# FINANCIAL TIMES

FRIDAY 23 SEPTEMBER 2022 INTERNATIONAL NEWSPAPER OF THE YEAR ASIA



What a far-right Italy would mean for Europe
BIG READ, PAGE 17

Investing in tech will always be a sound bet
JOHN THORNHILL, PAGE 19


# Japan intervenes to shore up yen as 'reverse currency wars' deepen

● Central banks support exchange rates ● European borrowing costs lifted ● Bonds sell off

FT REPORTERS

Japan has intervened to strengthen the yen for the first time in 24 years as a trio of European central banks raised interest rates, underlining the disruptive impact of inflation on currencies and monetary policy.

Inflation's rise to multi-decade highs in much of the world has led to sharp increases in borrowing costs, with foreign exchange markets whipsawing. That has set off what economists call a "reverse currency war" in which central banks seek to shore up their exchange rates against the dollar, through intervention or interest rate rises.

The latest moves, which included rate rises in the UK, Switzerland and Norway, came a day after the US Federal Reserve drove the dollar higher by announcing its third consecutive 0.75 percentage point rate rise.

However, Turkey's central bank moved in the opposite direction, continuing its unorthodox policy by slashing its one-week repo rate from 13 per cent to 12 per cent, despite inflation rising above 80 per cent last month. The lira fell to a record low against the dollar.

As investors bet the Fed and other leading central banks would raise rates higher than previously expected to bring inflation under control, US bond yields have risen, boosting the dollar and putting downward pressure on other major currencies including the yen, the pound and euro.

"The Fed is really setting the pace of interest rate rises and transmitting pressure to other central banks via the foreign exchange markets," said Krishna Guha, head of policy and central bank strategy at US investment bank Evercore.

The yen has lost about a fifth of its value against the dollar this year, lifting the price of imports and contributing to an eight-year high in growth of Japan's core consumer prices, which exclude volatile food prices, to 2.8 per cent in the year to August.

Masato Kanda, Japan's top currency official, said yesterday that Tokyo had "taken decisive action" to address what it warned was a "rapid and one-sided" move in the foreign exchange market. It was the first time Japan had sold dollars since 1998, according to official data.

The move caused the yen to surge to ¥142.39 to the dollar in the space of a few minutes.

Kiichi Murashima, a Citigroup economist, said that even if the Bank of Japan were to fine-tune its policy, it would not fundamentally change the broader picture of a widening gap in financial conditions between Japan and the rest of the world. "It's very questionable how far the government can actually avert the yen's fall against the dollar," he said.

Japan is the only country to retain negative rates after the Swiss National Bank lifted its rate 0.75 percentage points yesterday, taking it into positive territory and ending Europe's decade-long experiment with sub-zero rates.

The Bank of England yesterday resisted pressure to match the pace set by other major central banks, raising its benchmark rate 0.5 percentage points to 2.25 per cent and pressing ahead with selling assets accumulated under earlier quantitative easing schemes.

But it also left the way open to taking more aggressive action in November, when it will assess the impact of tax cuts set to be unveiled today by UK prime minister Liz Truss's new administration.

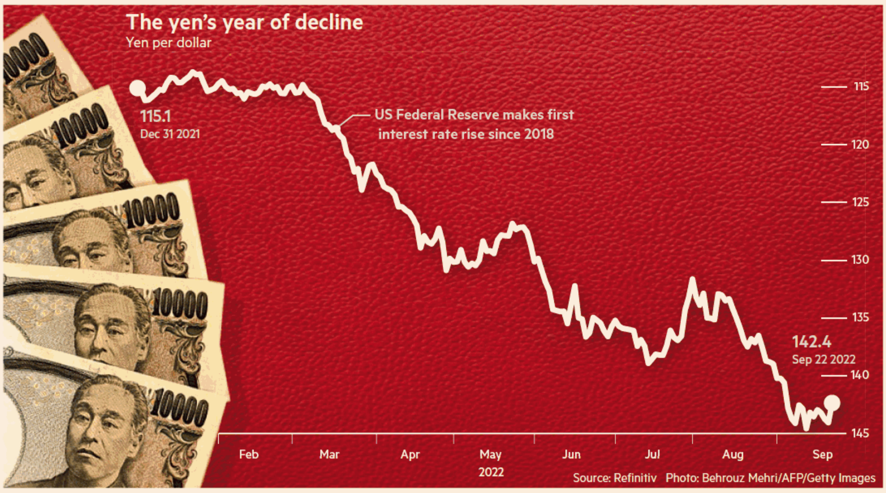
Norway's central bank also pushed up rates by 0.5 percentage points. Pictet Wealth Management estimated central banks around the world had this week raised policy rates by a cumulative 6 percentage points.

The rises set off heavy selling in government bonds. US 10-year Treasury yields, a key benchmark for global borrowing costs, soared 0.18 percentage points to 3.69 per cent, the highest since 2011. Britain's 10-year bond yield rose by a similar margin to 3.5 per cent.

*Reporting by Martin Arnold in Frankfurt, Kana Inagaki and Leo Lewis in Tokyo, Delphine Strauss and Adam Samson in London and Colby Smith in Washington*

'The Fed is really setting the pace of interest rate rises'

Krishna Guha, head of central bank strategy at Evercore




Source: Refinitiv Photo: Behrouz Mehri/AFP/Getty Images



## Briefing


▸ **Lavrov in stand-off at UN**
Russian foreign minister Sergei Lavrov has clashed with western diplomats at the UN Security Council over Russia's escalation of the war in Ukraine.— PAGE 2

▸ **Iran rallies lead to deaths**
Nine people have died in anti-regime protests in Iran at the death of a young woman held in police custody for allegedly violating Islamic dress codes.— PAGE 4

▸ **Trump fund raises $40**
One of Donald Trump's biggest political action committees raised just $40 last month as the former president's legal troubles continued to mount.— PAGE 4

▸ **French TV sale back on**
Bertelsmann, the German media group, has put its French TV business M6 back up for sale after competition objections stopped a merger with rival TF1.— PAGE 6

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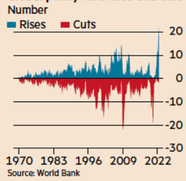
The heads of JPMorgan Chase, Bank of America and Citigroup have said they would agree to pull out of China if Beijing were to attack Taiwan.— PAGE 10

▸ **Aveva investor against bid**
A leading investor in the UK software group Aveva is set to reject Schneider Electric's £9.5bn takeover offer after branding it "opportunistic".— PAGE 8


## Datawatch




Source: World Bank

In response to the surge in prices that began last year, central banks around the world are raising interest rates. Taken together, the national policy moves add up to the most widespread tightening of monetary policy since the early 1970s.

**Soaring housing costs push young Irish abroad**

Forced to look overseas ▸ PAGE 2

| | |
|---|---|
| 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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# Credit Suisse draws up plans to split its investment banking division into three

OWEN WALKER — LONDON

Credit Suisse has formulated plans to split its investment bank into three and resurrect a "bad bank" holding pen for risky assets as the Swiss lender attempts to emerge from three years of relentless scandals.

Under proposals put forward to the group's board, Credit Suisse hopes to sell profitable units such as its securitised products business in an effort to stave off a damaging capital raise, according to people familiar with the plans.

Chair Axel Lehmann installed Ulrich Körner as chief executive this year with a brief to carry out a radical shake-up of the bank, which has been hit by a corporate spying scandal, investment fund closures, a record trading loss and a litany of lawsuits in recent years.

The board and executive team are planning to unveil the strategy, which is expected to include thousands of job cuts, at the bank's third-quarter results on October 27.

The latest proposals under consideration would see the investment bank divided into three parts: the group's advisory business, which could be spun off at a later point; a bad bank to hold high-risk assets that would be wound down; and the rest of the business.

"We have said we will update on progress on our comprehensive strategy review when we announce our third-quarter earnings," Credit Suisse said. "It would be premature to comment on any potential outcomes before then."

At an internal town hall meeting this month, directors Michael Klein and Blythe Masters suggested the company could offer investment bankers an equity stake in the business, which was viewed as heralding a spin-off of the division. The idea was first reported by Bloomberg, which also said the board was considering rejuvenating its First Boston brand for the investment bank.

While both ideas have been floated, they are not viewed as a priority, according to the people with knowledge of the board's thinking.

The board has discussed reviving the strategic resolution unit to bring together high-risk assets and non-core businesses that do not fit with its new strategy of focusing on wealth management, say the same people.

A sale of the New York-based securitised products business, which packages up debts such as mortgages and loans for yachts before selling them on as securities, would reduce the bank's capital commitment but also deprive it of one of its most profitable business lines.

## World Markets

STOCK MARKETS

| | Sep 22 | Prev | %chg |
|---|---|---|---|
| S&P 500 | 3759.54 | 3789.93 | -0.80 |
| Nasdaq Composite | 11070.03 | 11220.19 | -1.34 |
| Dow Jones Ind | 30067.65 | 30183.78 | -0.38 |
| FTSEurofirst 300 | 1581.20 | 1608.88 | -1.72 |
| Euro Stoxx 50 | 3429.31 | 3491.87 | -1.79 |
| FTSE 100 | 7159.52 | 7237.64 | -1.08 |
| FTSE All-Share | 3924.91 | 3973.75 | -1.23 |
| CAC 40 | 5918.50 | 6031.33 | -1.87 |
| Xetra Dax | 12531.63 | 12767.15 | -1.84 |

CURRENCIES

| Pair | Sep 22 | Prev | Pair | Sep 22 | Prev |
|---|---|---|---|---|---|
| $/€ | 0.982 | 0.988 | €/$ | 1.019 | 1.012 |
| $/£ | 1.126 | 1.133 | £/$ | 0.888 | 0.883 |
| £/€ | 0.872 | 0.872 | €/£ | 1.147 | 1.147 |
| ¥/$ | 142.095 | 144.125 | ¥/€ | 139.473 | 142.374 |
| ¥/£ | 160.028 | 163.314 | £ index | 76.592 | 76.616 |
| SFr/€ | 0.964 | 0.953 | SFr/£ | 1.106 | 1.094 |

CRYPTO

| | Sep 22 | Prev | %chg |
|---|---|---|---|
| Bitcoin ($) | 18956.99 | 18459.39 | 2.70 |

GOVERNMENT BONDS

| Yield (%) | Sep 22 | Prev | Chg |
|---|---|---|---|
| US 2 yr | 4.12 | 4.01 | 0.11 |
| US 10 yr | 3.68 | 3.56 | 0.12 |
| US 30 yr | 3.61 | 3.56 | 0.05 |
| UK 2 yr | 3.57 | 3.42 | 0.15 |
| UK 10 yr | 3.49 | 3.31 | 0.18 |
| UK 30 yr | 3.77 | 3.58 | 0.19 |
| JPN 2 yr | -0.06 | -0.06 | 0.00 |
| JPN 10 yr | 0.24 | 0.26 | -0.02 |
| JPN 30 yr | 1.31 | 1.31 | -0.01 |

Dubai

| | | | |
|---|---|---|---|
| Nikkei | 27153.83 | 27313.13 | -0.58 |
| Hang Seng | 18147.95 | 18444.62 | -1.61 |
| MSCI World $ | 2516.59 | 2554.02 | -1.47 |
| MSCI EM $ | 932.08 | 946.17 | -1.49 |
| MSCI ACWI $ | 585.85 | 594.58 | -1.47 |
| FT Wilshire 2500 | 4942.72 | 5026.91 | -1.67 |
| FT Wilshire 5000 | 38606.41 | 39262.93 | -1.67 |

| | | | |
|---|---|---|---|
| Ethereum | 1269.91 | 1245.58 | 1.95 |
| **COMMODITIES** | | | |
| | Sep 22 | Prev | %chg |
| Oil WTI $ | 83.13 | 82.94 | 0.23 |
| Oil Brent $ | 90.06 | 89.83 | 0.26 |
| Gold $ | 1671.75 | 1664.15 | 0.46 |

| | | | |
|---|---|---|---|
| GER 2 yr | 1.83 | 1.74 | 0.08 |
| GER 10 yr | 1.96 | 1.89 | 0.07 |
| GER 30 yr | 1.87 | 1.83 | 0.04 |

Prices are latest for edition
Data provided by Morningstar

A Nikkei Company





INTERNATIONAL

Security Council

# Russia confronts UN and defends invasion

## Foreign minister calls the west 'cynical' for arming and supporting Ukraine

FELICIA SCHWARTZ — NEW YORK

Russian foreign minister Sergei Lavrov faced off against western powers at the UN Security Council yesterday, defending Russia's invasion of Ukraine after his US counterpart said Moscow had "shredded" international norms.

The comments came as Russian president Vladimir Putin has escalated the conflict in Ukraine in recent days, pledging to mobilise hundreds of thousands of additional troops and threatening the use of nuclear weapons — triggering alarm around the world.

"Every council member can send a clear message that these reckless nuclear threats must stop immediately," said US secretary of state Antony Blinken during a meeting of the 15-member council, which had been assembled to address atrocities taking place in Ukraine.

Lavrov, who arrived late and left after addressing the council for about 20 minutes, denied that Russia had committed war crimes and blamed Ukraine and its western backers for the conflict.

"What's particularly cynical is the position of states pumping Ukraine full of weapons, training their soldiers," he said, arguing that the west was doing so to "drag out the fighting as long as possible in spite of the victims in order to wear down and weaken Russia".

Blinken and other officials said the onus was on Russia to stop the conflict. "One man chose this war. And one man can end it," Blinken said.

"Because if Russia stops fighting, the war ends. If Ukraine stops fighting, Ukraine ends."

> 'Russian diplomats are directly complicit because their lies incite these crimes and cover them up'

Ukrainian foreign minister Dmytro Kuleba, who spoke after Lavrov had left, said Russian falsehoods fuelled Ukrainian suffering.

"Russian diplomats are directly complicit because their lies incite these crimes and cover them up," Kuleba said.

The council met a day after Putin ordered the mobilisation of army reservists to support Moscow's ailing campaign in Ukraine, warning he would use Russia's nuclear arsenal if its "territorial integrity" was "threatened".

Moscow is also planning heavily stage-managed votes in four occupied regions of Ukraine on the question of joining Russia, which the US and other powers have described as a sham.

Western countries have vowed not to recognise Russia's efforts to annex occupied Ukrainian territory and have warned that Russia will face consequences if it does so.

UK foreign secretary James Cleverly, who also spoke after Lavrov, described his comments as "distortions, dishonesty and misinformation".

Several officials at the council highlighted their concerns about Russia's nuclear threats.

"The trajectory of the Ukraine conflict is a matter of profound concern for the entire international community," said Indian foreign minister S Jaishankar. "The nuclear issue is a particular anxiety."

Chinese foreign minister Wang Yi addressed the Security Council yesterday and called for negotiations to end the conflict, but did not criticise Russia. Last week, Indian prime minister Narendra Modi expressed concern to Putin about his escalation of the war in Ukraine, while Putin acknowledged the worries of Chinese president Xi Jinping.

Exchange

# Ukraine frees Mariupol defenders in prisoner swap with Kremlin

BEN HALL — KYIV

Ukraine's leaders celebrated the release of scores of its soldiers who led a last-ditch defence of the city of Mariupol at the Azovstal steelworks four months ago as part of an overnight prisoner exchange.

Kyiv secured the freedom of 215 of its personnel in exchange for 55 Russian prisoners of war and Viktor Medvedchuk, a pro-Russian MP and ally of Russian president Vladimir Putin who was arrested this year on treason charges.

The Azov battalion, whose ranks include self-declared nationalists and non-ethnic Ukrainians, is the military unit that fought Russian troops at a steel mill in a final attempt to defend the port city of Mariupol in south-east Ukraine after months of heavy bombardment.

"Finally, we were able to return another part of the defenders of Mariupol, including the fighters of the Azov regiment," President Volodymyr Zelenskyy said late on Wednesday night. "Tonight, the exchange that we had been waiting for [for] so long took place."

The prisoner exchange is a boost for the Ukrainian leader who had promised to secure the release of the Azovstal defenders after they finally surrendered to Russian forces in May following dogged resistance.

However, the deal was awkwardly timed for Putin, who hours earlier raised the stakes in his war against Ukraine by ordering a partial mobilisation to bolster a weakened invasion force. Moscow has repeatedly sought to justify its invasion of Ukraine by claiming it seeks to "de-Nazify" the country.

"[The] main question for me is how the Kremlin managed to carry out an exchange and return 'bloody Nazis' on the day when he [Putin] announced the mobilisation to fight Nazism?" Oleksiy Arestovych, an adviser to Ukraine's presidential administration, wrote on Twitter. "It was difficult to imagine such a major blow to the motivation of the mobilised."

The release of Ukraine's Azov commanders caused outrage in Russian nationalist circles.

Igor Girkin, a former Russian intelligence operative who has become an outspoken critic of the Kremlin, denounced the timing of the exchange as "worse than a crime, worse than a mistake".

Margarita Simonyan, editor of Russia's RT news channel, bemoaned the lack of ceremony for returning Russian PoWs and said Moscow had "lost the information battle" over the exchange.

Under the agreement, five of the top Ukrainian commanders from the Azovstal siege — who delivered frequent accounts through social media of their resistance fight — will be required to stay in Turkey until the end of the war.

Zelenskyy thanked Saudi Arabia for its role in securing the release of 10 foreign nationals who had been fighting for the Ukrainian army when they were captured by Russian-backed forces.

The Ukrainian president also defended the release of Medvedchuk, a tycoon whose Russian-language television channels were shut down last year in a move that enraged the Kremlin.

*Additional reporting by Max Seddon in Moscow and Roman Olearchyk in Kyiv*

Emigration. Inflation

# Young Irish house-hunters forced to look overseas

## Many complain soaring cost of renting and buying is pricing them out of their own country

JUDE WEBBER — DUBLIN

As soon as 22-year-old Cáit Fitzgerald finishes her studies, she intends to "get out" of her native Ireland. "I can't afford anything here," she says. "There's not much hope for people our age."

Ireland's long history of emigration has seen an estimated 10mn leave since 1800. While many were forced out by famines and economic crises, young people in recent years have been drawn to jobs abroad or the freedoms of living in more open societies.

But now, the tone is changing again from pull to push. Rather than the lure of foreign opportunities, young people complain that the soaring cost of living, and housing in particular, is pricing them out of their own country.

"I don't know anyone planning on staying," said Fitzgerald, who wants to move to Australia after she graduates. "It's a vicious cycle."

According to a poll for the National Youth Council of Ireland, seven out of 10 Irish people aged 18-24 are contemplating moving abroad in search of a better quality of life. A similar poll in 2012 found just 51 per cent were contemplating emigrating, the NYCI said.

"Ireland has such a long history of emigration, but what is happening now is different, it's a different type of crisis," said Mary Gilmartin, professor of geography at Maynooth University and an expert on contemporary migration.

"Whether or not young people do actually end up leaving, the intention [to emigrate] is certainly the highest I've seen."

Official data do not yet confirm an exodus. The number of Irish emigrating rose 21 per cent in the year to April 2022, but that is slightly below the pre-Covid level, according to the Central Statistics Office. It does not break the figures down by age.

Ireland had big waves of emigration in the 1950s, 1970s and after the 2008 crash. Destinations included the UK, US, Australia, New Zealand and Dubai. All were driven by a lack of jobs or economic crisis. Today, Ireland is far richer, has a tax windfall from the tech companies that support its economy, and a record 2.55mn have jobs. Youth unemployment is the lowest in the EU.


Squeezed: a cost of living protest in Dublin in June. Below, Cáit Fitzgerald
Clodagh Kilcoyne/Reuters

But not all are in jobs of sufficient quality to join what Leo Varadkar, the deputy prime minister who will become prime minister in December, calls Ireland's "homeowning democracy".

"My parents bought their first house when they were 26," said Rachel Richards, a student who works in a restaurant to pay the €700 a month to rent in a shared house and €5,000 a year for college. "I'm stuck here for two years [to finish a psychology course]. After that, I'll be gone. There'll be no chance I can buy a house. It's just insane."

Property prices have now surpassed the peak of the Celtic Tiger boom in April 2007, the Central Statistics Office confirmed last week, with the median price of a home in the 12 months to July nearly €300,000. Ireland is also the EU's most expensive country, with housing costs as much as 84 per cent higher than the bloc's average between 2010 and 2020, EU data show.

The prices for three-bedroom, semi-detached houses have risen sharply nationwide, as much as 45 per cent in County Roscommon in central Ireland in the second quarter on the same period last year, reported stockbroker Davy, for MyHome.ie, a property site.

Rents are also rising; charges are up 9 per cent in the first quarter on the previous year, driven by a supply crunch.

"I don't see myself staying here, housing prices are just too much," said Ben Murray, 19. "I was working in a coffee shop over the summer, but I wasn't making nearly enough to even rent."

Nathan Mannion, head of exhibitions and programmes at Ireland's emigration museum, Epic, said the only precedent for today was in 1700s Ulster, when "land leases were auctioned to the highest bidder and a huge number left".

But some young people remain trapped. In working-class or rural areas, "our young people wouldn't even see emigration as a possibility", said Dannielle McKenna, project manager of the Rialto Youth Project.

"The cost of living is pushing them further into poverty. A generation of young people is being failed."

> 'After [my course], I'll be gone. There'll be no chance I can buy a house. It's just insane'

Barra Roantree at independent think-tank the Economic and Social Research Institute said the crisis for young people "all links back to the housing situation".

And while employment overall rebounded after the financial crisis, by the time the pandemic struck employment rates for those in their 20s and early 30s, despite outperforming other EU nations, had still not fully recovered and real earnings were no better than for people born in the 1960s and 1970s.

"We've [already] had a lost decade for younger adults," he said.

Paul Gordon, NYCI director of policy and advocacy, called for the government to provide support in its 2023 Budget next Tuesday "so that young people can remain in this country".

For some, the decision has already been made. After 12 years in a house-share, Ian Connelly, 30, is to move with his partner to France next year, despite just having opened a coffee shop in Dublin, which he will run remotely.

"For €700 a month, I can rent a two-bedroom flat in Toulouse," he said.



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EU measures

# Poland and Baltic states push for harsher Moscow sanctions

SAM FLEMING, HENRY FOY AND ANDY BOUNDS — BRUSSELS

Hawkish EU member states are pushing for hard-hitting measures against Russia, including booting more banks off the Swift messaging network and banning diamond imports, as the bloc drafts an eighth package of sanctions over the Ukraine war.

Ukraine. But some officials think it will be difficult to get more than a limited set of penalties past all EU member states.

A potential new round of penalties is yet to be formally tabled ahead of meetings between commission officials and member state representatives, beginning today. It is expected to contain legislation to implement the cap on the price of Russian crude, more listings of

should support. Their ideas include a ban on imports of diamonds, which would hit Belgium, ejecting more Russian banks from the global Swift network, curbing the availability of IT and other services to Russia and applying all Russia sanctions to its ally, Belarus.

But officials played down the prospect of a deal on some of the more ambitious ideas as some countries argue that exist-

package, along with closing loopholes. "There are not many products left to hit as we have mostly decoupled from the Russian economy," the person said.

"I don't know if we will get very far with announcing new sanctions without proper consulting," said one EU official, adding that building consensus would be hard before EU leaders meet in Prague in two weeks.

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Countries including Poland and the Baltic states are demanding new measures — which would also target luxury goods and Russia's IT, cyber security and software industries — after Vladimir Putin's military escalation this week.

However, officials say it will be difficult to find consensus among all 27 member states while Hungary has said it does not want any new sanctions.

The main goal of the European Commission is to push through a hard-fought G7 agreement to cap the price of Russian oil following months of US-led negotiations.

Commission president Ursula von der Leyen on Wednesday said new sanctions were needed to respond to Russia's decision to begin a partial mobilisation and move to annex parts of eastern

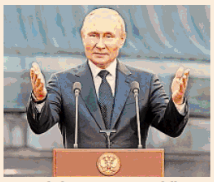
sanctioned individuals and measures targeting Russia's IT, cyber security and software industries, officials said.

The EU's last attempt to pass a big sanctions package in May descended into public acrimony and weeks of infighting as countries led by Hungary refused to agree on an embargo on Russian oil until being granted an exception that would allow their refineries to continue importing. Hungary's prime minister Viktor Orbán told a private meeting of his party on Wednesday that the EU's existing sanctions against Russia should be scrapped, local media said.

Countries most adamant the EU needs to ramp up its pressure on Moscow, including Poland and the Baltic states, have circulated detailed measures they believe the commission

ing sanctions need more time to work. Unanimous consent is required for the EU to implement sanctions.

One diplomat said that the oil price cap should remain the focus of the new



Demands for new measures follow Vladimir Putin's military escalation

The goal, according to two people briefed on the talks, is for EU ambassadors to discuss new sanctions next week, as Brussels seeks to respond to Putin's decision on Wednesday to call up reserves and threaten nuclear warfare.

A commission spokesman said yesterday that EU foreign affairs ministers had been "discussing the next possible restrictive measures that could be applied", adding that talks on the sidelines of the UN general assembly in New York were "ongoing".

A new package would focus on further sanctions on Russian individuals and organisations as well as possible additional export controls on "civil products", the spokesman added. "That would be justified seeing as Russia is moving towards a wartime economy."



INTERNATIONAL

# Fed warns of painful times ahead as it battles inflation

## US central bank signals no 'soft landing' for economy amid growing recession threat

COLBY SMITH — WASHINGTON

Fed chair Jay Powell has long contended that the US central bank could tame rampant inflation without tipping the world's largest economy into a recession, saying as recently as July that he and his colleagues are "not trying to have a recession, and we don't think we have to".

On Wednesday, however, Powell delivered one of his gloomiest pronouncements to date about the economic outlook amid what has become the most aggressive campaign to tighten monetary policy since 1981.

"We have got to get inflation behind us. I wish there were a painless way to do that," he said following the Fed's decision to further extend its recent string of large rate rises. "There isn't."

Powell's comments came as the Fed delivered a third consecutive 0.75 percentage point increase to its benchmark policy rate, a move that lifted the federal funds rate to a new target range of 3 per cent to 3.25 per cent.

