FINANCIAL TIMES
THURSDAY 29 SEPTEMBER 2022 INTERNATIONAL NEWSPAPER OF THE YEAR ASIA

- Pledge to buy long-dated bonds for next 13 weekdays to calm turmoil
- Attempt to ease anxiety sparked by government tax cuts and borrowing
- 'Material risk to financial stability' dogs new Downing St administration

Bank of England unleashes £65bn bid to avert crisis in debt markets

CHRIS GILES, EMMA DUNKLEY, OWEN WALKER, PETER FOSTER, GEORGE PARKER AND JIM PICKARD — LONDON

The Bank of England took emergency action yesterday, unleashing a £65bn bond-buying programme aimed at stemming a spiralling crisis in government debt markets.

The central bank warned of a "material risk to UK financial stability" from turmoil in the British government bond market, which was sparked by chancellor Kwasi Kwarteng's tax cuts and borrowing plan last week.

The BoE suspended a programme to sell gilts — part of an effort to get surging inflation under control — and instead pledged to buy long-dated bonds at a rate of up to £5bn a day for the next 13 weekdays.

Economists warned that the injection of billions of pounds of newly minted money into the markets could fuel inflation. "This move will be inflationary at a time of already high inflation," said Daniel Mahoney, UK economist at Handelsbanken.

The BoE also raised the prospect of a "tightening of financing conditions and a reduction of the flow of credit to the real economy".

UK government bond markets recovered sharply after the announcement but the pound fell, down 0.8 per cent against the dollar in afternoon trading in London to $1.064.

The bank stressed it was not trying to lower long-term government borrowing costs. Instead it argued it was seeking to buy time to prevent a vicious cycle in which pension funds sell gilts to meet demands for cash from their creditors.

That process had put pension funds at risk of insolvency, because the mass sell-offs pushed down further the price of gilts held by funds as assets, requiring them to stump up even more cash.

"At some point this morning I was worried this was the beginning of the end," said a senior London-based banker, adding that at one point in the morning there were no buyers of long-dated UK gilts. "It was not quite a Lehman moment. But it got close."

At a meeting with the chancellor earlier yesterday, bankers urged Kwarteng not to wait until a planned statement on November 23 to take action to calm the markets. The meeting included Citi, Bank of America, UBS, JPMorgan, Deutsche Bank and Standard Chartered.

Kwarteng attempted to reassure markets that he was serious about restoring order to the public finances by telling government departments to identify efficiency savings, reminding them they would have to live within very tight spending limits, already set until 2025.

Following the BoE intervention, opposition Labour leader Sir Keir Starmer called for parliament to be recalled and for Kwarteng to abandon his plans.

The central bank took the emergency measures after Kwarteng's fiscal package last week sent the pound tumbling and set off historic falls in gilt prices.

The BoE said the bond purchases were designed to restore order, with the Treasury to underwrite any losses. After the BoE statement, 30-year gilt yields, which earlier had touched a 20-year high above 5 per cent, fell 1 percentage point to 4 per cent — their biggest drop in a single day on record, according to Tradeweb data. Yields fall when prices rise. Ten-year yields slipped to 4.1 per cent from 4.59 per cent.

The BoE said its action would be "strictly time-limited" and came after market participants said there was a "proper shit show" happening in government bond markets.

The Treasury blamed the turmoil on "significant volatility" in "global financial markets". It added that Kwarteng was "committed" to BoE independence.

Gerard Lyons, who has been advising Liz Truss, Britain's new prime minister, on economic strategy, said he had urged Kwarteng to keep financial markets and affordability in mind before cutting taxes. Lyons said ministers "mustn't say anything further to exacerbate the situation" and should stress parts of the government's growth plan that did not involve unfunded tax cuts.

Inside

Mounting calls to end morality patrols in Iran

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

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Norwegian military guards pipelines as suspected sabotage raises alarm in EU

RICHARD MILNE — OSLO
HENRY FOY — BRUSSELS
DAVID SHEPPARD — LONDON

The sabotage of two gas pipelines between Russia and Europe should serve as a wake-up call to the continent to protect its critical infrastructure, European officials have warned, as Denmark said the climate impact of the gas leaks would be equivalent to a third of its annual emissions.

Norway, which replaced Russia as the biggest gas exporter to the EU after the full-scale invasion of Ukraine, is deploying the military to monitor its oil and gas installations. The EU vowed "a robust and united response" to what it called a "deliberate act" while Nato and European governments said they believed the leaks were a case of sabotage.

Jens Stoltenberg, secretary-general of the military alliance, met Denmark's defence minister Morten Bødskov yesterday and said he had "addressed the protection of critical infrastructure in Nato countries".

"Russia has a significant military presence in the Baltic Sea region and we expect them to continue their sabre-rattling," added Bødskov.

Three leaks in the two Nord Stream pipelines, which emerged in international waters off the Danish island of Bornholm, are expected to last until Sunday, according to the country's energy authority.

A new pipeline from Norway to Poland that also flows past Bornholm opened on Tuesday, hours after the explosions. "These incidents show that energy infrastructure is not safe," said Viktorija Čmilytė-Nielsen, speaker of Lithuania's parliament, adding that the leaks could be "interpreted as a warning" as the new pipeline opened.

One of Norway's leading military officers warned that the country needed to take the threat to its infrastructure seriously, with gas pipelines leading to the UK, Germany, France, Belgium and now Poland. "Norway's gas supply is probably the biggest and most strategically important target for sabotage in all of Europe right now," Lieutenant Colonel Geir Hågen Karlsen said.

Norwegian prime minister Jonas Gahr Støre said there was "no specific threat" against his country. But he said the military would be "more present, and more visible" in the areas around Norway's oil and gas installations as a consequence of the leaks and increased drone activity close to rigs in the North Sea.

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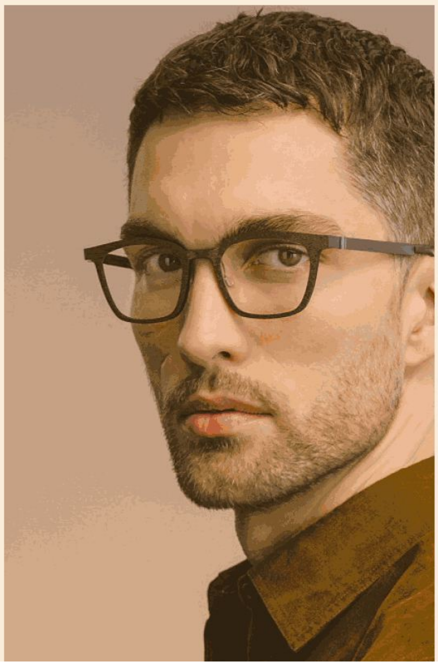

World Markets

STOCK MARKETS

	Sep 28	Prev	%chg
S&P 500	3697.13	3647.29	1.37
Nasdaq Composite	10973.41	10829.50	1.33
Dow Jones Ind	29490.78	29134.99	1.22
FTSEurofirst 300	1544.31	1539.06	0.34
Euro Stoxx 50	3337.61	3328.65	0.27
FTSE 100	7005.39	6984.59	0.30
FTSE All-Share	3820.23	3810.44	0.26
CAC 40	5765.01	5753.82	0.19
Xetra Dax	12183.28	12139.68	0.36

CURRENCIES

Pair	Sep 28	Prev	Pair	Sep 28	Prev
$/€	0.963	0.962	€/$	1.038	1.039
$/£	1.075	1.078	£/$	0.931	0.928
£/€	0.896	0.893	€/£	1.116	1.120
¥/$	144.585	144.735	¥/€	139.242	139.250
¥/£	155.378	155.953	£ index	74.166	74.097
SFr/€	0.945	0.952	SFr/£	1.055	1.066

CRYPTO

	Sep 28	Prev	%chg
Bitcoin ($)	19506.08	19076.51	2.25

GOVERNMENT BONDS

Yield (%)	Sep 28	Prev	Chg
US 2 yr	4.13	4.30	-0.18
US 10 yr	3.76	3.96	-0.20
US 30 yr	3.68	3.81	-0.13
UK 2 yr	4.25	4.65	-0.39
UK 10 yr	4.00	4.50	-0.50
UK 30 yr	3.92	4.98	-1.06
JPN 2 yr	-0.04	-0.05	0.02
JPN 10 yr	0.25	0.25	0.00
JPN 30 yr	1.47	1.43	0.04

INTERNATIONAL

Central banks

ECB officials signal further big rate increase

Policymakers favour 0.75 percentage point rise next month with more to come

MARTIN ARNOLD — FRANKFURT

The European Central Bank is likely to raise interest rates by 0.75 percentage points next month ahead of a further lift in December to a level that no longer stimulates economic growth, several of its policymakers said yesterday.

"We will do what we have to do, which is to continue hiking interest rates in the next several meetings," ECB president Christine Lagarde told an Atlantic Council event in Frankfurt, adding that the bank's "first destination" was to lift rates to the "neutral rate" that neither boosted nor restricted growth.

The ECB has raised its deposit rate at its past two meetings from minus 0.5 per cent to 0.75 per cent in an effort to tackle record eurozone inflation. But Lagarde said this level was still below the neutral rate, which officials have estimated is 1 to 2 per cent in the euro area.

Other members of the ECB's rate-setting governing council also said yesterday it could raise rates by 0.75 percentage points for a second consecutive meeting next month, followed by a further rise before the end of the year.

"There is a case for taking a decision on another significant rate hike, be it 75 or 50 basis points or something else," Finnish central bank chief Olli Rehn, a moderate on the ECB council, told Reuters. "There's a stronger case for front-loading and determined action."

Peter Kažimír, Slovakia's central bank governor and a more hawkish ECB council member, said: "Seventy-five basis points is a very good candidate for [us to] maintain the pace of tightening, but it's also necessary to wait for fresh data." Austrian central bank chief Robert Holzmann, another hawk, also supported a 75bp rise.

Eurozone government bond prices have fallen sharply this week on expectations that the ECB could raise its deposit rate higher than 3 per cent next year. Goldman Sachs has predicted two consecutive 0.75 percentage point rate rises in the final two meetings of this year.

But bond prices, which move inversely to yields, rallied yesterday, with the rate-sensitive German two-year bond yield dropping below 2 per cent to 1.9 per cent after Lagarde spoke.

"Our primary goal is not to reduce growth, our primary goal is not to put people on the dole, our primary goal is not to create a recession — our primary objective is price stability and we have to deliver on that," Lagarde said.

"If we're not delivering, it would hurt the economy far more than if we do deliver."

The ECB defines price stability as inflation of 2 per cent, but price growth in the euro area is expected to rise to a new record of 9.7 per cent when September data are released tomorrow.

Lagarde said inflation had been "more persistent and of a magnitude that nobody expected".

There have been some worrying signs for the ECB recently. Hourly salaries increased 4.1 per cent in the eurozone in the second quarter from a year ago — the strongest surge in at least a decade.

The central bank's own survey of consumers in July found on average they expected inflation to be 7 per cent in a year's time, up from 5 per cent in February. Trade unions are also demanding much higher wages.

Telecoms. Digital freedoms

UN agency poll to shape power over internet

Russian and US candidates vie to lead body as calls grow for it to take control over the web

ANNA GROSS — BRUSSELS

An American and a Russian will face off today in a UN agency election that experts say is likely to shape the extent to which nation states will be able to govern the internet.

Delegates from 193 countries will choose the next secretary-general of the International Telecommunication Union in Bucharest's Palace of Parliament against a backdrop of growing concern about fragmentation of the global internet.

Many technology experts and civil society groups are worried about governments' attempts to throttle their citizens' access to the web.

Russia, Saudi Arabia, Pakistan and Uganda are among states that have in recent years switched off public access to certain sites, or the internet more broadly, during elections or periods of social unrest. Last week, Iran blocked access to certain websites after protests sparked by the death of 22-year-old Mahsa Amini in police custody.

"If the Russians win the ITU election, they can do a lot of damage," said Justin Sherman, a fellow at the Atlantic Council's Cyber Statecraft Initiative in Washington.

The ITU, created in 1865, determines global standards for the most cutting-edge technologies, from 5G to facial recognition. But Sherman said Russian delegates had for years sought to expand its remit to encompass internet policy and infrastructure, and have backed proposals that would give more power to governments to regulate it.

"There are a lot of reasons this is a tight and uncertain election," he added. "There is growing interest in more government control of the web and in less of a role for civil society in managing the internet."

Doreen Bogdan-Martin, the US candidate, has held various positions at the ITU for nearly 30 years and is running on a relatively anodyne platform of bridging the digital divide and improving digital skills and overall efficiency of the organisation.

On the other side sits the Russian candidate, Rashid Ismailov, president of Russian telecoms operator Beeline.

Connection and control: Rashid Ismailov wants the ITU to cover the internet, threatening more state control over groups such as Russian search engine Yandex, above — Alexander Nemenov/AFP via Getty Images

Though he is running on a similar platform of increasing global connectivity, he has also championed taking power from the US and increasing the "sovereignty" of nation states, as well as making the ITU the main forum for deciding crucial questions about the way people communicate on the web.

China, which holds significant sway at the ITU and drew global scrutiny in 2020 for its proposals for a new internet infrastructure called "New IP", is widely expected to vote for Ismailov.

The ITU is led by Chinese telecoms engineer Houlin Zhao, who has increased China's engagement with the agency and has used it to promote global technology partnerships via the superpower's Belt and Road Initiative.

In a sign of how seriously the election is being taken, US secretary of state Antony Blinken recently posted a video endorsing Bogdan-Martin's campaign, one of many senior American officials to make public statements.

Celebrated by some for its decentralised model, the internet itself is not technically within the remit of the ITU, and is regulated mostly by non-profit groups such as the Internet Corporation for Assigned Names and Numbers (Icann), which distributes all IP addresses around the world.

Civil society groups say the secretary-general wields much sway over ITU priorities and funding. They have voiced concerns that if internet governance is brought into ITU jurisdiction it could lead to a slippery slope of nations being empowered to formalise their efforts to censor and control the internet.

"The fact that [the election] is not viewed as a foregone conclusion suggests that the vision of a free and open internet doesn't have universal support," said Emily Taylor, chief executive of Oxford Information Labs, a cyber intelligence company. "Are we inexorably moving towards different internets, some of which are much more state controlled?"

> 'Are we inexorably moving towards different internets, some of which are much more state controlled?'

Ismailov, who has held roles at Nokia, Ericsson and Huawei and was Russian deputy minister of telecoms and mass communication from 2014 to 2018, is one of several high-level Russian officials who have championed moving internet governance to the ITU.

"The focus and direction of the ITU in coming years will be crucial to determining the future of connectivity and digital co-operation," Bogdan-Martin said. "I believe the ITU is one of those organisations in which divisions can and must be set aside in the interest of more and better communication between all."

Ismailov declined to be interviewed.

"Even if the US wins, it's going to be a rough road ahead," Sherman noted.

US pressure

Turkish state lenders drop use of Russian payment system Mir

LAURA PITEL — ANKARA

Three Turkish state banks have halted the use of a Russian payment system after Washington put pressure on Ankara not to act as a conduit for Moscow to evade US sanctions.

Halkbank, VakıfBank and Ziraat Bank suspended payments under the Mir system on Tuesday night, according to a Bloomberg report that was confirmed by a person familiar with the matter.

The decision to stop use of the system comes a week after two other operators in Turkey, the private banks İşbank and DenizBank, also announced that they were halting payments via the network, which is a Russian equivalent of Mastercard and Visa.

While Ankara had always insisted Mir was used by Russian tourists to pay for shopping and hotels, western officials had voiced concern that it could be used as a potential backdoor for illicit finance.

Guidance by the US Treasury warned banks outside the US entering into new or expanded agreements with the operator of the payment network would "risk supporting Russia's efforts to evade US sanctions".

That warning came against a backdrop of growing alarm in Washington and Brussels about promises by president Recep Tayyip Erdoğan to deepen economic co-operation with Moscow even as he condemned Russia's invasion of Ukraine.

Erdoğan had previously praised "serious progress" on expanding the use of Mir cards in Turkey. Two Turkish banks, DenizBank and Halkbank, joined the scheme after Russian president Vladimir Putin invaded Ukraine in February.

Turkey, which is the only Nato member state not to have signed up to western sanctions on Moscow, had always stressed its banks would continue to deal with entities or individuals under sanctions. However, mounting pressure from Washington, and the risks for Turkish banks deeply integrated into the western financial system, appeared to prompt a rethink.

The decision by the state banks to suspend Mir payments came on the heels of lobbying of government by senior executives at the publicly owned Turkish lenders, according to one person familiar with their discussions, who were concerned about risking their vital foreign banking relationships.

They faced resistance from the ministry of tourism, which has been seeking to attract as many foreign visitors as possible to bolster the ailing economy.

Russians were the second-largest group of foreign tourists in Turkey in the first eight months of the year, with more than 3mn flocking to the country's cities and beaches.

Turkey is one of the few remaining countries in the region with direct flights from Russia.

The decision to halt use of Mir comes as the summer tourism season draws to a close.

Still, it was not immediately clear how the move would affect Russian holidaymakers and other Russians who have fled to Turkey following the Ukraine war and the resulting crackdown on dissent at home by Putin.

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Ukraine war fallout

Slovakia PM warns energy crisis threatens to 'kill economy'

ANDY BOUNDS — BRUSSELS

Slovakia's prime minister said soaring electricity costs had left the economy at risk of "collapse", in the starkest comments yet by an EU leader on the effects of the global energy crisis.

Eduard Heger said the huge increase in prices after Russia's invasion of Ukraine would "kill our economy" unless Slovakia received billions of euros of support

consequences of Moscow's squeeze on gas supplies in response to EU sanctions over its war in Ukraine, which pushed electricity prices to record levels this summer.

Heger said the proceeds of an EU windfall tax should be distributed evenly around the EU, which would net Slovakia about €1.5bn. He also wants Brussels to release €5bn of unused regional development funds that can be

tals to force generators not using gas to hand over revenues above €180 per megawatt hour, which would be used to compensate consumers, but this is above the level that Slovenské Elektrárne, the main Slovak generator, sold most of its power.

Heger called on Brussels to extend any windfall tax to the middlemen who also benefit from high prices. "We have to include the traders as we have to

meeting tomorrow, but Heger admitted that Slovakia could be outvoted.

He said the country of 5.5mn was in a difficult position as energy bills accounted for 10 per cent of average household spending. It also has a disproportionately large heavy industrial sector.

Those factories would be signing contracts for next year's power supplies imminently, Heger said. "We have days or weeks. ... Because the companies

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Representative, Anjali Mahindroo

Kia received billions of euros of support from Brussels, and warned he would be forced to nationalise power supplies if this was not forthcoming.

Although Slovakia is a significant producer of nuclear and hydroelectric energy, its biggest producer decided to sell off its excess power to traders early in the year. These traders are now selling the contracts back to Slovakia at prices about five times higher.

"Slovaks are buying for €500 what they sold for €100," Heger said, adding that for this reason a European Commission plan for a €140bn windfall tax on power generators in the bloc would not work in Slovakia. "If we want to have a windfall tax, it must be European," he pointed out.

His warning underscores the huge regional development funds that can be used to reduce energy bills for business.

"Otherwise [Slovakian businesses] will be closing and could collapse the whole economy," Heger said.

If Brussels does not help, "we'll have to keep this electricity for our companies and our households [so as] not to collapse", he said. "We don't want to do this, but if there won't be any other help, we will be pushed to this solution."

The International Energy Agency has called on Europe to maintain its "solidarity" on supplies this winter or risk playing into Russian president Vladimir Putin's hands. Heger said there were clauses in international treaties that allowed countries to reroute energy in times of crisis.

Brussels has proposed allowing capitals to include the traders as we have to understand they are the ones who own the [energy] contracts," he said.

The commission proposals will be discussed by EU energy ministers at a

Eduard Heger: 'If we want to have a windfall tax, it must be European'

of weeks . . . because the companies need to start purchasing and if [traders] start to quote €500 to €600 [per MW hour] they're going to start to kill our economy immediately."

Aluminium producer Slovalco, which accounts for almost a tenth of national electricity consumption, has already stopped production due to high prices.

Slovakia's growth has slowed because of the war in neighbouring Ukraine, now in its seventh month.

The commission has cut forecast growth for Slovakia to 1.9 per cent in 2022 and 2.7 per cent in 2023. Inflation has also hit double digits.

Heger said that despite the economic pain, Bratislava would continue to accept Ukrainian refugees and enforce tough sanctions against Russia.

UK DEBT MARKET TURMOIL

Pension fund strains trigger BoE bonds intervention

A £1.7tn slice of the sector struggled to cope with the unprecedented yields rise

TOMMY STUBBINGTON, JOSEPHINE CUMBO AND CHRIS FLOOD

When Kwasi Kwarteng's mini-budget sent UK government bonds plunging, the chancellor said "markets will react as they will". Five days later, the Bank of England stepped in to prevent chaotic drops in gilts prices from stinging pension funds and threatening financial stability.

A rout that began with Kwarteng's package of energy subsidies and tax cuts had threatened to snowball out of control as a £1.7tn slice of the UK's pensions sector, which dominates the market for long-term government debt, struggled to cope with the unprecedented rise in bond yields. The strategies that many pension schemes use to shield retirees from inflation and interest rate risks were buckling under the strain.

Yesterday, with the turmoil at pension funds feeding a self-fulfilling downward spiral in gilt prices, the BoE halted plans to sell its bond holdings, and instead announced bond purchases at a pace of up to £5bn a day for 13 days to restore order. "What became clear on Monday was that we were in a very disorderly market . . . with levels of volatility we've not seen in at least 35 years," said Simon Pilcher, chief executive of the £80bn Universities Superannuation Scheme, which manages retirement savings for 500,000 members.

> 'The moves in long-end yields were nothing short of incredible; the gilt market was in freefall'

USS had found navigating market conditions "challenging," he added. "The Bank of England has now intervened to dramatic effect. This intervention was warranted and timely."

Gilt prices immediately staged a rally, spurring the biggest-ever one-day drop in 30-year yields from 5.06 per cent, the highest in two decades, to 4.01 per cent. In the days before the mini-Budget, they stood at about 3.8 per cent.

Before yesterday's injection of relative calm, huge shifts in bond prices were leaving analysts and investors bewildered. "The moves in long-end yields were nothing short of incredible; the gilt market was in freefall," said Daniela Russell, head of UK rates strategy at HSBC.

Sparking the rout, Kwarteng's tax-cutting mini-budget last week had added £70bn to the government's planned debt sales in the current financial year at a stroke. International investors were reluctant to foot the bill. The gilt market suffered its worst day since the early 1990s and sterling hit its lowest level since 1985. A further blow came over the weekend as the chancellor promised even larger tax cuts, deepening the bond sell-off and sending the pound sinking to an all-time low against the dollar at the start of the week.

Mortgage rates have shot higher. But it was strains at UK pension funds that forced the BoE's hand. In the long term, cheaper bonds and higher yields are good for pension funds, as they help them harvest returns for retirees, but in the short term, soaring yields meant thousands of pension funds faced urgent demands for extra funds from investment managers to satisfy margin calls relating to hedging strategies.

As yields began to rise, hedged positions needed to be supported with extra collateral. Pension schemes embarked on a selling spree of liquid assets to meet those calls, including selling bonds, kicking off a vicious cycle of gilt sales. Advisers appealed for help to prevent the gilt market from becoming disorderly and damaging pensions as schemes became forced sellers of assets.

Between £1tn and £1.5tn of the liabilities held by "defined benefit" pension funds that provide retirees with a fixed income, usually based on past salary, are covered by these so-called Liability Driven Investment hedging strategies.

Jim Leaviss, chief investment officer of public fixed income at M&G Investments, said: "This is purely a liquidity problem; pension funds are solvent." But, he added, the BoE was "frightened that this could become a systemic problem. The BoE having to intervene to mitigate the damage done by the government is not a good look."

The central bank's surprise move may have bought time for pension funds to top up their collateral levels in a more orderly fashion, some analysts say.

But BoE governor Andrew Bailey's team remains in a tricky spot. A temporary intervention is unlikely to hold down gilt yields for long unless the government changes tack on its tax-cutting plans, said Mike Riddell, a bond portfolio manager at Allianz Global Investors.

But if investors get a sniff that yesterday's move is the start of a longer-lasting intervention in the gilt market, they may start to doubt the BoE's commitment to taming inflation, which chief economist Huw Pill flagged on Tuesday.

A more extended period of BoE bond buying would certainly help gilts, but would probably spell a further decline for the pound.

"The BoE told the market yesterday that it was going to be very hawkish, now today it's buying gilts again. What is initially seen as temporary can often become permanent. If that looks like the case, sterling could be in trouble."

See The FT View
Robert Shrimsley See Opinion
See Lex

Mini-budget. Fallout

Business as usual: Chancellor Kwasi Kwarteng meets investment bankers at the Treasury yesterday — Simon Walker/HM Treasury

Kwarteng future called into question by worried Conservative MPs

> Premier yet to make public statement and tensions with chancellor have been noted

FT REPORTERS

Some Conservative MPs yesterday claimed Chancellor Kwasi Kwarteng cannot survive the market turmoil unleashed by his new economic plan, with one former cabinet minister saying: "I think he's dead."

Tory MPs were despairing after another day of market chaos, with the Bank of England announcing plans to buy government bonds to defend the economy from Kwarteng's own policy.

Some claimed that Liz Truss, inset, who only took over from Boris Johnson as prime minister three weeks ago, was trying to distance herself from Kwarteng's strategy, even though she was instrumental in devising the plan of debt-funded tax cuts worth £45bn.

She has not made a public statement since the turmoil began and there have been tensions between her and Kwarteng over how to handle it. Kwarteng's allies said the chancellor would not quit.

But one former cabinet minister said that Kwarteng could not survive the fallout: "I think he's dead, but in the Tory party death can take many forms. It can take a long time."

Another Tory MP, in the government, said: "Liz has a pretty quick choice to make: either she bullets her chancellor and changes course or she could lose her premiership within a month.

"She will struggle to get any legislation through parliament unless she changes course, as we won't vote for it. We won't ever get to vote on this package as the markets will destroy it first."

