FINANCIAL TIMES

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Johnson and his rogue Tories are to blame for this Brexit disaster — PAGE 9

Mixed Morales
After 14 years, is Bolivia falling out of love with its leader? — BIG READ, PAGE 7

IMF debut
Chief sounds low rates alert

Kristalina Georgieva makes her first speech as IMF managing director at the fund's headquarters in Washington yesterday. The Bulgarian economist said one of her first jobs was to focus on the impact that negative interest rates were having on the slowing global economy.

Ms Georgieva told the Financial Times her team was looking carefully at the consequences and exit strategy of the "prolonged period" of low to negative rates. She also warned that the IMF would make "downward revisions" to world growth rates — currently 3.2 per cent this year and 3.5 per cent in 2020 — when it releases forecasts next week.

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Mark Wilson/Getty Images

Blockbuster listing in doubt after US extends assault on China tech

● Megvii AI group stunned ● Foreign investors in crossfire ● Possible aid for Huawei rivals

YUAN YANG — BEIJING
MERCEDES RUEHL — HONG KONG
KIRAN STACEY — WASHINGTON

A US move to blacklist four of China's top artificial intelligence start-ups has thrown a blockbuster Hong Kong listing into doubt and caught billions of dollars of foreign investment in the crossfire.

The decision by the commerce department to add 28 more groups to its so-called entity list, which already includes Chinese telecoms supplier Huawei, means US suppliers will no longer be able to sell them products without a special licence.

The US is stepping up its assault on the Chinese entities just days before the next round of trade talks. It is also looking at ways to funnel money to Huawei's European rivals to dilute the group's dominance of global communications.

Officials in the US government have suggested issuing credit to European telecoms equipment makers, such as Nokia and Ericsson, to enable them to match the generous financing terms Huawei offers its customers, according to two people close to the situation.

The US accuses four of the 28 additions to its blacklist — leading facial recognition companies SenseTime, Megvii, and Yitu as well as voice recognition group iFlytek — of aiding the "repression, mass arbitrary detention and high-technology surveillance" in the western Chinese region of Xinjiang.

The move shocked Megvii, which has already filed its initial public offering prospectus, and SenseTime, which is considering a listing. They are among the world's most valuable AI start-ups.

"We are all taken aback," said one of Megvii's bankers. "No change to plans now but we will have to see what happens over coming days."

One person close to SenseTime said the company had been surprised at the blacklisting after a "positive" meeting with two US senators in Beijing last month. SenseTime said it was "deeply disappointed" and "actively developing AI code of ethics". The company had recently sold its majority stake in a police surveillance company in Xinjiang following international outcry.

Both companies have foreign investors, with Macquarie and the Abu Dhabi Investment Authority taking part in Megvii's last fundraising and SoftBank, Fidelity, Qualcomm, Silver Lake and Temasek all backing SenseTime. All investors declined to comment.

iFlytek said it had "planned for this situation" and the move would have little impact on its business. Yitu declined to comment. Security camera groups Hikvision and Dahua, who were also put on the list, suspended trading on the Shenzhen exchange yesterday.

The Chinese foreign ministry criticised the US decision, saying it was using alleged human rights violations in Xinjiang as "an excuse for interference in China's internal affairs".

However, it added that trade talks which have been scheduled in Washington tomorrow would go ahead: "It is important we find a solution [to the trade dispute]."

Huawei rivals page 14

Facial recognition company SenseTime is said to be 'surprised' at the blacklisting

Briefing

▸ China operations chief takes Nissan helm
Makoto Uchida has been elevated to chief executive while Hari Nada, the whistleblower behind Carlos Ghosn's downfall, has been sidelined in a bid to end the rifts at the carmaker.— PAGE 11

▸ Impeachment probe subpoenas envoy
The House committees leading the Ukraine-related inquiry into Donald Trump have subpoenaed Gordon Sondland, ambassador to the EU, after the state department ordered him not to testify.— PAGE 2

▸ US basketball storm in China intensifies
State broadcaster CCTV and Tencent have halted plans to air the US sport's pre-season games after comments from a second National Basketball Association official.— PAGE 4; LEX, PAGE 10

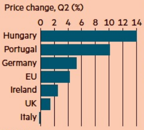
▸ Australia launches defence review
Defence minister Linda Reynolds has warned that the country's forces have to adapt to fundamental shifts in the region sparked by the failing US-China relationship.— PAGE 4

▸ Hong Kong bourse ends London pursuit
HKEX has abandoned its £32bn offer for London Stock Exchange Group, ending its attempt to create a global operator and break up the LSE's deal for Refinitiv.— PAGE 11; ANALYSIS, PAGE 13; LEX, PAGE 10

▸ Norway fund opens up on company votes
The $1.1tn oil fund, which owns the equivalent of 1.4 per cent of every listed company, has said it will release all its voting intentions before the annual meetings of groups in which it has a stake.— PAGE 12

▸ Trio accused of lying to save Barclays
The first day of the London retrial of former executives Roger Jenkins, Tom Kalaris and Richard Boath has heard that they lied about arrangements with Qatar investors to avoid a bailout.— PAGE 14

Datawatch



Source: Eurostat

German economic woes have yet to spill over into the housing market, with price growth in the second quarter at 5.2 per cent compared with a year earlier, a full point above the EU average. Italy is the only EU country where prices are falling

Threat of Isis resurgence behind Turkey's Syria push

Analysis ▸ PAGE 2

Johnson urges Varadkar to stick with talks as prospects for Brexit deal fade

GEORGE PARKER — LONDON
SAM FLEMING — BRUSSELS
ARTHUR BEESLEY — DUBLIN

Boris Johnson has urged Leo Varadkar to keep faith with talks on a possible Brexit deal, despite Downing Street fears that the prospects for an accord before October 31 are all but dead.

Mr Johnson's allies said yesterday that the British prime minister would meet the Taoiseach this week to try to resuscitate the talks, after a day of acrimony in which Number 10 aides accused Mr Varadkar and Angela Merkel, German chancellor, of blocking a deal.

Donald Tusk, European Council president, retaliated by accusing Mr Johnson of engaging in a "stupid blame game", but both sides seemed determined last night to cool tempers and avoid a complete breakdown.

Mr Johnson's team described a 40-minute telephone call with Mr Varadkar as "constructive" and said the prime minister was expected to meet his Irish counterpart tomorrow or on Friday for more talks. "Both sides strongly reiterated their desire to reach a Brexit deal," a Downing Street spokesman said.

But the sides remained far apart on the key issue of how to handle the Irish border, with tensions fuelled by what Downing Street called a "frank" 30-minute phone call between Mr Johnson and Ms Merkel.

Mr Johnson's aides claimed Ms Merkel argued that Northern Ireland would have to remain in the EU customs union under any Brexit deal in order to avoid a hard border. Mr Johnson has insisted that the region must stay in the UK customs territory.

"Merkel said that if Germany wanted to leave the EU, they could do it, no problem, but the UK cannot leave without leaving Northern Ireland behind in a customs union and in full alignment for ever," said a Downing Street insider.

"The call with Merkel . . . made clear a deal is overwhelmingly unlikely and she thinks the EU has a veto on us leaving the customs union."

Sterling slipped to its lowest level against the euro for a month.

Downing Street's account of the call caused outrage among Ms Merkel's supporters. "Johnson is misusing the phone conversation to start a blame game," said Norbert Röttgen, a senior MP in the chancellor's CDU/CSU group.

Additional reporting by Guy Chazan in Berlin and Laura Hughes in London

Blame game page 3
Editorial Comment page 8
Martin Wolf page 9

Austria	€3.80	North Macedonia	Den220
Bahrain	Din1.8	Malta	€3.60
Belgium	€3.80	Morocco	Dh45
Bulgaria	Lev7.50	Netherlands	€3.80
Croatia	Kn29	Norway	NKr35
Cyprus	€3.60	Oman	OR1.60
Czech Rep	Kc105	Pakistan	Rupee350
Denmark	DKr37	Poland	Zl 20
Egypt	E£42	Portugal	€3.60
Finland	€4.50	Qatar	QR15
France	€3.80	Romania	Ron17
Germany	€3.80	Russia	€5.00
Gibraltar	£2.70	Serbia	NewD420
Greece	€3.60	Slovak Rep	€3.60
Hungary	Ft1200	Slovenia	€3.50
India	Rup220	Spain	€3.60
Italy	€3.60	Sweden	SKr39
Latvia	€6.99	Switzerland	SFr6.00
Lebanon	LBP7500	Tunisia	Din7.50
Lithuania	€4.30	Turkey	TL19
Luxembourg	€3.80	UAE	Dh17.00

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World Markets

STOCK MARKETS

	Oct 8	prev	%chg
S&P 500	2903.05	2938.79	-1.22
Nasdaq Composite	7860.52	7956.29	-1.20
Dow Jones Ind	26193.47	26478.02	-1.07
FTSEurofirst 300	1490.11	1506.05	-1.06
Euro Stoxx 50	3438.36	3471.24	-0.95
FTSE 100	7143.15	7197.88	-0.76
FTSE All-Share	3918.17	3950.22	-0.81
CAC 40	5456.62	5521.61	-1.18
Xetra Dax	11970.20	12097.43	-1.05
Nikkei	21587.78	21375.25	0.99
Hang Seng	25893.40	25821.03	0.28
MSCI World $	2151.82	2153.83	-0.09
MSCI EM $	994.16	996.58	-0.24
MSCI ACWI $	514.28	514.85	-0.11

CURRENCIES

	Oct 8	prev		Oct 8	prev
$ per €	1.096	1.100	£ per $	0.819	0.812
$ per £	1.222	1.232	€ per £	1.115	1.121
£ per €	0.897	0.892	¥ per €	117.339	117.587
¥ per $	107.095	106.945	£ index	76.547	76.401
¥ per £	130.816	131.767	SFr per £	1.213	1.224
SFr per €	1.088	1.092			
€ per $	0.913	0.910			

COMMODITIES

	Oct 8	prev	%chg
Oil WTI $	52.21	52.75	-1.02
Oil Brent $	57.78	58.35	-0.98
Gold $	1501.25	1499.15	0.14

INTEREST RATES

	price	yield	chg
US Gov 10 yr	131.45	1.52	-0.02
UK Gov 10 yr	151.11	0.33	-0.03
Ger Gov 10 yr		-0.60	-0.02
Jpn Gov 10 yr	120.38	-0.21	0.02
US Gov 30 yr	115.08	2.02	-0.01
Ger Gov 2 yr	101.00	-0.80	-0.01

	price	prev	chg
Fed Funds Eff	2.04	2.13	-0.09
US 3m Bills	1.75	1.71	0.04
Euro Libor 3m	-0.44	-0.44	0.00
UK 3m	0.76	0.76	0.00

Prices are latest for edition — Data provided by Morningstar

A Nikkei Company

INTERNATIONAL

Washington

Envoy subpoenaed by impeachment probe

US ambassador to EU ordered to answer queries over Trump-Ukraine ties

DEMETRI SEVASTOPULO AND LAUREN FEDOR — WASHINGTON

The House committees leading the Ukraine-related impeachment inquiry into Donald Trump have subpoenaed Gordon Sondland, US ambassador to the EU, to appear before Congress after the state department ordered him not to testify yesterday.

The heads of the Democratic-controlled committees — intelligence, oversight and foreign affairs — accused the Trump administration of obstructing their investigation by preventing Mr Sondland from appearing for a deposition and also blocking him from providing the committees with messages on a personal device. "We consider this interference to be obstruction of the impeachment inquiry," the committee heads said. "We will be issuing subpoena to ambassador Sondland for both his testimony and documents."

Mr Sondland, a former hotelier and Trump fundraiser, had been scheduled to appear yesterday before the House committees leading the impeachment inquiry. But his lawyer, Robert Luskin, said the state department told Mr Sondland that he should not appear for a voluntary deposition.

Mr Luskin said his client was "profoundly disappointed" he would not be able to appear, but added that he "stands ready to answer the committee's questions fully and truthfully".

Mr Trump said on Twitter he "would love to send" Mr Sondland to testify, but that "he would be testifying before a totally compromised kangaroo court".

Adam Schiff, the Democrat who heads the House intelligence committee, said the text messages and emails from Mr Sondland's "personal device" that were being withheld by the state department were "deeply relevant" to the inquiry.

> 'We consider this interference to be obstruction of the impeachment inquiry'

"By preventing us from hearing from this witness and obtaining these documents, the president and secretary of state are taking actions that prevent us from getting the facts needed to protect the nation's security," Mr Schiff added.

The House committees have proceeded rapidly with an investigation that most experts believe will lead to articles of impeachment being brought — and passed — against Mr Trump. The president is banking on Republican senators defending him during a potential trial in the Senate.

Most Republicans have so far refused to criticise Mr Trump over his July phone call with his Ukrainian counterpart, in which he encouraged President Volodymyr Zelensky into trying to investigate Joe Biden — a frontrunner for the Democratic presidential nomination — and the local business activities of his son, Hunter.

Republican lawmakers defended the state department's decision, echoing Mr Trump's criticisms of Mr Schiff. Jim Jordan, the Republican congressman from Ohio, said Mr Schiff was running an "unfair and partisan process".

The House committees are also looking into why Mr Trump withheld $391m in congressionally authorised military aid to Ukraine and whether he used the funds as a bargaining chip to urge Mr Zelensky to find dirt on the Bidens, in a move critics have said would amount to foreign interference in the US election.

The House committees on Monday issued subpoenas to the Pentagon and White House budget office. A separate subpoena was issued to the White House on Friday after the Trump administration did not meet a deadline to submit documents.

Democrats had hoped to ask Mr Sondland about text messages between himself and Kurt Volker, the former US special envoy to Ukraine, and other officials, in which Mr Sondland appeared to confirm that the officials were offering Mr Zelensky a meeting with Mr Trump only if he started probing the Bidens.

Additional reporting by Adam Samson in London

Monetary policy

IMF chief urges work on impact of negative rates

JAMES POLITI — WASHINGTON

Kristalina Georgieva, the IMF's managing director, has asked staff to look more closely at the risks of negative interest rates for the world economy, urging countries to use monetary policy "wisely" in the face of a "synchronised slowdown" in global growth.

Ms Georgieva, the Bulgarian economist who became IMF chief on October 1, told the Financial Times the fund would "accelerate" its work on the pitfalls of negative interest rates as one of its first steps under her leadership.

"Obviously, if we were to be going through a more prolonged period of low to negative interest rates we ought to more seriously think about the consequences, as well as what an exit strategy might look like," she said.

Ms Georgieva's comments came as she offered a downbeat assessment of the world economic outlook, which has been buffeted by political risk and rising trade tensions, in a speech in Washington yesterday. The IMF in July predicted that world growth would slow to a rate of 3.2 per cent this year before rebounding to 3.5 per cent in 2020, but Ms Georgieva said there would be "downward revisions" to the figures for both years when the fund released a new set of forecasts next week.

"In 2019, we expect slower growth in nearly 90 per cent of the world," Ms Georgieva said in her speech. "The global economy is now in a synchronised slowdown."

Ms Georgieva said trade tensions — which have increased since Donald Trump become US president in 2017 — had put a significant drag on the global economy.

By 2020, losses from trade uncertainty — including the secondary effects on confidence stemming from tariffs — would reach $700bn, equivalent to the value of Switzerland's economy, Ms Georgieva said. "We have spoken in the past about the dangers of trade disputes. Now, we see that they are actually taking a toll."

In addition to stagnant global trade, the decoupling of the main economies was also a growing concern.

"The current rifts could lead to changes that last a generation — broken supply chains, siloed trade sectors, a 'digital Berlin Wall' that forces countries to choose between technology systems."

Speaking to the Financial Times, Ms Georgieva said there was now sufficient evidence that "nobody wins" from trade disputes. "Some lose more than others."

The IMF has called on central banks to pursue loose, or accommodative, monetary policy in the face of the slowdown if they needed a dose of stimulus, but Ms Georgieva acknowledged they were grappling with their mandates under "difficult circumstances".

But Ms Georgieva said there could be unintended consequences as central banks pushed interest rates deeper into negative territory.

With monetary policy so constrained, it was important for countries to gear up for a fiscal response to the slowdown, if it ends up being sharper than expected.

"Let me be clear. We are not there. But when it comes to preparing for the possibility of a co-ordinated response we should remember the advice of Shakespeare: 'Better three hours too soon, than a minute too late,'" she said.

Syria safe zone Turkish plan raises spectre of resurgent Isis

LAURA PITEL — ANKARA
CHLOE CORNISH — BEIRUT

Donald Trump on Sunday ordered US troops to vacate a part of north-east Syria where Turkey has threatened to launch a military incursion. The move appeared to pave the way for a Turkish assault against the US-backed Kurdish forces that control the region.

That triggered alarm in Washington and in European capitals, amid fears of the impact on efforts to defeat Isis jihadis. Humanitarian organisations warned of the potential harm to civilians in a country now in the ninth year of a punishing civil war that has already left an estimated 500,000 people dead.

Why is north-east Syria so important to the west?

The long north-eastern corner of Syria, wedged between Turkey to the north and the unruly western deserts of Iraq to the east, was where Isis incubated before bursting across the Iraqi border in 2015. The jihadist group sold oil from Syria's eastern oilfields in their territory, helping to fuel their murderous campaign and rule over cities and an area the size of Great Britain.

Its self-declared caliphate survived for more than five years before the group lost its final scrap of territory last March in a village on the east coast of the Euphrates river, close to the Iraqi border. The thousands of Syrian and foreign men, women and children who spilled out of Baghouz village have ended up in crowded prisons and fenced-off camps in north-east Syria.

Military officials have long warned that not all Isis fighters were imprisoned or killed, and the area remains at risk of being destabilised once more by Isis sleeper cells.

Who controls the region?

A huge swath of north-east Syria is under the control of members of the country's Kurdish minority.

Kurds, often referred to as the world's biggest stateless ethnic group, are mostly spread across Turkey, Syria, Iraq and Iran and have historically suffered waves of persecution. But in Syria, leftist Kurdish groups have taken advantage of the civil war to carve out an autonomous enclave, popularly known as Rojava.

The region is controlled by the Syrian Democratic Forces (SDF), a group established in 2015 from a loose alliance of leftist Kurdish fighters and Arab forces from more moderate units of the constellation of armed opposition groups fighting Bashar al-Assad's regime. The US chose the battle-hardened Kurdish forces to spearhead the fight against Isis.

From the outset, Turkey was alarmed by the rise of the SDF — and US support for the group. A large segment of the fighting force is comprised of members of the People's Protection Units, known as the YPG. The YPG has intimate links to the Kurdistan Workers' party (PKK), an armed group that has pursued a bloody insurgency on Turkish soil since 1984 in the name of greater autonomy for the country's Kurdish minority.

Why does Turkey want to launch a military assault?

Turkey wants to push Kurdish militants away from the Turkish border and to prevent them forming what Mr Erdogan calls a "terror corridor" on the country's southern flank. He also wants to create a "safe zone" to allow Syrian refugees to return.

Turkey is home to 3.6m people who fled the conflict in neighbouring Syria, and public discontent at the continued presence of Syrians has been growing. In response, Turkish authorities have launched a crackdown on undocumented migrants in Istanbul, and Mr Erdogan has promised to find ways to enable refugees to return home.

Fighters and veterans from the Kurdish YPG make up a large part of the Syrian Democratic Forces, fighting against Isis and the regime of Bashar al-Assad
Delil Souleiman/AFP/Getty

That is one of the stated purposes of Turkey's planned "safe zone" in north-eastern Syria. Last month, Mr Erdogan set out a controversial $27bn plan to build 10 towns and 140 villages on a 32km stretch of land on the Syrian side of the border. He has asked for international support but western diplomats are profoundly uneasy about the plan.

Why has Donald Trump ordered US troops to stand aside?

Mr Trump has long said that he wants to end the presence of US forces in the Middle East. He tried to order the withdrawal from Syria in December 2018, but was forced instead to reduce their number after fierce opposition from the Pentagon and from Capitol Hill.

Amid mounting warnings from Mr Erdogan of an imminent Turkish military assault, the two leaders spoke by telephone on Sunday. Following the call, Mr Trump announced American troops would leave the vicinity of a Turkish operation, effectively giving Ankara the green light — although the US president later threatened to "totally destroy" Turkey's economy if it did anything that he considered "off limits".

Mr Trump could once again be forced to backtrack amid resistance from those who argue the battle against Isis is not over. Yet as his campaign for re-election gears up, any progress towards a fuller drawdown from Syria could take Mr Trump closer to meeting a key campaign pledge.

Why does the prospect of a Turkish military operation alarm many in Washington and Europe?

Security and military officials fear a Turkish assault would open the door to a resurgence of Isis, because the SDF has warned that it will divert manpower from ongoing mopping-up operations to efforts to fend off a Turkish assault. They also worry about the fate of the thousands of Isis detainees and their families in SDF-controlled camps.

Diplomats are also alarmed at Turkey's plan to resettle millions of Syrians, which they fear could amount to "demographic engineering" if ethnic Arabs are encouraged to establish themselves in Kurdish-majority villages and towns.

Additional reporting by Demetri Sevastopulo and Aime Williams

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Law and Justice

Polish ruling party vows to lift minimum wage if re-elected

JAMES SHOTTER — WARSAW

Poland's ruling Law and Justice government is offering a sharply higher minimum wage if it wins re-election on Sunday, renewing its vote-winning platform of support for the poor but setting businesses on edge.

The conservative-nationalist party swept to power four years ago with a promise to dramatically expand public welfare spending. This time, it says the minimum monthly wage would increase in steps from 2,250 zlotys ($570) today to 4,000 zlotys by the end of 2023, a 78 per cent jump.

The party's leaders claim this will provide a fairer deal for workers and foment radical change in the model that has powered Poland's economy for the past three decades.

"We want to close the chapter [in which Poland was] a country of low wages and cheap labour," Poland's prime minister, Mateusz Morawiecki, told the state press agency.

"The authors of Poland's growth model during the transition were even proud that the fruits of Polish growth largely went abroad or to Poland's economic elite, and not the wallets of the majority of Polish society . . . We want to build a country of prosperity, and in the medium or long term, make Poland the best place to live in Europe."

Business leaders agree that Poland's economic model should rely less on cheap labour. But many question whether raising the minimum wage will have the desired impact and fret that the speed will be too much for small business. According to Alicja Defratyka, senior analyst at Spotdata, the lowest wage will rise to about 60 per cent of the average wage in 2023, the highest share in the OECD club of mostly rich nations.

"For sure there will be inflation, some lay-offs . . . and also bankruptcies of some small companies, because they won't be able to pay the [higher] wages," she said.

The rise will mainly affect retailers, restaurants and the hotel industry plus some public sector workers.

Global data

Consumers confident in spite of gathering economic gloom

CHRIS GILES — LONDON

Consumer confidence is at historically high levels across leading economies even as clouds gather over the global outlook, newly published data show.

Manufacturing output is falling in many leading economies while services and trade growth are slowing, but the figures from the Conference Board, the US business group, and Nielsen, the data analyst, suggest some of the foundations of global prospects are still holding firm.

"There is an unprecedentedly large gap between strong consumer confidence and business confidence, which has been hit by the trade war and manufacturing downturn," said Bart van Ark, chief economist at the board. "Consumers do not care so much so long as [trade tensions] do not affect their jobs."

The board's global index stood at 107 in the third quarter of 2019, a high for the data series, and the same as in the second quarter, suggesting a positive outlook for household spending over the next six months, said Mr van Ark.

The figures come ahead of next week's annual meetings of the World Bank and IMF, which is set to downgrade its economic outlook significantly. But they show why the world economy is not showing deep recessionary signs yet.

The buoyancy of consumers' views of their job prospects, personal finances and willingness to spend suggests that household consumption will remain firm in most large economies even as manufacturing and trade stagnate.

But consumer confidence is beginning to drop in a growing number of countries, the data series shows. It fell in 33 of the 64 economies measured by a bespoke survey, and rose in 29. There was particular strength in the US and much of Asia, with Europe lagging behind a little. Confidence in Hong Kong fell 14 points to 86 in the third quarter, the same in Peru, while Greece enjoyed a 12-point rise. The UK and Germany saw small rises despite Brexit concerns.

The survey was based on responses from 32,000 people online in 64 countries, with 500 surveyed in each.

INTERNATIONAL

UK prime minister unleashes Brexit blame game

Johnson's allies warn principle of good co-operation will be 'in the toilet' if Britain is forced to stay in European bloc

GEORGE PARKER AND LAURA HUGHES
LONDON

Scapegoat: Angela Merkel, with Boris Johnson in Berlin two months ago, apparently objected to the UK premier's new proposal to overhaul the withdrawal agreement with the EU
Omer Messinger/Getty

Boris Johnson, who vowed to deliver Brexit on October 31 "do or die", was always going to need somebody to blame if Halloween passed and Britain remained a member of the EU.

Yesterday he found a new scapegoat: Angela Merkel.

At 8am the UK prime minister held a "clarifying" phone call with the German chancellor at which it supposedly became obvious the EU would not strike a Brexit deal on terms acceptable to Mr Johnson — not at a key European leaders' summit next week, perhaps never.

Ms Merkel apparently objected to Mr Johnson's new proposal to overhaul the UK's withdrawal agreement with the EU by no longer including Northern Ireland in a customs union with the bloc.

By midday Mr Johnson's allies had unleashed a blame game, claiming the EU and a Remainer parliament were forcing Britain to stay in the bloc against its will beyond October 31.

While the blame was being spread widely, Mr Johnson's unnamed allies — widely assumed at Westminster to be his chief adviser Dominic Cummings — dispensed dark warnings of retaliation against the EU over its intransigence.

Although David Frost, Mr Johnson's chief Brexit negotiator, was in Brussels for talks about the prime minister's plan for a revised withdrawal agreement, Downing Street officials were busy framing what will be a brutal and acrimonious "people versus the establishment" Conservative general election campaign.

Amber Rudd, the former Conservative cabinet minister, said the message

> 'It will probably help us win an election by uniting the Leave vote'
>
> Unnamed Johnson ally

coming out of Number 10 was "angry and desperate", reflecting the fact that Mr Cummings' "shock and awe" Brexit strategy was falling apart.

Mr Cummings argued from the start that unless the EU believed that October 31 was a "real" deadline for Brexit — with the UK leaving on Halloween, with or without an agreement — then Ms Merkel and other European leaders would simply reject Mr Johnson's departure terms and instead offer a delay that would enable an election.

A "rebel alliance" of MPs at Westminster derailed that strategy by last month, passing a law that seeks to prevent a no-deal Brexit on October 31.

In Brussels there is a clear conviction that the so-called Benn act is watertight and the prime minister will be obliged to seek an extension to the Article 50 divorce process if no Brexit deal is in place by October 19.

Although Mr Johnson's allies have suggested increasingly fanciful devices by which the government might "cheat" the Benn act, there is a growing acceptance that the prime minister will ultimately have to obey the law and that an election will follow.

Mr Cummings feared that the EU would conclude — incorrectly in his opinion — that the worst that could happen in an election would be that Mr Johnson would win and he would come back with the same Brexit proposal.

In the best outcome for the EU, especially from Ireland's point of view, Mr Johnson would be ousted by a coalition of Labour, the Liberal Democrats and the Scottish National party, which would hold a second referendum, possibly reversing Brexit.

The outpouring of threats from Number 10 in recent days is all part of a last-ditch attempt by Mr Cummings and his team to persuade the EU not to make this "historic mistake".

Mr Cummings believes that while Mr Johnson is making a constructive offer to the EU now, if he is forced into an election before the UK has left the bloc, he will fight on a no-deal Brexit platform.

"Those who pushed the Benn act intended to sabotage a deal and they've probably succeeded," said one unnamed Downing Street insider to the Spectator magazine, widely assumed at Westminster to be Mr Cummings.

"So the main effect of it will probably be to help us win an election by uniting the Leave vote and then a no-deal Brexit. History is full of such ironies and tragedies."

The same Number 10 insider warned that Britain would be a toxic partner if the EU insisted on keeping it in the 28-member bloc against its will and that the principle of good co-operation between the two sides would be "in the toilet".