Economists interpreted the message as an admission that Powell's previously stated goal of achieving a "soft landing", whereby the Fed could cool the economy without excessive job losses, was becoming increasingly unrealistic. Powell himself admitted that the odds of that outcome "diminish" the longer restrictive rates are sustained.

But what they also found striking was the uncertainty he expressed about just how severe a recession could result from the Fed's efforts to root out inflation.

"The news from the press conference is the chair's acknowledgment that it's not really just about weak growth," said Jonathan Pingle, chief US economist at UBS, who previously worked at the Fed. "There is a very real risk of recession and he displays a very real willingness to go through with a hard landing."

Powell's stark assessment jolted financial markets, with US stocks erasing an earlier rally to end the day down nearly 2 per cent. The yield on the two-year Treasury note, which is highly sensitive to changes in the outlook for monetary policy, surged to a roughly 15-year high of 4.1 per cent.

The message was reinforced by a revised set of economic projections by the Fed on Wednesday, which compiled officials' individual forecasts for the fed funds rate, growth, inflation and unemployment to the end of 2025.

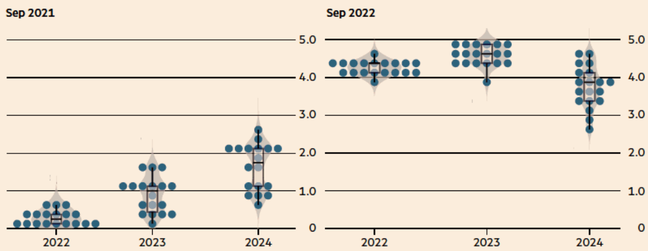
Officials project rates to rise as high as 4.4 per cent by the end of the year before peaking at 4.6 per cent in 2023. Over that period, the median estimate has the unemployment rate rising to 4.4 per cent as growth slows to 0.2 per cent this year and settles at 1.2 per cent next year.

"Core" inflation, which strips out volatile items such as energy and food, is expected to drop from 4.5 per cent by the end of the year to 3.1 per cent and 2.3 per cent in 2023 and 2024, respectively. In 2025, it is expected to remain just above the Fed's 2 per cent target.

The revisions, which still stopped short of forecasting an outright contraction, marked a sea change from the previous estimates in June. Those showed a much more benign path for rate rises,

Downcast: Fed chair Jay Powell paints a gloomy picture on Wednesday after the two-day Federal Open Market Committee meeting
Sarah Silbiger/Bloomberg

**Fed officials project larger interest rate rises**
Each dot represents one FOMC participant's projection for the midpoint of US interest rates (%) Boxplot lines indicate first quartile, median and third quartile values for each annual projection




Source: Federal Reserve

far less unemployment and more robust growth even as inflation slowed.

"They've written down a forecast that pretty implicitly has a recession," said Vincent Reinhart from BNY Mellon, who also previously worked at the Fed.

He added that when the jobless rate rose as much as policymakers now expected, history suggested a downturn took hold. Moreover, Reinhart said the jobless rate might need to rise higher than currently anticipated for the Fed to achieve its price stability goal.

"They admitted they have a lot of work to do, they admitted there would be pain associated with it, but they did try to downplay the pain," he said.

Many economists warn getting inflation back under control may require the unemployment rate rising beyond 5 per cent, with a group of academic economists recently suggesting that it may need to exceed 7 per cent. Some also warn the fed funds rate will eventually eclipse Fed officials' median forecast, peaking at about 5 per cent instead.

Much will depend on what happens to inflation, which has proved far more difficult to rein in than expected.

> 'There is a very real risk of recession and [Powell] displays a very real willingness to go through with a hard landing'

Powell said the Fed would be monitoring data to determine whether it could slow its aggressive pace of 0.75 percentage point rate rises. But, according to Gargi Chaudhuri at BlackRock, it is unlikely that both inflation and the labour market will dip sufficiently to warrant a smaller increase at the November meeting.

To pause the tightening cycle altogether, Powell said the Fed would need to be "confident" that inflation was coming down, reiterating the hawkish message he delivered to the annual gathering of central bankers last month in Jackson Hole, Wyoming, that the Fed would "keep at it until the job is done".

Peter Hooper, global head of economic research at Deutsche Bank, said that pledge would become increasingly difficult to stick to as job losses began to mount and the economic data took a more decisive turn. "The Fed is in a tough spot here politically. They've told us it's going to be painful, but the minute you start getting specific about how much of a recession it is going to take, it starts to generate a lot of opposition."

**Gillian Tett** see Opinion

US Senate

# Worries raised over potential Apple-China microchip deal

DEMETRI SEVASTOPULO — WASHINGTON

US senators have asked the intelligence community to examine the threat a potential deal between Apple and Chinese chipmaker Yangtze Memory Technologies Co poses to national security, in an escalation of the political pressure being applied to the iPhone maker over the arrangement.

Mark Warner, Democratic chair of the Senate intelligence committee, and Republican vice-chair Marco Rubio wrote to director of national intelligence Avril Haines requesting a review just days after the Financial Times reported that Apple was considering buying chips from YMTC for the new iPhone 14.

"We convey our extreme concern about the possibility that Apple Inc will soon procure 3D NAND memory chips from Yangtze Memory Technologies Co," the senators said. "Such a decision would introduce significant privacy and security vulnerabilities to the global digital supply chain Apple helps shape given YMTC's extensive, but often opaque, ties to the Chinese Communist party."

The FT has reported that YMTC has supplied memory chips to Huawei, the controversial Chinese telecoms equipment group, for at least two phones, including its flagship foldable Mate Xs 2, in a possible violation of a US export control that bars companies from providing products containing American technology to Huawei.

Apple recently said it was "evaluating" sourcing from YMTC for some iPhones in China. Apple yesterday declined to comment on the letter to Haines, which was also signed by Senator Democratic majority leader Chuck Schumer and John Cornyn, a Texas Republican senator.

The senators asked Haines to review the risks an Apple-YMTC deal would pose to economic and national security and to look at how the Chinese Communist party uses YMTC to bolster its domestic chip sector and displace semiconductor makers from the US and allied countries. They also requested an examination of the role YMTC allegedly plays in helping Chinese companies, including Huawei, evade US sanctions.

YMTC is one of many Chinese tech groups under increasing scrutiny in the US. National security adviser Jake Sullivan last week said the US had to re-evaluate its longstanding premise that it had to maintain a "relative" advantage over competitors, including in chips, where it "previously maintained a 'sliding scale' approach that said we need to stay only a couple of generations ahead".

"That is not the strategic environment we are in today," Sullivan told SCSP, a think-tank focused on enhancing US tech in critical fields.

"Given the foundational nature of certain technologies, such as advanced logic and memory chips, we must maintain as large of a lead as possible," he pointed out. *Additional reporting by Patrick McGee*

Growth agenda

# Turkey central bank cuts rates despite surging prices

LAURA PITEL — ANKARA

Turkey has cut interest rates for the second month running as President Recep Tayyip Erdoğan seeks to prioritise growth over financial stability ahead of next year's elections.

The central bank announced yesterday it was lowering its benchmark one-week repo rate from 13 to 12 per cent despite rampant inflation that exceeded 80 per cent in August. The lira hit a record low after the announcement, falling to 18.387 against the dollar.

The decision to lower rates again after an unexpected rate cut last month pushes Turkey's real interest rate — once inflation is taken into account — deeper into negative territory to minus 68 per cent.

Atilla Yeşilada, a prominent economic commentator, said the move, which comes when central banks around the world have been raising borrowing costs, showed that Turkey's central bank had "gone off the rails".

Ultra-low real interest rates are the centrepiece of Erdoğan's unorthodox approach to managing the $830bn economy as he prepares for a challenging bid for re-election next year.

The president, who is notorious for his rejection of the established economic wisdom that high interest rates help to tame inflation, has argued he is pursuing a new economic model that will bring down inflation by prioritising exports, investments and jobs.

But his loose monetary policy has deterred local savers and foreign investors from holding lira or lira-denominated assets, heaping pressure on the currency. Turkey's ballooning external debt burden — with $182bn coming due in the next 12 months — and its wide current account deficit are a further source of demand for foreign currency that weakens the lira.

The weak currency, which has lost 27 per cent of its value against the dollar this year, has fed through into soaring inflation in a country that is heavily dependent on imports.

Authorities have sought to stabilise the currency by rolling out a series of contentious measures, including a state-backed scheme aimed at encouraging savings in lira rather than dollars and a requirement for exporters to convert 40 per cent of their foreign currency revenues into local currency.

The central bank also continues to spend billions of dollars each month on intervening in the currency markets.

Recent rate cuts have not been fully passed on to households and companies. The average interest rate on consumer loans was about 31 per cent in early September, according to central bank data.

Erdoğan's hope is that cheap credit will sustain the country's fast-paced gross domestic product growth, which stood at 7.6 per cent in the second quarter, to create jobs and a feelgood factor in the run-up to next year's polls.

Environment. Lender leadership

# World Bank chief under pressure on climate change

Criticism grows as officials

distributing money to the developing world to help limit global warming.

member countries, in the run-up to the COP27 UN climate summit in Novem-

including the IMF and what became the World Bank Group.

Literature prize

# FT reveals shortlist for business book of the year

voice concerns over 'confusing signals' on global warming

CAMILLA HODGSON — LONDON
AIME WILLIAMS — NEW YORK

World Bank president David Malpass has faced mounting pressure to resign after criticism from German and US officials as well as environmental groups over his refusal to say whether he believes in human-led global warming and complaints about the bank's record on climate-related finance.

Malpass avoided giving a clear answer three times during a New York climate week event on Tuesday when asked if he accepted the reality of human-driven climate change, saying finally that he was "not a scientist".

Yesterday, Malpass tried a U-turn on his remarks, telling CNN it was "clear that greenhouse gas emissions are coming from man-made sources", and that he was "not a denier".

This followed criticism of Malpass, who has come under sustained attack for the bank's record under him.

The bank provides loans and grants to poorer countries and is seen as crucial to

It is the largest provider of multilateral climate-related finance, according to OECD data. But it did not join the many countries and other development banks that pledged last year to end public financing for coal, oil and gas overseas by the end of 2022, and its climate plan does not include a deadline for phasing out direct and indirect fossil fuel financing.

Jochen Flasbarth, state secretary in the German federal ministry for economic co-operation and development, pointed to the UN body of evidence about global warming. "We are concerned about these confusing signals about scientific evidence of climate change from the top of the World Bank," he said yesterday.

The bank was "not using its institutional position to lead the global efforts on climate change", said Sonia Dunlop, a multilateral development banks expert at think-tank E3G. "They have the ability to lead global efforts and change the global financial system to help us implement the Paris Agreement. They're just not leading that charge."

The rising discontent is likely to pile pressure on the bank's shareholders, its

ber. The US as largest shareholder traditionally appoints the bank president.

Malpass, 66, was appointed by former US president Donald Trump, and his term is due to end in April 2024.

The US Treasury said yesterday it expected the bank to be "a global leader of climate ambition" and it would

David Malpass: World Bank president insisted yesterday he was not a climate change denier

"make [it] clear" to the leadership. Other countries were likely to follow the lead of the US, said Dunlop. "If the Treasury and White House were waiting for an excuse [to replace Malpass], they now have it."

US climate envoy John Kerry would not be drawn on the position of Malpass this week, but called for wider reform of multilateral development banks. He had been "pushing for months", he said, for an overhaul of international financial institutions established as a result of the Bretton Woods agreement in 1944,

With just weeks to go before COP27, the bank was making it difficult for the major development banks to craft a joint statement on climate, which they want to present at the summit, said two people familiar with the issue. This follows a push by the World Bank last year for a joint development bank statement to be shortened and weakened.

The annual joint report by development banks on climate finance, typically published during the middle of the year, is also yet to be published.

The World Bank reported this month it had delivered a record $31.7bn in 2022 to help countries tackle climate change, up 19 per cent from the year before.

"Under the leadership of David Malpass, the World Bank Group doubled its climate finance, published an ambitious Climate Change Action Plan, and initiated country level diagnostics to support countries' climate and development goals," it said yesterday.

However, the level of funding falls far short of what experts believe is needed. Former US vice-president Al Gore, who has long been calling for Malpass to quit, labelled him a "climate denier" this week and said the bank must do more.

ANDREW HILL — LONDON

The Financial Times has announced the shortlist for the 2022 Business Book of the Year Award, which pits explorations of the geopolitics of energy and the development of free markets against investigations into venture capital, shipping and the technology industry.

The titles tackle "some of the toughest and most important issues facing global capitalism", said Roula Khalaf, FT editor and chair of judges, praising the authors for their "deep knowledge and extensive investigation".

From a longlist of 15 books, the panel selected six finalists for the £30,000 award:

*Dead in the Water: Murder and Fraud in the World's Most Secretive Industry* by Matthew Campbell and Kit Chellel, about the global shipping industry and how it is financed.

*Influence Empire: The Story of Tencent and China's Tech Ambition* by Lulu Chen, which tracks the rise of Tencent, developer of China's "everything app".

*The Rise and Fall of the Neoliberal Order: America and the World in the Free Market Era* by Gary Gerstle, a look at how the creed of free trade and free markets became embedded in the closing decades of the 20th century.

*The Power Law: Venture Capital and the Art of Disruption* by Sebastian Mallaby, an examination of the roots and the role of venture capitalists in the success of Silicon Valley.

*Chip War: The Fight for the World's Most Critical Technology* by Chris Miller about the implications of our global dependency on a few vast semiconductor manufacturers.

*Disorder: Hard Times in the 21st Century* by Helen Thompson, an analysis of the profound effects of recent energy volatility.

The award will be presented on December 5, where the winner of the £15,000 Bracken Bower Prize (for business book proposals by an author aged under 35) will also be announced.

The Business Book of the Year Award, first presented in 2005, goes to the book that provides "the most compelling and enjoyable" insight into modern business issues. Each of the runners-up will receive £10,000.

**www.ft.com/bookaward**



INTERNATIONAL

Middle East

# Iran protests erupt after death in custody

Twelve killed in largest demonstrations against regime since 2019

NAJMEH BOZORGMEHR — TEHRAN

Twelve people have been killed in Iran during the biggest anti-regime protests since 2019 following the death of a young woman being held in police custody, authorities in the Islamic republic have confirmed.

At least five of the dead are members of the security forces, officials said, as authorities step up their crackdown on the protests.

Abolhasan Kabiri, deputy governor of Qazvin province, had earlier said a member of the Revolutionary Guards had been shot dead, according to the semi-official Fars news agency.

The unrest was triggered by the death of Mahsa Amini, a 22-year-old woman who was arrested by the morality police last week on allegations she had violated the Islamic dress code.

The police said she was not beaten in detention but her family and many Iranians do not believe the official account. Iranian authorities have urged families to stop their children joining the demonstrations, the biggest since fuel price protests in 2019, when more than 300 people died.

The US Treasury department yesterday imposed sanctions on the morality police, saying it was responsible for Amini's death, along with seven senior officials of Iran's security forces.

Amnesty International had put the number of dead at eight on Wednesday evening and suggested at least four of them were shot by security forces "at close range". The human rights group added that birdshot and other metal pellets, tear gas, water cannon and batons had been used on protesters.

Iranian authorities have cut access to Instagram and WhatsApp in an effort to prevent co-ordination between protesters and to stop them posting videos and pictures on social media.

Mohammad Khansari, head of the Information Technology Organization of Iran, said yesterday the decision to restrict access to certain platforms was made by "concerned authorities", but added it would be temporary.

Men and women across the country have poured on to the streets since Monday, chanting anti-regime slogans such as "death to the dictator" and "we don't want [to wear] scarves".

Protesters have also been filmed facing up to riot police. Some accounts in local media suggest people have thrown stones and set fire to police vehicles and state buildings.

In a video taken in the northeastern city of Mashhad, two young women without scarves are shown passing by a burning police vehicle, chanting "hail to freedom". In the northwestern city of Tabriz, a young girl, accompanied by men, was filmed shouting at security forces and throwing stones at them.

Tasnim News Agency reported that health ministry official Pedram Pakayeen said yesterday more than 60 ambulances had been destroyed. Iranian security officials have said some protesters are backed by opposition groups overseas.

The deputy governor of northern province of Mazandaran said protesters damaged or set fire to 41 government buildings on Wednesday evening.

*Additional reporting by James Politi in Washington*

'Rioters . . . are guided from overseas and exploit people's pure emotions'

Anger on the streets: a barricade burns during a protest in Tehran for Mahsa Amini, who died after her arrest for dress code violations
AFP/Getty Images

Elections. Disagreements

# Turkish opposition battles internal divisions

Ruptures have appeared in a disparate six-party alliance that aims to unseat Erdoğan

LAURA PITEL — ANKARA

So fraught are relations between some Turkish opposition parties, which in theory are united against President Recep Tayyip Erdoğan, that they refuse to even have tea together.

Meral Akşener, leader of the Turkish nationalist İYİ party, said recently she would "never sit at the same table" as the pro-Kurdish, leftwing People's Democratic party (HDP). A senior member of the HDP responded that the feeling was mutual — members of the HDP would not even "drink tea in the same teahouse" as Akşener.

A volley of insults ensued and was lapped up by the pro-Erdoğan media, eager to stoke splits in an alliance seen in the polls as voters balk at high inflation, a collapse in the value of the lira and a sharp decline in living standards.

Opposition parties, which took control of big cities after fielding joint candidates in municipal elections in 2019, see elections scheduled for June next year as a historic opportunity to unseat the Turkish president. They have said they want to fix the damage Erdoğan has caused to the economy and restore the democratic freedoms he has eroded.

The latest row, triggered by a dispute over the composition of a post-Erdoğan government, has served as a proxy for deeper disagreements, and the crucial but still undecided issue of who will be the joint candidate to take on Erdoğan.

"I think the İYİ party used [it] as an excuse to indirectly confront the CHP, which is something they've wanted to do for some time," said Berk Esen, an assistant professor of political science at Istanbul's Sabancı University. "There were already intra-coalition rifts brewing between the 99-year-old secularist left-leaning party that is the largest opposition force, and the İYİ party, founded in 2018 with its roots in rightwing ultranationalism but has been trying to tack to the centre.

While the two party leaders — the CHP's softly spoken Kemal Kılıçdaroğlu and the İYİ party's fiery Akşener — are

'These are historically determined, very strong faultlines. And Erdoğan is good at using them'

publicly committed to working together, there are deep rifts over the strategy for the upcoming vote.

The biggest source of tension is over the opposition's joint candidate. The 73-year-old Kılıçdaroğlu is determined to put himself forward despite polling suggesting he is less likely to beat Erdoğan than several alternatives. Akşener, who according to party officials. But Kılıçdaroğlu has publicly ruled this out.

Another source of disquiet is İYİ party officials' fears that Kılıçdaroğlu is doing backroom deals with smaller parties such as Deva, headed by Erdoğan's former economy chief, Ali Babacan. They fear Kılıçdaroğlu will promise the economy brief they covet to Babacan in exchange for his support for the CHP leader's candidacy.

The İYİ party has also been unsettled by Kılıçdaroğlu's overtures to the HDP, which is not part of the main six-party opposition alliance and is reviled by Turkish nationalists for its perceived support for Kurdish separatism. İYİ party officials see this as part of an effort by Kılıçdaroğlu to build support for his own candidacy.

CHP officials believe it is crucial to secure the support of a party that won almost 12 per cent of the vote in the last parliamentary elections. But İYİ party figures respond angrily to suggestions to hurt — and we've already done a lot of accommodating," said one person with close links to the party leadership.

Both İYİ and HDP accuse each other of putting their own interests first and being unwilling to compromise.

Bülent Kuşoğlu, an MP and close ally of Kılıçdaroğlu, recently warned that if other parties insisted on opposing the CHP leader's candidacy the opposition alliance would "fall apart".

Officials from both the HDP and İYİ have said they could end up fielding their own candidates in the first round of the presidential contest and unite behind a single name if they succeed in forcing a run-off. Analysts see that prospect as risky because of the damage rival opposition candidates could cause to each other during the campaign.

The tensions highlighted the challenges for an alliance that encompassed Kurds and Turks, secularists and conservatives, leftwingers and rightwingers, said Esen, the Sabancı academic. "In

US politics

# Trump fund raises just $40 in sign of growing legal woes

CAITLIN GILBERT — NEW YORK
COURTNEY WEAVER — WASHINGTON

Fundraising for one of Donald Trump's biggest political action committees has slowed dramatically, in an early sign the former president's escalating legal troubles may be damaging his prospects with donors.

Make America Great Again, Again! (Magaa) raised just $40 in August, after bringing in $351,000 in July. In April and May, the group, the only active super Pac affiliated with Trump, raised $864,000 in contributions.

Second-quarter fundraising represented a marked fall from $4mn-$5mn raised in the fourth quarter of last year and the first quarter of this year.

The sharp drop-off in fundraising came as the Save America political action committee, which holds the vast majority of the donations, spent $3.8mn on legal fees — the most the Pac has spent on such costs in a single month during the entire 2022 campaign cycle.

Of those fees, $3mn went to the Critton, Luttier & Coleman law firm based in West Palm Beach, Florida.

On Wednesday, New York attorney-general Letitia James filed a civil lawsuit against Trump and his three adult children for "engaging in years of financial fraud".

At the same time, the former president's legal team continues to deal with the fallout from the FBI's raid of his Mar-a-Lago estate and the question of whether he improperly took classified documents from the White House.

Magaa is one of seven Pacs in Trump's fundraising network, across which he has about $122mn in hand, according to the latest filings.

While Trump has still been one of the most prolific fundraisers of the Republican party this cycle, spending by his Pacs on supporting fellow party candidates in upcoming midterm contests has been minimal.

Instead, Republican candidates have been relying largely on the main party committees, with mixed results, just as the US moves into the final stretch before the November midterms.

Last month, the two main committees for Republicans and Democrats in the House — the National Republican Congressional Committee and the Democratic Congressional Campaign Committee — were neck-and-neck in fundraising, with the NRCC raising $11.7mn and the DCCC raising $13.6mn.

However, the DCCC massively outspent the NRCC during that period — allocating $23.6mn on House races to the NRCC's $12.5mn.

On the Senate side, the Democratic Senate Campaign Committee had a slight spending and fundraising edge over the National Republican Senatorial Committee, which has faced criticism for spending too aggressively early in this campaign cycle.

This has left the group with significantly diminished funding reserves compared with other Republican Pacs, which have been forced to spend more during this cycle as a result.

The Republican National Committee, for instance, spent nearly double the amount the Democratic National Com-as the best chance to oust the man who has ruled Turkey for almost 20 years.

Erdoğan has been suffering a decline

ing. This became a convenient issue for [the] İYİ party to use to rock the boat."

At the core of the alliance is the CHP, a

has ruled herself out of the presidential race, would prefer to nominate Mansur Yavaş, the popular mayor of Ankara,

they must build trust with the Kurdish-rooted party. "There's only so much we can accommodate them before it begins

Turkey, these are historically determined, very strong faultlines," he said. "And Erdoğan is good at using them."

mittee spent in August, ploughing through $26.6mn versus $14.5mn for the DNC.

Protocol talks

# Truss seeks NI settlement before anniversary

GEORGE PARKER AND FELICIA SCHWARTZ — NEW YORK
ANDY BOUNDS — BRUSSELS

Liz Truss wants to settle the post-Brexit row over Northern Ireland before the 25th anniversary of the Good Friday peace deal next Easter, as the UK prime minister seeks to calm tensions with US president Joe Biden on the issue.

Truss and Biden held talks lasting 75 minutes in New York on Wednesday, with both agreeing on the need to defend the gains made in Northern Ireland since the 1998 deal and to restore the power-sharing executive at Stormont.

The dispute over the so-called Northern Ireland protocol has left the region without a government, and has strained relations between London and Washington as well as between Britain and the EU.

British diplomats hope that if the dispute with the EU over the protocol is settled amicably and the NI executive is restored before next Easter, it could pave the way for a state visit by Biden to London in 2023. Truss, who met Biden on the fringes of the UN General Assembly in New York, insisted this week that time was of the essence. "I will not let this drift," she told reporters.

British officials said that both sides saw the 25th anniversary of the 1998 Good Friday Agreement, which ended years of conflict, as a pivotal moment.

Pro-UK unionist politicians are boycotting the Stormont power-sharing executive in Belfast in protest at the protocol, part of Boris Johnson's Brexit deal, which imposes border checks on trade from Great Britain to Northern Ireland.

> Biden has urged her to negotiate, but EU officials say her approach is like a 'loaded gun on the table'

Truss wants to end checks on goods moving from Britain that stay in Northern Ireland; the EU insists on some checks because the region remains part of the single market for goods. The deal removes the need for border checks on the Irish land border.

She is pushing legislation through the UK parliament that would unilaterally scrap the protocol. Biden has urged her to negotiate with Brussels, but EU officials have said her approach is "like putting a loaded gun on the table".

Sir Tony Blair, former UK prime minister and an architect of the 1998 accord, has been working behind the scenes, urging both sides to show flexibility.

Biden made a point of raising the issue on camera before his meeting with Truss: "We are both committed to protecting the Good Friday Agreement of Northern Ireland. And I'm looking forward to hearing what's on your mind."

Earlier, Truss met Ursula von der Leyen, European Commission president, for what was seen by both sides as positive talks, albeit with a big gap on their approach to the protocol.

The one-to-one talks were described as "private". No note-takers were in the room, suggesting both sides wanted to test the scope for possible compromise.

A senior commission official made clear that the bloc was willing to discuss only implementation of the protocol, not its revision.

Cambodia

# Pol Pot's PM loses appeal over life sentence

ELI MEIXLER — HONG KONG

The former prime minister of Pol Pot's genocidal regime has lost an appeal against a life sentence more than four decades after the Khmer Rouge was ousted from power.

The Extraordinary Chambers in the Courts of Cambodia, the UN-backed tribunal, dismissed an appeal yesterday by Khieu Samphan, upholding his life sentence for genocide against the Vietnamese ethnic minority and violations of the Geneva Conventions.

