid charity. MSF celebrates its 50th anniversary this year.

Now, time to buy

A pair of Omega watches worn by Daniel Craig in *No Time to Die* — his last appearance as James Bond — are among 60 lots of 007 memorabilia being auctioned for charity by Christie's and Eon Productions this month to mark 60 years of Bond films. A titanium Seamaster Diver 300m and a Seamaster Aqua Terra 150m are up for grabs. Also on offer will be a set of two Seamasters made in 2019 to mark 50 years since the release of *On Her Majesty's Secret Service* starring George Lazenby. The invitation-only event is taking place in London on September 28 with a further, online-only sale running from September 15 until James Bond Day on October 5.

Tale of two cities

The organisers of Dubai Watch Week are staging a Horology Forum in New York that will include educational panels and immersive experiences. The weekend event, happening on September 24 and 25, will be the eighth forum since 2015 and among topics on the agenda will be the current status of American watch making and the effects of NFTs in luxury products.

Quietly successful

Roventa-Henex, a discreet Bienne-based business that designs, develops and makes watches for many Swiss brands, has announced a majority share buyout by its management board. Chief executive Jérôme Biard and chair Philippe Merk have each acquired a 30 per cent stake from Munich-based investment company Findos, which retains 40 per cent. Biard moved to Roventa-Henex in 2019 after leaving his role as chief executive of Corum, while Merk — formerly chief executive of Maurice Lacroix and then Audemars Piguet — joined the board in 2015. The company was founded in 1959 by Norbert Schenkel and produced Tag Heuer's entire output during the 1980s, as well as watches for fashion brands such as Fendi and Gucci. Biard says it now concentrates on low volume production for both big name brands (most of which demand anonymity) and smaller independents, such as the UK-based Farer.

Defender of the watch

Dorset-based adventure watchmaker Elliot Brown has collaborated with Land Rover to produce a special edition that celebrates a run of 25 Works V8 Trophy II cars based on restored and upgraded examples of the classic Defender. Each of the 1,000 watches has a dial treated with three colours of luminous material that glows white, ice blue and pale green in the dark — replicating the camouflage pattern of the Trophy II's paintwork. The dial also hides silhouettes of different Defender models, while the matt-finish, stainless steel case is decorated with a further camo effect. Each £595 watch is supplied with an ultraviolet torch to charge the luminous material in order to reveal the camouflage dial.

The three Georges

A trio of wrist watches by the celebrated English maker George Daniels are expected to fetch more than SFr2mn between them when they come under the hammer at Phillips Geneva on November 5. The pick of the three is the unique, yellow gold spring case tourbillon completed in 1992 and never before seen at auction. Entirely handmade by Daniels, who died in 2011, it was one of only two wristwatches he created for his own use. In June, Phillips sold a Daniels Anniversary for £1.9mn, the most ever paid for a wristwatch by a British maker.

Simon de Burton

The 'hidden' business of restoration

Swiss watchmakers use techniques new and old to bring heirlooms back to life, writes *Simon de Burton*

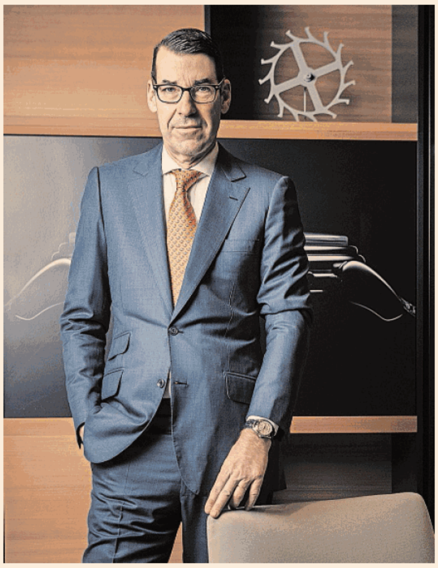
'We are totally committed to servicing and repairing any timepiece we have ever made," promises Christian Selmoni, the style and heritage director at Vacheron Constantin.

Such an attitude is increasingly rare in today's throwaway society — and the fact that the Swiss brand really will fix any watch that has left its Geneva works seems all the more remarkable given that the business was founded in 1755.

As the oldest watch manufacturer to have remained in continuous production, Vacheron Constantin has always welcomed requests from clients to keep their beloved heirlooms running smoothly for another few decades.

But the explosion of interest in vintage watches that has occurred in recent years has sent the brand's restoration department into overdrive — and prompted many other watchmakers to beef up their aftersales service, even for models a century old or more.

Rolex, which once had a reputation for prioritising the sale of new watches over maintaining many of its historic



Clockwise from main: Christian Selmoni; Patek Philippe's historical archives; a restoration in progress; the Don Pancho watch

facture for restoration each year. "We recently received a Reference G381 chronograph from February 1969, meaning it was one of the very first made. It was sent in for restoration but needed absolutely nothing other than a basic service as it had been locked in a safe and never worn. It had been in the owner's family from new and, in the end, we bought it from him and offered it through Zenith Icons. It sold for SFr50,000."

According to Nicholas Biebuyck, heritage director at Tag Heuer, preserving such originality is critical for a restoration department — particularly in the case of the highly collectable Heuer models made between 1958 and 1979.

"There has been a big philosophical shift in the watch world," he says. "Whereas it was once thought a good idea to return an old watch in brand new condition without asking the client if that was what they wanted, it is now thought much better to preserve as much as possible — so, although we can renew everything, we tend to advise against it, especially with rarer models."

Biebuyck says the restoration department has returned to full working order watches dating back to 1916, as well as several Autavia dashboard timers from the 1930s. It often calls on the ultra high-tech Tag Heuer Institute for its scanning

'Courtesy' watches create fresh collectors' market

Continued from page 1

Wempe will replace the battery and black leather strap of its service watch on request, but not all were designed to last. In the early 1980s, according to Bulgari's product creation executive director Fabrizio Buonamassa Stigliani, the Italian house issued customers with a black plastic quartz piece with "service watch" on the dial. The case back could not be opened for repairs.

However, the popular design inspired a model that could be bought (and repaired): the City limited edition, released in 1993. This black plastic models, now operates a restoration atelier at its Geneva headquarters. Here, handpicked master watchmakers use a combination of traditional and modern techniques to ensure vintage pieces run like new but retain the patina of age.

It s a similar situation at other blue-chip makers, such as Audemars Piguet and Patek Philippe — the latter of which requires any watch of more than 35 years old to be returned to its Geneva manufacture in order to "preserve original condition from the technical and aesthetic perspective". That means using original parts and "legacy techniques that date back to the epoch when the watch was crafted" — it is a process that can take up to two years.

Selmoni says Vacheron's restoration workshop is one of the company's hidden gems, in which the same tools — including treadle-driven lathes and other fully-analogue machines — are used to ensure that components can be remade to the exact specification of the originals.

Last year, to mark a century since the launch of its American 1921 driver's watch, the workshop used 100-year-old drawings, tools, techniques and components to produce a faithful recreation of one of the original 24 examples.

"The American 1921 from that actual year is an incredibly rare watch and we have very few in our collection," says Selmoni. "Recreating it in exactly the same way that it was made all those years ago enabled us to showcase just what the restoration workshop is capable of."

Indeed, such are its capabilities that when a unique, tonneau-cased, minute-repeating, retrograde calendar watch was consigned to Phillips in 2019, the auction house sent it to Vacheron for restoration before offering it for sale.

Previously believed lost, it was a special order for a wealthy Spaniard known as Don Pancho (a nickname subsequently applied to the watch) who paid SFr3,750 (£3,300) for it in 1940. After arriving at the restoration workshop in a neglected state, having spent years locked in a humid vault, the watch left looking just as it would have done when new, but with its originality intact. It was sold for SFr740,000.

The LVMH-owned brand Zenith has a similar commitment to preserving the past, despite a blip during the early 1970s when its then owner — Chicago's Zenith Radio Company — attempted to dump much of the manufacture machinery and spare parts in favour of a shift to quartz movements.

Fortunately, the vast majority of inventory, along with the vital tooling required to make Zenith's famed El Primero automatic chronograph movement, was hidden away for future use by rebel engineer Charles Vermot.

To visit the archive at its Le Locle manufacture today is to step back in time. Shelves groan not only with spare parts for watches dating back to Zenith's founding in 1865, but also with original straps, bracelets, buckles, old stock movements and even complete, unsold watches. "We do an annual audit and, while I don't know the specific number, I can confidently say that there are several million historic components available, which enable us to service, repair or restore virtually any watch we have ever made," says Romain Marietta, Zenith's product development and heritage director.

He says there has been a "huge boom" in the number of older watches being sent back to Zenith for repair and restoration, both due to increased awareness of the brand and because of the success of its Icons offering — a range of fully restored and guaranteed vintage models that can be bought through the firm's global boutiques.

Since the initiative was launched in 2019, 22 Icon watches have been sold and, says Marietta, the plan is to roll out further restored models from the late 1970s and '80s before gradually moving to others made in the '90s.

Unlike some high-end makers, Zenith also happily accepts vintage watches from its shortlived quartz era for restoration, as well as its traditionally more valuable and sought-after mechanical models. "Zenith made some extremely cool quartz watches during the 1970s, such as the Time Command world time model," says Marietta.

Marietta estimates that up to 3,000 vintage watches arrive back at the manufacture and 3D manufacturing facilities, which enable perfect replicas of otherwise unobtainable parts to be made.

"One very important aspect is that any remade component is always stamped 'TH' so there is absolutely no confusion about originality if the watch is subsequently offered for sale," he says.

The genuineness of some watches, however, is never in question — such as in the case of the ultra-rare, 18-carat gold Heuer Carrera that arrived at the heritage department last year for a service and refresh.

"It turned out to be the watch Jack Heuer presented to five-times Le Mans winner Derek Bell when he was driving in F1 for Ferrari — and, of course, Derek still owns it and clearly loves it.

"We have a particular affection for him at Tag Heuer, not least because he was the man who taught Steve McQueen to drive the Porsche 917 in the film *Le Mans*, which made the Monaco watch so famous. That alone makes Derek a part of the brand's history — so there was no way we were going to charge him to service his watch."

mechanical watch had Bulgari-Bulgari on the bezel and gold details such as hands, crown, indexes and screws.

Alexandre Ghotbi, head of watches at Phillips for continental Europe and the Middle East, suggests service watches are largely a "thing of the past". He says they tend to be "cheaper" plastic quartz pieces that, while "fun", are not collectible.

One exception is a steel mechanical piece issued by A Lange & Söhne. "They were watches that were never produced but still high-end and a lot of people considered that, actually, the service watch would be worth more than their personal watch and they never brought it back," says Ghotbi.

Sotheby's was due to offer a steel 1815 model with "Property of Lange Uhren GmbH" engraved on the case back in November 2019. But it withdrew the watch, which it dated c2002, ahead of the sale with the agreement of the consignor. Sotheby's and A Lange & Söhne declined to comment.

Service watches rarely appear at auction, though the Parisian auction house Pestel-Debord has, in the past decade,

Christie's sold a stainless steel Patek Philippe service watch with two-piece curved hooded lugs, dated c1953, for $47,500 last year

sold a handful made by the French mass-market brand Lip between 1964 and 1966. These pieces, which have an electromechanical movement and a large second hand shaped like a lightning bolt, feature the phrase *"Après vente votre horloger vous prête l'heure"* (After sale your watchmaker lends you the time) on the dial.

Pierre-Alain Berard, general manager of Lip, who thinks the company started making service watches in the 1950s and stopped in the 1980s, says it began printing on the dial because customers did not return the original loan watches as they were "better looking than the one which was in [for] repair". It seems to have worked: he says the watches are now collectible due to their rarity as people did not keep them because of the large writing.

The brand has released new watches featuring the same phrase in the Asian market in the past five years. "The Japanese find [it] quite fun and interesting to have this big French writing on the dial," says Berard.

Last year, Christie's sold a stainless steel Patek Philippe service watch, dated c1953, for $47,500. The lot essay suggested three other examples had been identified from the market but a Patek Philippe spokesperson says it was "an exceptional case".

Omega's Loyalty Watch programme provides "long-established" customers with a Speedmaster, Seamaster Diver 300m or Ladymatic while their own Omega is being serviced through one of 50 boutiques. Omega has not experienced any losses since the scheme's launch in 2015, nor does it expect to do so. Clients can buy the same model as the borrowed watch.

These days, it is unusual for a company to lend a customer a specially-made service watch. Hublot chief executive Guadalupe says the brand is reviewing whether to reactivate its service globally. "Currently, it is only exceptional because we are checking if we want to produce new Atelier watches to offer to our clients," he says. If Hublot decides not to restock, the practice of lending a customer a specially made service watch will become even rarer.

Jean Arnault: Louis Vuitton can be a horology academy

Reinvention The luxury brand will host a contest for start-ups to celebrate 20 years of watchmaking, writes *Nicholas Foulkes*

It has been 20 years since Louis Vuitton entered the watch market and Jean Arnault, its marketing and development director, uses an anthropomorphic analogy to describe a brand that he says is on the threshold of maturity. "Twenty years of watchmaking is obviously not a long time," he admits. "But, if you compare it to a human being, when you're 20, you've a lot of tough choices to make: either you're going into advanced academics, or you decide to start working straight away and begin your career path."

As the youngest son of Bernard Arnault — billionaire owner of luxury parent group LVMH — Jean may be only three years older than the watch brand he is working for, but he is already considering what the next 20 years might bring for Vuitton's watches.

The brand's signature watch design has been the Tambour — a bulbous, drum-like case shape which has been central to Vuitton's development, and the anniversary is being marked with the Tambour Twenty *(pictured above)*. It is a 200-piece limited edition chronograph, equipped with a modified El Primero calibre from Zenith, also part of the LVMH watch stable. The new model has been entered into this year's Grand Prix d'Horlogerie de Genève (GPHG) — the Oscars of the watch world.

However, this month sees another anniversary chez Vuitton, which has already brought awards. Arnault is marking his first year at the helm of the brand's watch division, having notched up two wins at the GPHG in that time — one for best diving watch and the audacity prize for its half-million-euro Carpe Diem timepiece *(pictured below, far right)*.

"Some people say that the GPHG award is not worth much commercially, but it made a huge impact, both commercially and in terms of reputation," he observes. "We're surprised by the number of traditional collectors we recruited through that piece. Initially, markets told us we would be able to sell three, now we have orders for 30."

Vuitton's watches can be found only in the brand's 200 own boutiques, with online sales accounting for "low two figures in terms of percentage".

LVMH, overall, reported higher-than-expected revenue of €18.4bn for the second quarter of this year — but the world's biggest luxury group does not disclose figures for its individual luxury brands — let alone product sectors within brands. Arnault gives an indication, though. He likens his high watchmaking business to that of fellow Swiss independent brands such as FP Journe and De Bethune. And he describes the core business in mechanical timepieces, up to around €12,000 per watch, as being similar to the size of LVMH stablemate Zenith. Very roughly, this equates to around 25,000 pieces per annum.

However, unlike the independent brands or indeed Zenith, Vuitton has invested "significant resources" in the development of its own connected smartwatch, the Tambour Horizon, which he says is half of the business.

The beauty of Vuitton, he adds, is that it can focus on the high craftsmanship of both the mechanical and electronic aspects of making smartwatches.

There is a tendency to underestimate the amount of work that goes into an electronic watch, Arnault explains, but he wants to double down on investment and expand the brand's resources.

At the end of last year, Vuitton purchased Micro Edge, a small watchmaking supplier that specialises in hand finishing and high watchmaking components: tourbillon cages, levers and gears, minute repeater gongs and the like.

Vuitton plans to have almost every component designed, manufactured and assembled at La Fabrique du Temps, the brand's eight-year-old watch factory in Geneva, to which the new workforce will relocate. The factory employs about 100 people, with another 20 joining from Micro Edge. "Our goal in the next six months is to have everybody under one roof."

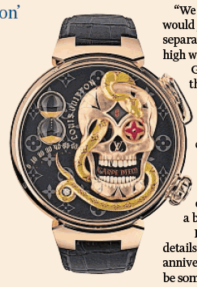
Arnault has even bigger plans for the factory: "I want to turn it into an academy for high watchmaking." As part of the 20th anniversary celebrations, a competition will be announced, inviting young independent watchmakers to present their creations to the public and a panel of experts, with Vuitton offering support to the winner.

Arnault also plans to revive the Daniel Roth brand, part of LVMH-owned jeweller Bulgari.

In the 1970s, as one of the pioneer independents, Roth played a crucial role in the relaunch of Breguet — a favourite of French royalty. He subsequently launched his eponymous brand in 1990, which was acquired by Bulgari in 2000 but has remained dormant for many years.

Jean Arnault plans to revive the Daniel Roth brand under LVMH — Alex Cretey Systermans

'The GPHG award made a huge impact, both commercially and in terms of reputation'



"We decided with Bulgari that we would jointly build the company as a separate entity of LVMH, respecting its high watchmaking roots," says Arnault.

Given his obvious enthusiasm for the culture and history of the craft, high watchmaking looks set to become more important — in terms of both complications and finishing.

Arnault can also be expected to address current limitations in the range, such as the absence of an elegant integrated case and a bracelet sports watch.

But he is not yet ready to reveal details: "Today we're focused on the anniversary, but next year is going to be something interesting."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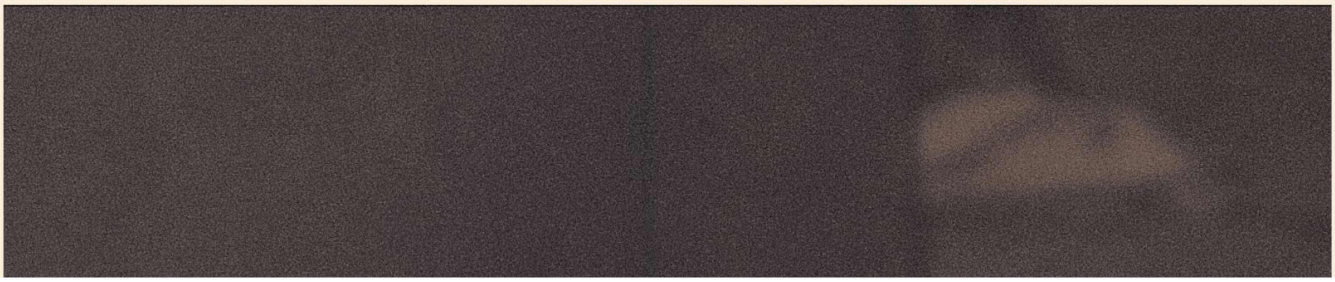


Watches & Jewellery

My Favourite Pieces Charu Gandhi The interior designer's collection is deeply rooted in stories of family, friendship and love, writes *Kate Youde*

My Favourite Pieces Charu Gandhi The interior designer's collection is deeply rooted in stories of family, friendship and love, writes Kate Youde

Treasured designs tell tales of Indian heritage

Growing up in India, interior designer Charu Gandhi learnt to appreciate jewellery as something meaningful through family stories. Her grandparents left what is now Pakistan during partition in 1947 with only a couple of trunks of belongings. "I come from a family that had a lot of land, these beautiful homes . . . but all that's really left of that legacy is the jewellery," says Gandhi, founder of the London design studio Elicyon.

Most of her collection is inherited traditional Indian pieces but she has also bought contemporary jewellery during visits to the annual Goldsmiths' Fair in London, with her silversmith mother, Manju.

Gandhi was part of the judging panel that selected the 136 jewellers and silversmiths exhibiting at this year's fair, which runs from September 27-October 9, and says the experience taught her much about provenance that will inform her future collecting.