The aggressive briefing is partly intended to precipitate a crisis in Brussels to persuade the EU that if it does not engage with Mr Johnson's proposal, the result will be dire for both sides.

Mr Johnson genuinely wants a Brexit deal before October 31. If he is forced to fight an election on the back of a fresh Brexit delay, the Conservatives will face a serious threat from Nigel Farage's Brexit party and the pro-Remain Liberal Democrats.

But there is little sign of the EU wanting to help him out to finalise a Brexit deal. The EU, as Mr Cummings foresaw, is expected to insist in any negotiations that Northern Ireland must remain part of the bloc's customs union to avoid the creation of a hard Irish border.

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Brussels talks

EU starts to weigh terms for agreeing UK extension

SAM FLEMING — BRUSSELS
GUY CHAZAN — BERLIN

With Brexit talks on life support in Brussels, EU leaders and officials are turning their attention to the potential for yet another extension to Britain's membership of the EU after October 31.

EU officials said they were not giving up on talks with the British government, even after Boris Johnson's allies accused Angela Merkel, the German chancellor, of vetoing his exit plan.

Diplomats and officials said the gulf between the two sides remained enormous, but that this did not mean it made sense to formally pull the plug on the talks. This is partly because the EU has no appetite for being blamed for a breakdown that propels the UK towards a hard exit, but also because some officials see continuing value in keeping the door open to talks after a UK election. "No one has given up," said one.

However, EU diplomats are now beginning to consider the choreography of a Brexit extension at or after the European Council summit next week.

In the past 24 hours Mr Johnson's allies have adopted a markedly more aggressive posture. Downing Street briefed that, during a call with Mr Johnson, the German chancellor insisted a deal was "overwhelmingly unlikely" unless Northern Ireland was kept in a EU customs territory.

Mr Johnson is refusing to budge on keeping Northern Ireland within the UK customs area — a move that would necessitate a border on the island of Ireland — and ensuring that the Northern Ireland Assembly gives its consent to the region remaining part of the EU single market regulatory area. The EU sees these UK proposals as a breach from prior pledges during the talks.

"They have resiled from their commitment to having no hard border," said one EU diplomat. "To criticise the EU side for not compromising is a bit rich."

The looming question is whether or not to grant a further extension to Britain's EU membership beyond October 31. The UK's so-called Benn act, passed by MPs opposed to a no-deal exit last month, requires the prime minister to write to the EU to request an extension if he has not secured MPs' approval for a withdrawal agreement or a no-deal departure by October 19.

Among the questions surrounding the extension are when and if it is formally proposed, and whether the discussion is triggered by a UK request or instead an overture from the EU27. While the Benn act talks of an extension to January 31, it also envisages the possibility of a different time period.

Leaders would have to be satisfied that the extension was for a good reason. There also remains the possibility that an EU country vetoed an extension, but diplomats see that as unlikely.

Ahead of the summit there is some bitterness in Berlin that Germany is being dragged into the domestic political debate in Britain.

Ms Merkel has generally taken a conciliatory tone on he issue: at the EU summit last April, she advocated giving Britain a long extension of the Brexit deadline, in stark contrast to French president Emmanuel Macron, who fiercely opposed the suggestion.

"Johnson is misusing the phone conversation [with Ms Merkel] to start a blame game," said Norbert Röttgen, head of the Bundestag's foreign affairs committee and an MP from the Chancellor's CDU/CSU group. "There is no new German or European position, and to express otherwise is wrong."

Hong Kong controversy

China's NBA dispute grows with TV ban

Plug pulled on basketball league's pre-season games after protests backed

CHRISTIAN SHEPHERD, SHERRY FEI JU AND TOM MITCHELL — BEIJING

China's state broadcaster CCTV, the main television distributor of North American basketball in the country, and internet group Tencent have halted plans to air the National Basketball Association's pre-season games.

The move is a sharp escalation of a row sparked by a team official's support for the Hong Kong protests.

Daryl Morey, general manager of the Houston Rockets, posted "stand with Hong Kong" on his Twitter account on Friday. The phrase echoed a slogan from demonstrations that have plunged the Asian financial hub into political crisis.

Comments by NBA commissioner Adam Silver in an interview with Japan's Kyodo news reignited the controversy and prompted CCTV's decision.

Mr Silver backed Mr Morey's "freedom of political expression" and an open letter by Joe Tsai, Brooklyn Nets owner and co-founder of Chinese tech group Alibaba, which said the tweet supported a "separatist movement".

Mr Silver, who is due in China today for the pre-season games, sought to clarify his remarks. "It is inevitable that people around the world — including from America and China — will have different viewpoints over different issues. It is not the role of the NBA to adjudicate those differences," he said in a statement yesterday. "However, the NBA will not put itself in a position of regulating what players, employees and team owners say or will not say on these issues. We simply could not operate that way."

> 'Remarks that touch upon a nation's sovereignty and social stability are outside the scope of free speech'

The initial furore triggered angry calls for an apology from Chinese fans and state media, resulting in the Rockets' commercial partners in China suspending business dealings with the team, broadcasters saying they would not air Rockets games and Alibaba's Taobao, China's largest ecommerce platform, halting sales of the team's merchandise.

Before Mr Silver's intervention, the NBA had attempted to distance itself from the incident, releasing a statement on Monday calling Mr Morey's tweet "regrettable". Fuelling accusations that the league was trying to have it both ways, however, a Chinese-language version of the statement used a harsher phrasing closer in tone to that used by Chinese officialdom. The league said yesterday there should have been "no discrepancy" in the two statements.

The NBA's response drew bipartisan criticism from US politicians, who said the league had abandoned its values to maintain Chinese business deals.

CCTV said it strongly opposed Mr Silver's support for Mr Morey's comments. "Any remarks that touch upon a nation's sovereignty and social stability are outside the scope of free speech," the broadcaster wrote. It added it would "immediately take stock of all co-operation and exchange with the NBA".

Last season almost 500m Chinese watched NBA games on streaming platforms owned by Tencent. This year the league extended its online rights deal with the company for five years worth $1.5bn, double the previous contract.

China's foreign ministry said yesterday: "The prerequisite for [the NBA's] co-operation and communication with China is to know the opinion of the Chinese public . . . The NBA knows clearly what to do and what to say next."

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Canberra overhaul

Australia to revisit defence strategy in face of global changes

JAMIE SMYTH — SYDNEY

Australia is reassessing its defence strategy and military capabilities just three years after it unveiled a A$200bn (US$135bn) policy overhaul, with analysts pointing to China's increasing military strength and assertiveness in the Indo-Pacific as a particular concern.

The review by Canberra will take place against a background of increasing tension between Washington and Beijing and rapid technological advances in the type of weaponry used in the region.

Linda Reynolds, Australia's defence minister, said yesterday that the Indo-Pacific region was at the centre of the most fundamental geopolitical change since the second world war and the nation's defence forces needed to adapt to meet the challenges.

"While the white paper's analysis of these drivers still holds, it underestimated the speed of change," she said in a speech to a naval conference in Sydney. "Indeed, the world has changed more quickly than we assessed in 2016. So too are the consequential challenges."

Ms Reynolds added that defence officials would report by early next year on any need for a revamp of strategy and forces.

The 2016 defence white paper pinpointed the US-China relationship, challenges to the rules-based global order in the South China Sea and technological change as strategic challenges in the region. It committed Australia to A$200bn defence spending over a decade to modernise its military capabilities to maintain a technological lead over rival powers in the region.

But the deteriorating relationship between Washington and Beijing, their trade war, and rapid technological changes have alarmed defence analysts in Australia, who have called for a strategic rethink.

Australia is an important regional ally of the US, as well as a fellow member of the Five Eyes intelligence-sharing network alongside the UK, Canada and New Zealand.

Last week, Beijing unveiled a massive line-up of modern weaponry to mark the 70th anniversary of the founding of the People's Republic of China, including four missile systems that had never before been put on public display.

"Most analysts believe the 2016 white paper has already passed its sell-by date," said Euan Graham, director of the international security programme at La Trobe University in Melbourne.

"The US-China relationship has worsened and there is a concern Australia could be caught between these great power rivals," he added.

"The pace of technological change is unprecedented, including the advent of hypersonic missiles, which Beijing put on display last week. This requires a flexible approach from Canberra," he pointed out.

Australia has already begun a A$90bn shipbuilding programme, which includes commitments to build 36 ships for its navy, including 12 submarines and nine frigates. However, the first frigate will not be delivered by BAE Systems until the late 2020s while the first submarine will not be delivered by French group Naval until 2032.

Africa. Economic crisis

Zimbabwe pushed to brink of famine

Mismanagement and drought mean it could be 'marching towards starvation'

JOSEPH COTTERILL — HARARE

Cash call: people queue at a bank in Harare. Emmerson Mnangagwa, below, has defended the new currency Tsvangirayi Mukwazhi/AP

Tsiga market in Harare's most densely populated suburb should be bustling with customers buying maize meal, cooking oil and other staples.

Yet these days Tsiga, in the Zimbabwean capital's Mbare district, is an increasingly empty and unhappy place. Traders say there are ever fewer buyers for goods that have surged in price, amid desperation over an economic crisis threatening to morph into famine.

"Things are tough. People are saying it's too hard to survive," said vendor Chengetai Takaindisa, as she scrabbled for business. "[Customers] have to survive on one meal a day."

Zimbabwe is already grappling with its worst economic crisis since the 2017 army coup that overthrew Robert Mugabe, the former dictator who died last month. Under his successor, President Emmerson Mnangagwa, and his ruling Zanu-PF party, the population has suffered daily power cuts, long fuel queues and currency chaos.

Now it faces serious food shortages. The UN World Food Programme warned in August it risked "marching towards starvation" next year.

According to international estimates, 8.5m people — more than half the population — face uncertain food supplies by early 2020. Underlining the severity of the crisis, the number includes 3m people in cities, a contrast with previous food shortages which mostly affected rural areas. Mr Mnangagwa's government has begun buying grain abroad but is in a race against time and has few financial resources.

Natural disasters are part of the explanation. Zimbabwe was struck this year by two powerful cyclones that damaged farmland. A severe dry season, which peaked in August, compounded the damage, decimating the grain harvest.

But economic mismanagement has exacerbated the crisis, say analysts. "What makes it worse is that macroeconomic conditions are very bad at the moment," said Wandile Sihlobo, chief economist at South Africa's Agricultural Business Chamber.

Buying power has collapsed as the new local currency, the Zimbabwe dollar, has more than halved in value since it was introduced this year. Annual inflation hit 289 per cent in August, according to economists' calculations based on official data. Urban dwellers who buy food rather than grow it are especially affected.

"Prices go up each and every day," Ms Takaindisa said. Her daily takings of Z$50 ($3.30) would barely buy two bottles of cooking oil.

Mr Mnangagwa has defended the introduction of the Zimbabwe dollar as necessary to fix imbalances in the economy. "Getting the economy working again from being dead will require time, patience, unity of purpose and perseverance," he said in a state of the nation address last week.

But the legacy of Zanu-PF's economic misrule could threaten the response to the crisis, observers say. Zimbabwe's decayed rail networks and potholed roads in particular threaten to delay shipments of the hundreds of thousands of tonnes of foreign maize needed to alleviate hunger.

"They need to start doing it now, because I worry about their infrastructure for handling large amounts of grain," said Mr Sihlobo.

The crisis has thrown the spotlight on a state farm subsidy project known as Command Agriculture favoured by Mr Mnangagwa as a way to boost food security. The project provides inputs such as fuel and fertiliser for farmers to meet production targets. But its performance has been poor, even accounting for this year's natural disasters. Maize production in 2019 has averaged half a tonne per hectare compared with four tonnes in South Africa, which is also suffering poor weather.

Opposition politicians allege that Command Agriculture is a front for corruption that benefits Mr Mnangagwa's cronies and that there is little oversight over its funding.

> 'Things are tough. People are saying it's too hard to survive'

Tendai Biti, a former finance minister and opposition lawmaker, has raised concerns in parliamentary hearings probing Command Agriculture and said that the government had been "redefining corruption in Zimbabwe" through the programme.

The government denies wrongdoing but is facing questions over payments under the scheme to Sakunda, a fuel supplier owned by an ally of Mr Mnangagwa.

Corruption allegations surrounding the scheme have roused anger among those facing hunger. Command Agriculture "is not for ordinary Zimbabweans. It is very political", said Tawanda, a former corporate procurement officer in Tsiga who now sells energy drinks to survive.

Others in Tsiga are focused on where the next meal will come from. "Something like bread is a thing of the past," said Ephias Muchongwe, head of a charity for orphans. "If you see bread in the supermarket, don't ask the price."

Shadow lending

India co-operative bank's woes heighten fears of ripple effect

AMY KAZMIN AND JYOTSNA SINGH
NEW DELHI

In New Delhi's bustling Malviya Nagar market, the local Punjab and Maharashtra Co-operative Bank branch was known for its helpful staff — and for offering interest rates on deposits that were 0.75 percentage points higher than mainstream commercial banks.

"The staff here were very friendly," said Tilak Arora, 43, the owner of a video game parlour whose life savings of Rs10m ($141,000) was deposited at PMC. "They also did not demand too many documents to open the account. It was a very nice bank, up until now."

Like most PMC customers, Mr Arora has been in a panic since last month, when the Reserve Bank of India took control of the co-operative lender and announced withdrawals would be restricted to just Rs1,000 per account for the next six months.

Since then, the central bank has twice increased the withdrawal limit: first to Rs10,000 and then to Rs25,000, which the RBI says will allow about 70 per cent of PMC's depositors to extract all their funds. But customers with higher savings have little prospect of recovering their money soon, if ever. In a violation of legal exposure limits, PMC lent most of its money to a single Mumbai-based real estate company, Housing Development and Infrastructure, which is now in bankruptcy proceedings.

The crisis at PMC — one of India's largest co-operative banks, with deposits of nearly $1.5bn — is yet another painful jolt to the country's fragile financial system, still struggling after last year's collapse of the triple-A rated infrastructure lender IL&FS put the squeeze on the shadow banks that had provided much of the consumer credit powering the economy.

PMC's woes have cast an unflattering spotlight on the murky dealings of the country's loosely regulated co-operative banks, which are popular among savers for offering higher interest rates than mainstream banks but do not draw the same degree of regulatory scrutiny.

"With a co-operative bank, the RBI supervision is not as strong as it is in the case of the normal commercial banks," said Sunil Kumar Sinha, principal economist at India Ratings. "That is precisely the reason it looks like PMC escaped the eyes of the RBI."

India's co-operative banks, with their roots in agricultural co-ops, have traditionally played an important role both in encouraging savings and providing credit to groups that may otherwise struggle to access mainstream banks.

According to the RBI, co-operative institutions accounted for around 11 per cent of banking system assets at the end of March 2017. But the sector is highly fragmented, with more than 1,551 urban co-op banks and around 96,600 rural co-operative banks. That fragmentation, plus the multiplicity of agencies with jurisdiction over various co-ops, including state governments and the central government, has complicated the regulatory process, resulting in limited oversight.

Customers of PMC have been in a panic since the Reserve Bank of India took control of the lender

When co-op banks have collapsed in the past — which they have often — their relatively small size kept the impact contained in distinct local areas and ensured that it did not attract widespread public attention. "Each co-operative bank by itself was too small to jeopardise the system, so the RBI didn't lose too much sleep about it, but in totality these banks are significant," said Saurabh Mukherjea of Mumbai-based Marcellus Investment Managers.

And the blurry lines between shareholders, depositors and borrowers have made these institutions highly susceptible to abuse by influential figures.

In a letter to the RBI, PMC's erstwhile management admitted that for years it had deliberately concealed the extent of lending to the HDIL group, whose owners were close family friends of the lender's chairman. At the end of last week, PMC's former chairman and managing director and two owners of HDIL were arrested by the economic offences wing of the Mumbai police. All four are still in police custody, as authorities investigate the lender's affairs.

The drama at PMC has fuelled rumours about trouble at similar lenders. That prompted the central bank to tweet last week that the "Indian banking system is safe and stable".

But analysts suspect more problems may yet be discovered.

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Physics

Cosmology discoveries earn trio of scientists Nobel Prize

CLIVE COOKSON — LONDON

The 2019 Nobel Prize in Physics has been awarded to three scientists whose work helped us to understand "the evolution of the universe and Earth's place in the cosmos".

Half of the SKr9m ($907,000) prize goes to James Peebles of Princeton University "for theoretical discoveries in physical cosmology" and the other half jointly to two Swiss astronomers, Didier Queloz and Michel Mayor of the University of Geneva, for discovering the first planet outside the solar system.

Prof Peebles, 84, helped to lay the theoretical foundation for the evolution of the universe after the Big Bang 14bn years ago, and Prof Mayor, 77, and Prof Queloz, 53, searched the Milky Way galaxy for "exoplanets" orbiting other stars.

"This year's Nobel laureates have painted a picture of our universe far stranger and more wonderful than we could ever have imagined," said Ulf Danielsson, a member of the Nobel Committee for Physics.

Prof Peebles said he was grateful for his Nobel but advised young people going into science to do so for love of the subject rather than the prospect of prizes. "They are charming and very much appreciated but shouldn't be part of your plans," he said. "You should enter science because you are fascinated by it. That's what I did."

Profs Mayor and Queloz announced the first discovery of a planet outside our solar system in 1995. "No one knew whether exoplanets existed or not," recalled Prof Mayor. Astronomers believed on theoretical grounds that they must be plentiful but no one could detect one.

The Swiss pair succeeded with a new custom-made instrument at the Haute-Provence Observatory in southern France. In 1994 they detected a vast gas planet orbiting a star about 50 light years from Earth.

"We were so excited to have found an exoplanet but first we had to confirm our observations before we could reveal anything," said Prof Queloz, a professor at Cambridge university and Geneva.

Revelry that bred revolutionary art

The flourishing of artistic talent in nightclubs and subterranean spaces is celebrated in a new London exhibition. By Peter Aspden

Art may make extravagant claim to be able to illuminate the human condition; but it frequently does so in the darkest of spaces. Artists of the modern era in particular, challenging social mores with unprecedented ferocity, moved ahead of public opinion with such alacrity that they needed to find safe, covert spaces in which to express themselves. They found solace in the bars and nightclubs of their neighbourhoods, to mingle with like-minded spirits, and to test the limits of their own imaginations. The results were joyous, frequently illicit, and they helped shape the course of modern art.

The nocturnal frissons of the artistic avant-garde over the past century-and-a-half are the theme of a new exhibition at London's Barbican Art Gallery. It makes a compelling case for the links between excessive late-night revelry and the unleashing of innovatory artistic talent. The art produced in the cafés and cabarets of — mostly — Europe over this time period is vibrant, revolutionary, subversive. It shifted the prevailing perception of the (mostly male) artist, from the lone and desolate figure struggling with his muse, to the worldly, extrovert socialite who wanted nothing more than to buy her a drink and take her home.

The most famous of these spaces, which flourished in Weimar Berlin, chronicled the breakdown of Germany's social order, and famously anticipated its further descent into fury and violence. "Berlin, stop and think," ran a government advertising campaign aimed at curbing the untrammelled sense of hedonism which had afflicted the city. "You are dancing with Death." File under: "Little did they know".

The show is divided into 12 separate sections, chronicling the artistic "scenes" in important European capitals — Paris, Vienna, Zurich — as well as less familiar venues, in Nigeria, Mexico and Tehran.

In the downstairs galleries, there are recreations of four of these, with accompanying soundtracks. Pop into Le Chat Noir in Montmartre in the 1880s, and you might have found Claude Debussy or Erik Satie sitting at the piano. A few years later, the American dancer Loïe Fuller's experimental swirls with silk fabrics would capture the attention of Henri de Toulouse-Lautrec, whose cinematic lithographs of the dance are shown here.

The founder of Le Chat Noir in 1881, Rodolphe Salis, embodied the new spirit of the age, which saw a meeting between "high" culture and popular entertainment, says the exhibition's curator, Florence Ostende. "He was a poet, a writer, also an artist. And in a way he treated the Chat Noir as a kind of anti-museum, where a lot of contemporary art was hung on the walls, but there was also medieval and Renaissance-inspired furniture and paraphernalia around."

Eclecticism and open-mindedness became the norm. "Places like the Chat Noir, yes, they were spaces of subversion, and safe spaces, but they were also very democratic: anyone could express himself or herself. So you had this subversive, radical side, but also some very conservative voices being heard."

The golden age of artistic cabaret came as Europe began to fall apart in the opening years of the 20th century. The opening of Zurich's Cabaret Voltaire in February 1916 prompted an understandably extreme reaction to the war raging all around neutral Switzerland. Founder Hugo Ball's opening-night poem "Totentanz" ("Dance of Death") started with the words: "So we die", and became the clarion call of what would become known as the Dada movement.

"While the thunder of the batteries rumbled in the distance we pasted, we recited, we versified, we sang with all our souls," recalled Jean (Hans) Arp. "We searched for an elementary art that would, we thought, save mankind from the furious folly of these times." The café lasted just five months, running contemporaneously with the battle of Verdun, but became a seedbed of futurist, cubist and surrealist art.

In the months between the February and October revolutions in 1917 Russia, the Café Pittoresque sought to bring together avant-garde artists such as Vladimir Tatlin and Aleksandr Rodchenko in Moscow to capture the fast-changing times, but it was already behind them: by the time it opened in January 1918, Bolsheviks forced the club to change its name to the Red Cockerel, and ordered it to adopt a more "revolutionary" programme.

The legacy of Weimar Germany's clubs is well known, and here are stunning works by Otto Dix, George Grosz and Max Beckmann, as well as the lesser recognised Jeanne Mammen. Her frank depictions of life inside Berlin's cabaret scene are a reminder that women, far from being passive muse-like figures, were themselves dynamic and boundary-pushing participants.

Mammen made drawings of performers such as Valeska Gert, whose own descriptions of her violently erotic dances recall feminist performance art rather than Tiller Girl titillation: "For me the only important things were attack, tragic or comic climax, subsidence, nothing more. Because I didn't like solid citizens, I danced those whom they despised — whores, procuresses, down-and-outers, and degenerates."

Here, too, the otherworldly, imaginary stage designs of Hannah Höch. "They are very little known," says Ostende. "She called them 'anti-revues', reacting against the popular stagings of variety theatre, showing stages full of weird plants, and mocking the synchronised dance styles of the time."

It was a sign of the era's intellectual suppleness that its artists scarcely knew whether they were satirical of, or actually complicit with, its decadence. "I made careful drawings of all these goings on . . . deluding myself that I was not so much a satirist as an objective student of nature," wrote Grosz. "In fact, I was each one of the very characters I drew, the champagne-swilling glutton favoured by fate no less than the poor beggar standing with outstretched hands in the rain. I was split in two, just like society at large."

> 'You had this subversive, radical side, but also some very conservative voices being heard'

The show takes the story of cabaret art into the 1960s, turning its attentions outside Europe, to the postcolonial legacy of Nigeria's Mbari club, and Tehran's Rasht 29, devoted to mixing western pop culture with traditional aesthetics. Ostende says it was important to go beyond the first half of the 20th century, to look at the notion of the avant-garde in a global context.

I ask her if it is possible even to imagine such epochal artistic movements percolating in underground spaces in today's cultural climate. "Well this was partially why this show came to life," she replies. "Because people were asking me if there were any examples of this kind of club today, and I couldn't think of any.

"Of course there are underground spaces, there is interdisciplinary practice today, on a larger scale than there used to be. But I think there is a distinction between very dynamic places, where there is a lot going on, and spaces where there is tangible evidence that art has been produced. We were always guided by the artists, how they interacted with the spaces. And what they produced was incredible art."

'Into the Night: Cabarets & Clubs in Modern Art' to January 19, barbican.org.uk

Clockwise, from top left: poster by Kamran Diba, co-founder of Rasht 29 club in Tehran (1966); Bertold Löffler poster for Cabaret Fledermaus, Vienna (1907); Giacomo Balla's design for a sign and flashing light for Bal Tic Tac, Rome (1921); Erna Schmidt-Caroll's 'Chansonette' (c.1928)

Collection Kamran Diba; Albertina Museum, Vienna; Fondazione Torino Musei; © Estate Erna Schmidt-Caroll

Grime triumphs amid the grandeur

POP

Kano
Royal Albert Hall, London
★★★★★

Ludovic Hunter-Tilney

"You can take the kid out the ends, but you can't take the ends out of the kid," Kano rapped during his show. The "ends" in his case refer to East Ham, the London neighbourhood where he grew up. It is geographically and socially on the opposite side of the city from the venue where Kano was playing. The grand auditorium was hosting a rare grime music show — its second ever, after a grime-based BBC Prom in 2015 with a symphonic orchestra.

Kano is a veteran MC whose career has followed the ups and downs of grime during its long march to mainstream triumph. He was part of the first wave of acts in the early 2000s, tried to cash out on 2007's glossy *London Town*, then trod a delicate line between crossover collaborations and reputation-restoring grime purism. The tension between appealing to the wider world and representing a tiny corner of it has given his past discography a rather spotty aspect. But it has also prompted some of his finest work on his latest album, *Hoodies All Summer*.

He began with its opening song, "Free Years Later". The musical backing was subdued, with a 12-strong string section sawing away amid a plangent synthesiser drone. Kano's rapping cut through this minor-key landscape like a speeding car — a high-performance one, capable of smooth acceleration and exhilarating peaks of intensity. "I'm royal," he cried at the summit of a particularly ferocious passage of words. It prompted a huge cheer from his followers in a packed Royal Albert Hall.

A large cast of musicians joined him. As well as the string section and Kano's backing band, there were horn players, singers, a steel pan troupe and guest MCs. With the exception of the latter, all wore white. The angelic look was in keeping with the gospel aspects of *Hoodies All Summer*. "I don't know if I believe in God but I believe in the forces," Kano rapped at one point. Church piano and singing summoned these forces in songs about racism and youth violence, conveyed by the rapper in a mingled tone of anger and hopefulness.

Social comment was accompanied by high-octane escapism. Grime tracks blared out, to massive reactions from the audience, only to be stopped and begun again. Fellow veterans D Double E and Ghetts joined him for throwback anthem "Class of Deja", all sharing a single microphone like rookies on the way up. Giggs turned up for another unvarnished grime number, "3 Wheel-ups".

In the final song "My Sound", Kano gave another shout-out to his home neighbourhood, while the steel pan troupe and horn players added a carnival emphasis to his words. The advantage of grime's powerful sense of place is the equally powerful sense of occasion it can bring to bear when taking over new spaces. Kano at the Royal Albert Hall was not on the scale or significance of Stormzy at Glastonbury, but it made for a similarly rousing encounter.

kanomusic.com

Angelic: Kano at the Royal Albert Hall — Joseph Okpako/WireImage

FT BIG READ. LATIN AMERICA

During his almost 14 years as president, the Bolivian economy has quadrupled in size and poverty has nearly halved. But ahead of a general election, critics say Evo Morales is becoming increasingly autocratic.
By Andres Schipani

The limits of Evonomics

At Bolivia's largest museum, perched on a hill in an isolated Andean village, one item stands out. It is a replica of a makeshift football covered in white cloth that Bolivia's president Evo Morales used to play with as a small child, in between school lessons and herding llamas on the chilly plateau.

The $7.2m museum is dedicated to explaining the extraordinary rise of Mr Morales — Latin America's longest-ruling sitting president — from a childhood being raised in a hut on the breezy shores of Lake Poopó to spending nearly 14 years as president. He now runs the country from a 25-storey presidential palace he built in the capital La Paz.

Mr Morales was one of a generation of leftwing leaders who came to power in the first decade of the century and surfed the wave of the China-led commodities boom to push more redistributive policies.

The bright hopes that many of his peers raised have since been dashed. In Brazil, former president Luiz Inácio Lula da Silva is in jail after being convicted of corruption and the economy has suffered a traumatic fall. The unravelling of Hugo Chávez's revolution in Venezuela has led to one of the biggest peacetime economic collapses.

Bolivia, however, has continued to prosper, even after commodity prices fell. During Mr Morales's time in office, the country's gross domestic product has quadrupled.