As the head of state of Pol Pot's Democratic Kampuchea, Samphan, 91, was the international face of the communist regime, which was responsible for up to 1.7mn deaths, almost a quarter of the population, between 1975 and 1979.

Samphan was convicted in 2018 alongside Nuon Chea, "Brother Number Two" and the movement's chief ideologue. The pair were also convicted of crimes against humanity and sentenced to life in prison in 2014 for the forced depopulation of capital Phnom Penh.

In his appeal, Samphan alleged some 1,800 procedural errors and challenged the fairness of the proceedings. While the court agreed to reverse three counts, it found the amended conviction "does not render the ultimate sentence inappropriate or unfair in any way".

The ruling, which concluded the ECCC's final open trial, is expected to be the tribunal's last. Cambodia said the tribunal would end this year. The two were the only Khmer Rouge leaders to stand trial.

The ultra-Maoist movement was characterised by forced labour and starvation under revolutionary agrarian reform and the notorious "killing fields".

Khieu Samphan, in court yesterday, lost his appeal against his conviction

In a statement to the court in August 2021, Samphan claimed he was being "judged symbolically" and "categorically" rejected the charges against him.

The ECCC, which was launched in 2006, generated controversy, much of it stemming from conflicts within the chambers, which operated through a rare dual structure under both Cambodian and international law. The tribunal brought cases against only five defendants in 16 years and spent up to $337mn in securing just three convictions.

Ieng Sary, "Brother Number Three", died in 2013 before he could face charges. The court's first conviction, in 2010, was against Kaing Guek Eav, known as Comrade "Duch", commandant of the infamous S-21 secret prison.

Pol Pot died in 1998 near the Cambodia-Thai border, as disparate remnants of his regime continued to resist the government 20 years after it was toppled.

The ruling yesterday shows "accountability for the most serious crimes has no expiration date", Ming Yu Hah from Amnesty International said.

**Payments plan** JPMorgan is developing a bank transfers system that could end up replacing the debit card ➔ COMPANIES, PAGE 10

# Companies & Markets

## Billionaires set to renew battle for French TV business M6

- Planned merger with TF1 thwarted
- Bertelsmann 'tests market' for sale

LEILA ABBOUD — PARIS
ALEX BARKER — LONDON

German media group Bertelsmann has put its French television business M6 back on the block, asking for indicative bids by tomorrow to "test the market" after competition objections thwarted the broadcaster's planned merger with TF1.

The stake in France's second-biggest private TV group is attracting a crowded field of potential buyers spanning some of Europe's most prominent media billionaires, according to people close to the process.

Those mulling bids include a consortium of prominent French entrepreneurs including maritime transport tycoon Rodolphe Saadé, Stéphane Courbit of TV production group Banijay, and investor Marc Ladreit de Lacharrière.

> 'M6 is one of the best-run TV groups in Europe . . . RTL has no pressure to sell'
> Thomas Rabe, Bertelsmann

Losing candidates from the last auction are also considering fresh bids, such as the Silvio Berlusconi-backed conglomerate MediaForEurope, and the telecoms billionaire Xavier Niel via his Mediawan production company.

Vincent Bolloré's Vivendi, which opposed the TF1-M6 merger, is also assessing whether to return with an offer after bidding last year.

Two other billionaires — Czech inves-

merger collapsed with Bouygues-owned TF1 last week.

"This is why we are 'testing the market'. We will decide on the basis of the test whether to sell or not," he said, adding that M6's profits last year were "at an all-time high".

Bertelsmann's RTL group owns a 48.3 per cent stake in M6, France's second-biggest commercial broadcaster. Shares in M6 had fallen more than 5 per cent since its merger with TF1 was called off last week, leaving it with a market value of about €1.6bn, but they rebounded on news of a potential sale, rising 5.7 per cent to €13.27. Shares in TF1 were also up almost 6 per cent to €6.70.

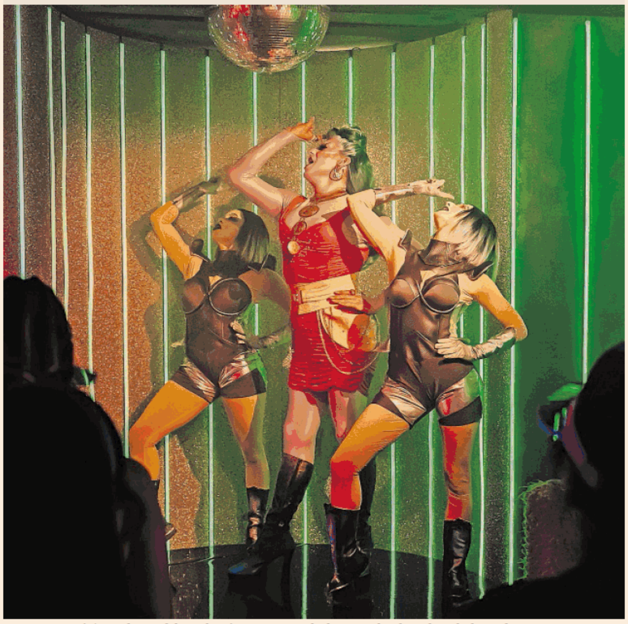
Rabe's original plan to merge M6 with its bigger rival TF1 was part of a strategy to create "national media champions", with the scale to withstand pressure from declining TV audiences and the rise of US streaming services.

But France's competition authority strongly opposed the deal, arguing the combined group's more than 70 per cent share of the advertising market for traditional TV would give it overwhelming market power that would raise prices for marketers.

Bertelsmann has a narrow window to decide on the future of M6 because the broadcaster's 10-year licence expires in May. Under licensing terms, any renewal would lock in its main shareholder, preventing a sale until at least 2028.

Some potential bidders see these constraints as a factor that will weigh on M6's sale price, especially as any new owner would need to assume the risk of

## Bigger stage Secret Cinema to expand in US after sale brings windfall for British taxpayer



Secret Cinema's 'Guardians of the Galaxy' experience. The business has been bought by TodayTix — Luke Dyson

OLIVER BARNES — LONDON

UK immersive cinema company Secret Cinema has been sold to US-based mobile ticketing platform TodayTix Group in a deal set to benefit the British taxpayer, which has a stake through a Covid-19 venture capital fund.

Secret Cinema hosts film and television screenings in atmospheric locations where audiences walk between sets encountering actors playing characters from the movie featured.

Show runs attract audiences in excess of 100,000 and typically cost around $10mn to put on.

Angeles parking lot and superhero saga *Guardians of the Galaxy* in London's Wembley Park.

The UK government has a stake through a scheme set up to support businesses during the Covid-19 pandemic. It invested £4mn in Secret Cinema in 2020 through its Future Fund, which was managed by the state-owned British Business Bank.

Secret Cinema is one of 400 businesses in the fund that have had their BBB loans converted into shares. Other investments include a jazz-streaming service, a cannabis products company and a sex party planner.

search for a permanent location in Los Angeles under way and a nationwide tour planned for next year — alongside allowing the company to produce open-ended theatrical runs.

Secret Cinema's founder Fabien Riggall sold his majority stake to UK-based private equity firm Active Partners in 2016, but retained shares.

Investors will receive payment for their shares within the next three years based on future financial goals.

The company's trading performance was hobbled by the pandemic with turnover falling to £6.2mn in 2020 from a high of £15.2mn in 2019. It briefly shifted to drive-in movie

## SoftBank and Samsung to explore Arm alliance

LEO LEWIS AND KANA INAGAKI — TOKYO
SONG JUNG-A — SEOUL

SoftBank chief executive Masayoshi Son will travel to Seoul next month to open talks with Samsung about a strategic tie-up between the South Korean technology conglomerate and UK chip designer Arm, which is owned by the Japanese group.

The talks could mark a strategic shift by Son, who bought Arm for $32bn in 2016 and claimed at the time that it was at the core of SoftBank's long-term vision.

SoftBank tried to sell Arm to chipmaker Nvidia, but abandoned those plans this year after facing opposition from competition authorities.

Son then switched his focus to an initial public offering for Arm in the US — a move that has triggered intense lobbying from the UK government to ensure some portion of the listing takes place in London. In a statement, Son said: "I intend to visit Korea . . . I'd like to talk with Samsung about a strategic alliance with Arm."

SoftBank, and its flagship Vision Fund tech investment vehicle, have come under huge pressure this year as equity markets have tumbled and technology valuations have cratered. The founder of the conglomerate behind the $100bn Vision Fund has not travelled since the Covid-19 pandemic broke out in 2020.

Samsung confirmed Son's visit, saying it expected him to make a proposal regarding Arm, although it did not know what the proposal would be.

"A strategic alliance is a vague and broad term," said a Samsung executive. "If he offers to sell Arm to us, we will have to consider it on a general basis."

Son said in August he was in "defensive mode", prompted by a selldown of SoftBank's stake in Alibaba.

Analysts said the deteriorating US stock market situation was not favourable for Arm's proposed IPO. They added that Samsung would be interested in buying Arm because of its weakness in the non-memory chip business, but it would be difficult for the company to chase the deal alone, as it would encounter similar regulatory hurdles to Nvidia.

for Daniel Kretinsky and French telecoms owner Patrick Drahi — are also weighing their options.

Thomas Rabe, Bertelsmann's chief executive, confirmed to the Financial Times he had asked for non-binding offers after being "inundated with expressions of interest" in M6 after its renewing the licence next year.

But Rabe played down the issue, telling the FT the "timeline is not a concern" for Bertelsmann's RTL group.

"M6 is one of the best-run TV groups in Europe . . . RTL group has no pressure to sell M6 . . . We are patient and can wait," he said in an email.

Today Tix, which specialises in theatre tickets for Broadway and West End shows, is paying £88mn, according to people briefed on the deal.

Secret Cinema has announced partnerships with Netflix and Disney in recent years, recreating sci-fi drama series *Stranger Things* in a disused Los

Many of the 1,190 early-stage businesses that received investment from the state-backed fund have struggled. More than 60 per cent of returns have come from just 6 per cent of investments, according to the BBB.

Secret Cinema's new owner will help fuel its US expansion — with the screenings to comply with Covid-19 restrictions.

"We're very busy," said Max Alexander, Secret Cinema's chief executive. "We've come from the pandemic into a concatenated series of crises — cost of living, energy — but we're heartened by where we are."

Samsung will likely face less regulatory opposition than Nvidia, but it would still be burdensome . . . It may form a consortium with Intel and others," said James Lim, an analyst at US hedge fund Dalton Investments.

Arm declined to comment.

*Additional reporting Anna Gross*





# Adobe's deal for disrupter Figma is a big bet on the future

INSIDE BUSINESS

TECHNOLOGY

Richard Waters

How can a company that leads in one technology switch horses to a disruptive new thing that may be about to consume its market? And how much financial pain is it worth taking in the short term in the hope of securing a bigger piece of the future?

These perennial questions for the tech industry have been given a fresh twist by Adobe's startling agreement last week to buy design software company Figma. At $20bn in cash and stock, it is the largest amount ever offered for a private US tech company — though the sharp 23 per cent slide the news induced in Adobe's share price has since pushed the deal's value below Facebook's $19bn purchase of WhatsApp.

The stunning price flies in the face of current stock market reality. While the average cloud-based software company is now trading at below 10 times annual recurring revenue, Adobe is paying 50 times. The challenge now is to show that it is also a rational response to a giant new market opportunity, not the desperate lunge of a company that has run out of options.

Adobe has been here before. In 2011, running out of room to grow in the market for selling desktop software to professional designers, it was one of the first software companies to gamble on cutting off sales of packaged software and moving to the cloud in pursuit of growth. The bet paid off, making Adobe an example for the entire software industry in how to navigate the cloud transition. According to analysts at Goldman Sachs, a decade ago Wall Street saw the move as mainly just a way to sell extra design software to Adobe's existing 12mn-13mn customers: instead, user numbers for Adobe's Creative Cloud — which includes Photoshop — have risen to more than 30mn.

Figma is riding a new wave of disruption. This time, it involves software designed from the ground up to run in a browser with collaboration between groups of workers a central feature.

Although the web-first approach sacrificed something in terms of quality, it gave existing customers new ways to use design software and opened the market up to a lot more users, as the cloud had before. It also appealed to a generation of users who had grown up on the web.

> The gamble, as often when new generations of technology appear, is that the new market will end up bigger than the old one

In the design world, Figma has not even been the most notable exponent of this browser-based revolution.

The Australian design software company, Canva, has looked like a more direct long-term threat to Adobe's mainstream design business.

The gamble, as often when new generations of technology appear, is that the new market will end up being much bigger than the old one. But this often means offering lower-priced versions of a product or letting some customers use the product for free. Adobe was already moving in this direction, announcing a "freemium" version of its software last year aimed at taking on Canva.

When it moved to the cloud, Adobe succeeded in convincing Wall Street that it was worth taking a dent to revenues over a number of years to break into a new market. But if Adobe's management thought its past success would give it an easy ride with investors, it badly misread the room.

One reason is the higher level of risk it is taking on with a giant acquisition. Like most disrupters, Figma built its culture around challenging the incumbents. To now join forces brings an inevitable clash of cultures that, if not managed right, could lead to the loss of both workers and customers. Also, grafting its existing design tools on to Figma's collaboration platform throws up technical and sales integration challenges.

There is also a risk that antitrust regulators will try to intervene. There is some product overlap, though Adobe's relative weakness among the product designers Figma appeals to means this is unlikely to be a deal-breaker. More of a threat will be if regulators see Adobe's move as a way to take out a competitor.

In that regard, the purchase has similarities with Facebook's acquisition of Instagram and WhatsApp, and Google's takeover of YouTube. With hindsight, some regulators have regretted waving these deals through and even suggested they should be unpicked.

Above all, there is the question of timing. Adobe's big bet on the future has run headlong into a profound mood shift among tech investors.

Buying growth is no longer in fashion and, if a tech slowdown is coming, crimping Figma's expansion, it will be all the more painful. Tech disruption, however, doesn't slow down when the economy turns. For Adobe's bruised shareholders, there may be little choice.

*richard.waters@ft.com*

COMPANIES & MARKETS

Technology

# Top Aveva investor to reject takeover

Mawer says it is against proposed Schneider deal under long-term strategy

HARRIET AGNEW — LONDON
LEILA ABBOUD — PARIS

A top-10 investor in Aveva plans to reject Schneider Electric's £9.5bn takeover of the software developer on the grounds it represents an "opportunistic bid" that undervalues the UK group.

Schneider said on Wednesday that it would pay £31 a share for the 40 per cent of Aveva it did not already own — a 41 per cent premium over the company's closing share price in August, before the potential offer emerged.

Peter Lampert, a portfolio manager at Canada-based Mawer Investment Management, which has C$77bn ($57bn) in assets under management and is one of the top five external shareholders in Aveva, said the offer price did not reflect the long-term potential of the company.

"Aveva is a great business with a very promising long-term outlook," he said. "It's an opportunistic bid taking advantage of share price weakness in recent months."

Schneider's takeover attempt is the latest example of an undervalued UK company being snapped up by a foreign buyer or removed from the stock market by private equity. Lampert's views echo those of M&G Investments, another Aveva shareholder that said on Wednesday it opposed the terms of the deal and planned to vote against them.

Spun out of Cambridge university in the 1960s, Aveva is one of Britain's oldest technology companies. Its software has focused primarily on the energy,

'It's an opportunistic bid taking advantage of share price weakness in recent months'

infrastructure and manufacturing sectors — areas Schneider also covers — although it has expanded beyond that.

Aveva issued a profit warning in April, saying competition for engineering staff and the need to invest more in cloud computing would push down its margins. The company is also navigating a shift to rely more on subscription revenue, which analysts say could be challenging and take several years.

Schneider aims to close the deal in the first quarter of 2023, but will need to secure support from at least 75 per cent of minority shareholders in a vote set for mid-November. Given the French group cannot vote, it would only take about 10 per cent of the overall shareholder base to reject it for the deal to be blocked.

Schneider has said it believes the price it has offered is fair and reflects the challenging economic environment. The board of Aveva has also recommended the offer after advice from Lazard, JPMorgan Cazenove and Numis.

Mawer is a long-only equity investor that looks to hold positions in strong businesses for at least a decade.

Lampert said he could consider a revised offer for Aveva "in the higher 30s" but otherwise was inclined to "vote against the deal". He added: "It has a great outlook . . . [as Aveva changes its business model] the economics and profitability will become more apparent and value will be more fully reflected in the stock price."

Berenberg analysts wrote in a note that the bid was lower than the £32 to £37 per share they had expected and the "valuation does not fully reflect Aveva's true potential". But they predicted shareholders would be tempted to support the deal given their "fatigue resulting from a material derating of the share price" and the challenges Aveva faced.

Schneider declined to comment. Aveva did not respond.

Oil & gas. Advertising campaigns

# US lawmakers probe 'deceptive' green PR tactics

Fossil fuel industry documents reveal subterfuge in public messaging on climate change

AIME WILLIAMS — WASHINGTON

US lawmakers are stepping up scrutiny of the oil and gas industry in three separate hearings linked to investigations into "deceptive" advertising campaigns that misled the public about climate change.

In a report released by the Democratic

Financial services

# Rees-Mogg eyes windfall with Somerset Capital's plan to find buyer

ADRIENNE KLASA, HARRIET AGNEW AND EMMA DUNKLEY

Somerset Capital Management LLP is exploring a sale in a deal that would provide a windfall to the UK business secretary, Jacob Rees-Mogg, who co-founded the boutique fund manager.

Three people familiar with the situation said talks to sell the firm, which manages about $5bn, were being held as chief executive Dominic Johnson prepares to step down ahead of a potential move into politics.

Johnson, a former UK Conservative party vice-chair who co-founded Somerset with Rees-Mogg 15 years ago, will be replaced by current chief operating officer Robert Diggle, according to two people familiar with the matter.

Several options are on the table, including a management buyout or a merger with another asset manager, these people said.

Johnson said that Somerset hired advisers Spencer House earlier this year "to help us manage our capital structure". He added: "There are now a number of partners at Somerset who are now no longer active in the business. Our aim has always been to be an independent, employee-owned emerging markets boutique and Spencer House are helping us with

The deal is being negotiated at a fraction of the price Somerset was

House Natural Resources Committee's Oversight and Investigations panel, investigators said corporate public relations companies "go far beyond typical marketing techniques to get results for the fossil fuel industry".

Tactics identified by the report included creating so-called "astroturf 'citizen' groups" to hide the involvement of big oil and gas companies, building fake news websites and channelling payments to PR companies through non-profit organisations to obscure the origin of the payments.

Lawmakers on the committee have written to five PR companies — FTI Consulting, Story Partners, DDC Advocacy, Blue Advertising and Singer Associates — requesting documents and information on their work with fossil fuel clients. The committee has threatened to issue a subpoena to FTI.

"As we face more deadly, extreme weather around the globe, fossil fuel companies are reaping record profits and ramping up their misleading PR tactics to distract from their central role in fuelling the climate crisis," said Carolyn Maloney, the Democratic chair of the committee.

FTI said it was co-operating with the committee and that its work for clients across all sectors was consistent with its own climate commitments.

One case study in the committee report outlines a campaign against a proposed fracking restriction in Colorado by PR company Pac/West.

It managed two non-profit groups, called Protect Colorado and Coloradans for Responsible Energy Development, on behalf of fossil fuel companies.

The report also describes a website launched by Singer Associates, called The Richmond Standard, which was designed to improve oil major Chevron's image following a refinery fire in Richmond, California, in 2012.

Congressional investigators said the website contained news articles unrelated to Chevron, along with "pieces that more blatantly seek to portray the oil major as socially and environmentally responsible".

Under pressure: emails show oil executives acknowledging that the sector does not intend to comply with 'net zero' ambitions on greenhouse gas emissions
Jae C. Hong/AP

Singer Associates, Story Partners, DDC Advocacy, Blue Advertising and Pac/West did not respond to requests for comment.

In a separate hearing, the House Committee on Oversight and Reform, lawmakers published hundreds of pages of internal emails from oil and gas companies. The internal memos and emails show oil executives candidly acknowledging that the industry did not intend to comply with "net zero" greenhouse gas emission ambitions.

Excerpts released by the committee included an email sent by a Shell employee in October 2020 that canvasses so-called talking points for a US company executive, stating that the company's commitment to a pathway to net zero emissions "has nothing to do with our business plans".

According to a committee outline of their findings, internal Shell PR guidance calls on employees to frame a net zero goal as "a collective ambition for the world" rather than a "Shell goal or target".

It says: "Please do not give the impression that Shell is willing to reduce carbon dioxide emissions to levels that do not make business sense."

Shell said the small portion of documents highlighted by the congressional committee were evidence of its "extensive efforts to set aggressive targets".

Challenging internal and external discussions signalled Shell's intent to "form partnerships and share pathways we deem critical to becoming a net zero energy business", it said.

Elsewhere, internal ExxonMobil documents reveal pressure on a trade association to remove language from a public statement that could be interpreted as an "explicit commitment" on behalf of oil groups "to align their advocacy with their climate related positions".

In response, ExxonMobil said it supported the Paris Agreement to curb global warming and that the "selective publication" of emails represented "a deliberate attempt to generate a narrative that does not reflect the commitment of ExxonMobil — and its employees, to address climate change and play a leading role in the transition to a net zero future". A third hearing, spearheaded by Democratic congressman Jamie Raskin, interviewed legal academics on the use of strategic lawsuits and anti-protest laws to combat movements against fossil fuel projects.

> '[They are] ramping up misleading PR tactics to distract from their central role in fuelling the climate crisis'

Whistleblower Christine Arena, a former Edelman executive who gave testimony to the Natural Resources Committee, said that, while companies had a right to hire PR groups, the objections she raised were "specifically to how they're communicating, the strategies and tactics they're using on behalf of clients".

Arena said she did not advocate a fossil fuel advertising ban. "What I want is forced disclosures," she said.

> the price Somerset was valued at three years ago

ways of continuing to achieve this."

Spencer House declined to comment.

Following Johnson's departure, about half of the equity in the business will be held by retired partners who are not involved in the day-to-day running of the business, including Rees-Mogg.

One potential buyer is Emso Asset Management, which, like Somerset, specialises in emerging markets, according to one of the people. Terms of any deal have not been finalised and talks could still fall apart.

Emso, with just below $6bn under management and offices in the UK and US, was founded in 2000 by former Salomon Brothers emerging markets banker Mark Franklin. Emso declined to comment.

The deal is being negotiated at a fraction of the price Somerset was valued at three years ago, the people said, when Somerset explored a tie-up with Artemis Investment Management at a mooted valuation of £70mn to £100mn. Artemis is majority owned by US-based Affiliated Managers Group.

Artemis declined to comment. AMG did not respond.

Somerset has since endured a period of poor performance and falling profits amid a sell-off in emerging markets that has hurt the firm and peers, including Abrdn, AMG-owned Genesis Investment Management and Ashmore. Somerset's assets under management have roughly halved from $10bn at its peak in 2018.

Profits at Somerset fell more than 35 per cent to £9.7mn in the year to the end of March 2021, according to its latest accounts. Somerset, which runs money for retail and institutional clients, said in the accounts it expected profits to decline still further in the coming year.

*Additional reporting by Jim Pickard and George Hammond*

Technology

# Cisco urges shareholders to reject tax move

MARY MCDOUGALL — LONDON

**Cisco has urged shareholders to vote against a tax transparency proposal at its annual meeting as pressure mounts on large US tech companies to be more open about their finances.**

Cisco is the second US tech company to put country-by-country tax reporting measures to an investor vote, following Amazon's unsuccessful attempt to block a similar resolution earlier this year.

"Having seen Amazon try to throw out our proposal, it is pleasing to see Cisco accept the need to put this to a vote," said Gerald Cooney, chair of the Greater Manchester Pension Fund, one of three investors to file a resolution calling for Cisco to release a tax transparency report prepared under the Global Reporting Initiative's tax standard.

"There are serious concerns regarding the company's financial practices, which, with increasing global policies on tax transparency, could pose risks for investors like GMPF," Cooney said.

The resolution at Amazon was not passed, but achieving 21 per cent shareholder support paved the way for investors in other companies to be more vocal about what tax information they wanted to be made publicly available.

The GMPF co-filed the tax transparency resolution at Cisco with Italian asset manager Etica Funds and the Missionary Oblates of Mary Immaculate-United States Province on June 24.

Tax transparency resolutions filed at Amazon, Microsoft and Cisco over the past year have been co-ordinated by Pirc, Europe's largest independent corporate governance and shareholder advisory consultancy, as part of a campaign targeting 30 companies in sectors with a reputation for tax avoidance or that have governments as customers.

Microsoft has not yet confirmed if the resolution will be included at its next shareholder meeting. In a letter to Pirc, Cisco recommended that shareholders vote against the resolution. The date of the meeting has yet to be announced.

Public country-by-country tax reporting is limited, but private reporting to tax administrations has been required by multinationals since 2014 under an OECD initiative. Some groups have chosen to make this information public.

A report by FTSE Russell, a subsidiary of the London Stock Exchange, in June 2021 found 1 per cent of corporate tax paid by US groups was reported publicly on a country-by-country basis, compared with 24 per cent in Europe.

The European parliament voted to include public country-by-country reporting as obligatory for all EU companies with at least €750mn total consolidated group revenue from 2024.

Grant Wardell-Johnson at KPMG, said: "There are considerable difficulties in disclosing tax numbers but direction of travel is towards greater transparency so companies need to do utmost to deal with those difficulties."

Pharmaceuticals

# Hopes rise over Biogen motor neurone drug

CLIVE COOKSON

**A genetically targeted treatment for motor neurone disease developed by Biogen has slowed the progression of the condition in a clinical trial and even improved some patients' symptoms.**

The US company's drug tofersen targets a defective gene called SOD1, which causes about 2 per cent of cases of MND, also known as amyotrophic lateral sclerosis or ALS in North America.

Although only a small proportion of the 140,000 new MND cases diagnosed worldwide each year could benefit from tofersen, experts on the disease welcomed the results as a potential turning point, the first convincing demonstration of a treatment affecting the progression of the disease that otherwise involves inexorable neurodegeneration.