"There were some pieces that maybe, at surface, I wouldn't have apportioned much value to but other jurors talked about the specifics of the making," she says. "Whereas there were pieces that were very striking, but the panel talked about . . . how there was a technique that had been used that actually wasn't that much associated with handicraft."

Barbara Christie brooch (c2008)
This silver brooch with gold etching was one of her early Goldsmiths' Fair purchases with her mother. Christie taught Gandhi's mother jewellery design at Central Saint Martins, an art school in London.

"[The brooch] was the beginning of a shift for me — from buying jewellery that was always gem based, quite elaborate and high value, to buying something very architectural, quite simple, but made by someone we would call a master silversmith and appreciating it for its making, simplicity and purity of form," says Gandhi.

Brooches were not something she wore growing up in Asia — she lived in Delhi and went to boarding school in Singapore — so she regards them as a symbol of the "anglicised side" of her life.

Manju Gandhi kinetic piece (2003-04)
Gandhi moved to the UK to study at the Architectural Association School of Architecture in London, in 1997. This silver brooch with tourmalines, made by her mother, reminds Gandhi of the drawings she did when writing a software programme — inspired by nature and the multiplication of cells — as part of her course.

Gandhi wore the piece, which has moving parts and can be worn on a string on the neck, at her graduation in 2004.

Photo: Anna Gordon

Her mother, who began studying jewellery design when Gandhi was a child, does not sell her work.

"I've enjoyed watching her progression, knowing the effort and care that she puts into making these pieces and how much they mean to her," she says. "Beyond me and my brother, they are her babies."

Grima earrings (2018)
Gandhi describes her own and her mother's jewellery as a "shared pot". She found it "very empowering" to be able to buy these yellow gold and diamond earrings at the Masterpiece London art fair.

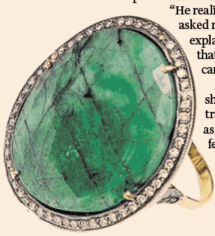
Jewellery made by Grima, the brand founded by the modernist designer Andrew Grima, had long held an "unattainable quality" for Gandhi. "It was something you saw, you looked at but you were never going to own," she says.

However, after her company had a very good year, she could afford to buy the earrings, to wear to her brother's wedding in Sri Lanka, in 2019.

Turkish Victorian necklace (19th century)
For her own wedding in 2016, Gandhi wore this gold, diamond and emerald necklace gifted by her friend, the potter Diana Peyton.

She had helped Gandhi get her first job and taught her about British and London life. "There is family and then there are people who come into your life who make you their family," says Gandhi.

She says Peyton had been given the necklace by her American husband, in Beirut, when she flew to meet him on a whim before they were married.



Vintage emerald ring (date unknown)
The proposal that led to Gandhi's marriage followed a first attempt that went slightly wrong, on a holiday in Megève, in 2015.

Gandhi told her boyfriend, Jarek, that one of her colleagues had been proposed to with a temporary engagement ring, so that the actual ring could be a design of her colleague's own choosing.

When, later that same day, Gandhi spotted a vintage emerald ring in a shop, her boyfriend asked if she would like it as a temporary engagement ring.

But he then said he wanted to buy it as a birthday present instead.

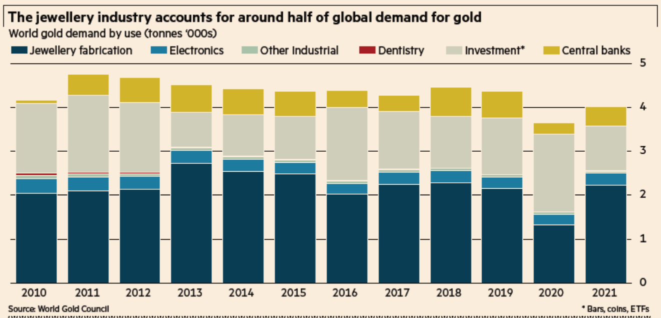
"He realised that I had said I would really love if he asked my dad before he proposed," Gandhi explains. "He basically panicked and realised that he hadn't done that, and so that's why it came across like he'd changed his mind!"

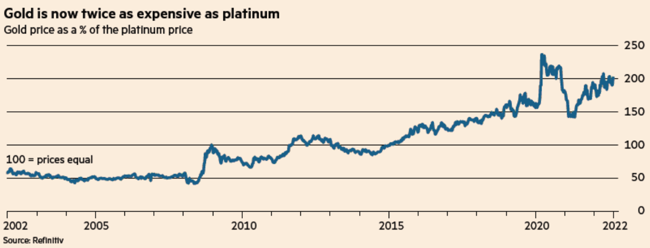
At the time, Gandhi was so annoyed that she bought the ring herself and her boyfriend transferred her the money. A week later, he asked her father's permission and proposed a few weeks after that — with another temporary ring.

Gandhi loves sharing this tale. And, in so doing, she is continuing the storytelling around jewellery with which she grew up.

Gold loses its shine for jewellers as war in Ukraine triggers price rises

Bullion Fluctuations are driving cost-saving design trends, reports *Rachael Taylor*





When Russian tanks rolled into Ukraine on February 24, there was a near instant impact on the price of gold, which rose from $1,912 an ounce to hit a peak of $2,057 on March 8. Not all jewellers were prepared.

"I was kind of feeling invincible after surviving and almost thriving during Covid . . . the rise of gold caught me with my pants pulled down," says Arabel Lebrusan, owner of jewellery brand Lebrusan Studio.

The business operates largely on a made-to-order basis to make it more sustainable. "This has always been great for my cash flows — until May this year," she explains. "This year, the orders [for wedding rings, a core product] didn't start coming until May . . . I believe everyone's worries and thoughts were with the people in Ukraine and the overwhelming insecurity that this brought to everyone's life. But, in May, we were overloaded with last-minute orders."

By then, the price of gold had dropped to $1,890. It did not help Lebrusan, though. She increased the prices of the jewels in her online store in June, but "it was too late". "I'm still feeling sorry for myself and months on, I'm still trying to play catch-up," she says.

Even businesses prepared for such fluctuations have been hit. Pandora, which claims to be the world's largest jewellery brand by volume, hedges at least 70 per cent of its precious metal prices, based on a 12-month production plan — thereby providing a buffer to protect the business. For Q2 of this year, it hedged on a gold price of $1,818; the realised gold price it paid for the quarter was $1,832.

Although the price of gold has never returned to its March high, there have been unpredictable fluctuations since. On July 20, it hit a year-low of $1,704 but then breached $1,800 on August 12. Over the past five years, the price of gold has increased by more than 38 per cent and it is up more than 470 per cent over the past 20 years.

When spikes do occur, the question for many jewellers is whether to pass the cost on to consumers.

"We absorb the changes in gold prices till it becomes too painful," says Eddie LeVian, chief executive of the fine jewellery brand Le Vian. "We have a policy of only changing the price of jewellery when the price of gold moves up or down in $100 increments and stays there for at least a week."

Jewellery designer Judith Peterhoff has adopted "a hybrid model". She explains: "For ready-to-wear pieces [sold on my] website, I've been absorbing some of the cost. When I work on a bespoke piece, I do pass the costs on to my customers, sticking to the quote I get from my suppliers." To keep costs down for bespoke clients, Peterhoff has been offering designs in less expensive 14-carat gold and 9-carat gold rather than the purer 18-carat gold that is standard for luxury jewellery, but which fewer of her customers are now choosing.

Other jewellers are pushing platinum over gold which, at one point, was 20 per cent more expensive, according to LeVian, but is now tracking at roughly half the price.

Meanwhile, at online jewellery retailer Finematter, sales of silver jewellery have increased 44 per cent in the past quarter.

Peterhoff has been taking advantage of computer-aided design (CAD) technology that allows her to achieve more accurate pricing estimates, and shave off weight more easily. "With the click of a button, I can add or subtract details in a ring, for example, that could make a weight difference of a gramme," the designer says.

Fluctuations in precious metals prices often influence jewellery design trends. Charlie Betts, managing director at precious metal refiner and supplier, The Betts Group, has already noted an increase in the sale of narrow and lightweight wedding rings.

Other brands are increasing the gemstone content of designs while lessening metal, as gems have a higher perceived value than plain gold. Greg Kwiat, chief executive of diamond brand Kwiat, says: "Our new collections in 2022 included lighter, airier designs. And, where we did use a heavier metal look, we combined that with a more diamond-intensive piece, so that the gold price differential was not as meaningful a percentage of the overall price."

He notes that sales of heavy gold collections, such as the brand's Orbit and Cobblestone lines, have "slowed down" due to the price of gold. In response, Kwiat has shifted its marketing focus to its engagement rings "where the diamond value far outweighs the gold value".

Brands in the mid market are also being affected. At Missoma — which has an annual turnover of £33mn from selling fashion-forward brass and silver jewellery plated with gold — the high gold prices are similarly leading to a move away from heavier designs.

The brand has a minimum gold plating standard of 2 microns and chief executive Marisa Hordern says it will not compromise on this, preferring instead to produce more delicate designs requiring less plating — a strategy she employed in 2008 when gold prices spiked and broke the $1,000 barrier for the first time.

Hordern fears, however, that other demi-fine brands could be tempted to

> 'With the click of a button I can add or subtract details in a ring that could make the difference of a gramme'

swap to cheaper flash plating, in which a layer of less than 0.25 microns is applied. "It will have an impact on the environment because they won't last as long, they will be thrown away," she warns. "Flash plating is more fast fashion."

Eliza Walter, founder of jewellery brand Lylie, has found a workaround to high gold prices that is beneficial to her business, her customers and the environment. The jeweller sources the majority of her precious metal from dental and electronic waste and, four years ago, started a gold exchange that allows her customers to trade in their unwanted jewellery for credit to spend with her. This provides the rest of her gold supply and trade-in transactions now account for about 30 per cent of her business.

Walter offers her customers 7.5 per cent above the London bullion price as an incentive to send in their jewels. "If they took it to a scrap dealer in Hatton Garden or any high street, they would get the minimum price," she says, noting that, even though she is offering above-market rates, this is still a financially better deal for her than buying from a refiner. "If we buy metal from customers using our gold exchange, it's about 30 per cent less than what commercial jewellers are buying their gold for."

These creative approaches could become more common if prices stay high. However, while this is a cause for concern in some quarters, most jewellers agree that — no matter how high the spike — navigating fluctuating gold prices is just part of the profession.

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Deconstructed Watch

See a pictorial deconstruction of the ultra-flat Richard Mille RM UP-01 Ferrari alongside other watches online

FT.com/Decon

Watches & Jewellery

Exacting standard sets good intentions in stone

ESG Small makers are leading adoption of wide-ranging, rigorous 'B Corp' certification, writes *Elisa Anniss*

B Lab UK's Good News pop-up shop (main); jewellery designer and goldsmith Shakti Ellenwood at work (below)

What, you may wonder, unites the Harrogate Spring bottled water company, The Guardian newspaper, and a handful of small-scale British jewellers, including Ellie Air and Shakti Ellenwood? All are B Corp certified — credited with having made a commitment to put social and environmental concerns on an equal footing with financial returns, and to go beyond unverifiable pledges.

At the last count, there were 42 certified B Corp jewellery companies internationally, 10 of which are in the UK.

Pyrrha, headquartered in Vancouver, Canada, where it employs 35 people, was certified in December 2014, making it a relatively early adopter. The company is best known for its handcrafted sterling silver and 14-carat gold talismans, which it sells via its Vancouver and LA flagship stores and stockists including Nordstrom and Liberty.

"As a company, we'd always tried to minimise our impact by casting in reclaimed metals, using alternatives to chemicals, and minimising waste, so we thought that qualifying [as a B Corp] would be a cakewalk," says co-founder Wade Papin. "We were wrong."

Pyrrha had to up its game and even created its own code of conduct, which it required suppliers to sign.

"We monitor our social and environmental footprint on an ongoing basis and are subject to random audits," he says. "Accountability is a big part of being a B Corp, and we need to requalify every two years."

Papin still finds himself having to explain what a B Corp is — which is further complicated in the US, where there can be confusion between the similar sounding Benefit Corporation, a legal business structure, and B Corp, which refers to third-party certification.

B Corp certification is designed to be applicable to all companies, from multinationals to sole traders. A free B Impact Assessment can be carried out via the organisation's website, by answering questions under five headings: governance, workers, community, the environment and customers.

Eighty points is the threshold for assessment approval and B Corp certification requires a company to be transparent about its performance, by publishing results on its website. Companies also pledge a legal commitment to all stakeholders — including the planet.

To become a B Corp, jeweller EC One implemented many changes, including how it sourced gold and treated employees — as well as changing its toilet paper to a type made from recycled bamboo.

"It would have been much easier to use a few choice words on our website — such as 'ethical', 'sourced responsibly', 'environmentally friendly' — and maybe shown some pictures of a beautiful landscape where our stones and metals might have been sourced," notes managing director, Jos Skeates. "We imagine if we had done that, most people would have felt we were responsible enough for them to consider buying our jewellery or using our services. But we would know we hadn't done enough."

EC One's work towards becoming a B Corp culminated in certification in January 2019 — and galvanised Skeates in a very personal way: "I realised I didn't know enough, so decided to undertake a masters in corporate social responsibility and sustainability, which I have nearly finished."

B Lab UK is a charity that was founded in 2015 to advance the B Corp movement in the UK. And it is a movement that is growing fast — second in size only to those in the US and Canada, where there are more than 1,900 B Corps. During March 2022, the charity welcomed 3,000 consumers to its Good News pop-up held in London's Rathbone Place, where goods from over 100 brands including Divine Chocolate and Sipsmith were displayed. However, there was not any jewellery.

"Here, the focus has mainly been on FMCG [fast moving consumer goods] products," says Victoria Waugh, co-founder of V&V Sustainability Consultancy. "It is a relatively new concept for the jewellery industry, where it's led by the small guys: independents and sole traders." Waugh's experience is in supply chain development, including bringing Fairtrade gold to market, making her well placed to weigh up one ethical mark against another.

"B Corp has an overarching framework that helps businesses to improve across all their operations," she says. "Most other certification schemes are linked to very specific things, whether it's materials or manufacturing, human rights, or climate change. So, if you're working with Fairtrade, for example, then you're going to earn more points as part of B Corp certification."

In 2019, Waugh trained to become a B Leader, one of the first in the UK to specialise in jewellery. This officially qualified her to guide companies through the rigorous application process. "For the smaller guys, it can be overwhelming because there's a lot of information about HR processes or the way that you run your office. Trying to answer questions that may appear inapplicable can be difficult, which is why people work with B Leaders," she says.

Past clients include Shakti Ellenwood, an artisanal jewellery designer and goldsmith known for wedding and engagement rings, amulets and animal-inspired pieces, who is shifting her business from Devon to London. Ellenwood first encountered Waugh in a Zoom meeting organised by Fair Luxury, a group dedicated to a responsible and sustainable future, to which she and Waugh belong. They met in a breakout room focused on B Corp certification.

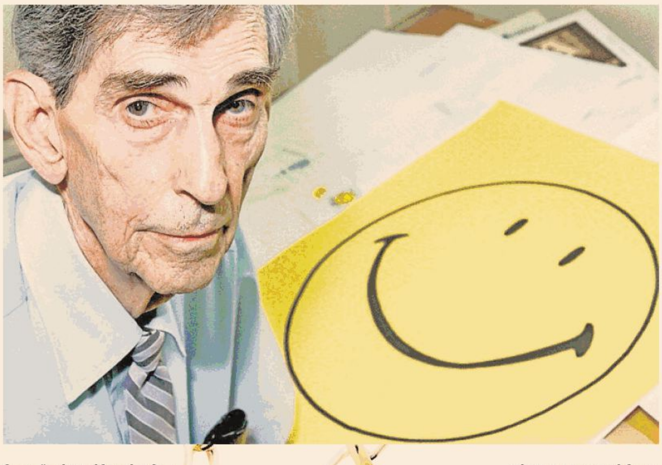
In January 2022, Ellenwood became the first sole-trader goldsmith in the UK to achieve certification with a high B impact score of 113.7. She attributes this, in part, to working only with Fairtrade gold and her commitment to giving two per cent of her sales to charities, such as 1% for the Planet, Survival International and Orangutan Foundation.

A month later, another of Waugh's clients — Cheshire-based Anuka Jewellery, specialising in capsule collections in recycled silver and 18-carat Fairmined gold vermeil plate — became B Corp certified with a score of 108.3. Transparency has always been one of founder Francesca Kippax's guiding principles and, to this end, she works with Provenance, another British B Corp business.

Waugh is currently working with Maya Selway, another independent London-based jeweller. But she says: "I'd like to see high-street jewellers and luxury brands also taking an interest."

Design As the symbol celebrates its half-century, jewellers are finding playful ways to interpret it — and attract new customers, says *Melanie Abrams*

Face value: designers cheer demand for smiley emoji pieces



The smiley face is a simple design: a circle with two oval eyes and a wide upturned mouth. And, this year, it has turned 50 — an anniversary marked by an Assouline book, *Smiley: 50 Years of Good News* by Liam Aldous, charting its evolution. It has put a smile on the face of jewellers, too — as reinterpreting this symbol of happiness, first used in a French newspaper to highlight good news, is proving a valuable driver of business.

"Everyone wants something that's joyful and positive," says Hollie Harding, a buying manager at multi-brand boutique Browns, which had a waiting list for a yellow enamel charm by Lauren Rubinski earlier this summer.

Coming out of Covid lockdowns, "people are feeling a lot more experimental, a lot more creative; they want that conver-

first two months. "Usually, in fine jewellery, things take a little bit of time for people to get to know as it is quite a considered purchase," says Ducas. Six months is her usual sales timescale.

Some jewellers even say they owe their business to smiley face designs. Alison Chemla, founder of New York-based Alison Lou, started her jewellery brand with seven types of smiley, from diamond eyes to wearing sunglasses — despite her parents who "thought I was crazy", she says. At the time, as a hardcore BlackBerry and BBM messaging service user, she foresaw emojis as "the new way of communicating" and chose this direction for her jewellery, she says.

Smiley faces are "what I became known for and allowed me to create other collections", says Chemla, who will celebrate 10 years in business in November. She adds that the smiley face "allowed me to get my name out there".

Creating smiley face pieces can be a way for jewellers to broaden their clientele. For example, Ducas's two necklaces were designed for a younger audience. One is a cheeky double-sided piece: it has a yellow sapphire face and black diamond eyes and mouth on one side; and an engraved gold smiley face on the other, poking its tongue out.

London-based jewellery designer Rosa de la Cruz says her floating 18-carat yellow gold and diamond smiley face pieces have won her clients who "are more cutting edge and cool" than her usual society mums. She cites Adwoa Aboah, model and founder of mental health non-profit organisation, Gurls Talk, as a smiley face ring buyer.

Now, de la Cruz's smile pieces make up 15 per cent of her business, "which is

faces, "a plain old smiley face was [already] out there" — so Chemla had to make sure "the way that I did them was com-

There is a potential downside to including smiley faces for jewellers, if they "go too, kind of, childish", says Natalia sation piece as well, as they are seeing more people", explains Harding. So, "something with a smiley face on it is definitely interesting compared to a plainer item — and it's just that talking point", she says.

London jewellery designer Roxanne First has seen sales of her 15 diamond and sapphire smiley face pieces increase by 25 per cent in the past six months and contribute 10 per cent to her 2021 revenue. First has used smiley face jewellery in her collections since her 2018 debut.

Annoushka Ducas, another London-based jewellery designer, says her first two smiley face necklaces, introduced this year, are selling quicker than expected — about 30 have sold in the

a lot for one category; we do have a lot of [other types of] pieces," she adds.