MPs have to vote on a finance bill in order to implement parts of the fiscal package, although no date has yet been set, but ill-feeling could also spill over into wider poor discipline for other contentious votes.

Truss will be loath to lose her chancellor, an old friend. Both she and Kwarteng have insisted they will stick to the course they have set out: tax cuts and supply-side reforms, intended to boost growth.

Kwarteng's allies declined to comment on the criticism and the chancellor was yesterday talking to banks about City reforms, a sign that he sees business continuing as usual.

Most Tory MPs remain disciplined and are refusing to criticise the government publicly, not least since the party chose a new leader only a few weeks ago.

Kwarteng told City of London leaders on Tuesday he was "confident" his policies would work and is preparing to roll out new supply-side reforms, including on City regulation, childcare and digital technology.

"We don't want blue on blue attacks at a moment like this," said one senior Tory MP. If Truss were to remove Kwarteng, it would leave her exposed and be an admission of economic incompetence.

Truss and Kwarteng disagreed on Monday on whether the Treasury and BoE should issue statements to reassure the markets, Tory insiders said. They added that 10 Downing Street was much more relaxed about the market chaos than the Treasury and wanted to ride out the storm.

Ultimately, the BoE announced it would "not hesitate" to raise interest rates and Kwarteng released a statement saying he would produce a debt-cutting plan on November 23; senior City figures warned the chancellor yesterday that date is too far away.

Allies of Truss insisted that she fully supported Kwarteng and his growth plan, describing talk of tensions as "nonsense". One said: "They're in lock-step."

Truss herself is feeling the heat. One member of the 1922 backbench committee of MPs speculated that at least 10 letters of no confidence from MPs had already been received. She faces a big challenge to get the party behind her at next week's Tory annual conference.

"Next week at conference they need to show they can dig us out of this hole or it's terminal for her," the MP said. "They've behaved like an Oxbridge debating society, it's just idiotic."

A former minister said that "MPs won't stand idly by" if Labour maintained a large poll lead: this week YouGov gave the opposition party a record 17-point lead over the Conservatives.

But one veteran Tory MP advised caution. "People aren't stopping to think for a second about how ludicrous that would look, how we would be the laughing stock of the world if we tried to get rid of her now," he said.

Rishi Sunak, former chancellor and Tory leadership contender who predicted market chaos if Truss pursued unfunded tax cuts, is not expected to attend the party's conference in Birmingham next week.

But his former supporters are starting to criticise the new administration. Mel Stride, Tory chair of the Commons Treasury committee, said he could not understand why Kwarteng promised "more to come" on tax cuts, even as markets recoiled from the borrowing required to fund the first batch.

Some Tory grandees have defended Kwarteng. Lord Daniel Hannan, writing for the ConservativeHome website, said the sterling sell-off was not caused by unfunded tax cuts but by a "belief that this Budget has made a Labour victory more likely".

Some Tory MPs believe that Truss could make a start by reversing one of the most contentious tax cuts in last week's package: the abolition of the 45p additional income tax rate for earnings of more than £150,000.

Cabinet sources said the plan was not revealed to the cabinet before Kwarteng announced it. Kwarteng's allies declined to comment.

One Tory MP from a northern seat pointed out: "We all wanted tax cuts, but no one on 150k a year has ever complained to me about their 45 per cent tax rate."

Reporting by George Parker in London and Jim Pickard, Sebastian Payne and Jasmine Cameron-Chileshe in Liverpool

Adverse effects are just the beginning if disorder is allowed to persist

INSIGHT

rises in yields on UK gilts, a new record low for the currency and mounting risks of market malfunction and financial

against its intention outlined in August to sell securities (the now delayed programme called quantitative tightening)

Already dealing with inflationary and recession concerns, British households and businesses face the prospects of sig-

Tory party

Truss allies hit back at IMF over criticism of fiscal plans

Mohamed El-Erian

It has been a very long time since we have seen a G7 economy experience what the UK has in the last six days — disorderly moves in its currency and bond markets, a loss of confidence in policymakers, direct central bank intervention in the government bond market, pressures for an emergency rate hike, and a warning from the IMF. If the disorder is allowed to persist, the consequential adverse economic and financial effects for the UK, already concerning, are just starting.

The catalyst for this momentous time in UK economic history was an overambitious policy package aimed at generating economic growth and lowering inflation. Structural reforms to boost growth and the stabilisation of energy prices, both welcomed moves, were accompanied by an unsettlingly large, relatively regressive and unfunded tax cut.

Coming amid global market nervousness, this unleashed record-breaking

accidents. It also triggered a disapproving IMF statement more familiar to developing countries than a G7 nation.

The initial attempt to calm the situation down involved holding-operation statements from the Bank of England and the Treasury. These had some impact but not enough to counter the move higher in yields, which in the case of the 30-year went above 5 per cent to a level last seen in 1998. The intensification of already large and sudden market moves threatened both failures to meet collateral calls and other counterparty concerns among non-banks.

The multiplying dislocation of the fixed income markets forced mortgage providers to withdraw products. The few home buyers able to secure new mortgages saw their monthly payments surge. Meanwhile, the BoE resisted any emergency measures.

The central bank's posture changed again yesterday as evidence grew of market stress. No longer able to stand on the sidelines, the BoE announced direct market interventions via the "temporary" purchases of long-dated government bonds.

Forget the fact that this explicitly goes

and hike interest rates more aggressively. Worries about the further amplification of policy inconsistency in the UK gave way to the immediate priority of stabilising markets in turmoil.

It was never going to be easy for central banks to exit too many years of

The longer this is allowed to continue, the greater the damage to the country's ability to grow

repressed interest rates and massive liquidity injections, and the adverse market conditioning that they entailed. Now, this bumpy transition has become a lot more difficult and consequential.

Having said that, what is at stake here goes well beyond a disorderly tightening of financial conditions and a higher risk of market accidents. Real damage is being done to the UK economy. The longer this is allowed to continue, the greater the damage to the country's ability to grow in a high, sustainable and inclusive manner.

nificantly higher borrowing costs and damaged wealth. The combined result is yet another stagflationary hit contrary to the basic objective of the government's policy of promoting growth and containing the cost of living crisis.

There is a way out — but the window is already closing. It consists of the government delaying the tax cuts well into next year and beyond; the BoE hiking interest rates before its November 3 meeting; the Treasury explaining how its structural reforms will stimulate sustainable growth; more focused protection of the most vulnerable; and close supervision of imbalances in the non-bank sector.

The multiplying comparators of the UK economic situation to those in struggling developing countries is troubling, domestically and internationally. If left, they will further damage policymaking credibility, making it even harder to re-establish financial stability in the context of a growing economy. The government and BoE need to move before the situation gets even more problematic.

The writer is president of Queens' College, Cambridge, and an adviser to Allianz and Gramercy

CHRIS GILES — LONDON

Allies of Prime Minister Liz Truss and Chancellor Kwasi Kwarteng have hit back at an attack from the IMF on last week's borrowing and tax cut plans.

After several days of financial turmoil, the IMF took the unusual step on Tuesday evening of criticising the UK's economic policy. "Given elevated inflation pressures in many countries, including the UK, we do not recommend large and untargeted fiscal packages at this juncture," the IMF said. "It is important that fiscal policy does not work at cross purposes to monetary policy."

The Treasury responded by saying it would set out further details of its fiscal rules in November, including ensuring that debt would fall as a share of gross domestic product in the medium term.

Ministers did not speak publicly but, on the BBC's *Today* programme, former Conservative minister John Redwood said the IMF should not have criticised the UK. "[The fund] didn't foresee the big inflation which they triggered, they didn't have sensible advice in good time to see off inflation, and now late in the day when the inflation is very visible for all to see, they're suggesting taking measures to tackle it when the world has moved on," he said.

Redwood also hinted that the government's response to concerns about unsustainable public finances would be a new programme of austerity and spending cuts to balance lower tax revenues. Lord David Frost, the UK's former Brexit negotiator, added: "The only way forward for Britain is lower taxes, spending restraint and significant economic reform."

But Sir Keir Starmer, opposition Labour leader, described the fund's criticism as "very serious". Accusing the prime minister and chancellor of making a "self-inflicted" mess of the economy, Starmer said Kwarteng should bring forward a planned statement on how he would repair the public finances from November.

Even some supporters of Truss have become worried by the rise in borrowing costs. Julian Jessop, an independent economist who has been advising her, referred to it on Twitter, saying "even I cannot put a positive spin on this".

INTERNATIONAL

Damaged Baltic Sea gas pipelines put western powers on alert for sabotage

Suspected explosions in infrastructure over the past week have allies braced for a new stage of hybrid war

RICHARD MILNE — OSLO
CHRIS COOK — LONDON

Mysterious explosions, gas leaks and gas bubbles in the Baltic Sea — alleged sabotage of two European pipelines have fuelled anxiety about attacks on infrastructure and a new stage of hybrid war.

Three leaks have been detected in the Nord Stream pipelines linking Russia with Germany, all in international waters just off the Danish island of Bornholm in the middle of the Baltic Sea.

Neither pipeline was in operation as supplies in Nord Stream 1 were halted this month by Russia and Nord Stream 2 never came into operation after Germany cancelled its approval process. The leaks coincided with the opening of a line between Norway, now Europe's biggest gas supplier, and Poland.

What do we know so far?

The first sign something was up came on Monday when German seismologists detected a spike in activity that would coincide with the Nord Stream 2 leak reported later by Denmark. Photographs in the morning by Planet Labs, a satellite photography provider, show a foaming mass about 700 metres wide.

Seismologists reported a further spike in the evening, which probably coincided with the two leaks on the Nord Stream 1 pipeline announced by Sweden's maritime administration on Tuesday morning. Swedish seismologists said the two powerful spikes in activity were in keeping with explosions, not natural events such as earthquakes.

The leaks occurred in Denmark's and Sweden's exclusive economic zones, not in their territorial waters. Both countries' prime ministers underscored that as the leaks took place in international waters and there was no attack against either Denmark or Sweden.

Neither is in busy water; they are just outside a large area of sea designated for use by the Danish military as a firing practice area and which has also been used to launch civilian space rockets.

The three leaks, two in the Nord Stream 1 pipeline north-east of Bornholm and one in the Nord Stream 2 pipeline south-east of the island, caused disturbances in the sea up to 1km wide, according to the Danish defence forces.

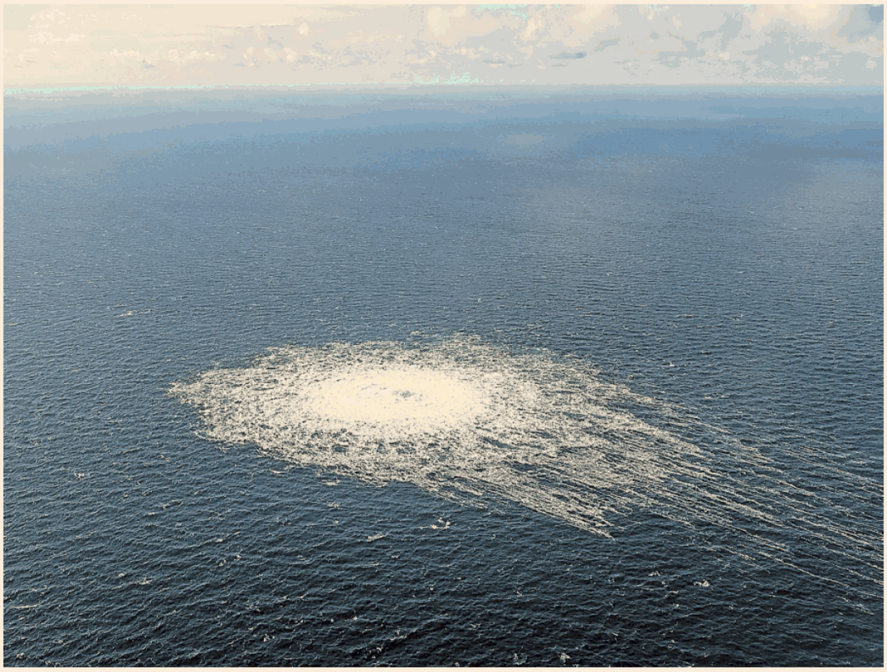
Experts said they were worried about the amount of methane that was likely to have leaked out. The leaks "risk becoming a climate and ecological disaster", said Stefano Grassi, head of cabinet for the EU energy commissioner.

What could have caused the leaks?

The immediate suspicion was that they were acts of sabotage. The Polish and Danish premiers both suggested they were unlikely to have been accidents.

Each steel pipe is about 4cm thick and coated in up to 11cm of concrete, making each 12-metre section weigh about 24 tonnes, according to the operator of the pipeline, Nord Stream.

The two Nord Stream 1 leaks are relatively close together and only about 15km from a busy shipping lane. The Nord Stream 2 leak, however, is about 80km to the south in an even quieter area. There is little passing traffic as it is shielded to the north-west by the island of Bornholm. The military firing practice area, which is subject to restrictions



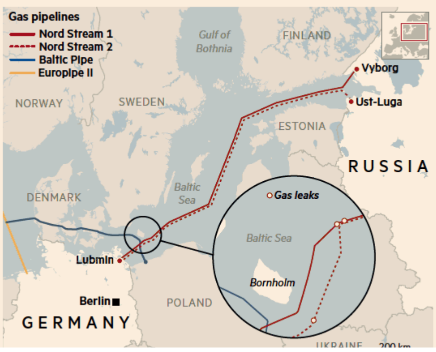
Gas bubble: the Nord Stream 2 pipeline off Denmark leaks after two pipes to Russia and Europe were hit by unexplained leaks, raising suspicions of sabotage — Danish Defence/AFP via Getty Images

Björn Lund, a member of the Swedish seismic network, told state broadcaster SVT he guessed that more than 100kg of dynamite or TNT would be needed to cause such large explosions.

HI Sutton, a submarine expert, tweeted that the leaks took place in sea just 70 metres deep. He speculated that if Russia was involved in the sabotage it was probably done using underwater drones and divers, not submarines.

An energy analyst suggested Russia could have used "malevolent pigs", referring to the pipeline cleaning and inspecting machines known as pigs used to find faults or clear blockages.

More than 100kg of dynamite or TNT would be needed to cause such explosions



Who could be behind it?

Jens Stoltenberg, Nato's secretary-general, urged caution about jumping to conclusions. "This is something that is extremely important to get all the facts on the table, and therefore this is something we'll look closely into in the coming hours and days," he said.

Radosław Sikorski, a former Polish foreign minister, suggested the leaks were the result of sabotage by the US, posting a picture of one of the leaks with the words: "Thank you, USA."

Nord Stream 2 was designed to allow Russian gas supplies to bypass Ukraine and, before the February invasion, US president Joe Biden had stated: "If Russia invades . . . then there will be no longer a Nord Stream 2. We will bring an end to it."

But Ukrainian officials were quick to blame Moscow. Mykhailo Podolyak, an adviser to Ukraine's president, said the leaks were "nothing more than a terrorist attack planned by Russia and an act of aggression towards the EU". Kremlin spokesman Dmitry Peskov had earlier said Russia was eager to establish what had happened and said sabotage could not be ruled out.

What comes next?

Concern has mounted in western intelligence that Russia has been testing the vulnerability of critical infrastructure in some countries.

One of the two fibre-optic cables linking the Norwegian mainland with the Arctic archipelago of Svalbard was cut in January this year, with police blaming human activity. Norway also warned on Monday that unidentified drones had been flying close to several oil and gas rigs over several months, prompting investigations by police and intelligence services.

Russian security services last week claimed they had thwarted a planned Ukrainian attack on the TurkStream pipeline that supplies Turkey and parts of southern Europe, although Kyiv rejected the allegations.

A western security source suggested the Russian allegation would be consistent with other suspected "false flag" operations by Moscow to spread doubt and suspicion about who was behind any further attacks.

Analysts said the worst-case scenario for Europe would be sabotage of an active pipeline, such as one between Norway, now its biggest gas supplier, replacing Russia after the invasion of Ukraine, and the continent.

Oslo on Tuesday night raised the preparedness level of its oil and gas installations amid widespread concern in Norway.

Additional reporting by David Sheppard and John Paul Rathbone in London and

Sanctions

Brussels to set price cap on Russian oil and extend export bans

SAM FLEMING, ALICE HANCOCK AND ANDY BOUNDS — BRUSSELS

The EU is to implement a price cap on Russian oil and widen the range of products covered by export bans as part of new measures designed to inflict more pain on the Kremlin for escalating the war in Ukraine.

Brussels' eighth package of sanctions against Moscow will also include a ban on EU individuals serving on boards of Russian state-owned enterprises and new measures targeting individuals involved in the war, European Commission president Ursula von der Leyen said yesterday.

The EU will also extend legal grounds for asset freezes and export bans by adding sanctions evasion to the list of reasons for penalising individuals.

Von der Leyen said the commission estimated the package would reduce Russian revenues by €7bn annually.

The measures follow Vladimir Putin's partial mobilisation and sham referendums in Russian-occupied territories in south-eastern Ukraine, widely seen as heralding their formal annexation by Moscow. "We are determined to make the Kremlin pay for this further escalation," Von der Leyen said.

She denounced Putin's threats to use nuclear weapons and his decision to back referendums hastily arranged by Moscow supporters in four Russian-occupied Ukrainian regions, saying he had escalated the invasion "to a new level".

The key part of the new penalties — which need to be unanimously agreed by the 27 member states — is the EU's first official step towards a price cap on seaborne Russian oil, which has been agreed in principle at a G7 level.

Von der Leyen said the EU would outline the "legal basis" for the oil price cap, which would bar insurance for shipments of Russian crude sold above a certain price. People familiar with the sanctions said the mechanism setting the level of oil price cap still needed to be determined by the G7 and the EU legislation would leave that issue unresolved.

As well as a proposed ban on the export of semiconductors, the sanctions will aim to ban sales of dishwashers, washing machines and fridges, according to people familiar with the proposals. This comes after warnings that the Russians have been removing microchips from white goods for use in missiles and other weapons.

Restrictions on aircraft would be extended to parts such as tyres and brake pads, after evidence that Russia had been able to keep their jets flying by importing spare parts. EU states would also be banned from exporting riot control gear.

The new sanctions will also add more individuals to a list of EU asset freezes and travel bans. Those targeted include people involved in Russia's occupation and expected annexations, including proxy authorities, said Josep Borrell, the EU's high representative for foreign affairs. Others affected will include high-ranking officials involved in Russian defence and those who support Russian troops by providing weapons and aircraft, as well as people accused of spreading disinformation about the war when in use, is only 5km to its north.

Source: Petroleum Economist

gence circles in recent years that Russia

Henry Foy in Brussels

and funding its dissemination.

Economic support

US urges EU to speed up Ukraine financial aid

HENRY FOY — BRUSSELS
JAMES POLITI AND COLBY SMITH
WASHINGTON

The US is pressing EU countries to speed up and increase financial support for Ukraine as the IMF explores new ways to send cash to Kyiv.

Senior officials in the Biden administration had voiced frustration at Brussels over the slow disbursement of European aid to Kyiv, said four officials speaking under the condition of anonymity. They had also requested Brussels set up a "regular mechanism" for financial support, they said.

Washington has been "in frequent contact" with the European Commission and EU member states about the need to "expeditiously deliver promised economic assistance to Ukraine", one US official said, adding: "We reiterate our call for all of Ukraine's partners to more quickly deliver promised assistance to Ukraine, to increase their commitments, and to prioritise assistance in the form of grants over loans."

The US wants to increase support for Ukraine's economy at a time when Kyiv is seeking to regain territories from Russian forces in the south-east of the country. Washington used meetings on the sidelines of the UN General Assembly last week to urge European partners to fix bottlenecks holding up the cash, according to a European official with knowledge of the discussions.

Another EU official said Ukraine's prime minister Denys Shmyhal met European Council president Charles Michel to stress Kyiv needed about

'We reiterate our call for all of Ukraine's partners to more quickly deliver promised assistance'

€3.5bn each month. "The one message . . . was an urgent need to see the [money]. He was pleading for this to come as fast as possible" — whether in loans or grants, the official said.

Washington has provided $8.5bn in economic assistance to Kyiv, and requested an additional $4.5bn in grants from Congress.

Meanwhile, Brussels has paid €1bn of the €9bn it pledged in May. It agreed to the release of another €5bn this month but is yet to disburse the funds. It hopes to pay out the remaining €3bn by the end of the year. This is in addition to a €1.2bn EU loan earlier this year, equivalent to a third of the Kyiv government's monthly external financing needs.

A senior US official said: "We look forward to the EU beginning delivery of the €5bn in pledged assistance starting next month and urge the EU to quickly develop a regular mechanism to keep delivering budget support to Ukraine going forward."

A spokesperson for the commission said: "It is important to stress that an exceptional package of this extraordinary size requires careful budgetary management to ensure that any risks to the budget are adequately covered by the required budgetary cover. This calls for careful consideration and hence required more time."

Separately, the IMF is studying ways to bolster its immediate assistance to Kyiv while simultaneously progressing towards a full-fledged lending programme. IMF managing director Kristalina Georgieva also met EU leaders in New York, said a person briefed on the meetings, adding that a package to provide "budgetary support" to Kyiv was discussed.

Referendums

'Farce' regional plebiscites back joining Russia

BEN HALL — KYIV
POLINA IVANOVA — BERLIN

Voters in four Russian-occupied provinces of southern and eastern Ukraine have overwhelmingly agreed to their regions joining Russia, according to referendums regarded as sham plebiscites by Kyiv and its western partners.

The ballots showed support in Luhansk at 98 per cent, Zaporizhzhia at 93 per cent and Kherson at 87 per cent after a full count, Russian state news agency Ria Novosti reported. In Donetsk, approval was 99 per cent.

Ukrainian president Volodymyr Zelenskyy said the votes were a "farce". The foreign ministry called on the EU, Nato and G7 powers to "immediately and significantly increase pressure on Russia, including by imposing new tough sanctions, and significantly increase their military aid to Ukraine, including by providing us with tanks, combat aircraft, armoured vehicles, long-range artillery, anti-aircraft and missile defence equipment".

The hastily arranged vote took place over five days, with election officials, security forces and Russian soldiers going from house to house to ensure residents took part. Ukrainian officials denounced the exercise as voting under the barrel of a gun and reported instances of men being threatened with detention if they did not participate.

The results, which were never in doubt, pave the way for formal annexation of the four provinces as soon as this week.

None of the four territories is fully

A man casts his ballot at a polling station in the self-proclaimed Donetsk People's Republic

under Moscow's control and Kyiv has vowed to continue its counteroffensives to take them back.

President Vladimir Putin last week said Russia would use "all the means at its disposal" to defend the territories incorporated into Russia, alluding to the possible deployment of nuclear weapons to preserve what he sees as his country's territorial integrity.

Putin also announced a call-up of 300,000 reservists and men of military age last week, in the first wartime mobilisation since the second world war. The order triggered protests and prompted tens of thousands of military aged Russian men to flee the country, many of them to Georgia and Kazakhstan.

Once the referendum results are in, Russia's lower house of parliament will convene to vote on whether the regions should be incorporated into the federation. Analysts expected approval to be swift. A final sign-off by Putin will be required. The Kremlin has signalled that he could address the nation tomorrow, though it has not confirmed the event.

The Russian-appointed head of occupied parts of Zaporizhzhia said on Tuesday night that his region had de facto separated from Ukraine and was applying to join Russia. He is expected to visit Moscow this week to appeal to Putin to incorporate the province into Russia.

Kyiv's western allies reiterated their support for Ukrainian sovereignty and said they would never recognise the results of the referendum or a Russian annexation of Ukraine's territory.

Antony Blinken, US secretary of state, said Washington would impose sanctions on Russia should it follow through with any annexation of occupied areas.

INTERNATIONAL

Extreme weather

Hurricane Ian bears down on Florida coast

Emergency services ready to mobilise as 'extensive' damage is expected

AIME WILLIAMS — WASHINGTON

Florida was braced for a "catastrophic" hurricane yesterday, as forecasters said it would make landfall with extremely strong winds and storm surges as much as 18ft high.

The federal government prepared for search-and-rescue operations across the state and electric utilities expected widespread power outages as Hurricane Ian churned towards Florida's south-west coast. The storm was "on the threshold" of category five, the most severe ranking, with maximum sustained winds approaching 155mph in a 35-mile radius, the National Hurricane Center said.

The "devastating" Ian will be "a storm we talk about for many years to come", Ken Graham, director of the National Weather Service, said yesterday morning. The National Hurricane Center said that "Ian will cause catastrophic storm surge, winds and flooding in the Florida peninsula".

Millions of Florida residents are under evacuation orders, although Florida governor Ron DeSantis said yesterday morning that it was too late to leave Collier, Lee, Sarasota and Charlotte counties, where the storm was already approaching.

Florida Power & Light, the state's largest electric utility, said it was preparing to rebuild parts of its electric system as it warned of "extensive damage to the electrical infrastructure".

Storm surges reaching from between 12ft to 18ft were expected to hit the south-west coastline from Englewood to Bonita Beach, the US National Weather Service said. Tampa Bay, however, was drained yesterday morning as the hurricane's counterclockwise winds blew out towards the sea.

US president Joe Biden said he had been in touch with DeSantis and the mayors of three cities — Tampa, Clearwater and St Petersburg — to tell them the federal government would do everything to help them cope with the impact of the storm.

The US Federal Emergency Management Agency has sent 700 officials to Florida and stored 3.5mn litres of water and 3.7mn meals in nearby Alabama, as well as having generators on hand and 128,000 gallons of fuel "ready for rapid deployment", said Deanne Criswell, the agency's director.

Fema has also deployed 300 ambulances and federal medical teams to Florida, and is tracking medical needs across the state's hospitals, care facilities and dialysis centres.

Search and rescue co-ordination teams were placed in Miami alongside the US Coast Guard, and officials from the Department of Defense and the Department of Interior. DeSantis ordered the deployment of 5,000 members of the Florida National Guard, with 2,000 more expected from other states.