"I would never vote for anyone else," says Walter Vilca, a quinoa and potato farmer from Orinoca, standing outside the wattle-and-daub hut where his "brother president" grew up.

He adds that Mr Morales has brought stability to a once-divided country — Bolivia's presidency had five officeholders in the five years before he took office. And produced tangible improvements in the day-to-day lives of poor Bolivians like himself, fuelling a new sense of dignity.

"I played with a cloth ball like him. Now, we have a football pitch with synthetic grass here, and food every day," says Mr Vilca. "We have all we need."

But as he prepares to run on October 20 for an unprecedented fourth term as president — after what critics believe was a bungled attempt to get around constitutional term limits — Mr Morales faces a series of profound questions.

There are warning signs that the strong economic run could be running out of steam — last year's 4.2 per cent rise in GDP, according to government statistics, was partly the result of an unsustainably high budget deficit. And in a country where many young people only remember him as president, the 59-year-old leader is facing growing criticism that he is becoming autocratic.

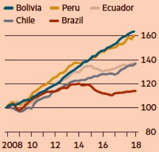
Opponents say he holds sway over the courts and accuse members of his government of corruption. With no heir-apparent, some allies worry about a cult of personality around Mr Morales — the sort of uncritical admiration that finds expression in expensive museums and shiny presidential palaces.

"Politics is not a profession, it is a lasting passion for the people," Mr Morales tells the Financial Times, adding that "it is a request from the Bolivian people" that he runs again. "People tell me, 'Evo, if you do well, we'll do well'."

Comments like these have alienated a section of the president's support. While political opponents warn about the risks to Bolivia's democracy. "If we continue with Señor Morales as president, we will go from authoritarianism to dictatorship," says Carlos Mesa, a former president and his main election challenger.

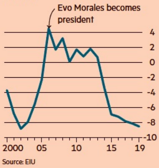
"Bolivia is not on the path to becoming Venezuela," says a foreign diplomat in La Paz. "But its democratic credentials are definitely being tested."

Bolivia outpaces its neighbours for growth...
Real gross domestic product, seasonally adjusted (rebased)



Source: Refinitiv

...but its budget deficit has widened in recent years
% of GDP



Source: EIU

Growth story

Mr Morales is ethnically an Aymara — one of Bolivia's main groups, which make up roughly two-thirds of its 11m population. He was the first indigenous president of a country traditionally ruled by members of the small group of white citizens or the larger minority of *mestizo* Bolivians, whose ancestry includes Europeans and indigenous people. Until Mr Morales took office, the indigenous majority were often treated as second-class citizens.

It was his connection to the rural poor, those such as Mr Vilca, that secured his first presidential term with 54 per cent of the vote. He built on that to win again in 2009 with 64 per cent of the vote after the constitution was changed to allow immediate re-election. In 2014, he had the support of 61 per cent of voters.

Those victories were built on a strong economy. The commodity price boom that began in 2003 lifted Bolivia and much of the rest of the region.

Yet while neighbours Argentina and Brazil struggled after commodity prices started to fall in 2014, Bolivia has grown at an average of 4.9 per cent a year between 2006 and 2018.

The IMF forecasts the Andean nation's GDP will grow 4 per cent this year, which would once again be the fastest rate in South America.

Unlike other members of Latin America's "pink tide" of leftwing governments, where earlier gains have been undermined by economic mismanagement, Bolivia has run prudent macroeconomic policies for much of Mr Morales's presidency. His government has been more adept than most at managing the commodities windfall.

In gas and mineral-rich Bolivia, the basis of Mr Morales's economic model — which critics dub a form of "state capitalism"— was to renationalise resources and redistribute tax receipts in order to fuel internal consumption.

For Jim Shultz, of the Democracy Center, a US think-tank focused on Bolivia, Mr Morales has figured out a simple formula to promote popular redistributionist policies: "Yank wealth out of the ground and invest in things Bolivian governments have not invested in before that benefit regular people."

Bolivia's deputy president, Álvaro García Linera, calls this a "flexible blend of a market and a planned economy" that has fuelled a consumer boom. The elements include higher minimum wages, cash transfer schemes and a string of public works such as a $674m transit cable-car system in La Paz.

The strong record of economic growth has seen extreme poverty rates fall from 38 per cent since Mr Morales first took office in 2006, to 15 per cent in 2018, while poverty has almost halved from 60 per cent to 34 per cent, according to official data compiled by the Inter-American Development Bank.

In the same period, GDP per capita grew from $1,000 a year to over $3,600, boosting supermarket and restaurant sales by over 900 per cent, according to data from the finance ministry.

Redistributionist policies have raised living standards in one of the region's poorest nations and have helped to dissolve enmity between opposing political camps. Secessionist calls in pockets of the eastern lowlands have melted away and businessmen have joined his socialist chorus.

Regional challenge

The limits of "Evonomics", however, are starting to be tested. With a budget deficit close to 8 per cent of GDP — Latin America's widest after Venezuela and Suriname — and rising external debt levels as a result of lower commodity prices, there are growing concerns about the Morales model.

"This is not sustainable, it could blow up," says Gonzalo Chávez, an economist at Bolivia's Catholic University.

The government is trying to modernise the economy, investing in petrochemical and hydroelectric plants and trying to produce batteries out of rich lithium deposits. But it remains dependent on resource nationalism as it tries to continue to satisfy the demands of its key voter bases. Its two main markets for gas exports, Argentina and Brazil, are trying to boost their own output.

"The model of past success was based on factors that are not sustainable," the IMF said in December. As Mr Morales campaigns for a fourth term, the political cycle in the region has shifted again with a new group of leftwing leaders taking power — in Mexico last year and soon in Argentina, if the polls are correct and Cristina Fernández de Kirchner is elected vice-president later this month.

> 'It was not our intention to create a cult. A person turned into an idol drifts from the people and Evo cannot live without them'

Mr García Linera acknowledges that they will all face more difficulties compared with the previous decade, simply because "there is less money now".

"This return of the left will be more complicated, there will be worse problems, but I am not pessimistic," he says. "If we don't do a good job on the economy, we can't do a good job in politics."

However, Amaru Villanueva, a sociologist with the Friedrich-Ebert-Stiftung foundation in Bolivia, warns that "Evo could become a victim of his own success in social inclusion, as he has created more ambition and more expectations in the population. There is a pragmatic disenchantment, as economic wellbeing has won over identity politics."

Indeed, in El Alto, a sprawling city of impoverished rural migrants on a high plateau above La Paz, Sonia Mamani, a seller of used clothes, acknowledges she had made more money than ever in recent years. But will not vote for Mr Morales this time.

"I have always voted for him, not this time, he's been in power for too long," she says. "I want new opportunities for me and my family."

Opposition concerns

The potential problems for the economy are not the only looming danger for Mr Morales. The president also faces criticism that he has become autocratic in his behaviour.

Critics accuse him of using pliant judges to pressure the courts. They say he has used his office to create a state-run media empire that encompasses television, radio and print, and that he has persecuted members of previous rightwing governments. Corruption scandals have also sapped support for his Movement for Socialism (MAS) party.

Some of these resentments came to the fore at the weekend when several hundred thousand people protested in Santa Cruz de la Sierra over the government's response to wildfires in the Amazon — the same issue that has prompted so much criticism of Jair Bolsonaro's far-right government in Brazil.

"Evo Morales arrived in office generating hope in almost two-thirds of the population. All of that is gone now," says Oscar Ortíz Antelo, a senator and presidential candidate from Santa Cruz de la Sierra, which is an opposition stronghold in the wealthier eastern lowlands.

His aura of invincibility started to fade in 2016 after he was defeated in a referendum called to allow him to stand for a fourth term. Undeterred, the MAS argued that term limits violated Mr Morales's human rights, and the constitutional court overturned the decision, allowing him to stand on October 20.

Despite having won the 2016 referendum, the opposition is divided, unable to unite behind a single candidate. This is hampering its chances of beating Mr Morales outright. Moreover, to many voters, Mr Mesa is associated with a former president who fled to the US and is fighting extradition, while Mr Ortíz does not have a nationwide power base.

"This is damaging political blindness," Fernando Molina, a political commentator in La Paz, says of the opposition.

The latest polls suggest that Mr Morales is ahead of Mr Mesa. But it is unclear whether this difference is large enough to prevent a run-off in December. Mr Morales needs at least 40 per cent of the vote, and a margin of over 10 points more than his closest contender, to win in the first round.

Analysts warn the president's strong rural support tends to be underestimated by surveys. Still, there is a possibility of a defeat in a presidential election, even the prospect of going to a second round, which is unprecedented.

Amid uncharismatic opposition leaders and an absence of other strong figures on the government side, the driving force in the election remains the towering personality of Mr Morales. A campaign slogan reads: "The best president in the history of Bolivia."

"It was not our intention to create such a cult," says Mr García Linera. "A person turned into an idol drifts away from the people, and Evo cannot live without them."

Yet even in Orinoca, there is a sense that an era might be ending. On the walls of the museum, he appears as the epic culmination of a process that started centuries ago with indigenous uprisings against Spanish *conquistadors*.

"This museum is about the image of the president," says the curator, Mercedes Bernabé, but she adds that the focus on Mr Morales is now slowly being phased out. "There was a statue of him here, but we moved it to storage."

FINANCIAL TIMES

'Without fear and without favour'

WEDNESDAY 9 OCTOBER 2019

Johnson's Brexit blame game is a dangerous step

Government is stirring up anger against UK institutions and the EU

The battle over Brexit is entering the period of maximum danger. The red lines the UK adopted in its latest proposals for a revised exit deal — that Northern Ireland cannot remain in the EU's customs territory — have collided with the EU's longstanding insistence that such a solution is unavoidable. Yet rather than pursue further compromise, Boris Johnson's government is now purposely steering the boat towards the rocks of a no-deal exit — in part as an electoral strategy. It is whipping up public anger against parliament, the courts, and Britain's EU partners. This is a perilous course to follow.

The agenda is clear from the hostile way the Downing Street team led by Mr Johnson's adviser, Dominic Cummings, portrayed yesterday's phone call with Angela Merkel. An anonymous briefing claimed that the German chancellor, in stating Northern Ireland could "never" leave the EU customs union, had adopted a "new position". In fact, if Ms Merkel said something along these lines — and Berlin is declining to comment — she was merely restating the position the EU has held all along.

The only way to avoid creating a hard border between north and south is for Northern Ireland to remain part of the EU's customs territory — or for the whole UK to do so. Michel Barnier, the EU's chief negotiator, proposed the former. After grappling with the issue for much of 2017, then prime minister Theresa May chose the latter. UK officials warned the incoming Johnson government this year it would face the same choice. Technological solutions like those the prime minister proposed last week — mostly yet to be developed — can soften, but not erase, the border.

The government's position reflects, in part, its reliance on the votes of the Democratic Unionist Party — which rejects any arrangements it sees as loosening the ties binding Northern Ireland to the rest of the UK. The Johnson team insists, too, that dividing the UK's customs territory would infringe sovereignty. Yet most of Northern Ireland's business community and, polling shows, a majority of public opinion favours remaining in the EU's customs union. Had Mr Johnson not insisted the "backstop" Mrs May negotiated must be scrapped, a Northern Ireland-only solution might still have been feasible.

Instead, barring a miracle, a deal before next week's EU summit now seems a lost cause. Mr Johnson must then comply with the law MPs passed last month to block a no-deal exit, and seek an extension to the October 31 Brexit date. Failing to do so, or trying to circumvent the law — especially after committing in court to respect it — would be an intolerable breach.

While some Downing Street officials bluster that they might persuade some EU27 members to oppose an extension, even they now seem to concede the government's hands are tied. The EU should grant a long enough delay for Britain to hold an election aimed at breaking the Brexit impasse.

The Johnson circle has left no doubt that it intends to stand on a platform that would lead to a no-deal departure, and to turn the poll into the most rancorous in Britain's modern history. It is constructing a narrative that blames treacherous "remainer" MPs, judges, Dublin, Berlin and Paris — anyone but itself — for thwarting Mr Johnson's ill-advised pledge to deliver Brexit this month "do or die".

The EU council president Donald Tusk was right to warn the prime minister against playing a "stupid blame game" when Europe's future is at stake. A responsible UK government would reject such a divisive approach. After 11 turbulent weeks in office, the sad conclusion is that this government cannot be trusted to act responsibly.

HSBC's cuts are an early warning signal to banks

Plans to cut up to 10,000 jobs suggest group is ahead of the curve

It may seem out of character for HSBC to be weighing an aggressive round of cost-cutting, putting up to 10,000 jobs at risk. This, after all, is the lumbering giant of global banking, an institution with 238,000 staff and operations in 65 countries around the world. With pre-tax profit of $12.4bn in the first half of this year, it is performing fine, too. While many western peers are struggling as net interest margins are squeezed by ultra-low or zero interest rates, HSBC's presence in fast-growing Asian markets has given it a powerful offset to near-stagnation in Europe.

It is also unusual for an interim chief executive to launch such an initiative. Noel Quinn was installed as acting CEO in August after the abrupt ejection of John Flint. Mr Quinn has quickly grasped one of the few levers a bank can pull in such an environment. In the background, chairman Mark Tucker is likely to have played a key role. Even in the months before his departure, Mr Flint had remained optimistic that an improving interest-rate environment would bolster profits — a promise that has been undone as the trend of tightening monetary policy in the US and Europe was loosened again. Such a wayward call will have played a big role in the chairman's decision to axe Mr Flint, and hardened his successor's resolve to be more forceful.

Ever since the financial crisis, all big banks have been trying to cut costs. HSBC's efforts have been uninspiring. In the post-crisis years, then CEO Stuart Gulliver set stringent targets to reduce the so-called cost-income ratio — overheads as a share of revenue — to just over 50 per cent. With revenue growth elusive, the ratio has remained stubbornly closer to 60 per cent. The bank's focus for fresh cuts is Europe. That is logical. While HSBC's expanding business in Asia and other parts of the world performs better than average in terms of revenue and costs, the European operation is declining. In the first half of 2019, the group's cost-income ratio in Europe was 99.9 per cent — barely a break-even result.

HSBC is not the first bank to respond decisively to a more challenging environment this year. Deutsche Bank and Société Générale have announced restructuring operations, amid a particular weakness in their investment banking units. But HSBC is the first to do so from a position of strength. It actually increased profitability in the first half of the year and generated a return on tangible equity of more than 11 per cent — far ahead of most European rivals.

For HSBC to be seen in the vanguard of adapting to a changed macro situation is at odds with its justifiable characterisation as a big bureaucracy. Evidence suggests the view is accurate nonetheless. Despite regular changes of management over the past decade or so, it seems to be in the bank's DNA to be ahead of the curve on the big calls. In 2007, it was the first to blow the whistle on the forthcoming subprime mortgage crisis, to which its woeful Household unit was horribly exposed. In the spring of 2009 it raised an unprecedented £12.5bn in a rights issue, shoring up its balance sheet ahead of fresh regulatory demands.

There are idiosyncratic reasons why HSBC needs to cut costs now: previous attempts have not gone far enough; the added overheads of ringfencing the group's UK operations have added to inefficiency; and political concerns in its core Hong Kong market will have rattled risk managers about the outlook. All of that comes on top of slowing global growth and the mounting pressure on lending margins from looser monetary policy. As in 2007, other banks would do well to heed the early warning signal.

Letters

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Assault on the ECB's inflation target deserves to fail

The memo published last week by several former northern European central bankers — Otmar Issing, Jürgen Stark, Helmut Schlesinger, Nout Wellink and others — is an attempt to pressure the European Central Bank and its incoming president Christine Lagarde to put a brake on its easy money policies ("Old guard attacks ECB monetary easing", October 5). The "old guard" doesn't want quantitative easing expanded or negative interest rates to go even lower and are implicitly advocating a backdoor strategy of lowering the target inflation rate from its current 2 per cent level to keep further monetary easing in check.

The memo's main argument is that "the ultra-loose policy . . . [of the crisis] . . . was essentially justified by the threat of deflation and the threat no longer exists . . . This weakens the logic in aiming for a higher inflation rate."

Since the current inflation rate is a bit less than about 1 per cent, the fact that the "old guard" does not want to go higher must mean they do not accept the current 2 per cent inflation target, which was carefully bargained between the euro's northern and southern members years before the crisis in 1998.

The assault on the central bank's inflation target deserves to fail. Hamstringing ECB monetary policy at a time of great external risks to the eurozone economy and a faltering European economy — and when Germany continues to refuse to launch a major fiscal stimulus — would be act of extreme recklessness both economically and politically. It would leave the eurozone totally exposed and vulnerable to a no-deal Brexit, increased US protectionism against Europe, the US-China trade war and the fallout from the attempted impeachment of President Donald Trump in the US.

Politically, lowering the inflation target could provoke a severe backlash in the southern countries and lead to a further growth of populism in the south. The quickest way to put Matteo Salvini back in power in Italy would be for the ECB to lower its inflation target. The reason is that the current inflation target has embodied within it an implied distribution of income between debtor and creditor members, so that lowering the target — which increases the real burden of the debts — would entail a redistribution of income in favour of the richer northern creditor nations at the expense of the poorer debtor ones.

The memo smacks of self-dealing by the retired central bankers who all are tied to northern financial interests.

If the former central bankers really want the ECB to apply the brakes to its easy money policies they should be writing memos calling on Berlin to launch a major fiscal stimulus, which would make the policies they so dislike redundant — not pushing mischievous gimmicks like lowering the target inflation rate. That's not what is expected from solid central bankers.

Melvyn Krauss
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Hoover Institution,
Stanford University, CA, US

'Old guard' ought to know better

It is sad to see a distinguished group of retired central bankers and the chief executives of Deutsche Bank and Allianz criticising the European Central Bank monetary policy and specifically Mario Draghi's sponsorship of further quantitative easing without at the same time attacking EU governments for not loosening fiscal policy ("Old guard attacks ECB monetary easing", October 5). They should know better and are economical with the truth by focusing on only one aspect of macroeconomic policy.

The reason there are negative interest rates is that the entire eurozone economic stimulus rests upon monetary policy. The German signatures of the memo should be especially ashamed as Germany has a balanced budget rule and the country that will probably benefit the most from further QE will be Germany.

Nigel Williams
Chairman,
Royalton Partners,
Luxembourg

Shareholders won't be the ones that save us

"Shareholders always come first and that's a good thing", says Jesse Fried (October 8). "That's the way it is, and that's the way it should be." Except that it isn't, and it shouldn't, but people keep saying that it is, and that's the problem.

The idea that shareholders, consciously or unconsciously, are the best stewards to allocate resources across the economy is highly problematic. Companies do not face the binary choice of "pet projects" for chief executives or returning cash to investors. If that were the case then it would hardly be worth granting companies the considerable privilege of the right to incorporate. What to the shareholder looks like "excess capital" looks to society more like money for research and development, upskilling employees or transitioning to a sustainable economy.

Protecting investors is one of the primary roles of corporate law, but it should be investors as a whole — workers, suppliers, customers, communities, the environment, local and national governments — they all tie their fates to those of companies to varying extents. All should rightly expect a "return". Yes, we have many fewer start-ups than we would want, but that is not because investment is tied up in public companies. Instead it is the demand of public and private equity that companies should pursue market domination that squashes any dreams of the innovative entrepreneur. These uncompetitive markets benefit flighty capital, not society at large.

I cannot disagree with Professor Fried that the Business Roundtable appears merely to be "paying lip service to broader social concerns" by saying that shareholders should not come first. I could not disagree more that this is a "good thing".

Michelle Meagher
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Committee is protecting our intellectual property

In her column "US hostility to Chinese investment puts innovation at risk" (October 4) Gillian Tett asks us to worry about whether technology start-ups as supported by well-known investor William Haseltine may not receive funding because of the new tougher approach from the Committee on Foreign Investment in the US.

The US has the largest, most liquid capital markets in the world. To imagine that an exciting new technology might be starved for funds because of the committee is absurd.

Ms Tett needs to look further down the road to understand that the purpose of the committee is not to discourage capital inflows but rather to prevent such investments from becoming two-way valves through which intellectual property may externalised for exploitation in other countries. Was it not Lenin who said that the capitalists will sell us the rope with which we hang them? Unlike ropemaking, creating cutting-edge technologies is difficult, but why facilitate it being purloined?

Dr Lawrence Haar
Senior Lecturer in Banking & Finance,
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Poles can save billions by switching from coal

Your report "Poland pledges to stick with coal in defiance of Brussels" (October 3) quotes Poland's energy adviser, Piotr Naimski, as saying that it is "not possible and not feasible" for Poland to meet the EU net zero carbon emissions goal by 2050.

WWF's new analysis shows the opposite. While Poland will need to make additional investments of €32bn-€76bn to 2050 to reach a near decarbonised power system, it has significant resources already if it shifts its spending from coal to renewables. What's more, reaching net zero emissions by 2050 will bring Poland direct savings of €55bn on total energy costs, as well as €20bn of avoided health and environmental costs.

The scientific consensus is clear: coal power has no future if we are to tackle the climate crisis. The EU needs to continue to support Poland and other coal countries as they make that change. But by sticking its head in the sand on coal power, Poland is shooting itself in the foot.

Imke Lübbeke
Head of Climate and Energy,
WWF European Policy Office,
Brussels, Belgium

Poet's 1923 observation continues to resonate

Edward Luce's astute and illuminating analysis (Global Insight, October 4) of the consequences associated with the self-defined stable genius fantasy-lite presidency of Donald Trump reminds me of the continuing contextual historical relevance of the late poet William Carlos Williams' melancholy lament that: "The pure products of America go crazy."

Toby Zanin
Toronto, ON, Canada

All business schools must have SDGs in their sights

It is great news that the Financial Times is investigating the increasing number of initiatives in the field of responsible business education ("Business schools shift to a more sustainable future", September 9). Having been involved in formulating the UN Principles of Responsible Management Education (PRME) in 2007 as well as being engaged in the development of this network, I can confirm that more and more colleagues in business schools all over the world are working towards achieving the sustainable development goals (SDGs).

These initiatives, which are often implemented with the support of students and corporate partners, cover the fields of research and teaching, as well as the management of the schools. The UN PRME network constitutes an excellent platform to celebrate, discuss and spread these initiatives.

However, this positive development in responsible business education is not yet mainstream, as it is being implemented in a only few isolated places, and even then it is often poorly co-ordinated. It is therefore not yet meeting the high expectations of students, business and civil society with regards to social and environmental emergencies.

Rather than just creating new initiatives, business schools must revise their teaching and research in both content and form. We must stop teaching business models and management theories or practices that are not compatible with the SDGs or climate targets as defined in the Paris Agreement. And we must stop encouraging and rewarding research without analysing its impact and alignment with the SDGs, even if it is published in top academic journals.

The FT can actively contribute to this transformation by integrating new criteria in the ranking of business schools and their programmes. The UN PRME community is ready to work on the formulation of these criteria.

André Sobczak
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Audencia Business School,
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OPINION ON FT.COM
Leyla Winston
Modern monetary theory poses a serious threat to Generation Z
www.ft.com/opinion

Beware the digital Stasi in your pocket

Berlin Notebook

by Adam LeBor

The last time I stood inside the complex of drab communist-era buildings on Normannenstrasse, a riot erupted around me.

That was mid-January 1990, when I was travelling through newly freed eastern Europe with the photographer Justin Leighton. We had heard that crowds were storming the Stasi headquarters in a cheerless suburb of East Berlin. By then, two months after the opening of the Wall, it was clear that the game was up. Communist dictatorships were collapsing one after another.

Locals feared that East Germany's ruling powers would try to destroy the files. As the crowd surged in we followed in their wake. The narrow corridors were strewn with documents and half-destroyed papers. The protesters were right — but the Stasi's shredding machines had broken down.

Run by Erich Mielke, a veteran communist, the Stasi was one of the most effective secret police forces in history. It recorded conversations, opinions, medical histories and, especially, any contact with foreigners, in millions of carefully numbered, classified files. It even archived the smells of dissidents. The Stasi left behind 160km of files, dossiers and tapes on about 6m people. Hannah Arendt, the writer and philosopher, coined the phrase the "banality of evil" to describe Nazi totalitarianism, but it could just as well be applied to the Stasi.

Today, the Normannenstrasse complex is a fine, if thoroughly chilling, museum. So it was with relief that I stepped outside and walked towards the U-Bahn station in the bright late summer sunshine. How wonderful that the era of mass, intrusive surveillance is over, I thought as I took out my iPhone to check Google Maps.

And then it hit me. That era wasn't over at all. Rather, it had escalated to a new level of data volume, speed, efficiency and, most surprising of all, wilful mass compliance. Now I — and everyone with a smartphone — was carrying a digital Stasi in my pocket. Not only was I willingly feeding more personal data than Mielke could have dreamt of, and to who knows where, I had paid several hundred pounds for the privilege.

For all its efficiency, the Stasi was an analogue organisation. The demonstrators who trashed the headquarters 30 years ago were not after computer software or even floppy disks. They wanted to preserve handwritten or typed files.

My iPhone was sending hour by hour details of my location and journeys, my telephone calls, my internet browsing history, my contacts, friends, examining my files and who knows what else. The services provided by the apps were convenient and free. But as the saying goes, "If you are not paying for the product, then you are the product."

We have been commoditised, and happily. Hands up who has ever actually read a privacy policy on a telephone app? I thought so. You may feel comfortable enabling location services, for example, but that app may be bundling and selling that information on. Do you really want a data services company to know that you visited a certain kind of legal or medical specialist? Or that while you profess to be a vegan you sometimes sneak a McDonald's? Probably not.

So what can we do to avoid the Stasi in our pocket? Consider switching to a non-smartphone. Before you install a new app, read what permissions it is requesting. Does that fabulous new game with amazing graphics really need to access your private messages? Or is it a front to Hoover up your data and sell it without you realising?

Ditch Google Maps, or at least minimise your use, especially on foot.

Learn how to use the privacy settings on your phone to control which existing apps can use location services. The instructions are easy to find on the internet. But don't use Google or Chrome, Google's own browser, to find out how to avoid Google and Chrome. Instead, purchase a VPN service to encrypt your activity and cover your digital tracks. Use a free privacy browser app like DuckDuckGo that doesn't track you.

We cannot storm into Silicon Valley, Normannenstrasse-style, to demand our data back. But we can take some simple steps to take control of the Stasi in our pocket.

The writer is the author of 'Kossuth Square', a crime thriller

Opinion

A burst of privatisation looks imminent in India

Swaminathan Aiyar

Is Narendra Modi the incrementalist suddenly becoming Modi the radical reformer? In his first term as Indian prime minister, from 2014-2019, Mr Modi made a number of small changes but avoided sweeping liberalisation of the economy. The first budget of his second term, presented in July, promised more of the same.

That approach is suddenly changing. Last month the government slashed the corporate tax rate from 30 per cent to 22 per cent (plus surcharges), and to 15 per cent for greenfield investments in manufacturing made by April 2023. India is at last competitive with its Asian rivals; companies exiting China have mostly moved factories to Vietnam and Bangladesh but can now consider India.

Next, some of India's biggest and best public sector companies are about to be privatised. In his first term, Mr Modi privatised nothing. He sold minority stakes in many public companies to raise revenue, but kept management control. A halfhearted attempt to privatise Air India last year attracted no bids because of onerous sale conditions. That fiasco put privatisation on the back burner.

Today, a burst of privatisation looks imminent. Last week, a committee cleared the sale of government stakes in five companies. The matter will now go to a cabinet committee that is expected to clear it quickly, so that sales can be completed by the end of this fiscal year in March 2020. The star on the auction block, Bharat Petroleum, is India's sixth largest company by sales. The Container Corporation of India is a major logistics company specialising in moving railway containers. The Shipping Corporation of India is the country's biggest. The other two candidates are smaller and will probably be bought by larger public companies and don't constitute genuine privatisation. But the first three companies are highly profitable and respected.

> Modi's election victory in May has given him the political capital to take risks

Meanwhile, Air India is to be put up for sale again, this time without the restrictions. The government may also take over part of the airline's huge debt to make the sale attractive.