Chemla believes her smiley face pieces "opened the pathway to all of my retailers" — citing as an example MatchesFashion, which still stocks these designs. The pearl Don't Worry necklace features an enamelled smiley face bead with yellow gold accents and round diamond eyes.

But turning the smiley face into jewellery can be more creatively demanding than working with other icons. For Chemla, designing using a peace sign or a yin yang is "pretty straightforward" and more about what kind of materials she wants to use.

However, when it came to smiley

pletely different from anyone else". She introduced "rolling on the floor laughing" emoji faces and gems such as rubies or birthstones in the design.

First has extended the smiley face into the fabric of her business, using the symbol on her ecommerce website for customer logins as, she says "it is more interesting using a smiley face than it is a dot or square". Similarly, she has it on her packaging and the invoice sleeve inside, so customers "feel a bit better about spending money", she says.

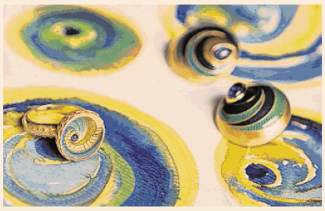
British illustrator Harvey Ball, above, created the original smiley face design; Necklaces by Rosa de la Cruz (left) and Annoushka Ducas (right) have been popular with clients
AP Photo/Paul Connors

Cassel, founder of marketing and communications company, Cassel Consultancy. This could be "lowering the [brand] value in some way", she says. "It's about clearly defining categories . . . [which] are presented in different ways for different occasions, like a diffusion line in fashion.". Cassel wears a £1,000 gold Tara Agace gold smiley face medallion as it "makes me feel more youthful and people always comment on it".

As to the smiley face's future in jewellery, she says: "With the advent of virtual reality and the metaverse, who knows what form it might take on?"

Collaboration Discovering Marc Mulders' art after an accident led Fleur Damman-van Gelder to echo his work in a new collection, writes *Kate Youde*

Inspiration and injury unite jeweller and artist's visions



Artist Marc Mulders (left) at his rural studio with jewellers Fleur Damman-van Gelder (centre) and Noelle Viguurs-van Gelder. Mulders' paintings inspired the Baoli contemporary collection
Barbara Kieboom

It was during her long recovery from a near-fatal accident that jewellery designer Fleur Damman-van Gelder encountered the work of Dutch artist Marc Mulders. Following intense hospital rehabilitation sessions, she would visit a mixed-media exhibition of his work at Noordbrabants museum in 's-Hertogenbosch to catch her breath before returning home to her young children. She found peace and quiet in the beautiful colours.

"It can still move me if I think about it," says Fleur, who suffered a traumatic brain injury in 2007 while handling a horse. "It created a place for me to find myself again."

Her husband arranged for Fleur — creative director of Van Gelder Jewellery, the Dutch business she owns with her sister, Noelle Viguurs-van Gelder — to meet Mulders. They became friends, connecting over a shared interest in Indian culture (Van Gelder specialises in Indian heritage jewellery).

Mulders' paintings inspired Fleur's designs for the company's Baoli contemporary collection; his colour palette is echoed in the seven earring and four ring designs, with new pieces being added in February. Van Gelder plans to display the jewellery alongside Mulders' work at the Frieze London art fair in autumn 2023.

This will come ahead of the jeweller's anticipated participation in the DIVA museum exhibition in Antwerp, Belgium: *India, from Diamond to DIVA*. Scheduled for spring 2024, it will explore the long relationship between India and Antwerp through the diamond trade.

The sisters hope that showing their jewels, new and old, at such high-profile events will increase the brand's reach which, in turn, could accelerate growth in their already expanding business.

Fleur and Noelle's mother, Bernadette, founded Van Gelder Jewellery in 1980 to showcase traditional heritage jewellery collected during her travels in India. The sisters joined the business in 2000 and took the reins in 2012 when their mother stepped back from the company. They launched their first contemporary collection in 2019.

Fleur started working on Baoli during the first Covid lockdown in 2020 — a period that "felt in a way very familiar" because of the uncertainty she had experienced during her recovery. She used the time to reminisce, both on Mulders' paintings and her own travels in India, and found inspiration in the country's stepwells: ancient and elaborate architectural structures that descend into water, known as *baolis*.

Aware of abstract artist Mark Rothko's colour field paintings that aimed to elicit an emotional response, and her own experience of how colour can affect mood, she chose the "right" hues for the gold jewellery — those that made her "feel" — in Mulders' pastel palette. She worked with Van Gelder's studio in Jaipur on hundreds of samples, before arriving at the desired shades of enamel, which are paired with tanzanite, sapphire, peridot and tourmaline.

Mulders is surrounded by the source of his own inspiration: we meet at his rural studio on the Landgoed Baest estate, north-west of Eindhoven, where the doors open on to his treasured flower garden and wild-flower field. Books on Persian and Indian miniatures lie on a workbench, and he has also been translating on to canvas his work creating stained glass. "When I am in the studio to make an oil painting, I have the memory and inspiration of the day before when I was painting against the light," says Mulders.

He creates a sense of transparency and light in his tactile oil paintings by tinting turpentine with paint. Fleur aims to capture the same effect by alternating hues of translucent and semi-translucent enamel on top of an engraved or filigree gold base; or by adding between enamel some fine gold edging, which is highly polished on one side and matte on the other, to create a reflection similar to sunlight on rippling water.

Sales of Van Gelder's contemporary collections make up half the jeweller's revenue, according to Noelle, who is the commercial director. The company has typically achieved a growth rate of 10 per cent year on year. After investing heavily in the year that they launched the contemporary designs, this fell to just under 5 per cent. But the business has since bounced back, recording overall growth of almost 30 per cent in 2021. "We are confident that 2022 will be in that same growth range," Noelle says.

In 2020, the company opened a by-appointment-only gallery in 's-Hertogenbosch, south-east of Rotterdam, where clients can view Indian heritage pieces alongside the contemporary jewellery they help inspire. The contemporary designs are also available through fine jewellery marketplace Auverture and two US galleries.

There are plans to increase sales points: Noelle is meeting with boutique owners later this month during Paris Fashion Week and is "seriously looking" at London. There is a desire to expand beyond Europe and the US too; the company is in the early stages of exploring the possibility of a presentation in Hyderabad, India.

However, talk of strategy is not the sisters' style. Their mother set up Van Gelder despite being told repeatedly there was "no market" for traditional Indian jewellery, says Noelle.

"But she dared, and she really followed her passion, and that is still an inspiration for us. We do what we love. That is such a simple sentence, but for us it contains so much because of Fleur's accident."

Tiffany & Co brings back its padlock icon

Tiffany & Co's newest jewellery collection draws on a padlock motif from the American jeweller's archives. Tiffany Lock features four all-gender bracelets available with diamonds or in metal-only yellow, rose or white gold styles. The clasp has an swivelling mechanism that echoes the functionality of a padlock. "Tiffany Lock is an elegant interpretation of an archival functional design," says Alexandre Arnault, executive vice-president, product and communication at Tiffany & Co. Tiffany sold padlocks prior to the 1950s and then used design elements inspired by padlocks in its jewellery. The brand will release additional Tiffany Lock styles next year.

A gift to ourselves

Pieces in Chopard's new My Happy Hearts collection feature the Swiss house's signature dancing diamond, a mobile gem behind sapphire crystal, and heart motifs. Necklaces, chain bracelets, rings and earrings in 18-carat rose or white gold incorporate a single heart of carnelian, mother of pearl, or

Brilliant and Black

Sotheby's is holding a second selling exhibition that will showcase Black talent within the jewellery industry. *Brilliant & Black: Age of Enlightenment*, curated by jewellery writer Melanie Grant, is being held at Sotheby's in London from September 22 to October 2, with highlights remaining on view until the end of October to coincide with Black History Month. The 25 participating designers, who include Melanie Eddy, will each create at least one new piece that interprets the exhibition theme.

Separately, Sotheby's will auction 51 pieces donated by the Italian jeweller Fabio Salini on 7 September, with all proceeds donated to the Art of Wishes charitable initiative.

Trinity rings

Six limited-edition pieces from a new collaboration between Cartier and the Japanese designer Chitose Abe will be available in cities including London, Paris, New York and Seoul this month, following their launch in Japan in July. The collection, Cartier Trinity for Chitose Abe of Sacai, reinvents the French house's Trinity ring design first imagined by Louis Cartier in 1924, which is made from intertwined bands of yellow, rose and white gold (*below*).

Finance hub grows

Bucherer has designed five rings

October. Meanwhile, Elisabetta Cipriani Gallery will launch Salvia (Sage), its second project with the Italian artist Giuseppe Penone. Produced in a limited edition of 10, the 18-carat gold ring depicts a sage leaf with a musical note in two versions: all yellow gold, or yellow gold sage leaf with white gold note.

Gemstones at auction

Christie's is holding an online auction of a collection of gemstones accumulated by a private collector over a period of 40 years. Running until September 13, the sale features gems including Burmese sapphires and rubies, Colombian emeralds, and D flawless diamonds. The precious stones market is "steadily trending upwards", according to the auction house. Results this year include the SFr21.7mn ($22.4mn) sale of The Rock, a 228-carat pear brilliant-cut diamond, while the 205-carat fancy intense yellow Red Cross Diamond achieved SFr14.2mn. Christie's sold the 103-carat Light of Africa emerald-cut diamond for $20.1mn.

Heritage support

Pomellato is launching a capsule collection exclusive to its Venice store to celebrate the Italian jeweller's partnership with the non-profit organisation Venetian Heritage. The brand has financed the restoration of the red porphyry Epistle Ambo in St Mark's Basilica after it was damaged by

Gemstone availability starts to influence high-end designs

Sourcing Quality gems are becoming increasingly scarce, writes *Maria Doulton*

Bulgari sourced emeralds well in advance for its latest collection — Getty for Bulgari

The number of global jewellery events that took place over the summer was the strongest indicator that the industry is returning to its pre-pandemic rhythm. However, for many jewellers, gems that featured in this year's high-end pieces had been sourced long before the outbreak of Covid-19.

These gems came from consignments bought before the imposition of lockdowns, or from existing stock stowed for years in the safes of jewellery houses. But, even for jewellers with ample reserves, the pandemic highlighted the precarious nature of the supply chains for colour gemstones.

Unlike diamonds, which have standardised characteristics and clarity of pricing, given they make up 80 per cent of the jewellery business, colour gemstones are a multi-faceted world of their own. Each gemstone — of which there can be myriad sources — has its own idiosyncratic supply chain, each disrupted in different ways during the pandemic.

"The demand for gemstones is greater

around the availability of the stones themselves is sure to continue — and even increase. "The creativity of a high jewellery piece always begins with the stones," says Silvestri. "In general, all the gems are becoming more and more rare so I have to say that it is every day more difficult to find gems of a very good quality."

about lockdown was that . . . nobody was out there. I travelled to Namibia and did the negotiations face-to-face and we now specialise in blue green 'lagoon colour' tourmalines."

But, while the jewellery industry is getting back to normal, the inherent problems in the colour gemstone supply chain — highlighted by the pandemic —

diamonds, while the ring and earring designs are available with a dancing diamond. The collection's earrings are being sold separately to allow for a mix-and-match effect. Chopard sees the range's pieces, launched yesterday, as "a gift that we give ourselves".

Movement art

A free Van Cleef & Arpels exhibition at the Design Museum in London will use almost a hundred pieces from the French jeweller's patrimonial collection to highlight the facets of movement explored by the house since its foundation in 1906. *The Art of Movement*, on show from September 23 to October 20, will be split into four themes: nature alive, dance, elegance, and abstract movements.

Jewels on display include one of the brand's first pieces inspired by dance: a 1941 clip of a sculpted dancer with a pear-shaped diamond face. The ballerina has a ruby and emerald hair ornament and a fan.

to mark this month's opening of its first high jewellery boutique. The unique pieces will be available to view by appointment in the upper floor boutique in Goethestrasse, Frankfurt's luxury shopping street — a location the Swiss jeweller selected after noticing increased demand for high jewellery in the German finance hub. One of the white gold rings has a 23.87-carat oval-cut yellow sapphire and multicoloured, heart-shaped sapphires, while another features a 24.93-carat oval-cut tanzanite with violet and blue drop-shape spinels. Aquamarine, green tourmaline and rubellite are the other centre stones.

One of a kind show

In its 60th anniversary year, London jeweller David Morris is participating in PAD London for the first time. The brand will display one-of-a-kind pieces, including a necklace featuring a 43-carat Australian black opal and lapis lazuli, at the Berkeley Square arts fair 10-16

a high tide in 2019. Work started in March and is due to be completed by the end of the year. The limited-edition Iconica Venezia collection *(above)*, launching on September 7, features six handmade rose gold rings: three are red porphyry with a central stone of garnet; three are green porphyry with a central green tourmaline.

Liberty's exclusives

British jewellery brand Annoushka has collaborated with Liberty to create a collection of 18-carat gold charms that chart the high-end London department store's history. Key milestones and store motifs are represented: a gold bobbin with amethyst pavé thread and gold needle nods to the retailer's long connection to textiles, while an amethyst, aquamarine and diamond peacock feather reflects the store's well-known fabric pattern. The seven charms, which are a continuation of Annoushka's bespoke service My Life in Seven Charms, will be exclusive to Liberty from October 8.

Kate Youde

than the supply and the top quality stones are becoming more and more scarce," says Guillaume Chautru, head of gemmology and gemstone procurement at Swiss watch and jewellery maker Piaget. "It was like this prior to Covid, but the lockdowns didn't help. It is a miracle to find a stone of the right quality. But, during the pandemic, it was even more of a miracle to get it to market when petrol was scarce, borders were closed and power cuts shut down mining and stonecutting operations."

Chautru mentions shortages of certain gemstones, such as the blue indigolite tourmaline and pink spinels, as well as backlogs in mining operations, and stone cutting facilities.

One jeweller known for its lavish colour gemstones is Bulgari, which has launched the Eden Garden of Wonders collection brimming with thousands of exotic stones. Its creative director, Lucia Silvestri, started collecting the emeralds used "three to four years ago, waiting for the right moment to come".

With mines being depleted and new sources of gemstones few and far between, the practice of basing designs

For Jason Hirsh, of family-owned jeweller Hirsh London, lockdown provided an unexpected increase in high-value investment jewels "as people weren't travelling, they were spending their money in the UK". Unable to travel himself, Hirsh had to ask his trusted international suppliers to send him more stones for viewing, despite having close to 2,000 gemstones in his safe.

On the supply side, Gerhard Hahn, a 120-year old family business in Düsseldorf, had to seek new stones. Hahn specialises in sapphires, emeralds, rubies and pearls but the pandemic forced it to look for other offerings.

> 'The creativity of a high jewellery piece always begins with the stones'
>
> Lucia Silvestri, Bulgari

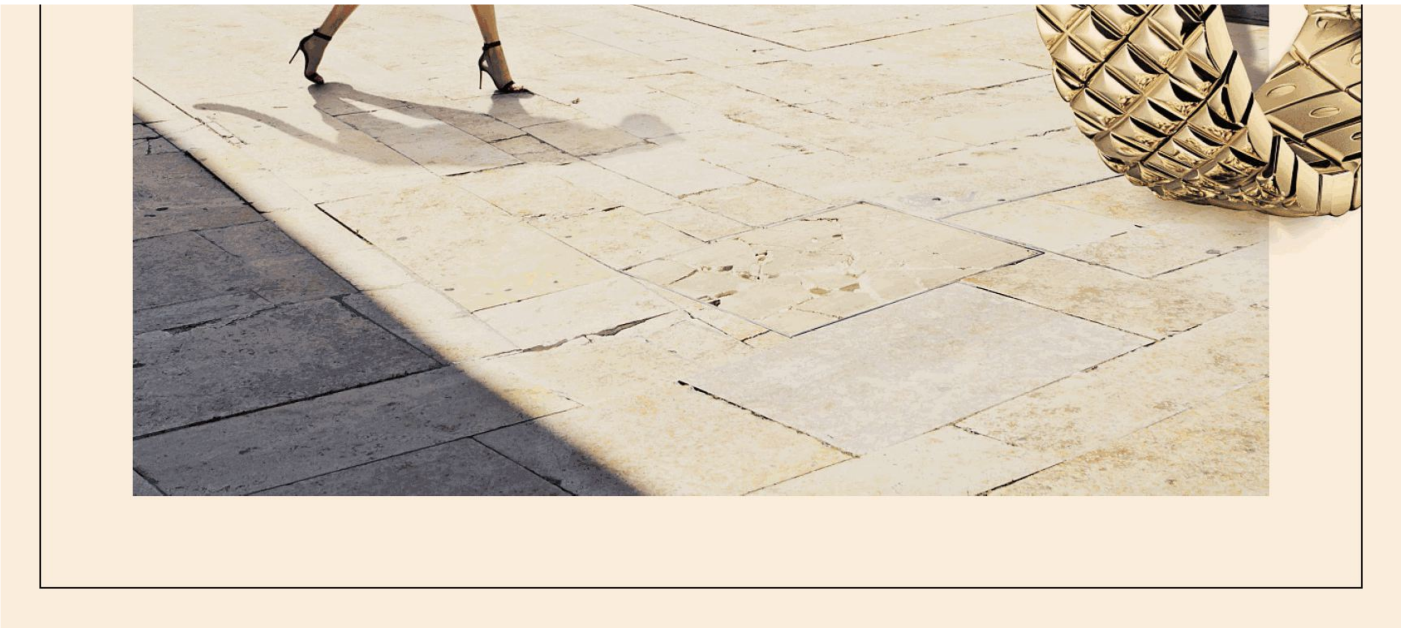
"In our case it was Namibian indigolite tourmaline," says fourth generation jeweller Alex Hahn. "The coolest thing

are not going to be solved overnight. For some, they will require a rethink.

Fernando Jorge, a London-based jeweller who manufactures mainly in his native Brazil, says lockdown gave him an opportunity to look into his gemstone sources — and a lesson in how to deal with changing circumstances.