Federal officials are already dealing with the devastation caused by Hurricane Fiona in Puerto Rico, which killed more than a dozen people and has left hundreds of thousands without power.

Graham of the National Weather Service said the storm would slow down as it reached landfall, increasing the amount of rainfall received. Parts of the state are forecast to receive between 15 to 24 inches of precipitation.

He said that while the leading cause of fatalities in strong hurricanes was flooding, the storm's eyewall should also be expected to cause a "devastating" amount of structural damage to buildings and power lines.

Middle East. Women's rights

Enforcement: a policeman speaks with a woman after she was arrested because of her clothing in Tehran — Behrouz Mehri/AFP/Getty Images

Iran morality police leave the streets

Feared Guidance Patrol has vanished after the death of a woman led to protests

tice and will have no other choice but to give more social freedom to the urban middle-class youth."

For more than a week, young protesters, many the same age as Amini, have

Hardliners under former president Mahmoud Ahmadi-Nejad made the police responsible for "promoting social security" in 2006 when they launched the Guidance Patrol — a label later

cars without scarves. Their cars are then impounded for up to two months.

It is unclear how many police officers work in Guidance Patrol but their presence, in busy squares, parks and outside

South-east Asia

Manila seeks balanced ties with US and China

KATHRIN HILLE — MANILA

Political allies have hailed Ferdinand Marcos Jr's first visit to the US as Philippine president as a "home run": he secured one of the few bilateral meetings with Joe Biden on the sidelines of the UN General Assembly in New York.

The US welcome reflected the decisive steps Marcos is taking to revitalise Manila's alliance with Washington following a pivot towards China under his predecessor, Rodrigo Duterte.

But Manila is attempting to carefully balance ties with its security ally and its powerful neighbour amid concern that it would be on the front lines of any conflict between the superpowers.

"We are cognisant of the contest between the two hegemons. We're just trying to look at it from a point of view that will really match our interests," Clarita Carlos, Marcos's national security adviser, said in an interview with the Financial Times.

"Whatever China is offering us in terms of trade . . . or infrastructure, we'll take it. Whatever the US is offering us in terms of security umbrella has to be taken into consideration also," Carlos said.

As the FT reported last week, US defence secretary Lloyd Austin and Philippine counterpart Jose Faustino Jr will join bilateral military co-ordination talks today, the first time such senior government figures have participated in the annual discussions. The two mili-

of being dragged into a war between China and the US over Taiwan.

US diplomats have gone out of their way to ensure controversy over Marcos's family past will not interfere with engagement as they seize the opportunity to bolster ties with Washington's oldest security ally in Asia.

In 2011, a Hawaii court fined Marcos and his mother, Imelda Marcos, $353mn for contempt of court in a case stemming from human rights violations during the martial law rule imposed by his father, late dictator Ferdinand Marcos. Despite that standing court order, Washington publicly reassured Marcos he could enter the US without the risk of detention.

But Beijing is courting the Philippine president as well. At Marcos's inauguration in June, Chinese vice-president Wang Qishan expressed hope for a "new golden age" in bilateral relations, playing on the incoming leader's desire to restore his family's image and on the

Ferdinand Marcos Jr: was granted a bilateral meeting with Joe Biden during the UN General Assembly

Marcos clan's role in building ties in the 1970s.

Ahead of his election, Marcos's backers described his father's rule as a "golden age" for the country, a view at

NAJMEH BOZORGMEHR — TEHRAN

The white-and-green Guidance Patrol vans used by Iran's morality police to monitor and arrest women who defy the Islamic dress code have in recent days disappeared from the streets of Tehran.

For the past decade a symbol of the Islamic republic's crackdown on women, the vans are not even visible outside the morality police centre in central Tehran.

Mahsa Amini, a 22-year-old woman of Kurdish ethnicity, was this month bundled into one of these vehicles. She later died in custody, triggering the biggest street protests across the country since the 2019 unrest over fuel prices. At least 41 protesters have died, according to state television. Hundreds have been arrested, local agencies report, including political activists and journalists.

Such is the outrage over her death that people from across the Iranian political spectrum have called for an end to the official policing of women's clothing. "Guidance Patrol will most probably be withdrawn from the streets," said Saeed Laylaz, a reformist analyst. "The Islamic republic will have a major setback over the hijab in prac-

poured on to the streets across the country chanting anti-regime slogans such as "We don't want the Islamic republic" and "Death to the dictator".

University students have demonstrated on campuses and female protesters have burnt their scarves. Others faced riot police without wearing their hijab, showing little fear. While the protests have now subsided, Iranians on social media still share pictures of women killed during the protests.

For young people struggling with economic problems such as poverty and inequality, these patrols had become a lightning conductor for their rage, Emad Afrough, a sociologist, told the state news agency IRNA.

"We have launched something which has no human, moral, logical and even legal justification," he said. "The way a [police]man throws a woman into the car is inhuman and un-Islamic."

The wearing of the hijab is one of the defining images of the theocratic regime. In the wake of the Islamic revolution in 1979, revolutionaries forced women to wear scarves in public. In 1983, the hijab officially became obligatory for women. Violations were punishable with up to 74 lashes. Later, jail sentences and fines replaced flogging.

changed to Moral Security Police, though people still refer to them as the Guidance Patrol. Many police officers were loath to assume this responsibility because they said it was not their job to deal with women's hair and clothes.

The enforcement of the rules on the hijab has intensified in the past year since, with the election of Ebrahim Raisi

'We have launched something which has no human, moral, logical and even legal justification'

as president, hardliners took over all arms of the state. They hoped that the stronger enforcement of the rules over the hijab could slow the modernisation of Iran, an increasingly secular society.

But, noted Jalal Rashidi Kouchi, an MP, "the police have been damaged because of the Guidance Patrol" with "no results but losses for the country".

The women they arrest have to give written commitments not to violate the law again and attend hour-long classes on morality. Car owners also receive text messages to go to the morality police centre if there are women in their

metro stations, makes women feel insecure. Amini was arrested in a park shortly after she got out of a nearby metro station in central Tehran. Her family allege she was beaten up in the van. The authorities deny this and say she had a pre-existing condition.

It is unclear what comes next, though the Islamic republic is not expected to revoke the law on the hijab.

Iran supreme leader Ayatollah Ali Khamenei has not commented on the latest protests but two months ago he defended the obligation to wear the hijab. The fact that Iranian women occupy half of university seats, he said, makes clear the Islamic hijab is not an obstacle to women's progress.

But conservative organisations have called for an end to police enforcing the rules. "How can a force in charge of order and security be in charge of holding hijab classes?" the Headquarters to Promote Virtue and Prevent Vice asked.

"Religious beliefs are not created by batons, arrests and Guidance Patrol. We cannot force people into paradise," Gholamreza Nouri Ghezeljeh, a reformist MP, told daily newspaper Shargh. But he was dismissive about the introduction of fines. "As if one can decide about paradise and hell with money," he said.

taries also plan to double the scale of their annual joint exercise next year.

According to US and Philippine officials familiar with the situation, Manila and Washington aim to upgrade their security relationship with a regular dialogue between foreign and defence secretaries, which will probably kick off early next year. They also intend to strengthen joint planning by adopting a set of bilateral defence guidelines, such as those the US has with Japan.

Separately, Marcos, who is known at home as "Bongbong", has taken a harder line in his country's territorial dispute with Beijing in the South China Sea, which Manila calls the West Philippine Sea, than Duterte.

Duterte described contesting Beijing's territorial claims as a "waste of time". In sharp contrast, Marcos stressed in his inaugural address he would "not preside over any process that will abandon even one square inch of territory of the Republic of the Philippines to any foreign power".

While Duterte tried to refocus the armed forces on internal security, Faustino has made external security the first priority in his 10-point policy agenda, reflecting Manila's realisation that it needs to prepare for the scenario

ouds with those who remember the persecution of political opponents and economic decline. The family still prides itself on its early relationship with Chinese leaders, stemming from a 1974 visit to Beijing during which Mao Zedong kissed the hand of then-first lady Imelda.

Beijing has declared agriculture, infrastructure, energy and people-to-people relations the "big four" priorities in bilateral ties, matching Marcos's own agenda.

Moreover, Beijing is cultivating links with the Philippine establishment by offering cheap and easily accessible English-language scholarships in China for government and military officials, several Philippine officials told the FT.

Last month, China set up an association for alumni of its defence college in Nanjing in the Philippine military and organised a photo exhibit celebrating bilateral relations at the Philippines' Department of Defence.

Despite Marcos's rebalancing towards the US, his government is receptive to Beijing's overtures as well.

"The contest in the West Philippine Sea will not be the main thing to define our relationship with China," Carlos said.

Religious tensions

Modi outlaws Indian Muslim groups over terror link claims

JOHN REED — NEW DELHI

India's prime minister Narendra Modi has outlawed a leading Muslim group and its affiliates for five years, accusing it of links to terrorist organisations, in a move that is likely to foment deepening internal tensions.

The banning of the Popular Front of India yesterday followed the arrests in recent days of more than 200 of its members and searches of leaders' houses and offices.

The Ministry of Home Affairs said the PFI was involved in "serious offences, including terrorism and its financing, targeted gruesome killings, disregarding the constitutional set-up of the country [and] disturbing public order".

The ban extended to eight other groups that work for the Muslim minority population, which makes up about 200mn of India's almost 1.4bn people. These included the Rehab India Foundation, the Campus Front of India, the All India Imams Council, the National Confederation of Human Rights Organisation and the National Women's Front.

India's government said outlawing the PFI and its affiliates was "necessary to curb the nefarious activities of the organisation".

Islam is the second-largest religion in Hindu-majority India. The PFI was founded in 2006 as a counterweight to Hindu nationalist groups, which have been ascendant on the national political stage since Modi's election in 2014.

The banned PFI is mostly active in southern India but has a wide network across several states, including in the north and the capital, New Delhi.

One terrorism expert said that while the PFI "preaches hatred" and some members had engaged in violence, he was waiting to see what evidence the state would provide to justify the move.

"We don't have anything which suggests this is a major terrorist organisation," said Ajai Sahni, executive director of the Institute for Conflict Management and the South Asia Terrorist Portal in New Delhi. "It has been engaged in radical activities, even violent activities, but this is what you call within our context communal killing."

Crackdown: police raid the PFI's offices in Bangalore last week

Sahni added: "Terrorism would require randomness of attack, where the target is a wider population or the state, not an individual."

Modi, who was re-elected in 2019, and his ruling Bharatiya Janata party have been accused of promoting a Hindu nationalist identity and tacitly empowering hardline groups at the expense of Muslims. That year, New Delhi stripped Jammu and Kashmir, the only Muslim-majority region, of constitutionally protected autonomy.

Some PFI members have carried out killings and violent crimes, including chopping the hand off a professor in Kerala in 2010 after he was accused of blasphemy.

Additional reporting by Jyotsna Singh

Volatility vortex The US's $24tn Treasuries market suffers most choppy bout of turbulence since 2020 Covid crisis ● MARKETS

Companies & Markets

Alzheimer's trial success boosts drug groups' shares

- Biogen and Eisai hail key 'milestone'
- Treatment cut cognitive decline by 27%

JAMIE SMYTH — NEW YORK

Shares in Biogen and Eisai surged yesterday after the pharma groups said they would apply for regulatory approval for a new Alzheimer's drug following a late-stage clinical trial that showed it slowed the rate at which the disease progresses.

The companies said late on Tuesday that the phase 3 trial had demonstrated that giving lecanemab, a monoclonal antibody treatment, to patients in the early stages of the disease reduced the rate of cognitive decline by 27 per cent compared with a placebo.

The results from the trial will provide hope for the roughly 50mn Alzheimer's sufferers worldwide that progress is being made in the search for treatments

'Eisai believes findings will create new horizons in the diagnosis and treatment of Alzheimer's disease'

to slow the disease. It will also encourage Eli Lilly and Roche, which are conducting trials of similar drugs.

failed to prove that clearing the plaques can slow the rate of cognitive decline.

The botched launch last year of Biogen's aducanumab — the first amyloid-clearing drug to win approval and the first new treatment for the disease in almost two decades — heightened doubts over the hypothesis.

But Eisai said the positive results from one of the largest clinical trials of Alzheimer's patients ever undertaken was a "milestone" and proved the amyloid hypothesis theory.

"Eisai believes these findings will create new horizons in the diagnosis and treatment of Alzheimer's disease as well as further activate innovation for new treatment options," said Haruo Naito, Eisai's chief executive.

Although scientists said the lecanemab trial was important because it was the first anti-amyloid treatment to show benefits in terms of slowing cognitive decline, they nonetheless urged caution in interpreting the results.

"This does become the first of 40-plus trials of around 20 other anti-amyloid treatments to show benefit. While this study is a welcome development, it does not prove the amyloid hypothesis," said

Building block Lego profits dulled by rising costs but chief remains upbeat on expansion

The Danish toymaker's explosive growth over four years has sealed its global top spot — Indranil Aditya/NurPhoto via Getty Images

RICHARD MILNE
NORDIC AND BALTIC CORRESPONDENT

Lego chief executive Niels Christiansen expects the world's largest toymaker to increase its market share this year even as rising costs in the first half ended a streak of stellar

first-half operating profits flat at DKr7.9bn.

Lego enjoyed an extraordinary first half of 2021 when its earnings more than doubled. The toymaker has cemented its status as the industry's largest in sales and profits after explo-

some people talking about a more difficult economic environment. But we also believe that the things underpinning us taking more market share, are sustainable," he added.

Lego, which is still owned by its founding family and an educational

JPMorgan signs up 1mn to UK digital bank Chase

EMMA DUNKLEY AND SIDDHARTH VENKATARAMAKRISHNAN
LONDON

JPMorgan's UK digital bank has attracted more than 1mn customers and above £10bn in deposits in the first year of its attempt to crack the country's retail market and take on US rival Goldman Sachs's app Marcus.

JPMorgan launched Chase UK in September last year, marking the company's first foray into retail banking in Britain. The app stoked competition in the market with the cashback perk on its current account and table-topping interest rates on the savings product it launched in March.

The US investment bank's entrance came three years after Goldman Sachs launched Marcus, its own app-based savings account, in the the UK.

In its first annual update yesterday, Chase UK said it had accrued more than 1mn customers, surpassing the 750,000 that Marcus has attracted, and double the figure announced at an investor day presentation in May. Chase said it had also processed about 92mn card and payment transactions.

Chase's 1mn customers places it below UK digital banks such as Starling with 2.7mn customers and Monzo with nearly 6mn, and well behind high street lenders such as Lloyds with 26mn customers, HSBC UK with nearly 15mn and NatWest with 12.5mn. Its deposit base of £10bn still lags behind Marcus, which has accrued £22bn.

Marcus was forced to put on the brakes temporarily in 2020 after savings grew at a rapid rate, pushing it closer to the £25bn limit at which retail deposits must be ringfenced from the rest of the bank. This means that Gold-

The drug co-developed by Eisai and Biogen reduced the build-up of sticky plaques in the brain known as beta amyloid, which are at the centre of an acrimonious scientific debate about what causes Alzheimer's.

Shares in Biogen jumped almost 45 per cent to $283.44 after the opening bell in New York yesterday, while those of Japan's Eisai, which are listed in Tokyo, climbed 17 per cent. Shares in Eli Lilly and Roche also gained.

Scientists have tried for almost three decades to prove the so-called amyloid hypothesis: the idea that clumps of toxic amyloid cells that bind together in the brain are the primary cause of Alzheimer's. But dozens of drug trials have

Alberto Espay, professor of neurology at the University of Cincinnati.

He said lecanemab was the first of the anti-amyloid treatments tested that, in addition to lowering amyloid levels, also increased the levels of the normal protein, amyloid-beta 42.

Therefore, Espay said, the benefits may not be because of a reduction in amyloid but because of an increase in the levels of the normal protein.

Almost 1,800 patients received lecanemab every two weeks over an 18-month period during the trial, which also showed that the drug caused potentially dangerous side effects. Eisai said it would present the results at an Alzheimer's conference in November.

profit growth.

The Danish privately owned group reported a 17 per cent increase in revenues in the first half to DKr27bn ($3.5bn) as it grew significantly faster than a sluggish toy industry. But net profits slipped 2 per cent DKr6.2bn.

"We've navigated quite a few uncertainties such as Russia, Covid-19 and China, and increasing costs, and we've been delivering above expectations," Christiansen told the Financial Times.

Rising investments in digital products, eliminating fossil fuels from its plastic bricks and the cost of absorbing higher raw material and energy prices combined to leave the group's

sive growth in the past four years as ever more children bought its sets focused on *Star Wars* and *Harry Potter* as well as police and fire stations.

The group refrained from raising the costs of its sets throughout 2021 and the first half but adjusted some prices in August, mostly on products targeted at older consumers rather than children, Christiansen added.

He said Lego expected its growth rate to normalise, echoing what he said in March after record growth in 2021, but that the group thought it could counter the global slowdown.

"We've had three or four unbelievable years where we've basically doubled the company. I'm not deaf to

foundation, is aiming to eliminate plastic bags from its sets by 2025. It is also looking into making its bricks from recycled plastic bottles rather than oil-based plastic. It is also aiming to triple the number of software engineers it has by the end of 2023.

Smaller rivals Hasbro and Mattel increased their first-half revenues by 2 per cent and 20 per cent to $2.5bn and $2.3bn respectively. They lag further behind Lego in terms of net profit, with $203mn at Hasbro and $88mn at Mattel in the first half.

Lego has also stepping up the pace of opening its own stores. It opened 66 in the first half, taking its total to 833, and plans 104 in the second half.

man Sachs can use Marcus's deposits to fund its investment bank.

Sanjiv Somani, UK chief executive of Chase, said yesterday that the bank had plans to expand further and was aiming to offer investment products from Nutmeg through the app. JPMorgan bought Nutmeg, the low-cost digital wealth manager, in June last year in a deal that valued it at about £700mn. Marcus is looking to launch a similar product, Marcus Invest, next year.

While Marcus is now profitable, JPMorgan is facing questions over the cost of Chase UK. Losses of more than $1bn are expected in the next few years, with the bank forecast to break even by 2027 or 2028.

Brussels re-energised for Big Tech battles after court victory

INSIDE BUSINESS

EUROPE

Javier Espinoza

After some bitter defeats, Margrethe Vestager, the EU's competition chief, scored a big win recently when judges in Luxembourg largely upheld a record fine on Google for abusing its dominance of the search giant's Android mobile phone operating system.

This month, the European General Court ruled mostly in favour of Vestager's decision to hand Google the largest ever antitrust fine for its "unlawful restrictions on manufacturers of Android mobile devices and mobile network operators" in order to boost its dominant position. Vestager celebrated the win by saying it puts Brussels in a position to "blaze a trail" on the new digital rules, which are designed to open markets and foster competition.

Even though Google is likely to appeal against the ruling at the European Court of Justice, the EU's victory was a milestone in a decade of antitrust enforcement against tech giants. It was also a boost to the new rules aimed at curbing the power of Silicon Valley in the bloc.

"It's a win on the principle that EU regulators can go after big tech companies, most of which are US based, and impose major fines," says Annamaria Mangiaracina, a Brussels-based partner at Linklaters.

After major court losses against Intel and Qualcomm, regulators were worried that if the Google ruling had gone the other way, their investigations into alleged anti-competitive behaviour would dramatically slow or come to a halt at a time when they are already under immense pressure to take swift action.

"This is a cause of celebration," said one relieved official, pointing to existing probes against Apple, Amazon, Facebook's owner Meta and Google.

It comes ahead of the Digital Markets Act that aims, among other things, to clarify in law what counts as anti-competitive behaviour by Big Tech, making it easier for Brussels to take action. It targets so-called gatekeepers — a company with at least 45mn monthly active users or at least 10,000 yearly business users. Google, Amazon, Facebook, Apple and Microsoft meet this standard, as do other groups such as accommodation site Booking.com and ecommerce group Alibaba.

> Platforms are likely to deploy aggressive lawyers to fight being captured by the Digital Markets Act or limit the legal burdens

Inevitably there will be legal challenges to the implementation of the DMA. Tech platforms are likely to deploy aggressive lawyers to fight being captured by the new rules or limit the legal burdens.

Nick Clegg, the former deputy UK prime minister and now president of global affairs for Meta, said during the drafting of the DMA that it "risks fossilising how products work and preventing the constant iteration and experimentation that drives technological progress".

One crucial part of the legislation includes an outright ban on companies ranking their services ahead of rivals and limits the use of the data they gather from competitors. This is bad news for business models that have relied on the ability to leverage their dominant position, so the fight will be fierce.

"It's not going to be a walk in the park," said a corporate lawyer who works on behalf of Big Tech. "We'll offer a tough fight."

On top of battles against Big Tech, regulators in Brussels are also concerned that they may not have enough officials to enforce the new landmark legislation.

MEPs want at least 150 new people dedicated to enforcing the DMA while the commission anticipated only 80 in its original proposal. Legal experts will be handy but the commission also needs technical ones to make sure that Big Tech complies with the rules.

And member states also want a piece of the action. EU countries are seeking a more prominent role in going after Big Tech by opening investigations and handing them heavy fines. Tension is growing over how much power Brussels and national competition authorities should have to curb the power of the likes of Amazon and Apple.

Under the new rules, set to come into effect next year, the European Commission has centralised powers as the "sole authority" with the ability to enforce the regulation and to choose when to open competition probes and against which firms. Still, how prominent the role of Berlin and Paris should be in tackling Big Tech has been the source of recent discussions among regulators.

Alec Burnside, a partner at Dechert in Brussels, offers some caution.

"We shouldn't underestimate the challenge of getting the rules up and running effectively," he says, adding that it is not only about the implementation of the rules but it will take some time before the new law starts "to bite".

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COMPANIES & MARKETS

Equities

Warning signals flash for UK market

Weak pound sets stage for further takeovers as IPOs fall to lowest in two decades

DANIEL THOMAS

The UK stock market has been hit by a flurry of acquisitions and a collapse in initial public offerings, which are on course for their weakest year in more than two decades.

UK companies valued at more than £41bn have been acquired so far this year, while new companies have managed to raise just £574mn in the past nine months, according to data from Dealogic. The poor pipeline of new companies coupled with acquisitions of existing public companies by overseas rivals have added to fears about the health of the UK market.

The last time IPOs fell to near this level during the full year was 2009 — when just £1bn was raised.

Corporate advisers said there would be very few IPOs in the last quarter of 2022 and deals lined up for the half of 2023 were also now being pulled. They cited additional uncertainty over market conditions since prime minister Liz Truss's promise of tax cuts sparked fears over inflation and surging interest rates.

Meanwhile, British companies valued at £41.2bn have been acquired or taken private since the start of the year, including British household names from Homeserve and Go-Ahead to Stagecoach and Ted Baker that have been bought by overseas groups.

Waste management company Biffa agreed to be taken over by US private equity firm Energy Capital Partners in a deal valued at about £1.3bn on Tuesday.

Bankers predict a further wave of M&A activity as overseas buyers seek to take advantage of weakening sterling, and in particular for many of the companies on the FTSE 350 that earn the majority of their profits in dollars.

These more international businesses are seen as cheap for overseas buyers given the slide in sterling — down 20 per cent against the dollar this year — according to Mark Kelly, managing director of Cowen, the US investment bank. The pound has sunk further since Truss's "growth" plan on Friday.

The UK-focused FTSE 250 is down 28 per cent this year while the FTSE 100 is down 7 per cent.

Kelly cited companies such as Morgan Advanced Materials, with 40 per cent of revenue in North America, and Smith & Nephew, which generates more than half of its revenues from North America and is down 39 per cent in dollar terms year-to-date. Other companies that generate more than half their revenues from the US include Smiths Group, Indivior and Bunzl. "It isn't hugely surprising that there has been market rumour and speculation of M&A in all these names in recent weeks," he said.

Other bankers point to potential targets in the telecoms sector, where French billionaires Patrick Drahi and Xavier Niel are amassing stakes in BT and Vodafone.

The vulnerability of British companies to overseas takeovers highlights the challenge to the UK government as it sets out to revive the moribund markets with an ambitious package of tax cuts and regulatory reforms.

Chancellor Kwasi Kwarteng will reveal new plans for reforms to the financial service sector in October, which are expected to be focused on an overhaul of Solvency II regulations.

Interview. Vivek Ramaswamy

New funds strive to win the war on 'Woke, Inc'

Activist launches products aimed at pressing boardrooms to drop ESG and climate goals

BROOKE MASTERS — NEW YORK

Vivek Ramaswamy is the self-styled scourge of social justice in the boardroom, promoting his war on what he calls "Woke, Inc" with television appearances, opinion pieces, two books and public letters to S&P 500 companies.

Now he is putting other people's money where his mouth is. Since August, the serial entrepreneur has

Oil & gas

Total spending plan moves group closer to severing links with Russia

SARAH WHITE — PARIS

TotalEnergies is stepping up moves to sever links with Russia as it increases investments that will eventually help it replace gas supplies from the country.

Chief executive Patrick Pouyanné said yesterday the company had "no future with Russia" in a strategy update that outlined higher shareholder payouts.

He said that Total would increase its net investments in oil, gas and renewable energy over the next three years as part of a growth plan that excludes business interests in Russia.

However, the French company has yet to fully break its ties with the country and is still receiving dividends from investments there.

Unlike rivals BP, Shell and Equinor, which left after the invasion of Ukraine, it still has several holdings in Russia and exports liquefied natural gas to Europe.

So far it has said that it will halt all new Russian investments and phase out purchases of the country's oil this year, but Pouyanné maintained the group could break its contracts only if Europe was to bring in specific sanctions.

He said Total was still receiving dividends from a 19 per cent stake in independent Russian gas producer Novatek and a 20 per cent holding in Yamal LNG, a Siberian LNG project, but suggested

> 'The financial circuits between Russia and the

launched two new exchange traded funds that explicitly seek to pressure companies to drop efforts to diversify their workforces and cancel their pledges to address climate change.

Strive, his new activist asset manager, has attracted just over $300mn in assets, mostly from retail investors, and it recently hired two former State Street executives to head institutional sales.