Why has Mr Modi's approach changed? His sweeping election victory in May has given him the political capital to take risks and the opposition is demoralised and divided. His victory has also helped to silence opponents of privatisation within his own party, notably the Bharatiya Mazdoor Sangh trade union, and the Swadeshi Jagaran Manch, an industrial-policy affiliate that hates Indian companies being sold to foreigners.

In his first term, Mr Modi could easily have been outvoted in the upper house, which is indirectly elected by state legislatures. But having won many state elections in the past five years, his Bharatiya Janata party is now not far from a majority there. He has won additional political capital through his takeover of Kashmir, supported by regional parties who gave him a two-thirds majority even in the upper house.

Mr Modi is reducing the government's domination of the economy in other ways. He has auctioned the operation of six major airports and, despite trade union protests, auctions are planned for 20 to 25 more. Rail passenger services have long been a government monopoly, but tenders are being prepared for 150 routes to be auctioned to private parties. The hope is to attract big operators from across the world.

This will supplement the government's "asset recycling". Since last year, it has been auctioning rights to operate, maintain and share toll revenue from existing infrastructure — roads, ports, power stations and transmission lines. Cash from old infrastructure is recycled into new. Last March, a sale of 680km of roads fetched Rs97bn.

Another reason for Mr Modi's new radicalism is fiscal stress. To win elections he was forced to match the freebies promised by opposition parties. India has at least one state election every few months so the pressure to offer giveaways never diminishes. Mr Modi promised a grant of RS6,000 per small farmer before May's election and has now extended it to all farmers. He also has ambitious but costly plans to provide healthcare for all.

Only creative accounting can hide the fact that the current year's fiscal deficit will probably be more than 4 per cent of gross domestic product against the budgeted 3.3 per cent. The slowdown has badly dented tax revenue. Mr Modi is keen on fiscal prudence and his various forms of privatisation can help, apart from improving long-term efficiency.

India still needs reforms to bring down the cost of land, labour, capital, electricity and freight rates to the levels of its Asian rivals. The old Mr Modi was incapable of such radicalism. Might the new version have a stab at it?

The writer is a research fellow at the Cato Institute

Brexit is a journey without end

Martin Wolf Economics

No majority exists for any deal option with the EU, with Leavers as much to blame as Remainers

In 1933, Joseph Goebbels stated that, "The modern structure of the German State is a higher form of democracy in which, by virtue of the people's mandate, the government is exercised authoritatively while there is no possibility for parliamentary interference, to obliterate and render ineffective the execution of the nation's will." It is a measure of how far the UK has fallen that Boris Johnson, the prime minister, often sounds rather like this.

Mr Johnson sought to prevent "parliamentary interference" in Brexit negotiations, by proroguing (or suspending) it for five crucial weeks. He dissented from the Supreme Court's unanimous decision that this was unlawful. He has suggested he could ignore the Benn Act requiring him to seek an extension to the Article 50 deadline, should he not achieve a deal. He condemned this legislation as the "surrender act". Worst of all, he plans to frame the next election as a battle of "people versus parliament".

How did the UK reach a position in which its prime minister regards parliament as an obstacle to be ignored? The simple answer is that it decided to insert a particularly ill-considered referendum on an exceptionally contentious subject into a parliamentary system. This created conflicting sources of legitimacy. Worse, the meaning of the option that won a small majority in that referendum was ill-defined. "Brexit means Brexit" is perhaps the silliest sentence ever uttered by a British prime minister. But it was also all that could be said.

Contrary to what Brexiters insist, parliamentary involvement is not an unwarranted intrusion. Any referendum requires legislation. This one also required negotiation and agreement. Alas, no majority exists for any option for a deal with the EU. Brexiters are as much to blame for this as Remainers.

Consequently, "no deal" has emerged as the fallback position. But the Leave campaign said essentially nothing about a no-deal exit. There is no mandate for what every informed observer, including the civil service, knows would be a disruptive and costly result. It would also be just the beginning of negotiations, not their end. But those talks would occur in worse circumstances. There would be pervasive economic uncertainty. This would be a mad choice. Governments exist to help their countries, not harm them deliberately.

Among the most important reasons for this outcome is the refusal, especially on the Brexit side, to try to understand the EU. They needed to comprehend that the EU is an existential project for its members, not just a trade deal. Application of European law, under the European Court of Justice, is a central part of that project. The EU, with 27 remaining members, was also sure to be an inflexible counterparty.

What next? The government's Heath Robinson-esque plan, in which Northern Ireland is to be inside the EU's regulatory system for goods but not its customs area, will be rejected as leaky, legally unenforceable and incompatible with border-free trade in Ireland. It also represents a rejection of the UK's 2017 commitments on the Irish border. This is sure to have further weakened trust in Britain's reliability. Remember, too, that the EU has long land borders. It will not allow the precedent of intentionally porous borders.

Some believe this plan ought to fly with the EU. It will not. If Northern Ireland were inside the EU's customs area, too, it could work. But, if the rest of the UK is to have its own trade and regulatory policies, this would make the Irish Sea the UK's customs and regulatory border with the EU. That would be unacceptable to the Democratic Unionist party and the Conservatives. It might reignite violence in Northern Ireland.

> The government's plan will be rejected as leaky and legally unenforceable

So what happens if no deal can be agreed before October 31?

One question is whether the EU agrees to another extension when the British government clearly does not want one. Assume that it does, but only with conditions. What might those be?

One possibility would be to try to ratify Theresa May's withdrawal agreement. That would allow the UK and the EU to move on to negotiating a new relationship. This would also mean a compromise between Brexiters and Remainers, itself highly desirable. But it seems impossible. For Remainers, it is too little; for Brexiters, it is too much. Remainers want to stay in the EU. Brexiters reject the Irish backstop that would keep the UK in the EU's customs area and restrict its trade policy indefinitely.

A second possibility is another referendum, probably on a choice between no deal and Remain. Such a vote should be legitimate since no deal played so little part in the referendum. But it would require creation of a caretaker government. That would be hard enough to do. It might also be impossible to agree a question and then carry out a referendum, without large-scale violence. To me, another referendum is the least bad option. But it creates great risks.

Finally, there could be an early general election. A drawback is that this would involve many issues apart from Brexit and might lead to another hung parliament. With Mr Johnson campaigning against parliament, it could have dire consequences in both the short and long runs. But it might resolve the Brexit issue, temporarily.

Yet the issue now is *not* just Brexit. It is far deeper. The Conservative party has become an English nationalist party, busily stoking populist resentment. Meanwhile, the hard left has seized the Labour party. The curse of extremist politics has only just begun.

Once people see opponents as "traitors" to an imaginary "people", demons of hatred are unleashed. Brexit awoke those demons. Mr Johnson, aided by Nigel Farage and his Brexit party, will seek to win by freeing them. They are sure to wreak havoc for a very long time.

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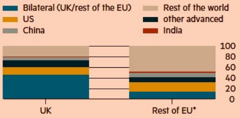
For the UK, the EU market exceeds US, other advanced nations, China and India together

Share of goods exports by destination, year ending Q2 2019 (%)

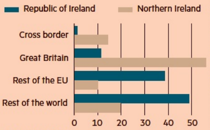


* excludes intra-EU trade

Sources: IMF DOT; FT research

For Northern Ireland, the UK market matters much more than the Republic's

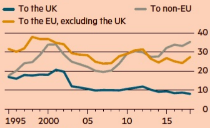
Share of exports of goods, by destination, 2016 (%)



Source: NISRA, CSO

To Ireland, the UK market is of declining importance

Irish exports of goods, as a % of modified gross national income



Sources: Refinitiv; FT research

Pinching pennies is all too often pound-foolish

BUSINESS
Brooke Masters

KPMG has breathed new life into the phrase "petty bean-counters" with a recent decision to cancel work mobile phones for hundreds of junior and back office employees.

The move by the British arm of the Big Four accountancy firm is part of a larger cost-cutting drive that will include letting go about 200 secretaries and personal assistants and telling partners to file their own expenses claims.

Few people would take issue with the need to keep down costs right now. Economic gloom is spreading worldwide with Europe and the UK looking particularly vulnerable. It emerged on Monday that global lender HSBC plans to axe 10,000 jobs and fund manager Invesco has cut 1,300.

There are also firm specific reasons to trim spending: KPMG, under pressure after a series of scandals, has told employees that the costs of the UK business were higher than others in its global network as well as UK rivals. The firm argues that the phone cull will encourage staff to separate working hours from personal time and says that employees who travel a lot or need to be contacted out of hours will not be affected.

Supporters of this kind of cost-cutting argue that such steps make a strong statement that the company really is serious about boosting margins.

When Charlie Ergen was chief executive of Dish, the US television provider took pride in being known as "meanest company in America". It refused to reimburse tips of more than 17 per cent on restaurant meals and required employees to share hotel rooms on business trips. Mr Ergen followed the latter rule himself, much to the dismay of underlings who lived in fear of being his roommate.

> Lock up stationery for the Christmas holidays and company managers risk real fury

Portsmouth football club players have fond memories of its efforts to emerge from administration in 1998. Players were happy to give up their bonuses for wins and washed their own jockstraps.

But André Spicer, a professor of organisational behaviour at Cass Business School, warns that such symbolic cost cutting can easily do more harm than good. "A lot of the time, they undermine the purposes of what they are trying to achieve. People are much more attached to small things than large things," he says.

Employees can understand why a company needs to shut down a division or a swath of near-empty retail outlets, Prof Spicer says. But take away the afternoon cake trolley or lock up the stationery over the Christmas holidays and managers risk real fury.

Uber recently discovered this when it stopped sending congratulatory helium balloons to employees on the anniversary of their joining. Chief financial officer Nelson Chai emailed staff to say switching to "Uberversary" stickers would save at least $200,000. "It's not only a great way to find dollars we can invest back into the business, it's also more environmentally friendly," Mr Chai's message said, according to Crunchbase news. The savings are roughly equal to the salary of one senior software engineer or .004 per cent of the company's $5.4bn operating loss in the second quarter alone.

Penny-pinching also backfires when it involves erecting new hurdles for costs — postage, local travel, etc — that used to be routinely approved. Bedding down new expenses procedures eats money and time, and distracts employees from core activities. This might be worth it if companies stuck to their guns, but often they drop the strict scrutiny once immediate savings goals are met.

The gig economy has created a particularly nasty variation on bean-counting. Companies that employ contractors often refuse to provide them with the same safety equipment or even hot drinks. This not only deprives freelancers of basic benefits. It also bolsters the company's case that they are contractors and not entitled to the same benefits and tax status.

The underlying problem for managers may be that the burdens of cost-cutting are rarely shared evenly, as a 2012 study published in the American Sociological Review revealed. It found that efforts to automate, reduce bureaucracy and eliminate waste have historically been associated with rising numbers of managers and increased manager pay.

Rather than fostering solidarity, symbolic cost-cutting all too often translates into something far more divisive: employees feel the pain while executives and managers reap the profits.

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LSE/HKEX: a Capulet capitulates

Charles Li compared himself to Romeo in his doomed pursuit of the London Stock Exchange. The Hong Kong bourse boss more closely resembled Tybalt in trying to bust up a happy couple. Having given the raspberry to his approach at an enterprise value of £31.6bn, LSE must now make a go of it with Refinitiv.

Like the Capulet scrapper, Mr Li badly misjudged his battle. His worst mistake was to believe that an offer of £83.60 per LSE share would excite investors; otherwise he would never have gone public with an approach LSE had greeted coolly privately.

But shareholders declined to frogmarch LSE boss David Schwimmer into deal talks, or sell en masse to event-driven hedge funds. They had already given their blessing to the group's purchase of Refinitiv, Reuters' data and trading platform operations, at an enterprise value of $27bn. This support has lifted LSE shares some 25 per cent to more than £70 each.

Mr Li also got his timing wrong. Hong Kong is in chaos. This made shares in Hong Kong Exchanges & Clearing an unappealing bid currency. Mr Li and HKEX were too close to the Chinese authorities for some, too distant from it for others. Just as importantly, the group lacked the balance sheet to make a knockout offer at over £90 per share with a much larger cash element.

No foreign bidder has misread the mood in the City so badly since Pfizer tilted at AstraZeneca in 2014. The flop reinforces the idea that cross-border stock exchange takeovers are doomed to failure these days. It leaves HKEX as a China-focused business whose status in China is precarious. Ownership of the London Metal Exchange, for which it overpaid in 2012, looks anomalous.

HKEX had promised to review its governance. The hefty presence of Hong Kong government appointees on the board was an issue for some LSE investors. HKEX's shareholders should instead ask whether the swashbuckling Mr Li is too dominant.

Mr Schwimmer bears the Defender's Curse: proving his business can do better independently. That means lifting the share price from £70 today to above £83.60. A lot of hope is baked in. Refinitiv's assets are a mixed bag and Brexit could prove disruptive.

Shakespeare never depicted his star-crossed lovers struggling with DIY and household bills in Romeo and Juliet Part II. With good reason.

Infrastructure/Cellnex: pound wave

There is much talk about the promise of 5G technology for mobile telephony for smartphone makers and network operators. Forget about them.

Investors have made their call: own the cell-tower companies such as Spain's Cellnex. Their share prices have rocketed at the speed of sound this year. What has fuelled Cellnex's ascent is acquisitions. Yesterday it announced the purchase of mobile towers from the UK's Arqiva for £2bn. A decent price paid cannot disguise the fact that Cellnex is itself overvalued.

Presumably Cellnex had its eye on Arqiva for some time. The problem is that Arqiva had both broadcast and cell-network towers. Arqiva's owners, which includes the Canada Pension Plan Investment Board, probably wanted to sell the entire portfolio.

It had planned to list the entity two years ago but investors were not interested, partly because of its mixed portfolio. This sale simplifies Arqiva.

Cellnex paid only about £240,000 per site, under 12 times expected ebitda, less than its recent transaction with Iliad of France at €316,000.

Arqiva's towers also come with more tenants (operators) per tower.

Judged by the market's signal to noise ratio, total shareholder returns, the Cellnex message is loud and clear. Buy lots of towers, use plenty of cheap leverage, then buy some more.

Cellnex's shares have soared 166 per cent since it listed in May 2015, far outpacing the falling MSCI European telecoms index. By the end of this year, its operating profits will have nearly tripled in four years. Its valuation at 22 times this year's ebitda reflects that jump. Arqiva's towers seem cheap by comparison. Yet Cellnex has had to raise equity to keep its net debt below a heady 6 times ebitda. This deal comes with a €2.5bn capital raising.

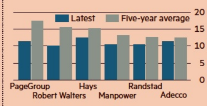
Cellnex has finely tuned antennas for deals. Good thing. It needs them. The shares offer little dividend yield. The justification for an expensive bet on Cellnex depends on it finding cheaper tower assets.

PageGroup/recruitment: Brexit wrecks it

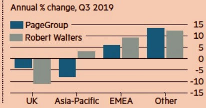
The share prices of recruitment companies closely track the economic cycle. Brexit has worsened the woes of the UK's PageGroup and Robert Walters. Its effects are unpredictable but, historically, shares have rebounded quickly when early signs of recovery emerge.

European recruiters and economic activity
Share prices, rebased (€) EU composite PMI (>50 = growth)

Valuations
Ratio of share price to earnings



Change in net fee income
Annual % change, Q3 2019



FT graphic Sources: Refinitiv; Companies

Whoosh, here comes the Brexit slide. Shares in UK-listed recruiters PageGroup and smaller rival Robert Walters tumbled 12 per cent and 6 per cent yesterday after warnings on full-year profits. An end to Brexit misery is not yet in sight.

Employment services companies are economic bellwethers. Their shares still could recover faster than a badly weathered UK.

Earnings at European recruiters are tightly linked to the economic cycle. In a downturn, temporary staff go first. Permanent vacancies are left unfilled. So far, such companies have largely avoided digital disruption, despite incursions by Google and Uber. As a result, their share prices still track purchasing managers' indices, which are seen as timely guides of economic activity.

The Brexit downturn has its own characteristics. It is not about sudden job losses caused by a financial crisis or central bank tightening. UK joblessness is below 4 per cent. But the political crisis is delaying company decisions on big projects or staffing. The slowdown in labour market "churn" — or job switching — hits companies such as PageGroup, which is focused on specialist permanent recruitment, as well as European rivals such as Adecco, geared more towards temps.

PageGroup has sought stability through diversification. The UK accounts for just 16 per cent of gross profits. A focus on recruiting technology specialists has powered growth in Germany, despite Europe's largest economy weakening noticeably. But global expansion has also left PageGroup exposed to unrest in Hong Kong and the impact of trade wars on mainland China.

European recruiters sound the alarm before economic downturns. But, historically, their shares quickly rebounded. PageGroup and European rivals look cheap, trading at below their five-year average forward earnings multiples.

Shares typically reach lows six to nine months before analysts' earnings forecasts, Barclays analysts say. In half a year, the UK may have weathered Brexit's worst. At least, the pace of economic deterioration will have slowed. Perhaps.

NBA: great maul of China

There is a crucial flaw in the NBA's expansionary business model. Many of its players and managers are American, apparently. Their basketball skills are amazing. But they hail from a country with ingrained traditions of personal freedom. Some speak their minds.

Houston Rockets manager Daryl Morey retweeted the words "Fight for freedom, stand with Hong Kong" when he could have put: "Long live His Excellency Xi Jinping!" A Chinese boycott of the NBA is growing even faster than its Chinese audience was.

Most of the for-profit league's revenues outside the US come from China. About 300m Chinese people play basketball. Sponsorships have tracked growing viewership, valuing NBA China, the league's local business operator, at more than $4bn.

About one-tenth of its revenues come from sponsorships and merchandising. These are taking a hit. The Rockets were popular. Online retailers including JD.com and Alibaba have removed team merchandise.

Worse, state broadcaster CCTV no longer broadcasts NBA matches. Tencent has suspended streaming of NBA pre-season games.

In July, the online giant agreed to pay $1.5bn over five years, equivalent to almost a fifth of the NBA's annual revenues. The bulk of the league's revenues come from TV rights sales. With US audiences dropping, the NBA was depending on Chinese growth.

The position of the NBA and the Rockets is impossible. Disowning or firing Mr Morey, who deleted his retweet, would mollify chippy Chinese authorities. It would also dismay some American fans and players, prompting further anti-Chinese comment.

The NBA aims to "build bridges through basketball". The Rockets row has blown a hole in one of the most lucrative of these structures.

This rule will increasingly apply to western commercial organisations: you can have freedom of expression or you can have rising revenues in China. You cannot have both.

Domino's Pizza: wheel of fortune

US pizza titan Domino's Pizza prides itself on its tech-savvy ways. Its early embrace of everything from a real-time order tracker to emoji text ordering has helped keep sales growth piping hot in the ultra-competitive fast-casual food space.

But the rise of on-demand delivery services such as Uber Eats, Grubhub, Postmates and DoorDash is threatening to crash Domino's pizza party. The apps, which allow rivals to start offering food-delivery services, have been a boon for diners who want to eat a broader array of food. Less so for Domino's near-6,000 stores in the US.

Same-store sales at restaurants open for more than a year in the US rose just 2.4 per cent during its latest quarter, Domino's said yesterday. That is the slowest growth in at least 15 quarters.

Domino's also eased its sales outlook. It now expects US same-store sales to grow 2-5 per cent over the next two to three years, compared with the 3-6 per cent increase the company previously forecast for the next three to five years.

Investors should not panic. Domino's is right to stay off third-party food apps and stick to its own delivery fleets.

With commission ranging from 13 per cent to reportedly as much as 30 per cent per order, these delivery services do not come cheap. Quality can also be hard to control. Meals may arrive late, cold or even damaged. Smaller restaurants may quickly find the sales gains are not worth the margin squeeze. Then there is the meal delivery business itself. It is a crowded field and start-ups often offer rebates to lure in new diners. The aggressive discounting is unsustainable and Silicon Valley's appetite for throwing cash at lossmaking techs is waning.

A 10 per cent slide in the stock over the past year has pushed Domino's forward earnings multiple down to about 27 times, a discount to rival Papa John's and Pizza Hut owner Yum Brands. A healthy cash flow means Domino's can continue to invest for the long haul. It is in less danger of losing its slice of the pie than investors think.

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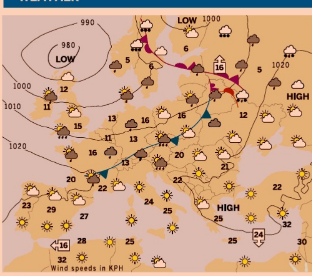
WEATHER

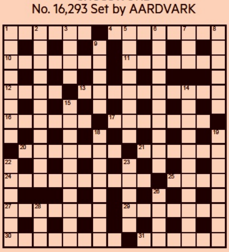


Forecasts by MeteoGroup Warm front Cold front Occluded front Wind speed in KPH

Today's temperatures Maximum for day °C

Amsterdam	Shower	13	Malta	Thunder	26
Ankara	Sun	22	Manila	Fair	32
Athens	Sun	25	Miami	Thunder	29
Bahrain	Sun	35	Milan	Rain	16
Barcelona	Fair	26	Montreal	Sun	16
Beijing	Cloudy	22	Moscow	Shower	5
Belfast	Shower	12	Mumbai	Fair	33
Belgrade	Sun	25	Munich	Rain	12
Berlin	Cloudy	16	Naples	Sun	25
Brussels	Rain	13	New York	Rain	14
Budapest	Fair	20	Nice	Fair	23
Cairo	Sun	33	Nicosia	Sun	32
Cardiff	Shower	14	Oslo	Rain	5
Chicago	Sun	22	Paris	Shower	16
Cologne	Shower	14	Prague	Shower	14
Copenhagen	Shower	14	Reykjavik	Fair	10
Delhi	Sun	33	Riga	Cloudy	12
Doha	Sun	36	Rio	Thunder	23
Dubai	Sun	35	Rome	Sun	24
Dublin	Shower	13	San Francisco	Sun	21
Edinburgh	Shower	12	Singapore	Thunder	30
Frankfurt	Shower	14	Stockholm	Cloudy	9
Geneva	Rain	15	Strasbourg	Shower	16
Hamburg	Shower	13	Sydney	Fair	17
Helsinki	Cloudy	6	Tokyo	Drizzle	24
Hong Kong	Sun	31	Toronto	Sun	18
Istanbul	Sun	22	Vancouver	Sun	9
Lisbon	Sun	23	Vienna	Shower	17
London	Shower	15	Warsaw	Cloudy	16
Los Angeles	Fair	22	Washington	Rain	15
Luxembourg	Shower	11	Zagreb	Fair	21
Madrid	Sun	29	Zurich	Rain	13

CROSSWORD
No. 16,293 Set by AARDVARK

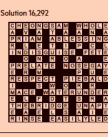


JOTTER PAD

ACROSS
1 Husband follows mode of operation to ventilate fabric (6)
4 Person who organises golf, with uncertainty, on Scottish isle (8)
10 One used to work out what indicates last orders? (7)
11 See degree written on lower document (7)
12 Aristocrat appointed to host king (4)
13 A senior clergyman comes in subdued, having had a row (10)
16 One seeking lawyer's advice right inside court (6)
17 Seat for students seen by Jack through coniferous shrub (7)
20 Comic who is touring beginning to bemoan variable entertainment industry (7)
21 Stan refs game in first half, having Italian liqueur (6)
24 Mad person, on cold punch, who never stops talking (10)
25 Some grave-diggers recalled Chester many years ago (4)
27 Fruit cost almost nothing in middle of Skiathos (7)
29 Container, then another, tipped over knitwear (4,3)
30 Cricket fielder once getting together trousers and jumper? (4,4)
31 Rough voyage reported (6)

DOWN
1 Michael hides body when recreating novel (4-4)
2 Hire Shankar to broadcast religious chant (4,7)
3 Current Conservative and newsman like a cool drink (4)
5 Jockey sounding cheerful after constant sporting competition (5,3)
6 Understand cryptic paper spies peripherally translate (10)
7 Girlfriend's first love letter repeated sentimentality (3)
8 Country run alongside borders of wisteria (6)
9 Record nearly every scrounger (5)
14 Roving editor elect that might uncover stories (3,8)
15 Soon apart, stick's reassembled (2,3,5)
18 Words of Norma perhaps more 'eated, rising after party earlier (8)
19 Fruit from acer seen around bark (3,5)
22 It might be difficult to read server's initial stroke (6)
23 Loud warning of course: closing time (5)
26 Periodically turns door to open (4)
28 Smuggled group of seamen around Australia (3)

Solution 16,292



Companies & Markets

FINANCIAL TIMES

Car crash GM — and its workers — pay a heavy price as strike drags on — ANALYSIS, PAGE 14

Human shield Is Japan Inc right to put staff before shareholders? — INSIDE ASIA, PAGE 12

Nissan appoints China head as chief

● Carmaker promotes Uchida ● Move to end board rift ● Ghosn whistleblower sidelined

DAVID KEOHANE — PARIS
LEO LEWIS AND KANA INAGAKI — TOKYO

Nissan has appointed a new chief executive and sidelined the whistleblower behind Carlos Ghosn's downfall in an effort to end the boardroom rift that has threatened the carmaker's survival.

The unanimous board decision to appoint Makoto Uchida, head of China operations, to lead the "new Nissan" ends a three-month search to replace Hiroto Saikawa, Mr Ghosn's handpicked successor who himself was ousted in September.

People close to the board said that Mr Saikawa's sudden dismissal had laid bare the extent of the "toxic" battle for control of Nissan. Paralysis caused by infighting has left the company unable to focus on its core business, its recovery plan and its frayed relations with French partner Renault.

The selection process itself was fraught with tension as the board clashed over how its 10-month investigation into Mr Ghosn's financial dealings had been conducted, according to people with knowledge of the situation.

Senior Nissan figures questioned why the probe had not looked more closely at the role of Hari Nada, the former head of legal and close Ghosn associate who was a central figure in the investigation against his former boss. Mr Ghosn, who has been indicted on charges of financial misconduct, maintains his innocence.

After pressure within Nissan was intensified by criticism from Renault, Mr Nada's role has been significantly diminished, although he has not resigned, say people familiar with the decision. Some have questioned whether Nissan is legally able to dismiss Mr Nada given his role as a whistleblower and say talks are under way to make him "a senior adviser".

Nissan declined to comment on the status of Mr Nada, who did not respond to a request for comment.

Mr Ghosn's arrest last year, and the breakdown of ties with Renault, left Nissan searching for a leader to signal a decisive break both from the Ghosn era and the subsequent factional fighting.

> 'Today it's a disaster. Everything is out of control. Now it's enough'

"Today it's a disaster," a person close to the board said before yesterday's meeting. "Everything is out of control. Nobody seems to be in command and that cannot last long. Now it's enough."

Mr Uchida spent more than a decade at a Japanese trading house before joining Nissan in 2003. Masakazu Toyoda, head of the nomination committee, stressed that Mr Uchida valued the link with Renault, saying that this was the main reason he had joined Nissan.

Additional reporting by Peter Campbell in Dubai

Spark into action Manufacturing malaise spurs central banks to cut rates

More than half of central banks are in easing mode, the biggest proportion since the financial crisis. The third quarter saw 58.5 per cent of central banks cut interest rates in response to a deepening malaise in global manufacturing, which recorded its longest downturn in seven years.

UBS analysts estimated that annualised third-quarter global growth was 2.3 per cent, near the lows of the final quarter of 2018, when trade war disruption was at its peak. The slowdown was consistent with a "global confidence shock", they said, given the concentration of weakness in survey data. The European Central Bank cut rates last month as part of its biggest stimulus package in three years, followed by the US Federal Reserve's second reduction this year.

Only three of 41 countries raised rates in the third quarter. Robust economic growth in Norway prompted a third increase this year, while Kazakhstan raised rates owing to worries over inflation. Interest rates were ratcheted up in Argentina to support the currency after President Mauricio Macri's defeat in the August presidential primary.