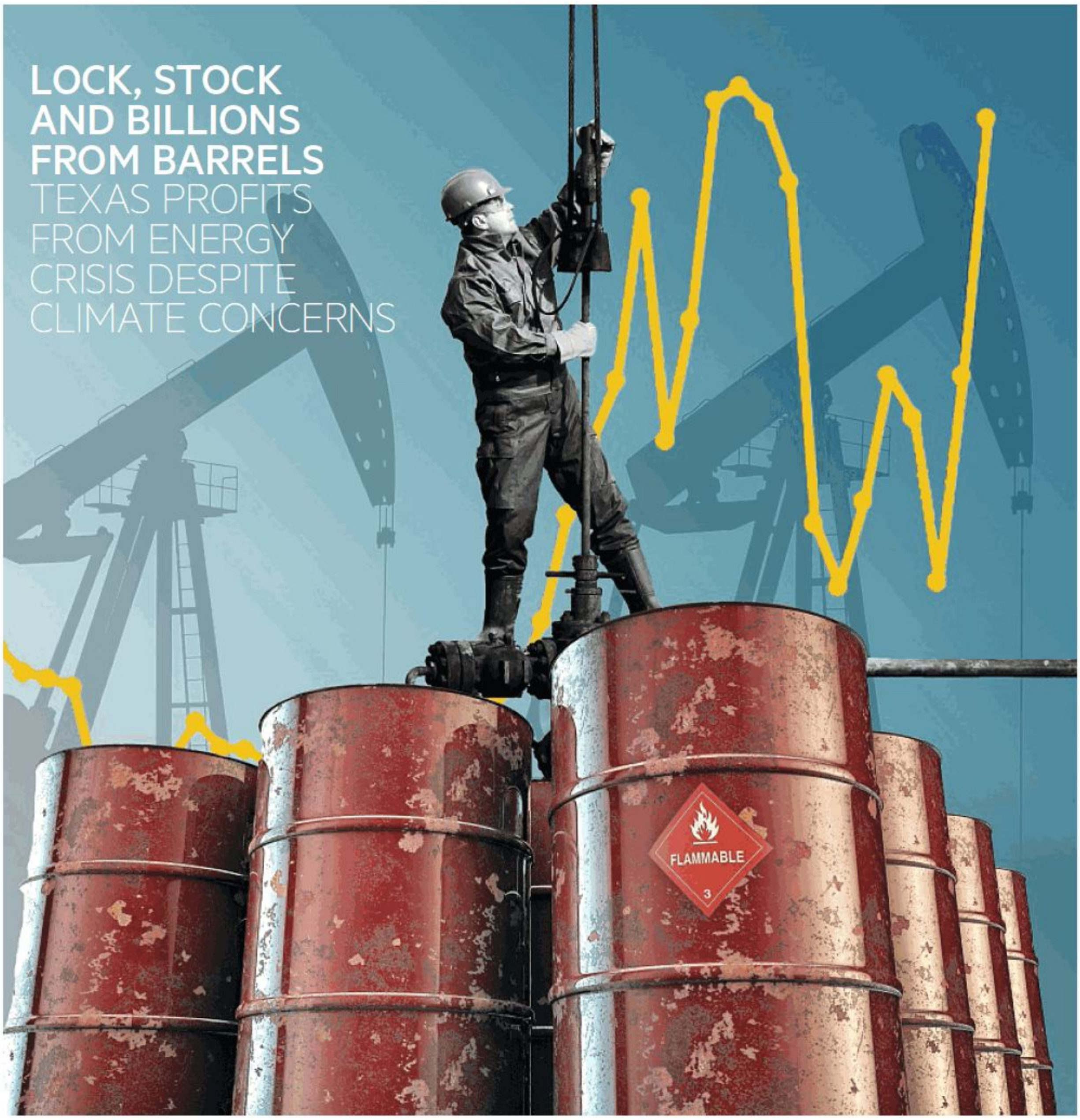
"I had the time to connect with all my gemstone suppliers," says Jorge, "to engage in conversations around responsible and ethical sourcing, as well as traceability".

"There are a lot of things to be improved in the traceability of the gold and gemstones supply chain in Brazil and the pandemic gave us the opportunity to advance these important topics. I also had time to reflect on the importance of responsiveness and to be able to adapt my designs to the changing availability of gemstones. If it comes to the point where I can't find a certain gemstone, then I can turn my attention to other materials like tagua nut [vegetable ivory] or horn or wood, which I have always been interested in. It is important not to stand still while the world is changing around you."



FTwealth

SEPTEMBER 2022
ISSUE 74



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Female business founders are succeeding in the Middle East

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The city state is fast becoming a haven for China's elite

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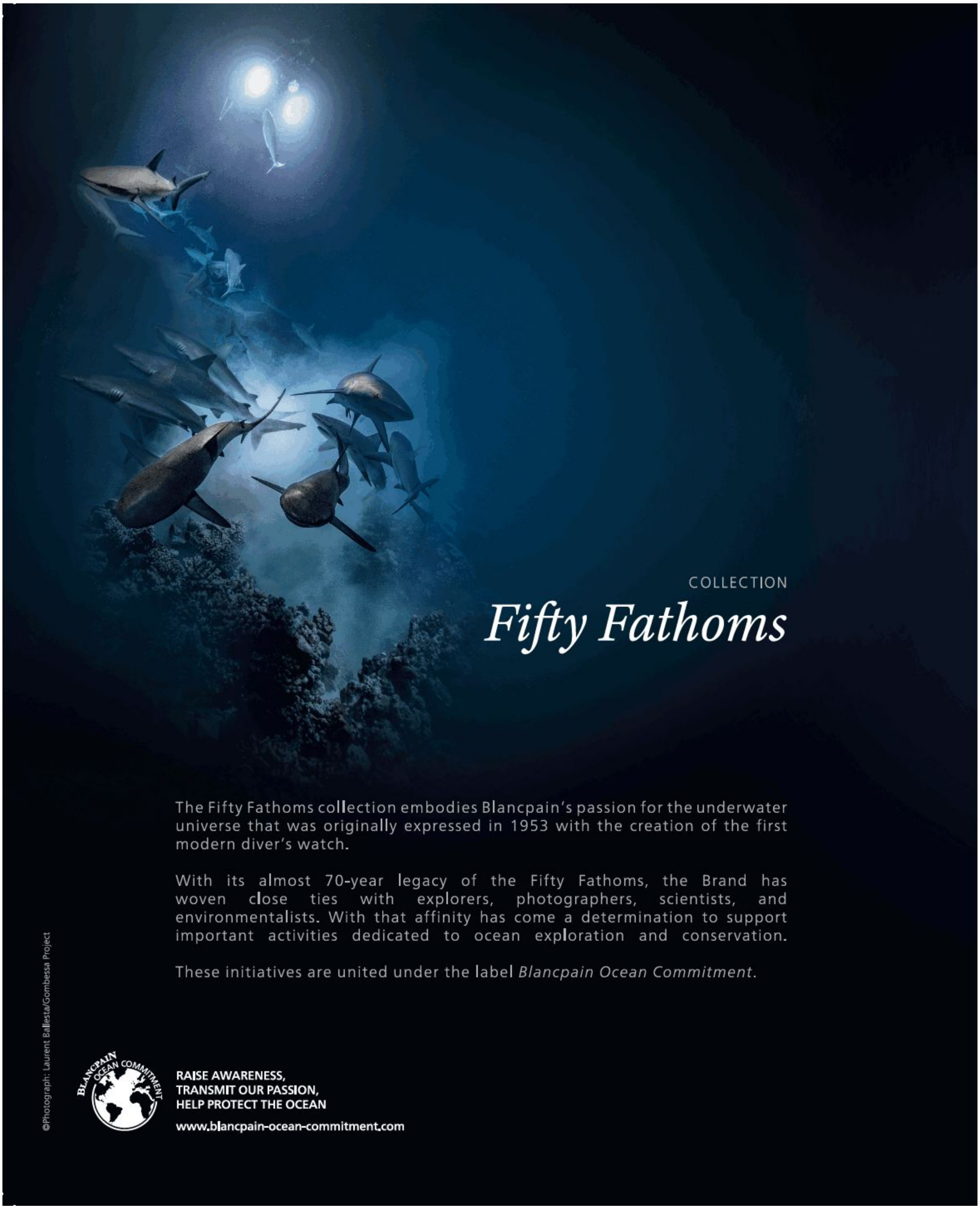
COLLECTION
Fifty Fathoms
The Fifty Fathoms collection embodies Blancpain's passion for the underwater universe that was originally expressed in 1953 with the creation of the first modern diver's watch.
With its almost 70-year legacy of the Fifty Fathoms, the Brand has woven close ties with explorers, photographers, scientists, and environmentalists. With that affinity has come a determination to support important activities dedicated to ocean exploration and conservation.
These initiatives are united under the label Blancpain Ocean Commitment.
BLANCPAIN OCEAN COMMITMENT
RAISE AWARENESS,
TRANSMIT OUR PASSION,
HELP PROTECT THE OCEAN
www.blancpain-ocean-commitment.com
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BLANCPAIN
Fifty Fathoms
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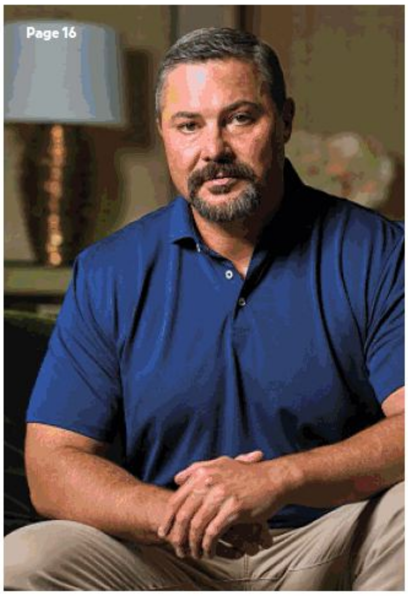
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PHOTOS: TANSEEM ALSULTAN; LOUISE JOHNS/GETTY IMAGES; COOPER NEILL; WARNER BROS/SHUTTERSTOCK

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EDITOR'S LETTER
THE MARKET FOR COLLECTIBLES CAN BE VOLATILE BUT REWARDING

What are the best stores of value that you can carry with you? Gold coins, perhaps?

They were the top choice for many centuries. But not now. These days, it is a Rolex watch or a Chanel designer handbag. Researchers at Credit Suisse have calculated that the value of rare Rolexes sold at auction soared by 33 per cent in 2021, while Chanel bags' sale prices were up 24.5 per cent, powered by examples designed by Karl Lagerfeld.

However, the markets for collectibles can be capricious. In 2020, it was the Hermès Birkin bag that came top, rising in value by more than 30 per cent. In 2019, it was modern jewellery dating between 1945 and 2000 that rose by more than 20 per cent.

You could be forgiven for thinking that it is all a matter of luck. But it is not entirely. The Credit Suisse report entitled *Collectibles among heightened uncertainty and inflation*, classifies these goodies under three levels of volatility: high, medium and low. Looking at the past three years together, the high-volatility group includes post-war and contemporary art, British paintings and Chinese art, alongside financial assets such as gold, commodities, global stocks and private equity.

Under medium volatility, we find Old Masters, Impressionists, classic cars and wine, as well as bonds and hedge funds. The Birkin bag is here, as well. Finally, look at low-volatility assets and you'll find watches and jewellery, plus those Chanel handbags.

What of the future, though, as asset prices tumble, interest rates rise, and inflation bites? Credit Suisse predicts that, after a good start to 2022, collectibles are likely to see slower gains than last year.

No surprise there, perhaps. What's more interesting is the researchers' take on how these physical assets perform in times of extreme inflation, defined as periods when US consumer prices are rising by 3.5 per cent a year or more, which happened only 10 per cent of the time from 1994 to 2022 — the years under review.

The best inflation protection is offered by Chanel handbags, wristwatches (Rolexes, especially) and traditional Chinese works of art, says Credit Suisse. Meanwhile, the assets most vulnerable to periods of high inflation are fine wines and American and Latin American art.

But, before you put your cash in any of this, bear in mind that it is easier to draw charts of upwardly rising Rolex prices than to make a profit from collectibles. These are not plentiful commodities — they are unique or rare items that are often hard to compare or value. Even two vintage watches from the same model range and year may differ in history and condition.

Gold is gold, of course. But gold jewellery's value will also depend on quality, age and design. Go into diamonds, and the subjective influences multiply. Demand from collectors can be very unpredictable, too, especially in times of financial stress.

On top of that, owning collectibles involves far more cost than holding financial assets: storage and insurance, for example, as well the transaction costs of buying and selling your treasures at auction.

That all said, there is an excitement about collectibles that financial assets never bring. The pleasures of hanging even a very minor Impressionist painting on your wall, of driving a Ferrari F40, or carrying around a perfect Chanel bag are — for some people — simply priceless.

Just don't expect to turn this stuff easily into cash in a crisis. If you are in need of some insurance, the only collectible that can offer it is a case or two of fine wine. In extremis, you may not be able to find a buyer, but you will at least be able to drown your sorrows in style. ●

Stefan Wagstyl
Editor, FT Wealth and FT Money

@stefanwagstyl

WEALTH VIEW

'COLLECTIBLES OFFER DIVERSIFICATION IN TIMES OF ELEVATED UNCERTAINTY, THEY CAN EVEN PROVIDE PRECIOUS STORES OF VALUE'

Credit Suisse

'I BUY ART THAT I LIKE. I BUY IT TO SHOW IT OFF IN EXHIBITIONS. THEN, IF I FEEL LIKE IT, I SELL IT AND BUY MORE ART'

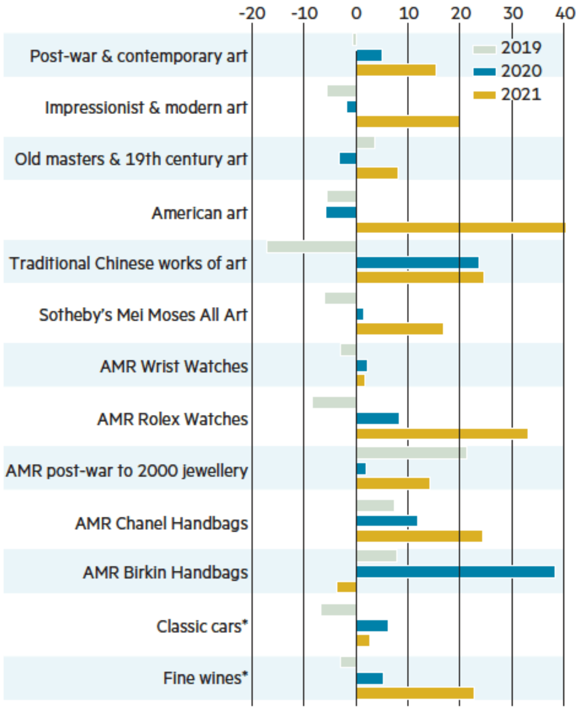
Charles Saatchi

'MODERN ART IS A DISASTER AREA. NEVER IN THE FIELD OF HUMAN HISTORY HAS SO MUCH BEEN USED BY SO MANY TO SAY SO LITTLE'

Banksy

Recent gains on collectibles

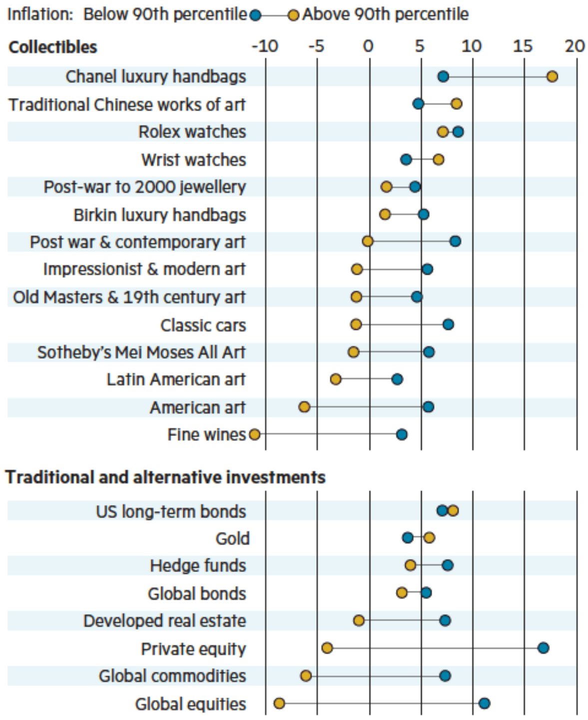
Annual returns (%, 2019-2021)



* Fine wines: Liv-ex 100 Index, Classic cars: HAGI® Top Index AMR: Art Market Research

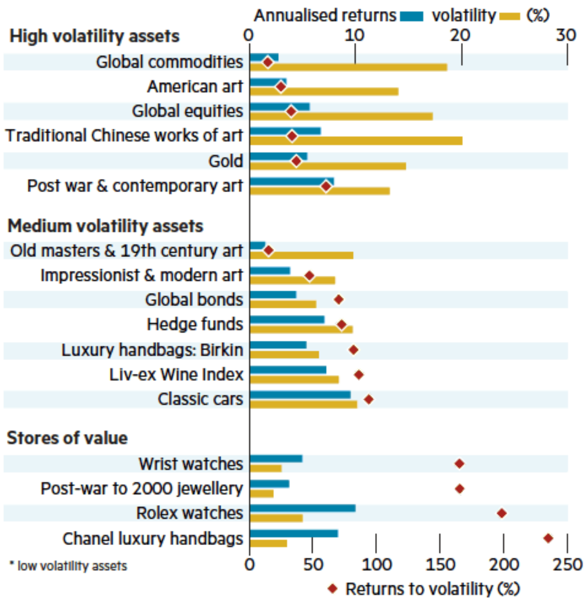
Performance in extreme and normal inflation regimes

Next 12 months median returns (%)



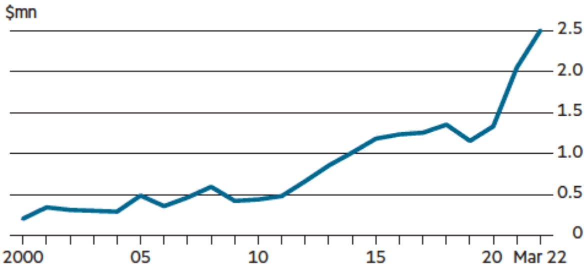
Note: 90th percentile inflation (US CPI YoY change) = 3.5% over 1994–2022

Risk-reward scores on collectibles and financial assets



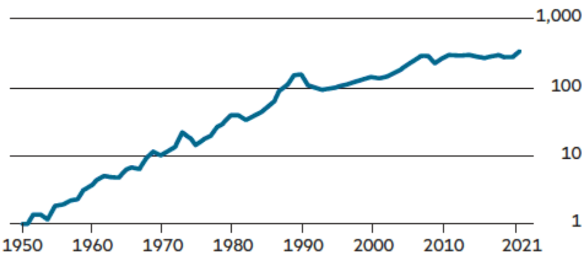
Average prices for Ferrari F40

$mn



Art prices

Sotheby's Mei Moses All Art index rebased to 1950 (log scale)



Sources: Liv-ex; AMR; Sotheby's Mei Moses; HAGI; Credit Suisse; Bloomberg; Classic Car Auction Yearbook database by Adolfo Orsi, Historica Selecta

@rhymerrigby

PSYCHOLOGY OF WEALTH
WHY DO SOME RICH PEOPLE CRAVE THE LIMELIGHT?

BY RHYMER RIGBY

Armancio Ortega, founder of fashion group Zara, has given very few interviews

For years, I have been as addicted to the antics of Tesla's CEO as any Muskite. But perhaps I'm developing Long Elon or Musk Fatigue. The relentless train of high-publicity hi-jinks is starting to wear. It even has me wondering – why do it at all? It must be exhausting. Why not just run a company without picking fights with cave rescuers, a public spat with Twitter or shooting cars into space?

If you look down the top 50 of the Forbes rich list, one thing becomes clear. Many, unsurprisingly, are household names. But many are not. And of the household names, not all are A-list CEO-lebrities.

So why do some wealthy businesspeople hog the limelight while others just get on with the job? What separates people like Musk, Jeff Bezos and Larry Ellison from the wealthy individuals you've never heard of? What makes Goldman Sachs chief David Solomon, a man who earns tens of millions of dollars, want to DJ at Lollapalooza alongside King Princess and The Regrettes?

Back in 2000, the leadership expert and anthropologist Michael Maccoby wrote a prescient article in the Harvard Business Review on "larger-than-life" business leaders. He noted that, from the 1950s to the 1980s, executives were staid company men in suits. Self-promotion, star power and, yes, narcissism were not prerequisites.

However, he went on to say that business, especially tech companies, now plays a significant role in people's lives and is driving societal change. This has brought different, more publicity-seeking leaders to the fore. Maccoby was keen to stress that narcissistic CEOs aren't all bad – they're good at inspiring people and bringing them along on a narrative. There can be downsides – their dreams can outstrip reality, they struggle with criticism and can be very destructive.

Even so, the courting of fame is far from universal. Think of people like Zara's founder, Amancio Ortega, who has given only a handful of interviews in his life. For many years, most people didn't even know what he looked like because no photos had been released. Similarly, Philip Anschutz, the Denver-based businessman, is involved in a number of high-profile industries but is believed to have held two press conferences in his life.