"I have conducted more than 25 MND clinical trials and the tofersen trial is the first in which patients have reported an improvement in their motor function," said Pamela Shaw, professor of neurology at Sheffield university and leader of the UK arm of Biogen's clinical study.

"Never before have I heard patients say: I am doing things today that I couldn't do a few months ago, walking in the house without my sticks, walking up garden steps, writing Christmas cards."

Initially, the phase 3 trial failed to achieve its primary goal of significant clinical improvement after six months' treatment with tofersen, although levels of harmful proteins in patients' blood caused by SOD1 mutations fell substantially in that time.

Pamela Shaw led the UK arm of Biogen's tofersen clinical study

The benefits to patients' motor and lung functions only became clear when the study was extended to a year. The 12-month results were published on Wednesday in the New England Journal of Medicine.

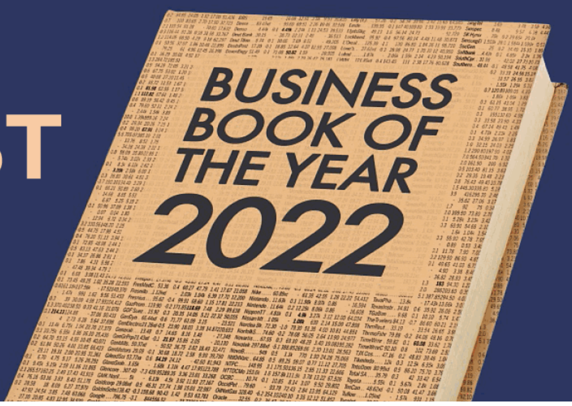
Biogen applied to the US Food and Drug Administration in July to market tofersen to treat MND patients with a SOD1 mutation. The FDA expects to complete its review by late January. The Massachusetts-based company is also making it available under an "early access" programme to patients.

Tofersen is administered through a monthly lumbar puncture, so that it can get past the blood-brain barrier.

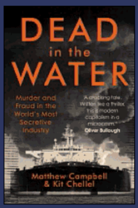
Brian Dickie, at UK patients' charity the MND Association, said there was "mounting confidence" that tofersen was having both a biological and a beneficial clinical effect.





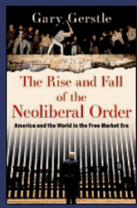


to the author or authors of the title that provides the "most compelling and enjoyable" insight into today's business issues.

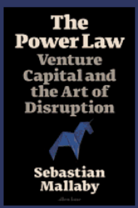



**Dead in the Water: Murder and Fraud in the World's Most Secretive Industry**
*by Matthew Campbell and Kit Chellel*
**Atlantic Books (UK), Portfolio (US)**


**Influence Empire: The Story of Tencent and China's Tech Ambition**
*by Lulu Yilun Chen*
**Hodder & Stoughton (UK & US)**

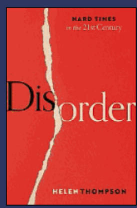



**The Rise and Fall of the Neoliberal Order: America and the World in the Free Market Era**
*by Gary Gerstle*
**Oxford University Press (UK & US)**




**The Power Law: Venture Capital and the Art of Disruption**
*by Sebastian Mallaby*
**Allen Lane (UK), Penguin Press (US)**


**Chip War: The Fight for the World's Most Critical Technology**
*by Chris Miller*
**Simon & Schuster (UK), Scribner (US)**




**Disorder: Hard Times in the 21st Century**
*by Helen Thompson*
**Oxford University Press (UK & US)**

The winner will be named on Monday 5 December at a ceremony at the V&A Museum in London. Further details on how to register for this event, the Award, the judges and previous winners, can be found at **businessbook.live.ft.com**. For news and features about the Award, please visit **ft.com/bookaward**.

**#BBYA22**



COMPANIES & MARKETS

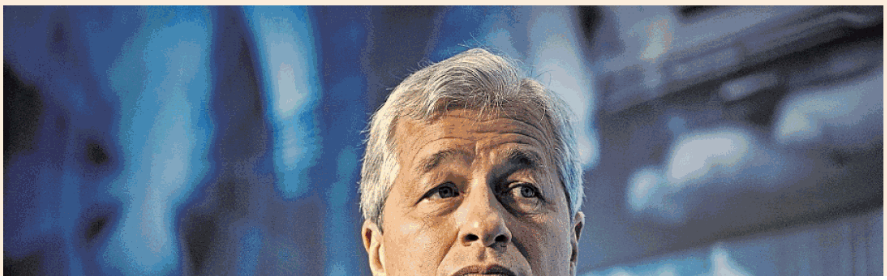
# JPMorgan takes on non-bank rivals with plan to replace the debit card

US lender urges its divisions to settle their differences and push ahead with payments project

JOSHUA FRANKLIN — NEW YORK

The diktat came from Jamie Dimon during a closed-door meeting at JPMorgan Chase's headquarters last November. Facing growing pressure from nimbler fintechs, the chief executive of the biggest US bank pushed the leaders of his two largest divisions to put aside any differences and collaborate on a new payments processing system.

"If I hear that any of you aren't sharing information with each other, or you're hiding information, you're fired," Dimon told the 15 or so executives who had gathered for the meeting in New York, according to two people with knowledge of the remarks.



Banks

## US lenders ready to quit China in event of Taiwan war

JOSHUA FRANKLIN — NEW YORK
DEMETRI SEVASTOPULO — WASHINGTON

Leaders of JPMorgan Chase, Bank of America and Citigroup have committed to complying with any US government demand to pull out of China if Beijing were to attack Taiwan.

The chief executives of the three largest US banks by assets made the commitments at a hearing of the committee on financial services at the House of Representatives. They spoke in response to a question by Blaine Luetkemeyer, a Republican congressman from Missouri, on whether they were prepared to pull out of China in the event of a military assault on Taiwan.

"We'll follow the government's guid-

Dimon's pronouncement was delivered in his usual wisecracking style, but it reflected the challenges big banks face as they try to modernise their technology.

The new system being developed by JPMorgan's corporate and investment bank — the CIB — would enable merchants to receive payments directly from consumers, cutting out the need for debit or credit cards and posing a threat to lucrative fees earned by banks and the dominant Visa and Mastercard.

The belief in some part of the CIB that this so-called "pay-by-bank" product had the potential to supplant plastic created inevitable tensions with the JPMorgan's consumer and community banking division — the CCB — which booked more than $5bn in card revenues in 2021.

Dimon, however, reckoned it was better to risk existing revenue than to allow non-bank competitors to beat JPMorgan to the punch.

It had happened before: Dimon has said JPMorgan should have built its own mobile payments platform for merchants before Square, the fintech company co-founded by Jack Dorsey and now renamed Block.

"Jamie wants to understand products that could be threats to banking institutions," said one person familiar with the project. "If [pay-by-bank] is going to be widely adopted, the bank needs to be there. If long-term it fails, it's a bit of an insurance policy."

Discussion at the six-hour event in November focused on how the many powerful internal interest groups inside JPMorgan would divvy up the pay-by-bank project. Executives in attendance included Daniel Pinto, the bank's president and CIB head, and Marianne Lake and Jennifer Piepszak, who had recently been promoted to co-run the CCB — replacing the more powerful Gordon Smith in 2021.

Pinto and Smith had given the appearance of engaging in a friendly rivalry, joking at company events that their division was the bank's biggest, while citing different metrics. The two also temporarily led the bank in 2020 after Dimon underwent emergency heart surgery.

When Smith left JPMorgan, Pinto became sole president. Whereas Smith had been on level footing with Pinto, Lake and Piepszak did not have the same title.

The emerging game plan was to have the CIB deal with the technology and build relationships with merchants, while the CCB worked to clarify customer protections in the event of misuse or fraud.

JPMorgan declined to comment on what happened at the meeting, which also touched on other payments projects at the bank.

Jamie Dimon: chief executive aims to launch a 'pay-by bank' system next year, allowing sellers to take payments directly from customer accounts — Misha Friedman/Getty Images

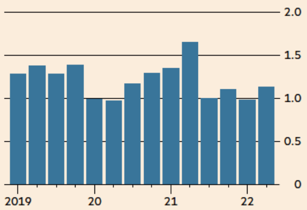
Takis Georgakopoulos, JPMorgan's global head of payments, said the bank had spent "a great deal of time" working on pay-by-bank through talking to merchants and understanding consumer protections.

"The relationship between the CCB and CIB is as close as it's ever been. We all know that innovation in payments is one of the firm's greatest opportunities and we're committed to it," Georgakopoulos told the Financial Times.

JPMorgan's move into pay-by-bank responded to demand from merchants such as Amazon and Walmart chafing at banks and card companies hoovering up interchange fees that average 1.8 per cent per transaction in the US, according to payments consultancy firm CMSPI. In the EU, interchange fees are capped at 0.3 per cent for credit card payments and 0.2 per cent for debit.

**JPMorgan's card cash cow**

Quarterly card income ($bn)




Source: company

Skimming a little bit from every card swipe adds up: In 2020, merchants in the US paid about $110bn in processing fees for $7.6tn worth of card transactions, according to The Nilson Report.

Pay-by-bank, which would enable sellers to take payment directly from a customer's bank account, is part of the growing movement towards "open banking" — securely allowing consumers to give financial providers the ability to access their financial information.

JPMorgan already allows account holders to pay one another instantly through Zelle, a mobile application launched by the largest US banks in 2017. However, Zelle's use for retail payments remains extremely limited, in part, say bankers, because it is run by a separate company owned by a consortium of lenders.

Bank transfer payments have caught on in countries such as the Netherlands and India but US consumers have been slower to take it up.

Part of that has been due to the country's clunky bank-to-bank automated clearing house, a network that settles payments in days rather than seconds and whose roots trace back to the 1970s. This may change next year with the Federal Reserve aiming to launch a new rapid payments service for big banks, FedNow, one reason why JPMorgan is moving on pay-by-bank.

In the short term, JPMorgan sees pay-by-bank as an alternative to rent and bill payments as well as cash, high-priced debit and cheques, rather than to credit cards, according to people involved in the project.

In the longer term, however, the bank is making sure it is ready for the potential demise of credit cards.

> 'If [pay-by-bank] is going to be widely adopted, the bank needs to be there. If long-term it fails, it's a bit of an insurance policy'

JPMorgan is not the first to try to disrupt the credit card industry. In 2012, a consortium of US chains including Walmart, Target and Best Buy tried and failed to get a product past a trial stage before selling it to JPMorgan in 2017.

And executives at the big card companies privately remain sceptical that pay-by-bank in the US will dislodge credit cards in the near future, given deeply ingrained consumer habits, generous reward programmes and fraud protections which are more clearly defined than competing payment options.

Despite their confidence, card companies have taken steps to bolster their abilities to facilitate direct transactions, including with recent acquisitions of fintechs Tink and Finicity by Visa and Mastercard, respectively.

And banks such as JPMorgan — long incentivised to maintain the status quo since they accrue the bulk of interchange fees from cards payments — are hedging their bets too, hoping pay-by-bank can replace at least some of those threatened revenues.

That is why Dimon stepped in and urged his teams to push past the tensions and pre-empt any disruption.

JPMorgan is now aiming to take pay-by-bank live next year and is in talks with at least one fintech company over a partnership to provide infrastructure support, according to people briefed on the plans.

The CIB and CCB are still collaborating on the project. In July, the bank held a "Senior Leaders Payments Offsite" where about 40 senior executives from the two divisions gathered at the posh Cipriani restaurant in Manhattan.

This time, Dimon did not feel the need to turn up, let alone issue any warnings.

ance, which has been for decades to work with China. If they change their position, we will immediately change it, just as we did in Russia," said Brian Moynihan, BofA's chief executive.

His comments were echoed by Jane Fraser and Jamie Dimon, the chief executives of Citi and JPMorgan respectively. Dimon evoked a sense of patriotism in his response. "We would absolutely salute and follow whatever the American government said," he told the committee.

US banks responded to international condemnation of the Kremlin following its attack on Ukraine by announcing plans to wind down their operations in Russia. China's economy is far larger than Russia's, however, and many banks have sought to expand their Chinese operations.

At the end of 2021, Citi had $27.3bn worth of exposure to China, including loans and investment securities, five times what it had in Russia. JPMorgan in 2011 launched a securities joint venture in China and only last year took full ownership of it.

Oppenheimer banking analyst Chris Kotowski said China had always "been viewed as more of a future growth opportunity" for banks and current geopolitical risks may make them more cautious about the amount they invest in the country.

"If you're a CEO and you're testifying before Congress, and the question is basically, 'What if China's the next Ukraine?', it's going make you want to go very slowly, very deliberately and make sure you don't have too much capital exposed there for now," Kotowski said.

Multinational companies have become more concerned about the possibility of a Taiwan conflict over the past 18 months, as China has stepped up military activity near the island. Executives have been asking security experts in Washington for briefings about the likelihood of a Sino-US war over Taiwan.

In March 2021, Admiral Philip Davidson, then head of US Indo-Pacific Command, told Congress he believed China could attack Taiwan by 2027, which sparked widespread concern.

President Joe Biden on Sunday said the US would send forces to defend Taiwan in the event of a Chinese attack — his fourth warning over the past year.

Pressed by lawmakers to also condemn alleged human rights violations in China at the hearing on Wednesday, the US bank executives were hesitant. "'Condemn' is a very strong word," Fraser said, before adding the bank was "distressed" to see human rights violations going on "anywhere in the world".

*Additional reporting by Imani Moise in New York*

FT Investigation

## Chinese tech bosses fined for insider trading

ELEANOR OLCOTT — HONG KONG

**Two Chinese tech executives have paid fines related to insider trading charges, after a Financial Times investigation highlighted share sales ahead of poor earnings results.**

The US Securities and Exchange Commission had charged Cheetah Mobile chief executive Sheng Fu and its former president and chief technology officer Ming Xu. Its action came 10 months after an FT investigation found that in 2016, Fu initiated share sales worth as much as $31mn a few weeks before reporting quarterly results that sent Cheetah shares plummeting 30 per cent.

Cheetah Mobile is a Beijing-based mobile internet company that operates a series of platforms, including privacy and photo-collage applications. It did not respond to a request for comment.

In 2015, around one-third of Cheetah Mobile's revenues were generated from fees for advertising space in its applications, according to the SEC order. Its ad revenues fell by around 30 per cent in the first quarter of 2016 to $33mn.

The SEC said that Fu and Xu jointly established a trading plan "after becoming aware of a significant drop-off in advertising revenues from the company's largest advertising partner".

The Cheetah Mobile executives cashed out through plans that allow insiders to buy and sell shares in advance when they are unaware of material non-public information.

> '[SEC will] hold executives accountable when they try to skirt federal securities laws to illegally trade'

Fu and Xu agreed to pay fines of $556,580 and $200,254 respectively, after the SEC determined they had access to such material non-public information when they entered into the trading plan. The SEC said the pair did not admit or deny the charges.

"This case serves as yet another example of the SEC's resolve to hold executives accountable when they try to skirt federal securities laws to illegally trade on non-public information," said the SEC's Joseph Sansone, who supervised the case.

The SEC also found that Fu made "materially misleading public statements" about its revenue trends during a March 2016 earnings call and "caused the company's failure to disclose a material negative revenue trend" one month later. Fu had ascribed "softness" in first-quarter results to "seasonality" rather than the hit it had taken from an advertising partner's algorithm change, which resulted in reduced fees.

The FT report highlighted well-timed trades by Chinese tech bosses ahead of regulatory moves or earnings announcements that sent shares of the US-listed companies crashing.

The co-founders of the online English tutoring platform 51Talk had cashed out $4.3mn worth of shares ahead of Beijing's move to ban for-profit after-school tutoring.

*Additional reporting by Gloria Li in Hong Kong*

Financials

## Singapore fund bets on Mediterranean resorts

OLIVER BARNES — LONDON

**Singaporean sovereign wealth fund GIC has agreed to buy a majority stake in Mediterranean luxury resort operator Sani/Ikos Group in a buyout that values the company at €2.3bn, the biggest deal in the European hotel sector since the Covid-19 pandemic.**

A clutch of investors, including US-based asset manager Oaktree Capital, Goldman Sachs' asset management unit and London-based private equity firm Hermes GPE, will exit the business after selling their stakes to GIC. They first came on board when the hotel group was formed by a merger in 2015.

Since 2015, the revenues of the Greece-headquartered group, which owns and operates 10 beachfront resorts with about 2,700 rooms across Greece and Spain, have more than tripled from €88mn to a projected figure of €319mn for this year.

Sani/Ikos is also pushing ahead with a €900mn five-year expansion plan, which will add four more resorts to its portfolio.

The acquisition by GIC comes as fears grow over a recession across Europe this winter, as the energy crisis resulting from Russia's full-scale invasion of Ukraine drained consumer confidence.

Most of Sani/Ikos's clientele is drawn from Germany and the UK. But the Singapore state fund is betting on the luxury sector defying the downturn.

Last month, Fitch Ratings cut its outlook for the group's long-term debt from "stable" to "negative", but kept the rating at B minus. It said the business's cash flow could come under pressure from its expansion plans but that it benefited from "lower demand sensitivity" to a consumer downturn and "a record of above-average recovery post-pandemic" compared with peers in the luxury hotel sector.

Sani/Ikos Group operates luxury resorts in Greece and Spain

Lee Kok Sun, chief investment officer of GIC's real estate division, said the "excellent hospitality experiences" for guests helped Sani/Ikos stand out. "We believe this investment will generate resilient returns and is testament to our confidence in the Greek and wider European tourism sector over the long term."

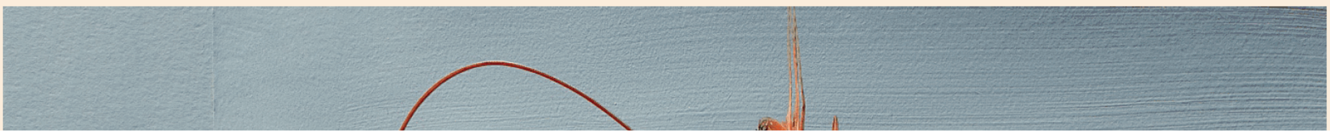
The deal is expected to close by the end of the year.

GIC told the Financial Times in July that it was focusing its investment strategy on inflation-protecting businesses that can pass on cost increases to customers. This year, GIC has taken stakes in the Paddington office estate in London and university accommodation providers The Student Hotel and Student Roost.

Sani/Ikos traces its origins to the Sani Club, a resort opened in 1971 by Greek hotelier Anastasios Andreadis, which expanded over the following decades.



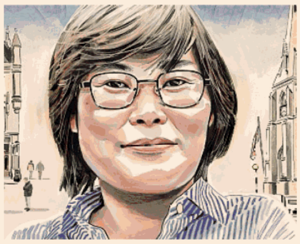
# FT Weekend




**HTSI autumn arts special:** meet Ukraine's cultural resistance

**City living:** How long can the super-prime property boom last?

**Tim Harford:** How much money does it really take to be happy?



**North Korean exile Jihyun Park** has Lunch with the FT

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COMPANIES & MARKETS

Currencies. Monetary easing

# Japan intervenes to prop up yen for first time since 1998

Commodities

## Polymetal axes investor payouts as

# yen for first time since 1998

BoJ takes 'decisive action' and pledges to continue ultra-loose policy amid rate rises elsewhere


Flagging: the Bank of Japan has long argued that underlying demand in the Japanese economy remains weak Toru Hanai/Reuters

KANA INAGAKI AND LEO LEWIS — TOKYO

Japan intervened to strengthen the yen for the first time since the late 1990s yesterday after the currency tumbled to a 24-year low on pledges by the central bank to stick with its ultra-loose policy.

Masato Kanda, the country's top currency official, said the government had "taken decisive action" to address what it warned was a "rapid and one-sided" move in the foreign exchange market.

It was the first time that Japan had sold dollars since 1998, according to government data. Shunichi Suzuki, finance minister, declined to comment on the scale of the intervention.

The move, which traders said was conducted shortly after 5pm local time in Tokyo, caused the yen to surge to ¥140.34 to the dollar in the space of a few minutes.

In the currency's most volatile day since 2016, it had previously hit a low of ¥145.89 after the Bank of Japan signalled that it would not change its forward guidance about interest rates.

So far this year, the yen has lost about a fifth of its value against the dollar.

"It's the next logical step of the psychological game the Japanese are trying to play here," said one Tokyo-based trader. "The yen was heading very steeply to ¥146 and the [Japanese authorities] had to get a message out quickly. I think the idea is to plant the idea in the market that this is their line in the sand."

The move to steady the yen cascaded across global currency markets. Both the pound and the euro swung into positive territory after starting the day lower.

The intervention also highlighted the powerful impact of a surging US dollar on the world's biggest economies.

Japan is now the only country in the world to retain negative interest rates as the US Federal Reserve and most other major central banks aggressively raise interest rates to fight inflation.

Hours after Japanese policymakers decided to hold their main interest rate at negative levels, the Swiss National Bank lifted its own rates into positive territory.

The Fed raised its main interest rate by 0.75 percentage points for the third time in a row late on Wednesday, forecasting further big rate rises — so lifting the bar for other central banks.

Because investor funds generally flow to regions with higher interest rates, a widening gap between the US and countries such as Japan puts upward pressure on the dollar.

But yesterday, the BoJ kept overnight interest rates on hold at minus 0.1 per cent. It said it would conduct daily purchases of 10-year bonds at a yield of 0.25 per cent — part of a programme to keep long-term borrowing costs pinned at ultra-low levels.

Japan's core consumer prices, which exclude volatile food prices, hit 2.8 per cent in August, rising at the fastest pace in nearly eight years on the back of soaring commodity prices and the weaker yen.

The BoJ has long argued that underlying demand in the Japanese economy remains weak, predicting that inflation will fall back below 2 per cent in the next fiscal year.

"You can expect that there will be no change to our forward guidance for about two to three years," Haruhiko Kuroda, BoJ governor, said at a news conference, although he added that there could be minor tweaks depending on economic and price developments.

"With clear differences in economic and price situation, there is no need for Japan to remove negative rates because others have done so," Kuroda added.

He said the BoJ needed to continue supporting the economy with monetary easing measures until it fully recovered from the pandemic.

The BoJ also ended a scheme to offer cheap loans to banks financing small and medium-sized companies to survive Covid disruption but unexpectedly extended other parts of its pandemic-related funding programme.

Citigroup economist Kiichi Murashima said that, even if the BoJ were to fine-tune its policy, it would not fundamentally change the broader picture of a gap in financial conditions between Japan and the rest of the world. "It's very questionable how far the government can actually avert the yen's fall against the dollar."

'It's very questionable how far the government can actually avert the yen's fall against the dollar'

BoJ officials last week phoned currency traders to inquire about market conditions in a so-called rate check, illustrating the government's alarm about the yen's sharp fall against the US dollar.

Government intervention in currency markets, which is ordered by the ministry of finance and executed by the BoJ, is generally rare but especially so when it is conducted to strengthen the currency.

The authorities have deployed ¥86tn on intervention since 1991, of which ¥81tn was spent on selling yen, with the last time being in the shadow of the Asian financial crisis in June 1998.



# sanctions bite

HARRY DEMPSEY

Polymetal has scrapped dividend payments and will resume them only if it can exchange shares frozen by EU sanctions, as the west's financial penalties on Moscow push the Russian gold and silver miner towards a liquidity crunch.

The London-listed precious metals producer said yesterday it had permanently cancelled its full-year 2021 dividend because of a "significant decline in operating cash flows, challenges in establishing new sales channels and the short-term liquidity headwinds".

The company, which is 24 per cent owned by Russian businessman Alexander Nesis, added that it would not propose an interim dividend this year to "strengthen its cash position and enhance its resilience in a highly volatile environment".

Polymetal has not been placed under direct sanctions by the west but Russian metal producers are facing difficulties selling gold in London or other western markets. Instead, they are turning to the country's central bank as the buyer of last resort, which means they receive roubles rather than US dollars.

The dividend cancellation came after the group's net debt rose to $2.8bn in the first half of 2022, up from about $2bn at the end of March. Its worsening financial situation was the result of growing inventories of unsold metal, accelerated expenditure on equipment, spares and funding to critical suppliers, and an upward revaluation of rouble-denominated debt in dollar terms.

Russian metal producers are facing difficulties selling gold in London or other western markets

The company fell to a $321mn loss in the first six months of the year, against a profit of $419mn in the same period a year earlier, because of lower sales and higher costs. Fellow Russian precious metals producer Polyus this week reported a 25 per cent drop in adjusted core earnings in the first half of the year to $1.2bn for similar reasons.

Polymetal has said the suspension of dividend payments will continue until it finds a solution to unblock shares that are frozen because they are held through Russia's National Settlement Depository, a domestic payment agent, which is under EU sanctions.

As a solution, the company proposed exchanging electronic shares held through NSD for certificated ones. However, it said that would probably work for only half of the 22 per cent of the company's affected share capital, since individuals or entities that are Russian residents, citizens or incorporated there would not be eligible.

Shares in the precious metals producer, which has been expelled from the FTSE 100, fell a further 11 per cent yesterday, taking losses since the start of the year to 84 per cent. Its market capitalisation has shrivelled to less than £1bn from more than £5.5bn before Russia invaded Ukraine.

Crypto

# FTX says watchdog's warning to British consumers came despite licensing talks

JOSHUA OLIVER

The Financial Conduct Authority's warning last week against FTX came as the cryptocurrency exchange was trying to secure a UK licence, setting up fresh tensions between the market watchdog and offshore crypto performers.

The FCA last Friday said the Bahamas-based crypto asset platform run by Sam Bankman-Fried was "targeting people in the UK" without authorisation and warned consumers against dealing with the company.

Bankman-Fried said the warning came as a "surprise" after FTX had been "in discussion with the FCA about licensing for a while".

The stand-off between the UK regulator and FTX, one of the world's largest digital asset groups, comes as the UK government has sought to make the country an attractive place to do business for international crypto groups after criticism it is hostile to the sector.