Rate cuts have continued into the fourth quarter. Australia, Iceland and India all loosened policy last week and the market is pricing a significant probability of another cut from the Fed this month. The Bank of Japan — where rates have been on hold for more than three years — is also expected to cut this month. *Caroline Grady*

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A prolonged downturn in global manufacturing has prompted central banks to take action — Reuters

Tail Risk

Laurence Fletcher

The re-emergence of fears over global trade has given equities a bumpy start to October. Europe, seen as particularly vulnerable to any downturn, has seen its Stoxx 600 index give back all its gains from September.

Yet stocks remain strong performers. The Stoxx 600 has delivered a total return of 16 per cent this year, while the S&P 500 has returned almost 20 per cent.

At first glance there are plenty of good reasons for equity resilience. Economic growth may be slowing but with the US still in "a good place", according to Jay Powell, Federal Reserve chairman, a severe contraction looks unlikely. Central banks appear ready to step in when things get dicey and higher government spending in Europe is expected. And when bonds are offering you negligible or even negative yields, equity dividends still look appealing.

However, there is cause to be wary of each of these four pillars. Take US growth. "The underlying global momentum is weaker than generally accepted," said Ralf Preusser, at Bank of America Merrill Lynch. The US has remained resilient only "due to the fact that the Fed has delivered a spectacular policy reversal".

> 'The Fed put is quite far away – it could be 10-20 per cent below where stocks are now'

The assumption of central bank support for markets is also shaky. Mr Powell may have given the impression that the Fed is watching asset prices but it is unclear when aid might materialise.

"The 'Fed put' is quite far away — it could be 10-20 per cent below where [stocks] are now," said Graham Neilson, at Fulcrum Asset Management, who believes the Fed has more of an eye on the tight US labour market and "excessive leverage". His weighting in stocks is about half its average, on that basis.

Fiscal stimulus is often touted as picking up the baton from monetary policy. But, even if it comes, the effects are likely to be temporary.

"Fiscal stimulus is typically a one-off boost and not without cost," said Mr Neilson.

Supply-side reforms, which are more likely to deliver sustainable benefits, have failed to materialise across the eurozone. Indeed, years of quantitative easing have eased the pressure on governments to come up with growth-friendly measures.

That leaves the reflected attraction of negative-yielding bonds. Geraldine Sundstrom, a Pimco fund manager, warns that equity yields in Europe might seem attractive but valuations are "fairly expensive" and balance sheets are in many cases not strong enough to justify them.

Moreover, some hedge funds are whispering that, with borrowing costs at such low levels, governments must eventually be lured into issuing more debt. That would push bond yields higher, reducing the allure of equities.

Equity bulls have had a good run. But they could soon discover that props for the market are falling away.

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Revamped Hitachi focuses on fast-growing sectors

Hitachi stands out in Japan's corporate landscape. It nearly collapsed under an $8bn loss in the financial crisis, but it survived. Now, after a decade of agonising restructuring, the group is focused on pushing into fast-growing sectors, such as the internet of things.

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Hong Kong bourse ditches £32bn bid for LSE after charm offensive falls flat

DANIEL SHANE AND ALICE WOODHOUSE — HONG KONG
PHILIP STAFFORD — LONDON

The Hong Kong bourse abandoned its £32bn offer for the London Stock Exchange Group yesterday, ending its attempt to create a global capital markets operator and break up the LSE's rival deal for Refinitiv.

Charles Li, chief executive of Hong Kong Exchanges and Clearing, said the company had concluded that an offer was no longer in the best interests of its shareholders. "We only regret the chances we didn't take," he said. "We believe the strategic rationale for the combination of our two businesses is compelling."

The cash-and-stock offer, tabled a month ago, amounted to £83.61 per share and required the LSE to give up its agreed deal to buy Refinitiv, the data and trading group, for $27bn.

The LSE flatly rejected its rival and its shareholders remained unmoved by a three-week HKEX charm offensive. The LSE said it remained committed to the Refinitiv deal.

Shares in HKEX, which had until the end of today to make a formal bid, gained 2.3 per cent in Hong Kong yesterday. LSE shares dropped 6 per cent.

Chris Turner, an analyst at Berenberg, said HKEX's pulling the plug reflected its finances. "Investors were asking them to sweeten the bid to £95 and upwards, yet even a simple merger model showed that was not possible."

The bid faced concerns over antitrust and regulatory approval, particularly over HKEX governance. The territory's government, controlled by Beijing, appoints seven of 13 HKEX board members.

The bid had arrived to a troubled backdrop. Hong Kong's stock market turned in the worst performance among developed markets in the third quarter, in part because of the political crisis in the territory, sparked by violent protests over the past four months.

HKEX is vying to maintain its position as a gateway to China against competition from Shanghai and Shenzhen. The choice not to pursue the LSE acquisition raised questions over HKEX strategy.

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Companies / Sectors / People

Financials

Norway fund to publish all voting plans

Sovereign vehicle hopes openness before investor meetings can ease reforms

RICHARD MILNE
NORDIC AND BALTIC CORRESPONDENT

The largest sovereign wealth fund is aiming by 2022 to release all its voting intentions ahead of the annual meetings of the 9,000 companies it owns in a move that will shake up how investors approach corporate governance.

Norway's $1.1tn oil fund currently reveals how it has voted within 24 hours of annual meetings but since 2015 has disclosed a handful of times a year before the shareholder votes.

In its strategy document for 2020-22 unveiled yesterday, Norges Bank Investment Management, which manages the oil fund, said that by the end of that period "we aim to publish all our voting instructions ahead of shareholder meetings where this is practicable".

The Norwegian fund is one of the world's biggest investors, owning the equivalent of 1.4 per cent of every listed company and having stakes in more than 9,000 groups in total.

It has sought to become a more active investor, becoming involved in issues such as executive pay, climate change disclosure and board composition, not least trying to keep the roles of chief executive and chair separate.

The oil fund has voted against some of the biggest companies in the world this year, including Apple, Alphabet, Goldman Sachs and JPMorgan.

Yngve Slyngstad, the fund's chief executive, told the Financial Times in 2017 that pre-disclosing its voting intentions a couple of times a year had been "more effective than we thought" in changing corporate behaviour. He added that it was a "sharp tool, not a blunt tool" and needed to be used carefully as companies were often compromised under the mere threat that it might disclose its voting intention early.

The oil fund's investment mandate, decided by the Norwegian parliament, it aims to hold 70 per cent in equities, 5 per cent in property and the rest in bonds.

The new strategy fleshes out the fund's impending move into renewable energy infrastructure, saying that it expects such assets — primarily wind and solar farms — to account for about 1 per cent, or $11bn currently.

For the first time since its inception in 1996, the fund is expected to reduce its number of employees. By 2022, it should have 500 workers, 100 fewer than today, as a result of natural attrition in some posts and the moving of some functions such as communications and human resources to Norges Bank, Norway's central bank.

The oil fund said it would consider investing more in unlisted companies looking to float on the market despite concern in Norway over its one such investment so far before the aborted initial public offering of the company behind Formula One motor racing.

It added that it would "increase our active positioning around corporate actions and capital market events such as initial public offerings and secondary offerings". The fund also repeated its warning that the Norwegian public should be prepared for "significant fluctuations" in its value due to increasing exposure to equities.

1.4%
Share of all global stocks held by the Norwegian oil fund

500
Staff the fund expects to have by 2022 — 100 fewer than today

Banks

German state-backed lenders agree merger talks

OLAF STORBECK — FRANKFURT

Germany's state-backed banking system is pushing ahead with merger talks that could create a financial powerhouse with €260bn in assets and 11,000 staff.

The decision to start formal discussions between Frankfurt-based lender Helaba and asset manager Deka was taken yesterday by the regional banking executives that control them.

Landesbanken are regional, wholesale-focused institutions that serve the local Sparkassen, or savings banks, and are co-owned by the Sparkassen and regional government.

The enlarged lender could become a driving force in consolidation within Germany's fragmented public banking sector, which is reeling from low interest rates, high costs and a series of expensive bailouts for state-owned regional lenders.

"In the long run, local Sparkassen want to have one efficient wholesale institution that can support local savings banks in a more powerful way," one person briefed on the plans told the Financial Times. At a later stage, a merged Helaba-Deka could eventually be the vehicle for future mergers, involving other Landesbanken such as Stuttgart-based LBBW and Munich-based BayernLB, this person said.

An earlier attempt to usher in consolidation failed when Helaba walked away from merger talks with struggling Hanover-based Landesbank NordLB. NordLB was later saved by a €3.5bn bailout from the state of Lower Saxony and regional saving banks.

So far, regional bankers and policymakers have been reluctant to waive control over "their" lenders.

However, the wind-down of Düsseldorf-based WestLB and the sale of Hamburg-based HSH Nordbank to a consortium of private-equity groups led by Cerberus has changed the face of the Landesbanken sector.

The repeated need for costly bailouts from the taxpayer also undermined the confidence in the Landesbanken's business model and governance.

Jan Pieter Krahnen, professor of finance at Frankfurt University, said: "The sector is in need of radical reforms and [a merger between Helaba and Deka] could be the starting point."

"The whole banking sector in Germany is suffering from weak earnings, and consolidation needs to be part of the response," said Jörg Rocholl, president of Berlin-based business school ESMT.

Fender accused of fine-tuning guitar prices

KATE BEIOLEY — LONDON

The European arm of Fender, creator of the famous Stratocaster guitar, has been accused of pressuring companies to sell its instruments at high minimum prices in a potential breach of UK competition law.

The Competition and Markets Authority said it suspected Fender Musical Instruments Europe of operating a policy between 2013 and 2018 of pressuring online retailers to sell its guitars at or above a specific price.

Fender Europe is the latest musical instrument company targeted by the CMA in relation to resale price maintenance (RPM), which prevents customers from shopping around, and follows a £3.7m fine for Casio Electronics in August.

"Shopping online can make it much easier to compare prices and hunt down bargains — this can be especially important for potentially big purchases like a guitar," said Ann Pope, senior director of antitrust at the CMA.

"We take allegations of RPM very seriously because it removes one of the benefits of the internet of making it easier to quickly find a better price by shopping around. It stops online retailers from selling at the prices they want to, and this then leads to higher prices for customers."

The competition watchdog, which opened its investigation last year, said in a statement yesterday that its findings were provisional and that no final decision had been made about whether there had been a breach of competition rules. It will "carefully consider any representations from the company before reaching a final decision", it added. The CMA could fine Fender up to 10 per cent of global turnover if it concludes there was wrongdoing.

Fender's Stratocaster is a widely copied guitar that was created in the 1950s and made famous by musicians including Eric Clapton, George Harrison and Jimi Hendrix.

The guitar manufacturer, which had global sales of more than $500m last year, has already been fined £25,000 by the CMA in March for hiding documents during an inspection in mid-2018 in relation to its probe. An employee in the company's East Grinstead office hid 10 notebooks which were handed over to the CMA by Fender Europe three weeks later.

A Fender Emea spokesperson said: "Fender is co-operating fully with the CMA's investigation and we are reviewing the provisional findings. Due to the ongoing legal process, we will not comment further at this time".

In August the CMA fined Casio for illegally pressurising shops to sell its digital pianos and keyboards at high minimum prices between 2013 and 2018 and using software that monitored online prices to lean on those who did not comply.

The company said it had changed its practices since the investigation and now fully complied with the law.

Including Casio, the CMA has issued four fines for such behaviour.

The musical instrument sector turns over an estimated £440m annually in the UK, according to the CMA, and online sales of instruments have grown to about 40 per cent of the market.

Fender's Stratocaster was made famous by musicians such as Jimi Hendrix
David Redfern/Redferns

INSIDE BUSINESS
ASIA
Kana Inagaki

Unizo battle puts Japan's stakeholder model in spotlight

When Toyota became the first Japanese group to reach the ¥280bn milestone in annual revenue in May, Akio Toyoda, chief executive, thanked employees for their efforts and customers, dealers and suppliers for their support. In Japanese fashion, investors were mentioned towards the end of its long list of stakeholders.

Corporate Japan has historically embraced this more stakeholder-focused model of capitalism, with value placed on longer-term interests of employees and society. While Shinzo Abe's governance push has elevated the status of shareholders and the urgency to increase return on equity, the idea of shareholder supremacy is far from established in the minds of Japanese chief executives.

So when Unizo Holdings, a little-known Tokyo-based property group, last month invoked employee protection in withdrawing its recommendation for Fortress Investment's $1.3bn white knight bid, its underlying logic was not alien to veteran investors in Japanese equity. Far from unique, Unizo argued, its concept of corporate value — which includes shareholder interests and the wellbeing of employees — should merit global acceptance.

Take the US. In August, 181 US chiefs abandoned their long adherence to shareholder primacy, highlighting the need to consider the environment and workers' wellbeing alongside short-term pursuit of profits.

The messy takeover battle at this obscure Japanese company has global relevance, says one big activist fund, for all the wrong reasons.

The Unizo saga, which began in July when travel agency HIS made an unsolicited bid, has drawn in Blackstone and some of the biggest hedge funds including Elliott Management. In August, Unizo turned to SoftBank-backed Fortress to defend itself against HIS, sparking a rise in its stock from below ¥1,800 ($17) to above ¥4,880. The climb forced a shift in strategy for Unizo, which opened discussions with Blackstone over a bid 25 per cent higher than the Fortress offer of ¥4,000 per share.

But instead of seeking a higher offer, Unizo turned against Fortress, and potentially against its shareholders, when it outlined a list of unorthodox conditions that any existing and future bidder must accept.

This is how Unizo's scheme to protect staff interests would work. An entity controlled by employees was formed to acquire a stake in the group once Fortress or Blackstone had completed its takeover. According to Fortress, the employee group would be funded by selling a number of US properties. The "employee stock ownership management group" would be given veto power over nomination of directors, management strategy, employment conditions, and the sale of properties. This group would dictate the timing of the eventual exit of its acquirer.

> Employee protection was invoked in the jilting of the white knight

Investors in the group have described the conditions as akin to a "stealth" management buyout to entrench management. Unizo has said the structure would not involve any of its executives, but it has done little to allay these concerns by refusing to deny the possibility of management joining the employee scheme.

Employee protection is a legitimate concern for any boss, and Japanese companies have often asked a buyer to promise not to lay off staff. But in Unizo's case, are these conditions for the benefit of employees?

The private equity groups that are looking into Unizo are interested in the properties it owns, not its employees. But both Fortress and Blackstone have promised to maintain working conditions for staff, and whether these conditions would stay intact in the scenario they turn hostile is unclear. There is some absurdity to citing employee protection in an ultra-tight labour market where companies are struggling to hire the people they need.

If Unizo ends up blocking the highest bid, its executives face a challenge in showing how they can raise the corporate value in a way where shares are trading above ¥5,000 — the price offered by Blackstone — and not well below their book value as they have traditionally done.

Companies are under pressure to align management goals with making profits and meeting responsibilities towards society. But cases such as Unizo could undermine this effort when the broader stakeholder view is used as a shield by management to push their interests.

If Japan Inc's pledges on governance and stewardship are real, it is time for the "management-friendly shareholders" in Unizo — the 30 per cent Japanese base of those with cross-shareholdings and other business ties — to break from tradition by making their stance clear on what kind of management behaviour is acceptable.

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Technology

Samsung eyes profit fall and turn in chip cycle

SONG JUNG-A — SEOUL

Samsung Electronics expects third-quarter profit to fall for a fourth straight quarter, weighed down by lower memory chip prices but beating projections amid signs of a chip cycle recovery.

Operating profit at the maker of microchips and smartphones fell 56 per cent to Won7.7tn ($6.4bn) in the July-September period against the same quarter a year ago, Samsung said yesterday. That was better than the Won6.9tn estimate of analysts polled by Bloomberg.

Sales fell 5.3 per cent to Won62tn, Samsung said.

Analysts said the worst was behind the Korean company, pointing to its guidance of a 16.7 per cent quarter-on-quarter rise in operating profits.

Samsung will release detailed figures this month.

The company generates more than half its operating profit from chips, prices of which have been falling since last year. Micron Technology, a US rival, gave a bleak outlook last month, citing economic and trade uncertainties.

Analysts said the industry was nearing the bottom of the cycle, but a full recovery in chip prices was unlikely this year because of the trade war and the slowing global economy. "Inventories are falling fast as lower chip prices spark more demand," said Song Myung-sup at Hi Investment & Securities. "Demand increase for memory chips is likely to outpace supply increase next year."

Samsung shares are up 24 per cent this year amid expectations of a recovery in the chip cycle in 2020.

The mobile business benefited from US sanctions against China rival Huawei, while its display business was helped by increased shipments of OLED panels following Apple's launch of a new iPhone last month. Samsung is expected to announce a Won13tn investment plan tomorrow for its display business amid growing demand for OLED panels.

Media

Sorrell snaps up Valley marketing agency

ALEX BARKER

Martin Sorrell's S4 Capital has unveiled the latest step in its expansion, acquiring Firewood in a deal that values the Silicon Valley-based digital marketing agency at $150m.

The move into the US market is part of Sir Martin's effort to rapidly build the digital-only business he launched in May 2018, a month after being forced out of WPP, the advertising group he built up.

The cash-and-shares transaction will see Firewood, which is expected to generate $75m in turnover this year, merge with Amsterdam-based MediaMonks, a digital production company that is S4's biggest offshoot.

Sir Martin said Firewood had "an enviable client list comprising many of Silicon Valley's finest", including work with Google that will make it S4's most significant relationship. "We will now have over 1,800 professionals in 23 countries, with over 500 in each of two nodes, one in Silicon Valley and one in Amsterdam."

The 74-year-old launched S4 as a digital marketing venture to tap a fast-growing market in advertising that he argues is badly served by the biggest participants.

Sir Martin aims to double S4's £105m gross profits in 2018 within three years. S4's steady expansion through acquisitions has come at the same time as Sir Martin has pointed to trouble ahead for WPP and the advertising holding companies he played such a significant role in developing.

It will pay $112.5m, with approximately half in cash and half in shares. A further $37.5m payment is made if Firewood, which specialises in "embedding" its creative and marketing experts with the internal teams of clients, reaches expected operating targets this year.

Firewood employs about 300 staff and its client list includes Facebook, Google, LinkedIn, and Salesforce.

COMPANIES

Questions swirl over Hong Kong's failed LSE bid

Market participants speculate that involvement by Beijing could help explain a move that looked doomed from the start

PHILIP STAFFORD AND HENNY SENDER

Lofty ambitions: HKEX's decision to walk away draws a line under a month-long drama that has seen some of the best-known banks and M&A boutiques lock horns over the potential deal
Kin Cheung/AP

As Charles Li abandoned his £32bn pursuit of the London Stock Exchange, he admitted to not having a crystal ball. Few believed he needed one to know that Hong Kong Exchanges and Clearing's bid for the LSE had looked ill-fated from the start.

A successful takeover typically needs several stars to align, but when HKEX, which Mr Li has run for almost a decade, launched its bid for the LSE nearly a month ago the backdrop could be hardly have been more fraught.

LSE shareholders were still applauding David Schwimmer, the group's chief executive, who just weeks earlier had sealed a $27bn deal for Refinitiv, the data company best known for the Eikon terminals. At the same time, fears that Beijing was threatening Hong Kong's independence had triggered mass street protests and clouded the future of the former British colony.

HKEX's decision to walk away draws a line under a month-long drama that has seen some of the world's best-known banks and M&A boutiques lock horns over the potential deal. It also leaves HKEX facing the challenge of cutting its dependence on a domestic IPO market that is struggling, while also adding to the pressure on Mr Schwimmer to make his signature Refinitiv deal work.

"The proposal had not been thought through carefully," said Christopher Cheung, a legislative councillor for the financial services sector in Hong Kong and a HKEX shareholder. "Therefore this was an acquisition with a lot of uncertainties. Withdrawing now, of course, is the best option. The shareholders of HKEX weren't consulted, and a lot of them actually objected."

Shares in HKEX closed more than 2 per cent higher yesterday, as the Asian bourse's investors welcomed the abandonment of an ambition that Mr Li and the HKEX's chairwoman, Laura Cha, had nurtured for 12 months.

The decision was taken at a board meeting on Monday at HKEX's Exchange Square headquarters. In the end "it was difficult to put shareholders' money on the line when we were flying blind," one person familiar with the matter said. Another person familiar with the board meeting said that "London clearly did not wish to engage," referring to the LSE's management. "We would have had to go hostile and we didn't want that."

Mr Schwimmer first learnt of HKEX's interest when Mr Li and his advisers, led by the US boutique adviser Moelis, asked for a meeting in early September at the LSE's headquarters in the shadow of St Paul's cathedral. After receiving a cool reception from the LSE's management, HKEX stunned the City by going public with its proposal two days later on September 11. Within 48 hours, the LSE had issued a forthright rejection.

The withering dismissal by the LSE embarrassed Mr Li, one person with knowledge of the matter said, but HKEX quickly embarked on a three-week tour of LSE shareholders to sell the merits of its vision — and also raise questions over the Refinitiv deal.

For HKEX, buying the LSE offered the chance to link the west to Chinese capital markets that Beijing is determined to open up. As the clock ticked towards the October 9 deadline for a formal bid, HKEX also added HSBC, Credit Suisse and UBS — banks that could help it tap the debt markets if it were to sweeten its bid — to its group of advisers.

Sources: Refinitiv; Bloomberg; Burton-Taylor International Consulting

The team at Moelis was led by Caroline Silver, who had advised Intercontinental Exchange, the owner of the New York Stock Exchange, on its attempt to gatecrash a planned merger between the LSE and its German rival Deutsche Börse in 2016. Advising HKEX also pitted Ms Silver against her former colleagues from Morgan Stanley, who were working on the deal for LSE. By then the LSE had also enlisted JPMorgan, Mr Li's former employer and a specialist in deals in market infrastructure.

HKEX said yesterday that LSE's shareholders — in contrast to the exchange's management — had engaged with it. But few were tempted by a bid that was also beset by political hurdles.

Some believed that HKEX's bid had little chance of regulatory approval, especially from a key US committee that monitors foreign investments that affect strategic interests. One of the LSE's coveted assets is LCH, the clearing house that is the world's largest handler of US-dollar denominated swaps.

"Adding more cash to the offer is like putting on a nicer colour shirt — it's not going to do enough to change shareholders' views," one top 20 LSE shareholder told the FT. "The Refinitiv deal offers something very different to what LSE already has, while the HKEX deal would make it more volatile and cyclical."

> 'Adding more cash to the offer is like putting on a nicer colour shirt — it's not going to do enough to change shareholder views'

According to three people familiar with the matter, HKEX drew up the plan to buy the LSE a year ago, but postponed making a move because of the uncertainty over Brexit. Its hand was then forced by the LSE's deal for Refinitiv.

Yet launching the high-stakes bid against such a testing backdrop has raised speculation among market participants in Hong Kong that the move was encouraged by Beijing.

"There are more questions than answers," says one senior banker who has lived on both sides of the Pacific. "You'd have thought such bright people would not have miscalculated and believed that they could do this deal in this environment."

The LSE's management discovered HKEX's decision to give up as they read the news overnight. While the retreat was not a complete surprise, shares in the LSE fell almost 6 per cent yesterday. It had held no discussions with HKEX since its initial rejection.

Mr Schwimmer is now able to focus on executing the Refinitiv deal, which he claims will push the more than 300-year old bourse into the lucrative business of slicing and dicing market data. Yesterday it said it had begun seeking regulatory approval from authorities around the world.

For HKEX, the failure threatens to turn 2019 into a poor year. It was already lagging far behind New York in listings. Mr Li is now eager to ensure it does not suffer a double humiliation by losing its IPO crown to rival bourses in New York this year, one person with knowledge of the matter said.

Funds raised on Hong Kong's main board in 2019 are down 42 per cent from a year ago at $18bn, while listings on Nasdaq are up about 19 per cent at almost $30bn, data from Dealogic show.

Mr Li had described the potential marriage of HKEX and the LSE as "a corporate tale of Romeo and Juliet." If he meant his ambitions would be dashed by a similarly doomed union, he has been proved right.

Additional reporting by Arash Massoudi

See Lex

Aerospace & defence

Boeing backs Virgin Galactic's space venture

BETHAN STATON

Aerospace group Boeing will invest $20m in Richard Branson's Virgin Galactic when the company goes public later this year, beginning what the two sides said would be a new collaboration in the scramble for space tourism.

The partnership announced yesterday came three months after Virgin Galactic agreed to merge into a US-listed cash shell launched by former Facebook executive Chamath Palihapitiya, as it ramps up its effort to send customers on 90-minute rides to the edge of space.

Boeing's investment, which is contingent on the merger closing, will be made out of its HorizonX Ventures start-up investment arm and comes with a promise to work together.

Boeing is already heavily into space exploration, serving as a main contractor for Nasa's Space Launch System for future manned flights into deep space, and working on a reusable space capsule to the International Space Station.

The partnership gives Boeing a stake in a potentially lucrative race targeting the wealthiest tourists. Virgin Galactic is the only private company to send people to the edge of space in commercial vehicles, making it a leader in a field in competition with Elon Musk's SpaceX and Jeff Bezos's Blue Origin.

The merger with Mr Palihapitiya's cash shell, Social Capital Hedosophia, provides Virgin Galactic with publicly traded shares without having to go through the traditional initial public offering process and returns some cash to its financial backers.

Social Capital will emerge with 49 per cent of the group, which it estimated would have an enterprise value of $1.5bn.


Virgin Galactic hopes to send customers into space next year

Laura Seward Forczyk, founder of space sector consulting firm Astralytical, said Boeing's investment was significant as a partnership, despite being relatively modest financially. "Boeing brings over 100 years of flying experience and a significant investment of space travel. As Virgin gets closer to sending passengers into space we will see more Boeing involvement."

She added that Boeing would see the venture as an investment in high-speed global travel as well as in space.

The company is years behind its original schedule, in part because of a crash in 2014 when two test pilots were killed.

In 2018, a test flight by the company reached the edge of space for the first time and it hopes to send customers, who it expects to pay hundreds of thousands of dollars, into space next year.

Sir Richard said the Boeing partnership was "the beginning of an important collaboration for the future of air and space travel" calling these "the natural next steps for our human space flight programme".

COMPANIES

Technology

US eyes credit boost for Huawei rivals

Funding plan explored for European sector leaders such as Nokia and Ericsson

KIRAN STACEY — WASHINGTON

The US is looking at ways to funnel money to Huawei's European rivals, as officials warn that the Chinese company is becoming dangerously dominant in the race for the next generation of mobile communications.

US officials have suggested issuing credit to companies such as Nokia and Ericsson to enable them to match financing terms Huawei offers customers, according to two people with knowledge of the situation.

The move is part of a wider push to fund a rival to the Chinese company, which is the largest telecoms equipment maker and which the US believes poses a security risk.

One official said: "We gave up our superiority in making telecoms equipment decades ago. Now we are realising that this might not have been the best choice for national security reasons.

"Almost every department and agency is desperately looking right now for ways to get back into this game. If we don't, Huawei could soon be the only option for anyone wanting to roll out 5G networks."

Another said: "This is one of the big concerns of the government right now. Everyone from the defence department to the commerce department to the department of homeland security is looking at this."

The White House declined to comment.

Huawei sells 28 per cent of telecoms equipment, according to Dell'Oro, the market research company. Ericsson and Nokia are its closest rivals; they declined to comment.

To the consternation of the Trump administration, no US group can build the radio equipment to transfer signals between mobile phones and the towers or sites that make up the network.

Some officials believe that the best

> 'Almost every department and agency is desperately looking right now for ways to get back into this game'

way to counteract Huawei is to make sure its rivals can match its multi-billion-dollar credit lines from China's state banks that allow it to offer much longer payment terms than most of its rivals.

Others in Washington are pushing instead to foster a homegrown rival to Huawei, and have asked large US telecoms equipment companies such as Oracle and Cisco whether they would consider entering the radio transmission market.

Both companies have rebuffed such suggestions, according to two people familiar with the discussions, warning that they would be too expensive and time-consuming.

The Trump administration is looking closely at incentives to encourage US companies to invest in new 5G technology, including software which enables pieces of equipment from different companies to communicate with each other.

This would allow telecoms providers to buy equipment off the shelf from multiple vendors, rather than relying on one company to build an entire network, the kind of work in which Huawei specialises.

For example, officials have been in talks with Altiostar, a Massachusetts-based company that produces such software, to work out how to support it.