We might think of traits such as extroversion and narcissism as part of the CEO package. But Tomas Chamorro-Premuzic, professor of business psychology at University College London, says the presence of such attributes varies among senior managers, as it does among the rest of the population. For every Musk, there's an Anschutz. For every Richard Branson, an Angela Bennett.

He adds that social media and the modern cult of Silicon Valley plays a part, too. "For CEOs and even ordinary people, it's a lot easier to cultivate a public persona like you're Elvis Presley or Kim Kardashian. The means are there," he says.

But why? A friend who works in TV used to say that rich people often took part in reality shows, despite the obvious downsides, "because it gives them something they don't have: fame". There's definitely some truth to this – the idea that a degree of fame is as much a part of the "success package" as a chalet in Zermatt or a Gulfstream Jet.

Even so, it's worth asking whether fame adds anything (or takes anything away). After all, everyone likes to be recognised for their work. But with celebrity businesspeople, the recognition comes from those who are not stakeholders – and so you end up playing to the gallery. A friend who works in publishing always jokes that one day, his industry will recognise that the link between followers on Twitter and Instagram and book sales is by no means a straightforward one – "but that day is never today".

Moreover, social media has turbocharged the cult of CEO-lebrity, but didn't give rise to it. Branson and Jack Welch were both personalities before email, while the journalist Mark Wilson published his book *The Difference Between God and Larry Ellison: *God Doesn't Think He's Larry Elllison* in 2003, the year before Facebook was founded. In the 19th century, when heavy industry was driving change, Carnegie and Rockefeller were household names.

Perhaps, then, it is as simple as being a personal preference. While many wealthy people choose the spotlight, others wield their influence behind the scenes. People like Charles Koch and Peter Thiel are movers and shakers, but rarely indulge in grandstanding. For every Musk, you can find somebody who is almost completely unknown, but still pulls plenty of strings. They don't want fame – they want power.

There are also those like Bill Gates and Warren Buffett whose fame is of a more measured type – and also people like Bezos who have moved from behind the scenes into the limelight. Chamorro-Premuzic says: "I think the healthy balance is probably a bit of both. You give some interviews and share some aspects of your life that are important. But you don't become an unfiltered Twitter addict."

That said, it's hard not to love one of the few quotes popularly attributed to Ortega, who is reported to have said, "In the street, I only want to be recognized by my family, my friends and people I work with." ●

Rhymer is reading... *Appliance* by JO Morgan. The author is better known as a poet and this is an unusual, almost episodic novel. The 11 chapters have different characters and are linked by a machine. The overall theme, such as it is, is the coming of age of a new technology and what it does to humanity.

PHOTO: XURXO LOBATO/GETTY IMAGES

The rise of impact investing

ROSA SANGIORGIO
Head of ESG, Pictet Wealth Management

ROBERT SUSS
Head of Pictet Wealth Management UK

From school children to central bankers to the world's wealthiest business leaders, the awareness that we as individuals and as investors have a responsibility and accountability over our decisions has sharpened over the last few years. There are a number of factors behind this.

First is rising awareness. Both public and private sector initiatives, from the EU's Sustainable Finance Disclosure Regulation to the Principles for Responsible Investment and Banking – to mention a couple, have increased clarity and information, catalysing the momentum. The financial industry has responded and more solutions and options are becoming available, making responsible investing increasingly accessible.

Second, we are slowly shedding the misconception of concessionary returns – the idea that investing responsibly requires sacrificing financial returns.

As the number of responsible investing options has grown, so too have their track records become established. Many of these responsible investing products fared better than their counterparts during the crisis, and a growing number of studies confirm that not only is responsible investing not detrimental to performance, but that it often delivers superior financial returns in the long term.[1]

The third and most significant factor is the shift in the perception of responsible investing, from a means of mitigating risk to that of capturing an investment opportunity.

A watershed moment arrived in 2015, when the United Nations published the Sustainable Development Goals (SDGs), a set of 17 common goals across 193 member states, to protect the planet and ensure equitable prosperity. Initially conceived for governments, these goals require between USD 3.3 to 4.5tn per year to be achieved by 2030. Considering the level of public and private investment in SDG-related sectors, a funding gap of USD 2.5tn was initially estimated[2]. This gap is where investors can find the opportunities they are looking for. Those companies that will find solutions to today's most pressing problems will be tomorrow's winners and most certainly a sound investment.

The number of opportunities and varieties of investment products available are expanding rapidly. And while this represents in itself a great step in the right direction, it is key to distinguish between those investment products that consider E, S and G characteristics of portfolios in order to minimise the long-term risks (both reputational and financial) and those that instead target a specific positive environmental or social impact.

> "We each have a role to play in supporting sustainable development and ensuring that today's needs are met without compromising those of future generations."
>
> Robert Suss

As of today, measuring impact is far more complex than calculating financial returns or monitoring E, S and G characteristics. It's about outcomes that are hard to measure, data that are difficult to collect, and even questions around how much, if any, investors can claim for positive impact outcomes. We believe that the next step towards mainstreaming impact investing will pass through measurement.

The first generation of impact investors have concentrated on intentionality, nowadays additionality is key (ie distinguishing between a company's impact and investors' impact), the future of impact investing is in improving impact measurement practices. It's about both availability of data from companies and projects, but also about high-quality, rigorously designed science-based research that links specific outputs and outcomes to impact.

We each have a role to play in supporting the ultimate objectives of sustainable development and ensuring that our needs are met today without compromising those of future generations. Responsible, and especially impact investing enables us to do so through our investment portfolios.

1 Source: NYU Stern Center for Sustainable Business and Rockefeller Asset Management. *ESG and financial performance*. 2021.

2 https://unctad.org/press-material/developing-countries-face-25-trillion-annual-investment-gap-key-sustainable

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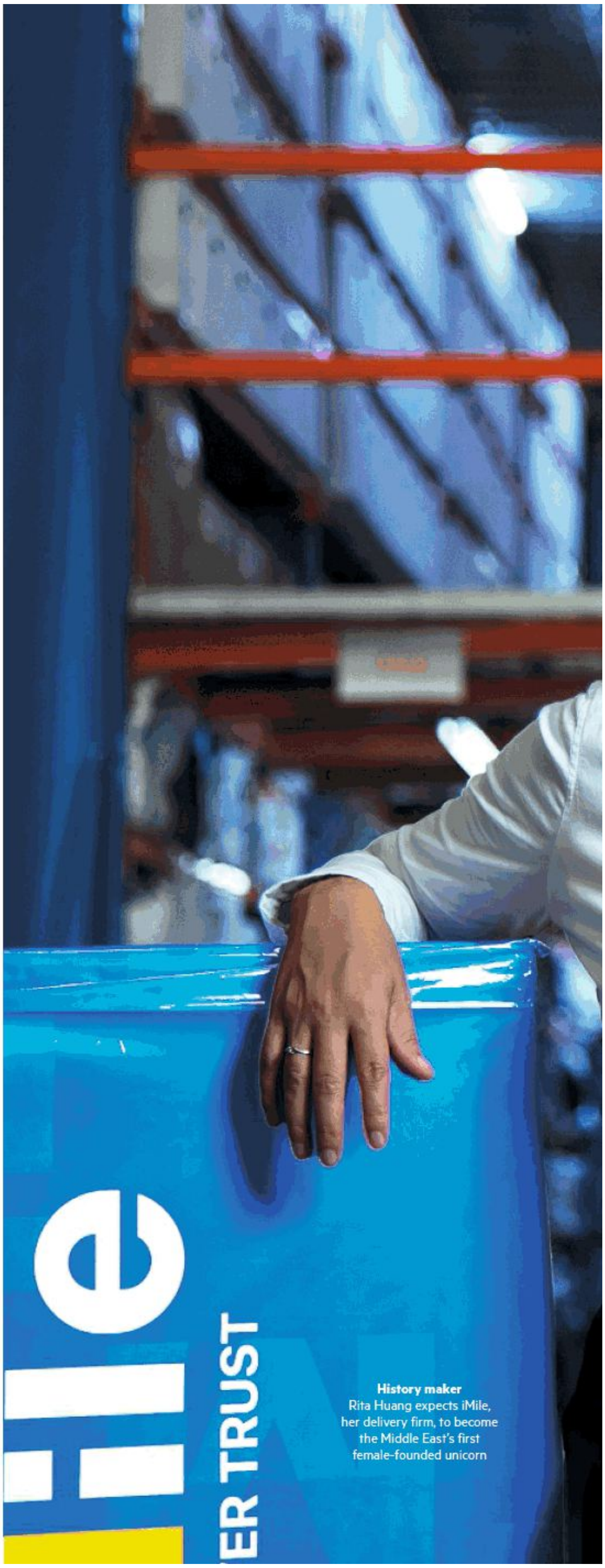
PICTET 1805

DOING IT FOR THEMSELVES

ENTREPRENEURIAL WOMEN ARE TAKING ADVANTAGE OF NEW-FOUND FREEDOMS IN THE MIDDLE EAST

BY SIMEON KERR
PHOTOGRAPH BY ANAS CHERUR



History maker
Rita Huang expects iMile, her delivery firm, to become the Middle East's first female-founded unicorn

n a dusty, unassuming industrial park on the fringes of glitzy Dubai, Rita Huang is quietly building a last-mile delivery firm that she says is on the verge of becoming the region's first female-founded unicorn — a start-up valued at more than $1bn.

iMile, which boasts TikTok as one of its investors, has rapidly grown since its formation in 2017, tripled revenues since last November and is now looking to close a Series B funding, drawing on major Chinese investors.

Under the guidance of Huang, a Dubai-based Chinese expatriate, the delivery company relies on in-house technology to take on legacy logistics operators.

Known as a tenacious, determined operator, Huang stands apart in the regional start-up space: a Chinese national running a disruptive business in the patriarchal Middle East, where women are only beginning to take on leadership roles in business and government.

But she has always been treated "equally" and, as one of an estimated 200,000 Chinese living in the UAE, she says Dubai's cosmopolitan, meritocratic milieu was an ideal location to build an enterprise.

"The number one question I get asked is how I am treated as a woman CEO in this region of the world — in China women and men are treated equally and it is no different for me in the Middle East, I am happy to say," she explains.

There are only a handful of unicorns in the Arab world, most notable among them Careem, the ride-hailing app acquired by Uber in 2019. Most, like elsewhere in the world, are founded and run by men.

MAGNiTT, a start-up data platform, found that, between 2014 and 2020, only 2 per cent of regional start-ups were set up by women, with another 2 per cent co-founded by men and women, while 96 per cent were founded just by men. In 2018, 11 per cent of regional funding went to firms with at least one female founder, roughly similar to the 12

per cent on average in the US that year.

Huang grew up on Hainan island in China and was the first woman in her family to attend university, graduating from an elite institution in biomedical engineering. After working for telecommunications giant Huawei, she came to the Middle East when Alibaba headhunted her for the role of chief technology officer for a Dubai joint venture, where she helped build the region's first public cloud computing centre.

While working for the Chinese ecommerce giant, she realised that inefficient deliveries were hampering the development of digital sales and the lack of formal postal addresses created problems for retailers. Huang, who had coded for firms in China and sold digital products across the Middle East, reckoned she could do better by using technology to solve the problem.

In 2017, she decided to follow in the footsteps of many other Chinese women and set up her own business: she left Alibaba and founded iMile, a company that would link Chinese manufacturers with the growing legions of online customers in the Middle East.

iMile uses customised warehousing, digitised fleet management and artificial intelligence-powered routing optimisation to cure the delivery ills that bedevil residents across the region, including Dubai, the futuristic commercial centre. Technology also allows the firm to use fewer call centre agents. And some 98 per cent of this technology is developed in-house by 120 full-time China-based engineers.

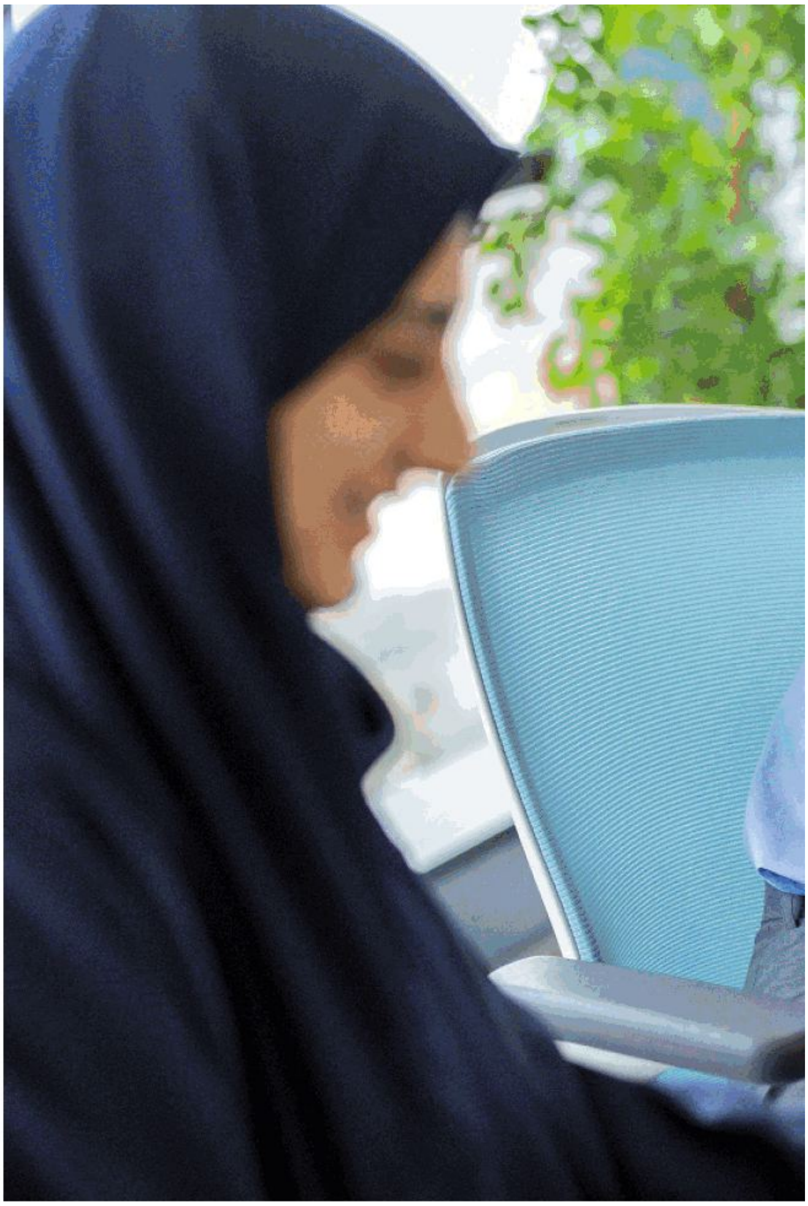
The surge in online shopping during the pandemic supercharged her business and now Huang reckons she would have a "competitive advantage" in a possible global recession thanks to iMile's partnerships with cost-effective Chinese manufacturers that want to reach customers directly through ecommerce. She says this direct-to-consumer business model is driving the sector globally, driven by direct deliveries from China.

iMile, which raised $40mn in its Series A funding round last November, is now on a second round and the ultimate plan is to go for an initial public offering sometime in the future.

However, there are still a myriad of issues facing entrepreneurs in the Gulf. They include varying regulatory regimes across the six-member grouping of Gulf states as well as the multifarious business set-up and licensing costs that are needed to build the necessary scale for emerging start-ups to challenge incumbents. iMile has now expanded into 11 countries including Latin America, with operations in Mexico and Chile, as well as Turkey and Morocco nearer to its home base.

Women, especially nationals, have for decades faced resistance in the conservative Gulf, where families often put pressure on mothers to stay at home to raise their children. While social attitudes are changing, with women entering the workforce and being selected for senior government positions, residual attitudes of this patriarchal system remain. And, of course, there is the age-old question of work-life balance — a problem magnified for those leading fast-growing start-ups.

Huang, who is married with three children below the age of nine, says: "There are lots of sacrifices, but it was my decision — no one pushed me into it — and I tell them we have a different life. I don't get all the time I want with them, but this is the life I chose." ▶



The growing start-up culture in Dubai, the region's established commercial and financial centre, is reflected across the oil-rich region, where governments are keen to encourage entrepreneurialism to create new jobs and help diversify their economies away from a dependence on hydrocarbons.

Saudi Arabia, the region's largest economy, is undergoing an economic and social transformation driven by the ambitious, young crown prince, Mohammed bin Salman, who has shaken up the kingdom. His agenda has been widely welcomed by the nation's youth, though conservatives remain sceptical about the rapid social changes and the new social freedoms that have been accompanied by clampdowns on free speech plus other repression.

The combination of social openness, female empowerment and economic reform has, nonetheless, opened more space for female entrepreneurs.

The resultant opportunities are not only being exploited by expatriates such as Huang; nationals are also flooding the start-up space. One of these pioneers, Mounira Jamjoom, followed a traditional path for many Saudi women, becoming a teacher after attending university.

Working as a special needs educator 15 years ago was a world apart from today's Saudi Arabia, where, since the rise of Prince Mohammed, changes have included ending the ban on women driving. There has also been a wholesale increase in female employment across the economy, even if these changes have been accompanied by arrests of the female activists who had campaigned for such freedoms.

The unemployment rate among Saudi women has decreased from 32 per cent three years ago to 20 per cent in the first quarter of this year.

Further education, including a doctorate from Oxford university, appeared to offer Jamjoom a future in academia, but she went into consultancy, focusing on public sector development and setting up a think-tank on education.

Hired by the government in 2014 to set up an education regulator, she quickly realised that the vast sums of money being ploughed into consultancy companies only created strategies on paper — with little capability to deliver change on the ground.

Setting up her own consultancy, Emkan, allowed Jamjoom to implement projects that deliver change on the educational front-line — such as bringing foreign investment into the domestic education sector and introducing art and culture to the curriculum for the first time.

"I never planned to be an entrepreneur — I always wanted to be in education," she says. "But I wanted to solve problems in education — and that led me to entrepreneurship, with a passion and mission to improve the sector."

While considering how to scale up, Jamjoom realised that technology could provide an answer in the shape of online learning platforms. In 2019, she co-founded Aanaab, a digital professional development platform for Arabic-speaking teachers, of which there are an estimated 3mn working in 140,000 schools in the wider Middle East.

'Today, as a business owner, you are respected and treated equally'

This "edtech" company develops courses and content for the classroom in a bid to upscale the workforce. Some 130,000 teachers have signed up so far — a number that is increasing by 700 a week. "We want to be a human resources department for the schools in the region," Jamjoom says. Fees are either paid by teachers, schools or the government.

She believes the transformation of Saudi society over the past five years has delivered a 180-degree turnround in opportunity for women and youth.

"Now, today, as a business owner, you are respected and treated equally — yes, we need more female businesses to be funded by venture capital, but this is a global challenge and we are part of that."

Women, who have long outperformed men in higher education, are now a rapidly expanding segment of the workforce. Yet elements of the so-called guardianship

model, in which males control aspects of their female relatives' freedom of movement, remain in place. Before the recent freedoms were enacted, Jamjoom's life, earlier in her career, was much more difficult in the conservative kingdom.

"It wasn't the Saudi of today — you needed to be three times as competitive as any male to succeed," she says. "I was in meetings where you couldn't even sit at the table with governors — I had to sit next door and communicate via CCTV, without them even seeing me — that made it hard to get across what I wanted to say."

"It was very challenging back then, from a social perspective," she adds. "Being an entrepreneur in a very conservative sector, as well as having to compete with international firms such as EY and PwC while being female was very challenging to get contracts."