The move comes amid a growing rightwing backlash against asset managers who use environmental, social and governance factors to influence their investing. Conservative politicians in more than a dozen US states are threatening to pull state investments from BlackRock and other asset managers that they say "boycott" fossil fuel or otherwise are too progressive.

"There's an opportunity to build the world's largest asset manager," the 37-year-old told the Financial Times. "But, for me the personal motivating goal is to realise our mission to be a voice for the everyday citizen that stands for an exclusive focus on excellence in corporate boardrooms."

It is not the first time that Ramaswamy has raised money on the back of bold claims. He launched two huge biotech floats when that sector was booming in the 2010s, including one that was valued at nearly $3bn even though it had just one, unproven drug.

Targets: Vivek Ramaswamy, below, has urged Apple and Disney to stop intervening on issues such as racial equity and gay rights and also wants oil companies to be freed from ESG concerns
Alisha Jucevic/Jeenah Moon/Luke Sharrett/Bloomberg

Strive's ETFs are set up as passive index trackers that seek to compete with industry leaders BlackRock, State Street and Vanguard. STRV, which holds all the companies in the S&P 500, has a 5.45 basis point expense ratio, twice as much as Vanguard for a similar product, but less than market leader State Street. DRLL tracks a US energy stock index and its 41bp fee is quadruple State Street, but almost identical to BlackRock.

Ramaswamy last week wrote public letters to Apple telling it to halt plans for a racial equity audit and to Disney insisting that the company stop "speaking out on political issues that do not affect its business" such as gay rights. He also said he recently met Chevron's chief financial officer to lay out his belief that oil companies have no business trying to bring down the carbon emissions of their suppliers and customers.

"It's like McDonald's volunteering to take responsibility for the adult body weight of anyone who's eating a Big Mac," he said, over a meal during which he ordered five different Mexican dishes, took a few bites of each and left the rest uneaten.

Strive's marketing literature says that if oil and gas companies were freed from climate and other ESG concerns "US energy stocks have room to appreciate two to three times in value over the next 12 to 24 months".

Conventional energy analysts and economists say it is highly unlikely that ExxonMobil and Chevron, which make up 38 per cent of DRLL's holdings, would appreciate that quickly. Historically, energy company stocks have followed the same trajectory as oil prices, which hit $130 a barrel after Russia invaded Ukraine and have fallen to $85. Expecting the DRLL ETF to double "strikes me as overly ambitious", said Pavel Molchanov, energy analyst at Raymond James.

Ramaswamy said Strive valued companies differently. He contended that energy companies traded on a lower price-to-earnings ratio than the broader market because investors believed that fossil fuels would stop being used after 2030. If the sector were fully free of climate-related restrictions, he said, investors would rate the long-term value of its output more highly. "The price that investors are willing to pay for those earnings will go up," he said. "The ESG movement introduced a price to earnings multiple compression."

Ramaswamy can point to a record of attracting big backers. In 2014, he founded Roivant Sciences, which applies technology to drug development through a series of subsidiaries it calls "vants". The company received a 2017 infusion from SoftBank's Vision Fund.

One subsidiary, Axovant, floated in 2015 with just one drug in its portfolio, an Alzheimer's treatment that GSK sold off as unpromising for $5mn. It raised $315mn and was valued at nearly $3bn after the first day of trading, making it the largest biotech initial public offering to date. The drug failed late-stage trials in 2017. Today, the company, now known as Sio Gene, is valued at $22mn.

'Our mission [is] to be a voice for the everyday citizen that stands for an exclusive focus on excellence in corporate boardrooms'

Myovant, the biggest biotech IPO in 2016, did better. Two drugs that it had purchased from Takeda won FDA approval. The company is valued at $1.6bn, although shares are down nearly 40 per cent from their 2020 peak.

While running Roivant, Ramaswamy signed a 2017 open letter in which biotech chief executives outlined best practice for increasing diversity. The executives wrote that they agreed with "the importance of setting concrete hiring goals to achieve gender parity and inclusion at each level of our organisations". By the time he had authored *Woke, Inc*, which became a New York Times bestseller, in 2021, he had changed his tune.

Roivant listed last October by merging with a special purpose acquisition vehicle a few months after Ramaswamy stepped back from the CEO role and became chair. The shares are down nearly 70 per cent since then, pushing the company's value down to $2bn.

"Drug development involves successes and failures and we have had our share of both. At the end of the day, I believe in judging based on the results of the impact we have," he said. "I started a company with four people in a side conference room over dinner and it's a multi-billion-dollar company that's developed five drugs that are FDA-approved."

becoming complex'

these may soon end. "It is not easy to receive cash. The financial circuits between Russia and the rest of the world are becoming complex for western companies. So to be transparent, yes we have received something this year, but I see some complexity month after month," Pouyanné said at an investor day at the New York Stock Exchange.

The dividends have been criticised by Ukraine as "blood money". Advisers to Ukraine's President Volodymyr Zelenskyy wrote to Total asking it to reject the dividends or spend the funds on Ukrainian reconstruction, the Wall Street Journal first reported in September.

Europe is still scrambling to find alternatives to Russian gas. Pouyanné said in July that Paris had encouraged Total to keep gas flowing from Russia to Europe following the Ukrainian invasion.

Total has sped up investments in floating LNG facilities to help Europe diversify its imports, and signed major longer term contracts with the likes of Qatar to boost alternative supplies in the longer term.

Total said that by 2027 higher output from LNG facilities in Qatar and the US would allow it to replace its Russian flows, as it targets a 40 per cent increase in LNG production by 2030.

The French major has, like peers, profited from rising commodities prices, and set aside funds for bigger shareholder payouts.

Total investors will get an extra €1 per share special dividend in 2022, equivalent to €2.6bn, on top of regular quarterly payouts and a plan to buy back shares.

Its overall capital expenditure will grow to $14bn-$18bn a year until 2025, up from a $13bn-$16bn target previously, Total said, outlining a major push in renewable energy investments as well as spending on oil and gas.

Oil & gas

Shell buys west African green power provider

AANU ADEOYE — LAGOS
TOM WILSON — ZURICH

Shell has made its first power sector acquisition in Africa, purchasing a Nigerian renewable energy provider as it seeks to build a green energy business that will eventually reduce its dependence on fossil fuels.

Daystar Power, which operates in Nigeria, Ghana and three other west African countries, provides solar power and battery solutions to business and industry, including Nigerian Bottling Co, makers of Coca-Cola in the country.

Thomas Brostrøm, Shell's executive vice-president for renewable generation, said the acquisition of Daystar for an undisclosed sum was "a fundamental step for Shell in growing our presence in emerging power markets".

The deal follows Shell's acquisitions of renewable power businesses in other parts of the world in the past year, including the Indian group Sprng Energy in April for $1.55bn and US-based Savion in December 2021.

The Daystar acquisition is said to be significantly smaller than either of those deals. The Nigerian company has an installed generating capacity of about 32 megawatts, compared with the two gigawatts operated by Sprng in India. Daystar has raised $92mn in funding since its inception in 2017, including a $20mn facility from the Washington-based International Finance Corp last year.

Brostrøm said Daystar represented Shell's "first steps into the renewable power space" in Africa.

Daystar chief executive Jasper Graf von Hardenberg said demand for his company's services had grown and that meeting it would have required raising another round of capital.

Instead, he said, the group continued a conversation with Shell that began in 2019 and led to discussion of a takeover last year. "It was important to find someone with a strong balance sheet to back us," said von Hardenberg.

Shell has a long and complicated record in Nigeria. It was the first company to discover oil in the country in 1956 and has pioneered the development of the sector in the decades since. But, in recent years, it has struggled to manage criminality and environmental issues at several of its projects, provoking criticism from civil society groups.

Daystar's senior leadership, including von Hardenberg and co-founder Christian Wessels, will continue to lead the 140-strong team following the takeover. Hardenberg aims to expand across east and southern Africa and achieve 400MW of installed capacity by 2025.

Renewable energy, particularly solar power, is seen as a potentially transformative technology in Africa, where about 600mn people, or 43 per cent of the population, lack access to electricity.

Many businesses in the region rely on diesel generators for power when unreliable electricity grids fail.

Energy

EDF reconsiders closure of British reactors

NATHALIE THOMAS

EDF Energy is reviewing whether the closure of two of Britain's five remaining nuclear power plants could be postponed beyond 2024, to help bolster domestic energy supplies.

The French-owned energy group said yesterday that given the "severity of the energy crisis", it would review the case for "short" extensions at the Hartlepool and Heysham 1 nuclear power plants in the north of England, which between them have a generation capacity of more than 2.2 gigawatts and produce enough electricity for 4mn homes.

Both stations are set to close in March 2024 but analysts fear energy supplies will remain under pressure across Europe over the next couple of winters as governments move to reduce their dependence on Russian gas.

Industry experts have suggested extensions of one to two years might be feasible, although EDF offered no details on how long the closure could be postponed. It would have to make a safety case to Britain's nuclear regulator for any extension, which would depend on the reactors' graphite cores. Other nuclear power plants have been forced to close as cracks were found in their cores, but EDF said recent inspections showed that the graphite at both Hartlepool and Heysham 1 remained intact.

The move comes as European states have been revisiting the closure of existing nuclear plants and building fleets of reactors to help alleviate the continent's reliance on gas.

The French-owned group is reacting to the 'severity of the energy crisis'

Germany is keeping two of its three nuclear plants, which were due to close at the year-end, on standby this winter in case of an energy crunch. France, already a nuclear energy powerhouse, is among the European countries considering building new reactors.

The UK government was this year criticised by unions and academics for allowing the Hinkley Point B plant in Somerset to close, despite fears Britain could face crunch points this winter when electricity supplies will be insufficient to meet demand. The government has intervened to ensure that three coal-fired power stations, which were due to close units this winter, will remain on standby in the event of shortages.

Britain's nuclear power fleet is dwindling rapidly. By the end of 2028, only one of the existing fleet is expected to remain open, Sizewell B in Suffolk.

ior official at a local government semiconductor fund in southern China. Corruption had been "nurtured" by civil servants who "do not understand the industry", he said.

Over the past three months, at least 12 fund managers and company executives and one government minister, all with deep ties to the chip industry, have come under investigation or vanished from public view, according to CCDI announcements and media reports.

'They know that they need to invest in R&D and fundamental research to get things done'

The CCDI's targeting of such senior people has left the industry confused and anxious, according to another government official involved in semiconductor investments, in Jiangsu, north of Shanghai. "We will all be slowing down to see what exactly crosses Beijing's red lines," the official said.

At the centre of the storm is the National Integrated Circuit Industry Investment Fund. Known to most as the Big Fund, it is one of Beijing's most important government guidance funds, with the public-private investment vehicle raising about $50bn to chase Xi's dream of ending China's heavy reliance on foreign semiconductor technology.

Before his arrest, Gao, who had worked at the Ministry of Industry and Information Technology for years, led Sino IC Capital, which managed the Big Fund's assets.

Set up in 2014, the Big Fund has a complex web of interests. Shareholders include the finance ministry, state lender China Development Bank, powerful monopoly China Tobacco and telecoms giant China Mobile. Now, according to the official in Jiangsu, the fund's investment operations have almost ground to a standstill.

"State agencies have come in to audit and review the financial data of the people and companies involved. They will impose stricter requirements on the organisation and investment operations that follow," the official said.

According to ITjuzi, a business data provider, the fund has so far spent only about Rmb880mn in 2022, compared with Rmb13.8bn last year.

A tech-focused Chinese private equity executive was blunt. Many semiconductor-focused investment managers and institutions have been following the Big Fund's direction, and they are in step with it now in a sector tainted by the corruption campaign. "There are no good projects to invest in," he said.

There is an atmosphere of uncertainty, with Beijing not elaborating on the extent of the campaign and only scant details of any alleged crimes being given, typical of CCDI opacity.

China's nationalist tabloid the Global Times insisted that "a few corrupt officials" and "vermin" did not reflect a broader culture of corruption in the sector. But others warn that the crackdown might not yet have ended. Over recent months, executives linked to state-backed chipmaker Tsinghua Unigroup have come under investigation. "How far do they want to go? The Big Fund invested in dozens and dozens of companies," said a Beijing-based tech consultant. They include China's biggest chipmakers, such as Semiconductor Manufacturing International Corp, or SMIC, and Hua Hong Semiconductor. The group also has stakes in smaller funds run by local governments, including those for Beijing and Shanghai.

The consultant, who asked not to be named, said there was ripe potential for conflicts of interest in the sector because of "tremendous movement between government ministries and the private sector, or quasi private sector".

Yuen Yuen Ang, author of *China's Gilded Age*, believes that the "root cause" of corruption stems from the state's enormous influence over the economy.

Particularly susceptible, Ang says, are the 1,800-plus government guidance funds that act like the Big Fund.

The combination of "mega transactions, complex financial instruments, and the lack of transparency and accountability may present fertile soil", Ang said.

The corruption crackdown is coming at a critical juncture for Xi and his ambition of technology self-reliance.

The imperative for achieving this has never been greater, with US President Joe Biden rallying Washington's partners in Seoul, Tokyo and Taipei to stymie Beijing's progress, through snowballing restrictions on exports and sales of key technologies.

China sees few options other than to increase spending on chips to counter what Beijing sees as a "blockade" on its tech sector. But many inside the industry believe an overhaul of Beijing's approach is needed as well.

When the Big Fund was established, its core focus, as dictated by Xi's state planners, was chip manufacturing, rather than the underlying technologies needed to build a self-reliant industry from the ground up.

The southern China official said that decision was made despite some experts arguing that China should have taken a longer-term approach. This would involve a far greater focus on research and development and building up talent to lay stronger foundations.

"It's fair to say that many colleagues

Lost dozen

The people reported missing or detained

Chip executives, fund managers and government officials under CCDI investigation or reported missing or detained since 2021:

July, 2021: Gao Songtao, former vice-president of Sino IC Capital.

July, 2022: Lu Jun, former chief executive at Sino IC Capital; Zhao Weiguo, real estate tycoon and former chair of Tsinghua Unigroup; Xiao Yaqing, minister for industry and technology; Diao Shijing and Li Luyuan, two of Zhao's lieutenants at Tsinghua; Ding Wenwu, former head of Sino IC Capital; Wang Wenzhong, partner of Hongtai Fund Investment Management, a small fund in partnership with the Big Fund.

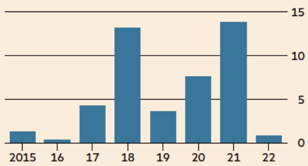
August, 2022: Du Yang, former director of Sino IC Capital; Yang Zhengfan and Liu Yang, former Sino IC Capital investment managers.

September, 2022: Ren Kai, director of SMIC and a vice-president at Sino IC Capital.

Sources: CCDI notices, China state-affiliated media (unverified by the Financial Times)

The Big Fund has scaled down its investments drastically this year

National Integrated Circuit Industry Investment Fund investments (Rmb bn)



Source: ITjuzi

'We will all be slowing down to see what exactly crosses Beijing's red lines'

"But replacing such technologies will be very, very difficult in the short- to medium-term," he noted.

Szeho Ng, managing director of investment bank China Renaissance, believes the investment ecosystem is maturing. Going forward, he said, money will be redirected from manufacturing. Instead it will be targeted at research areas such as obtaining intellectual property in software tools used for designing chips.

"Some investments may not be that successful. But nowadays, they know that they need to invest in R&D and fundamental research to get things done," Ng said, adding that officials finally realise that catching up with the west "will take longer than expected".

Additional reporting by Nian Liu and Maiqi Ding in Beijing

Technology

Musk's bots claims unsupported, says Twitter

HANNAH MURPHY — SAN FRANCISCO
SUJEET INDAP — NEW YORK

Twitter has said Elon Musk's own data scientists did not support his claim that the number of fake accounts on the social media platform is "wildly higher" than its estimates, as the parties prepare for trial in October.

The Tesla chief executive is attempting to pull out of a $44bn deal to buy Twitter, arguing that it misled regulators and investors about the true number of fake and spam accounts on the platform, which he alleges far outstrips the 5 per cent figure Twitter has cited for years.

During a three-hour hearing in a Delaware court, Twitter's lawyers said documents they had received during discovery showed that two different consultants hired by Musk, Cyabra and CounterAction, had produced estimates of the spam on Twitter of 11 per cent and 5 per cent, respectively — figures broadly in line with Twitter's public estimates.

According to Twitter's lawyers at the hearing on Tuesday, the reports were handed to the billionaire entrepreneur a day before he announced plans to terminate the merger agreement. Twitter also criticised the methodologies of both data groups, despite their seemingly supportive results.

Twitter has asked the court to force Musk to share more information on the work of multiple data scientist consultants regarding fake accounts on the social media platform. The company said that while Musk had shared some details produced by his consultants, he had also engaged in a "pattern of delay and obstruction" over the past two months, a claim Musk's lawyers denied.

Separately, Twitter accused Musk's team of failing to hand over relevant Signal messages and denying that Musk used the encrypted messaging app, citing evidence of an exchange with investor Marc Andreessen in April in which messages were automatically deleted after a period of time. The exchange was only revealed after a screenshot of it had been sent by Andreessen to others via email.

Twitter also said Musk's team had failed to turn over text messages between Musk and Morgan Stanley chief executive James Gorman, as well as with Oracle's Larry Ellison, ahead of the trial.

Lawyers for Musk denied he had intentionally withheld communications, arguing that "minor mistakes will happen in expedited litigation".

Twitter asked the court to impose sanctions on Musk over what it described as his misconduct over failure to produce the messages. This included an "adverse inference" finding that would allow the court to assume that Musk was concealing details that would undermine his legal argument.

COMPANIES & MARKETS

Fixed income. Rates jitters

'Volatility vortex' slams into $24tn US Treasuries trade

Currencies

Renminbi falls to lowest level since 2008 as dollar strengthens

HUDSON LOCKETT — HONG KONG
THOMAS HALE — SHANGHAI

China's renminbi fell to the lowest level since 2008 as the country's central bank holds back from intervening to prop up the currency in response to the rallying dollar.

The renminbi is the latest major currency to succumb to a wave of dollar strength that has sent exchange rates from the pound to the yen spiralling lower this year.

As the People's Bank of China pursues monetary easing to shore up economic

Gaps in market: the US Treasury has drawn lacklustre demand at sales this week for a combined $87bn in new debt

Samuel Corum/Bloomberg

Key measure of turbulence in sovereign bonds hits highest level since 2020 Covid crisis

KATE DUGUID AND ADAM SAMSON
NEW YORK
COLBY SMITH — WASHINGTON

The $24tn US Treasury market has been hit with its most severe bout of turbulence since the coronavirus crisis, underscoring how big swings in international bonds and currencies and jitters over US rate rises have spooked investors.

The Ice BofA Move index, which tracks fixed income market volatility, has reached its highest level since March 2020, a time when deep uncertainty about how the pandemic would affect the world economy set off massive fluctuations in US sovereign bonds.

"Right now it is all about market volatility," said Gennadiy Goldberg, a strategist at TD Securities. "You have investors staying away because of the volatility — and investors staying away increases volatility. It is a volatility vortex."

Fixed income investors' nerves have been frayed by a series of events most commonly seen during market crises.

Japan, the world's third-biggest economy, last week stepped in to defend the yen after the currency rapidly tumbled to a 24-year low against the dollar.

Just days later, plans for big tax cuts by the UK government ignited a historic sell-off in Britain's currency and government debt markets.

These international events have added to a powerful pullback in the US Treasury market that accelerated after the Federal Reserve last week delivered its third straight 0.75 percentage point rate rise and signalled significantly tighter monetary policy to come.

The 10-year Treasury yield, a key benchmark for global borrowing costs, has surged to more than 4 per cent from 3.2 per cent at the end of August, leaving it set for the biggest monthly rise since 2003. It is on track for its sharpest ever annual rise.

The two-year yield, more sensitive to fluctuations in US monetary policy, has leapt 3.55 percentage points this year, which would also mark a historic rise.

The big price movements have left investors wary of trading in a market that acts as the bedrock of the global financial system and is typically considered a haven during times of stress.

With investors on the sidelines, liquidity in the Treasury market — the ease with which traders buy and sell — has deteriorated to its worst level since March 2020, according to a Bloomberg index.

Poor liquidity tends to exacerbate price swings, worsening volatility.

In a sign of how the fraught conditions are keeping some fund managers away, the US has drawn lacklustre demand at sales this week for a combined $87bn in new debt.

A two-year issuance on Monday priced at a high yield of 4.29 per cent while a five-year deal one day later priced at 4.23 per cent — both marking the highest borrowing costs for the government since 2007.

The two-year debt was sold with the widest difference — or "tail" — between what was expected just before the auction and where it actually priced since the 2020 Covid-induced market ructions, said Tom Simons, a money market economist at US investment bank Jefferies.

The Treasury department was due to auction off $36bn in seven-year notes later yesterday. The seven-year note has struggled to attract demand in less volatile moments so the environment this week could pose a challenge.

"Until there is more certainty I think we will continue to have this 'buyers' strike'," Simons said. "The markets are so crazy that it's hard to price any kind of new [longer-dated bonds] coming into the market."

A divergence between the Fed's own outlook for interest rate and market expectations has added to the sense of uncertainty.

According to their latest projections, most Fed officials now expect the federal funds rate to rise from its current target range of 3-3.25 per cent to 4.4 per cent by year-end.

By the end of 2023, Fed officials expect interest rates to stand at 4.6 per cent.

'Until there is more certainty, I think we will continue to have this buyers' strike'

Meanwhile, investors are betting that the Fed will be forced to cut interest rates next year — with expectations in the futures market of a peak of 4.5 per cent in May of 2023 with a fall to 4.4 per cent by year-end.

Given persistent and broad-based price pressures, there is significant uncertainty about whether that amount of monetary tightening will be sufficient to bring inflation back down to the Fed's 2 per cent target.

Recession risks have also risen markedly, further clouding the outlook.

Strong rhetoric adopted by Fed officials about the central bank's battle against inflation has stoked further angst in the market.

Many officials now agree that interest rates need to rise to a level that actively constrains the economy and stay there for an extended period.

"The only other time I have seen us this united was at the beginning of the pandemic, when we knew we had to act boldly to support the economy through the pandemic and through the downturn," said Neel Kashkari, president of the Minneapolis branch of the Fed, in an interview with the Wall Street Journal on Tuesday.

"We are all united in our job to get inflation back down to 2 per cent and we are committed to doing what we need to do in order to make that happen," he added.

growth, continued policy divergence with the hawkish US Federal Reserve is expected to push the Chinese currency down further.

The PBoC has so far stopped short of deploying significant foreign exchange reserves, instead relying on indirect measures to discourage bets on continued falls and slow the pace of depreciation.

The onshore exchange rate for the currency fell 0.7 per cent to Rmb7.2268 yesterday, bringing it 13.8 per cent lower for the year to date.

"Over the last 24 hours, the focus has switched from the pound to the Chinese renminbi," said Frantisek Taborsky, a foreign exchange strategist at ING.

In Hong Kong, the offshore rate fell as much as 0.9 per cent to Rmb7.2416 against the dollar, the lowest on record since the city's clearing banks were first allowed to freely open renminbi accounts in 2010, creating the so-called "offshore" trade in the tightly controlled currency.

'Over the last 24 hours, the focus has switched from the pound to the Chinese renminbi'

The offshore renminbi, introduced to facilitate greater international use of China's currency, is not subject to the onshore rate's dollar trading band, which limits moves to 2 per cent in either direction from a midpoint set each morning by the central bank.

But following a serious sell-off in 2015 spurred by a one-off devaluation, Chinese authorities throttled liquidity in Hong Kong.

Since then, the offshore renminbi has closely followed the onshore rate, which analysts at Morgan Stanley forecast will end the year down almost 15 per cent at Rmb7.3 against the dollar.

"I don't think the current depreciation is driven by specific domestic [issues] in China," said Ken Cheung, chief Asian FX strategist at Mizuho. "It's basically driven by the strength of the US dollar."

Cheung pointed to the renminbi's "steady" level against a broader basket of currencies suggesting that, so far, the move was not creating serious problems in terms of capital outflows.

On Monday, the central bank introduced new measures effectively making it more expensive to short the currency.

Additional reporting by Cheng Leng

Fixed Income

Saudi Arabia's PIF reports 25% return for last year and prepares debut bond

ANDREW ENGLAND — CAIRO
SIMEON KERR — DUBAI

Saudi Arabia's sovereign wealth fund has revealed that it delivered a shareholder return of 25 per cent last year as the Public Investment Fund opened its books for the first time in preparation for issuing a debut bond.

Details of the $608bn PIF's financial performance were provided in a prospectus after the fund hired banks to act as bookrunners and coordinators as it considers raising several billion dollars in green bonds, including five and 10-year tranches, and possibly a longer duration bond.

The fund has been transformed by Crown Prince Mohammed bin Salman, its chair, over the past seven years from a sleepy SWF into one of the Gulf's most active investors.

Prince Mohammed has charged the PIF with driving his ambitious plans to modernise the conservative kingdom and more actively invest in foreign assets.

It was an anchor investor in SoftBank's Vision Fund, investing $45bn, has committed $20bn to an infrastructure fund managed by Blackstone, owns a majority stake in Lucid, the electric vehicle maker, and has $2bn invested in Russia.

The PIF hopes the issuance of green bonds will help it establish a record in debt capital markets, enabling it to raise funding in the future as it pushes ahead with the development of megaprojects.

Given the scale of the PIF's commitments, which includes a pledge to invest $40bn annually in the domestic economy through 2025 and the development of Neom, a vast futuristic project that is expected to cost $500bn, analysts have questioned how the fund will finance all its schemes.

Crown Prince Mohammed bin Salman has transformed the fund

It has also been charged with leading Saudi Arabia's efforts to develop renewable energy, with Riyadh aiming to have half its electricity generated by solar and wind by 2030.

The fund hopes that the decision to open up its books to issue the bonds will reassure sceptics about its transparency and governance.

The prospectus revealed that the fund's assets under management stood at $608bn at the end of June, up from $528bn at the end of last year.

Public equities account for 44 per cent of the assets with private equity at 21 per cent, and infrastructure and real estate at 13 per cent.