Possibilities include funding rural internet providers with hundreds of millions of dollars to rip out Huawei equipment and replace it with US or other western technology — a plan which is making its way through Congress.

Altiostar is urging the administration to force hardware companies to make their products accessible to its software, while some of its backers want additional tax breaks to encourage US participation on international telecoms standards bodies.

Thierry Maupilé, executive vice-president at Altiostar, said: "We do not need to create another Huawei. There is an alternative. Our product is very attractive to the administration, but we need them to help support the US supply chain."

Banks

Barclays chiefs lied on Qatar payments, court told

CAROLINE BINHAM — LONDON

A "small cadre of very senior executives" at Barclays lied about the bank's arrangements with Qatari investors as they desperately tried to avoid a government bailout, a jury has heard.

On the opening day of the retrial of Roger Jenkins, Tom Kalaris and Richard Boath at London's Old Bailey yesterday, the jury heard that the defendants devised a "dishonest mechanism" to pay the Qataris £322m for their participation in two emergency cash calls.

The fundraising rounds in 2008, at the height of the financial crisis, attracted the support of Qatar Holding, an arm of the sovereign wealth fund, and Sheikh Hamad bin Jassim bin Jabr al-Thani, the Gulf state's prime minister at the time.

The trio agreed to criminally tell lies "to preserve the future of the bank and to preserve their own positions", the prosecution alleged.

The three men, who have long since left Barclays, are charged with conspiracy to defraud and substantive fraud offences. They deny the charges, which carry a maximum 10-year sentence.

The trial lifts the lid on the atmosphere inside Barclays as markets roiled in 2008 and its rivals were bailed out.

Barclays turned twice to investors from the Middle East and beyond that year — once in June and again in October. The bank raised a total of £11.2bn to avoid a government bailout that Barclays felt would come with restrictive strings attached, the court was told. The Qataris contributed a total of about £4bn across the two fundraisings.

The Qataris "drove a hard bargain" and demanded twice the fees that the board had agreed to pay all investors, the court heard.

"They were faced with a dilemma: insist on paying Qatar no more in commission fees than it was paying to all the other investors and likely fail to get the vital Qatari investment home, or agree to pay the Qataris more commission without telling the other investors and to find a dishonest way to disguise and hide that fact," said Edward Brown QC for the UK's Serious Fraud Office.

He said the defendants "agreed to pursue the second option".

Investors expected to all be paid the same fees in order to participate in the fundraisings. Moreover, knowing that the bank was desperate enough to pay outsize fees to one party could spook other investors over the health of the bank, Mr Brown told the jury.

The solution was two "advisory service agreements" that promised to pay the Qataris extra fees they demanded in return for helping Barclays in the Gulf. But the ASAs were "a pretend agreement" that were not properly disclosed in public documents and were just hidden commission, the SFO alleges.

Mr Jenkins, once the bank's rainmaker in the Middle East who negotiated the capital calls, has been charged in relation to the fundraisings. Mr Kalaris, who led the bank's wealth arm, and Mr Boath, former European head of the financial institutions group of Barclays' investment bank, have been charged only in relation to the June fundraising.

The SFO has brought the case after more than seven years of investigation.

John Varley, Barclays chief in 2008, was charged by the SFO but acquitted earlier this year when the judge ruled at half-time that the SFO had not made its case out sufficiently against him — a decision upheld by the Court of Appeal. His co-defendants Mr Jenkins, Mr Kalaris and Mr Boath then faced a retrial.

The trial continues.

Financials

Bessemer raises fund for later-stage tech groups

MILES KRUPPA — SAN FRANCISCO

One of Silicon Valley's oldest venture capital firms is raising a fund to invest in later-stage start-ups that want to remain private for longer, after a series of flops by technology companies on the public markets this year.

Bessemer Venture Partners, which originally grew out of the personal wealth office of Carnegie Steel co-founder Henry Phipps, has traditionally run a single flagship fund with more of a focus on early-stage companies, including seed funding rounds of below $1m.

It will announce that it has raised $525m to invest in existing portfolio companies and for new holdings in "growth" stage companies, with single investments of up to $250m.

Byron Deeter, a Bessemer partner, said the fund brought total assets above $6bn, giving it the ability to fund "every round of a cloud company's existence" in case "late-stage investors pull out of the market or IPO windows shut".

Many tech IPOs have disappointed in public markets this year, beginning with the offerings of Lyft and Uber. Last month the property company WeWork and entertainment group Endeavor pulled their listings after facing concerns from potential investors, sending a chill through IPO markets.

Silicon Valley's venture capital funds have increasingly looked to raise money for later-stage investments as SoftBank's $100bn Vision Fund, along with hedge funds and mutual funds, have bolstered the valuations of start-ups and allowed them to delay public listings.

"We know we have to pay market prices, and market prices are pretty high right now," Mr Deeter said. "But I would also say that the opportunities are also pretty fantastic." He called it "the best time" in history for cloud computing companies.

Bessemer is known for backing online data storage start-ups, lending its name to a Nasdaq index for cloud software groups. It was one of the earliest investors in Pinterest, which raised $1.6bn in its public offering in April, and continues to hold an investment in the communications software company Twilio.

Youth goals

Juventus boss warns of need to win fans

Juventus in action against Inter Milan last weekend. Juventus chairman Andrea Agnelli is pushing for change in European football — Andrea Staccioli/LightRocket/Getty Images

Juventus chairman Andrea Agnelli has warned that radical changes are needed to Europe's lucrative football club competitions to sustain interest among a new generation of fans.

The head of Italy's wealthiest team is also chair of the powerful European Club Association, which represents the interests of more than 200 leading sides.

Yesterday, Mr Agnelli called on major domestic competitions such as the English Premier League, Spain's La Liga and Germany's Bundesliga to drop opposition to controversial plans to transform the Champions League, Europe's most prestigious club competition, from 2024 onwards.

Speaking at the Leaders in Sport conference at Twickenham Stadium, London, he said football must evolve to ensure "more European matches with higher sporting quality," or risk losing the attention of young fans that are being targeted by other entertainment franchises, from streaming services such as Netflix to video games titles such as *Fortnite*.

"If we are not progressive, we are simply protecting a system that is no longer there, a system that is made of domestic games that will have little interest for our kids," he said.

It is his latest effort to persuade the sport's power brokers to accept radical reforms to the Champions League. Mr Agnelli backs proposals such as creation of a promotion and relegation system, so up to 24 teams in the Champions League gain automatic qualification for the next year's competition, rather than solely gaining entrance to it on the basis of performance in national leagues.

Such a change would ensure leading teams play each other more regularly in the Champions League, where €2bn was shared among participating clubs last season. A further €400m was shared among teams in the lesser Europa League.

Mr Agnelli was also a leading advocate of the move to create a third competition, the Europa Conference League, which from 2021 will allow many more smaller teams to play in European competition.

"The 'no, no, no' we've heard from the big leagues, I don't think that's healthy," he said.

However, his appeal appears to have had little effect on bridging the rift between Europe's richest clubs and major domestic leagues.

Lars-Christer Olsson, president of European Leagues, a trade body that represents domestic football competitions, responded by saying his members would not accept any move towards promotion and relegation between European competitions, or any extra continental games being added to fixture schedules.

"It's not been a 'no no no'," said Mr Olsson. "[But] we don't want a closed league." *Murad Ahmed*

Automobiles

Lay-offs at GM edge close to 60,000 after talks with car workers break down

PETER WELLS — NEW YORK
JUDE WEBBER — MEXICO CITY

The number of workers laid off during the strike at General Motors, the first industry walkout in more than a decade, has risen to almost 60,000.

The dispute entered its fourth week on Monday after contract talks between the United Auto Workers union and GM broke down over the weekend. Wall Street analysts have estimated that GM's losses from the strike exceed $1bn.

GM laid off 415 workers on Monday at one of its plants in Mexico, following the 6,000 it stood down at a separate pick-up truck plant there last week. That adds to the 49,000 hourly UAW workers in the US and about 4,500 in Canada idled since the strike began on September 16.

Terry Dittes, UAW vice-president, said in a statement on Sunday that the "negotiations have taken a turn for the worse". GM had provided an inadequate response to an "extensive package proposal" put forward by the union that addressed issues such as wages, job security, pensions and profit sharing.

"They reverted back to their last rejected proposal and made little change," said Mr Dittes. "The company's response did nothing to advance a whole host of issues that are important to you and your families." The union "could not be more disappointed".

GM said parts shortages prompted the lay-offs at its Ramos Arizpe plant in Mexico and at Silao the previous week.

A spokesman for GM in Mexico said workers were either taking the days as vacation or, if they had no leave available, were being paid a percentage of their salary.

The carmaker said the assembly line in Mexico producing the Chevrolet Blazer and Equinox was working normally, as was the engine factory that was producing the CSS engine. "We have registered a small impact in production at the engine and transmission plant due to the lack of components coming from a plant in the US that has been halted by the strike," it said in a statement.

Colin Langan, auto industry analyst at UBS, said his base case forecast was for a five-week strike that would result in lost production of about 100,000 units in the 2019 financial year, 87,000 of them in the third quarter.

GM has been laying off workers in the US, Canada and Mexico

Crucially, the lost production "will be at high profit pick-up and SUV plants with [greater than] 100 per cent utilisation", he wrote in a note earlier this month. GM made about 2.95m vehicles in the US last year.

Last week, sales data for Detroit's big three carmakers showed that GM sold nearly 739,000 vehicles in the three months ended September 30, which was 6.3 per cent higher than a year ago but less than the 750,000 forecast by the Edmunds car website.

Fiat Chrysler had a flat annual performance, and sales at Ford, which is in the middle of a corporate turnround programme, declined 4.9 per cent over the past 12 months.

UBS cut its earnings per share forecast for GM in 2019 to $6 from $6.90, with 70 cents of that attributed to the strike and the remainder related to marking-to-market the value of its investment in Lyft, the ride-hailing company.

Mr Langan estimated the strike would depress earnings at suppliers by about 1.5 per cent on average, and was likely to pose the biggest negative surprise to expectations because most of the companies were "using more conservative assumptions".

Analysts at JPMorgan estimated the strikes had cost GM more than $1.1bn, or that the company was losing money at a rate of $82m a day.

GM shares have fallen by just over 10 per cent to around a four-month low since the industrial action began, exceeding the declines for rivals Ford and Fiat Chrysler.

By comparison, the S&P 500 has declined 0.2 per cent over the same period. So far in 2019, however, GM shares are up 3.9 per cent.

Hitachi's governance turnround points way for Japan Inc reforms

FT Series Slimmed-down conglomerate displays benefits of robust oversight and sharper focus

LEO LEWIS — TOKYO

When recent presidents of Hitachi held town-hall meetings for staff, they often brought a chart showing how the future of one of Japan's most renowned names was thrown into doubt.

It is unusual for a company to dwell on past disasters, but Hitachi has made a powerful virtue of its bruising financial loss during the global financial crisis.

The $8bn loss it suffered in 2008 galvanised an unwieldy, ill-disciplined conglomerate — with businesses spanning rice cookers to nuclear power stations — and provided Japan with what some have come to see as a model of how more robust corporate governance and a sharper focus can protect a company from failure. To foreign and domestic investors who had largely written Hitachi off as the cautionary symbol of Japan's corporate intransigence and decline, it was an important glimmer of hope.

"Many companies want to change, but every company needs a moment that makes it happen. We had that moment after the collapse of Lehman Brothers," said Masano Sato, a veteran of the investor relations division at Hitachi. The big challenge now, he adds, is convincing the market that after a decade of agonising restructuring, Hitachi can push into fast-growing fields. These include the "internet of things", or adding connectivity to industrial applications.

Hitachi's portfolio of businesses was, to many observers, the epitome of why Japan so badly needed a governance overhaul. It had hundreds of subsidiaries, many with only a slim business rationale, but whose effect was to create invisible hierarchies that too often steered the company the wrong way.

In 2011, Hitachi was controlled by a 13-member board of which just four members were notionally independent; today an 11-member board is dominated by eight genuinely independent directors. In 2008, the company had 22 subsidiaries listed on the Tokyo Stock Exchange, by the end of 2018 it had just four and may soon have even fewer as other carve-out plans evolve. Over the same period, its total number of consolidated subsidiaries in Japan dropped 50 per cent to 202 in a flurry of sell-offs and restructuring.

Pressure for better governance in Japan was crystallised by the 2015 governance code but investors' deep dissatisfaction with the likes of Hitachi predated that. One of the most consistent complaints of investors has been the prevalence in the Tokyo stock market of listed subsidiaries of larger companies. There are still roughly 247 listed companies whose capital structure involves substantial stakes held by the parent, which often means that minority shareholders are abused while management complacency is widespread.

The clear-out by Hitachi saw KKR acquire a chipmaking business in late 2017, while French car-arts maker Faurecia bought the Japanese group's car navigation business for €1.1bn last year. Shareholders have rewarded Hitachi for corporate governance reforms, that while pioneering in Japan, have long been the convention in other developed markets. Hitachi shares have more than doubled since the start of 2009 while the benchmark Topix index has climbed just over 80 per cent.

Success in maintaining momentum, say investors who own Hitachi shares, will depend on leadership. To many analysts, the defining change at Hitachi may have been less the crisis mentality forged in the wake of the global financial crisis, and more the arrival in 2010 of Hiroaki Nakanishi as president.

Despite his 40 years as a Hitachi loyalist, his message was painfully simple: survival would depend on tightly reimagining Hitachi as an IT and infrastructure specialist, a group-wide recognition that there were no more sacred cows, and that governance shortcomings were a systemic crisis within corporate Japan.

Mr Nakanishi's success, particularly in promoting the rapid-fire sale of listed subsidiaries, was eye-catching — most especially to the ranks of large private equity groups that have now taken up position in Japan as they wait for other conglomerates to follow Hitachi's lead and jettison assets. Earlier this year, KKR co-founder George Roberts described Japan as his company's highest priority market outside the US.

In 2018, Mr Nakanishi (by then executive chairman of Hitachi) became head of the Keidanren business federation — a powerful, conservative organisation whose character he had begun to reshape before suffering ill health in May this year and partially withdrawing from public appearances.

But his influence at Hitachi — combined with the pressures created by Japan's first stewardship and corporate governance codes in 2014 and 2015 respectively — is hard to dispute. According to Goldman Sachs, the move by Japanese companies to focus on core businesses has accelerated since 2014. Last year a record 206 announced the partial sale or transfer of businesses.

His successor as Hitachi chief executive since 2016, Toshiaki Higashihara, appears to have doubled-down by making it known that the four remaining listed subsidiaries do not enjoy any magical protection from divestment or consolidation.

Although the company has made no formal decision, Hitachi is running a sale of its chemical division — a unit long regarded as so central to the business that its sale would represent evidence of the scale of change at Hitachi.

Offshore, the company has expanded, scrambling to globalise the group as Japan's population-shrinking demographics hobble future domestic growth. The company last December embarked on its biggest overseas acquisition — a $6.4bn grab for the lion's share of ABB's electricity grid assets.

A pincer-movement of governance pressures from Japan's government pension investment fund (GPIF) — the world's largest pension fund — and from activists with increasingly sophisticated tactics is beginning to push the parents to make big calls on their subsidiaries. But even before that, Hitachi was under pressure to shed its subsidiary flab. It now, spectacularly for a Japanese company, admits it should have heeded those warnings sooner.

"There was a realisation that what the institutional investors had been saying about Hitachi before Lehman — what it needed to do, and what businesses it should sell — had been basically right," said Mr Sato.

The challenge of preparing the company for its growth phase, say Hitachi executives, will be to continue refining the concept of what is "core": the focus on IT and infrastructure operating technology may work strategically for now, but it may have to evolve.

A medium-term plan will see the company focus resources on what it calls the social innovation business — a push to put Hitachi at the centre of other companies' efforts to digitise.

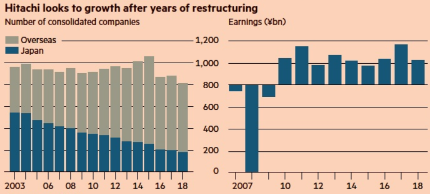
Akira Kiyota, the president of JPX (the company that owns the Tokyo Stock Exchange) said Hitachi now stood out as a company "totally transformed" by its decision to make governance a much bigger priority.

"In a sense, Hitachi has become a company with governance which can be the best model for major companies in Japan. Other major Japanese companies are now following suit," said Mr Kiyota.

The success Hitachi has had in overhauling its governance will keep the company in the spotlight.

'Many companies want to change, but every company needs a moment that makes it happen'

Hitachi looks to growth after years of restructuring



Sources: company; Refinitiv

Hitachi is pushing into the 'internet of things' after being transformed into an IT and infrastructure specialist under Hiroaki Nakanishi, below — Fotogramma/Mega

FT

The Company of the Future
Find previous articles in this series on the trade-offs businesses must make to survive into an uncertain future at: ft.com/future-company

Mining

BHP pledges to make local needs count in decisions

NEIL HUME
NATURAL RESOURCES EDITOR

BHP says it must forge a new pact with society to ensure the sustainability of its business and secure access to resources, markets and capital.

Geoff Healy, chief external affairs officer, said ahead of an investor briefing in London yesterday that the Anglo-Australian group was adding a social value assessment to the business plans of all its assets to "hardwire" local interests into its decision-making processes.

"In order to deliver financial value, you have to deliver social value. The two are completely intertwined," he said. "This is just good, sensible business."

BHP's move coincides with growing debate about the purpose of business and the value it brings to society.

America's Business Roundtable, which represents 181 of the most influential companies, last month dropped the shareholder-first mantra, urging groups to consider the environment and workers alongside profits.

These concerns are particularly acute for mining, which needs the support of host nations and local communities to secure access to commodities.

In BHP's case this means steelmaking ingredient iron ore, copper, coking coal and oil.

In the past, miners thought generating jobs and tax receipts was enough to secure a so-called licence to operate but industry figures say more needs to be done, not least after the Brumadinho dam disaster that claimed 231 lives in Brazil this year.

Mark Cutifani, chief executive of Anglo American, said last week that the status quo was "unsustainable" and miners needed to move beyond "what we previously thought of as the way mining adds value".

Mr Healy said BHP wanted managers of mines and oilfields to think harder about the local community and not just focus on cost, volume and safety.

"It's going to be a significant change for us," said Mr Healy, citing BHP's iron ore business in Western Australia which was polling local people on land use, automation and procurement.

Daniel Litvin, managing director of Critical Resource, which helps companies assess social, political and environmental risks, said BHP's move was not revolutionary but showed it was alert to the risks around its licence to operate.

"It's no longer an unusual occurrence for a mining project to face opposition from a local community. It's the norm," he said. "That leads to projects been delayed, abandoned and written off."

Mr Litvin added: "But it is very hard to do this well. No one has found a magic bullet for making this [community relations] easier."

Telecoms

Spain's Cellnex to buy Arqiva mobile masts business for £2bn

NIC FILDES — DUSSELDORF
SARAH PROVAN — LONDON

Cellnex Telecom is to buy Arqiva's telecoms unit for £2bn in a deal the Spanish company said would make it the largest independent tower company in the UK.

The sale, the latest in a series of tower deals as telecoms companies look to offload their masts to infrastructure funds and specialist companies, is likely to herald further tower consolidation.

Vodafone and O2 have appointed banks to formally launch the sale of a stake in Cornerstone, their jointly owned British mast company, according to a person with direct knowledge of the situation. UBS is advising Vodafone while Goldman Sachs is advising O2's owner Telefónica. Talks with potential investors and trade buyers have taken place. Cornerstone, with 16,500 masts, is the UK's leading mast company with about a third of the market.

The Arqiva deal adds about 8,000 UK sites to Cellnex's portfolio, taking its total to 53,000 across Europe. This year it bought BT's rooftop masts.

Cellnex, which has launched a €2.5bn rights issue, plans to fund the acquisition through a £2bn syndicated loan facility and available cash reserves, the company said yesterday. Adjusted earnings before interest, tax, depreciation and amortisation are expected to be about £170m next year.

Towers have become a sought-after asset in recent years, attracting much higher valuations than the operating arms of telecoms companies.

Cellnex, which has been one of the most acquisitive companies in the region, said it was still evaluating €7bn worth of opportunities.

The Arqiva telecoms masts were acquired at a lower valuation than similar recent transactions. Citi calculated that Cellnex had paid €240,000 per site compared with €316,000 when it acquired masts from Iliad. Megabuyte, the research company, said it was "perplexing" that the deal was struck at barely half Cellnex's own trading valuation.

Arqiva, which traces its roots back to its role running the BBC's transmitters, will retain its large broadcast towers business. The sale comes two years after Arqiva's owners pulled plans to list.

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

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

FT 500: TOP 20

Based on the FT Global 500 companies in local currency

FT 500: BOTTOM 20

Based on the FT Global 500 companies in local currency

INTEREST RATES: OFFICIAL

INTEREST RATES: MARKET

Oct 08 (Libor: Oct 07)	Over night	Change Day	Change Week	Change Month	One month	Three month	Six month	One year
Euro Libor	-0.57357	0.003	-0.004	-0.003	-0.51686	-0.44200	-0.42786	-0.37000
£ Libor	0.67750	0.007	0.008	0.001	0.71463	0.76088	0.81663	0.88413
Swiss Fr Libor				0.004	-0.80320	-0.78660	-0.73560	-0.62800
Yen Libor				0.010	-0.11150	-0.11600	-0.06983	-0.00050
Euro Euribor				0.006	-0.46800	-0.42300	-0.38900	-0.33600
Sterling CDs				0.000	0.75000	0.79000	0.83500	
US$ CDs				0.000	2.45000	2.56000	2.65000	
Euro CDs				-	-	-	-	

Oct 08	Short term		7 Days notice		One month		Three month		Six month		One year	
Euro	-0.76	-0.46	-0.72	-0.42	-0.69	-0.39	-0.65	-0.35	-0.62	-0.32	-0.59	-0.29
Sterling			0.45	0.55	0.70	0.80	0.74	0.84	0.76	0.91	0.81	0.96
Swiss Franc	-	-	-	-	-	-	-	-	-	-	-	-
Canadian Dollar	-	-	-	-	-	-	-	-	-	-	-	-
US Dollar	1.79	2.09	1.78	2.08	1.81	2.11	1.87	2.17	1.86	2.16	1.80	2.10
Japanese Yen	-1.10	-0.60	-0.40	-0.10	-0.25	-0.15	-0.35	-0.05	-0.25	0.05	-0.15	0.15

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.

COMMODITIES

www.ft.com/commodities

Energy		Price*	Change	Agricultural & Cattle Futures		Price*	Change
Crude Oil†	Oct	52.03	-0.92	Corn♦	Dec	386.25	-0.50
Brent Crude Oil‡		57.78	-0.68	Wheat♦	Dec	486.75	-3.00
RBOB Gasoline†	Oct	1.54	-0.03	Soybeans♦	Nov	911.00	-4.75
Heating Oil†		-	-	Soybeans Meal♦	Dec	302.00	-0.40
Natural Gas†	Oct	2.29	-0.01	Cocoa (ICE Liffe)⊕	Dec	1932.00	9.00
Ethanol♦		-	-	Cocoa (ICE US)♥	Dec	2413.00	-11.00
Uranium†	Oct	25.15	0.00	Coffee(Robusta)⊕	Nov	1258.00	7.00
Carbon Emissions‡		-	-	Coffee (Arabica)♥	Dec	97.30	0.55
Diesel†		-	-	White Sugar⊕		342.30	2.40
Base Metals (♦ LME 3 Months)				Sugar 11♥		12.46	-0.09
Aluminium		1747.50	-3.50	Cotton♥	Dec	60.83	-0.97
Aluminium Alloy		1140.00	-10.00	Orange Juice♥	Nov	102.10	-1.30
Copper		5697.50	-10.00	Palm Oil♣		-	-
Lead		2155.50	-26.50	Live Cattle♣	Oct	108.48	0.00
Nickel		17435.00	-275.00	Feeder Cattle♣	Oct	141.85	-0.10
Tin		16400.00	-35.00	Lean Hogs♣	Dec	60.63	0.00
Zinc		2286.50	-4.00				
Precious Metals (PM London Fix)					Oct 07	% Chg Month	% Chg Year
Gold		1501.25	2.10				
Silver (US cents)		1742.50	-18.00	S&P GSCI Spt	398.07	-1.58	-19.47
Platinum		885.00	12.00	DJ UBS Spot	77.75	-0.22	-10.57
Palladium		1662.00	1.00	TR/CC CRB TR	182.35	0.34	-11.09
Bulk Commodities				M Lynch MLCX Ex. Rtn	231.14	-9.84	-33.05
Iron Ore		94.50	0.60	UBS Bberg CMCI TR	14.01	0.18	-10.62
GlobalCOAL RB Index		68.75	1.25	LEBA EUA Carbon	23.24	-6.97	18.03
Baltic Dry Index		1801.00	31.00	LEBA CER Carbon	0.21	0.00	-25.00
				LEBA UK Power	3355.00	167.33	-32.15

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

BOND INDICES

	Index	Day's change	Month's change	Year change	Return 1 month	Return 1 year
Overall(€)	250.09	0.30	-0.39	8.61	0.97	9.06
Treasuries ($)	245.77	-0.72	-0.44	8.50	-0.44	8.50
FTSE						
Sterling Corporate (£)	-	-	-	-	-	-
Euro Corporate (€)	104.47	-0.05	-	-	0.54	-1.73
Euro Emerging Mkts (€)	460.76	-4.38	-	-	7.21	33.54
Eurozone Govt Bond	110.04	-0.19	-	-	-0.34	-0.64

CREDIT INDICES	Index	Day's change	Week's change	Month's change	Series high	Series low
Markit iTraxx						
Crossover 5Y	238.57	-6.36	-13.88	-46.32	315.74	234.62
Europe 5Y	47.04	-0.96	-1.58	-10.36	73.15	45.37
Japan 5Y	55.70	-0.16	-5.27	-7.05	72.09	53.56
Senior Financials 5Y	56.86	-1.60	-4.99	-12.82	93.48	53.22
Markit CDX						
Emerging Markets 5Y	197.66	-3.17	-20.39	20.15	219.14	155.49
Nth Amer High Yld 5Y	327.11	-5.67	-13.02	-27.86	374.87	311.41
Nth Amer Inv Grade 5Y	51.34	-0.87	-2.74	-7.95	70.26	49.61

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

BONDS: INDEX-LINKED

	Price Oct 07	Yield Oct 07	Yield Prev	Month return	Value stock	Market	No of stocks
Can 4.25%' 21	108.37	0.329	0.272	0.15	5.18	84969.52	8
Fr 2.25%' 20	-	-	-	-	-	-	-
Swe 0.25%' 22	114.39	-1.987	-1.973	0.01	31.92	239101.88	7
UK 2.5%' 22	116.68	-3.164	-3.197	-0.03	15.74	768912.46	28
UK 2.5%' 24	375.32	-2.860	-2.887	-0.12	6.82	768912.46	28
UK 2%' 35	309.07	-2.594	-2.620	0.15	9.08	768912.46	28
US 0.625%' 21	100.52	0.330	0.279	0.22	35.84	1431598.89	40
US 3.625%' 28	129.28	0.163	0.130	0.93	16.78	1431598.89	40

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

BONDS: TEN YEAR GOVT SPREADS

	Bid Yield	Spread vs Bund	Spread vs T-Bonds		Bid Yield	Spread vs Bund	Spread vs T-Bonds
Australia	0.86	-	-0.67	Italy	-	-	-
Austria	-0.68	-	-	Japan	-0.29	-	-1.82
Belgium	0.50	-	-	Netherlands	-0.65	-	-
Canada	-	-	-	Norway	-	-	-
Denmark	-0.80	-	-	Portugal	-0.13	-	-
Finland	-	-	-	Spain	0.07	-	-1.46
France	0.50	-	-	Switzerland	-	-	-
Germany	-	-	-	United Kingdom	0.33	-	-1.20
Greece	1.48	-	-	United States	1.53	-	0.00