Jamjoom says the government is supportive of female entrepreneurs and she, in turn, regards the educational reform component of the myriad development plans as key to unlocking the kingdom's true potential. The country needs to overhaul its education system to boost early education and then create a culture of life-long learning to boost national economic productivity, she argues.

Only a quarter of Saudis are in early education, such as kindergarten, whereas the global average is 80 per cent.

The higher education sector has made faster progress than primary and secondary schooling, Jamjoom says. The basic education challenge is "massive", with 30,000 government schools, 670,000 teachers, and 1mn administrators. Bringing in external expertise and injecting changes from the private sector are some of the answers being considered.

In the meantime, developing teacher capacity via her online platform helps build the foundations of the sector from the bottom up. She says, "If you have got a good teacher, you have a good system." ●

PHOTO: TASNEEM ALSULTAN, FOR THE FT

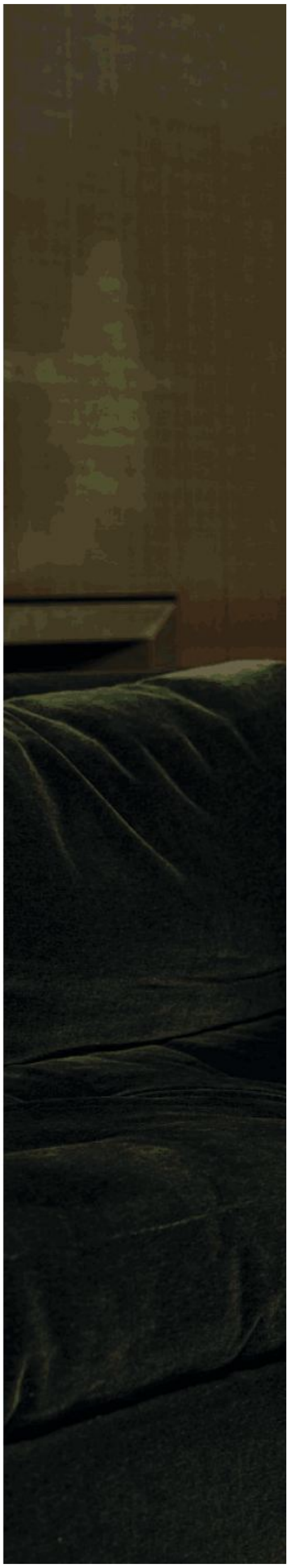
Entrepreneur
Saudi-based Mounira Jamjoom, whose digital professional development platform helps Arabic-speaking teachers


REAL
SUCCESS
TAKES
TRUE
CHARACTER

CRUDE AWAKENING

AS ENERGY DEMAND SURGES, DEVELOPERS WHO BET ON TEXAN OIL ARE REAPING THE REWARDS, DESPITE CLIMATE CONCERNS

BY JUSTIN JACOBS
PHOTOGRAPH BY COOPER NEILL



Cody Campbell calls his rapid rise in America's hardscrabble oil patch a "wild ride".

Little more than a decade ago, when Campbell was in his late 20s, he was looking for his next act. Injury had cut short a brief professional American football career and the 2008 housing crisis had driven him out of the real estate business. It was then that he returned from Indiana to his native Texas and teamed up with a friend, John Sellers, to start buying up drilling rights in promising oilfields to "try to make a little money".

Neither men had much experience in America's fiercely competitive oil business when they started. But Campbell, now 40 years old, says his stint in real estate helped as they acquired their first land for drilling. "We didn't have any money. We didn't have any employees. It was just the two of us. And there were a number of times where we sort of bet it all on individual projects. Somehow it worked out," he says.

In fact, it worked out better than Campbell could have imagined. Through his firm Double Eagle Energy, the company he jointly owns with Sellers, he has amassed a fortune over the past decade selling oil-producing operations to bigger players. Those deals now total nearly $10bn, making Campbell one of the Texas oil patch's most prolific dealmakers of recent years.

His breakthrough sale came in 2012, when he sold a cluster of oil and gas wells in Oklahoma for $250mn to the late wildcatter Aubrey McClendon, who co-founded and ran Chesapeake Energy, the large energy group.

The deals have only grown since. Most recently, in 2021, he and his partners, who now include private equity company Apollo Global Management, sold a business in the Permian basin in Texas, one of the world's largest oilfields, to oil company Pioneer Natural Resources for $6.4bn. That came on the heels of a $2.8bn sale in the same area in 2017 to Parsley Energy, an oil and gas producer, itself later bought by Pioneer Resources. "It's been a wild ride, going from basically just a bootstrap operation, where we never knew from week to week whether we were going to make it, to doing multibillion dollar transactions," says Campbell.

Campbell, like others in the Texan oil industry, has ▶

Economies of shale
Billionaire Cody Campbell, whose company Double Eagle has benefitted from extraction technologies

1
One of Double Eagle's oil fields in Texas
2
Texan billionaire Tim Dunn, whose company, CrownQuest Operating, is coveted among acquirers

been investing — and taking profits — despite mounting global concerns about the impact of fossil fuel emissions on climate change. They have ploughed on even as these worries combined with growing political pressure have pushed many financial investors to reduce their commitment to the industry — and even pull out altogether.

In the US, the Biden administration has cheered passage of the Inflation Reduction Act, the biggest climate bill in the nation's history, which will channel $370bn into clean energy and electric vehicles over the next decade, with the aim of slashing fossil fuel consumption.

President Joe Biden, who once promised to transition America "away from the oil industry", called the bill the "largest investment ever in combating the existential crisis of climate change".

At times, in the years Campbell was making his fortune, it seemed that sharp drops in oil prices would help climate campaigners by driving down fossil fuel production - notably at the outbreak of the Covid pandemic in 2020. The consequent lockdowns saw US oil prices even briefly falling below zero, hitting a negative $37.6 a barrel, as world demand suddenly dried up. Hundreds of oil companies in Texas and across the US went out of business, and it was a close-run thing for many more.

Campbell says he and his partners discussed "shutting everything down" at one point during the pandemic but ultimately decided to stick to their original plans. "It was tough for everybody and we were no different, it was real stressful," he says of the period.

'I think that there's just a reality in the world that we need oil and we need natural gas'

But, in the volatile markets that rule the industry, prices have since bounced back dramatically. They were already on the rise throughout 2021 as global demand, driven by economic recovery, was growing faster than producers could bring back supply.

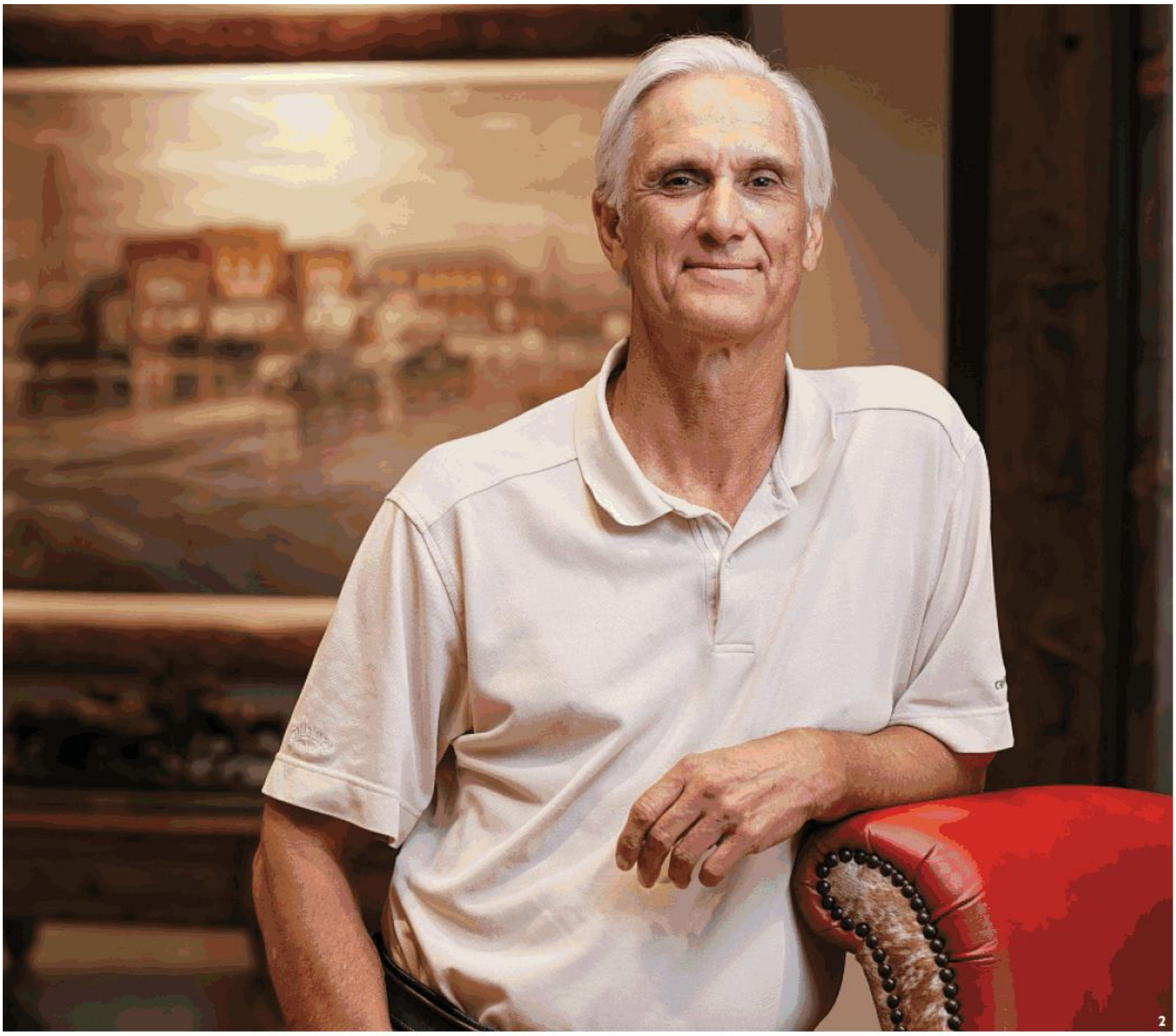
Then, in February this year, Russia sent its tanks into Ukraine. The war brought havoc to commodity markets and accelerated the surge in global crude prices, which rose to $129/b in March, the highest level since 2008. Though they have since fallen back to around $100/b, prices remain far above the $64/b average for 2019.

In Texas, this surge has delivered a bonanza to those, such as Campbell, that have invested in the shale revolution. Big publicly listed US shale oil producers such as Pioneer, Devon Energy and ConocoPhillips, proxies for the rest of the shale industry, are making more cash than ever before.

Political pressure on the production and use of fossil fuel looms as large as ever, as highlighted by the Inflation Reduction Act. But the industry is not short of support in the US, especially in the Republican party, which dominates Texas. In the summer of 2020, Campbell had an unexpected call from the White House. President Donald Trump, who would go on to lose the election that autumn, decided to visit one of Double Eagle's operations in Midland, Texas, to signal support for the domestic oil and gas industry.

The ex-president was, and is, hugely popular in oil country, where "Make America Great Again" flags fly and "Trump 2024" bumper stickers are plastered on the back of pick-up trucks. "His support for the industry was really critical through that period," says Campbell of the man, who he spent the day with.

As for the outlook now, Campbell says that the high oil prices seen this year — which he argues were exacerbated,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PHOTOS: BRIAN SHUMWAY, FOR THE FT

but not caused, by Russia's invasion of Ukraine — are a sign of things to come.

Companies face difficulties raising funds to develop new oil and gas projects as banks and other investors shy away from the industry over climate concerns, argues Campbell. He says that the oil supply picture in the coming years "looks very bleak" and he expects it to lead to relatively high prices for the foreseeable future — which would be a financial boon to producers. "I keep thinking that the capital is going to come back with the high prices, but it just seems like people are really hesitant to get back in," he says.

Billionaire oilman Tim Dunn also remains committed to fossil fuels. A Texan, born and bred, he has been in the industry since the 1970s and founded CrownQuest Operating, based in Midland, Texas, in the mid-1990s. A well-known Republican, he has used his oil wealth to back rightwing Republican candidates in Texas and advance conservative and evangelical Christian causes.

Dunn's company, like the rest of the industry, was transformed when new shale drilling and fracking technologies helped unlock vast crude reserves in the oilfields of west Texas, where his group owned vast swaths of land that had been deemed too expensive to produce. The huge Permian basin has turned from a dying oilfield into a juggernaut on global energy markets.

Dunn has expanded the business, where he employs two of his sons, Luke and Lee as vice presidents, rapidly in recent years. It is one of the most active oil and gas drillers in Texas and operates more than 1,400 wells, turning out more than 115,000 barrels of oil equivalent per day of oil and gas. CrownQuest ploughed more than $700mn into developing new wells in 2021 alone.

Analysts and bankers say CrownQuest, which is privately held, is among the most coveted Permian drillers among the larger companies that look for acquisitions in the area, though Dunn has resisted selling so far. While the company keeps its finances under wraps, analysts say a sale could command $5bn or more. Dunn credits a focus on "managing risks" in a relentlessly turbulent

'Biden needs to start treating oil and gas with extreme caution'

1
Hallie Templeton, legal director at Friends of the Earth, has criticised President Biden's policy on fossil fuels
2
In 2020, President Trump visited a Texan oil field to show support for the industry

business for the success. "I think that is one reason we have survived and prospered through exceedingly choppy waters," he says.

For Dunn, this year's surging prices has added fuel to his firm's swift growth. The company, which already produces more from the Permian's oilfields than US supermajors ExxonMobil and Chevron, says it expects "significant production growth" in the coming years.

Meanwhile, for Campbell, the price upswing has allowed his latest start-up in the Permian to take advantage of a strong tailwind. In June, his Double Eagle raised more than $1.7bn from private equity firms including Apollo and Encap, along with other investors, to start snapping up more development land in the Permian oilfield.

The fundraising success came despite the dearth of capital in the industry. "We're in growth mode and we have access to capital," says Campbell of the new venture. He says he's hunting for bigger acquisitions in Texan oilfields this time round and has assembled a group of investors that can quickly pull off big transactions. The group is ready even for a $5bn deal, he says: "We're just getting started."

The acquisition intent is a big bet that the industry will keeping making money despite the government-backed moves around the world to cut emissions and reduce the potentially disastrous effects of climate change.

The International Energy Agency predicted in a landmark report last year that spending on exploring for new oil and gas reserves would have to end now for the global economy to hit a target of achieving net zero emissions by 2050.

That said, its base forecasts still see fossil fuel demand extending far into the future. And this year's energy crisis, driving fears of fuel shortages, has scrambled the climate debate.

Politicians and consumers, spooked by high energy prices, have shifted their near-term focus from emissions reductions to securing energy supplies — even if they are fossil fuels. Despite the passage of the Inflation Reduction Act, President Biden has this year asked the domestic oil industry to increase supply to help bring down high fuel prices at the pump, even if it means higher emissions. In Europe, some leaders now want to soften climate targets.

Hallie Templeton, US-based legal director at Friends of the Earth, an environmental group, slams the Biden administration and the oil and gas industry for continuing to expand oil output in the face of the climate threat. "Biden needs to remove his oil-tinted glasses and start treating oil and gas development with the extreme caution it deserves," she says.

Some of the oil industry's biggest players have started eyeing a shift to cleaner fuels. BP, Shell and TotalEnergies are ploughing money into solar projects, offshore wind farms, batteries and electric vehicle charging networks. Even the American oil supermajors ExxonMobil and Chevron, seen as more reticent to abandon oil and gas, are investing in carbon capture and storage and hydrogen to try to cut their emissions and safeguard their businesses from the energy transition.

Campbell argues that the energy crisis that has roiled the global economy this year is a warning sign if leaders try to pull out of fossil fuels too quickly.

"I'm young, and I have a young family, and I worry about [climate change] too. But I think that there's just a physical reality in the world that we need oil and we need natural gas. We're seeing right now some of what happens if we don't have it," he says

Dunn is more scathing of policymakers' approach to climate change, which he argues is being used as cover to extend the reach of government power. He argues they are rushing too fast to get the world off fossil fuels, which he says remains central to global wealth and wellbeing. Rather than focus on eliminating oil and gas, policymakers should balance the "economic trade-offs" of cutting fossil fuel use and the potential harm from climate change. In short, they should focus on adapting to a warmer world rather than try to prevent it.

"Only forced impoverishment can deliver us to a 100 per cent renewable future any time soon. Perhaps we should allow policymakers to first convert to this lifestyle and give us a full report on whether they prefer to continue in it," says Dunn.

Climate activists argue that the rapid drop in the cost of renewables and the risk of climate catastrophe mean a quick transition to cleaner energy is both needed and will ultimately be cheaper than running the global economy on fossil fuels. Yet, from the Texas oilfields, that transition looks a distant prospect.

Of oil, Campbell says, "When my kids have kids, I don't know. But certainly, for the next couple of decades, for the rest of my career, it's going be something that we need." ●

PHOTO: CARLOS BARRIA/REUTERS

MOVING TOWARDS A GREENER FUTURE

DESPITE GEOPOLITICAL AND ECONOMIC UNREST, MANY INVESTORS STAND BEHIND THEIR ESG COMMITMENTS

BY SARAH MURRAY
PHOTOGRAPH BY MATT NAGER

or Colorado-based Doug Spencer, the devastating floods that recently hit Yellowstone National Park presented compelling evidence for his conviction that investing with an ESG (environmental, social and governance) lens has never been more important.

Like many wealthy investors, Spencer, who is on the park's board, is undeterred by Russia's invasion of Ukraine, soaring inflation or oil price spikes. If anything, the turmoil has prompted Spencer, a philanthropist and full-time impact investor, to increase his commitment.

"In the past year, I've doubled down on my alternative energy investments and investments in climate solutions," he says. "And not just solar and wind but a broad portfolio."

Spencer made money in business early in his life: he rose to lead firearms manufacturer Cooper Arms, a maker of single-shot shotguns, and sold the company in 1997 for an undisclosed sum at the age of 41.

Having sold his business, he shifted his focus to social impact by working in microfinance institutions (which serve poorer borrowers) and organisations tackling global resources challenges (such as water scarcity), as well as by using his investments to help solve social and environmental problems. "If you're going to invest for the long term, those are the kinds of places you need to be now," he says.

Spencer is not alone. Despite recent geopolitical and economic upheaval, many wealthy investors are not abandoning their ESG commitments. Quite the opposite, says Erika Karp, chief impact officer at Pathstone, a multifamily office that manages $40bn on behalf of its clients, of whom Spencer is just one. "Families want to keep a cohesiveness — in times of crisis that's important."

Data from Savanta, a research company, support this view. In a survey conducted after the Ukraine invasion, about 80 per cent of the 27 wealth managers polled said they expected interest in ESG among their clients to increase in the next 12 months. ▶

Green fingers
Investor Doug Spencer remains undeterred by recent events in Ukraine


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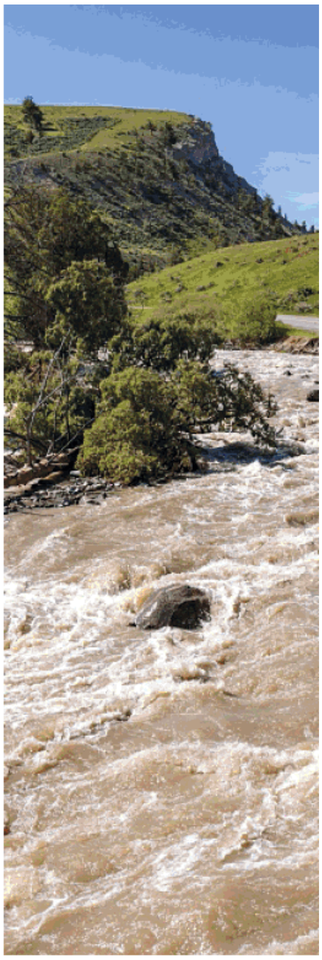


For some family offices, soaring oil prices have made it possible to increase ESG investments. "The performance of the oil companies has been an opportunity for us to sell their stocks and expand into other sectors," says Pierluigi Ventura, chief executive of the PFC Family Office, which manages the assets of the Marzotto family, and is run by Giorgiana Notarbartolo.