The fund is targeting an increase in AUM to $1.07tn by 2025 with 24 per cent held internationally.

By the end of June, international investments constituted 23 per cent of its assets, up from 9 per cent at the end of 2017. PIF's 62 per cent stake in Lucid is its largest individual shareholding in the US and was valued at $17.4bn at the end of June.

Equities

Adani promises to boost free float of flagship group after share price soars

CHLOE CORNISH — MUMBAI

Indian billionaire Gautam Adani's holding company is planning to increase its share free float in a move that could improve trading liquidity after its shares surged 3,338 per cent since 2019.

The rapid share price increase has given Adani Enterprises a valuation that has enabled it to qualify for one of India's most important stock indices, the Nifty 50 index, which is tracked by at least seven international passive funds.

The share price rise of Adani's six listed companies has helped propel him to become India's richest and the world's third-richest man, according to Forbes, but analysts question how much of the stocks' ascent has been driven by low trading liquidity in the stocks.

Part of Adani Enterprises free float is held by several Mauritius-based investment funds that have held stakes in Enterprises and other Adani Group companies for many years.

The funds, Afro Asia Trade and Investments, APMS Investment Fund and LTS Investment Fund, could not be reached for comment.

A small free float — the number of shares actually available to be traded — leads to greater share price volatility, said analysts.

"There are inherent risks when there is a low float, and excessive or large demand, which leads to skyrocketing prices," said Sharmila Gopinath, India adviser to the Asian Corporate Governance Association.

'This puts fundamental managers in a tough spot — either you own a bubble stock or underperform'

Adani Enterprises, the Adani Group's new business incubator, is set to join the Nifty 50 on September 30.

The company's free float percentage of traded shares is 19.6 per cent, according to Eikon data. By contrast, the free float of Reliance Industries, India's biggest listed company owned by Mukesh Ambani, is 50.4 per cent.

The Adani Group said that the small free float "is largely an artefact of Adani family continuing to hold [around] 75 per cent of equity", adding that it calculated the amount of available shares for the public at 21.5 per cent.

"We are working on plans to increase [the] free float further," said the Adani group, declining to give more details.

Adani Enterprises hit a record high of Rs3,885 last week, a 3,338 per cent increase since May 2019 when the shares were trading at a low of Rs113, giving the company a market value of $53.bn.

"This moment is like when Tesla entered the S&P 500," said Alice Wang, Asia ex-Japan portfolio manager at Quaero Capital in London.

"At the time, Tesla was trading at 102x [financial year 2020] earnings and Adani is today trading at 226x," she added.

"This puts fundamental managers in a tough spot — eitheryou own a bubble stock or youunderperform."

The Adani Group said that it did not have "specific comment" on the Mauritius funds because "we do not have visibility on what is disclosed to the exchanges by the relevant [entities]".

COMPANIES & MARKETS

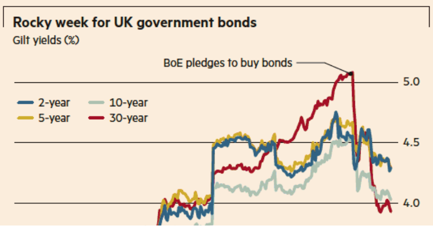
The day in the markets

What you need to know

- UK bonds and sterling rebound after Bank of England 'reassurance'
- US Treasuries rally after 10-year yield reaches 4% for first time in 12 years
- Wall Street's S&P 500 ticks up and Europe stocks recover from early losses

UK government bonds rallied in their best day on record yesterday and sterling gained ground after the Bank of England intervened to calm turmoil in the gilt market.

The central bank announced that it would buy long-dated gilts in light of the recent "significant repricing" of UK



Cracks start to appear in US employment

Liz Ann Sonders

Markets Insight

It has often been said that a key risk in a monetary policy tightening cycle is that the Federal Reserve lifts interest rates until something

An additional sign of underlying cracks in the labour market is the declining number of full-time jobs and the very sharp inflection higher in

viduals who are unemployed. Potential job switchers, included in the number of people employed, should also be considered as potentially competing for those recent "significant repricing" of UK government debt.

"Were dysfunction in this market to continue or worsen, there would be a material risk to UK financial stability," the BoE said.

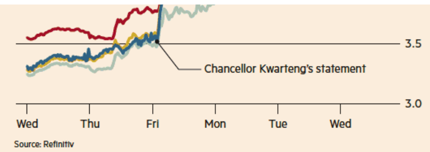
Thirty-year gilt yields, which earlier yesterday touched a 20-year high of more than 5 per cent, fell to 3.94 per cent.

The long-dated debt was on track to post the sharpest drop in yields for any single day on record, according to Tradeweb data.

Yields on 10-year UK debt fell from 4.59 per cent to 4.01 per cent.

US government debt also rallied following the BoE's statement. The 10-year US Treasury yield fell to 3.76 per cent as investors bought the notes, having earlier pushed the yield higher than 4 per cent for the first time since 2010.

Daniela Russell, head of UK rates strategy at HSBC, said the BoE move was the "reassurance the market was waiting for", adding: "The announcement to suspend its programme to sell gilts and buy long-dated bonds is a big relief for



Source: Refinitiv

the market and we are seeing that with the fall in yields and flattening of the curve."

Sterling gained 1.3 per cent to $1.087 following the BoE's intervention but analysts warned that the relief would probably be shortlived.

Adam Cole, head of FX strategy at RBC Capital Markets, said the BoE's measures were being viewed as "something to address specific issues in the gilt market in the short term".

He added: "The underlying issues that have driven the pound down — the worsening deficits and apparent dominance of ideology over economics in fiscal policy — have not changed."

Equities rebounded following the central bank's move. The FTSE 100 posted modest gains of about 0.3 per cent after being down 1.9 per cent earlier in the session.

The pan-regional Stoxx Europe 600 gained 0.3 per cent, having pulled back from losses of 1.8 per cent.

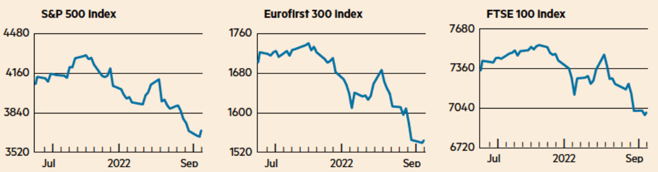
The S&P 500 ticked up 1.4 per cent, rebounding from losses on Tuesday when the index touched its lowest intraday level since November 2020. **Joshua Oliver, Tommy Stubbington and Chris Flood**

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	3697.13	1544.31	26173.98	7005.39	3045.07	108505.48
% change on day	1.37	0.34	-1.50	0.30	-1.58	0.12
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	114.342	0.963	144.585	1.075	7.247	5.365
% change on day	0.207	0.104	-0.104	0.336	-0.278	0.270
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	3.759	2.111	0.247	4.001	2.743	12.751
Basis point change on day	-19.610	-11.500	-0.280	-50.200	3.700	10.400
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	372.06	88.54	81.41	1634.30	18.68	3452.80
% change on day	0.78	2.63	3.71	-0.55	0.24	-0.60

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

Main equity markets



Biggest movers

%	US		Eurozone		UK	
Ups	Biogen	38.21	Cap Gemini	3.72	Land Securities	6.94
	Eli Lilly & Co	8.80	Renault	3.34	Segro	5.99
	Illumina	8.56	Gecina	3.28	British Land	5.74
	Netflix	7.06	Tenaris	2.93	Burberry	5.46
	Dr Horton	6.06	Akzo Nobel	2.70	Fresnillo	4.94
Downs	Apple	-2.89	Thyssenkrupp	-11.71	Airtel Africa	-6.87
	Vf	-1.77	Grifols	-5.28	M&g	-6.20
	Broadridge Fin Solutions	-1.41	Societe Generale	-4.90	Legal & General	-5.61
	Align Technology	-1.26	Arcelormittal	-4.12	Aviva	-4.87
	Regions Fin	-0.51	Bnp Paribas	-3.84	Phoenix Holdings	-4.58

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

Positive clinical results sent pharma group **Biogen** soaring.

The company said it would apply for regulatory approval for a new Alzheimer's drug following a late-stage trial that showed it slowed the rate at which the disease progressed.

UBS said the results, which showed the treatment reduced the rate of cognitive decline by 27 per cent, was "better than we or the Street had expected".

Biogen peer **Eli Lilly**, which is trialling Donanemab, another Alzheimer's drug, also rallied following news of the trial.

Motor home company **Thor Industries** climbed off the back of "record" results for its fiscal fourth quarter, it said.

Earnings per share reached $5.15, comfortably topping the Refinitiv-compiled estimate of $3.89.

Thor had been a beneficiary of post-pandemic demand for its recreational vehicles that has "accelerated a secular shift in our market since the middle of 2020", said the group.

A cut in its outlook weighed on **VF Corporation**, the fashion group behind such brands as Vans sneakers, Timberland shoes and North Face outdoor gear.

For its fiscal 2023 year, it expected earnings per share to land between $2.60 and $2.70, down from an earlier range of $3.05 to $3.15. *Ray Douglas*

Europe

France's **Trigano** rallied after the motorhome and caravan group showed signs that it was continuing to benefit from "Europeans' growing interest in leisure vehicles", it said.

Sales for its financial year climbed 8.3 per cent to €3.2bn as a slide in motorhome revenue was offset by an uptick in caravan sales.

Trigano said its ability to attract new customers, particularly in the Netherlands, Germany and Italy, underpinned this performance.

A short seller's report weighed on **Truecaller**, a Swedish company that operates within the caller-id and call-blocking sector.

Viceroy Research accused it of being an "adware and spyware app" and said its business was threatened by privacy regulation in the EU and elsewhere.

The group said it was "important to be transparent with our users", adding: "therefore, as a first step, we will diligently review the report."

Norway's fish farmers **SalMar, Leroy, Grieg** and **Mowi** fell sharply after the Oslo government proposed a resource tax on aquaculture.

Linda Aase, SalMar's chief executive, said the group would issue "additional information on the consequences of such taxation . . . once further details of the new tax have been clarified". *Ray Douglas*

London

Subprime lender **Non-Standard Finance** plummeted after warning that its "loan to value ratio was higher than the level permitted" under some of its covenants.

To remedy this situation, the group needed to raise more capital. But if fresh funds could not be found, insolvency was "the most likely outcome", it said.

Another lender, **Amigo**, rose on news that it was finalising details on a lending pilot scheme. The company is currently awaiting approval from the UK regulator on resuming this side of the business.

Amigo stopped lending in November 2020, owing to "uncertainty surrounding Covid-19", and had been embroiled in a tussle over compensation for historic mis-selling.

Calls for a strike sent **Royal Mail** lower. The Communication Workers Union announced further industrial action against the postal group in a disagreement over pay.

A well-received appointment buoyed **Burberry**, with the luxury group replacing its chief creative officer. Bradford-born Daniel Lee will be taking over from Italian Riccardo Tisci next week, overseeing all of the fashion house's collections.

Russ Mould, investment director at AJ Bell, noted that Lee was "credited for helping to breathe some new life into Italian luxury brand Bottega Veneta". *Ray Douglas*

hits interest rates until something "breaks". That raises questions of how far the Fed will now go to tackle surging inflation.

Part of the reason that is cited for the central bank's current aggressiveness is the strength of the US labour market and the potential for that to add to inflation.

But a look under the hood highlights that there may already be some breakage in the labour market, not picked up by traditional headline indicators — including payroll growth and the unemployment rate.

The "establishment survey" is what generates the headline payrolls number each month when the Bureau of Labor Statistics releases its US employment data. According to that survey, 315,000 jobs were added in August, which was strong, but well down from the previous month's 526,000. Of course, counting payrolls only results in an estimate of the number of jobs created; it doesn't measure unemployment.

That's where the US household survey comes in, from which the unemployment rate is calculated. It's a survey of households' members, so it counts people, and whether they're employed or not.

A recent trend picked up by the household survey is the increase in multiple job holders. If one person picks up a second or (God forbid) a third job for economic reasons, that is still counted as one employed person per the household survey. However, it's possible those additional jobs get picked up as individual payroll jobs within the establishment survey.

and the very sharp inflection higher in part-time employment. The gain of 442,000 jobs in the household survey in August appeared on the surface to be strong. But that was more than all accounted for by part-time workers, with full-time jobs actually shrinking 242,000. It was the third month in a row of declines, totalling 465,000 over that period.

Another fly in the ointment of labour market statistics is associated with job openings — the most common tracker

> There may be breakage in the labour market, not picked up by traditional headline indicators

coming from the Job Openings and Labor Turnover Survey (Jolts). A key measure of labour market tightness has been the relationship between job openings and the number of unemployed people; with the former outnumbering the latter by a ratio of two to one.

The problem is that the Jolts statistics arguably overstate the number of actual individual job openings. One of the criteria for a job opening is that there is "active recruiting" for workers by an establishment. That may include advertising, internet notices, signs, word-of-mouth "announcements", contact with employment agencies, or setting up at a job fair or similar source of possible applicants.

In addition, the pool of labour available for those jobs spans beyond just individuals considered as potentially competing for those job openings. This suggests that the labour market may be less tight than conventionally believed, confirmed by recent research by the St Louis Fed.

The Fed has explicitly stated that its goal is to weaken job openings, without a significant rise in the unemployment rate — a narrow opening in the needle it's trying to thread. But the Fed also cites the need for more restrained wage growth — which is elevated by historical standards, but remains below the rate of inflation. This means real wage growth is still in negative territory.

There is another reflection of weakening demand for labour and that is the number of hours each week companies are asking of their workers.

Notwithstanding the healthy reading on August payroll growth, there was yet another reduction in the workweek, which has been flat or down in five of the six months to August. At 34.5 hours, it is tied for the lowest reading since April 2020, when the pandemic lockdown was in full force. The decline in hours worked was so significant that it resulted in the first decline this year in the index of aggregate hours worked.

With labour the highest input cost for many companies, and economic growth and demand weak, the hints of weakness in the labour market are likely to foreshadow further deterioration to come. As the Fed has been pointing out, it may be a necessary ingredient in the quest to quell the surge in inflation.

Liz Ann Sonders is chief investment strategist at Charles Schwab

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 $
1.37%	1.33%	1.22%	0.30%	0.34%	-1.50%	-3.41%	0.78%	0.104%	-0.278%	-0.104%	0.336%	1.40%	-0.55%

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

AMERICAS

Aug 29 - - Index All World
S&P 500 New York

Aug 29 - Sep 28 Index All World
S&P/TSX COMP Toronto

EUROPE

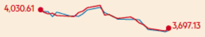
Aug 29 - Sep 28 Index All World
FTSE 100 London

Aug 29 - Sep 28 Index All World
Xetra Dax Frankfurt

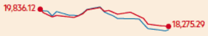
ASIA

Aug 29 - Sep 28 Index All World
Nikkei 225 Tokyo

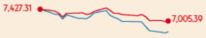
Aug 29 - Sep 28 Index All World
Kospi Seoul



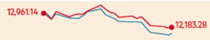
Day ↗1.37% Month ↘-12.71% Year ↘-16.73%



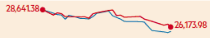
Day ↗1.31% Month ↘-7.72% Year ↘-9.43%



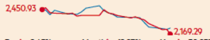
Day ↗0.30% Month ↘-7.26% Year ↗1.43%



Day ↗0.36% Month ↘-6.91% Year NaN%



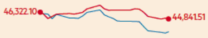
Day ↘-1.50% Month ↘-9.75% Year ↘-14.40%



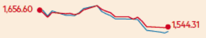
Day ↘-2.45% Month ↘-12.97% Year ↘-30.93%

Index	Location
Nasdaq Composite	New York
IPC	Mexico City
FTSE Eurofirst 300	Europe
Ibex 35	Madrid
Hang Seng	Hong Kong
FTSE Straits Times	Singapore

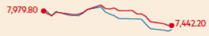
Day ↗1.33% Month ↘-13.82% Year ↘-27.22%



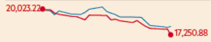
Day ↗0.77% Month ↘-6.29% Year ↘-11.49%



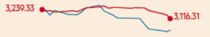
Day ↗0.34% Month ↘-10.34% Year ↘-11.73%



Day ↘-0.05% Month ↘-10.76% Year ↘-15.07%



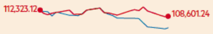
Day ↘-3.41% Month ↘-12.77% Year ↘-30.79%



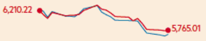
Day ↘-1.55% Month ↘-3.92% Year ↗1.57%

Index	Location
Dow Jones Industrial	New York
Bovespa	São Paulo
CAC 40	Paris
FTSE MIB	Milan
Shanghai Composite	Shanghai
BSE Sensex	Mumbai

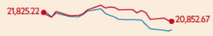
Day ↗1.22% Month ↘-12.79% Year ↘-15.01%



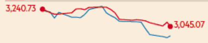
Day ↗0.12% Month ↘-2.49% Year ↘-0.11%



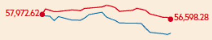
Day ↗0.19% Month ↘-11.25% Year ↘-12.26%



Day ↘-0.52% Month ↘-7.34% Year ↘-18.78%



Day ↘-1.58% Month ↘-6.52% Year ↘-15.72%



Day ↘-0.89% Month ↘-5.24% Year ↘-4.22%

Country	Index	Latest	Previous
Argentina	Merval	137749.78	135472.73
Australia	All Ordinaries	6659.80	6696.50
	S&P/ASX 200	6462.00	6496.20
	S&P/ASX 200 Res	5025.50	5050.80
Austria	ATX	2696.92	2712.11
Belgium	BEL 20	3387.62	3390.90
	BEL Mid	8796.18	8798.88
Brazil	IBovespa	108505.48	108376.35
Canada	S&P/TSX 60	1125.22	1112.05
	S&P/TSX Comp	18547.38	18307.91
	S&P/TSX Div Met & Min	1216.12	1190.66
Cyprus	CSE M&P Gen	68.46	68.68
Czech Republic	PX	1144.92	1151.08
Denmark	OMXC Copenahgen 20	1542.80	1530.59
Egypt	EGX 30	9817.37	9827.80
Estonia	OMX Tallinn	1673.93	1693.06
Finland	OMX Helsinki General	9974.04	9942.32
France	CAC 40	5765.01	5753.82
	SBF 120	4438.13	4428.86
Germany	M-DAX	22326.58	22342.60
	TecDAX	2669.09	2655.13
	XETRA Dax	12183.28	12139.68
Italy	FTSE Italia All-Share	22680.18	22756.31
	FTSE Italia Mid Cap	34534.67	34509.61
	FTSE MIB	20852.67	20961.38
Japan	2nd Section	7228.27	7239.06
	Nikkei 225	26173.98	26571.87
	S&P Topix 150	1585.58	1603.75
	Topix	1930.17	1935.49
Jordan	Amman SE	2473.06	2476.46
Kenya	NSE 20	1747.27	1746.03
Kuwait	KSX Market Index	6633.44	6603.51
Latvia	OMX Riga	1083.76	1083.81
Philippines	Manila Comp	5879.68	6020.07
Poland	Wig	47411.06	47859.82
Portugal	PSI 20	5385.14	5443.99
	PSI General	4238.23	4280.18
Romania	BET Index	10669.33	10773.48
Russia	Micex Index	2436.57	2445.30
	RTX	1245.71	1212.57
Saudi-Arabia	TADAWUL All Share Index	11017.38	10909.18
Singapore	FTSE Straits Times	3116.31	3165.50
Slovakia	SAX	347.25	346.11
Slovenia	SBI TOP	-	-
Taiwan	Weighted Pr	13466.07	13826.59
Thailand	Bangkok SET	1599.23	1610.58
Turkey	BIST 100	3223.02	3265.64
UAE	Abu Dhabi General Index	9222.93	9251.11
UK	FT 30	2268.10	2264.90
	FTSE 100	7005.39	6984.59
	FTSE 4Good UK	6290.88	6282.81
	FTSE All Share	3820.23	3810.44
	FTSE techMARK 100	5991.07	5979.70
USA	DJ Composite	10000.85	9856.09
	DJ Industrial	29490.78	29134.99
Cross-Border	DJ Global Titans ($)	401.77	398.37
	Euro Stoxx 50 (Eur)	3337.61	3328.65
	Euronext 100 ID	1119.30	1119.80
	FTSE 4Good Global ($)	8855.54	8770.21
	FTSE All World ($)	372.06	369.17
	FTSE E300	1544.31	1539.06
	FTSE Eurotop 100	3038.32	3024.27
	FTSE Global 100 ($)	2341.68	2318.61
	FTSE Gold Min ($)	1329.45	1326.79
	FTSE Latibex Top (Eur)	4440.00	4432.20
	FTSE Multinationals ($)	2403.16	2405.48

[illegible]

(c) Closed. (u) Unavailable. † 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

[illegible]

UK MARKET WINNERS AND LOSERS

[illegible]

CURRENCIES

[illegible]

FTSE ACTUARIES SHARE INDICES

[illegible]

FT 30 INDEX

[illegible]

FT WILSHIRE 5000 INDEX SERIES

[illegible]

FTSE GLOBAL EQUITY INDEX SERIES

[illegible]

FTSE SECTORS: LEADERS & LAGGARDS

[illegible]

FTSE 100 SUMMARY

[illegible]

UK STOCK MARKET TRADING DATA

[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

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UK COMPANY RESULTS

[illegible]

UK RECENT EQUITY ISSUES

[illegible]

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

[illegible]

Denmark (kr)

Stock	Price	Day Chg	52 Week High	52 Week Low	Yld	P/E	MCap m
DanskeBk	96.46	-3.00	133.25	93.56	1.94	7.05	10770.47
MollerMrsk	14030	-370.00	24070	13795	2.27	2.44	15212.88
NovoB	764.10	17.10	863.60	604.40	1.15	39.33	172435.23

[illegible]

Stock	Price	Day Chg	52 Week High	52 Week Low	Yld	P/E	MCap m
AutomData	230.85	3.23	261.59	192.26	1.32	45.04	95870.08
AutoZone	2139.37	39.87	2362.24	1634.34	-	24.36	41691.09
Avago Tech	465.46	0.71	677.76	456.51	2.56	33.13	188511.98
BakerHu	21.07	0.31	39.78	20.42	2.79	61.46	21317.66
Bank of NY	39.23	0.29	64.63	38.30	2.63	11.94	31697.85
BankAm	31.00	0.43	50.11	29.67	2.00	10.94	249052.23
Baxter	55.21	0.91	89.70	53.78	1.56	27.50	27804.35
BectonDick	229.74	1.40	277.29	227.25	1.16	50.10	65521.98
BerkshHat	408500	7010	544389.26	395202.25	-	8.66	245068.95
Biogen	273.36	75.57	291.54	187.16	-	33.13	39668.1
BlackRock	583.95	5.35	973.16	573.96	2.24	19.26	88040.91

[illegible]

Venezuela (VEF)

Stock	Price	Day Chg	52 Week High	52 Week Low	Yld	P/E	MCap m
Bco de Vnzla	1.10	-	594.00	0.32	130.23	-	493.35
Bco Provncl	2.75	-0.05	798000	1.70	-	0.00	126.82

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

FT 500: TOP 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
Biogen	273.36	197.79	75.57	38.21	74.02	37.1	27.05
Lilly (E)	338.48	311.10	27.38	8.80	42.00	14.2	5.05
Eli Lilly	338.48	311.10	27.38	8.80	42.00	14.2	5.05
LasVegasSd	39.53	39.72	-0.19	-0.48	2.91	7.9	4.81
Bausch Hlth	10.04	9.81	0.23	2.34	0.53	5.6	40.96
SandsCh	20.35	21.05	-0.70	-3.33	1.07	5.5	21.13
VertexPharm	293.40	284.74	8.66	3.04	13.00	4.6	-2.11
Twitter	43.18	42.09	1.09	2.58	1.91	4.6	-2.27
Hind Unilevr	2702.10	2679.25	22.85	0.85	118.55	4.6	2.56
Cielo	5.46	5.25	0.21	4.00	0.20	3.8	-0.73
Roche	325.45	312.60	12.85	4.11	11.60	3.7	0.65
Regen Pharm	709.89	695.01	14.88	2.14	25.26	3.7	14.68
Workday	155.51	149.18	6.33	4.24	4.53	3.0	-8.13
Bristol-Myers	71.45	70.36	1.09	1.55	1.99	2.9	-5.14
RioTinto	4854.00	4781.50	72.50	1.52	134.00	2.8	-1.11
GlaxoSmh	1341.60	1316.60	25.00	1.90	37.00	2.8	-6.08
Lowes	193.67	187.67	6.00	3.20	5.31	2.8	-8.81
HomeDep	279.06	268.69	10.37	3.86	7.49	2.8	-13.40
Abbvie	143.83	141.72	2.11	1.49	3.52	2.5	1.52
Amgen	229.84	225.99	3.85	1.70	5.38	2.4	-8.38

Based on the FT Global 500 companies in local currency

FT 500: BOTTOM 20

[illegible]

Based on the FT Global 500 companies in local currency

INTEREST RATES: OFFICIAL

Sep 28	Rate	Current	Since	Last
US	Fed Funds	3.00-3.25	21-09-2022	2.25-2.5
US	Prime	6.25	22-09-2022	5.50
US	Discount	2.50	27-07-2022	1.50
Euro	Repo	0.374	20-09-2022	0.141
UK	Repo	2.25	22-09-2022	1.75
Japan	O'night Call	0.00-0.10	01-02-2016	0.00
Switzerland	Libor Target	[illegible]	[illegible]	[illegible]

INTEREST RATES: MARKET

[illegible]

Sep 28	Short term		7 Days notice		One month		Three month		Six month		One year	
Euro	0.51	0.81	0.38	0.68	0.46	0.76	0.97	1.27	1.63	1.93	2.30	2.60
Sterling					0.45	0.55	0.58	0.68	0.71	0.86	0.90	1.05
US Dollar	2.86	3.06	2.91	3.11	2.99	3.19	3.51	3.71	3.96	4.16	4.48	4.68
Japanese Yen	-0.15	0.05	-0.20	0.00	-0.20	0.00	-0.15	0.05	-0.10	0.20	-0.05	0.25