FTX initially cast doubt on the meaning of the FCA's consumer warning, claiming that the regulator intended to alert consumers to a scam impersonating the company. FTX said the phone numbers cited in the FCA's statement were not actually used by the exchange and have been linked to scams.

However, people with direct knowledge of the FCA's process said the warning referred to FTX itself. The scam phone numbers may have been included in error, the people said.

The FCA said the phone numbers had since been removed, and that it would not normally contact a company ahead of a warning notice unless the business was UK registered. It declined to comment further.

Sam Bankman-Fried: FCA's alert over the platform was a 'surprise'

Bankman-Fried said his company had tried to follow UK rules. "We believe we are in compliance with UK regulations but will as always act promptly if we receive any guidance from regulators," he said.

Companies that provide trading or storage of crypto have to register with the FCA for anti-money laundering supervision if their digital asset activity is "carried on by way of business in the UK", according to an FCA guide. They also need the normal licences to handle regulated activities such as payment and derivatives.

But overseas crypto companies are generally allowed to serve British customers provided they do not have operations or try to sell their services in the UK.

The FCA's crypto registration regime became a point of contention last year as companies and lawyers complained about a lack of qualified staff at the regulator and long delays. The FCA blamed the slow progress in part on the poor quality of crypto company applications and defended its stringent approach.

Asset management

# Financial industry group criticises US accounting standards as outdated

STEPHEN FOLEY — NEW YORK

Frustrated investors are demanding a shake-up of the top US accounting rulemaker, saying its outdated standards mean companies' financial statements no longer properly reflect their underlying businesses.

An influential advisory group said the Financial Accounting Standards Board needs tough new oversight and a revamped decision-making process to speed up its work.

"Investors have increasingly voiced concerns that accounting standard-setting has not kept pace with the evolution of the sources of value and risk, leaving investors without the information they need to value modern companies," the US Securities and Exchange Commission's investor advisory committee wrote in a resolution passed on Wednesday.

Committee members are drawn from the financial industry and include representatives from the hedge fund Trian, the financial adviser Edward Jones, the California pension fund Calpers and the audit firm EY.

The SEC is required to respond to its recommendations, if not follow them.

The SEC should step in to modernise FASB, the committee said, and impose new disclosure rules for companies directly if the accounting board takes too long to update standards for companies' formal accounts.

FASB is a private sector group that sets the rules on how to produce financial statements, under powers delegated by the SEC. It has faced a drumbeat of criticism from investors in recent years.

'Public companies have changed and the FASB has to promulgate standards to account for changes'

In April last year, Capital Group, the $2.7tn-in-assets fund manager, said FASB was not "effective in setting standards that meet investor needs for timely, complete and relevant financial information".

The CFA Institute, the professional body for the investment industry, said last month that company accounts are plagued with "outdated legacy standards that were mainly developed for an economy dominated by manufacturing".

The SEC's advisory committee said FASB had focused on "simplification" of accounting rules, something often demanded by companies themselves, instead of working on issues of concern to investors.

A project to update reporting rules for intangible assets, such as software and patents, is still in the research phase 20 years after FASB added it to its agenda, the committee said.

"The nature of public companies has changed dramatically over recent decades and the FASB has yet to promulgate standards to account for these changes," it said.

SEC chair Gary Gensler told the committee that he welcomed suggestions to improve the "responsiveness of our nation's accounting standards to changing business practices".

FASB declined to comment. In a recent report on its activities, it said it was making progress in addressing investors' priorities and was "listening and responding to their feedback".

# The day in the markets

## What you need to know

- **Stocks and bond prices fall as central banks turn screws on policy**
- **Yields surge for US Treasuries and UK gilts**
- **Dollar under pressure after Japan intervenes to prop up yen**

Stocks and government bond prices fell yesterday as more of the world's central banks joined the US Federal Reserve in raising interest rates to curb persistently high inflation.

Wall Street's S&P 500 share gauge was down 0.8 per cent by the early afternoon in New York, extending declines from the previous session.

The Nasdaq Composite, which is stacked full of technology companies that are more sensitive to changes in borrowing costs, lost 1.5 per cent.

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

Those moves in equity markets came after the Fed raised interest rates 0.75 percentage points on Wednesday, marking the third consecutive increase of such magnitude and taking the central bank's target range to 3 to 3.25 per cent.

Other central banks joined the week's tightening trend yesterday with the Bank of England lifting its key lending rate by 0.5 percentage points to 2.25 per cent and the Swiss National Bank taking borrowing costs up by 0.75 percentage points to 0.5 per cent.

The decision, framed by analysts at ING as "the end of an era", marked a shift into positive territory by the SNB for the first time since 2015.

Concerns have intensified in recent months that interest rates will climb around the world to levels that exacerbate an economic downturn as authorities strive to tame rapid price growth.

The yield on the 10-year US Treasury note, seen as a proxy for global borrowing costs, jumped 17 basis points to 3.68 per cent as the price of the debt instrument fell. The policy-sensitive two-year yield rose 14bp to 4.13 per cent.

Other government bonds also came under pressure with the 10-year UK gilt yield surging 18bp to 3.49 per cent and the equivalent German Bund yield adding 7bp to 1.97 per cent.

In currencies, the dollar slipped 0.2 per cent against a basket of six peers, trimming declines that were fuelled earlier in the session by Japan intervening to prop up the yen for the first time in 24 years.

The dollar's decline came as the yen rose as much as 2.6 per cent to ¥140.36 against the dollar after Japan's top currency official said the government had taken "decisive action" to address a "rapid and one-sided" move in the foreign exchange market. Tokyo last bought US dollars to defend the yen in 1998. **Harriet Clarfelt, Chris Flood and Hudson Lockett**

**US government bond yields surge higher**
10-year Treasury yield (%)


Bond yields rise as their prices fall
Source: Refinitiv

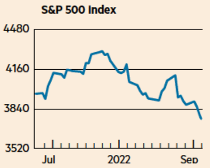
## Markets update

| | US | Eurozone | Japan | UK | China | Brazil |
|---|---|---|---|---|---|---|
| **Stocks** | **S&P 500** | **Eurofirst 300** | **Nikkei 225** | **FTSE100** | **Shanghai Comp** | **Bovespa** |
| Level | 3759.54 | 1581.20 | 27153.83 | 7159.52 | 3108.91 | 112078.91 |
| % change on day | -0.80 | -1.72 | -0.58 | -1.08 | -0.27 | 0.13 |
| **Currency** | **$ index (DXY)** | **$ per €** | **Yen per $** | **$ per £** | **Rmb per $** | **Real per $** |
| Level | 110.689 | 0.982 | 142.095 | 1.126 | 7.081 | 5.182 |
| % change on day | 0.042 | -0.607 | -1.409 | -0.618 | 0.410 | 0.007 |
| **Govt. bonds** | **10-year Treasury** | **10-year Bund** | **10-year JGB** | **10-year Gilt** | **10-year bond** | **10-year bond** |
| Yield | 3.675 | 1.962 | 0.240 | 3.490 | 2.676 | 12.414 |
| Basis point change on day | 11.670 | 7.400 | -1.630 | 18.300 | 1.200 | -18.400 |
| **World index, Commods** | **FTSE All-World** | **Oil - Brent** | **Oil - WTI** | **Gold** | **Silver** | **Metals (LMEX)** |
| Level | 382.57 | 90.06 | 83.13 | 1671.75 | 19.51 | 3647.20 |
| % change on day | -0.98 | -0.12 | -0.28 | 0.46 | 1.01 | -1.01 |

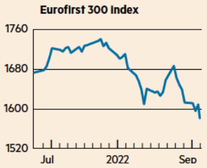
Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

## Main equity markets

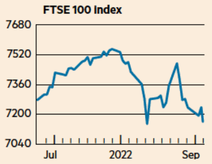
**S&P 500 index**




**Eurofirst 300 index**




**FTSE 100 index**




### Biggest movers

| % | US | | Eurozone | | UK | |
|---|---|---|---|---|---|---|
| Ups | Eli Lilly & Co | 3.83 | Unicredit | 5.32 | Coca-cola Hbc Ag | 2.32 |
| | Merck & Co | 3.21 | B. Sabadell | 4.99 | Rio Tinto | 2.29 |
| | Valero Energy | 2.91 | Saipem | 3.21 | Kingfisher | 1.26 |
| | Lennar | 2.16 | Deutsche Bank | 2.72 | Aveva | 1.13 |
| | Royal Caribbean | 2.14 | Commerzbank | 2.65 | Anglo American | 0.85 |
| Downs | Expedia | -5.58 | Accor | -6.44 | Jd Sports Fashion | -8.40 |
| | Advanced Micro Devices | -5.01 | Stmicroelectronics | -5.58 | Ashtead | -7.26 |
| | Nvidia | -5.00 | Grifols | -5.56 | Intermediate Capital | -7.08 |
| | Charter Communications | -4.96 | Amadeus It | -5.25 | Hargreaves Lansdown | -6.64 |
| | Moody's | -4.88 | Alstom | -5.03 | Dechra Pharmaceuticals | -6.18 |

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

Electric-car maker **Tesla** fell following reports that it was recalling nearly 1.1mn vehicles.

The National Highway Traffic Safety Administration said the window automatic reversal system in several models "may not react correctly after detecting an obstruction".

An over-the-air software update would remedy the issues, said Tesla.

Some positive regulatory news sent **Eli Lilly** rallying with the pharma group gaining tumour-agnostic approval from the Food and Drug Administration for its cancer drug Retevmo.

**Spero Therapeutics** soared on agreeing a licensing agreement with GSK for its experimental treatment for urinary tract infections.

As part of the deal, Spero would receive $66mn upfront and GSK would be buying a $9mn stake in the group.

An earnings miss weighed on financial data provider **FactSet**.

For its fiscal fourth quarter, it posted earnings of $3.13 per share, up 8.7 per cent on a year ago but 7 cents below the Refinitiv-compiled estimate.

News that it would be returning more money to investors pushed **HF Sinclair** higher with the petroleum refiner authorising a new $1bn share repurchase programme, effective next Monday.
*Ray Douglas*

## Europe

A strong endorsement by Bank of America helped lift **Fortum**.

The Finnish energy group was double upgraded to a "buy" rating after announcing this week plans to sell its stake in German utility Uniper.

This divestment "essentially" de-risked Fortum's financial exposure to Uniper, said the broker, allowing it to "become a pure play green power generator positioned to benefit from [a] higher-for-longer Nordic power market".

BofA's €20 share price target pointed 50 per cent potential upside.

Luxembourg-registered software group **Suse** dived after unveiling "disappointing" third-quarter results, said Jefferies.

Revenue grew 15 per cent year on year to $171mn, which was 5.5 per cent ahead of consensus, but its more forward-looking measure of bookings fell 1 per cent to $114mn, missing analysts' estimates by $11mn and raising concerns about "new business closure rates", said the broker.

A regulatory setback for France's **DBV Technologies** pushed the biopharma group lower.

The US Food and Drug Administration placed a partial hold on its phase 3 trial, which was accessing the safety and efficacy of its Viaskin patch for treating of peanut allergic toddlers. DBV had not yet begun screening or recruiting subjects for the study. *Ray Douglas*

## London

Retailer **JD Sports** sank to the bottom of the FTSE 100 benchmark after non-executive chair Andrew Higginson said it remained "cautious about trading through the remainder of the second half".

He warned of "widespread macroeconomic uncertainty, inflationary pressures and the potential for further disruption to the supply chain with industrial action a continuing risk in many markets", as the retailer reported a first-half pre-tax profit of £298.3mn, down from £364.6mn a year earlier.

Windows and doors manufacturer **Safestyle** dived on news that its underlying profit for the full year would be "no lower than £1mn", down from £7.6mn in 2021.

The economic and consumer outlook remained challenging for Safestyle, which had to contend with slowing order intake "at the height of an unusually hot summer", it said.

Fuel cell and engineering group **Ceres Power** slid after its interim results revealed that most of the £30mn licence fee revenue linked to its China joint venture would be delayed to early 2023, whereas half of this amount had been expected to be booked this year.

Based on the timing of the JV signing and regulatory clearances, Ceres said its full-year revenue would be lower than in 2021. *Ray Douglas*

# Global backlash emerging against Fed's 'bad moves'

## Claire Jones
## Markets Insight

In March 2021, when the US Federal Reserve was still buying $120bn-worth of securities a month, Brazil's central bankers raised their benchmark rate 0.75 percentage points on the back of concerns that a surge in global commodity prices would trigger inflation.

It took another year for the Fed to catch on to the fact that price pressures would prove far from transitory and finally raise the federal funds target from near zero. By then, Brazil had raised borrowing costs to 11.75 per cent.

Time has proven Brazil's monetary guardians right. Yet the US central bank's tardiness in keeping inflation in check is unlikely to leave the South American country — or, indeed, anywhere — unscathed. The Fed, which on Wednesday made its third 75 basis point increase in a row, is playing catch-up.

While that may be the best course of action for the US economy, its aggression is triggering what Maurice Obstfeld, of the Peterson Institute for International Economics, labels "beggar-thy-neighbour" policies.

The consequences of the Fed's mistakes are in effect exported from the US, burdening its trade partners.

Higher US rates have bolstered the dollar, exacerbating inflation elsewhere by raising the cost of commodities which are, more often than not, priced in the greenback.

A "reverse currency war" is in full flow with monetary authorities across the world now ditching their standard quarter-point increases in favour of 50, 75 and — in the case of Sweden and Canada — 100 basis point moves in order to stem dollar declines.

Rate rises, while necessary to quell inflation, have become so aggressive that the World Bank warned last week they risk sending the global economy into a devastating recession that would leave the world's poorest countries at risk of collapse.

The World Bank described the situation now as akin to the early 1980s when the surge in global interest rates and slide in world trade sparked the Latin American debt crisis and a wave of defaults in sub-Saharan Africa.

That comparison rings true. Since the 2008 global financial crisis, the Fed and other leading market central banks have deployed waves of stimulus.

That left global interest rates at ultra-low levels for years on end. The result of that plus the pandemic is international debt levels are close to all-time highs.

> The toxic combination of inflation and slow growth has left officials, like chess players, down on their luck

As financing costs rise, more of the world's poorest countries are seeking support from the IMF and the World Bank.

China, meanwhile, is providing emergency support worth tens of billions of dollars to the likes of Sri Lanka, Pakistan and Argentina — creating uneasiness among western creditors, who view the bailouts as opaque and argue that they leave states in hock to Beijing.

Some economists want a greater awareness of the spillover effects of its monetary policy and more international co-operation.

Raghuram Rajan, a professor at the University of Chicago's Booth School of Business and the former head of India's central bank, said: "If a poorer country overborrows in the good times because global interest rates are low, what responsibility does the US have for that? Does it have none? We need to find a middle ground."

Yet, it is difficult to see what the US central bank can do but raise rates.

When asked about the global repercussions of the Fed's actions on Wednesday, chair Jay Powell flagged that he, while aware of what was going on elsewhere, had a mandate to lower domestic inflation and protect domestic jobs.

It is clear from its economic projections that the Fed believes the best way to fulfil this mandate is to impose another 75 basis point rise at its next meeting, followed by a rise of a further 50 basis points before the year ends.

As Mohamed El-Erian, president of Queens' College, Cambridge, acknowledged, the consequence of the Fed's reluctance to remove its aggressive monetary policy support until it was too late has placed us "deep into the world of second- and third-best solutions".

Harmful as the repercussions might be, there are no courses of action that are not without pernicious side effects.

Daniela Gabor, a professor at the University of the West of England, has referred to an era of *Zugzwang* central banking.

The toxic combination of lingering inflation and slowing growth has left officials facing a situation common to chess players down on their luck, stuck with nothing but bad moves to play.

With inflation in the US still looking distinctly sticky, increasing borrowing costs looks like the least worst.

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# MARKET DATA

## WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)

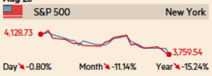
| S&P 500 | Nasdaq Composite | Dow Jones Ind | FTSE 100 | FTSE Eurofirst 300 | Nikkei | Hang Seng | FTSE All World $ | $ per € | $ per £ | ¥ per $ | £ per € | Oil Brent $ Sep | Gold $ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| -0.80% | -1.34% | -0.38% | -1.08% | -1.72% | -0.58% | -1.61% | -0.98% | -0.607% | -0.618% | -1.409% | No change | 1.64% | 0.46% |

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

### AMERICAS

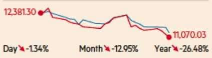
Aug 23 - - Index All World

S&P 500 New York




Day -0.80% Month -11.14% Year -15.24%

Nasdaq Composite New York



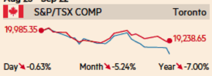

Day -1.34% Month -12.95% Year -26.48%

Dow Jones Industrial New York


Day -0.38% Month -10.66% Year -12.93%

Aug 23 - Sep 22 Index All World

S&P/TSX COMP Toronto




Day -0.63% Month -5.24% Year -7.00%

IPC Mexico City


Day -1.30% Month -4.60% Year -9.89%

Bovespa São Paulo


Day 0.13% Month 0.51% Year 2.96%

### EUROPE

Aug 23 - Sep 22 Index All World

FTSE 100 London


Day -1.08% Month -5.30% Year 3.56%

FTSE Eurofirst 300 Europe

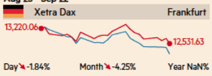

Day -1.72% Month -8.19% Year -9.61%

CAC 40 Paris


Day -1.87% Month -8.89% Year -9.92%

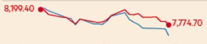
Aug 23 - Sep 22 Index All World

Xetra Dax Frankfurt



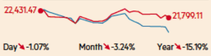

Day -1.84% Month -4.25% Year NaN%

Ibex 35 Madrid




Day -1.24% Month -6.76% Year -11.26%

FTSE MIB Milan




Day -1.07% Month -3.24% Year -15.19%

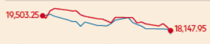
### ASIA

Aug 23 - Sep 22 Index All World

Nikkei 225 Tokyo

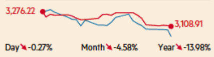

Day -0.58% Month -6.07% Year -10.90%

Hang Seng Hong Kong




Day -1.61% Month -8.29% Year -27.23%

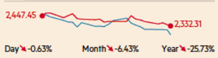
Shanghai Composite Shanghai




Day -0.27% Month -4.58% Year -13.98%

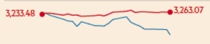
Aug 23 - Sep 22 Index All World

Kospi Seoul



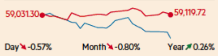

Day -0.63% Month -6.43% Year -25.73%

FTSE Straits Times Singapore




Day 0.04% Month 0.52% Year 6.25%

BSE Sensex Mumbai




Day -0.57% Month -0.80% Year 0.26%

| Country | Index | Latest | Previous |
|---|---|---|---|
| Argentina | Merval | 148118.86 | 146941.15 |
| Australia | All Ordinaries | 6921.40 | 7030.00 |
| | S&P/ASX 200 | 6700.20 | 6806.40 |
| | S&P/ASX 200 Res | 5259.10 | 5384.40 |
| Austria | ATX | 2833.20 | 2870.77 |
| Belgium | BEL 20 | 3499.15 | 3558.42 |
| | BEL Mid | 9189.64 | 9358.22 |
| Brazil | IBovespa | 112078.91 | 111935.86 |
| Canada | S&P/TSX 60 | 1155.88 | 1160.53 |
| | S&P/TSX Comp | 19064.24 | 19184.54 |
| | S&P/TSX Div Met & Min | 1252.20 | 1309.81 |
| Chile | S&P/CLX IGPA Gen | 28810.40 | 29247.41 |
| China | FTSE A200 | 10376.76 | 10457.30 |
| | FTSE B35 | 9000.71 | 8988.96 |
| | Shanghai A | 3257.87 | 3266.51 |
| | Shanghai B | 308.41 | 308.52 |
| | Shanghai Comp | 3108.91 | 3117.18 |
| | Shenzhen A | 2083.63 | 2096.66 |
| | Shenzhen B | 1179.69 | 1188.10 |
| Colombia | COLCAP | 1261.61 | 1260.21 |
| Croatia | CROBEX | 2013.05 | 2011.29 |
| Cyprus | CSE M&P Gen | 68.46 | 68.68 |
| Czech Republic | PX | 1198.71 | 1188.01 |
| Denmark | OMXC Copenahgen 20 | 1540.07 | 1578.37 |
| Egypt | EGX 30 | 9955.85 | 10010.53 |
| Estonia | OMX Tallinn | 1718.46 | 1737.12 |
| Finland | OMX Helsinki General | 10167.55 | 10285.05 |
| France | CAC 40 | 5918.50 | 6031.33 |
| | SBF 120 | 4555.74 | 4647.20 |
| Germany | M-DAX | 23267.31 | 23908.00 |
| | TecDAX | 2702.86 | 2805.43 |
| | XETRA Dax | 12531.63 | 12767.15 |
| Greece | Athens Gen | 817.00 | 826.32 |
| | FTSE/ASE 20 | 1968.97 | 1993.34 |
| Hong Kong | Hang Seng | 18147.95 | 18444.62 |
| | HS China Enterprise | 6195.90 | 6267.16 |
| | HSCC Red Chip | 3543.08 | 3570.58 |
| Hungary | Bux | 39548.71 | 39241.07 |
| India | BSE Sensex | 59119.72 | 59456.78 |
| | Nifty 500 | 15335.30 | 15361.25 |
| Indonesia | Jakarta Comp | 7218.91 | 7188.31 |
| Ireland | ISEQ Overall | 6621.14 | 6740.16 |
| Israel | Tel Aviv 125 | 1983.52 | 1995.89 |
| Italy | FTSE Italia All-Share | 23634.53 | 23910.66 |
| | FTSE Italia Mid Cap | 35375.79 | 36190.02 |
| | FTSE MIB | 21799.11 | 22035.81 |
| Japan | 2nd Section | 7228.27 | 7239.06 |
| | Nikkei 225 | 27153.83 | 27313.13 |
| | S&P Topix 150 | 1642.33 | 1645.38 |
| | Topix | 1930.17 | 1935.49 |
| Jordan | Amman SE | 2480.79 | 2504.58 |
| Kenya | NSE 20 | 1748.95 | 1753.97 |
| Kuwait | KSX Market Index | 6633.44 | 6603.51 |
| Latvia | OMX Riga | 1096.09 | 1095.61 |
| Lithuania | OMX Vilnius | 905.08 | 910.78 |
| Luxembourg | LuxX | 1320.17 | 1334.04 |
| Malaysia | FTSE Bursa KLCI | 1439.16 | 1447.18 |
| Mexico | IPC | 46382.40 | 46992.51 |
| Morocco | MASI | 12212.00 | 12174.71 |
| Netherlands | AEX | 657.40 | 669.79 |
| | AEX All Share | 896.77 | 913.56 |
| New Zealand | NZX 50 | 11518.32 | 11498.95 |
| Nigeria | SE All Share | 49445.31 | 49440.21 |
| Norway | Oslo All Share | 1017.37 | 1006.88 |
| Pakistan | KSE 100 | 40927.95 | 40965.58 |
| Philippines | Manila Comp | 6301.71 | 6341.69 |
| Poland | Wig | 49800.40 | 49477.58 |
| Portugal | PSI 20 | 5678.63 | 5783.85 |
| | PSI General | 4500.07 | 4608.49 |
| Romania | BET Index | 11185.17 | 11293.35 |
| Russia | Micex Index | 2436.57 | 2445.30 |
| | RTX | 1245.71 | 1212.57 |
| Saudi-Arabia | TADAWUL All Share Index | 11461.09 | 11503.60 |
| Singapore | FTSE Straits Times | 3263.07 | 3261.79 |
| Slovakia | SAX | 345.85 | 346.11 |
| Slovenia | SBI TOP | - | - |
| South Africa | FTSE/JSE All Share | 65276.97 | 66208.71 |
| | FTSE/JSE Res 20 | 60516.96 | 60767.17 |
| | FTSE/JSE Top 40 | 58852.41 | 59817.68 |
| South Korea | Kospi | 2332.31 | 2347.21 |
| | Kospi 200 | 301.65 | 304.67 |
| Spain | IBEX 35 | 7774.70 | 7872.20 |
| Sri Lanka | CSE All Share | 10001.19 | 9913.22 |
| Sweden | OMX Stockholm 30 | 1837.91 | 1878.77 |
| | OMX Stockholm AS | 708.56 | 729.56 |
| Switzerland | SMI Index | 10297.65 | 10429.40 |
| Taiwan | Weighted Pr | 14284.63 | 14424.52 |
| Thailand | Bangkok SET | 1645.29 | 1633.45 |
| Turkey | BIST 100 | 3286.28 | 3245.76 |
| UAE | Abu Dhabi General Index | 9222.93 | 9251.11 |
| UK | FT 30 | 2336.00 | 2373.90 |
| | FTSE 100 | 7159.52 | 7237.64 |
| | FTSE 4Good UK | 6444.54 | 6529.13 |
| | FTSE All Share | 3924.91 | 3973.75 |
| | FTSE techMARK 100 | 6014.99 | 6075.60 |
| USA | DJ Composite | 10177.01 | 10268.72 |
| | DJ Industrial | 30067.65 | 30183.78 |
| | DJ Transport | 12369.24 | 12650.23 |
| | DJ Utilities | 989.52 | 995.14 |
| | Nasdaq 100 | 11501.45 | 11637.79 |
| | Nasdaq Cmp | 11070.03 | 11220.19 |
| | NYSE Comp | 14123.27 | 14236.61 |
| | S&P 500 | 3759.54 | 3789.93 |
| | Wilshire 5000 | 37496.50 | 37914.99 |
| Venezuela | IBC | 8688.99 | 8734.56 |
| Vietnam | VNI | 1214.70 | 1210.55 |
| Cross-Border | DJ Global Titans ($) | 410.00 | 412.50 |
| | Euro Stoxx 50 (Eur) | 3429.31 | 3491.87 |
| | Euronext 100 ID | 1151.54 | 1171.69 |
| | FTSE 4Good Global ($) | 9002.85 | 9063.46 |
| | FTSE All World ($) | 382.57 | 386.37 |
| | FTSE E300 | 1581.20 | 1608.88 |
| | FTSE Eurotop 100 | 3104.01 | 3152.83 |
| | FTSE Global 100 ($) | 2385.01 | 2402.14 |
| | FTSE Gold Min ($) | 1424.88 | 1428.04 |
| | FTSE Latibex Top (Eur) | 4440.00 | 4432.20 |
| | FTSE Multinationals ($) | 2507.32 | 2542.83 |
| | FTSE World ($) | 691.52 | 698.39 |
| | FTSEurofirst 100 (Eur) | 4173.28 | 4228.06 |
| | FTSEurofirst 80 (Eur) | 4709.49 | 4792.70 |
| | MSCI ACWI Fr ($) | 585.85 | 594.58 |
| | MSCI All World ($) | 2516.59 | 2554.02 |
| | MSCI Europe (Eur) | 1633.43 | 1624.65 |
| | MSCI Pacific ($) | 2445.66 | 2487.54 |
| | S&P Euro (Eur) | 1567.59 | 1596.97 |
| | S&P Europe 350 (Eur) | 1619.51 | 1649.09 |
| | S&P Global 1200 ($) | 2747.53 | 2772.05 |
| | Stoxx 50 (Eur) | 3404.14 | 3458.51 |