The positive approach of at least some wealthy investors comes in contrast to the ESG backlash that recently emerged in the broader investment community.

Last year, for example, Desiree Fixler, former global head of sustainability at German asset manager DWS, made public her concerns that DWS had misrepresented its ESG capabilities, sparking broader concerns about so-called financial greenwashing. In May, German police raided DWS's Frankfurt offices in an investigation into alleged mis-selling of green investments.

Then, in the first quarter of 2022, ESG investing across the financial sector took a hit in response to tech stock volatility, the Russian invasion and interest rate hikes in the US, with inflows to ESG funds halving, according to the Institute of International Finance.

The world's largest money manager has also shifted its position on ESG. BlackRock said in May it would support fewer climate-focused shareholder resolutions this year and that, as a result of Russia's invasion of Ukraine, more short-term investment in traditional fuel production would be needed to increase energy security.

When it comes to the clients of Jonathan Bell, chief investment officer at London-based Stanhope Capital, the picture is mixed. One group, he says, is committed to investing in an environmentally friendly and socially sustainable way. "They are sophisticated in that approach," he explains. "And what's happened in the past six months doesn't change their views."

By contrast, he says, another group — clients who focus on social impact through philanthropy but on financial returns in their investing — applied an ESG lens to their portfolios when it was easy to make money. "You invested in growth in companies with minimal [carbon] footprints and you outperformed the market," he says.

For these clients, the market's poor performance at the start of this year changed the equation, prompting them to look elsewhere for returns. These clients, he says, are making the shift "covertly rather than overtly" by moving to a different fund manager.

"If that manager has a value bias or a cyclical bias, the chances are that your carbon footprint will get worse," he says. "But you justify the move on changing the style bias, given how poorly growth did in first three months of year."

However, many wealthy private individuals and families are sticking to their sustainable investing strategies regardless of such concerns. And some of the world's wealthiest are taking an increasingly activist stance on environmental issues.

In Australia, for example, tech billionaire and Atlassian co-founder, Mike Cannon-Brookes, launched a successful shareholder campaign that blocked AGL Energy, the country's biggest carbon emitter, from spinning off three coal-fired plants. "We embrace the opportunities of decarbonisation with Aussie courage, tenacity & creativity," Cannon-Brookes wrote in a tweet on learning of AGL's decision to abandon the demerger.

Cannon-Brookes had objected on environmental grounds, since the resulting company would have run the plants into the 2040s, which he argued was not consistent with Paris agreement climate goals. He was pushing for them to be shut down by the early 2030s.

Even Carl Icahn, the billionaire activist investor and corporate raider, recently launched a campaign with an ESG flavour when he acquired 200 shares in McDonald's to push the chain's management into improving conditions for the animals that go into its burgers.

This kind of investor pressure is something that billionaire and outspoken climate activist Sir Christopher Hohn — whose firm, TCI Fund Management, has more than $40bn in assets — expects to see more of in the coming years. Hohn is pushing the companies that TCI invests in to become more transparent about their emissions reduction efforts. He also favours mandatory regulation on corporate climate disclosures.

Hohn believes high oil prices are a wake-up call that will accelerate the shift to a low-carbon economy, with the Russian invasion already sparking EU support for renewable energy funding as a way to reduce imports of Russian gas.

"The whole world should now be focused on seeking alternatives, whether it's renewables or nuclear or hydrogen or synthetic fuels," he told a Financial Times Climate Capital conference in March. "Suddenly, all of these things are far more economic."

Hohn's argument is gaining support. For many investors, the Russian invasion has merely increased the investment appeal of the clean energy technologies needed to put the world on a path to net zero (emissions levels that are in line with the Paris climate accords).

"Recent events in Ukraine have laid bare the risks of relying on fossil-fuel supplies," says AJ Singh, executive director in the ESG team at UK wealth manager Brown Shipley. "Moving to local renewable energy and adopting other clean technologies is becoming paramount."

Singh says that investors should also take note of how the Ukraine war is shifting the energy goals of governments such as the EU, which has promised to block Russian oil imports by sea by the end of this year and reduce gas imports from Russia by two-thirds within a year while accelerating investment in renewable energy.

Nor is clean energy the only focus for wealthy ESG investors. Some are also looking at asset classes that can both meet ESG criteria and deliver healthy returns at a time of rising inflation, which pushes up borrowing, labour and materials costs for companies. "We are seeing clients look at real assets because they have an inflation bias," says Singh. "Green infrastructure, green buildings and commodities have done pretty well."

This is also the case for PFC. "The only thing that has changed this year is that we prefer some sectors because of inflation," says Ventura. However, he stresses that an ESG lens is still used when making decisions about what to include in the portfolio.

Real assets that PFC favours include green real estate and

'We embrace the opportunities of decarbonisation with Aussie courage, tenacity and creativity'

1
Effects of the devastating floods that hit Yellowstone National Park earlier this year

2
Erika Karp, chief impact officer at Pathstone

3
Tech billionaire Mike Cannon-Brookes

PHOTOS: JACOB W FRANK; FAIRFAX MEDIA/GETY IMAGES

the construction materials used in green buildings. It is also moving into the chemicals sector but with an emphasis on companies that are working on solutions to environmental problems, such as developing alternatives to single-use plastics.

In making such choices, wealthy families are increasingly listening to younger members such as Notarbartolo, who wants to use environmental and social impact as a framework for investing. "We're seeing that generational shift with regard to managing family wealth," says Karp. "And this generation is more progressive."

When considering ESG principles during turbulent times, private and family investors have the advantage of being able to take a longer-term view. "Unlike institutions like banks and insurers, we have a different perspective because we have to think about the future of the family," says Ventura. "And it's impossible to have impact in the short term."

Spencer is another investor who is prepared to take lower returns in the short term for future gains. For him, a 6 to 8 per cent annual return across all his investments is acceptable (the S&P 500's historical average is about 10.5 per cent). "I think about it in terms of how much it's worth to know that the capital I'm deploying is doing some good in the world," he says.

Moreover, he believes that, in the end, these investments will pay off. "I may not make a good return on my solar investments for a few years," he says. "But I bet you, in 10 years' time, I'll be hitting some home runs." ●

BIG MONEY IN LITTLE CHINA

SINGAPORE IS FAST BECOMING THE NEW CENTRE FOR ASIAN WEALTH AND THE CHINESE ELITE ARE COMING IN DROVES

BY OLIVER TELLING

PHOTO: GETTY IMAGES

n its 57 years as an independent country, Singapore has rarely made cultural headlines. But, in 2018, for the first time, millions around the world flocked to see a film set in the city-state.

Crazy Rich Asians, a Hollywood production based on a novel by a Singaporean, enchanted foreigners with a fantasy vision of the 733 sq km island, in which ethnic Chinese billionaires flitted between mansions and five-star hotels. Singapore was portrayed as a cocktail party that never ended, where the rich would perpetually rub shoulders with each other, and luxury was always within reach.

Now this already crazily rich city is receiving a big new dose of money — thanks to a fresh influx of tycoons from across the South China Sea. After enduring years of political crackdowns, severe Covid lockdowns, and unease about Beijing's global reputation, many of China's wealthiest have been packing their suits and designer dresses. And, according to wealth management professionals in Singapore, an increasing number are booking plane tickets to the city-state.

Anecdotal reports indicate that well-heeled clients have been arriving in droves at Singapore's hotels and seaside estates — which suggests the city-state could overtake Hong Kong as the premier destination for Asia's rich, after Beijing's clampdown on the former British colony tarnished its allure.

"It has been really crazy this year," says Vikna Rajah, co-head of the private client business at law firm Rajah & Tann. He says his team in Singapore is handling one enquiry every week from multimillionaires keen to establish a family office — a type of private investment firm. About a third of those approaches come from China. A few years ago, the firm would receive only "a handful" of enquiries every year.

"In times of uncertainty, there is always a flood to more stable jurisdictions," Rajah says. "Singapore is seen as extremely safe, [with a] strong rule of law."

Another financial services professional in Singapore, speaking on condition of anonymity, was more cynical: the sanctions imposed on Russian oligarchs over the Ukraine war have made wealthy Chinese fear similar restrictions if Beijing pursues an invasion of Taiwan. Moving to Singapore could create some useful distance from the Chinese government, the person argues.

Chinese billionaires want "to stop being identified as a Chinese person," the professional explains. "It is like money laundering. Except you are laundering your own identity".

Joseph Poon, head of private banking at Singapore lender DBS, also says demand "is getting stronger and stronger" from Chinese clients looking to establish family offices.

"In the past, Hong Kong has been their traditional out-of-China stepping stone. [But now], is it really separate from China in terms of laws and regulations? A lot of clients don't see it to be the case". He says: "The real offshore in Asia has defaulted to Singapore."

Dressed to impress
China's elite have been flying into Singapore in increasing numbers according to wealth management professionals

It is not the first time that Singapore has welcomed an influx of émigrés from China. Once a sparsely populated rainforest with barely a hundred residents, the territory became a colonial shipping port that ballooned in population in the 19th century, largely thanks to Chinese merchants and workers arriving on its shores.

The city-state has maintained close links with China since then. In 2019, more than three quarters of Singapore's 5.3mn residents were ethnically Chinese, as has been every prime minister since independence. Singapore trades more with China than any other country.

After Singapore emerged as a low-tax business centre in the late 20th century — with colonial buildings razed to make way for sleek glass towers — many Chinese have shielded money there in offshore funds. But, with the economy also booming at home, relatively few were interested in emigrating.

Now, says one former Singapore official, "more and more Chinese friends and acquaintances are settling in and asking: how do I get permanent residence in Singapore?"

Beijing's increasing talk of "common prosperity" and "going after the entrepreneurs" has unnerved those who made their fortunes in China, they add. Today, Singapore appears far more friendly to the rich.

"You want to see the real rich [Chinese]? You go and walk around Sentosa," the official says, referring to the island off Singapore's south coast that serves as a billionaire enclave. "There seems to be an uptick in Bentleys."

One finance industry executive observed that "[Chinese billionaires] have always treated Singapore like a hotel, just like the Russians in London" — but also asked not to be named because of the sensitivity of the matter. "Now, they are looking to become permanent residents."

New arrivals at Sentosa's luxury beachside villas have come despite promises by the Singapore government to regulate foreign money more tightly. The home of *Crazy* ▶

'You cannot go to Hong Kong. So Singapore is the most Chinese place you can go to'

1
Singapore has raised the bar for elite family offices to qualify for tax exemptions

2
Joseph Poon, head of private banking at DBS

3
A scene from 2018 Hollywood production, Crazy Rich Asians

Rich Asians is also home to acute inequality. Rumblings among voters about the benefits of enticing elite foreigners have pressured the government in one of the world's most liberal economies to respond.

In April, Singapore marginally raised the bar for family offices to qualify for tax exemptions on the income from their investments. In a move seemingly designed to stop foreigners treating Singapore "like a hotel", officials announced that they must now invest at least S$10mn ($7.1mn) locally in Singapore, or 10 per cent of their assets if this is lower. Certain funds would also be required to employ a professional from outside the family.

The changes were introduced to "enhance the positive spillovers to the Singapore economy", an MAS spokesperson said. But wealth managers say this has not deterred Chinese clients from flying in. Committing to spending S$10mn and hiring one non-relative are negligible costs to the dynasties behind family offices, whose assets typically run into hundreds of millions of dollars.

In the broader geopolitical context, Singapore is only becoming more attractive.

Parents "don't want to send their kids to the west", says one multi-millionaire and long-term Singapore resident, pointing to growing hostility towards China and racism against Chinese people in the west. "You cannot go to Hong Kong. Singapore is the most Chinese place you can go to."

According to the ex-Singapore official, "If you go and live in a western country, you are really burning bridges with China. We are friendly enough with China. We are geographically close, we are culturally close. You can call it a 'China plus one' strategy. And we are the plus one."

And, while appearing to tighten regulation, Singapore is in fact taking a number of steps to snatch more wealth from abroad.

Its Economic Development Board, the government entity responsible for courting foreign business, has upped its marketing of the city-state as the "ideal destination" for family offices.

In 2021, as Beijing was tightening its grip on Hong Kong's lawyers and politics, the EDB published a report extolling "Singapore's political stability and strong rule of law". It also highlighted how "family businesses can look forward to quality healthcare, housing and education". By the end of 2020, there were some 400 family offices in Singapore, it noted — double the number a year earlier.

Some clients were even granted "special permission" to fly into Singapore during the height of the pandemic, when residents faced one of the world's strictest lockdowns, says Poon of DBS.

Asked how his Chinese clients have spent their time since touching down in the city-state, he insists their primary interest is doing business.

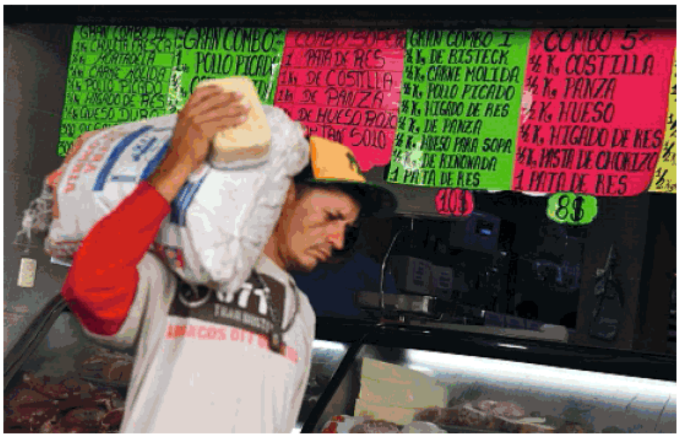
"I don't think many come and think of this as Crazy Rich Asians, do crazy things in Singapore. The only indulgence I see is a lot of them playing a lot more golf," Poon says.

"Singapore remains an island of neutrality in many people's eyes…Many, many Chinese are interested in expanding into [other markets], from the safety and the lighthouse that is Singapore." ●

PHOTOS: LAURYN ISHAK/BLOOMBERG; WARNER BROS/SHUTTERSTOCK

BOOK REVIEW
THE PRICE OF EVERYTHING

BY ANDREW JACK



Hard times
The effect of hyperinflation in Venezuela is the subject of several anecdotes

PHOTO: CAROLINA CABRAL/BLOOMBERG

When the journalist Rupert Russell landed in Caracas with $10,000 stuffed into his underpants, his aim was to circumvent Venezuela's hyperinflation and tough currency controls while reporting on the survival tactics of the local population.

He saw a street vendor updating a makeshift sign multiple times each day bearing the price of his lemonade, and was presented with a 45mn bolivar bill after a restaurant meal that required two international bank account numbers: one to pay for the food, another for the tip.

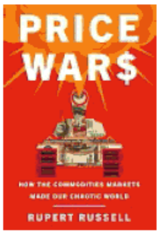
He saw desperate children fighting over discarded chicken bones; and interviewed a woman who earns extra money queuing up for hours to buy scarce rationed goods at official prices, then marking them up (her commission) and selling them on.

In a supermarket, he found empty shelves occasionally interspersed by others lined with identical mayonnaise, ketchup or bottles of mineral water "like an Andy Warhol lithograph, the pattern of consumer products repeated in all directions". These full shelves were a response to edicts to deflect negative perceptions.

Such anecdotes are among the best parts of *Price Wars*, Russell's book, which provides a colourful description of the economic pain inflicted in some of the globe's exotic regions. However, despite the quality of some of the storytelling, Russell fails analytically to meet the promise of his subtitle: how chaotic markets are creating a chaotic world.

The author describes, with a rightfully critical eye, much hardship and inequality across the globe, from orphaned children in post-Isis Mosul to the inhabitants of bombed-out Mogadishu. He is justly scathing of the swelling bonuses of the financial elites after 2008 while so many other people, including many disillusioned supporters of Trump and Brexit, suffered.

Yet, despite fulsome praise on the back cover from personalities as curiously diverse as Liaquat Ahamed, author of *Lords of Finance*, and Griff Rhys Jones, the British comedian, his attempt to find a common thread lacks coherent argument.



His book is primarily a compilation of sketches from fly-in, fly-out journalism, with occasional bursts of self-revelation and somewhat over-dramatised personal danger as he projects the odd encounter with officialdom, or distant military conflict, with imagined threats of persecution, imprisonment or worse.

The structure is essentially a travelogue of multiple short assignments, with a final chapter seeking to distil nearly a century of political economy thought with critiques of neo-liberal policies, International Monetary Fund austerity measures and financial speculation.

At times — unsurprisingly for someone seeking to cover such a range of complex topics — there are outright errors. Russian President Vladimir Putin was not, as he states in a chapter on the conflict in Ukraine, formerly the mayor of St Petersburg, for example. Nor was he chosen "by chance" by Boris Yeltsin as his successor because of a poll suggesting he resembled most closely a fictional spy hero.

Elsewhere, he skims over detail or nuance in favour of reductionism, seeking explanatory equivalence for very different scenarios: "Is Venezuela really more corrupt, authoritarian or centrally planned than other cursed petro states such as Russia or Saudi Arabia?" he asks rhetorically, shifting responsibility for the country's chaos from Chavez to US policy, the free market and fluctuating oil prices.

Periodically, Russell highlights some interesting work by analysts: how far Brexit support was inversely correlated with house prices; that high food prices are not always related to food shortages but do tend to spark riots; and that conflicts in Africa often occur in times of unusually low or high rainfall.

He has some perceptive examples of how markets work, or fail to work. For instance, hedge funds have successfully arbitraged food prices based on the differences between insights from satellite imagery on likely crop yields and inaccurate government forecasts that drive consensus views. Meanwhile, algorithmic trading apparently mistakenly drove up the price of Berkshire Hathaway shares after confusing the company with the actress Anne Hathaway, who made news by presenting the Oscars.

His overall thesis seems to be that "prices" — implicitly, markets — are the primary driver of human suffering. Yet there is little attempt to tease out cause and effect, interpret contradictory outcomes in different circumstances, or place recent trends into historical context. Prices, after all, are reflections of complex underlying factors.

His dismissal of the threat of inflation — itself a driver of high "prices" and poverty — looks overtaken by events. So, too, does his analysis of Putin's escalating war against Ukraine. The conflict may have been enabled in part by high oil and gas prices, but there were clearly other reasons behind his aggression.

There is little doubt that the growing volumes and interconnections of trade, finance and information increase the scope for market manipulation and global repercussions of once-isolated effects. A deeper investigation might have explored more closely the extent to which prices are, in other circumstances, mismatched with commercial realities and the shifting factors driving their fluctuations.

Finally, Russell provides no clear proposals for mitigating the worst effects of this system, let alone for an alternative. As Oscar Wilde almost said, focusing on price alone is of little value in itself. ●

Price Wars. How the Commodities Markets Made Our Chaotic World by Rupert Russell (Doubleday, $29.00)

RUNNING A TIGHTER SHIP

OWNERS ARE TAKING NOTICE OF CARBON EMISSIONS, THOUGH MANY ARE STILL WORRIED ABOUT THE COST

BY VICTOR MALLET
PHOTOGRAPH BY EOIN O'CONAILL

t is hard to think of a more visible manifestation of great wealth and excessive consumption than a superyacht, as Russian oligarchs have discovered to their cost, following Vladimir Putin's invasion of Ukraine in February.