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

BOND INDICES

[illegible]

Markit CDX

	Index	Day's change	Month's change	Year change	Return 1 month	Return 1 year
Emerging Markets 5Y	333.25	4.53	44.98	-	333.25	288.27
Nth Amer High Yld 5Y	625.47	-	-	-	625.47	625.47
Nth Amer Inv Grade 5Y	110.98	1.26	12.74	-	110.98	98.24

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

COMMODITIES

www.ft.com/commodities

Energy		Price*	Change	Agricultural & Cattle Futures		Price*	Change
Crude Oil†	Nov	79.60	1.10	Corn♦	Dec	668.75	1.25
Brent Crude Oil‡		88.54	2.27	Wheat♦	Dec	886.25	14.75
RBOB Gasoline†	Oct	2.52	0.03	Soybeans♦	Nov	1401.50	-6.50
Natural Gas†	Nov	6.66	-0.10	Soybeans Meal♦	Oct	426.10	0.00
Base Metals (♠ LME 3 Months)				Cocoa (ICE Liffe)⊕	Dec	1931.00	7.00
Aluminium		2138.00	36.00	Cocoa (ICE US)♥	Dec	2266.00	-20.00
Aluminium Alloy		1675.00	-905.00	Coffee(Robusta)⊕	Nov	2205.00	25.00
Copper		7432.50	141.50	Coffee (Arabica)♥	Dec	221.15	-3.20
Lead		1844.50	87.00	White Sugar⊕		527.10	-1.20
Nickel		21830.00	80.00	Sugar 11♥		17.59	0.00
Tin		20860.00	260.00	Cotton♥	Oct	94.19	3.87
Zinc		2876.00	26.00	Orange Juice♥	Nov	192.25	10.00
Precious Metals (PM London Fix)				Live Cattle♣	Oct	143.60	0.13
Gold		1634.30	-9.05	Feeder Cattle♣	May	134.88	-
Silver (US cents)		1868.00	4.50	Lean Hogs♣	Oct	88.58	-1.80
Platinum		859.00	-5.00				
Palladium		2090.00	23.00		Sep 27	% Chg Month	% Chg Year
Bulk Commodities							
Iron Ore		97.06	0.32	S&P GSCI Spt	613.97	-8.30	14.04
Baltic Dry Index		1799.00	-8.00	DJ UBS Spot	111.69	-8.85	14.29
Richards Bay ICE Futures		305.00	10.50	TR/CC CRB TR	285.55	-8.63	20.96
				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 Sep 27	Yield Sep 27	Yield Prev	Month return	Value stock	Market	No of stocks
Can 4.25%' 26	110.76	1.572	1.481	-0.98	5.25	70912.12	8
Fr 0.25%' 24	103.82	-1.792	-1.977	-2.95	17.92	240944.26	17
Swe 1.00%' 25	123.47	-0.659	-0.759	-0.93	35.15	211725.87	6
UK 0.125%' 24	101.15	-0.643	-0.848	-4.75	15.24	458478.19	31
UK 2.50%' 24	361.43	0.115	-0.080	-5.22	6.82	458478.19	31
UK 2.00%' 35	214.68	1.114	0.515	-20.28	9.08	458478.19	31
US 0.625%' 24	97.59	2.529	2.519	-1.67	40.98	1540833.71	46
US 3.625%' 28	108.81	1.941	1.883	-5.79	16.78	1540833.71	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	4.03	1.91	-0.02	Netherlands	2.30	0.17	-1.75
Austria	2.75	0.62	-1.30	New Zealand	4.26	2.14	0.21
Canada	3.35	1.22	-0.70	Norway	3.49	1.37	-0.56
Denmark	2.58	0.45	-1.47	Portugal	2.61	0.48	-1.44
Finland	2.67	0.54	-1.38	Spain	3.07	0.94	-0.98
Germany	2.13	0.00	-1.92	Sweden	-0.33	-2.45	-4.38
Italy	2.22	0.09	-1.83	Switzerland	1.32	-0.81	-2.73
Japan	0.25	-1.88	-3.80	United States	4.05	1.92	0.00

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

BONDS: HIGH YIELD & EMERGING MARKET

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

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

VOLATILITY INDICES

	Sep 28	Day Chng	Prev	52 wk high	52 wk low
VIX	31.34	-1.26	32.60	38.93	14.73
VXD	27.13	-0.69	27.82	45.37	3.27
VXN	36.28	-0.87	37.15	44.05	15.70
VDAX	31.27	-0.26	31.52	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	99.90	2.94	-0.03	0.23	0.57	2.93
	05/32	1.25	77.95	4.03	0.04	0.39	0.45	-
	02/50	1.00	83.04	2.19	0.03	0.33	0.63	1.98
Austria	02/29	0.50	86.99	2.75	0.11	0.35	1.03	2.93
	02/47	1.50	77.19	2.80	0.13	0.15	0.56	2.27
Belgium	06/27	0.80	92.90	2.41	0.08	0.32	0.97	2.81
	06/47	1.60	75.45	3.02	0.16	0.16	0.45	2.21
Canada	03/25	1.25	94.11	3.82	0.05	0.13	0.35	3.00
	06/30	1.25	85.89	3.35	0.11	0.22	0.32	2.00
	12/48	2.75	92.56	3.17	0.11	0.11	0.18	1.29
Denmark	11/29	0.50	86.61	2.58	0.11	0.33	0.88	2.67
	11/52	0.25	53.02	2.48	0.16	0.17	0.68	1.98
Finland	09/24	0.00	95.96	2.13	0.03	0.24	1.06	2.76
	09/29	0.50	86.39	2.67	0.12	0.35	0.98	2.84
France	05/28	0.75	90.88	2.50	0.10	0.34	0.95	2.75
	05/48	2.00	82.65	2.98	0.17	0.19	0.52	2.20
Germany	08/29	0.00	86.52	2.13	0.10	0.31	0.93	2.51
	08/50	0.00	56.55	2.07	0.16	0.15	0.54	1.81
Greece	01/23	3.50	100.74	1.28	-0.02	0.00	0.74	1.64
	01/28	3.75	97.56	4.27	0.09	0.28	0.98	3.99
Ireland	10/22	0.00	99.93	1.39	0.01	-0.09	0.93	1.98
	05/26	1.00	95.51	2.30	0.06	0.31	0.99	2.73
	02/45	2.00	83.71	3.01	0.17	0.21	0.57	2.32
Italy	02/25	0.35	93.10	3.45	0.16	0.58	1.34	3.62
	05/30	0.40	87.28	2.22	0.28	0.65	1.26	3.07
	03/48	3.45	84.20	4.50	0.22	0.34	0.70	2.83
Japan	04/25	0.05	99.99	0.05	0.00	0.02	0.05	-0.01
	12/29	0.10	98.95	0.25	0.00	0.03	0.09	0.27
	12/49	0.40	78.47	1.35	0.05	0.10	0.24	0.69
Netherlands	07/27	0.75	93.03	2.30	0.10	0.31	0.95	2.75
	01/47	2.75	105.89	2.43	0.17	0.20	0.56	2.20
New Zealand	05/31	1.50	80.22	4.26	0.12	0.31	0.42	2.33
	09/40	2.50	113.27	2.65	0.06	0.17	0.31	1.84
Norway	08/30	1.38	85.60	3.49	0.02	0.08	0.18	2.01
Poland	01/23	2.50	98.55	7.13	-0.05	0.08	0.29	6.82
	07/27	2.50	81.65	7.13	0.07	0.62	0.46	5.63
	04/47	4.00	68.20	6.66	0.22	0.58	0.67	4.18
Portugal	04/27	4.13	106.39	2.61	0.10	0.37	0.96	2.92
Spain	10/22	0.45	99.95	1.03	-0.18	-0.18	0.46	1.63
	10/29	0.60	84.51	3.07	0.12	0.35	0.94	2.93
	10/46	2.90	89.28	3.57	0.17	0.20	0.56	2.42
Sweden	06/30	0.13	114.24	-0.33	0.15	0.33	0.65	1.35
	03/39	3.50	119.22	2.11	0.05	0.14	0.28	1.47
Switzerland	04/28	4.00	114.27	1.30	0.04	0.09	0.62	1.68
	06/29	0.00	91.58	1.32	0.06	0.13	0.64	1.59
United Kingdom	07/23	0.75	97.28	4.18	0.14	1.04	1.64	3.91
	07/27	1.25	85.76	4.58	0.15	1.28	2.02	3.97
	07/47	1.50	51.55	4.89	0.41	1.26	1.96	3.61
United States	-	-	-	-	-	-	-	-
	03/25	0.50	90.87	4.39	0.00	0.42	0.98	3.70
	02/30	1.50	83.88	4.05	0.08	0.43	0.98	2.66
	02/50	0.25	67.16	1.77	0.14	0.34	0.80	-

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

BONDS: GLOBAL INVESTMENT GRADE

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

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

GILTS: UK CASH MARKET

Sep 28	Price £	Red Yield	Change in Yield Day	Week	Month	Year	52 Week High	52 Week Low	Amnt £m
	-	-	-	-	-	-	-	-	-
Tr 0.75pc '23	97.53	3.87	-5.61	22.08	53.57	1333.33	100.88	97.34	34.36
Tr 0.125pc '24	94.68	4.26	-5.75	24.20	45.89	965.00	99.44	94.34	34.76
Tr 2pc '25	93.82	4.26	-5.54	29.88	63.85	787.50	105.99	93.15	39.04
Tr 0.125pc '26	87.08	4.33	-5.66	29.25	65.27	701.85	98.77	86.33	34.53
Tr 1.25pc '27	86.99	4.27	-6.56	26.71	66.80	567.19	104.30	85.80	40.07
Tr 0.875pc '29	80.05	4.16	-7.35	25.68	65.74	401.20	102.36	78.30	42.65
Tr 4.25pc '32	101.92	4.01	-8.45	20.78	53.64	297.03	135.62	98.95	39.43
Tr 4.25pc '36	100.98	4.15	-10.37	16.90	43.10	254.70	145.94	96.26	30.97
Tr 4.5pc '42	105.95	4.06	-16.12	10.93	35.79	212.31	169.96	95.62	27.72
Tr 3.75pc '52	97.65	3.88	-20.16	7.78	34.72	196.18	180.27	82.60	24.55
Tr 4pc '60	105.89	3.71	-21.56	8.16	34.42	201.63	213.01	87.32	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 28	Day's chg %	Total Return	Return 1 month	Return 1 year	Yield
1 Up to 5 Years	79.42	0.61	2282.71	-3.20	-7.29	4.29
2 5 - 10 Years	142.09	2.37	2991.85	-9.07	-18.46	4.13
3 10 - 15 Years	150.23	4.71	3451.71	-11.27	-25.35	4.16
4 5 - 15 Years	143.14	3.01	3102.61	-9.65	-20.55	4.14
5 Over 15 Years	214.88	16.68	3670.56	-14.75	-37.90	3.88
7 All stocks	132.64	6.50	2946.27	-9.52	-24.34	3.98

Index Linked	Sep 28	Day's chg %	Month chg %	Year's chg %	Total Return	Return 1 month	Return 1 year
1 Up to 5 Years	317.17	0.88	-3.29	1.31	2674.89	-3.27	2.46
2 Over 5 years	506.44	16.57	-22.23	-40.42	3855.17	-22.18	-40.18
3 5-15 years	427.81	4.60	-13.43	-18.50	3454.51	-13.39	-17.90
4 Over 15 years	567.11	26.08	-27.03	-49.44	4191.76	-26.98	-49.32
5 All stocks	483.33	13.64	-19.60	-36.02	3752.65	-19.56	-35.71

Yield Indices	Sep 28	Sep 27	Yr ago		Sep 28	Sep 27	Yr ago
5 Yrs	4.19	4.50	0.57	20 Yrs	4.08	4.80	1.34
10 Yrs	4.15	4.52	0.99	45 Yrs	3.61	4.64	1.17
15 Yrs	4.14	4.68	1.24				

Real yield	inflation 0% Sep 28	Dur yrs	Previous	Yr ago	inflation 5% Sep 28	Dur yrs	Previous	Yr ago
Up to 5 yrs	0.04	1.56	0.61	-3.48	-0.63	1.57	-0.07	-3.88
Over 5 yrs	0.64	18.83	1.48	-2.26	0.61	18.89	1.45	-2.28
5-15 yrs	0.48	8.59	1.01	-2.77	0.38	8.60	0.90	-2.88
Over 15 yrs	0.67	25.40	1.61	-2.20	0.66	25.41	1.59	-2.22
All stocks	0.63	16.00	1.46	-2.27	0.59	16.09	1.42	-2.30

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

Sarah Hemming

I am feeling like this format is not facilitating us all bringing our best selves to this conversation," says headteacher Don at the end of the first act of Jonathan Spector's **Eureka Day**.

It's such a wild understatement that it brings a roar of laughter from the audience. They have just witnessed the "conversation" in question: a spiralling, invective-laden online chat between parents, played out on a screen above Don's head as he and his fellow school board members attempt to "reach out" via Zoom. The board's earnest efforts are soon drowned out by guffaws from the audience reading the messages above.

With *Eureka Day*, Spector is wading into the hornets' nest of today's culture wars. The rancour of the exchange is all the more striking because the Californian elementary school in question is so determinedly progressive. We first meet the board members as they agonise over the identity choices on their application forms, while eating artisan doughnuts and perching on tiny, child-sized furniture in a brightly coloured schoolroom.

Spector, director Katy Rudd and her cast have a lot of fun satirising the *bien pensant* liberal left: headteacher Don (Mark McKinney) is a cuddly, ageing hippie, who, in one toe-curling moment, "welcomes the unique perspective" of new, black parent, Carina (Susan Kelechi Watson). Self-congratulatory full-time dad Eli (Ben Schnetzer) lounges on the floor and sips green juice from a jar. Veteran board-member Suzanne (Helen Hunt) — a scary combination of concern and control — reassures sweetly reasonable May (Kirsten Foster) that she's not putting words into her mouth. "I find the best way not to put words in someone's mouth is not to put words in their mouth," replies May, tartly.

An outbreak of mumps brings everything to boiling point. The county health department decrees that unvaccinated children must stay at home, producing outrage from antivax parents and sending the board into turmoil. Written before the Covid pandemic, the play

When culture wars go ballistic

Above, from left: Ben Schnetzer, Susan Kelechi Watson, Mark McKinney, Helen Hunt and Kirsten Foster in 'Eureka Day'
Manuel Harlan

Eureka Day
Old Vic, London
★★★★☆

Jews. In Their Own Words.
Royal Court, London
★★★★☆

The P Word
Bush Theatre, London
★★★★☆

comes to the British stage bristling with new resonance.

It's not hard to satirise both well-meaning liberals and conspiracy theorists, but Spector does it extremely well. The test is whether the play pushes beyond that into something deeper. That's the job of the second half, which switches mood, building to a crunch meeting between Suzanne and Carina. Here it explores the way conspiracy theories exploit personal loss, the difficulty of arriving at consensus or balancing individual rights with public benefit, the subtle manipulation of power and the contradictions in personal viewpoints.

It's restlessly clever and thought-provoking, and Hunt and Kelechi Watson are excellent, keeping the sympathies moving and raising unsettling points, not least the ways we convince ourselves that our own opinions are entirely rational. The ending asks difficult questions about inclusivity, consensus and the way we handle dissent.

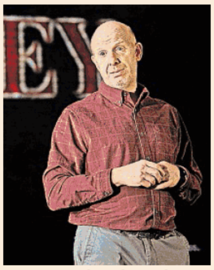
There is something naggingly unsatisfying about the play, though: the characters' viewpoints get deepened but not the characters themselves — some of whom feel very schematic, despite the fine and funny cast — and the huge issues they raise deserve more exploration than there is time for here. It's smart, timely, perceptive and terrifically funny — but it also feels ever so slightly pat.
To October 31, oldvictheatre.com

Eureka Day joins a flurry of dramas focusing hard on the toxic nature of so much public discourse. Christopher Shinn's *The Narcissist* at Chichester Festival Theatre and *The Doctor*, about to open in the West End, both home in on the role of social media in fomenting division. We also have timely revivals of Arthur Miller's *The Crucible* and CP Taylor's *Good*.

And at London's Royal Court comes a play written in response to the theatre's own catastrophic example of bias, when it staged a play (*Rare Earth Mettle*) that perpetuated an offensive anti-Semitic stereotype. That debacle led to a far-reaching internal review, one outcome of which is **Jews. In Their Own Words.** A verbatim piece by Jonathan Freedland, it focuses on the way anti-Semitism can seep into even the most avowedly anti-racist circles and draws on personal accounts from a wide range of voices, including MPs Luciana Berger and Margaret Hodge, actor Tracy-Ann Oberman, novelist Howard Jacobson and FT political columnist Stephen Bush.

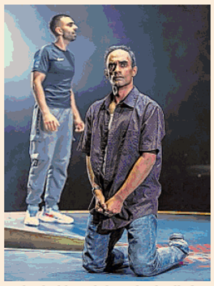
This is theatre as powerful public forum: a chance to focus with rigour and honesty — and humour — on our society. The piece is shaped into segments dealing first with anti-Semitic stereotypes about blood, money and power. Freedland traces their historical roots and demonstrates the subtle ways those prejudices impact on private and public discourse now. We see overt prejudice and casual assumptions sewn into conversations in all areas of life — politics, the arts, social gatherings, public encounters — all of them experienced first hand by the interviewees. We see the way prejudices are played down with arguments such as "but it's not actual racism" and we hear about the deep personal cost of both verbal and physical attacks.

Seven actors portray a multitude of characters, slipping skilfully between them, and wheel on display boards on which offensive tweets and emails are projected. One chart shows the dramatic rise in anti-Semitic incidents between 2004 and 2021. Directed



Steve Furst in the verbatim play 'Jews. In Their Own Words.'

by Vicky Featherstone and Audrey Sheffield, the show is vibrant and peppered with humour. But it's also eloquent, incisive and emotionally powerful: a stark and important warning about the insidiousness of prejudice.
To October 22, royalcourttheatre.com



Waleed Akhtar, left, and Esh Alladi in 'The P Word'

Satire; verbatim theatre; love story — there are many forms of powerful political theatre. At the Bush Theatre, Waleed Akhtar's **The P Word** chooses the latter, with immensely moving results. Here the prejudices under scrutiny are racism and homophobia.

At the outset, two men, both gay, one Pakistani, one British Pakistani, circle one another on Max Johns's rotating set. Both in London, they are, initially, worlds apart. Bilal, a handsome, confident gym addict who hooks up with white guys on Grindr and defiantly resists emotional commitment, has never been in love. Zafar, older, shy, awkward, has — and deeply so. But his

> It's not hard to satirise well-meaning liberals and conspiracy theorists, but 'Eureka Day' does it extremely well

father's discovery of that relationship led to his lover's murder, threats against his own life and a desperate flight. Now he's an asylum seeker trying to convince the authorities that if he were returned to his country, his life would be in danger.

Their chance encounter is clunkily engineered and their friendship seems at first unlikely. But Akhtar peels away the layers, revealing to both the characters and us how much they actually have in common. Both men have suffered prejudice, rejection — whether subtle or overt — and experienced the resulting deeply corrosive loneliness.

The push towards romance is irresistible — and flagged up mischievously by Akhtar's references to romantic Pakistani TV series and Bollywood classics. But then a brilliant twist that undercuts expectations and punches home the political point of the piece. It's beautifully delivered by Akhtar himself as Bilal and Esh Alladi as Zafar. Both are precise, funny, physically eloquent and immensely touching.

"I'm not in your Britain. I'm in another Britain," says Zafar — a statement that could speak for many.
To October 29, bushtheatre.co.uk

Medea inspired by the spirit of Callas

OPERA

Medea
Metropolitan Opera, New York
★★★☆☆

George Loomis

Maria Callas never sang in *Medea* at the Met, but — because of her interpretation in performances elsewhere, as well as famous recordings — her spirit is the omnipresent force behind the company's first ever production of Cherubini's 1797 opera, which opens the company's new season. Its title role of mythology's quintessential woman scorned is irresistible to dramatic sopranos. If ever there was a role that enables them to flaunt their stuff unabashedly, even as it relegates artistic cohesion to second place, this is it.

Like other French operas with spoken dialogue, Cherubini's *Médée* gained popularity in Italian-language performances with recitatives replacing the dialogue. The wrinkle here is that its recitatives — dating from the 1850s — were composed in a sumptuous Wagnerian style at odds with Cherubini's classical approach. In particular, the forceful declamation they demand of the singers often undermines Cherubini's more measured approach towards building

Callas liked *Medea* the Italian way, complete with 19th-century additions, and, prodded no doubt by its current exponent, Sondra Radvanovsky, the Met acquiesced. Fortunately, Radvanovsky delivers. Dressed in black and looking forbidding (Doey Lüthi designed the costumes), Radvanovsky began with a deceptively lovely account of Medea's sympathetic initial aria and went on to show her mastery of vocal declamation, making words tell through vivid attacks and colouring. One missed the gleaming tonal flashes of Callas's recordings, but Radvanovsky sang generously and never tired; indeed, she seemed to bring new reserves of sound to the finale.

Overall, though, one cannot escape the sense of witnessing a historical relic, a feeling reinforced by David McVicar's opulent but inert production characterised by primitive, stone-like sets with metallic hues possibly inspired by the fabled Golden Fleece, which Medea helped Jason steal. McVicar makes effective use — particularly for the wedding festivities of Jason and his ill-fated bride, Glauce — of views of the action taken from above and projected on a screen at the rear of the stage.

Best in the supporting cast is Ekaterina Gubanova as Medea's confidante Neris, who expresses her loyalty but also represents Medea's conscience in her doleful aria with bassoon obbligato at the heart of the opera. Michele Pertusi is duly authoritative as Glauce's father, the Corinthian king Creon, and Matthew Polenzani portrays the ineffectual Jason. The conductor Carlo Rizzi would doubtless like to remind people that Leonard Bernstein also conducted essentially the same Italian version of *Medea* (with Callas), but Rizzi's workaday contribution here will do little to enhance his reputation.

To October 28, metopera.org

Sondra Radvanovsky in the title role of 'Medea'
Marty Sohl/Met Opera

drama. He saves his most diabolical vocal writing for Medea until the finale, as she vacillates over murdering her own children fathered by the unfaithful Jason. But its impact is blunted by the vehement exchanges that precede it.

In Europe, the trend is to perform *Médée* in its original French form. But

FT BIG READ. CARS

As the UK's automotive industry aims to sell only electric vehicles by 2035, the fate of the sector might depend on the battery start-up — but it has no working prototype, no factory and no customers.

By Peter Campbell, Harry Dempsey and Harriet Agnew

Inside the struggles of Britishvolt

When Britishvolt was formed three years ago with the ambitions of spearheading the UK's battery industry, it had nothing: no factory site, no in-house technology, no customers and precious little funding.

Since then, it has worked to piece together the building blocks that will, it hopes, one day transform it into a credible business.

The company hired known automotive leaders; it garnered tens of millions in financial backing from investors including Glencore and a grant from the British government; it secured a world-class site for a £3.8bn "gigafactory" in Blyth, north-east England, and announced plans to begin production in 2023. Most impressively, it developed its own fledgling battery technology in partnership with a UK university.

Now, Britishvolt believes that securing the final piece of the jigsaw puzzle — paying customers — is only months away. "They are very close to getting away with it," says one person who previously worked for the business.

Yet underneath the surface, the company is still wrestling not only with the customary growing pains of a fast-hiring start-up, but also with the more fundamental need to establish a business model, amid what one person familiar with the business describes as a "chaotic" atmosphere.

Britishvolt has yet to demonstrate in public that the equipment it promises will be "market-leading" actually works. The Blyth gigafactory will not be ready until 2025, a delay that means even carmakers that want its kit in large numbers will need to find another supplier of batteries for their debut models.

All the while, the business is burning through £3mn of cash on salaries alone each month, a consequence of hiring close to 300 people while still years from generating revenue. Last month, its co-founder and chief executive stepped down.

It is in the middle of another funding round — its second in two years — while accounts covering the period from December 2019 to January 2021 show a loss of £8.8mn, and warn of "material uncertainties that may cast significant doubt on the company's ability to continue as a going concern".

Even longtime supporters within the ranks of government now put the company's odds of survival at 50-50.

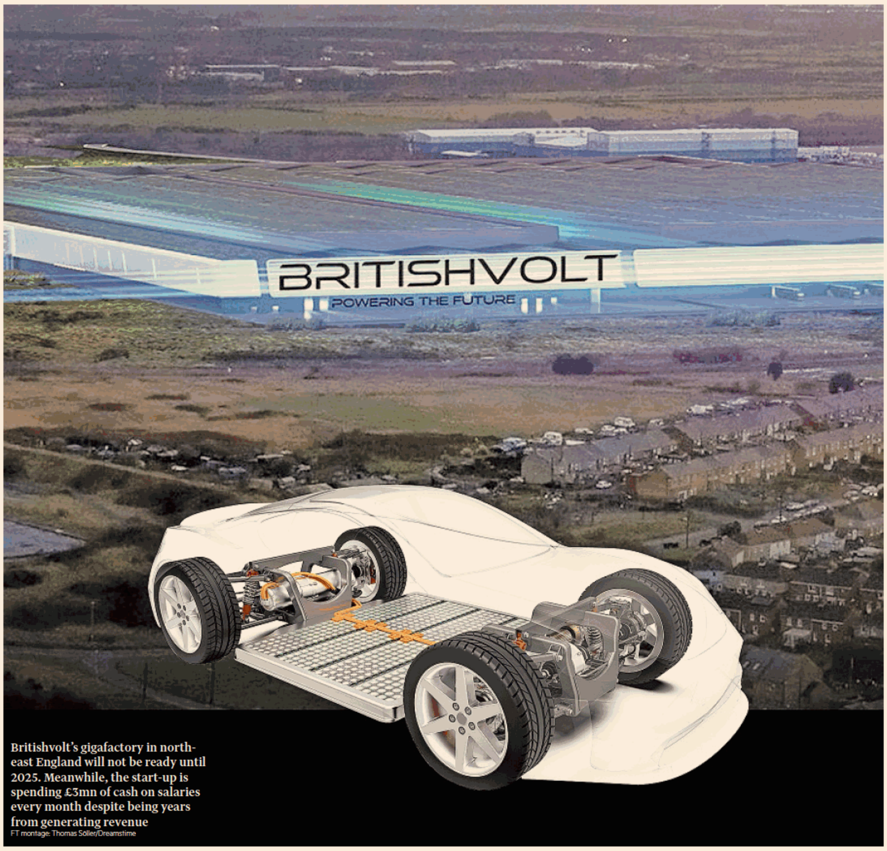
An "element of risk" was baked into the model to begin with, says Neil Slater, global head of real assets at Abrdn, whose Tritax real estate unit is partnering with Britishvolt to provide funding for construction of the plant at Blyth. "This is not Ford that is coming in and saying we're putting billions of dollars into it — it's a start-up, albeit one with a credible proposition."