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

BONDS: HIGH YIELD & EMERGING MARKET

Oct 08	Red date	Coupon	Ratings S*	Ratings M*	Ratings F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
High Yield US$										
Qwest Capital Funding, Inc.	08/21	7.63	B+	WR	BB	105.56	4.40	-0.06	-0.14	2.74
High Yield Euro										
Aldesa Financial Services S.A.	04/21	7.25	-	-	B	71.10	28.23	0.00	0.64	25.98
Emerging US$										
Peru	03/19	7.13	BBB+	A3	BBB+	104.40	2.60	-	-	0.34
Brazil	01/22	12.50	BB-	Ba2	BB-	114.94	5.32	0.07	-0.19	3.66
Brazil	01/23	2.63	BB-	Ba2	BB-	95.75	3.80	-0.01	-0.40	1.29
Poland	03/23	3.00	A-	A2	A-	100.62	2.83	0.01	-0.21	0.58
Turkey	03/23	3.25	-	Ba3	BB	88.50	6.59	-0.30	0.91	4.34
Colombia	03/23	2.63	BBB-	Baa2	BBB	97.75	3.24	0.10	-0.38	0.99
Mexico	10/23	4.00	BBB+	A3	BBB	106.00	2.41	0.02	-0.19	1.00
Turkey	03/27	6.00	-	Ba2	BB+	101.26	5.82	0.00	0.17	3.07
Peru	08/27	4.13	BBB+	A3	BBB+	103.50	3.66	0.01	-0.02	0.80
Russia	06/28	12.75	BBB-	Baa3	BBB	169.56	3.44	0.02	-0.03	-
Emerging Euro										
Brazil	04/21	2.88	BB-	Ba2	BB-	103.75	0.32	0.00	0.18	-1.34
Mexico	02/22	1.88	BBB+	A3	BBB	103.94	0.21	0.00	-0.02	-1.45
Mexico	04/23	2.75	BBB+	A3	BBB+	107.76	0.76	0.00	-0.07	-1.56
Bulgaria	03/28	3.00	BBB-	Baa2	BBB	117.04	1.00	0.02	-0.15	-1.42

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

VOLATILITY INDICES

	Oct 08	Day Chng	Prev	52 wk high	52 wk low
VIX	19.45	1.59	17.86	36.20	11.03
VXD	19.14	1.80	17.34	33.17	4.07
VXN	22.95	1.32	21.63	38.70	14.55
VDAX	19.19	1.17	18.02	-	10.48

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

BONDS: BENCHMARK GOVERNMENT

	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	12/21	2.00	103.08	0.59	-0.03	-0.17	-0.17	-1.50
	11/28	2.75	116.56	0.86	-0.03	-0.15	-0.15	-1.87
Austria	10/23	1.75	109.95	-0.68	0.01	-0.01	-0.01	-0.77
	02/47	1.50	132.37	0.27	0.02	0.02	0.02	-1.24
Belgium	06/21	1.50	103.64	-0.68	0.01	-0.01	-0.01	-0.40
	06/47	1.60	128.27	0.50	0.01	0.05	0.05	-1.29
Canada		-	-	-	-	-	-	-
	03/22	0.50	97.86	1.41	0.03	-0.14	-0.14	-1.00
Denmark	11/20	0.25	101.18	-0.82	0.00	0.00	0.00	-0.32
	11/23	1.50	109.63	-0.80	0.01	0.00	0.00	-0.80
Finland		-	-	-	-	-	-	-
	04/21	3.50	106.40	-0.68	0.00	0.01	0.01	-0.31
France	11/20	0.25	101.02	-0.64	0.02	0.01	0.01	-0.24
	05/25	0.50	106.08	-0.56	0.01	0.01	0.01	-0.96
	05/48	2.00	139.77	0.50	0.01	0.02	0.02	-1.22
Germany		-	-	-	-	-	-	-
	10/20	0.25	101.00	-0.72	0.01	0.01	0.01	-0.20
	02/25	0.50	107.10	-0.79	0.01	-0.01	-0.01	-0.94
	08/48	1.25	139.34	-0.09	0.01	0.01	0.01	-1.27
Greece	02/25	3.00	113.37	1.48	-0.02	0.05	0.05	-3.15
	02/25	3.00	113.37	1.48	-0.02	0.05	0.05	-3.15
Ireland	03/22	0.80	103.27	-0.53	0.00	0.00	0.00	-0.49
	05/30	2.40	124.76	0.06	0.01	0.02	0.02	-1.21
Italy		-	-	-	-	-	-	-
	04/22	1.20	103.25	-0.11	0.03	0.05	0.05	-2.49
	10/23	0.65	102.29	0.08	0.03	0.05	0.05	-2.59
	03/48	3.45	134.46	1.88	0.02	0.05	0.05	-1.93
Japan	03/22	0.10	101.09	-0.34	0.00	0.00	0.00	-0.26
	12/23	0.60	104.12	-0.37	-0.01	-0.02	-0.02	-0.33
	12/28	1.90	120.38	-0.29	-0.01	-0.02	-0.02	-0.46
	09/47	0.80	112.36	0.34	0.00	0.01	0.01	-0.57
Netherlands	07/21	3.25	107.14	-0.75	0.01	0.01	0.01	-0.37
	07/25	0.25	105.32	-0.65	0.01	-0.01	-0.01	-0.94
New Zealand		-	-	-	-	-	-	-
	05/21	6.00	107.84	1.05	-0.01	-0.12	-0.12	-1.19
Norway		-	-	-	-	-	-	-
	05/21	3.75	104.14	1.16	0.00	-0.03	-0.03	-0.16
Portugal	04/21	3.85	106.83	-0.62	-0.01	-0.03	-0.03	-0.69
	10/25	2.88	118.16	-0.13	-0.01	-0.02	-0.02	-1.56
Spain	01/21	0.05	100.71	-0.48	0.00	0.00	0.00	-0.49
	10/28	5.15	145.85	0.07	0.01	-0.01	-0.01	-1.50
Sweden	12/20	5.00	106.48	-0.62	0.02	-0.03	-0.03	-0.19
	11/23	1.50	109.09	-0.68	0.00	-0.08	-0.08	-0.84
Switzerland		-	-	-	-	-	-	-
	04/21	2.00	104.55	-0.90	0.01	-0.02	-0.02	-0.33
United Kingdom	01/21	1.50	101.34	0.46	-0.01	-0.01	-0.01	-0.50
	09/25	2.00	110.64	0.19	0.00	-0.03	-0.03	-1.23
	12/28	6.00	151.09	0.33	0.01	-0.04	-0.04	-1.30
	07/47	1.50	113.36	0.95	0.01	-0.02	-0.02	-1.08
United States	11/20	1.75	100.10	1.66	0.03	-0.15	-0.15	-1.26
	12/23	2.25	103.44	1.41	0.06	-0.16	-0.16	-1.68
	11/28	5.25	131.45	1.53	0.04	-0.13	-0.13	-1.70
	11/47	2.75	115.08	2.04	0.03	-0.08	-0.08	-1.36

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

BONDS: GLOBAL INVESTMENT GRADE

Oct 08	Red date	Coupon	Ratings S*	Ratings M*	Ratings F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
US$										
Barclays plc	01/28	4.34	BBB	Baa3	A	105.52	3.47	0.06	-0.07	-
Barclays plc	01/28	4.34	BBB	Baa3	A	105.52	3.47	0.06	-0.07	-
NationsBank Corp.	03/28	6.80	BBB+	Baa1	A	124.24	3.46	0.04	-0.11	-
NationsBank Corp.	03/28	6.80	BBB+	Baa1	A	124.24	3.46	0.04	-0.11	-
United Utilities PLC	08/28	6.88	BBB	Baa1	A-	125.27	3.53	0.04	-0.12	-
United Utilities PLC	08/28	6.88	BBB	Baa1	A-	125.27	3.53	0.04	-0.12	-
Euro										
Citigroup Inc.	02/30	4.25	BBB	Baa2	A-	118.75	0.69	0.01	-0.03	-0.84
HBOS plc	03/30	4.50	BBB-	Baa1	A-	113.83	1.43	0.01	0.00	-0.10
HBOS plc	03/30	4.50	BBB-	Baa1	A-	113.83	1.43	0.01	0.00	-0.10
Goldman Sachs Group, Inc. (The)	02/31	3.00	BBB+	A3	A	123.23	0.84	0.01	0.03	-0.69
Yen										
Mexico	06/26	1.09	BBB+	A3	BBB	101.50	0.86	0.01	-0.02	-
£ Sterling										
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	128.68	3.20	0.00	-0.01	0.40
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	138.48	2.16	0.01	0.04	0.63

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

GILTS: UK CASH MARKET

Oct 08	Price £	Red Yield	Change in Yield Day	Week	Month	Year	52 Week High	52 Week Low	Amnt £m
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Tr 4.75pc '20	101.68	0.65	-1.52	6.56	30.00	-24.42	105.49	101.68	33.70
Tr 1.5pc '21	101.38	0.42	-6.67	-4.55	-4.55	-54.84	101.77	101.16	32.84
Tr 4pc '22	109.08	0.22	-12.00	-12.00	-31.25	-78.85	110.70	108.52	38.39
Tr 5pc '25	125.74	0.21	-16.00	-8.70	-34.38	-84.56	126.04	122.06	35.49
Tr 1.25pc '27	107.75	0.24	-14.29	-20.00	-31.43	-84.91	107.75	96.94	23.73
Tr 4.25pc '32	145.45	0.53	-7.02	-8.62	-14.52	-70.88	146.36	128.48	35.86
Tr 4.25pc '36	154.52	0.72	-4.00	-5.26	-10.00	-62.69	155.71	133.08	30.11
Tr 4.5pc '42	175.74	0.88	-3.30	-3.30	-8.33	-56.22	176.63	145.84	26.95
Tr 3.75pc '52	181.74	0.88	-2.22	-3.30	-9.28	-54.87	182.25	141.38	23.87
Tr 4pc '60	208.97	0.82	-3.53	-2.38	-10.87	-56.61	209.19	156.07	23.89

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

GILTS: UK FTSE ACTUARIES INDICES

Price Indices Fixed Coupon	Oct 08	Day's chg %	Total Return	Return 1 month	Return 1 year	Yield
1 Up to 5 Years	91.24	0.08	2469.69	0.42	2.51	0.26
2 5 - 10 Years	188.74	0.25	3761.79	1.37	9.82	0.24
3 10 - 15 Years	228.76	0.39	4801.02	1.96	15.19	0.53
4 5 - 15 Years	197.94	0.30	4017.67	1.60	11.42	0.39
5 Over 15 Years	394.54	0.62	6325.92	4.26	26.60	0.85
7 All stocks	193.99	0.40	4046.32	2.52	15.35	0.75

Index Linked	Oct 08	Day's chg %	Month chg %	Year's chg %	Total Return	Return 1 month	Return 1 year
1 Up to 5 Years	313.88	0.10	-0.03	1.63	2547.28	0.25	2.91
2 Over 5 years	839.41	0.13	3.95	20.29	6318.22	3.99	20.84
3 5-15 years	532.79	0.27	1.57	12.49	4207.99	1.62	13.52
4 Over 15 years	1096.91	0.08	4.69	22.86	8050.32	4.73	23.22
5 All stocks	746.82	0.12	3.41	18.28	5716.73	3.48	18.93

Yield Indices	Oct 08	Oct 07	Yr ago		Oct 08	Oct 07	Yr ago
5 Yrs	0.09	0.13	1.20	20 Yrs	0.90	0.93	2.02
10 Yrs	0.40	0.44	1.67	45 Yrs	0.81	0.84	1.87
15 Yrs	0.74	0.77	1.93				

Real yield	inflation 0% Oct 08	Dur yrs	Previous	Yr ago	inflation 5% Oct 08	Dur yrs	Previous	Yr ago
Up to 5 yrs	-2.65	2.85	-2.62	-1.72	-3.11	2.87	-3.08	-2.19
Over 5 yrs	-2.21	25.43	-2.21	-1.48	-2.23	25.48	-2.22	-1.50
5-15 yrs	-2.83	10.13	-2.81	-1.53	-2.89	10.13	-2.86	-1.63
Over 15 yrs	-2.15	29.62	-2.15	-1.47	-2.16	29.65	-2.16	-1.48
All stocks	-2.22	22.50	-2.21	-1.48	-2.24	22.59	-2.24	-1.51

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

Aberdeen Standard Capital (JER)
PO Box 189, St Helier, Jersey, JE4 9RU 01534 709130
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Aberdeen Standard Capital Offshore Strategy Fund Limited				
Bridge Fund	£2.0022	-	0.0020	1.95
Global Equity Fund	£2.7165	-	0.0106	1.11
Global Fixed Interest Fund	£0.9784	-	0.0004	4.14
Income Fund	£0.6004	-	0.0009	2.86
Sterling Fixed Interest Fund	£0.8863	-	0.0012	3.08
UK Equity Fund	£2.0392	-	-0.0121	3.63

Algebris Investments (IRL)
Regulated

Fund	Bid	Offer	D+/-	Yield
Algebris Allocation Fund - Class I EUR	€ 99.12	-	-0.05	0.00
Algebris Core Italy Fund - Class R EUR	€ 95.14	-	0.24	0.00
Algebris Financial Credit Fund - Class I EUR	€ 182.71	-	-0.09	0.00
Algebris Financial Credit Fund - Class R EUR	€ 142.64	-	-0.08	0.00
Algebris Financial Credit Fund - Class Rd EUR	€ 102.30	-	-0.06	5.72
Algebris Financial Income Fund - Class I EUR	€ 136.66	-	0.28	0.00
Algebris Financial Income Fund - Class R EUR	€ 127.95	-	0.26	0.00
Algebris Financial Income Fund - Class Rd EUR	€ 89.15	-	0.18	4.82
Algebris Financial Equity Fund - Class B EUR	€ 104.71	-	0.27	0.00
Algebris Macro Credit Fund - Class I EUR	€ 112.50	-	0.13	0.00
Algebris Macro Credit Fund - Class R EUR	€ 111.08	-	0.12	0.00
Algebris Macro Credit Fund - Class Rd EUR	€ 111.08	-	0.12	0.00
Algebris Quant Arbitrage Fund - Class B EUR	€ 99.83	-	-0.19	0.00

The Antares European Fund Limited
Other International

Fund	Bid	Offer	D+/-	Yield
AEF Ltd Usd (Est)	$625.97	-	-1.07	-
AEF Ltd Eur (Est)	€592.68	-	-1.14	0.00

Arisaig Partners
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Arisaig Africa Consumer Fund Limited	$ 10.46	-	0.04	0.00
Arisaig Asia Consumer Fund Class A (Non-Distributing)	$ 93.96	-	0.32	-
Arisaig Asia Consumer Fund Limited	$ 93.25	-	0.27	0.00
Arisaig Global Emerging Markets Consumer Fund	$ 11.89	-	0.04	0.00
Arisaig Global Emerging Markets Consumer UCITS	€ 14.01	-	0.04	0.00
Arisaig Global Emerging Markets Consumer UCITS USD	$ 15.86	-	0.03	0.00
Arisaig Latin America Consumer Fund	$ 27.01	-	-0.17	0.00

Artemis Fund Managers Ltd (1200)F (UK)
57 St. James's Street, London SW1A 1LD 0800 092 2051
Authorised Inv Funds

Fund	Bid	Offer	D+/-	Yield
Artemis Monthly Distr R Acc	92.92	-	0.27	4.11
Artemis US Smlr Cos I Hdg Acc	102.49	-	-1.12	-

Ashmore Investment Management Limited (LUX)
2 rue Albert Borschette L-1246 Luxembourg
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Ashmore SICAV Emerging Market Debt Fund	$ 98.12	-	0.19	5.68
Ashmore SICAV Emerging Market Frontier Equity Fund	$ 165.56	-	0.44	0.67
Ashmore SICAV Emerging Market Total Return Fund	$ 84.63	-	0.03	5.23
Ashmore SICAV Global Small Cap Equity Fund	$ 136.01	-	-1.01	0.00
EM Active Equity Fund Acc USD	$ 125.67	-	-0.73	0.00
EM Equity Fund Acc USD	$ 100.22	-	-0.58	0.00
EM Mkts Corp.Debt USD F	$ 91.13	-	0.07	6.71
EM Mkts Loc.Ccy Bd USD F	$ 79.29	-	-0.23	5.65
EM Short Duration Fund Acc USD	$ 137.66	-	0.57	0.00

Atlantas Sicav (LUX)
Regulated

Fund	Bid	Offer	D+/-	Yield
American Dynamic	$ 4946.88	4946.88	-85.37	0.00
American One	$ 4845.41	4845.41	-49.10	0.00
Bond Global	€ 1551.07	1551.07	-8.28	0.00
Eurocroissance	€ 1079.36	1079.36	-23.49	0.00
Far East	$ 888.61	-	3.22	0.00

Barclays Investment Funds (CI) Ltd (JER)
39/41 Broad Street, St Helier, Jersey, JE2 3RR Channel Islands 01534 812800
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Bond Funds				
Sterling Bond F	£ 0.50	-	0.00	1.77

CCLA Investment Management Ltd (UK)
Senator House 85 Queen Victoria Street London EC4V 4ET
Authorised Inv Funds

Fund	Bid	Offer	D+/-	Yield
Diversified Income 1 Units GBP Inc	£ 1.60	1.60	0.00	1.69
Diversified Income 2 Units GBP Inc	£ 1.54	1.54	0.00	1.72
Diversified Income 3 Units GBP Inc	£ 1.55	1.55	0.00	1.70

CG Asset Management Limited (IRL)
25 Moorgate, London, EC2R 6AY
Dealing: Tel. +353 1434 5098 Fax. +353 1542 2859
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
CG Portfolio Fund Plc				
Absolute Return Cls M Inc	£ 126.64	126.64	-0.10	1.19
Capital Gearing Portfolio GBP P	£ 34223.92	34223.92	-46.55	0.95
Capital Gearing Portfolio GBP V	£ 165.89	165.89	-0.23	1.22
Dollar Fund Cls D Inc	£ 172.55	172.55	-0.84	1.74
Dollar Hedged GBP Inc	£ 100.98	100.98	-0.28	1.98
Real Return Cls A Inc	£ 211.82	211.82	-0.92	2.51

Chartered Asset Management Pte Ltd
Other International Funds

Fund	Bid	Offer	D+/-	Yield
CAM-GTF Limited	$ 281019.25	281019.25	1207.40	0.00
CAM GTi Limited	$ 719.89	-	42.44	0.00
Raffles-Asia Investment Company	$ 1.40	1.40	-0.01	2.91

Cheyne Capital Management (UK) LLP
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Cheyne European Event Driven Fund (M)	€ 144.16	-	-0.70	-

price updated (D) daily, (W) weekly, (M) monthly

Dodge & Cox Worldwide Funds (IRL)
6 Duke Street, St.James, London SW1Y 6BN
www.dodgeandcox.worldwide.com 020 3713 7664
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Dodge & Cox Worldwide Funds plc - Global Bond Fund				
EUR Accumulating Class	€ 14.64	-	-0.02	0.00
EUR Accumulating Class (H)	€ 10.56	-	-0.02	0.00
EUR Distributing Class	€ 11.95	-	-0.01	4.23
EUR Distributing Class (H)	€ 8.60	-	-0.02	4.48
GBP Distributing Class	£ 13.02	-	0.02	3.81
GBP Distributing Class (H)	£ 9.03	-	-0.02	4.46
USD Accumulating Class	$ 11.59	-	-0.02	0.00
Dodge & Cox Worldwide Funds plc-Global Stock Fund				
USD Accumulating Share Class	$ 20.74	-	-0.06	0.00
GBP Accumulating Share Class	£ 27.74	-	0.00	0.00
GBP Distributing Share class	£ 19.42	-	0.00	1.10
EUR Accumulating Share Class	€ 28.38	-	-0.07	0.00
GBP Distributing Class (H)	£ 10.52	-	-0.04	1.17
Dodge & Cox Worldwide Funds plc-U.S. Stock Fund				
USD Accumulating Share Class	$ 25.69	-	-0.13	0.00
GBP Accumulating Share Class	£ 32.50	-	-0.05	0.00
GBP Distributing Share Class	£ 20.06	-	-0.03	0.87
EUR Accumulating Share Class	€ 30.35	-	-0.14	0.00
GBP Distributing Class (H)	£ 11.11	-	-0.06	1.04

Dragon Capital Group
1501 Me Linh Point, 2 Ngo Duc Ke, District 1, Ho Chi Minh City, Vietnam
Fund information, dealing and administration: funds@dragoncapital.com
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Vietnam Equity (UCITS) Fund A USD	$ 23.18	-	0.12	0.00

Ennismore Smaller Cos Plc (IRL)
5 Kensington Church St, London W8 4LD 020 7368 4220
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Ennismore European Smlr Cos NAV	£ 142.14	-	-0.24	0.00
Ennismore European Smlr Cos NAV	€ 158.28	-	-0.17	0.00

Ennismore European Smlr Cos Hedge Fd
Other International Funds

Fund	Bid	Offer	D+/-	Yield
NAV	€ 593.08	-	3.95	0.00

Equinox Fund Mgmt (Guernsey) Limited (GSY)
Regulated

Fund	Bid	Offer	D+/-	Yield
Equinox Russian Opportunities Fund Limited	$ 175.48	-	-0.93	0.00

Euronova Asset Management UK LLP (CYM)
Regulated

Fund	Bid	Offer	D+/-	Yield
Smaller Cos Cls One Shares	€ 45.53	-	-0.03	0.00
Smaller Cos Cls Two Shares	€ 30.50	-	-0.01	0.00
Smaller Cos Cls Three Shares	€ 15.36	-	0.00	0.00
Smaller Cos Cls Four Shares	€ 19.72	-	-0.01	0.00

FIL Investment Services (UK) Limited (1200)F (UK)
130, Tonbridge Rd, Tonbridge TN11 9DZ
Callfree: Private Clients 0800 414161
Broker Dealings: 0800 414 181

Fund	Bid	Offer	D+/-	Yield
OEIC Funds				
Fidelity American Fund W-ACC-GBP	£ 47.00	-	0.01	0.61
Fidelity Cash Fund Y-ACC-GBP	£ 1.01	-	0.00	0.55
FID Emerging Europe, Middle East and Africa Fund W-ACC-GBP	£ 2.26	-	0.01	3.06
Fidelity Global Enhanced Income Fund W-ACC-GBP	£ 1.98	-	0.01	3.44
Fidelity Global Focus Fund W-ACC-GBP	£ 25.87	-	-0.01	0.36
Fidelity Global High Yield Fund Y-ACC-GBP	£ 14.92	-	0.06	3.20
Fidelity Japan Fund W-ACC-GBP	£ 4.18	-	0.03	0.61
Fidelity Japan Smaller Companies Fund W-ACC-GBP	£ 3.45	-	0.03	0.43
Fidelity Select 50 Balanced Fund PI-ACC-GBP	£ 1.09	-	0.01	0.57
Short Dated Corporate Bond Fund Y ACC GBP	£ 10.73	-	0.00	3.74
Fidelity Special Situations Fund W-ACC-GBP	£ 35.82	-	-0.11	2.27
Fidelity UK Growth Fund W-ACC-GBP	£ 3.34	-	-0.05	-
Fidelity UK Select Fund W-ACC-GBP	£ 3.18	-	0.01	1.96
Institutional OEIC Funds				
Europe (ex-UK) Fund ACC-GBP	£ 6.02	-	0.05	0.92

Findlay Park Funds Plc (IRL)
30 Herbert Street, Dublin 2, Ireland Tel: 020 7968 4900
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
American Fund USD Class	$ 127.09	-	-0.68	0.16
American Fund GBP Hedged	£ 65.57	-	-0.36	0.17
American Fund GBP Unhedged	£ 103.14	-	-0.76	0.16

Foord Asset Management
Website: www.foord.com - Email: info@foord.com

Fund	Bid	Offer	D+/-	Yield
FCA Recognised - Luxembourg UCITS				
Foord International Fund | R	$ 39.45	-	0.04	-
Foord Global Equity Fund (Lux) | R	$ 12.58	-	0.01	-
Regulated				
Foord Global Equity Fund (Sing) | B	$ 15.40	-	0.00	0.00
Foord International Trust (Gsy)	$ 39.15	-	0.04	0.00

Franklin Templeton International Services Sarl (IRL)
JPMorgan House - International Financial Services Centre, Dublin 1, Ireland
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Franklin Emerging Market Debt Opportunities Fund Plc				
Franklin Emg Mkts Debt Opp CHF	SFr 16.38	-	0.03	9.25
Franklin Emg Mkts Debt Opp GBP	£ 10.63	-	-0.02	6.70
Franklin Emg Mkts Debt Opp SGD	S$ 22.61	-	0.01	5.05
Franklin Emg Mkts Debt Opp USD	$ 17.67	-	0.03	6.56

GAM
funds@gam.com, www.funds.gam.com
Regulated

Fund	Bid	Offer	D+/-	Yield
LAPIS TOP 25 DIV.YLD-D	£ 113.62	-	-0.38	1.91

Genesis Investment Management LLP
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Emerging Mkts NAV	£ 7.21	-	-0.16	0.00

www.globalinv.net

Global Investment House

Fund	Bid	Offer	D+/-	Yield
Global GCC Islamic Fund	$ 110.74	-	-0.51	0.00
Global GCC Large Cap Fund	$ 171.67	-	-1.36	0.00
Global Saudi Equity Fund	SR 271.49	-	-1.00	0.00

HPB Assurance Ltd
Anglo Intl House, Bank Hill, Douglas, Isle of Man, IM1 4LN 01638 563490
International Insurances

Fund	Bid	Offer	D+/-	Yield
Holiday Property Bond Ser 1	£ 0.54	-	0.01	0.00
Holiday Property Bond Ser 2	£ 0.66	-	0.01	0.00

Hermes Investment Funds Plc (IRL)
Hermes Investment Management Limited, 1 Portsoken Street, London E1 8HZ +44 (0)20 7702 0888
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Hermes Abs Return Credit Fund Class F Acc	£ 1.40	1.40	0.00	0.00
Hermes Abs Return Credit Fund Class F Acc USD	€ 1.92	1.92	-0.01	0.00
Hermes Asia Ex-Japan Equity Fund Class C Acc GBP	£ 2.60	2.60	0.05	0.00
Hermes Asia Ex-Japan Equity Fund Class C Acc USD	£ 4.46	4.46	0.04	0.00
Hermes Europe Ex-UK Equity Fund Class F Acc	£ 2.15	2.15	0.00	0.00
Hermes Europe Ex-UK Equity Fund Class F Acc EUR	£ 3.98	3.98	-0.06	0.00
Hermes European Alpha Equity Fund Class F Acc	£ 1.76	1.76	0.00	0.00
Hermes European Alpha Equity Fund Class F Dis	£ 1.62	1.62	0.00	1.43
Hermes European Alpha Equity Fund Class F Acc EUR	£ 3.37	3.37	-0.04	0.00
Hermes GEMs SMID Equity Fund Class F GBP Acc	£ 1.16	-	0.01	-
Hermes Global Emerging Markets Fund Class F Acc	£ 2.10	2.10	0.02	0.00
Hermes Global Emerging Markets Fund Class F Acc USD	£ 4.23	4.23	0.00	0.00
Hermes Global Equity Fund Class F Acc	£ 2.51	2.51	0.02	0.00
Hermes Global Equity Fund Class R Acc USD	£ 5.23	5.23	-0.02	0.00
Hermes Global ESG Equity Fund Class F Acc	£ 1.87	1.87	0.02	0.00
Hermes Global High Yield Credit Fund Class F Acc	£ 1.58	1.58	0.00	0.00
Hermes Global High Yield Credit Fund Class F Acc EUR	£ 3.30	3.30	0.00	0.00
Hermes Global Small Cap Fund Class F Acc	£ 1.66	1.66	0.00	0.00
Hermes Global Small Cap Fund Class F Acc USD	£ 2.17	2.17	-0.01	0.00
Hermes Impact Opportunities Equity Fund F	$ 2.03	-	0.00	0.00
Hermes Impact Opportunities Equity Fund F	£ 1.12	-	0.01	0.00
Hermes Multi Strategy Credit Fund Class F Acc Hed	£ 1.20	1.20	0.00	0.00
Hermes SDG Engagement Equity Fund F	$ 2.17	-	-0.03	0.00
Hermes SDG Engagement Equity Fund F	£ 1.19	-	0.00	0.00
Hermes Unconstrained Credit Fund Class F USD Acc	$ 2.22	-	0.00	0.00
Hermes US SMID Equity Fund Class F Acc	£ 2.78	2.78	0.01	0.00
Hermes US SMID Equity Fund Class F Acc USD	£ 4.70	4.70	-0.03	0.00