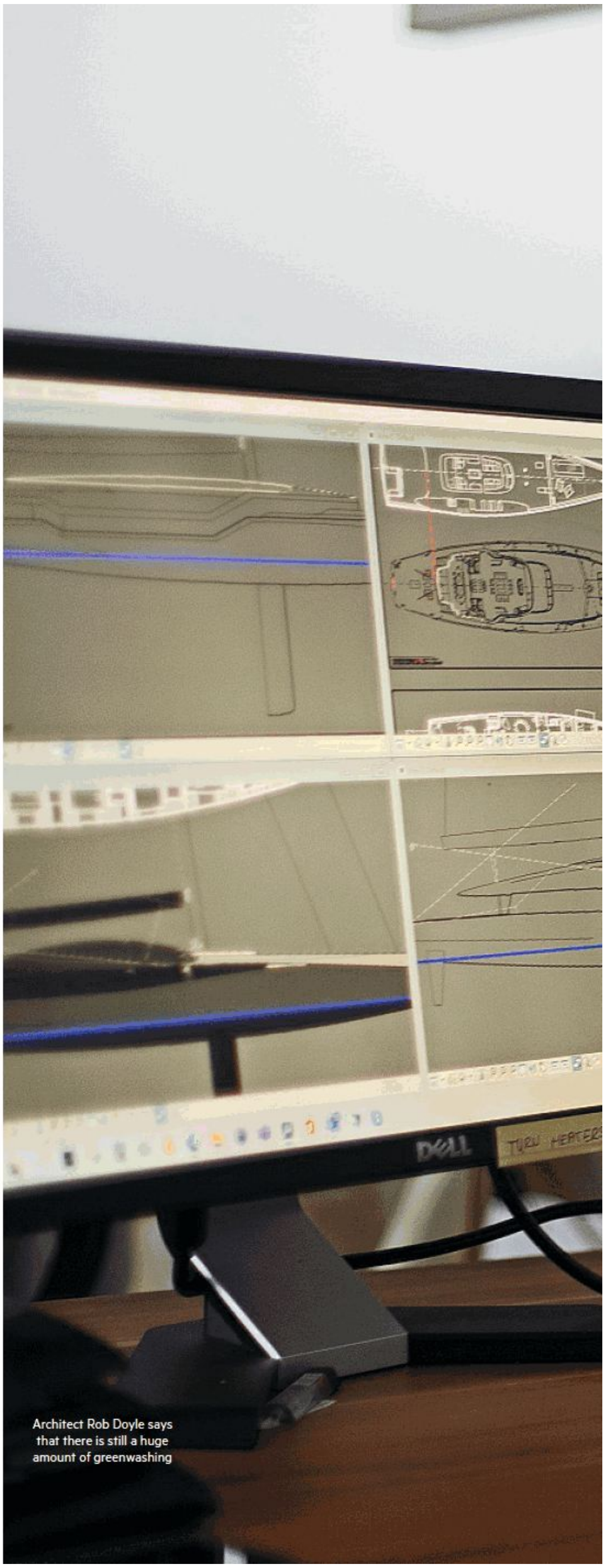
As western governments began detaining these very obvious luxury assets at harbours and shipyards around the world in successive rounds of economic sanctions aimed at Moscow, the targeted billionaires directed crews to steer the vessels to safe havens such as the Maldives in the Indian Ocean or Turkey in the Mediterranean. Roman Abramovich's 163-metre Eclipse, one of the world's largest superyachts and estimated to cost more than $1bn, found refuge in the Turkish port of Marmaris.

Long before the latest Ukraine war, however, the superyacht industry faced a problem unrelated to any support the ships' wealthy owners may have provided to warmongering authoritarian regimes: their impact on the environment and the impression they gave that the rich could not care less about climate change.

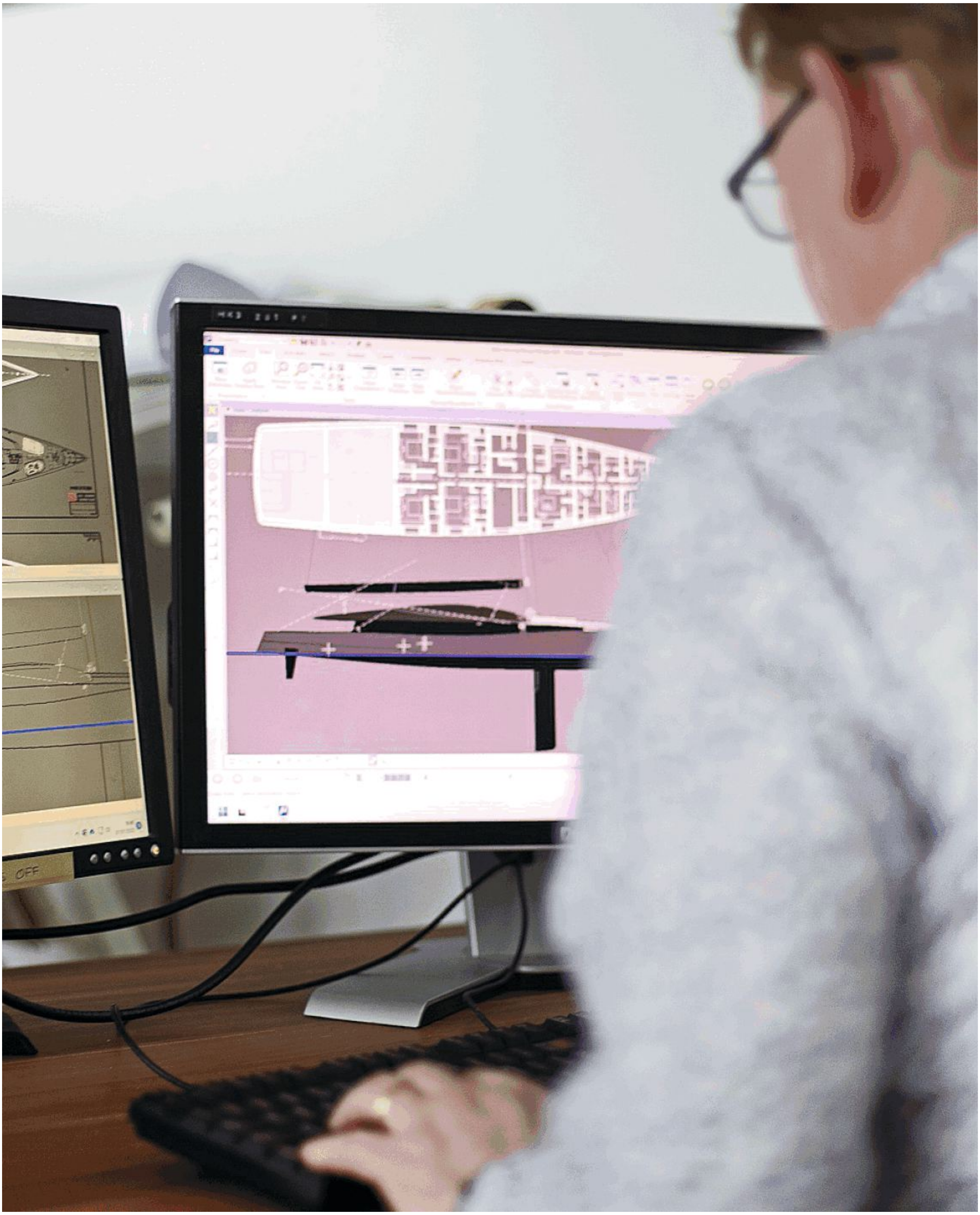
Most superyachts — typically defined as a leisure vessel more than 30 metres or 100ft in length — are essentially motor vessels like small cruise liners, catering to proprietors or charterers and a few pampered guests. The biggest have helicopter pads, swimming pools and gyms as well as luxury suites. Some even have mini-submarines.

Very few are sailing yachts, and most of them consume vast quantities of diesel. Only now are manufacturers starting to develop new technologies such as hydrogen-powered electric propulsion that will cut emissions.

In the meantime, building the boats, operating them and, eventually, scrapping them all have a damaging effect on the environment. The same is true of aircraft and cars, but the very visibility of superyachts in tourist hotspots, makes their ecological footprint an increasingly sensitive topic. The global fleet has grown more than sixfold since 1985 ▶



Architect Rob Doyle says that there is still a huge amount of greenwashing



‘You look at the magazine and you’ll never see a bad superyacht’

to reach more than 5,200, according to Superyacht Times. And the fleet cruises the world’s vulnerable oceans.

“For sure, now it’s really high up the agenda — there’s been a fundamental shift,” says Monaco-based superyacht designer Espen Oeino, who reckons it is only in the past few years that most proprietors have really started to pay attention to yacht emissions. Clients ask him what can be done to reduce energy consumption onboard, both for propulsion and for the so-called “hotel load” of air-conditioning and other services, and even how to build the boat in the first place in a responsible way.

Rob Doyle, another naval architect who designs superyachts and is based in Kinsale in Ireland, agrees that more owners are beginning to take notice of the need to reduce carbon emissions and protect the environment, though many are still concerned about the cost. “There is still a huge amount of greenwashing,” he says. “You look at the magazines and you’ll never see a bad superyacht.”

And bad they often are. Research by anthropologists Beatriz Barros and Richard Wilk of Indiana University into the carbon footprints of the super-rich found that yachts contributed an outsized share of the carbon emissions of the billionaires who own them — far more than their private jets or mansions.

For former Chelsea Football Club owner Abramovich, for example, of the 31,200 tonnes of CO_2 equivalent he is calculated to have emitted in 2018, no less than 22,400 tonnes came from his yachts. Yacht emissions for Bernard Arnault, owner of LVMH and France’s richest man, accounted for nearly 9,000 tonnes of his total of 10,400 tonnes.

There are other ways for the wealthy to be embarrassed by their superyachts. Dutch shipyard Oceanco is facing resistance from angry locals after asking the city of Rotterdam to temporarily dismantle the old Koningshaven Bridge so that Amazon founder Jeff Bezos’s new three-masted vessel — this one is a sailing yacht costing hundreds of millions of dollars — can reach the port and the open sea.

But the impact on the climate is still the environmental whale in the room for yacht owners, builders and designers: Bill Gates and Elon Musk are both big carbon emitters, but their 2018 numbers were much lower than those of their fellow billionaires because they did not have yachts, the Barros-Wilk paper showed.

The accelerating effort to green superyachts reflects similar moves in the aircraft and vehicle industries to adopt new technologies and systems that help to reduce or eliminate carbon emissions and other pollution.

For superyacht designers and builders, the process starts with the shape of the hull or hulls, because there are few things so wasteful of energy as pushing a heavy metal or composite vessel through a fluid as dense as water. For both Oeino and Doyle, this search for what Oeino calls the “geometry of an easily driven hull” means looking at multihulls (catamarans or trimarans) for the next generation of big yachts, because they are designed to skim along the surface of the sea rather than laboriously plough through it, even if there are obvious constraints on weight and what you can do with the interior space.

Next, propulsion. There are already diesel-electric boats in service, which use diesel generators running at optimum revolutions (more economical, less polluting) to power electric motors, and, in future, the idea is to run the electric motors with the output from hydrogen fuel cells.

Then there is the electricity needed for the yacht’s hotel load, principally air-conditioning and the making of fresh water from seawater, but also lights and other electrical systems. Solar panels can produce some power but rarely enough even to run a present-day superyacht at anchor, so to charge batteries and run the boat, some other form of carbon-free electricity generation is needed to replace the diesel generators widely in use today.

For Barros and Wilk, none of this can justify owning any kind of superyacht. They write: “While many billionaires have taken pro-environmental actions in their personal lives or their corporate connections or donate money to climate change organisations and purchase carbon offsets, none of these actions actually ‘cancels out’ their total emissions. A 90-metre yacht can be touted as energy efficient or environmentally friendly but, as critics of

1
Naval architect of superyachts, Rob Doyle

2
Monaco-based superyacht designer Espen Oeino

PHOTOS: EOIN O'CONAILL; REBECCA MARSHALL FOR THE FT

'eco-chic' point out, it is still a huge waste of resources, a frivolous luxury in a warming world."

But the industry is trying. Doyle's answer, developed by his own firm and Van Geest Design, is Domus ("home" in Latin), a project for a 40-metre sailing trimaran described as "the first truly zero-emission yacht" over 750 gross tonnes, which would generate electricity to charge its batteries from solar panels, hydrogen fuel cells and its own propellers acting as dynamos when the boat is sailing.

"It came out of a conversation we had with a client," says Doyle. "We proposed this project with fuel cells, and regenerative sailing. It's silent… people just want to listen to the water and the wind coming across and not have the hum of generators or the whiff of diesel."

Hydrogen propulsion is in its infancy for mass transport. The gas is difficult to store, though it can be made from methanol, and there is, as yet, no distribution network for the fuel. But the interest in hydrogen is just one sign of how the yacht industry is hunting for ways to lower emissions in the years ahead as the pressure from regulators — and public opinion — increases.

Oeino notes that in some places, including the World Heritage Site fjords such as Geirangerfjord in his native Norway, rules limiting emissions are already in place and becoming stricter, and will help to force the pace of the greening of ships and yachts.

The first systems for big yachts to be fully powered by renewables are likely to be the tenders, the smaller boats that ferry people to and from the shore, which are already starting to shift to electric propulsion, and the equipment that contributes to the hotel load when the ship is stationary. Hotel loads can, in any case, be reduced by sensible design and operation, given that indoor superyacht spaces are heavily air-conditioned all the time despite owners and guests spending a huge amount of their time outside, on deck.

Transocean travel with zero emissions is a much bigger ask, says Oeino. "A lot of stuff is already being implemented, but the full electric big yacht with zero emissions is still not a reality," he explains, because it is impossible to store or produce enough energy onboard.

"It will be a combination of things that will bring us all to lower emissions and eventually zero emissions." ●

'YACHTS FOR SCIENCE' CAN BE A BREAKTHROUGH FOR EXPLORERS

For yacht owners who feel guilty not only about their environmental footprint but also about how little they use their expensive boats, Rosie O'Donnell has the perfect solution: Yachts for Science.

YFS, which its co-ordinator O'Donnell describes as "a dating agency, almost like a Tinder for the sea", is a platform to match idle yachts and their crews with scientists in search of a vessel that can reach remote areas and allow them to research everything from coral reefs and manta rays to great white sharks. In some cases, the owners and their families like to be on board for the ride.

"It's for people who want to be a bit philanthropic so they have got something more to talk about than sitting on the back of their boat in St Tropez drinking cocktails," says O'Donnell. "It's about making the ownership more worthwhile."

The idea of YFS fits with the trend among yachtowners to commission robust so-called expedition or explorer yachts that can travel long distances, to the Antarctic for example, rather than being satisfied with something that will buzz at high speeds around the resorts of the Mediterranean or the Caribbean.

"The yachting industry is always looking for ways to reinvent itself," says Dominic Byrne of Arksen Marine, a builder that backs YFS and is building a new range of high-tech motor yachts. "People are looking to go further afield, and they are looking to do it in an eco-friendly way as much as possible."

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THE RICH COLUMN
TENSIONS FLY HIGH IN EAST HAMPTON AIRPORT DRAMA

BY MADISON DARBYSHIRE

East Hampton airport is at the centre of a legal battle. Manhattan is only 45 minutes away by air

PHOTO: JOHNNY MILANO/BLOOMBERG

Ah, summer in New York. A time for intense temperatures, heady romance and action-packed blockbuster films. But this season's biggest drama is playing out on the tarmac at East Hampton airport, a two-and-a-half-hour drive east of Manhattan (four if you hit rush hour, six if it's a holiday weekend).

The desire to avoid crawling car traffic to luxury Hamptons retreats "Out East" has fuelled a showdown over the proposed closure of the airport. By air, Manhattanites can reach East Hampton in under 45 minutes.

But some Hamptons residents say that the noise from a boom in private air travel is intolerable. This summer, a years-long battle came to a head when the airport was slated for closure on May 17 in order to be taken private by the town, which would allow for control over operations. The airport has been temporarily held open and remains public without restrictions — following an emergency restraining order and pending a judge's ruling.

Between May and September each year, the population of East Hampton explodes from about 22,000 to an estimated 90,000. Queues in grocery stores stretch as the "summer people" arrive to enjoy pristine beaches, cooler temperatures and the absence of the city's hot-trash smell.

In 2019, 31,000 flights landed at East Hampton airport, with the vast majority — 75 per cent — concentrated in the summer months, according to town data. The 2019 figure was up 21 per cent on 2015, largely driven by an increase in helicopter landings, which increased by 42 per cent over the period.

Commercial helicopter airlines, such as Blade, have helped bring the outrageous convenience of private travel from the 0.1 per cent to the wider 1 per cent. A seat to East Hampton will cost you about $1,000 one way.

While the battle has been raging over East Hampton airport for years, scrutiny intensified during the pandemic as city dwellers fled to their luxury beachside boltholes to weather the storm.

The number of complaints had already risen, to 47,000 in 2019 from 19,000 four years earlier, mostly from properties on the flight path. Complaints came from 553 households, with a few logging more than 1,000. Helicopter traffic is overrepresented, accounting for 53 per cent of noise complaints, despite making up just 30 per cent of landings at the airport, according to town data.

Conflict between Long Island locals and more affluent, and transient, summer people, is a tale older than Gatsby. But the airport debate is not so simple. Local businesses don't want to stymie the spending of literal high flyers, while summer people don't appreciate the relentless chopping of elevator blades over their beach homes. The environmental impact of all the private air travel is a concern, while helicommuters fear the end of the ride-share party. Advocates for the airport remaining open say it is vital for the local community to have access to an airport for medical evacuations.

The town of East Hampton has been hit with several lawsuits over its attempt to shut the airport, and the battle has been heated. ("I've never seen a case with more motions," said one aviation lawyer involved in the airport dispute.) "Eighty per cent of the town wants the airport to stay open, with restrictions on things like schedules," says Andy Sabin, a pro-airport Hamptons resident and plaintiff in one of the lawsuits against the town. "But we have the wackadoos out here. If you don't like rich people, go to Venezuela or Cuba and you don't have to worry about it any more."

Peter Van Scoyoc, the town supervisor and a named defendant in a lawsuit brought by Blade, and his office did not respond to requests for comment.

Supporters of the airport say time is money. A study last year by the East Hampton Community Alliance (EHCA) calculated that flying may actually be the cheapest option compared with bus or train, based on a person valuing their time at $400 an hour, which is then multiplied by the travel time and added to the ticket price. However, the reality is that flyers must place an even higher value on their time — turboprop jets can be hired starting from around $12,000 return, according to Evojets.

Because of this budget paradox, airport supporters say closing East Hampton will displace traffic to other airports. Residents of Montauk, 20 miles away, are not pleased.

The EHCA believes that a set of proposals to mollify East Hampton residents, such as curfews on flight times, would affect just 13 per cent of air travel to the airport but address 38 per cent of complaints. Other proposals, such as limiting commercial operations like Blade, or particularly loud planes, to one flight a day, are much less popular with flight-share companies. And while the community group feels that the town and pro-airport groups are in agreement on the majority of issues at this stage, they said that the fighting has become so bitter that compromise feels increasingly out of reach. Fabulous local newspaper coverage of the battle is worth seeking out in lieu of a beach read this summer.

For now, the airport remains open pending a judge's decision, and tensions are running high. In the meantime, it's still summer in the Hamptons and — as a friend of mine likes to say — "There's no crying at the beach house." ●

Madison Darbyshire is the FT investment reporter based in New York