There is more riding on the company's fortunes than just the pride of its staff, many of whom have been offered share options and told that a stock market listing will, one day, make them all "millionaires".

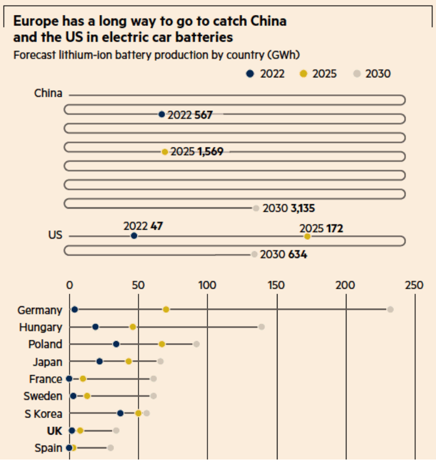
The success or failure of Britishvolt will also have an effect on the UK's brittle auto industry, which is navigating its way through the shift towards selling only electric vehicles by 2035. A lack of battery production capacity in the UK increases the risk that the car industry will eventually leave Britain for continental Europe.

Blyth is reckoned to be the best UK site for such production: it has a deep seaport, lots of space and access to abundant green electricity through an undersea interconnector. But by snapping it up, Britishvolt has made it harder for the government to convince other, more established businesses such as Chinese battery giant CATL or South Korea's LG to set up shop in the UK.

Furthermore, ministers have also promised Britishvolt £100mn to help build the factory, both draining resources from the finite pot needed to tempt other international investors, and also saddling the government to the fortunes of the fledgling enterprise. One minister in Boris Johnson's government would regularly phone wary carmakers, asking them to meet Britishvolt execu-



Britishvolt's gigafactory in north-east England will not be ready until 2025. Meanwhile, the start-up is spending £3mn on salaries every month despite being years from generating revenue
FT montage: Thomas Soller/Dreamstime



volt is a young, rapidly growing company, one of the fastest growing tech firms on the planet," he says. "We have the right and proper governance and procedures in place to counter and learn to improve."

Officials have put the cart before the horse, some say. "If you look at all the cell factories all over Europe, they are being built on the back of having at least one launch customer," says Ian Henry, an automotive manufacturing expert.

"This obsession with trying to build a world-class industry of our own, while it may seem laudable, is questionable."

The search for customers

Britishvolt was founded in 2019 by Orral Nadjari, a former banker in Abu Dhabi, and the Swedish entrepreneur Lars Carlstrom. Nadjari, who became chief executive, had no automotive background, a highly unusual trait in a founder of a company that was, by its own admittance, hoping to focus on the automotive industry.

Carlstrom had at least started his career as a sales manager for Saab, but left Britishvolt in 2020 after it emerged he had been convicted of tax fraud in Sweden in the 1990s.

Initially the company intended to license technology from existing battery manufacturers, and sell batteries to UK car factories. Instead, it embarked on developing its own in-house technology, alongside battery experts at the Warwick Manufacturing Group. Its ambition for the Blyth gigafactory is to produce at least 30 gigawatt hours a year of batteries. But to do that it will need customers. Britishvolt has been banking on the shortage of British-built alternatives to help steer carmakers to its doors.

So far, Britishvolt has publicly secured deals with two UK carmakers: Aston Martin and Lotus. Both are merely exploratory deals through memorandums of understanding. Neither auto brand has agreed to buy anything from

nology from Lucid, an electric car start-up, or Mercedes for its first electric vehicle in 2025. It plans to make a decision on which partner to use by the end of this year. "High-value automotive customers tend to be small," says one investor who met with Britishvolt. "[The start-up] needs to strike a difficult balance between high-value applications and securing volumes from large car companies."

Yet Britishvolt has not named any UK carmakers that will order batteries in significant numbers, such as a Toyota or Jaguar Land Rover. A senior director at one carmaker that entered talks with Britishvolt describes the company as "smoke and mirrors".

As it seeks a new round of funding, Britishvolt has made moves to show investors it is serious about building a business. Last month the company parted ways with Nadjari, whom employees describe as a changeable, sometimes challenging boss. His manner tilted from ebullience to anger, at times within the same meeting, according to several Britishvolt workers. "He

> 'This obsession with [building] a world-class industry of our own, while it may seem laudable, is questionable'

had no control over his temper and it created issues for the company," says one former employee. "When he talks, nobody else was able to talk."

Speaking from his home in Abu Dhabi, Nadjari concedes he brings a "bulldozer visionary entrepreneurial spirit" to his work. "I'm so passionate sometimes it can be misunderstood as other things," he says.

"Was I the perfect CEO? No, definitely not. Do I have a lot to learn from my

for the running of the operations, while Nadjari became increasingly less involved.

His departure was billed as his decision, though four people familiar with the events say the board advised him to step down, in part because potential investors were put off by his style.

Nadjari strongly denies this characterisation of his departure, saying he told the board in 2021 that he planned to leave this summer, and pointing out that he helped bring significant investors including Glencore into the business. He remains the company's largest shareholder.

"He is a brilliant mercurial CEO who has got things up and running. It's now getting to a very serious stage where they've opted to bring in broader experience and perhaps a less entrepreneurial approach at this stage in the journey," says Slater at Abrdn.

The company has now passed into automotive hands: Peter Rolton, who worked for the government's Renewables Advisory Board and has worked closely with carmakers including Honda and Nissan, is the chair, while Hoare is the acting chief executive and is widely expected to be named in the position full time.

Supporters of the company hope the change of management will bring more professionalism into the business. "It does appear chaotic, which is acceptable in a start-up," says one person who was close to the business. "It's a question of whether the chaos settles down."

Yet even with new management on board, potential investors question the company's business case due to the lack of firm customers, as well as its cash burn.

Potential investors are aware that the entire promise of the business rests on finding buyers for its yet-to-be-revealed technology. "Raising funding at the moment is their key risk and that's related to securing end customers," says one investor familiar with the company.

30% Market share of battery maker CATL, the leader in the industry	**£3.8bn** Estimated value of the 'gigafactory' being built in Blyth by Britishvolt

But some would-be clients say the company's approaches were cack-handed. Last year, Britishvolt contacted one carmaker offering prototype cells that it would be ready to deliver within "weeks". The carmaker, which already had several of its own in-house prototype cells, was nevertheless curious to see the technology and agreed. Months of silence followed. Eventually, Britishvolt contacted them again, out of the blue, offering the same prototypes.

The carmaker patiently agreed, but once again heard nothing back, and eventually gave up sending chasing messages. Whether disorganisation of a fledgling business, or whether the technology did not work yet, the business — one of the UK's most respected manufacturers — was left underwhelmed.

"The [prototypes] are the easy bit," says one senior executive at the carmaker in question. "If you haven't got that bit right, you haven't got anything."

Britishvolt now says its cells will be shipped to seven carmakers this month, including one "blue-chip" manufacturer, for testing. "We need to give them the benefit of the doubt," says one government figure. "At this point it comes down to whether those cells [being shipped to customers] are any good."

The challenges the company has faced raise questions about the overall business strategy of being a British provider of batteries for UK automakers.

Henry says being located in the UK is no guarantee of winning work from British factories, which are able to ship in batteries internationally.

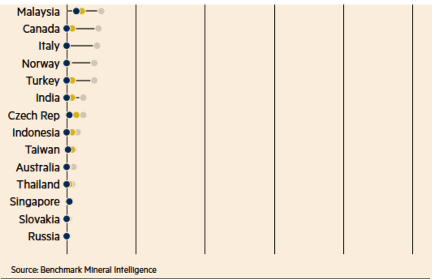
At the same time, some UK automakers are looking to bring this kind of manufacturing in-house. One of the UK's largest car manufacturers, Jaguar Land Rover, which belongs to the Tata Group, is working on its own plans to establish battery manufacturing in Europe.

Britishvolt has at least excelled in capturing the British establishment's desire tives, according to two people.

The government money was to be drawn as its projects developed. However, as global markets tighten, the company is now trying to draw down some of the money early as it worries about securing enough from external investors, according to two people.

Britishvolt spokesman Ben Kilbey says the state of the economy is affecting his company, along with many others. "Current market conditions are wild, from currency depreciation, rapid inflation and rising core interest rates, of which no company is immune," he says.

Asked about the company's early period, and questions over its future prospects, he admits the business has experienced "teething issues". "British-



Source: Benchmark Mineral Intelligence

the company.

This did not stop Britishvolt initially presenting both arrangements as likely to lead to firm orders when talking to ministers, according to two people with knowledge of the discussions. (The company denies this).

Yet despite signing deals in January and March, as of last month, neither Lotus nor Aston had been sent any prototype battery cells, according to people close to each company.

Both carmakers are also already exploring alternatives to Britishvolt for their technology, according to figures close to both companies.

Lawrence Stroll, Aston's chair, told the Financial Times that the company was also considering using battery tech-

journey? Yes. But am I always going to protect my baby? Of course I am."

Colleagues say he took a persistently light-hearted approach that made him seem unserious. Initial meetings with ministers to secure grant funding went so badly that Britishvolt sidelined Nadjari, according to three people with knowledge of the discussions. Instead, it hired former Ford UK director Graham Hoare to lead its government talks.

Nadjari disputes this, and says he hired Hoare "as a natural successor as CEO, and because of his vast experience dealing with government", as well as to help with the structure of the fast-growing business.

As the company expanded, Hoare gradually took on more responsibility

to build domestic battery manufacturing to underpin its automotive industry, says Hans Eric Melin, managing director of Circular Energy Storage, a lithium-ion battery recycling consultancy.

"I'm surprised how far it has gone," he says. "It started with people who had no background at all in battery manufacturing. It took a long time until they got real expertise in the group."

But the new leadership has a way to go before proving the company is a viable concern, Melin adds. He has seen no evidence of Britishvolt securing orders or public demonstration of its own in-house technology. "The only thing we are talking about here is a plant — a big flat piece of land where you will build a battery plant."

The FT View

FINANCIAL TIMES
'Without fear and without favour'

ft.com/opinion

Britain must rapidly restore its economic credibility

Truss's government will need to reverse course on its ill-conceived mini-Budget

To borrow from Ernest Hemingway, a government loses credibility gradually, then suddenly. The UK has proved a textbook example. Since Kwasi Kwarteng's reckless mini-Budget last Friday, the pound touched an all-time low against the dollar, gilt yields surged, banks scrambled to pull mortgage products, and the IMF issued a scathing rebuke of the Chancellor's plans. Then on Wednesday the Bank of England stepped in to prop up the gilt market as pension funds faced urgent demands for cash. It is still only midweek. The government must act quickly and decisively to restore confidence before the list of casualties grows further.

Investors have been damning of the Truss government's economic strategy. Soaring gilt yields and a feeble currency partly reflect the lack of faith in the chancellor's plan to fund historic tax cuts and energy subsidies through debt, backed only by a promise of improved growth. His proposals would stoke inflation — already close to 40-year highs — and necessitate higher interest rates, when the debt burden is already at a risky level. Had Kwarteng stuck to already well-flagged plans to reverse rises in corporation tax and national insurance, even on top of the planned £150bn energy support programme, investors might have acquiesced. But with additional unexpected tax cuts, and no offsets, markets were spooked by the insouciant nature and open-ended scale of the chancellor's unfunded commitments.

The BoE is having to pick up the pieces. It has launched the kind of emergency intervention last seen early in the pandemic, and started temporary purchases of long-dated gilts. This was vital after market turmoil heaped pressure on pension funds, which manage savings for millions, to sell bonds to stave off concerns about solvency. The BoE also delayed plans to start selling gilts from next week, which would have reinforced downward pressure on bond prices. Longer-term gilt yields fell following the announcement.

The intervention may have created some breathing space, but the BoE is in an unenviable position. Raising rates higher than previously expected will entail eye-watering increases in mortgage payments for those on variable products or coming off existing fixed-rate deals. This will happen just as households face energy bills almost double those last winter, despite the government's subsidy. The hit to affordability will drive a significant fall in house prices. Highly indebted businesses will also be under pressure.

This is a financial crisis of the UK government's own making. It needs to rethink its ill-conceived growth plan, and reverse a significant portion of its tax cuts. This will carry a big political

> The proposals would stoke inflation — already close to 40-year highs — and necessitate higher interest rates, when the debt burden is already at a risky level

cost — but not doing so might now be even more costly.

The government should also quickly provide convincing detail on how it will stabilise public finances — in a way that does not rely entirely on achieving its highly optimistic 2.5 per cent growth target — and bring forward its medium-term fiscal plan from November 23. The BoE will meanwhile need to remain alive to interventions, including on rate hikes, ahead of its November meeting. The government must show, above all, that it is listening to financial markets.

The ructions since Friday's cavalier mini-Budget have shown that governments cannot flout due process, independent oversight and economic expertise. By severely undermining the UK's economic and financial integrity, the new Conservative administration is gambling with British people's money, pensions, and homes. The BoE can only prop up markets for now, but regaining UK credibility will be the task of the government. It must do so with haste.

Opinion Technology

AI-driven justice may be better than none at all

Ben Hickey

Jemima Kelly

A few years ago I was hauled up in front of three magistrates in a south London courthouse, the culmination of a months-long bureaucratic nightmare that landed me with a criminal conviction for being unable to prove I had paid a £1.50 bus fare when my phone ran out of battery.

After nervously recounting my tangled tale of woe, I was vindicated: I was told my conviction would be withdrawn. "I bet you're very relieved," the presiding justice said to me with a sympathetic smile. I was indeed.

But such human interaction in the judicial system might become rarer. Several countries are experimenting with using artificial intelligence-driven algorithms to mete out judgments, replacing humans with "robot judges" (though no robot is involved).

> There is a dehumanising aspect, but there is also a need to make the legal process more accessible

The main arguments in favour of AI-driven adjudication revolve around two purported benefits: greater efficiency and the possibility of reducing human bias, error and "noise". The latter refers to unwanted

and instead works by trial and error. Even if both doctors bring their patients back to health, the free doctor's approach is superior, argues Plato, because he is able to keep the patient co-operative and to teach as he goes. The patient is thus not just a subject, but also an active participant.

Like Plato, Tasioulas uses this example to argue why process matters in law. We might think of the slave doctor as an algorithm, doling out treatment on the basis of something akin to machine learning, while the way the free doctor treats his patients has value in and of itself. And only the process by which a human judge arrives at a final decision can provide three important intrinsic values.

The first is explainability. Tasioulas argues that even if an AI-driven algorithm could be programmed to provide some kind of explanation of its decision, this could only be an *ex post* rationalisation rather than a real justification, given that the decision is not arrived at through the kind of thought processes a human uses.

The second is accountability. Because an algorithm has no rational autonomy, it cannot be held accountable for its judgments. "As a rational autonomous agent who can make choices . . . I can be held accountable for these decisions in a way that a machine cannot," Tasioulas tells me.

The third is reciprocity — the idea that there is value in the dialogue between two rational agents, the litigant and the judge, which forges a sense of community and solidarity.

There is a dehumanising aspect to algorithmic justice that comes from the lack of these three elements. There are other issues, too, such as the extent to which using AI-driven adjudication

Letters

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Three's not so much a crowd as a monopoly in the cloud

It was disappointing that Anna Gross's report on Ofcom's probe into the so-called Big Three cloud providers (September 23) failed to actually interrogate what a sector dominated by Amazon Web Services, Microsoft Azure and Google has meant for businesses.

Many in the UK tech sector will welcome news of the probe. If the recent energy crisis has taught us one thing, it's to reduce the reliance on monopolies which are never good for anyone.

The cloud market has been dominated by a Big Three out of step with their customers. Our research found that 37 per cent of software developers who use hyperscalers have been stung by unexpected cloud costs in the past 12 months, while 34 per cent feel locked in to their provider.

Users are being overwhelmed with a steady stream of new services and solutions, ensuring expenses continue to ratchet up. Today's developers don't want complexity. They want a service that can act as a platform for innovation, allowing them to move quickly to match today's fast-paced digital economy.

I hope Ofcom will be able to take us to a more competitive and diversified cloud market. We cannot go on with a situation where so much in the tech sector is reliant on just a handful of companies. This creates an unsustainable situation where should the worst happen and one of these providers has a system failure, it could severely impact businesses and consumers alike, having a knock on effect to the world economy. The old saying that "nobody gets fired for buying IBM" applies to how IT teams view the Big Three. We need a world where providers are judged on things like transparent pricing, customer service and performance, not on their name.

Mark Boost
Chief Executive, Civo, Stevenage, Hertfordshire, UK

Putin over-reach threatens the Russian Federation

Gideon Rachman is right that it is hard to imagine Vladimir Putin accepting the demands of the US and its allies that Russia withdraws from lands occupied since the February 24 invasion as "that would mean that he had sacrificed thousands of lives for no gain at all" (Opinion, September 27).

The same of course holds true for Volodymyr Zelenskyy, who cannot accept to lose one inch of Ukrainian territory to an imperialist invader after sacrificing thousands of lives to defend the sanctity of national borders.

However, it is not hard to imagine that Putin's partial mobilisation in response to looming defeat in eastern Ukraine might provoke internal strife, even self-determination movements for instance in Dagestan or among its non-Russian peoples such as Poles, Chechens, Kazakhs or Armenians.

By trying to reverse the collapse of the Soviet Union, let alone re-establish Tsarist Russia, it is not inconceivable Putin may risk losing parts of the Russian Federation.

Corrado Pirzio-Biroli
Brussels, Belgium

If Japan wants a stronger yen, it must change course

Governments always make the mistake of believing they have more power than the marketplace ("Japan's yen intervention is ineffectual but inoffensive", FT View, September 26).

They think that with a few words uttered by the finance or treasury minister, or by intervention in the foreign exchange markets, they can alter the course of financial markets.

This is a delusion.

Financial markets react to economic forces and only a change in those forces will get the results that governments want.

In the case of Japan, the yen is weakening because of the Bank of Japan's lax monetary policy.

Only a change in that policy is likely to get the intended result of a stronger yen.

Steven E Cerier
New York, NY, US

History, as told, by vertically challenged men

In addition to Pilita Clark's single example (Churchill) of short successful men ("Men who get their legs broken to gain height are not entirely mad", Work & Careers, September 26) might I add Napoleon, Franco, Louis XIV, Julius Caesar, Montgomery and Lenin.

I would add that being short doesn't seem to make them any nicer to know.

Angela Dixon
London SW14, UK

Stick with 'strongman' tag even for female politicians

No! No! A thousand times no!! The FT most certainly should not think of using a more gender-appropriate word for "strongman"(Letters, September 27) after Giorgia Meloni and her hard-right Brothers of Italy party won Italy's election. As an advocate of, and trainer in best equalities practice over many decades, I'm well aware of the need for sensitivity in language. But let's stick to "strongman" to describe the ridiculous, unattainable and dangerous fantasy of leadership qualities. Otherwise what will be next? Change the name of Meloni's party to *Sorelle d'Italia*?

Sally Phillips
London SW19, UK

This is an FT column Truss may have missed

Janan Ganesh wrote recently that the UK needed to learn that you can't have European levels of public services with US rates of tax (Life & Arts, August 27). I guess Ganesh is not required reading in the Truss cabinet.

Raj Parkash
London W4, UK

OUTLOOK

UK

A&E needs emergency care itself

We had some biscuits but the 93-year-old in the wheelchair couldn't face them during our night together in accident and emergency. When I arrived after 7pm that August evening at the NHS hospital on the East Anglian coast, there were nearly 70 of us waiting to be seen — a mix of farm and campsite injuries and the clearly sick or mentally distressed.

By midnight our number had

"plan for patients" in the House of Commons last week, even Thérèse Coffey, the new health secretary, added her own: a near-nine-hour wait, with no access to a doctor, a few weeks before mine. She also gave up and left but was seen swiftly the next day at a hospital three miles away.

Given that I was a visitor to Coffey's beautiful Suffolk Coastal constituency, we might well have sat on the same plastic chair and bought snacks from the same machine

and modern, the patients were (mostly) patient and the triage guidelines were followed — the lack of exception made for the very old is standard, apparently. Conspicuously ill people were hurried through, one suffering fits, another with all the signs of a heart problem. It was dreadful yet seemed to work as a way to ration access to treatment.

But the staff were on edge: the senior nurse repeatedly apologised to the room and one of her colleagues noise". The latter refers to unwanted variability between judgments that might be influenced by factors such as how tired a judge is or how their sports team performed the night before.

There are strong reasons to be cautious, however. For instance, there are concerns that, contrary to removing bias and discrimination, AI-driven algorithms — which use brute processing power on human data, finding patterns, categorising and generalising — will duplicate and reinforce those that already exist. Some studies have shown this happens.

The most common arguments against AI-driven adjudication, like this one, concern outcomes. But in a draft research paper, John Tasioulas, director of Oxford university's Institute for Ethics in AI, says more attention should be given to the process by which judgments are arrived at.

Tasioulas quotes a passage from Plato's *The Laws*, in which Plato describes the qualitative difference between a "free doctor" — one who is trained and can explain the treatment to his patient — and a "slave doctor", who cannot explain what he is doing

to which using AI-driven adjudication would transfer legal authority from public bodies to the private entities that build the algorithms.

But for Richard Susskind, technology adviser to the UK lord chief justice, while there are many valid arguments against AI-led justice, there is also an urgent moral need to make the legal process more accessible. Automation can help tackle this. According to the OECD, less than half the global population lives under the protection of law; Brazil has a backlog of 100mn court cases, while India has 30mn.

"It's a gap on a monstrous scale," Susskind tells me. "What many of us are . . . trying to do is reduce manifest injustice, rather than achieve some metaphysical, perfect justice."

As the aphorism goes, we must not let the perfect be the enemy of the good. "Computer says no" — the catchphrase from a *Little Britain* TV sketch — might be a highly imperfect and often frustrating form of justice, but access to an imperfect judicial system is surely better than no access at all.

jemima.kelly@ft.com

care itself

by Miranda Green

By midnight our number had dropped below 50, but it was still taking four hours even for assessment by the triage nurse. When at last I made it through what the crowd of patients had dubbed "the magic door" she advised me that, given the pressures on the department and lack of staff, the wait for a doctor would probably be as long or longer. Usually, she added, they would aim to triage within 15 minutes and then strictly prioritise by need.

As I was not in danger (a regular injection had produced profuse bleeding), the nurse made it subtly clear it was up to me whether to stick it out or come back the next day.

After a while, I went home, but not before a group of us had approached the efficient but overwhelmed nurse in charge, appealing on behalf of the elderly lady, still chatty but exhausted and in pain from a wound to her arm. She was taken to the toilet and then, after a further wait, for triage and treatment.

These stories have been all too common this summer. Launching her

the same machine.

On that hot night, eight ambulances were waiting outside, unable to offload because there was no way of clearing the patients from A&E on to wards or back home for follow-up care. This is a typical bottleneck across the system: one in seven patients no longer needs the bed they are occupying. Coffey last Thursday announced a £500mn "downpayment in the rebalancing of funding" for health and social care to tackle delayed discharges over the winter. She talked of spreading best practice, clearly puzzled by the variation in waiting times and outcomes.

Labour's response to Coffey's story was to accuse her of telling patients to "get on their bike" and shop around — but often NHS staff themselves hint that it's better to do so.

A work contact of mine found one local A&E was improvising. Her elderly mother was treated in an ambulance: hospital staff were using the queue of vehicles as temporary beds to speed things up.

The hospital I attended was clean

the room and one of her colleagues was offended when, in a spirit of camaraderie not mockery, we applauded as the elderly lady was finally taken through. Patients were warned this behaviour risked ejection: the brief moment of cheer subsided.

This site is undergoing a massive rebuilding, due to culminate in a new hospital for the area by 2030. But there weren't enough staff to man the one we were in. Coffey says an NHS staff plan is a work in progress. Without it, critics claim her ideas for improving patient care are unworkable. The Homecare Association, which represents domiciliary care providers, said the cash to speed discharge was welcome but had to be part of a long-term plan to address worker shortages.

Feelings of pride in the British talent for queueing resurfaced this month at the Queen's lying-in-state. But when you're anxious and need help, it's a desperate expression of what's wrong, not right, with the country you live in.

miranda.green@ft.com

Opinion

UK government's plan is both bad economics and a lost opportunity

Minouche Shafik

The government's recent fiscal plan fails to respond to the UK's twin economic crises in a manner that takes into account either evidence or experience. While they are absolutely right to focus on cushioning the shock of the skyrocketing cost of living and trying to stimulate growth, the policies they have outlined do neither well. The market's extreme reaction to the "mini-Budget" reflects the fact that the government has not told a credible story about its economic strategy.

The UK economy has two urgent problems. The first is a cost of living crisis fuelled by dramatic shifts in the supply and demand for goods — particularly energy — in a time of war, plague and other trade disruptions. The second is more than a decade of low growth and productivity, or what the Economy 2030 Inquiry memorably calls "Stagnation Nation". With the highest inflation rate in the G7, growth in labour productivity well below the OECD average, stagnating real wages since 2010 and a host of other terrible economic indicators, it is no surprise that the Bank of England projects British households are facing the biggest collapse in living standards since such records were first kept 60 years ago.