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

## STOCK MARKET: BIGGEST MOVERS

## UK MARKET WINNERS AND LOSERS

## CURRENCIES

## FTSE ACTUARIES SHARE INDICES

## FT 30 INDEX

## FTSE SECTORS: LEADERS & LAGGARDS

## FTSE 100 SUMMARY

## FT WILSHIRE 5000 INDEX SERIES

## FTSE GLOBAL EQUITY INDEX SERIES

## UK STOCK MARKET TRADING DATA

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

## UK RIGHTS OFFERS

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

## UK COMPANY RESULTS

## UK RECENT EQUITY ISSUES

# MARKET DATA

## FT500: THE WORLD'S LARGEST COMPANIES

| | Close price | Prev price | Day change | Day change % | Week change | Week change % | Month change % |
|---|---|---|---|---|---|---|---|

## FT 500: TOP 20

| | Close price | Prev price | Day change | Day change % | Week change | Week change % | Month change % |
|---|---|---|---|---|---|---|---|
| GenMills | 80.63 | 79.72 | 0.91 | 1.14 | 5.56 | 7.4 | 3.40 |
| ItauHldFin | 24.17 | 23.85 | 0.32 | 1.34 | 1.49 | 6.6 | 6.74 |
| JardnMt US$ | 57.00 | 56.84 | 0.16 | 0.28 | 2.94 | 5.4 | 9.05 |
| Vale | 70.43 | 68.45 | 1.98 | 2.89 | 3.43 | 5.1 | 5.14 |
| Bradesco | 16.68 | 16.54 | 0.14 | 0.85 | 0.77 | 4.8 | 3.15 |
| Hind Unilevr | 2692.75 | 2623.60 | 69.15 | 2.64 | 121.35 | 4.7 | 2.21 |
| WalMrtMex | 76.33 | 76.18 | 0.15 | 0.20 | 3.38 | 4.6 | 6.58 |
| KoreaElePwr | 20300.00 | 19750.00 | 550.00 | 2.78 | 850.00 | 4.4 | -5.58 |
| SandsCh | 18.38 | 18.90 | -0.52 | -2.75 | 0.68 | 3.8 | 9.40 |
| AmerMvl | 17.66 | 17.77 | -0.11 | -0.62 | 0.64 | 3.8 | -8.55 |
| TokioMarine | 7915.00 | 7963.00 | -48.00 | -0.60 | 266.00 | 3.5 | 2.83 |
| ValeroEngy | 108.60 | 105.53 | 3.07 | 2.91 | 3.44 | 3.3 | -8.15 |
| Altria | 43.38 | 43.01 | 0.37 | 0.86 | 1.37 | 3.3 | -4.56 |
| ITC | 345.05 | 340.95 | 4.10 | 1.20 | 9.70 | 2.9 | 10.59 |
| SvnskaHn | 96.16 | 96.50 | -0.34 | -0.35 | 2.68 | 2.9 | 5.19 |
| ANZ Bank | 23.60 | 23.84 | -0.24 | -1.01 | 0.65 | 2.8 | 2.16 |
| SunPhrmInds | 908.00 | 905.30 | 2.70 | 0.30 | 24.25 | 2.7 | 0.74 |
| Unicred | 11.25 | 10.68 | 0.57 | 5.32 | 0.29 | 2.6 | 16.74 |
| Westpac Bank | 21.73 | 21.89 | -0.16 | -0.73 | 0.54 | 2.5 | -2.03 |
| McKesson | 349.14 | 345.47 | 3.67 | 1.06 | 8.12 | 2.4 | -5.80 |

Based on the FT Global 500 companies in local currency

## FT 500: BOTTOM 20

| | Close price | Prev price | Day change | Day change % | Week change | Week change % | Month change % |
|---|---|---|---|---|---|---|---|
| Fedex | 151.32 | 153.25 | -1.93 | -1.26 | -53.55 | -26.1 | -34.67 |
| FordMtr | 12.91 | 13.05 | -0.15 | -1.11 | -1.99 | -13.3 | -18.55 |
| Hunng Pwr | 3.80 | 3.87 | -0.07 | -1.81 | -0.55 | -12.6 | -11.21 |
| DeutsPost | 31.72 | 32.49 | -0.77 | -2.35 | -4.35 | -12.0 | -12.97 |
| Carnival | 9.66 | 9.71 | -0.06 | -0.57 | -1.27 | -11.6 | -1.22 |
| Edwards Lifesc. | 83.92 | 85.22 | -1.30 | -1.53 | -10.96 | -11.6 | -14.61 |
| Booking Holdings | 1732.77 | 1806.70 | -73.93 | -4.09 | -224.00 | -11.4 | -16.42 |
| HiltonWwde | 120.56 | 124.63 | -4.08 | -3.27 | -14.69 | -10.9 | -10.51 |
| Hilton Worldwi. | 120.56 | 124.63 | -4.08 | -3.27 | -14.69 | -10.9 | -10.51 |
| Charter Comms | 335.52 | 353.03 | -17.51 | -4.96 | -40.48 | -10.8 | -25.71 |
| AmerAir | 12.75 | 13.23 | -0.48 | -3.63 | -1.52 | -10.7 | -9.24 |
| UnibailR | 46.09 | 48.74 | -2.65 | -5.44 | -5.29 | -10.3 | -18.05 |
| eBay | 38.33 | 38.93 | -0.61 | -1.55 | -4.34 | -10.2 | -18.40 |
| Fresenius SE | 22.72 | 23.37 | -0.65 | -2.78 | -2.56 | -10.1 | -10.85 |
| VF Cp | 36.61 | 37.16 | -0.56 | -1.49 | -3.98 | -9.8 | -19.47 |
| Aptiv | 87.37 | 90.85 | -3.48 | -3.83 | -9.38 | -9.7 | -15.34 |
| CredSuisse | 4.65 | 4.92 | -0.27 | -5.49 | -0.48 | -9.3 | -7.65 |
| ShenwanHong | 0.13 | 0.13 | -0.01 | -5.22 | -0.01 | -9.3 | -24.55 |
| Pwr Cons Corp | 7.27 | 7.38 | -0.11 | -1.49 | -0.74 | -9.2 | -1.22 |
| UPS | 168.17 | 173.83 | -5.66 | -3.26 | -16.83 | -9.1 | -19.26 |

Based on the FT Global 500 companies in local currency

## BONDS: HIGH YIELD & EMERGING MARKET

## BONDS: GLOBAL INVESTMENT GRADE

## INTEREST RATES: OFFICIAL

| Sep 22 | Rate | Current | Since | Last |
|---|---|---|---|---|
| US | Fed Funds | 1.5-1.75 | 15-06-2022 | 0.83 |
| US | Prime | 4.75 | 15-06-2022 | 4.00 |
| US | Discount | 1.00 | 05-05-2022 | 0.50 |
| Euro | Repo | -0.64 | 19-05-2022 | 0.00 |
| UK | Repo | 1.75 | 04-08-2022 | 1.25 |
| Japan | O'night Call | 0.00-0.10 | 01-02-2016 | 0.00 |
| Switzerland | Libor Target | -1.25-0.25 | 15-01-2015 | -0.75--0.25 |

## INTEREST RATES: MARKET

| Sep 22 (Libor: Sep 21) | Over night | Change Day | Change Week | Change Month | One month | Three month | Six month | One year |
|---|---|---|---|---|---|---|---|---|
| US$ Libor | 2.31971 | 0.004 | 0.008 | 0.007 | 3.05900 | 3.60386 | 4.12400 | 4.68243 |
| Euro Libor | -0.64957 | -0.064 | 0.000 | 0.001 | -0.61943 | -0.58057 | -0.55600 | -0.48571 |
| £ Libor | 0.18063 | -0.005 | 0.000 | 0.017 | 2.35700 | 2.88220 | 3.65590 | 0.81363 |
| Swiss Fr Libor | | | | -0.002 | -0.77540 | -0.75300 | -0.70280 | -0.55320 |
| Yen Libor | | | | 0.000 | -0.04632 | -0.02001 | 0.05254 | 0.04867 |
| Euro Euribor | | | | 0.008 | 0.70800 | 1.11800 | 1.76600 | 2.41600 |
| Sterling CDs | | | | 0.000 | 0.50000 | 0.63000 | 0.78500 | |
| US$ CDs | | | | -0.050 | 3.10000 | 3.61000 | 4.12000 | |
| Euro CDs | | | | 0.000 | 0.64000 | 1.11000 | 1.74000 | |

| Sep 22 | Short term | | 7 Days notice | | One month | | Three month | | Six month | | One year | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Euro | 0.51 | 0.81 | 0.44 | 0.74 | 0.49 | 0.79 | 0.96 | 1.26 | 1.59 | 1.89 | 2.24 | 2.54 |
| Sterling | | | | | 0.45 | 0.55 | 0.58 | 0.68 | 0.71 | 0.86 | 0.90 | 1.05 |
| US Dollar | 2.90 | 3.10 | 2.92 | 3.12 | 3.00 | 3.20 | 3.51 | 3.71 | 4.02 | 4.22 | 4.44 | 4.64 |
| 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

## VOLATILITY INDICES

## BONDS: BENCHMARK GOVERNMENT

## GILTS: UK CASH MARKET

## GILTS: UK FTSE ACTUARIES INDICES

## COMMODITIES

www.ft.com/commodities

| Energy | | Price* | Change | Agricultural & Cattle Futures | | Price* | Change |
|---|---|---|---|---|---|---|---|
| Crude Oil† | Oct | 84.30 | 1.36 | Corn♦ | Dec | 687.50 | 2.00 |
| Brent Crude Oil‡ | | 90.06 | -0.11 | Wheat♦ | Dec | 897.00 | -6.75 |
| RBOB Gasoline† | Sep | 2.54 | 0.05 | Soybeans♦ | Nov | 1467.50 | 6.25 |
| Natural Gas† | Sep | 7.65 | -0.13 | Soybeans Meal♦ | Oct | 457.70 | 3.00 |
| **Base Metals (♦ LME 3 Months)** | | | | Cocoa (ICE Liffe)⊕ | Dec | 1861.00 | -20.00 |
| Aluminium | | 2228.00 | 25.00 | Cocoa (ICE US)♥ | Dec | 2347.00 | -5.00 |
| Aluminium Alloy | | 1675.00 | -905.00 | Coffee(Robusta)⊕ | Nov | 2238.00 | 12.00 |
| Copper | | 7680.50 | 21.50 | Coffee (Arabica)♥ | Dec | 221.35 | 0.05 |
| Lead | | 1865.50 | 12.00 | White Sugar⊕ | | 535.80 | 14.20 |
| Nickel | | 24540.00 | -460.00 | Sugar 11♥ | | 18.33 | 0.11 |
| Tin | | 21605.00 | 505.00 | Cotton♥ | Oct | 96.89 | 3.35 |
| Zinc | | 3108.00 | 9.00 | Orange Juice♥ | Nov | 180.55 | 1.35 |
| **Precious Metals (PM London Fix)** | | | | Live Cattle♣ | Oct | 145.90 | -0.40 |
| Gold | | 1671.75 | 7.60 | Feeder Cattle♣ | May | 134.88 | - |
| Silver (US cents) | | 1951.00 | 19.50 | Lean Hogs♣ | Oct | 94.58 | -1.40 |
| Platinum | | 927.00 | -4.00 | | | | |
| Palladium | | 2171.00 | 16.00 | | Sep 21 | % Chg Month | % Chg Year |
| **Bulk Commodities** | | | | | | | |
| Iron Ore | | 98.65 | -0.15 | S&P GSCI Spt | 631.21 | -5.42 | 17.62 |
| Baltic Dry Index | | 1720.00 | -26.00 | DJ UBS Spot | 116.58 | -4.54 | 19.70 |
| Richards Bay ICE Futures | | 294.00 | -0.50 | TR/CC CRB TR | 298.54 | -4.47 | 26.46 |
| | | | | 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

## BONDS: TEN YEAR GOVT SPREADS

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

FILM

Danny Leigh

# I'm the perfect wife . . . get me out of here!

You can't buy the kind of publicity that has come in advance of the release of **Don't Worry Darling.** These days, the internet does it for free. With the FT having already put into perspective the online mudslide burying the movie, let only the briefest recap mention the many feuds involving director Olivia Wilde, star Florence Pugh, moonlighting pop icon Harry Styles, and an actor who isn't even in the film, Shia LaBeouf. The conspiracy-minded have tagged it a ruse to drum up ticket sales. Are you in the queue yet?

For the ghouls, I bring mixed news. Anyone hoping for the film to be a grand disaster may initially be disappointed. But stay tuned! At first, at least, *Don't Worry Darling* simmers to promising effect, intrigue abuzz in a *Mad Men* America, the screen a dazzle of mid-century period detail. Pugh is happy housewife Alice, hosting drinks parties for the picture-perfect couples of the neighbourhood. Her husband is Jack (Styles), the backdrop all gleaming Chevrolets, chain-smoking and martinis.

A twist with that? Well, if you assume the year to be, say, 1960, no news event of any kind ever acts as confirmation. (A calendar would do.) While we're at it, where exactly are we? Jack and Alice's pristine desert suburb is called Victory: Chris Pine plays a magnetic de facto mayor. But, again, co-ordinates are missing. Are we near Los Angeles? Las Vegas? Ulaanbaatar? The wives don't ask. They just wave their husbands off to opaque engineering jobs, then proceed to ballet class.

The possibilities may hook you. Plenty of us will want to be hooked. Wouldn't it be nice if *Don't Worry Darling* was the kind of standalone, fun-but-chewy Friday night movie it aims to be? Remember too Wilde's likeable 2019 debut *Booksmart*, the director a minty-fresh new voice. The formula now is cynical but clever, wedding the old-Hollywood production values of backers Warner Bros to the Gen-Z jitter of indie studio A24. Pugh first played a variant on Alice in their Nordic horror *Midsommar*. Here again, she gloms on to something nightmarish beneath the apparent idyll.

Above: Florence Pugh in 'Don't Worry Darling'
Right: Ana de Armas and Adrien Brody in 'Blonde'

**Don't Worry Darling**
Olivia Wilde
★★★☆☆

**Blonde**
Andrew Dominik
★★☆☆☆

**Sidney**
Reginald Hudlin
★★★★☆

**After Yang**
Kogonada
★★★★☆

But the match of actress and role also makes sense simply because Pugh is so good at it, digging for the truth as Wilde assails her with uneasy visions, dismissed by the town doctor. You may have concerns of your own, not least the uncredited debt to *Get Out*. But between female lead and production design, your misgivings are soothed away too. Honestly, darling, why fret?

One answer is the men. If Pine is miscast, the Styles we see here would have improved the movie through not being cast all. For every ounce of Pugh's star power, he exerts an equal and opposite drag. The singer seems aware of it himself, a world famous performer shrinking from the camera.

As for the rest, the rubbernecks get their car crash eventually. For filmmakers, the great advantage of a bad plot bombshell is that reviews are limited in raising the alarm for fear of including spoilers, like a restaurant critic with a cockroach in the soup who has to let the readers get food poisoning anyway. All I can say is order carefully. Off-camera scandals come and go. An ending this botched is forever.
*In cinemas now*

After two hours and 45 minutes of **Blonde**, you might think you would have no more questions for Andrew Dominik's splashy, oppressive portrait of Marilyn Monroe, played by Ana de Armas. Think again. You may, for instance, still ask why, after the ovation at the premiere of *Some Like It Hot*, sped up as if to mimic 1970s TV comic Benny Hill, Dominik shoots de Armas vomiting pills from the point of view of the toilet bowl. The director seems to have only recently learned that a misogynist film industry brutalised Monroe. Outraged, he now seeks to replace their tainted visions with his own: a stylised tableau of big-screen fellatio and blood spots like stigmata on a floral dress.

Dominik's endless attention-grabbing images can be heady too. Early on, the child that was Norma Jeane (Lily Fisher) is driven by her schizophrenic mother into a wildfire in the Los Angeles hills. Flames lick the H of the Hollywood sign. The message is not subtle: Here Be Monsters. You feel the heat of the infernal regardless. The scene plays out in vivid colour. Stepping forward into adulthood, we slip back into movie-magic black-and-white. The sense of scrambled time works brilliantly.

But then the whole film toggles at random between monochrome and colour, rendered to resemble vintage film stock. In theory, it should evoke the inner chaos of a woman lost between movies and reality. In fact, it looks like Instagram. The visuals might seem less crass if they didn't adorn what is basi- read that right — the kindest word might be misjudged.

The movie invites comparison with Baz Luhrmann's *Elvis*, another tribute to a fallen star, filtered through a look-at-me aesthetic. But Luhrmann at least saw Presley as a spectacular talent. *Blonde* just takes Monroe for a victim. As in the worst days of old Hollywood, heaven help her if she wanted to be more.
*In cinemas now and on Netflix from September 28*

Six months before Marilyn Monroe appeared alongside Tony Curtis in *Some Like It Hot*, Sidney Poitier co-starred in another movie with Curtis: *The Defiant Ones*, a landmark in the rise of the young Bahamian-American. Now in the same week as Marilyn Monroe is remembered in *Blonde*, the actor and director is the subject of **Sidney**. But the two projects are starkly different: Reginald Hudlin has crafted a fond and sturdy documentary whose sense of elegy is softened by having been made before Poitier's death in January.

The subject is still zestful on camera. Celebration is the dominant mood. The film even restores a giddy lustre to that downgraded currency, the Oscars. Becoming the first black male to win Best Actor for 1963's *Lilies of the Field*, the victor was overcome by the sheer import of the moment: "I won! I won!" he cried, returning to Nassau, where he had lived as a child, for a street parade.

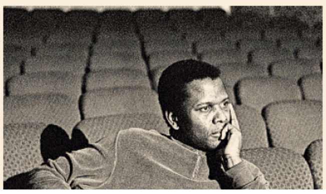
By this telling, the Bahamas stayed with Poitier long after he conquered Hollywood. Hudlin frames the actor's life as built on the rock of his parents' example, accent transformed but self-respect unshakeable. And yet if that much feels simple, the film deals head-on with the knots of trauma that also shaped his career: American racism experienced first-hand, the fraught contradictions that came with changing a system from within. That Poitier was for so long the only black male lead in Hollywood — sit with that for a second — is a vexed topic deftly unpacked.

Hudlin's biggest success lies in always keeping two things in play: a sometimes painful story of unfinished progress, and a gleaming, gleeful salute to a giant.
*In cinemas and on Apple TV Plus now*

Few films could pack so much into the opening credits as the gently mind-expanding science fiction **After Yang**. Watch carefully as the Fleming family take part in a frantic online dance contest, parents Jake and Kyra (Colin Farrell and Jodie Turner-Smith) joined by young daughter Mika (Malea Emma Tjandrawidjaja) and eldest son Yang (Justin H Min). And so we see, inside a minute: much comic cuteness; corporate surveillance technology; a critical plot point.

The last arrives at the very end of the scene, most of the Flemings coming to rest but Yang dancing on, oblivious. Because he, we learn, is at once a family member and not — an artificial intelligence, housed in a replica human body and now seemingly defective, in the kind of near-future we sense might be here tomorrow lunchtime. His role was never the all-seeing butler-god of most sci-fi androids. Instead, he was bought as a sibling for Mika, Chinese daughter of biracial adoptive parents, to help her cultural adjustment to the US.

Now, as Farrell begins a tour of repair shops, the complexity of Asian-American relations is just one of the vast themes that this sweetly minor-key film brings down to human scale. Director Kogonada is Korean-American himself; the heartbeat of his movie never falters.
*In cinemas and on Sky Cinema now*



Left: Sidney Poitier is the subject of a new documentary
Below: from left, Colin Farrell, Jodie Turner-Smith, Malea Emma Tjandrawidjaja and Justin H Min in 'After Yang'

crass if they didn't adorn what is basically a trudging timeline, personal miseries circled and underscored to create a Tinseltown Joan of Arc. The literary flights of Joyce Carol Oates' source novel give way to the headbangingly literal. De Armas, a gifted actress, is adrift.

Why do the film-makers work this hard to impress an audience they clearly consider a bit dim? Then again, how much *Blonde* even rates Monroe is another interesting question. Asked by Sight and Sound magazine in 2012 to list the greatest movies ever made, Dominik named several with trace elements here: the ruinous self-loathing of *Raging Bull*, the identity crisis of *Mulholland Drive*. But none of them starred Marilyn. It makes sense watching a film that fleetingly credits her for understanding Chekhov, but otherwise shrinks her to fit the director's grand design.

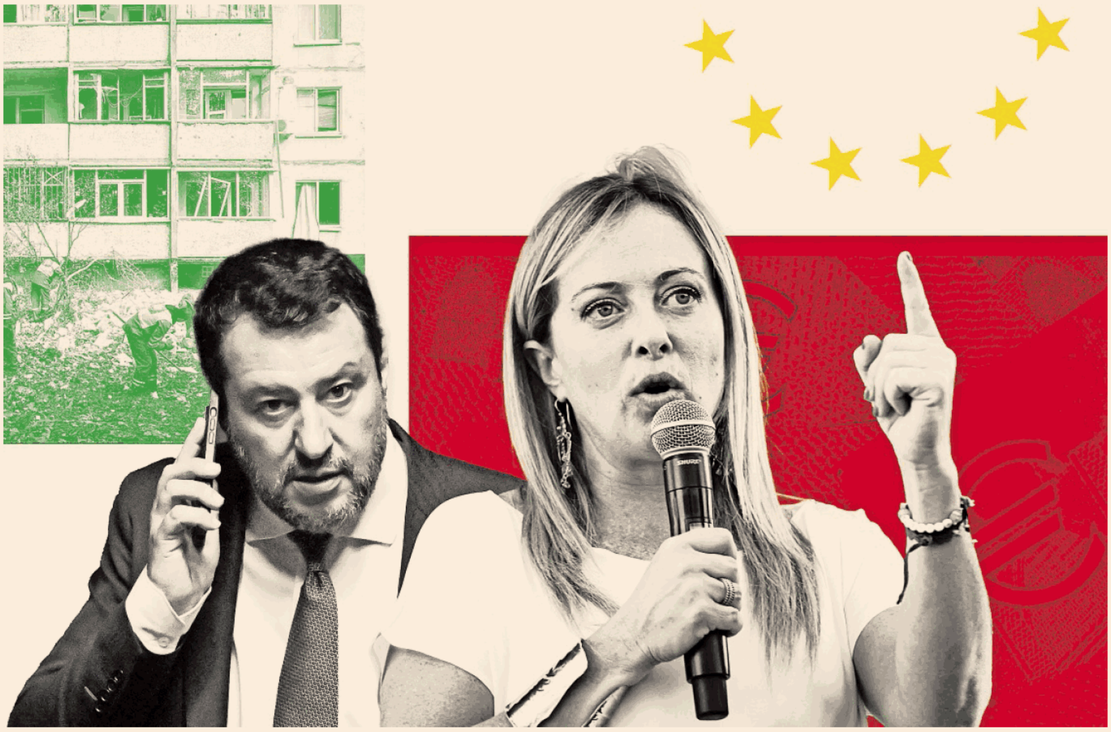
Here, her screen presence is mere raw instinct, her work fundamentally trivial. "Diamonds Are a Girl's Best Friend" is painstakingly restaged, but only so that later, after an abortion, a cold inner voice can whisper: "For this you gave up your baby." Like the reproachful talking foetus we later see — yes, you



FT BIG READ. ITALY

The coalition that is a strong favourite in this weekend's election is led by nationalist politicians who have long been hostile to the EU. But both Rome and Brussels need the relationship to function.
*By Amy Kazmin*

# Meloni, the far-right and Europe



Matteo Salvini and Giorgia Meloni, above, appear poised for a decisive victory over a deeply divided centre-left. A protest against price rises at a demonstration in Naples, right
FT montage; AFP/Getty/Bloomberg; Kontrolab/IPA/Sipa USA via Reuters

As European household energy bills surged at the onset of a blistering hot summer, Italy's prime minister Mario Draghi framed the sacrifices he was asking Italians to make on behalf of Ukraine as a stark choice. "Do you want peace," he asked in April, "or do you want air conditioning?"

Now, after the premature collapse of Draghi's cross-party coalition in July, Italians are poised to vote for a new government whose willingness to put them through further economic disruption and sacrifices is in doubt.

If polls are correct, Italy will emerge from its general election on Sunday with a new far-right government led by arch-conservative Giorgia Meloni, president of the Brothers of Italy. She and her populist ally Matteo Salvini, leader of the League, together appear poised for a decisive victory over a deeply divided centre-left.

It would mark Italy's first experiment with far-right rule since fascist dictator Benito Mussolini, after a total of 69 ideologically diverse governments since the second world war. Many Italians fear that personal freedoms will be curbed and space for democracy shrunk. Others fret that the comparatively inexperienced Brothers of Italy, which is forecast to lead the coalition, lacks the technical competence to navigate Italy through its current economic challenges.