We should let the BoE get on with doing its job of raising interest rates to fight inflation. This is not the time to do anything that might undermine central bank independence, which has delivered the low and stable inflation that we have all benefited from. A massive fiscal expansion and a collapsing pound just make the BoE's job harder and will mean that interest rates have to rise even more to control prices.

In a good society we should provide the greatest cushion to those who need it most. The energy price cap is a very expensive response (to the tune of about £100bn) that provides support to many that do not need it and reduces incentives to make progress on climate change. Instead of a cap, the government should provide a universal lifeline tariff for energy consumption up to a certain level to protect the poorest households and small businesses, and let those who consume more pay a market price. This would cost less, help everyone and maintain incentives to use energy more efficiently.

When it comes to stimulating growth,

> The crux of the country's productivity puzzle is pretty simple — chronic under-investment

we need a serious plan to deal with the chronic under-investment that is the cause of Britain's stagnating productivity. Despite years of economists' time devoted to the productivity puzzle, it is becoming clear the answer is pretty simple — chronic low rates of investment by both the public and private sectors.

When I was at the World Bank, we did hundreds of investor surveys on what determined their willingness to invest in a country. The top reasons were almost always the same: first came macroeconomic and political stability (which has been put into jeopardy in the UK), high-quality infrastructure and skills. Low taxes and enterprise zones were always near the bottom. The key to growth is to create an environment where there are great commercial opportunities — tax rate differences of a few percentage points are largely unimportant if you are making a lot of money.

A better policy response would be to use any remaining fiscal space to invest in a serious productivity agenda. This would include mechanisms for increasing investment in infrastructure, skills, research and innovation, alongside incentives to firms to adopt technologies to increase productivity and achieve net zero targets. A £100bn investment in those areas would be transformative for the UK and have far more impact than the same amount in tax cuts to high earners and corporations. Markets would react a lot more favourably as well.

The government is right about another thing — redistribution is not a panacea. A better option is to invest in people so that they can earn decent wages in the labour market — what economists call "pre-distribution". The current policy proposals are actually doing quite a lot of redistribution (in favour of the rich) in the hope that some of it will trickle down. A much better alternative is to invest more in pre-distribution — early years education, adult learning, research and innovation and infrastructure, especially in deprived areas. That way everyone has a chance at a decent standard of living.

The current proposals are bad economics. They are also a lost opportunity that will close off options for the future. A better option would address the short-term energy issues more efficiently while using this crisis to deal with the longer-term productivity problems facing the UK so that the economy can grow, deliver good living standards for all and continue to make progress on tackling climate change.

The writer is director of the London School of Economics and Political Science

Brexit ideology lies behind this market rout

BRITAIN

Robert Shrimsley

It is the Bank of England's failure to raise rates further. No, wait, it's really all about Fed tightening and dollar strength. More self-critical Tories might look to the preening ideological over-reach and disregard for the public finances in the chancellor's statement, but there are scapegoats aplenty for the market slide which has seen the pound fall and gilt yields leap.

Yet these proximate causes are merely the anvil on which the UK's economy is being hammered. There is an underlying unmentionable: the economic damage caused by Brexit, more particularly the fantasy economics of its hardline Conservative realisation. Tories, naturally, do not wish to accept that their signature policy is making the nation poorer. Labour fears alienating Leave voters. Even so the evidence is that the public is joining the dots.

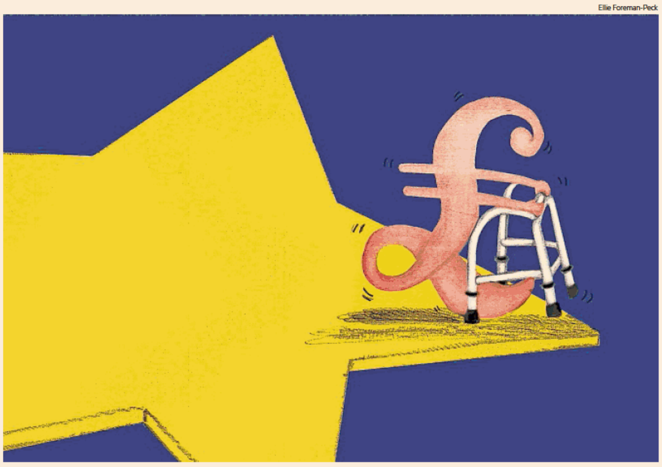
The markets are primarily reacting to a bad fiscal statement from Kwasi Kwarteng. But both the chancellor's decisions and the backlash are the culmination of actions and attitudes that all spring from Brexit absolutism; from lost market access, continued confrontained assault on British institutions and prime minister Liz Truss's onslaught on economic orthodoxy. Investors have got the message. Britain is not the bet it once was.

Kwarteng's statement last week was just one manifestation of the elevation of ideology over economics. The desperate pursuit of unorthodox growth strategies was driven in part by the four per cent hit to productivity over 15 years which has been consistently ascribed to the Brexit deal.

So the British economy is exhibiting the comorbidities of a badly botched Brexit which weakened its resistance to shocks. When the markets were spooked last week, little could reassure them.

The warnings were there. Tories are right that dollar strength has depressed most currencies (though sterling's fall is very steep) but it has to be put in a wider context of the pound's slide since Brexit. Only in the UK's early pandemic recovery has the pound got close to the levels it enjoyed in the months before the Brexit vote. This has deepened the inflationary hole. As far back as June, Andrew Bailey, Bank of England governor, was warning that the economy was "weakening rather earlier and somewhat more than others". Brexit-induced labour shortages and food price rises added to the pressures.

Key sectors were deprioritised, though there are at least signs of a more positive attitude to financial services.



Ellie Foreman-Peck

government's hardline stance on the Northern Ireland protocol.

Last week's departure from the norms of fiscal prudence should not be seen in isolation but as part of a disregard for economics which has driven the Conservatives since the 2016 referendum. Kwarteng's budget was the logical endpoint of the tax-cutting strategy the free-market Brexiters had demanded. But as external shocks and party politics precluded the spending cuts flipside of this strategy, it was easier to proclaim the end of economic orthodoxy.

This is what happens if you keep telling yourself that everyone else is wrong. Similarly, if you spend six years chipping away at the institutions that underpin political stability, unlawfully suspending parliament, sniping at the judiciary and eroding checks and balances, you cannot be surprised if investors start to worry. Even now, Tories prefer to blame the central bank for not doing more to protect the country from their government's fiscal incontinence. Comparisons with Italy or Turkey are overblown, but it should be a concern that they are even entertained.

> Kwarteng's fiscal statement was just one manifestation of the elevation of

The Tories' one piece of luck is Labour's fear of the issue. Leaders tiptoed round it at this week's party conference, preferring generalities about "making Brexit work" and examples of important but incremental changes. Keir Starmer's only priority here is heading off Tory attacks by pledging not to weaken immigration controls by rejoining the single market. With a 17-point opinion poll lead and a government destroying itself, why take risks when there are easier targets?

Even so, what was once an economic slow puncture is now an audible hiss. The past week has made voters, especially the 8.3mn mortgage holders, economy. The botching of Brexit should be central to that critique. (Many will say it could only be botched, but some versions are clearly worse than others).

Truss is left with unpalatable options not least because she won the leadership promising to double down on Brexit and confront economic orthodoxy. While she ought to ease away from some of the tax cuts, the instinct will be to bring forward unpopular spending reductions.

One other small step would be to settle the row over the Northern Ireland protocol. It's no panacea for the public finances — that still demands a more immediate response — but it might change the mood music, ease fears of a trade dispute and suggest the UK is again prioritising economic stability.

But the Tories are now in bunker mode, listening only to those they already agree with. We are now watching the real-time implosion of the governing party. It's going to be a hell of a show, though sadly the tickets will prove expensive.

Ukraine needs help to win the information war as well

Oleksandr Tkachenko

For Ukraine to prevail over the Russian invaders, victory on the information front will be essential. Events in our country have had, and will continue to have, an impact on the whole world, because all countries are participants in a war begun by Russia in the global information sphere.

Russian propaganda remains an effective weapon, especially outside Ukraine. The amount Moscow spends on propaganda dwarfs the spending of western countries on efforts to counter it. According to the Russian ministry of finance, from January to March 2022 Russia allocated Rbs17.4bn ($296mn) to state media (of which Rbs11.9bn was spent in March alone).

Ukraine has limited resources to counter Russian disinformation and propaganda. Shortage of funds has restricted what we have been able to do, although Freedom, a TV project, has been a notable success in presenting the true state of affairs in Ukraine to a Russian-speaking audience.

In Europe, Russia uses TV and social media to promote the narrative that sanctions are harmful to the countries that have imposed them and places the blame for unleashing aggression against Ukraine on the US.

The Russian war against Ukraine has been going on for seven months now, and, with the passage of time, public opinion in the EU is shifting somewhat. As winter approaches while energy prices rise, the purpose of Russian information attacks is clear: to force Ukraine into accepting peace on unfavourable

> We must counter Russian propaganda in the regions most vulnerable to its distorting narratives

terms by sowing social and political instability across Europe. But that won't work if we focus on building our own mutual anti-propaganda strategy.

First of all, we should cut off sources of Russian propaganda. EU member states have blocked the broadcasting of the RT, Rossiya 24, TV Center International, RTR-Planeta and Sputnik TV channels, but some of them continue to exercise an influence via digital platforms.

We are working to ensure that the next package of sanctions includes a ban on broadcasting the propagandist First Channel, NTV and others, which are still operating on European satellite platforms. These Russian propaganda channels are very active in Latin America, Asia and Africa, where people rarely hear the truth about the Russian attack on Ukraine.

Russian propaganda works especially effectively today in those parts of the world, which are of particular interest to Moscow. As a consequence there is no tations with the EU, overhyped trade deals that add little to GDP, the sus-

UK scientists face ejection from the EU's Horizon scheme in retaliation for the

absolutism over economics

more than receptive to the argument that the Tories have mismanaged the

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understanding of the real situation on the ground or the reality of Russian military aggression.

It is extremely important for us to pay attention and start countering Russian propaganda in the territories that are currently most vulnerable to Moscow's distorting narratives.

To this end, we propose a new form of partnership that we call Information Ramstein (after the headquarters in Germany of Nato's Allied Air Command). The purpose of such an association would be to change current strategic approaches to countering Russian disinformation and to support independent Ukrainian media. These two tracks always run together — our domestic media is our information front; we invite all the countries of the civilised world to join it.

A meeting of allied countries should be convened as a matter of urgency, with the aim of setting out the main goals of allied information strategy, establishing anti-Russian propaganda projects and agreeing the basis of future communication between all the participants. A special financial fund should also be created to co-ordinate joint efforts to counter Kremlin disinformation.

Information Ramstein should be the platform for discussing the new information challenges posed by the way Russia is conducting its war against Ukraine and launching a unified allied front to tackle them.

The writer is Ukraine's minister of culture and information policy

Western liberalism is still skating on thin ice

AMERICA

Edward Luce

The biggest shot in the arm to self-doubting liberal democracies has been Vladimir Putin's invasion of Ukraine. It reminded westerners there was something worth defending. Such moments do not come often, however. As Europe and the US head into probable recessions this winter, another populist resurgence looks possible. Though Putin's influence is nosediving Russia misses no chance to stoke western divisions.

It is pure coincidence that Italy's first postwar far-right prime minister, Giorgia Meloni, is set to take office almost exactly a century after Benito Mussolini, fascism's creator, marched on Rome. Meloni's triumph took place soon after the Sweden Democrats, a rightwing nationalist grouping, became the second largest party with a fifth of the votes. In the US, Joe Biden's Democrats are in better shape than before. But they are still likely to lose the House of Representatives in November. That would deliver Biden into investigative hell as Republicans exact revenge for Donald Trump's impeachments. Two years of paralysis combined with recession could result in anything.

On no sane reading is the west's democratic crisis past its peak. The debate over whether to define today's right as fascist, or "post-fascist", is swallowing a lot of air time. Semantics are a red herring. What these parties share is revulsion for liberal democracy. Trump's Republicans did not disguise their pleasure at Meloni's victory. Italy's new leader, along with Hungary's Viktor Orbán, is a recent star of the Conservative political Action Conference, the most influential gathering of America's right. Steve Bannon, the American right's most assiduous cultivator of transatlantic links, befriended Meloni years ago when few had heard of her Brothers of Italy party. "You put a reasonable face on rightwing populism, you get elected," Bannon told her. She took his advice.

Though Putin thrives on the west's divisions, its difficulties are largely self-made. The American left's belief that Putin was key to Trump's 2016 election is exaggerated. It follows that a Russian defeat in Ukraine would not put an end to the west's problems. But Ukraine's fate does not work equally the other way. A Russian victory would send a chilling message on the ability of autocrats to snuff out democracies on the west's doorstep. Since Russia's partial or total defeat now seems likelier, Putin's best hope lies in sapping the west's resolve.

> Putin could soon be left with one silver bullet — Trump's return to power, which is now more likely

Russia's main chance will come this winter. Its most lethal weapon is in higher energy prices boosting inflation, which would mean more rapid monetary tightening on both sides of the Atlantic, and deeper recessions. Neither Putin nor Europe can affect how cold this winter will be. Energy rationing in Europe would make every voter more bad-tempered. Even higher petrol prices can trigger a populist reaction, as France's Emmanuel Macron discovered in 2018. Putin could also expand the war laterally to other non-Nato parts of Europe, such as Moldova, and via cyber attacks on critical European infrastructure, including energy grids. The ultimate dread is that Putin will use nuclear weapons. It is likelier he will go for these other kinds of escalation.

Will the west hold the line? Whatever happens in November, Biden will still be in charge of US foreign policy. He has won less credit than he merits for sustaining western unity and supplying the bulk of military hardware to Ukraine. Other than wishing that Putin would go, Biden has been uncharacteristically disciplined in his war comments. He is as calm in his rhetoric as Putin has been heated in his. Among the main western allies, only Italy now looks wavering, though that is more because of the pro-Putin leanings of Silvio Berlusconi and Matteo Salvini — the two other coalition partners — than of Meloni herself.

If Russia's partial mobilisation, and the west's economic slowdown, fail to weaken Ukraine, Putin would be left with one silver bullet — Trump's return to power in 2024. That is likelier today than it was a few months ago, chiefly because of the attention Trump gets from painting himself as the victim of a vendetta. He polls higher than the other Republican names combined. Most Democrats, on the other hand, want to ditch Biden.

For an autocrat like Putin, rooting for western democracy's self-harm has two advantages over going nuclear. First, it is not suicidal. Second, the return of Trump, who described Putin's decision to move troops to Donbas in late February as a "genius" move, would upend everyone's assumptions. As the west thinks of what could go wrong, it should not forget to look in the obvious places.

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UK pensions: liability drive

As a student of history, UK chancellor Kwasi Kwarteng will be familiar with the law of unintended consequences in politics. He may have less familiarity with Warren Buffett's aphorism about derivatives, that they are time bombs.

Kwarteng's mini-Budget has sparked an unexpectedly quick and explosive reaction in the gilt market partly owing to derivatives used by pension funds.

The problem is that some pension funds have spent so long protecting themselves from falling gilt yields, which cause defined-benefit liabilities to balloon, that any leverage used in their hedges may have been ignored. Sharp rises in gilt yields mean pension funds have had to hurry to make added collateral payments on interest rate hedges, forcing added gilt sales.

A low and declining interest rate environment has increased the present value of long-term pension liabilities resulting in funding deficits, which pension watchdogs frown upon. One means of protection, so-called liability-driven investment strategies, help pension funds to match long-term member commitments with assets.

That could mean swaps where fixed interest payments are exchanged for paying out floating rate ones; bad news in the current environment.

Specialist providers of LDI strategies such as Legal and General and Schroders may well have plenty of experience assessing the risk of these strategies. Indeed, rising interest rates will still be a good thing for most defined benefit pension schemes.

The problem is the speed with which rates have risen. Pension funds typically hold enough collateral to cover a 125 basis point rise in yields, thinks Simeon Willis of consultants XPS Pensions.

Yields on 30-year gilts rose 95bp on Monday and Tuesday this week alone.

This is where the Buffett time bomb goes off. To top up lost collateral — margin calls — riskier liquid assets such as equities are sold first. If that pool runs dry, funds would then sell gilt holdings, fuelling a feedback cycle that pushes yields higher still. Selling might then spill over into illiquid property assets, at fire sale prices.

Putting a stop to this cascade explains the Bank of England's decision yesterday to intervene to buy gilts and cap yields.

Frayed nerves and itchy sell triggers amplify the effect of any bad news. The chancellor should thus act to mollify markets as soon as possible.

Amazon: Prime time

The most expensive TV series in history is available only to Amazon Prime members. *Lord of the Rings: The Rings of Power* is an expensive, glossy illustration of the investment Amazon is making in benefits for customers who pay for Prime subscriptions.

The decision to add a second Prime Day shopping event, however, is less about subscriber benefits than the need for extra ecommerce revenue.

Amazon has retained its market share of online shopping. It accounts for nearly 38 per cent of sales in the US, says Insider Intelligence. But overall demand is dipping. A combination of rising inflation and returning to in-person shopping has hurt. In the past quarter, online sales (excluding those by third-party vendors) fell 4 per cent on the previous year. The final holiday quarter is also expected to be soft.

S&P Global forecasts revenue this year will rise 11 per cent — a record low. Slowing sales growth and high spending have resulted in dip in shares that leaves the group trading about a third below its average forward ebitda multiple.

Adding a second Prime Day exclusive shopping event is an attempt to lift sales by turning October into a pre-holiday shopping season. Amazon's invented online promotion is seven years old. Over time, it has become a way to bump advertising revenue alongside ecommerce. Companies pay to promote their goods at the top of the first page of search results. Advertising was the third fastest-growing part of the business in the past quarter.

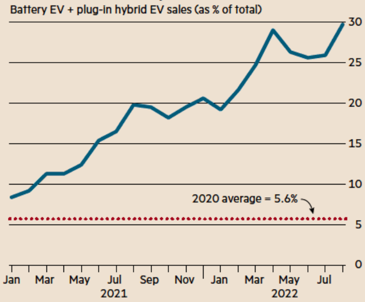
Higher ecommerce sales are needed if Amazon is to balance its oversupply of warehouses. Investment in logistics doubled over the past two years — a decision that led to negative free cash flow last year and the first quarterly net loss in more than a decade. The expansion will lower delivery costs but only if order numbers keep growing.

The alternative is to keep cutting back on warehouse space. The success of the next Prime Day should determine which is required.

China refiners: fuel economy

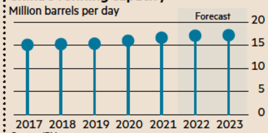
The penetration of electric vehicles in China's car market has climbed to record highs. Meanwhile, China's oil industry has accelerated expansion of its refining capacity to make petrol and diesel. Demand has not kept up, since refinery utilisation has peaked. But EVs pose a threat to refineries longer term.

China's electric-vehicle penetration
Battery EV + plug-in hybrid EV sales (as % of total)



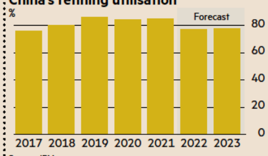
FT graphic Sources: CAAM, Jefferies

China's refining capacity
Million barrels per day



Source: JPMorgan

China's refining utilisation
%



Source: JPMorgan

China should surpass the US as the world's top oil refiner by capacity in the next couple of years.

This distinction arrives as local demand falters amid an economic slowdown. Even when demand recovers, locals' undying fascination with electric cars has emerged as a long-term risk for local refiners.

China's refining capacity is expected to rise to a record 17.1mn barrels per day this year just when it least needs it. Demand, and oil prices, have plunged in recent months. Local oil demand is expected to shrink for the year, the first dip in two decades.

Covid curbs, including lockdowns, are partly to blame. Travel restrictions have slashed jet-fuel demand over the past two years. The World Bank now expects just 2.8 per cent growth this year in China — a sharp revision from its previous forecast of 5 per cent. This should mean weaker oil consumption as well.

European markets provide some relief. A winter gas shortage, which analysts expect to last until at least 2025, means imminent demand for Chinese refiners' overflowing stock of diesel. Moreover, China's export quotas for diesel and petrol will go up from this quarter. This outlet should support operating margins for local refiners this year.

But longer term, the decline in transport-fuel demand at home weighs as a bigger issue. China has already surpassed the government's ambitious target of having 20 per cent of all new car sales as electric vehicles — two years ahead of its initial goal of 2025.

Electric-car sales in China more than doubled in the first half and have hit a record 6mn cars sold through August, even amid lockdowns and an economic slowdown.

China is the world's biggest electric-car market, accounting for nearly 60 per cent of global sales.

Shares of some of the biggest local refiners including Rongsheng Petrochemical and PetroChina, have fallen more than 22 per cent in the past year partly reflecting demand concerns. Unfortunately, any hoped-for economic recovery by refiners should also turbocharge the sales of their nemesis, electric cars.

LNG: hull of an idea

The discovery of three big leaks this week in the Nord Stream gas pipelines near Denmark has put neighbouring countries in the Baltic Sea in a flap about the security of gas supply in this area. That makes liquefied natural gas imports to Europe more important.

Europe needs to replace lost Russian gas. Not every country on the continent has sufficient infrastructure to import the LNG sent from the US, Qatar and elsewhere. The snappily named floating storage and regasification units offer countries a cheaper, flexible solution to importing liquefied gas.

Relatively quickly, these vessels — refitted from LNG tankers — can anchor up, connect to the local gas network and turn imported supercooled gas into piped methane. Moreover, an onshore regasification plant can cost $10bn, compared with roughly $500mn for a new-build FSRU.

Since the Ukraine invasion, countries such as Germany, which has no LNG terminals onshore, have rushed to lease vessels; Germany plans to charter three for this winter. The Netherlands expects gas to flow soon via two FSRUs recently arrived at Eemshaven where a new floating terminal sits relatively close to the border with Germany.

Owners of the vessels have seen demand jump. The market value of US-listed New Fortress Energy has more than doubled this year to $11bn. But as the supply of available FSRUs is small and diminishing, some shipbuilders should benefit from new orders. South Korea's Hyundai Heavy has led, having built 13 FSRUs as of this spring.

These relatively small vessels have two redeeming features. They are set up quickly and can later be repurposed back into LNG tankers or for other types of commodities.

Even better, they present less of a threat of becoming stranded assets. These should have an economic life of roughly a decade, as compared with onshore LNG terminals, which can have lives lasting decades. Given their flexibility, expect a steady demand for FSRUs for another few years.

Wall Street texts: signal not noise

Everybody's doing it, is not much of a defence. Late on Tuesday, the US Securities and Exchange Commission and the Commodities and Futures Trading Commission settled a dispute with 11 Wall Street banks and brokers. They must pay fines of $1.8bn because they did not properly retain electronic communications records.

For months, the banks and trading firms had been in the crosshairs of US regulators but the ultimate collective dollar figure was eye-popping. The issue was not necessarily about specific charges of fraud or theft. Rather, when the SEC or CFTC came knocking with a probe, the firms could not collect all of their staff's communications needed to complete a query.

Efficient and quick message and chat services, including WhatsApp and Signal, have eased Wall Street's work communications. That is particularly true in an age of work-from-home. But the basic rules of regulators, requiring records, still apply. This widespread deal may prevent any single firm from facing excessive ignominy. But the indifference to the rules still shocks.

According to the findings, not only were senior and junior bankers repeatedly conducting business on unmonitored chat and message apps, even compliance personnel at some firms did the same. At JPMorgan, for example, some messages relevant to probes were inadvertently deleted.

Bankers probably find the watchdogs' fastidiousness irritating, if not old-fashioned. Just how aggressive regulators are tends to ebb and flow depending on which political party holds the White House, adding a level of unpredictability for Wall Street.

Still, the banks are to blame; their hundreds of in-house lawyers and compliance officers could not inculcate a culture of basic electronic hygiene. Two decades ago, the SEC announced a settlement with 10 Wall Street banks over conflicts of interest in their equity research reports. One hopes that now, as back then, a sizeable collective punishment cleans up a dark practice.

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CROSSWORD

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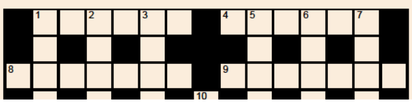
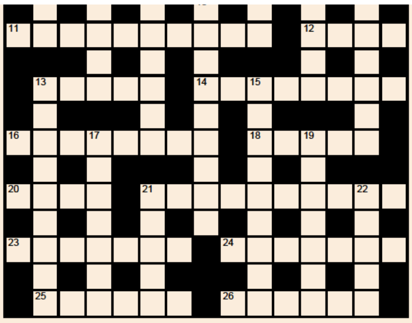


ACROSS
1 Shakespearean character, is one in trousers? (6)
4 Extraordinary phrase, being of the highest order (6)
8 Speed around local boat (7)
9 A setter after cheese for Japanese



9 A server after cheese for Japanese snack (7)
11 Good number by singer, on the whole (10)
12 Trump coarse, by the sound of it? (4)
13 Stay with jet at the rear – here? (5)
14 Physically turning spinner, circle maintained (2,6)
16 Pass on second illicit payment (8)
18 Course taken by world leader in research overwhelmed by final tribute? (5)
20 Get out, using pipe down middle of roof (4)
21 Something sweet: minimum of Pernod served after alcoholic drink angers drunk (6,4)
23 Stone editor moved on to page (7)
24 Article in short old and rusty, originally, for museum worker (7)
25 Alien eating African food (6)
26 Band that connects number with lecturer (6)

DOWN
1 Excellent swimmer (5)
2 Reference under suspicion, took steps in Buenos Aires? (7)
3 Players play with her actors (9)
5 They say I used to own a duck! (5)
6 Lover married rogue (7)
7 For month bombs consuming England's capital, civilians united in war (4,5)
10 On the wane, hour in dropping (9)
13 Privilege claimed by elite, most incandescent (9)
15 Try ordinary language, dear (9)
17 Shrewd leader wrapping the present (7)
19 Bird in shoot pumped full of lead (7)
21 Beef fattened up, by the sound of it? (5)
22 Dress a little salad, or not? (5)

JOTTER PAD

Solution 17,211