Decision makers in Brussels and in Washington, as well as in Moscow, will also be watching closely to see whether the rightwing coalition — with its strong nationalist leanings and historic hostility to the EU — will have the fortitude to maintain Italy's strong support for Ukraine, or whether its ascent will bring new friction to Rome's relationship with Europe.

"Ukrainians are doing fine holding the line on the battlefield, so the fundamental question in transatlantic relations is: 'Will western nations hold the line politically and economically, especially with the coming winter?'," says Stefano Stefanini, Italy's former ambassador to Nato. "Italy could really create problems for the EU."

Both Meloni, a conservative firebrand whose political career began as a teenage activist in the youth wing of the neo-fascist Italian Social Movement, and Salvini, who was an ardent admirer of Russian president Vladimir Putin, are Eurosceptics.

They have fiercely criticised the EU — Meloni has called Brussels bureaucrats agents of "nihilistic global elites driven by international finance" — and both flirted with leaving the euro, though they have lately muted their hostile rhetoric.

While Meloni has pledged to continue Draghi's policies of military support for Ukraine and tough line on sanctions on Russia, Salvini on the campaign trail has publicly complained of the toll sanctions are taking on Italy's economy.

"Europe chose to impose sanctions after the war. That's fine — but the price of sanctions cannot be paid by Italian families and businesses," Salvini told supporters at Lake Como this month. "The measures that Europe has imposed are not bringing those who unleashed the war — Putin, the ministers, the oligarchs, the generals — to their knees. Who is paying for the sanctions? You are."

including structural reforms promised as part of the Covid recovery programme. "In the depths of her heart, Meloni is a Eurosceptic," says Nathalie Tocci, director of the Italian Institute of International Affairs. "But the context doesn't really allow for much messing around, unless you want to bring the country to bankruptcy. We are in the middle of a crisis and the markets have their eyes on Italy. They are going to be watching her every step."

## Brothers in arms

How the new government handles its vexed policy challenges will be determined partly by the balance of power within the coalition.

The two key leaders are united in fierce opposition to migration, and support for conservative "family values". But while Meloni is a staunch Atlanticist who advocates muscular national security policies, Salvini's support base includes companies that had close business relations with Russia until the invasion.

Tensions between the two — who have sometimes struggled to conceal their

seemingly heedless of fears about Italy's already record levels of debt.

Meloni, by contrast, has vowed to respect fiscal rules and has been urging prudence and caution as she seeks to show herself as a responsible steward for the economy and avoid stoking market fears of a populist spending spree.

"They want to be perceived as a party that you can do business with and can govern the country," Lorenzo Codogno, a former director-general of the Italian Treasury, says of the Brothers of Italy.

Meloni is predicted to be the coalition's dominant decision maker. Before

who had cultivated strong ties with Putin. Italy's economy is also feeling the strain. Inflation jumped to 9 per cent in August, a 37-year high, and growth has slowed as energy prices have soared, while industry groups are warning of large-scale business closures and layoffs without further government intervention. Investors, meanwhile, are keeping a hawk eye on any evidence of deviation from strict fiscal discipline, which would send Italy's already elevated borrowing costs skyrocketing.

Guido Crosetto, one of Brothers of Italy's three co-founders and a top adviser to Meloni, warns that the new Italian government will face intense internal pressure as its citizens reel from the impact of the Ukraine conflict, and will probably need more support from Europe in the months ahead.

"The problem of the west [when it comes to support for Ukraine] is not nations and governments — it is western public opinion," Crosetto says. "The people do not understand why they have to suffer. There will be a moment when people start blaming the governments. And that will be the hardest

> 'Not to hold the line would cost Italy both its relationship with the EU and the US, and that is a price Italy cannot afford'
>
> Stefano Stefanini

> 'The European future will be less strong and

Parliament resolution condemning democratic backsliding in Hungary, while Meloni openly defended Orbán's record. "Orbán has won the elections, several times even by a wide margin, with all the rest of the constitutional arc lined up against him," she said. "It is a democratic system."

Meloni has also said that countries' national laws should take precedence over EU laws, a view likely to alarm Brussels. "How our national system merges with the European system is an issue," she told Italy's state-run broadcaster Rai recently. "It is not an issue of enmity towards Europe, but of better organising how the defence of the national interest works in a European dynamic."

Crosetto says Brothers of Italy has issues with Europe's "excessive bureaucracy" and "doesn't understand the Europe that decides how big the peas must be or how long the fish we eat must be". However, he says, the rightwing party is absolutely committed to "the spirit of Europe: getting together when there are troubles, fighting against injustice".

For all Meloni's reassuring promises of continuity and Salvini's agitated rhetoric, analysts say the real test for the new government will lie in the months ahead as the EU tries to work out a co-ordinated response to changing battlefield conditions, and the G7 hammers out specific details on such complicated policies as the oil price cap.

"Italy's new government will be judged on facts, not on statements and declarations during the campaign," Stefanini says. "It is not as simple as just holding the line on existing sanctions. It will be what is the new government's line on new developments, where there will be new decisions to be made."

But, Stefanini warns, "not to hold the line would cost Italy both its relationship with the EU and the US, and that is a price Italy cannot afford. Italy cannot afford the price of discontinuity on foreign policy."

Italy is dependent on a continuing €200bn EU package to help reboot its chronically underperforming economy, and faces questions about the sustainability of its almost $3tn in sovereign debt. Together, Italian analysts expect these will keep the new government onside with key European powers, such as France and Germany, and check its confrontational impulses.

Italy is particularly vulnerable as the European Central Bank tightens monetary policy. To benefit from a new ECB government bond-buying scheme intended to keep its borrowing costs from spiralling further, Rome will have to comply with its EU commitments,

intense personal rivalry as they campaign together in a joint quest for power — have already emerged.

In recent weeks, Salvini has clamoured for Draghi's caretaker government to draw additional borrowings of about €30bn — the equivalent of 2 per cent of gross domestic product — for relief measures for stricken businesses,

### Italy's rightwing leaders

**Giorgia Meloni, 45**
*Fratelli d'Italia (Brothers of Italy)*
Meloni started in politics as a 15-year-old activist for the youth wing of the Italian Social Movement, which was founded after the second world war by loyalists of fascist dictator Benito Mussolini.

**Matteo Salvini, 49**
*Lega (The League)*
Salvini was a leader of the separatist Northern League — which proposed the creation of an independent state of Padania out of wealthier northern Italy — but remade the party, dropping the "Northern" as a rightwing nationalist entity campaigning for "Italy First".

**Silvio Berlusconi, 85**
*Forza Italia*
Berlusconi, a billionaire media tycoon and four-time former prime minister, made his TikTok debut during the current campaign to try to boost his appeal among a new generation of Italian voters.

the two-week, pre-election ban on publishing public opinion data took effect on September 10, polls indicated that Brothers of Italy was on course to secure more votes than the League and a third coalition partner, Silvio Berlusconi's Forza Italia, combined.

But Brussels shouldn't expect an easy ride. Meloni has also talked repeatedly of the need to revise the EU's €200bn recovery plan to account for the oil price shock stemming from the Ukraine conflict, despite warnings from the commission that the plan cannot undergo significant changes. That, in turn, has raised concerns that the reform and investment programme — with funds released in tranches based on the meeting of key reform criteria — could stall.

Such gloom and uncertainty over Italy's prospects marks a dramatic turn from the optimism of earlier this year, when Draghi pledged to execute the ambitious EU-funded reform and investment programme aimed at raising Italy's long-term growth trajectory. The former ECB president faced few questions about meeting commitments to Europe's institutions.

But the invasion of Ukraine unleashed severe political strains in a country that had long seen itself as a bridge between Russia and the EU. Breaking from Rome's traditional sympathy for Moscow, Draghi vigorously denounced Russia's aggression and led the drafting of some of the toughest EU sanctions. That discomfited some members of his coalition — including Salvini and the populist Five Star Movement —

moment for all of Europe and the west."

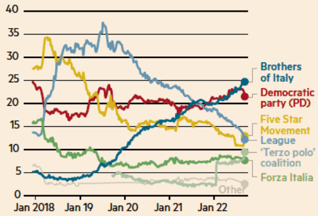
#### Italy First

Many fear that a rightwing Italian government will also be a drag on deeper European integration at a critical juncture. Major European powers are reconsidering closer co-operation on defence and revising fiscal rules to give member states more room for long-term growth-enhancing investments.

In her approach to Europe, Meloni has more in common with Hungarian leader Viktor Orbán than the big forces of the EU, Germany and France, and appears ready to side with other nationalist conservative leaders in their disputes with Brussels over rule of law and democratic standards.

Last week, both Brothers of Italy and the League voted against a European

**Brothers of Italy hits high under Meloni**
Voting intention (%) based on polling average




Source: Termometro Politico • *Azione and Italia Viva

less secure with Meloni. Her approach is not pro-European'
Enrico Letta

Rivals warn that Meloni's nationalist, Eurosceptic outlook will see Italy lose the clout it has wielded in Brussels under Draghi, whose towering personal reputation and staunch commitment to the transatlantic relationship gave him a leading role in EU decision-making through the crisis of the past year.

"Italy will exit from the core of Europe," warns Enrico Letta, the Democratic party leader who tried but failed to stitch together a broad centre-left coalition to compete more effectively against the rightwing coalition.

"The European future will be less strong and less secure with Meloni," he says. "Her approach is not a pro-European approach, it is exactly the opposite. We want to stay in the first division — at the heart of Brussels — with Germany, France and Spain. With her we'll be relegated to the second division, with Hungary and Poland."

For all Meloni's efforts to portray herself as a mainstream conservative, Catherine Fieschi, author of *Populocracy: the Tyranny of Authenticity and the Rise of Populism*, describes the Brothers of Italy leader as "deeply ideological" and says she has used the "ideas of the traditional Christian conservative right" to tap into a potent strain of the population.

"She has understood perfectly that Italians are sick of bombast but don't want technocracy either," Fieschi says. "She really is a nationalist conservative. What we are going to see is 'Italy First'."

*Additional reporting by Ben Hall and Giuliana Ricozzi. Data reporting and analysis by Federica Cocco*



# The FT View

ft.com/opinion

## The EU should press Hungary hard on rule of law

*Potential freeze on €7.5bn of funds gives the bloc serious bargaining power*

For years, the EU lacked adequate mechanisms to penalise member states guilty of backsliding on democratic and legal safeguards. New rules last year finally gave it a formal, usable tool: the ability to suspend funds if a country violates principles of the rule of law so that EU money risks falling prey to corruption and misuse. The European Commission's proposal this week to withhold from Hungary €7.5bn of cohesion funds — provided to less developed parts of the EU — has been a long time coming. Brussels and EU capitals should not shrink from using it effectively.

The commission is already holding up money to another central European rule-of-law offender, Poland, from the EU's Covid recovery fund until Warsaw meets conditions designed to safeguard judicial independence. But Viktor Orbán's Hungary — described by a European Parliament report last week as a "hybrid regime of electoral autocracy" — is the first to be targeted by the so-called rule of law conditionality mechanism. If EU states backed Brussels' proposals by a qualified majority, Hungary would lose one-third of the €22bn cohesion funds it is due to receive up to 2027.

The commission has also said €5.9bn of grants Hungary is seeking from the recovery fund could be affected if it did not address rule of law issues. At risk, notes Eurasia Group, a consultancy, are non-repayable grants worth 8.5 per cent of Hungary's gross domestic product.

Hungary remains one of the largest net recipients of EU funds as a share of GDP even though Orbán has for years thumbed his nose at EU values. Critics charge that as well as helping his Fidesz government to deliver growth and higher living standards while it has consolidated its hold on power, EU funding has been used as part of a system of patronage for loyalists.

Funds from the bloc have become particularly important now, as Budapest grapples with galloping inflation, a growing fiscal shortfall and a plunging forint — resulting from a spending spree linked to elections last April, and EU-wide economic pressures related to the conflict in Ukraine.

That gives the commission and EU capitals real bargaining power if they choose to use it. Indeed, Budapest has scurried to offer some 17 remedies to address the commission's concerns over how EU funding is policed in the country, including creating an "integrity authority" and an anti-corruption task force. The EU's budget commissioner says these are "important commitments in the right direction".

Yet democracy activists worry that the EU's threats will again prove toothless. Even if the bloc did freeze €7.5bn in cohesion funds, Budapest would still be receiving two-thirds of what was earmarked. Orbán critics fear many capitals will shy away from doing even that, as they seek to keep Hungary on side over sanctions against Russia. Hungary's premier has reportedly told his party sanctions should be scrapped.

There is a serious danger that Budapest's reform pledges will prove largely cosmetic

There is a serious danger, too, that Budapest's reform pledges will prove largely cosmetic. Orbán has often promised steps to address concerns over democracy, media freedom and rule of law that amount to less than they appear, in what he has called a "peacock dance" with EU bodies.

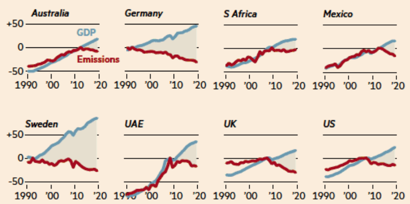
With rule of law concerns emerging in countries such as Bulgaria, how the EU deals with both Poland and Hungary will set a crucial example. If it chooses to accept Budapest's reform pledges, robust verification is needed. As with Poland, no frozen funds should be paid out until the promised steps have both been enacted and are operating properly. If the EU is to maintain its credibility it has to be ready to defend its values against not just external threats, but those that come from within.

Opinion Data Points

## Economics may take us to net zero all on its own

John Burn-Murdoch

**Dozens of countries are now seeing a steady decline in $CO_2$ emissions alongside economic growth**
Recent trend in emissions and GDP, expressed as % change since divergence began




Source: FT analysis of data from Gapminder, Our World in Data, World Bank
All monetary values expressed in constant 2017 PPPs

Speaking at the COP26 summit last year, Richa Sharma, leader of the Indian delegation, was quick to emphasise that India had a right to burn fossil fuels, telling delegates: "The meagre carbon budget is first and foremost the right and entitlement of developing countries."

This emphasis on allocating the bulk of remaining "carbon space" to countries who have not yet reaped the benefits of years of fossil-fuelled eco-

intensive manufacturing to services and from dirtier to relatively cleaner fossil fuels has been supercharged by proliferating cheap renewables.

In 2016, 70 countries — more than one in three worldwide — had a run of at least five years in which carbon emissions declined while GDP grew. Green growth is already here. Even putting aside the climate justice argument, there has long been an assumption that developing countries would have to go through dirty growth.

# Letters

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## UK must adopt an export-led growth strategy

The UK Treasury is being told to re-orientate all its activities to raise the trend rate of growth of the British economy to 2.5 per cent per annum.

Your columnist, Linda Yueh, writes that a faster rate of growth would be good for sterling ("A coherent growth strategy would be good news for sterling", Opinion, September 15).

What she ignores is that faster growth in gross domestic product invariably leads to a surge in imports unmatched by a rise in exports leading to a serious balance of payments crisis, particularly if the stimulus to growth comes from tax cuts.

Sterling suffers, with the nasty side effect of rising import prices adding to inflation. The only sustainable way to promote growth in an open economy is through an export-led growth strategy so that exports can pay for the import content of consumption, investment and other items of expenditure.

There are several ways in which export growth can be encouraged, apart from beefing up the UK export finance department.

One would be to apply a lower rate of corporation tax to profits earned from exports as opposed to domestic sales. Another would be to exempt duties on imports which are used as inputs into exports (and not only in export-processing zones).

Any growth strategy which ignores the balance of payments consequences is doomed to failure, as history testifies.

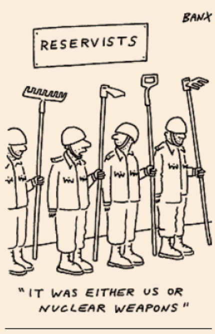
**Tony Thirlwall**
*Emeritus Professor of Applied Economics*
*University of Kent, Canterbury, Kent, UK*

## Arm IPO would test PM's free market credentials

You report that Prime Minister Liz Truss and chancellor Kwasi Kwarteng are preparing to launch a last-ditch charm offensive to persuade Japan's SoftBank to list the British tech company Arm in the UK (Report, September 16). Why are they doing this, given both are fervent supporters of "free" markets?

According to your correspondents, a dual UK-US listing "would be viewed as a vote of confidence in the London stock market and would enable UK-focused investors and pension funds to invest in what is viewed as one of Britain's biggest tech success stories".

This second point clearly illustrates the absolute dominance of benchmarking among those institutions, a practice roundly criticised by John Kay in his 2012 "Review of UK Equity Markets and Long-Term Decision Making". Among




## Why cold homes pose a risk for asthmatic children

## The King's commitment to saving the planet is clear

In "The King's passion for environmentalism was clear to those who worked with him" (Opinion, September 19) Tony Juniper struck a note for those of us who live outside the Commonwealth. As Prince of Wales, Charles left a profound legacy as a globally significant and knowledgeable leader for the environment.

I was one of countless environmentalists who saw him as a guiding light on sustainability, climate, forests and oceans.

During the 12 years that I worked for the Clinton Climate Initiative at the Clinton Foundation, his staff and I shared many ideas as we established the C40 Cities Climate Leadership Group, which originated in London, and the Small Island Developing States intergovernmental organisation led by prime ministers, many of whom are Commonwealth members.

## Wirecard investigations team, take a bow

On watching the film of the FT's Wirecard investigation, *Skandal: Bringing Down Wirecard*, my immediate reaction is to say truth is stranger than fiction (Review, September 16).

When one's treated to a fast-paced international movie with international finance and criminals at its heart; when you see the investigation team making progress to track down their quarry; when the action moves from one exotic jurisdiction to the next; when you realise the cast is widened to accommodate failed states, international spies and deep security, you say this is just a rollicking good yarn, dramatic in its intensity but at the end of the day, it's just a story.

But it's not.

Your paper and your journalists have had a terrifying experience. Truth really is stranger than fiction.

On a human level, how Dan McCrum and Paul Murphy kept going, particularly when their personal safety and modus operandi became serious issues over such a long time, is extraordinary.

I must applaud your former editor Lionel Barber too for the approach he took.

What's frightening is the way in which the story seemed to be turned on its head, with the FT becoming a direct target at the hands of fintech regulators in two countries.

Perhaps one could characterise the attempt by Wirecard to fight its corner as an example of what I describe as the Trumpian defence.

It's a move made by an international grandmaster who decides that it's pointless to deal with the facts. Just let's nomic growth is central to the climate justice movement. But all such good intentions are rapidly being overtaken by simple economics. In 2009, coal was still an attractive option for countries looking for affordable energy, its average costs coming in well below renewables. But by 2020, both wind and solar had become far cheaper per unit of energy. In some markets, capital-intensive new installations even worked out cheaper than existing coal plants.

In response, India's appetite for coal has quickly waned. In 2019, the International Energy Agency forecast that the country's installed capacity of coal would grow by around 80 per cent between 2018 and 2040. A year later, they revised that to just 10 per cent.

Similar patterns have played out elsewhere. For the best part of the past 200 years, one rule held across the world: if a country's economic activity expanded, so did its carbon emissions. But starting in the 1980s with the advent of nuclear power, it became increasingly common to see countries cutting emissions while growing GDP. The pace of this decoupling has now accelerated as the shift from carbon-

But here again the data paint a promising picture. While developing countries do follow an environmental Kuznets curve, where the carbon-intensity of GDP rises before falling away again, each successive cohort traces a cleaner path than the last. At the dirtiest point on their energy transition, countries industrialising back in the 19th century had to emit roughly 1kg of $CO_2$ for every dollar of GDP they produced in today's money. The next generation, who industrialised around 50 years later, achieved the same level of development but only had to burn 0.65kg per dollar along the way.

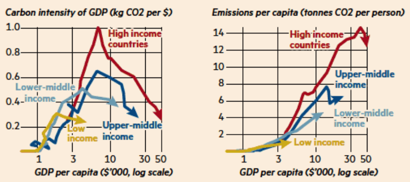
The third, China's cohort, topped out at 0.5kg, and the final group, primarily countries in Africa and south Asia, are moving to the downward, greener slope of the transition, having peaked at just 0.3kg per dollar.

None of this is mission accomplished — the world remains a long way from net zero. But we should welcome the fact that investment, innovation and market forces are driving green growth and falling emissions.

*john.burn-murdoch@ft.com*

**All countries are following the same energy transition, but progress in green energy means each wave of development emits less carbon than the last**

**Energy transition path of countries in each wave of economic development, between 1800 and 2019**




Source: FT analysis of data from Gapminder, Our World in Data, World Bank
All monetary values expressed in constant 2017 PPPs

its key points was the need to focus on absolute not relative return, so "risk" is not tracking error relative to a benchmark; and portfolios should be differentiated from benchmark indices.

It may well be the case that the new UK government "saw the chance to win at least part of SoftBank's flotation as a 'big and quick win' to show it was serious about the future of the City" but such an initiative is not based on sound investment principles, nor is it consistent with the declared beliefs of Truss and Kwarteng.

**JE Woods**
*Kingswood, Surrey, UK*

## Poor diet is biggest reason Britons are so unhealthy

Camilla Cavendish (Opinion, September 17) is right to draw the connection between people in their fifties and sixties not working and their state of health. This is the beginning of a recognition that good health is an investment, not a cost. The NHS backlog and long Covid have both had an impact on people's ability to work. However, less than 20 per cent of health outcomes result from healthcare interventions and in this country we have a number of reasons for our poor health.

Poor diet is now the biggest risk factor for preventable ill health, narrowly ahead of smoking. It is estimated 40 per cent of NHS resources are spent dealing with illness caused by poor diet. Increased physical activity can lead to reductions in many cancers and diabetes as well as improved mental health. The NHS needs resources, but society as a whole and the whole of government needs to rapidly address the health and social costs of our lifestyle.

**Christine Hancock**
*Founder, C3 Collaborating for Health, Previous General Secretary, Royal College of Nursing, London NW1, UK*

Your article ("UK faces 'humanitarian crisis' with children's lives at risk", Report, August 31) highlights how children's lungs could bear the brunt of skyrocketing fuel costs this winter.

With the University College London's Institute of Health Equity forecasting that more than half of homes could be plunged into fuel poverty next year, we're seriously concerned that thousands of children will be left fighting for breath as families are priced out of heating their homes.

We know that cold air is a common trigger for people with conditions like asthma, as breathing in dry, cold air irritates the airways and your lungs react to this by becoming tighter.

We don't want to see more children "blue-lighted" from freezing homes to hospital with life-threatening asthma attacks. Government needs to act now to help people with lung conditions and on low incomes cope with these untenable energy price hikes.

**Henry Gregg**
*Director of External Affairs, Asthma + Lung UK, London E1, UK*

## Thankfully, the Queen ignored this royal advice

The advice to "quiet quit" can be traced beyond contemporary France ("Quiet quitting; the French were at it 20 years ago", Letters, September 16) to *The Epic of Gilgamesh*, mankind's oldest literary text, where King Uta-Napishti, the Babylonian Noah, admonishes the hyperactive King Gilgamesh of Uruk: "You toiled away, and what did you achieve? You exhaust yourself with ceaseless toil, you fill your sinews with sorrow, bringing forward the end of your days" before "Man is snapped off like a reed in a canebreak!" Happily, Queen Elizabeth II overlooked this royal advice, toiling tirelessly — and her days were not shortened.

**Rupert Boswall**
*Staplehurst, Kent, UK*

When Charles asked the US environmental leaders to come to London to discuss rainforest and biodiversity issues, every single one of us came away impressed with his intellect, his easy-going manner, and his deep commitment to saving the beauty, diversity and life of the planet. The symbol of the King matters and the crown is now worn by a man of substance. That character trait will not change.

**Jan Hartke**
*Reston, VA, US*

## Questions are the same, it's the answers that change

In your letters section, Mariano Torras, Professor of Economics at Adelphi University, Garden City, New York state rightly admits that economics is not a science (September 19).

I am reminded of my time studying mathematics in the mid-1970s. It was commonly held that the difference between final degree examinations in mathematics and economics was that each year they changed the questions in mathematics, whereas in economics the questions were pretty much the same; they simply changed the answers.

**Dick Sands**
*London TW8, UK*

## The headline put me in mind of Maugham's quote

The unusual title of Edward Price's article on energy company profits "Everything in excess (please)" (FT Alphaville, FT.com, September 20) reminded me of a quote from Somerset Maugham: "I have not been afraid of excess: excess on occasion is exhilarating. It prevents moderation from acquiring the deadening effect of habit."

**Michael Street**
*Noto, Sicily, Italy*

blitz the opponent, resort to everything in the grandmaster's playbook, as Murphy says, shock the opponent into retreat and then hope to sweep him off the board ("Wirecard scandal coming to a screen near you", Opinion, September 15).

I hope everyone who sees *Skandal* will recognise how truthful the FT has been, to those words that appear below The FT View each day: "Without fear and without favour."

May you long continue to hold the line.

**Alastair Conan**
*London CR5, UK*

## A compelling piece of writing on student anxiety

Lucy Kellaway ("The anxiety exams", Weekend Essay, Life & Arts, FT Weekend, August 6) writes compellingly about the pressures on students and teachers arising from the coronavirus pandemic, amplified in many cases by social media.

Kellaway's efforts to resist the slide towards self-diagnosis of mental health issues, often as an excuse for poor attendance, should be supported.

Peter Fonagy, chief executive of the Anna Freud Centre, quoted in the article is surely right when he states that "anxiety and low mood and unhappiness are not illnesses. They are part of life."

Of course, where there are signs of severe distress, pupils and students should be referred to the appropriate professional school nurse, welfare office or GP for diagnosis and support.

**Nigel Currie**
*Bristol, UK*

## Correction

● Vincent Auriol, president of France from 1947 to 1954, attended King George VI's funeral in 1952. An article on September 20 stated that he did not.



# Opinion

## What this tech bubble got right

TECHNOLOGY

John Thornhill

When the dotcom bubble burst in 2000 many investors slapped their foreheads at their collective stupidity and shouted: what were we thinking? How was it that Pets.com, a profitless start-up more famous for its floppy-eared sock puppet mascot than any coherent business plan, could float on the Nasdaq before going bust within the year?

Some investors may be squirming again as they watch the 29 per cent fall in the Nasdaq this year and survey the wreckage of special purpose acquisition companies, which enabled several profitless companies without coherent business plans to come to market. These Spacs were, in the words of one veteran investor, the "last degenerate spasm of an over-extended bull run."

However, as the tech entrepreneur Paul Graham wrote in a brilliant essay in the aftermath of the first dotcom crash, stock market investors were right about the direction of travel even if they were wrong about the speed of the journey. "Despite all the nonsense we heard during the bubble about the 'new economy' there was a core of truth," he wrote in "What The Bubble Got Right".

Written in 2004, Graham's list of 10 things the bubble got right still stands the test of time. The internet has indeed revolutionised business. Casually dressed, California-based, 26-year-old nerds with good ideas have often out-innovated 50-year-old suits with powerful connections. Technology doesn't add, it multiplies, he wrote.

What have investors got right in the latest bubble?

It would be fascinating to hear Graham's updated thoughts. Sadly, he has not yet replied to my email. So, to trigger the debate, here are five things I think the latest bubble got right, drawing on interviews with investors and entrepreneurs. FT readers will doubtless have better, or contrary, ideas.

First, the stock market has been right to attach enormous value to data, even if accountants have a hard time recognising it on the balance sheet. Those companies that can gather, process and exploit meaningful data have a competitive edge in almost every market.

Second, while globalisation may be slowing, e-globalisation is accelerating.

> So-called liquid enterprises that hire and manage employees around the world are going to thrive

The International Telecommunication Union estimates that 4.9bn people — or 63 per cent of the world's population — were connected to the internet by 2021. It is targeting 100 per cent by 2030. Not only are people increasingly accessing the internet but they are accessible on it, too. A teenage programmer in a bedroom in Tallinn or Lagos or Jakarta can reach a global audience overnight.

Third, the Covid pandemic has permanently changed the world of work. Stock market investors may have suffered a sugar rush in excessively bidding up lockdown favourites such as Netflix, Spotify, Peloton and Zoom. But many companies will never be able to force valuable employees back to the office. So-called liquid enterprises that successfully hire and manage employees around the world are going to thrive — as are the companies that service this decentralised workforce.

Fourth, the energy transition will translate into colossal stock market wealth. Tesla might have become the most overhyped, if not overvalued, company on the planet. But by spearheading the electric vehicle revolution, it symbolises an important trend.

Fifth, the evangelists touting crypto and Web 3 may have so far failed to deliver many answers, but they are asking the right questions. How do we own and trade digital assets? "Blockchain is a game-changer. It is going to restructure the back office of the world," says one bank chief executive.

This year's cyclical downturn in public and private tech markets is crushing these secular trends. But in the past few weeks investors have been warming again to the attractions of fast-growing tech companies. One example is Figma, a collaborative software business that has just agreed an eye-popping $20bn takeover offer from Adobe.

Dylan Field, Figma's 30-year-old co-founder, tells me his company has been built on the "mega-trends" reshaping the tech sector. About 81 per cent of Figma's active users are now outside the US. It may have become a cliché to say that "software is eating the world" (to use the tech investor Marc Andreessen's phrase) but it remains true. "People assume that it is over. But it is just starting," Field says.

At times, the latest tech bubble has resembled the unintentional dotcom Ponzi scheme described by Graham at the beginning of the century. But that does not mean investors' instincts were not sound, both then and now. The only question is: what price to attach to them?

*john.thornhill@ft.com*

## *How to deal with 'submerging markets'*

Soofian Zuberi

The toxic trifecta of soaring food and energy prices, coupled with the threat of drought, is having a severe impact on a number of developing nations. Several countries commonly referred to as emerging markets could perhaps be better described as "submerging markets".

Sri Lanka, where frustrated citizens stormed the presidential palace in July, could be merely the opening act in a wave of instability across the developing world. In 2015 the G7 made a commitment (reiterated in 2022) to lift over 500mn people out of hunger and malnutrition by 2030. At this point, however, we appear to be going in the opposite direction. The World Food Programme predicts that over 320mn people are at risk of acute hunger.

Many emerging market countries took advantage of the era of low global interest rates to fund spending by raising debt in the international capital markets. But rate increases by the US Federal Reserve, combined with weaker EM currencies, are now resulting in severe debt servicing burdens which are eating into governments' discretionary spending on health and education.

The impact of emerging market meltdown could be felt in developed countries across North America and Europe in the form of increased migration flows. As several Central American countries, among others, grapple with dramatically slowing growth and food price inflation, we may again see waves of refugees gathering along the US's southern border. We could also see

> Food insecurity will result in many countries experiencing civil war-type conflicts over resources

more boatloads of desperate people from Africa and the Middle East arrive on European shores in search of better lives.

## Rate rises threaten US equality gains

Efi Chalikopoulou

FINANCE

Gillian Tett

When Jay Powell, US Federal Reserve chair, announced another big interest rate hike on Wednesday, he grimly admitted the obvious: "Reducing inflation is likely to require a sustained

Judging from some striking new research released this week, just before the Fed move, the unwelcome answer is: "probably yes."

This analysis comes from the economists Emmanuel Saez, Thomas Blanchet and Gabriel Zucman. Their starting point is the observation that it has hitherto been very difficult to assess in a timely manner how inequality trends are shaping economic growth.

The US government publishes aggregate statistics about earnings, spending and growth with a lag of just a few weeks. But granular information about trends in different socio-economic

The first is that the recession induced by the Covid-19 pandemic had a different impact on US households than that of the global financial crisis. The post-

ing another sharp decline in incomes, there was a swift recovery. "All income groups recovered their pre-crisis factor income level within 20 months", they

Why? Initially, the rebound stemmed from one-off Covid welfare payments. However, the bigger, and more durable, factor was strong job and wage growth period of below-trend growth and there will very likely be some softening of labour market conditions.”

The Federal Open Market Committee now projects that the overall unemployment rate will hit 4.4 per cent next year, up from earlier forecasts of 3.9 per cent, and the current level of 3.7 per cent.

That is bad news for a White House that faces a tough midterm election in the teeth of voter fury about cost of living increases. But the issue that is perhaps even more pressing for politicians, as well as Fed economists, is exactly how this pain might be distributed between different income groups.

In the past few years Powell has often defended the Fed's loose policy, arguing that by ensuring a red hot economy the Fed was also creating jobs that lifted people out of poverty. So will this dynamic now be reversed as rates rise? In other words, could the Fed decision be regressive?

groups only emerges after a long delay — and from different sources. Previously, when economists such as Thomas Piketty (or indeed Saez himself) have warned about widening inequality in America, they have done so by constructing historical data series rather than examining current trends.

This time, however, Saez's group has tried to plug that information gap by creating so-called high frequency inequality data. This means aggregating a vast array of public and private information sources, including non-traditional ones, to create monthly calculations of how income and wealth patterns are evolving, almost in real time.

This ambitious undertaking is still a work in progress, and the methodology has been made open source, to enable widespread testing. But the initial data series, which goes back to 1976, contains two very thought-provoking messages for America's current political economy.

crisis recession sparked a slump in Americans' incomes, and it took four long years for economic activity, measured by average gross domestic product per capita, to recover to pre-crisis levels.

That post-crisis period was even worse for the poor. According to Saez, Blanchet and Zucman, it took “nearly 10 years for the bottom 50 per cent [of workers] to recover [their] pre-crisis pre-tax income level”. This is almost certainly one of the factors that fuelled the rising tide of populism in recent years.

However, when the Covid recession hit in the spring of 2020, initially caus-

> It is striking that the poorest cohorts were not excluded from the benefits of the Covid recovery

observe. Indeed, by 2021, average real disposable income was a remarkable 10 per cent above 2019 levels.

And what is even more striking is that on this occasion the poorest cohorts were not excluded from the gains. On the contrary, average disposable income for the bottom 50 per cent was actually 20 per cent higher in 2021 than in 2019.

This leads to a second key point: while the Covid recovery slightly reduced income inequality, this was not universal. Racial inequalities remained stark, and inequities of wealth, as opposed to earnings, swelled because the Fed's ultra loose monetary policy bolstered the price of assets held by the rich.

But if you just look at real household incomes — arguably the measure that most voters are aware of on a day-to-day basis — the pattern produced relative gains for the poor. And that was a “break from the trend [of rising inequality] prevailing since the early 1980s”.

among low-paid workers. And in 2022, this tight job market has continued to benefit the poor — even as welfare payments have ended — with their incomes 10 per higher than they were pre-pandemic.

So will this trend now go into reverse? It has not done — yet. But some progressive politicians, such as the Democratic senator Elizabeth Warren, are clearly worried as rates keep climbing, particularly given that high inflation tends to hit poor people harder in relative terms. “What [Powell] calls ‘some pain’ means putting people out of work, shutting down small businesses,” she observed last month, railing angrily against the Fed.

And as the midterms loom, such attacks could multiply. All eyes, then, on Powell's next move, and how this looming “pain” affects voter sentiment.

*gillian.tett@ft.com*

Food insecurity and economic downturns will result in many countries experiencing civil war-type conflicts as local groups compete for scarce resources. And these economic and security challenges will result in migration flows that adversely affect both potential migrants and the countries that receive them.

There are several steps that can be taken to address the challenges facing emerging market nations.

In the short term, the IMF and sovereign donors should announce a three-year debt servicing moratorium for the most vulnerable countries. This will help create much-needed fiscal space, and should be coupled with a requirement that the proceeds saved in lieu of debt payments be invested in agriculture, health and education.

Furthermore, the IMF, together with the G7 and EU, should also increase lending to emerging markets to help fund fertiliser, food and energy imports. Countries such as Saudi Arabia and the United Arab Emirates, which benefit from higher energy prices, should be strongly encouraged to contribute to these global efforts, along with China and Japan.

Aid should also be channelled towards groups such as the World Food Programme and the International Rescue Committee, which together operate in over 120 developing countries and have built-in processes to direct food and other supplies to the most needy. The G7 and larger trading blocks across Europe, North America and Asia should also encourage targeted duty free imports from these countries, with the assistance of the World Trade Organization.

The G7 summit in July announced an incremental $4.5bn to combat hunger — but the Greek bailout packages in the last decade totalled over $300bn. While stabilising Greece helped to stabilise Europe, the gap between these numbers is massive.

We don't want a planet where millions go hungry, countries default on their debt, the hungry are forced to leave their homes to find subsistence elsewhere and civil wars rage — in short, a world in which countries submerge. We can and must do better.

*The writer is head of global equity at Bank of America. He writes in a personal capacity*

# *Trickle-down economics is no substitute for a growth plan*

Rachel Reeves

Liz Truss wants the British public to believe that she represents change. She and Kwasi Kwarteng even want you to believe they have a new plan. But what they are proposing is just another zigzag on a path of policy failure tracking across the past 12 years of the economy.

Just like Boris Johnson before her, the new prime minister and the chancellor are long-serving cabinet ministers. They are desperate to present themselves as agents of change, so must decry the growth plans they once supported — there have been six since the Conservatives took power in 2010, each announced with great fanfare but with little impact. Instead, the one constant over a decade of Tory government is low growth.

Truss's answer is trickle-down economics: dogmatic deregulation, a smaller state and cutting headline rates of tax on the richest individuals and the biggest companies. Her approach is discredited and inadequate — and will not unleash the wave of investment and consumption she claims.

Take the decision to keep corporation tax at 19 per cent. Of course we need a competitive regime, but UK levels are already below France and Germany and would remain so at the planned 25 per cent — yet UK corporate investment is still the lowest in the G7. Businesses have other priorities: in the most recent ONS survey, only 2 per cent cited tax as their main concern.

As a former Bank of England economist, I look for evidence. As the European Economic Review recently set out, there is no strong relationship between corporation tax rates and growth. Large cuts to the headline rate over the 2010s failed to boost investment substantially, resulting in anaemic productivity gains.

Economic growth requires a modern approach that genuinely expands the supply side of the economy. It starts with a government that listens to business. It means maximising the potential of the British workforce, tackling long-standing weaknesses in basic and vocational skills that hold back productivity.

Certainty for businesses is vital. The Labour party's ambitious industrial strategy will emphasise a long-term policy framework to drive business investment. And our Green Prosperity Plan will make targeted interventions, ensuring confidence in regulation, and with

> Truss's approach is discredited and inadequate, and will not unleash the investment she claims

government investments making new and emerging technologies less risky to invest in.

We must strengthen trading relationships and remove trade barriers, especially with our closest neighbours in the EU. Labour wants to make Brexit work, so we will sort out the issues with the Northern Ireland protocol, including a veterinary agreement. We will support our world-leading services, the creative sector and scientists, so that trade is easy rather than the bureaucratic nightmare it has become.

Fair business taxation should be combined with incentives for investment — the rate of corporation tax is only part of the picture. Companies repeatedly highlight the importance of investment allowances and problems with business rates. Labour will abolish the system and replace it with a fairer model.

The only way to develop pro-growth policy is a proper understanding of what business needs. Conversations with business led to me asking independent peer Jim O'Neill to lead a review into helping companies to start and scale up in the UK — including spinouts from our world-class universities.

This active, pro-business, pro-worker approach is the right way to promote growth. Not only does Truss's tired trickle-down playbook fail to meet the challenges and opportunities before us, it also misunderstands the relationship between inequality and growth.

Truss says she will deprioritise redistribution. But research by the IMF has shown that higher income inequality is associated with lower and more fragile growth. It is obvious why. Concentrating income among fewer people — those least likely to spend it and drive the economy forwards — undermines workers' health and education, the crucial components of a productive workforce.

After many attempts at this failed experiment, we know that growth does not trickle down from the top. It is built from the bottom up and the middle out, powered by the talent and effort of tens of millions of ordinary people and by thousands of businesses.

To get our economy growing, Britain needs to drive business investments, harness industries of the future and transform our workforce. There is nothing that comes remotely close to this from the Tories. They seem to turn a blind eye to evidence and experience.

In the past 10 years, productivity, investment and real wages have stagnated. It is time for a serious approach.

*The writer is Labour's shadow chancellor of the exchequer*



# Lex.

Twitter: @FTLex

## Fed tightening: killing me softly

To understand the significance of the US central bank's latest message, do not focus on US Federal Reserve chair Jay Powell but Charif Souki. Souki is a former restaurateur turned energy pioneer.

His latest venture, Tellurian, is attempting to build a liquefied natural gas terminal in Louisiana. It is a seemingly timely venture given global appetite.

Tellurian had been seeking to raise $1bn through a junk bond offering. This week, Souki pulled the deal due to weak demand. This despite Tellurian offering a coupon of more than 11 per cent plus stock warrants.

Last year, junk bond yields fell below 4 per cent. Virtually any risk seemed able to find reasonable financing. Times have changed. Attempts to fully crush persistent inflation are the central bank's priority. While raising benchmark interest rates 75 basis points, the Fed said this week that the federal funds rate could be higher than 4 per cent by the end of 2022.

The benchmark 10-year Treasury yield now sits well above 3 per cent, a level not seen since before the global financial crisis. Still, the US economy seems resilient. Unemployment is still low. Several sharp-eyed investors have noted that seemingly safe investment grade bonds are now offering yields in the recently unheard of range of 5 to 7 per cent. They prefer that bargain to double-digit coupons on a speculative energy project.

A so-called “soft landing”, in which the Fed avoids recession and regains overall price stability, is the bet. The Fed has indicated that it is worried about a job market that is too tight and which pushes up wages to levels disconnected from worker productivity gains. But tech companies such as Snap have already implemented big lay-offs. Reductions are looming at larger companies such as Meta, too.

The high coupons on loans and bonds that are enticing some funds to bite cannot, however, compensate for eventual defaults. According to data from S&P, the dollar value of global volatile market and monetary tightening combination.

A generation of traders and investors are experiencing an entirely new rollercoaster ride. This youthful cohort is about to grow up fast.

## China copper: CU later

The red metal is key to a greener world. The push for carbon neutrality will boost demand for copper, used in everything electric from wires to chips.

Yet the element is also a proxy for economic activity. The darkening outlook has undercut the bull case for copper. Prices have fallen a third since March. China is the world's biggest copper buyer, consuming half of all global output. Its faltering property market is weighing on demand. New home sales are a leading indicator of copper demand. That is due to its use in appliances, electrical wiring and telecommunications gear.

The outlook for the sector is continuing to worsen. The country's biggest developers reported a 40 per cent drop in home sales in July.

For the year, property sales are on track to fall nearly a third. That would be worse than the 2008 decline.

The weakening demand is reflected in the performance of China's copper stocks. Shares of the country's largest — Jiangxi Copper, China Molybdenum and Yunnan Copper — have fallen steadily over the past year, down more than 30 per cent. Aluminum Corporation of China Limited, one of China's top three copper product makers despite its name, is down 54 per cent in the past year.

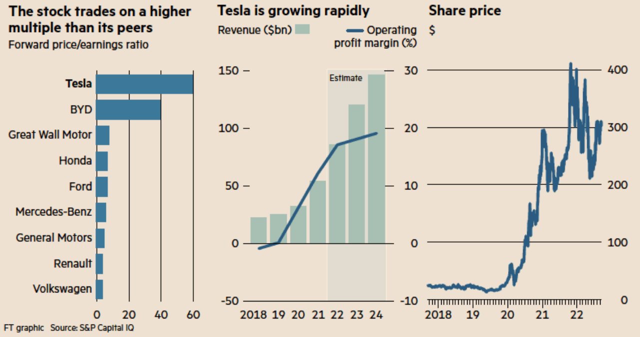
Investors nursing losses will not be consoled by talk of a looming copper crunch. Analysts expect prices to nearly triple to more than $20,000 per metric ton in the next three years.

Inventories fell to 15-year lows last year. In China, electric car sales, which have more than doubled this year, have added to demand. An electric car uses 2.5 times the copper of a petrol car.

Copper's tight market and role in decarbonisation will, in time, restore its investment case. Shares in some will hit demand for electronics and electric cars. That suggests copper has further to fall this year.

## Tesla: Optimus primed

The electric vehicle maker is scaling up production. Sales and operating margins have increased sharply. The share price performance is impressive over five years, despite this year's decline. The stock trades on a far higher valuation than its peers




FT graphic Source: S&P Capital IQ

The humanoid robot that Tesla is expected to unveil this month is an expert bit of stagecraft. Optimus, billed as the future of labour, is sci-fi come to life. But futuristic robots are not what investors in the electric carmaker care about.

Production in China, progress at the new factory in Germany, material supply and rival vehicle sales all take precedence.

Tesla makes the most popular electric vehicle in the world. As more traditional carmakers enter the EV market, this achievement becomes more impressive. Global demand for electric cars has kept pace with supply, thanks in no small part to Tesla's ability to make them desirable. In the last quarter, its sales rose 42 per cent. Over five years, the stock is up 1,200 per cent. That breeds investor loyalty. It might have lost about a quarter of its value in the year to date but it has avoided the 70 to 80 per cent price collapse that some tech stocks suffered in the market rout.

Yet is hard to see what could lift the price back to last year's high. A stock split in August, the company's second in two years, did not help. Stock splits can be used to attract more retail investors by offering a lower entry price per share. But Tesla already has a strong base of retail investors who hold about 37 per cent of the stock, according to S&P Global data.

Investors are right to be wary about the 60 times price-to-earnings ratio, too, even if it has more than halved since November last year. It is more than 10 times the size of larger, more established carmakers such as Volkswagen. Even BYD, China's electric car giant, trades at a far lower multiple. Musk fandom still accounts for a significant proportion of Tesla's valuation.

News about Optimus is expected to be released in Tesla's upcoming artificial intelligence day. But Tesla's ability to scale production and maintain profit will underpin the shares. The wild card is not robots but Twitter. Musk is still the largest investor in Tesla, though he has sold more than $15bn of shares to raise cash this year. If forced to go through with his deal to buy Twitter for $44bn, he may be forced to sell more.

## Naked Wines: looking exposed

The share price of Naked Wines, the UK-based online wine retailer, has accidentally fallen like a green bottle in a nursery song. The group has taken a sober view of the hit inflation will have on consumer demand. And telling equity investors not to worry about the status of a credit facility — as Naked Card Capital, resigned without explanation after only three weeks.

Naked pioneered an online model for wine sales in the UK, reversing into legacy competitor Majestic in the process. The Aim-listed company offered oenophiles deals on wine from unusual or sought-after vineyards.

But financial performance has been poor. Rising inflation and slowing economic growth leave the business, whose shares are 90 per cent below their pandemic peak, looking seriously challenged. Some housebound consumers glugged their way through the pandemic, boosting Naked's sales. Now the hangover. Substitution is credit facility, saying it remains in compliance with its obligations, but the facility has terms that could be tested in a serious downturn. The business will need all the advice that founder Rowan Gormley can dispense. The group trades on an enterprise value-to-earnings before interest, tax, depreciation and amortisation ratio of a little above six against a mean of almost nine for comparable groups, according to S&P. Naked's modest rating reflects investor nervousness.

The group has a record of disruption and a decent niche in the UK and US. It must now focus on profitability and financial resilience. Naked will provide

## $CO_2$: flat spin

US food and beverage producers have largely held their ground so far this year. Despite soaring input costs, many have been able to pass on higher prices to consumers.

The S&P Consumer Staples index has lost only 8 per cent in 2022 compared with a 22 per cent drop for the S&P 500. Some such as Coca-Cola have even managed to eke out a gain.

But a looming carbon dioxide shortage in the US could leave the industry feeling flat. Its applications include putting the fizz in soft drinks and beer, stunning animals before slaughter, and packaging food.

A lack of $CO_2$ — or having to pay more for it — will add to companies' bills. These already include higher prices for energy, labour and transport.

The situation in the US mirrors the one in Europe. Most $CO_2$ is a byproduct of other industrial processes. In Europe, that is usually fertiliser production. The surge in natural gas prices in Europe after Russia's invasion of Ukraine has prompted companies that make fertiliser to cut back.

In the US, $CO_2$ is also a byproduct of ethanol output. This has fallen as Americans have cut back on driving. Natural contamination at the Jackson Dome — a Mississippi reservoir of $CO_2$ from an extinct volcano — has added to the supply strain earlier this summer.

The US producer price index for carbon dioxide has risen nearly 25 per cent since April to a new high. Groups including Tyson and Kraft Heinz have been racing to secure supplies.

It is not just higher prices. Food and drinks groups may have to cut back on production, resulting in lost sales. In Italy, leading mineral water companies, including the San Pellegrino unit of Nestlé, have cut production due to a $CO_2$ shortage. Since the start of the year, a valuation gap has opened up between the Consumer Staples index and the broader S&P 500 index.

The industry's ability to deal with supply chain and cost inflation issues will be key to sustaining investor appetite for the sector.

from S&P, the dollar value of global corporate defaults reached nearly $30bn in the second quarter. This is triple the volume in the first quarter.

It has been 15 years since a sustained

its investment case. Shares in some local makers such as Jiangxi Copper, which trade just five times forward earnings, are starting to look attractive relative to global peers. Yet a recession

status of a credit facility — as Naked did last week — has left them worrying.

Pratham Ravi worried too, it appears. The non-executive director, who represented shareholder Punch

Now the hangover. Substitution is not hard in the wine trade. A cheaper bottle of plonk is easily available in Naked's US and UK markets.

Naked's statement refers to a $60mn

financial resilience. Naked will provide a trading update in mid-October. Belying its name, it must show it is wrapped up warmly against the chill of an inflationary winter.

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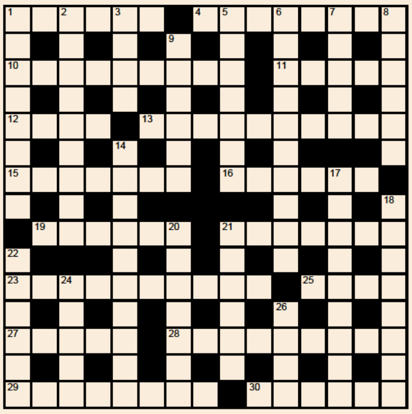
## CROSSWORD

No 17,207 Set by BRADMAN



**ACROSS**

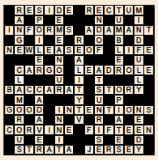
1 Insect – member of a foursome, we hear (6)
4 Is collection of poetry added to record events? (8)
10 Old-fashioned protection coming with series of letters? (5,4)
11 Life form of particular value (5)
12 Group of lecturers with old car (4)
13 Hell having long hair? It makes one unhappy (10)
15 Carrier transporting small human being maybe (7)
16 Was maybe got rid of (3,3)
19 Plant sheltered by porch ideally (6)
21 Female anger when confronting a jolly lethal device (7)
23 Charming lord, ultimately good enough to enter Parliament? (10)
25 Exclamation of surprise when meeting a good ruler (4)
27 Anxious bird abandoning lake and river (5)
28 Means of transmitting brief acknowledgment to crowds? (5,4)
29 Pals, we may deduce, offer congratulatory gesture (8)
30 My group of pupils getting support (6)

**DOWN**

1 Support a revolutionary bringing physical pain (8)
2 Some alert – nasty material (9)
3 Policy creating row (4)
5 Leap – it's developed into a system of exercises (7)
6 Low serpent disguised in fern (10)
7 Woman is at foot of pole, ascending (5)
8 Pubs ultimately convenient for this? (6)
9 Changed climate, ultimately very very dry all around (6)
14 Likely position of numbers associated with bridge? (2,3,5)
17 Linguistic jumble from signal far off (9)
18 I am fellow leading hospital department, everywhere present (8)
20 Watery expanse that provides an exceptionally uplifting experience (4,3)
21 Bird and flower in Cornwall needing study (6)
22 One is well (6)
24 Reason officer turned up to grab soldier (5)
26 German unaffected by rebound? (4)

JOTTER PAD

Solution 17,206



**Solution on Monday**