Intrinsic Value Investors (IVI) LLP (IRL)
1 Hat & Mitre Court, 88 St John Street, London EC1M 4EL +44 (0)20 7566 1210
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
IVI European Fund EUR	€ 23.31	-	0.06	0.00
IVI European Fund GBP	£ 27.76	-	0.03	0.16

Kames Capital ICVC (UK)
Kames House, 3 Lochside Crescent, Edinburgh, EH12 9SA
0800 358 3009 www.kamescapital.com
Authorised Funds

Fund	Bid	Offer	D+/-	Yield
Kames Global Equity GBP B Acc	£ 2.35	-	0.02	0.23
Kames Investment Grd Gbl Bd A Inc GBP H	595.36	-	-0.20	2.29

Kames Capital VCIC (IRL)
1 North Wall Quay, Dublin 1, Ireland +35 3162 24493
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Absolute Return Bond B GBP Acc	1118.97	-	0.27	1.80
Eq Market Neutral B Acc	938.75	-	-0.06	0.00
High Yield Global Bond A GBP Inc	514.41	-	-0.12	3.39
High Yield Global Bond B GBP Inc	1092.02	-	-0.22	4.05
Kames Emerging Market Bond Fund - B Acc USD	$ 11.26	-	-0.03	0.00
Kames Global Equity Income B GBP Acc	1907.21	-	12.02	0.00
Kames Global Equity Income B GBP Inc	1455.44	-	-8.32	3.19
Kames Global Diversified Growth Fund - B Acc EUR	€ 11.12	-	-0.01	0.00
Kames Global Equity Market Neutral Fund - B Acc GBP	£ 9.89	-	0.02	0.00
Global Sustainable Equity B Acc GBP	£ 16.66	-	0.17	0.00
Global Sustainable Equity C Acc GBP	£ 16.83	-	0.18	0.00
Kames Absolute Return Bond Global Fund - B Acc GBP	£ 10.29	-	0.00	0.00
Short Dated High Yld Bd B Acc GBP	£ 10.49	-	0.00	0.00
Short Dated High Yld Bd C Acc GBP (Hdg)	£ 10.57	-	0.00	0.00
Strategic Global Bond A GBP Inc	1162.65	-	-0.60	1.20
Strategic Global Bond B GBP Inc	660.33	-	-0.33	1.85

Link Asset Services (UK)
65 Gresham Street, London, EC2V 7NQ
Order Desk and Enquiries: 0345 922 0044
Authorised Inv Funds

Fund	Bid	Offer	D+/-	Yield
Investment Adviser - Morant Wright Management Limited				
LF Morant Wright Japan A Acc ♦	402.43	-	6.58	0.82
LF Morant Wright Japan A Inc ♦	389.56	-	6.37	0.77
LF Morant Wright Japan B Acc ♦	436.55	-	7.15	1.32
LF Morant Wright Japan B Inc ♦	395.48	-	6.47	1.34
LF Morant Wright Nippon Yield A Acc ♦	423.93	-	7.52	2.78
LF Morant Wright Nippon Yield A Inc ♦	335.37	-	5.95	2.84
LF Morant Wright Nippon Yield B Acc ♦	448.12	-	7.95	2.77
LF Morant Wright Nippon Yield B Inc ♦	354.62	-	6.30	2.83

Lloyds Investment Fund Managers Limited (1000)F (JER)
PO Box 311, 11-12 Esplanade, St Helier, Jersey, JE4 8ZU 01534 845555
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Lloyds Investment Funds Limited				
Euro High Income	€ 1.5960xd	-	-0.0020	2.61
High Income	£ 0.8763xd	-	-0.0002	3.73
Sterling Bond	£ 1.5800xd	-	0.0000	2.25
Lloyds Money Fund Limited				
Sterling Class	£ 52.3170	-	-0.0010	-0.20
Lloyds Multi Strategy Fund Limited				
Conservative Strategy	£ 1.3100	-	0.0010	0.00
Growth Strategy	£ 1.8830	-	0.0000	0.00
Aggressive Strategy	£ 2.5320	-	-0.0010	0.00
Global USD Growth Strategy	$ 1.6460	-	-0.0010	0.00

Dealing Daily

Merit Fixed Income Fund
+44-203-865-0430
https://www.meritkapital.co.uk

Fund	Bid	Offer	D+/-	Yield
MeritKapital UK Ltd				
Merit Fixed Income Fund	$ 1020.02	-	10.66	-

MMIP Investment Management Limited (GSY)
Regulated

Fund	Bid	Offer	D+/-	Yield
Multi-Manager Investment Programmes PCC Limited				
UK Equity Fd Cl A Series 01	£ 2619.99	2848.82	-94.29	-
Diversified Absolute Rtn Fd USD Cl AF2	$ 1602.04	-	7.65	0.00
Diversified Absolute Return Stlg Cell AF2	£ 1541.34	-	5.12	0.00
Global Equity Fund A Lead Series	£ 1596.75	1601.91	-46.50	0.00

Marwyn Asset Management Limited (CYM)
Regulated

Fund	Bid	Offer	D+/-	Yield
Marwyn Value Investors	£ 362.90	-	-37.00	0.00

Milltrust International Managed Investments ICAV (IRL)
mimi@milltrust.com, +44(0)20 8123 8369 www.milltrust.com
Regulated

Fund	Bid	Offer	D+/-	Yield
MAI - Buy & Lease (Australia)	A$ 102.52	-	2.25	0.00
MAI - Buy & Lease (New Zealand)	NZ$ 97.29	-	0.06	0.00
British Innovation Fund	£ 100.02	-	3.18	0.00
Milltrust Global Emerging Markets Fund - Class A	$ 85.82	-	0.06	0.00

Mirabaud Asset Management (LUX)
www.mirabaud.com, marketing@mirabaud-am.com
Conviction based investment vehicles details available here www.mirabaud-am.com
Regulated

Fund	Bid	Offer	D+/-	Yield
Mir. - Glb Strat. Bd I USD	$ 114.68	-	-0.06	0.00
Mir. - DiscEur D Cap GBP	£ 138.00	-	0.45	0.00
Mirabaud - UK Equity High Alpha	£ 119.47	-	0.19	0.00

Morgens Waterfall Vintiadis.co Inc
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Phaeton Intl (BVI) Ltd (Est)	$ 512.21	-	4.20	0.00

Natixis International Funds (LUX) I SICAV (LUX)
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
ASG Managed Futures Fund I/A (USD)	$ 109.55	109.55	-0.06	0.00
Harris Global Equity Fund R/A (USD)	$ 299.15	299.15	0.36	0.00
Loomis Sayles Global Growth Equity Fund I/A (USD)	$ 147.48	147.48	-0.57	0.00
Loomis Sayles U.S. Growth Equity Fund I/A (USD)	$ 154.10	154.10	-0.59	0.00

Natixis Investment Funds (UK)
Authorised Funds

Fund	Bid	Offer	D+/-	Yield
DNCA European Select Equity Fund	£ 0.96	-	0.00	1.92
Harris Global Concentrated Equity Fund	£ 1.76	-	-0.01	1.38
H2O MultiReturns Fund N/A (GBP)	£ 1.81	-	-0.02	0.97
Loomis Sayles U.S. Equity Leaders N/A (GBP)	£ 2.95	-	0.00	0.05

new capital funds by EFG Asset Management

New Capital UCITS Fund PLC (IRL)
Leconfield House, Curzon Street, London, W1J 5JB
www.newcapitalfunds.com
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Wealthy Nations Bond Fund - USD Inst Inc.	$ 122.32	-	-0.08	4.12
Euro Value Credit Fund - EUR Inst Acc	€ 103.72	-	-0.03	0.00
Global Value Credit Fund - USD Ord Acc.	$ 198.04	-	-0.03	0.00
Asia Pacific Equity Income Fund - USD Ord Inc.	$ 96.58	-	-0.05	4.81
China Equity Fund - USD Ord Acc.	$ 148.31	-	-0.19	0.00
Dynamic European Equity Fund - EUR Ord Inc.	€ 182.19	-	1.02	2.72
Global Equity Conviction Fund - USD Ord Acc.	$ 130.72	-	-0.40	0.00
Swiss Select Equity Fund - CHF Ord Acc.	SFr 143.70	-	1.17	0.00
US Growth Fund - USD Ord Acc.	$ 290.03	-	-0.54	0.00
US Small Cap Growth Fund - USD Inst Acc	$ 131.29	-	-0.43	0.00
Strategic Portfolio UCITS Fund - USD Inst Acc	$ 124.25	-	-0.02	0.00
All Weather Fund - EUR Inst Acc	€ 96.85	-	-0.32	0.00
Dynamic UK Equity Fund - GBP Inst Acc.	£ 114.90	-	0.48	0.00
Global Alpha Fund - USD Ord Inc	$ 107.54	-	-0.02	1.10

Northwest Investment Management (HK) Ltd
11th Floor, Kinwick Centre, 32, Hollywood Road, Central Hong Kong +852 9331 9220
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Northwest China Opps Class T $	$ 2661.61	-	10.55	0.00
Northwest Feilong Class T $	$ 1867.40	-	20.51	0.00
Northwest Fund Class T $	$ 2379.49	-	-6.31	0.00
Northwest Warrant Class A $	$ 1064.73	-	-271.47	0.00

Oasis Crescent Management Company Ltd
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Oasis Crescent Equity Fund	R 10.28	-	0.04	0.74

Oasis Global Mgmt Co (Ireland) Ltd (IRL)
Regulated

Fund	Bid	Offer	D+/-	Yield
Oasis Crescent Global Investment Fund (Ireland) plc				
Oasis Crescent Global Short Term Income Fund - Class A Dist	$ 0.98	-	0.00	2.46
Oasis Crescent Global Equity Fund	$ 29.85	-	-0.06	0.60
Oasis Crescent Variable Balanced Fund	£ 9.51	-	0.01	0.12
OasisCresGl Income Class A	$ 10.85	-	0.01	2.96
OasisCresGl LowBal D ($) Dist	$ 11.89	-	-0.01	0.94
OasisCresGl Med Eq Bal A ($) Dist	$ 12.56	-	-0.02	0.48
Oasis Crescent Gbl Property Eqty	$ 8.94	-	-0.01	1.59

Omnia Fund Ltd
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Estimated NAV	$ 721.14	-	-129.60	0.00

Optima Fund Management
Other International Funds

Fund	Bid	Offer	D+/-	Yield
JENOP Global Healthcare Fund Ltd	$ 16.50	-	-0.59	0.00
OPTIKA Fund Limited - Cl A	$ 186.35	-	-19.27	0.00
Optima Fd NAV	$ 99.91	-	-0.37	0.00
Optima Discretionary Macro Fund Limited	$ 79.50	-	0.03	0.00
Platinum Fd Ltd	$ 102.14	-	2.92	0.00
Platinum Japan Fd Ltd	$ 64.97	-	1.50	0.00
Optima Partners Global Fd	$ 17.08	-	0.02	0.00
Optima Partners Focus Fund A	$ 17.44	-	0.00	0.00
Optima STAR Fund (hedged)	$ 97.20	-	0.06	0.00
Optima STAR Long Fund	$ 141.39	-	-0.52	0.00
The Optima Lloyd George Asia Fund	$ 94.45	-	-0.05	-

Oryx International Growth Fund Ltd
Other International Funds

Fund	Bid	Offer	D+/-	Yield
NAV (Fully Diluted)	£ 9.10	-	-0.52	0.00

Orbis Investments (U.K.) Limited (GBR)
28 Dorset Square, London, NW1 6QG
www.orbis.com 0800 358 2030
Regulated

Fund	Bid	Offer	D+/-	Yield
Orbis OEIC Global Cautious Std GBP Inc	£ 10.25	-	0.01	-
Orbis OEIC Global Balanced Standard	£ 14.12	-	0.03	5.61
Orbis OEIC Global Equity Standard	£ 16.23	-	0.03	3.98
Orbis OEIC UK Equity Standard	£ 7.82	-	0.04	4.25

Pictet Asset Management (Europe) SA (LUX)
15, Avenue J.F. Kennedy L-1855 Luxembourg
Tel: 0041 58 323 3000
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Pictet-Absl Rtn Fix Inc-HI EUR	€ 111.13	-	-0.03	0.00
Pictet-Asian Equities Ex Japan-I USD F	$ 292.01	-	0.19	0.00
Pictet-Asian Local Currency Debt-I USD F	$ 177.45	-	0.03	0.00
Pictet-Biotech-I USD F	$ 733.53	-	-11.55	0.00
Pictet-CHF Bonds I CHF	SFr 521.05	-	-0.21	0.00
Pictet-China Index I USD	$ 140.68	-	-0.25	0.00
Pictet-Clean Energy-I USD F	$ 98.24	-	-1.84	0.00
Pictet-Digital-I USD F	$ 418.87	-	-3.83	0.00
Pictet-Em Lcl Ccy Dbt-I USD F	$ 182.56	-	-0.70	0.00
Pictet-Emerging Europe-I EUR F	€ 415.13	-	-4.72	0.00
Pictet-Emerging Markets-I USD F	$ 626.91	-	-0.90	0.00
Pictet-Emerging Markets Index-I USD F	$ 280.53	-	-1.14	0.00
Pictet-Emerging Corporate Bonds I USD	$ 135.18	-	0.03	0.00
Pictet-Emerging Markets High Dividend I USD	$ 125.34	-	0.90	0.00
Pictet-Emerging Markets Sust Eq I USD	$ 104.34	-	-0.30	0.00
Pictet-EUR Bonds-I F	€ 646.88	-	-0.84	0.00
Pictet-EUR Corporate Bonds-I F	€ 221.12	-	-0.14	0.00
Pictet-EUR Government Bonds I EUR	€ 180.32	-	-0.21	0.00
Pictet-EUR High Yield-I F	€ 285.28	-	-0.47	0.00
Pictet-EUR Short Mid-Term Bonds-I F	€ 137.81	-	-0.03	0.00
Pictet-EUR Short Term HY I EUR	€ 128.63	-	-0.15	0.00
Pictet-EUR Sov.Sht.Mon.Mkt EUR I	€ 100.61	-	0.00	0.00
Pictet-Euroland Index IS EUR	€ 159.69	-	1.35	0.00
Pictet-Europe Index-I EUR F	€ 199.81	-	1.42	0.00
Pictet-European Equity Selection-I EUR F	€ 733.16	-	3.60	0.00
Pictet-European Sust Eq-I EUR F	€ 285.61	-	-2.16	0.00
Pictet-Global Bds Fundamental I USD	$ 131.36	-	-0.28	0.00
Pictet-Global Bonds-I EUR	€ 194.46	-	-0.66	0.00
Pictet-Global Defensive Equities I USD	$ 190.78	-	-1.85	0.00
Pictet-Global Emerging Debt-I USD F	$ 441.62	-	0.46	0.00
Pictet-Global Env.Opport-I EUR	€ 226.44	-	-3.29	0.00
Pictet-Global Megatrend Selection-I USD F	$ 303.84	-	-4.01	-
Pictet-Global Sust.Credit HI EUR	€ 159.10	-	-0.23	0.00
Pictet-Greater China-I USD F	$ 638.24	-	1.15	0.00
Pictet-Health-I USD	$ 306.96	-	-4.40	0.00
Pictet-SmartCity-I EUR	€ 198.45	-	-1.42	0.00
Pictet-India Index I USD	$ 119.71	-	-0.80	0.00
Pictet-Indian Equities-I USD F	$ 589.92	-	-3.63	0.00
Pictet-Japan Index-I JPY F	¥ 17820.25	-	143.52	0.00
Pictet-Japanese Equities Opp-I JPY F	¥ 11141.27	-	-28.12	0.00
Pictet-Japanese Equity Selection-I JPY F	¥ 16226.73	-	-63.60	0.00
Pictet-LATAM Lc Ccy Dbt-I USD F	$ 144.82	-	-0.54	0.00
Pictet-Multi Asset Global Opportunities-I EUR	€ 125.99	-	0.35	0.00
Pictet-Nutrition-I EUR	€ 241.10	-	-1.64	0.00
Pictet-Pacific Ex Japan Index-I USD F	$ 437.37	-	-0.43	0.00
Pictet-Premium Brands-I EUR F	€ 199.51	-	-1.39	-
Pictet-Russia Index I USD	$ 92.99	-	0.66	0.00
Pictet-Russian Equities-I USD F	$ 81.86	-	-0.44	0.00
Pictet-Security-I USD F	$ 282.24	-	-4.83	0.00
Pictet-Select-Callisto I EUR	€ 98.35	-	-0.21	0.00
Pictet-Small Cap Europe-I EUR F	€ 1297.36	-	-12.80	0.00
Pictet-ST Emerg Local Currency Debt-I USD F	$ 105.46	-	-0.38	0.00
Pictet-ST.MoneyMkt-I	€ 138.44	-	0.00	0.00
Pictet-ST.MoneyMkt JPY I USD	¥ 10094.66	-	-2.81	0.00
Pictet-ST.MoneyMkt-ICHF	SFr 120.39	-	0.00	0.00
Pictet-ST.MoneyMkt-IUSD	$ 144.28	-	0.01	0.00
Pictet-Timber-I USD F	$ 171.32	-	-1.66	0.00
Pictet TR-Agora I EUR	€ 127.05	-	-0.13	0.00
Pictet TR-Corto Europe I EUR	€ 141.06	-	0.36	0.00
Pictet TR-Divers Alpha I EUR	€ 108.24	-	-0.12	0.00
Pictet TR-Kosmos I EUR	€ 109.56	-	-0.06	0.00
Pictet TR-Mandarin I USD	$ 155.18	-	-0.05	0.00
Pictet-US Equity Selection-I USD	$ 265.92	-	3.57	0.00
Pictet-US High Yield-I USD F	$ 174.20	-	0.10	0.00
Pictet-USA Index-I USD F	$ 271.72	-	-1.23	0.00
Pictet-USD Government Bonds-I F	$ 718.01	-	-1.93	0.00
Pictet-USD Short Mid-Term Bonds-I F	$ 138.22	-	-0.13	0.00
Pictet-USD Sov.ST.Mon.Mkt-I	$ 108.51	-	0.01	0.00
Pictet-Water-I EUR F	€ 390.90	-	-5.48	0.00

Platinum Capital Management Ltd
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Platinum All Star Fund - A	$ 131.90	-	-	-
Platinum Global Growth UCITS Fund	$ 10.43	-	-0.03	0.00
Platinum Global Dividend UCITS Fund	$ 56.08	-	-0.21	0.00

Polar Capital Funds Plc (IRL)
Regulated

Fund	Bid	Offer	D+/-	Yield
Automation & Artificial Intelligence Cl I USD Acc	$ 11.14	11.14	-0.02	0.00
Asian Financials I USD	$ 370.07	370.07	1.42	0.00
Biotechnology I USD	$ 21.48	21.48	-0.16	0.00
Emerging Market Stars I USD Acc	$ 9.54	-	-0.03	0.00
European Ex UK Inc EUR Acc	€ 12.08	12.08	0.09	0.00
Financial Opps I USD	$ 12.75	-	-0.03	2.42
GEM Income I USD	$ 11.99	-	0.00	0.00
Global Convertible I USD	$ 13.06	13.06	-0.01	0.00
Global Insurance I GBP	£ 7.73	-	-0.06	0.27
Global Technology I USD	$ 49.30	-	-0.03	0.00
Healthcare Blue Chip Fund I USD Acc	$ 12.86	12.86	-0.04	0.00
Healthcare Opps I USD	$ 46.62	-	-0.04	0.00
Income Opportunities B2 I GBP Acc	£ 2.31	2.31	-0.01	-
Japan I JPY	¥ 2156.69	-	23.40	0.00
Japan Value I JPY	¥ 114.19	114.19	1.31	0.00
North American I USD	$ 24.77	24.77	-0.12	0.00
UK Absolute Equity I GBP	£ 20.50	20.50	0.00	0.00
UK Val Opp I GBP Acc	£ 11.27	11.27	-0.06	0.00

Polar Capital LLP (CYM)
Regulated

Fund	Bid	Offer	D+/-	Yield
European Forager A EUR	€ 191.84	-	0.59	0.00

Private Fund Mgrs (Guernsey) Ltd (GSY)
Regulated

Fund	Bid	Offer	D+/-	Yield
Monument Growth 01/10/19	£ 516.61	521.82	3.73	2.49

Prusik Investment Management LLP (IRL)
Enquiries - 0207 493 1331
Regulated

Fund	Bid	Offer	D+/-	Yield
Prusik Asian Equity Income B Dist	$ 185.92	-	-0.02	4.79
Prusik Asia Emerging Opportunities Fund A Acc	$ 153.03	-	0.88	0.00
Prusik Asia Fund U Dist.	£ 188.08	-	2.83	0.00

Purisima Investment Fds (CI) Ltd (JER)
Regulated

Fund	Bid	Offer	D+/-	Yield
PCG B ♦	218.41	-	2.61	0.00
PCG C ♦	213.90	-	2.56	0.00

Ram Active Investments SA
www.ram-ai.com
Other International Funds

Fund	Bid	Offer	D+/-	Yield
RAM Systematic Emerg Markets Core Eq	$ 95.79	-	-0.16	-
RAM Systematic Emerg Markets Eq	$ 169.12	-	-0.17	-
RAM Systematic European Eq	€ 437.71	-	2.39	-
RAM Systematic Funds Global Sustainable Income Eq	$ 123.58	-	0.06	0.00
RAM Systematic Long/Short Emerg Markets Eq	$ 114.81	-	-0.35	-
RAM Systematic Long/Short European Eq	€ 144.43	-	0.05	-
RAM Systematic North American Eq	$ 297.94	-	-1.28	-
RAM Tactical Convertibles Europe	€ 143.66	-	-0.03	-
RAM Tactical Global Bond Total Return	€ 148.66	-	-0.19	-
RAM Tactical II Asia Bond Total Return	$ 150.50	-	0.01	-

Ruffer LLP (1000)F (UK)
65 Gresham Street, London, EC2V 7NQ
Order Desk and Enquiries: 0345 601 9610
Authorised Inv Funds

Fund	Bid	Offer	D+/-	Yield
Authorised Corporate Director - Link Fund Solutions				
LF Ruffer European C Acc	603.59	-	-6.64	0.67
LF Ruffer European C Inc	110.26	-	-1.21	0.72
LF Ruffer European O Acc	590.76	-	-6.51	0.35
LF Ruffer Equity & General C Acc	445.08	-	-1.77	0.51
LF Ruffer Equity & General C Inc	407.86	-	-1.62	0.52
LF Ruffer Equity & General O Acc	435.65	-	-1.74	0.20
LF Ruffer Equity & General O Inc	403.34	-	-1.61	0.22
LF Ruffer Gold C Acc	200.95	-	-1.08	0.00
LF Ruffer Gold C Inc	121.62	-	-0.65	0.00
LF Ruffer Gold O Acc	196.62	-	-1.05	0.00
LF Ruffer Japanese C Inc	125.87	-	-0.14	0.53
LF Ruffer Japanese C Acc	270.22	-	-0.30	0.52
LF Ruffer Pacific & Emerging Markets C Acc	363.39	-	1.01	1.27
LF Ruffer Pacific & Emerging Markets C Inc	99.88	-	0.27	1.34
LF Ruffer Pacific & Emerging Markets O Acc	355.36	-	0.99	1.00
LF Ruffer Total Return C Acc	448.44	-	-1.50	1.54
LF Ruffer Total Return C Inc	292.94	-	-0.98	1.56
LF Ruffer Total Return O Acc	438.89	-	-1.48	1.54
LF Ruffer Total Return O Inc	286.55	-	-0.96	1.56

S W Mitchell Capital LLP (IRL)
Regulated

Fund	Bid	Offer	D+/-	Yield
SWMC European Fund B EUR	€ 16385.28	-	87.18	0.00
SWMC Small Cap European Fund B EUR	€ 13014.19	-	-2.99	0.00

ROBECOSAM We are Sustainability Investing.

RobecoSAM (LUX)
Tel. +41 44 653 10 10 http://www.robecosam.com/
Regulated

Fund	Bid	Offer	D+/-	Yield
RobecoSAM Sm.Energy/A	£ 19.37	-	-0.11	1.43
RobecoSAM Sm.Energy/N	€ 17.70	-	-0.09	0.00
RobecoSAM Sm.Materials/A	€ 188.91	-	-0.50	1.55
RobecoSAM Sm.Materials/N	€ 195.69	-	-0.38	0.00
RobecoSAM Sm.Materials/Na	€ 129.54	-	-0.25	1.53
RobecoSAM Gl.Small Cap Eq/A	£ 118.71	-	-0.31	1.33
RobecoSAM Gl.Small Cap Eq/N	€ 211.60	-	-0.40	0.00
RobecoSAM S.HealthyLiv/B	€ 225.30	-	0.49	0.00
RobecoSAM S.HealthyLiv/N	€ 216.03	-	0.47	0.00
RobecoSAM S.HealthyLiv/Na	€ 161.84	-	0.25	1.19
RobecoSAM S.Water/A	£ 263.53	-	-0.62	1.30
RobecoSAM S.Water/N	€ 228.57	-	-0.37	0.00

Rubrics Global UCITS Funds Plc (IRL)
www.rubricsam.com
Regulated

Fund	Bid	Offer	D+/-	Yield
Rubrics Emerging Markets Fixed Income UCITS Fund	$ 137.29	-	-0.25	0.00
Rubrics Global Credit UCITS Fund	$ 16.97	-	0.00	0.00
Rubrics Global Fixed Income UCITS Fund	$ 174.52	-	-0.34	0.00
Q Rubrics India Fixed Income UCITS Fund	$ 11.20	-	-0.05	0.00
Rubrics India Fixed Income UCITS Fund	$ 97.73	-	-0.34	0.00

Slater Investments Ltd (UK)
www.slaterinvestments.com; Tel: 0207 220 9460
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Slater Growth	543.26	543.26	-1.98	0.00
Slater Income A Inc	142.45	142.45	-0.27	0.00
Slater Recovery	255.06	255.06	-0.26	0.00
Slater Artorius	220.77	220.77	-1.12	0.27

STONEHAGE FLEMING GLOBAL BEST IDEAS EQUITY FUND

Stonehage Fleming Investment Management Ltd (IRL)
www.stonehagefleming.com/gbi
enquiries@stonehagefleming.com
Regulated

Fund	Bid	Offer	D+/-	Yield
SF Global Best Ideas Eq B USD ACC	$ 182.51	-	-0.46	0.00
SF Global Best Ideas Eq D GBP INC	£ 225.00	-	-1.04	0.24

Toscafund Asset Management LLP (UK)
www.toscafund.com
Authorised Funds

Fund	Bid	Offer	D+/-	Yield
Aptus Global Financials B Acc	£ 3.45	-	-0.01	4.48
Aptus Global Financials B Inc	£ 2.50	-	0.00	5.63

Toscafund Asset Management LLP
www.toscafund.com

Fund	Bid	Offer	D+/-	Yield
Tosca A USD	$ 285.98	-	-15.19	-
Tosca Mid Cap GBP	£ 306.66	-	-6.38	-
Tosca Opportunity B USD	$ 455.40	-	-8.48	-
Pegasus Fund Ltd A-1 GBP	£ 73.36	-	-3.38	0.00

Troy Asset Mgt (1200) (UK)
65 Gresham Street, London, EC2V 7NQ
Order Desk and Enquiries: 0345 608 0950
Authorised Inv Funds

Fund	Bid	Offer	D+/-	Yield
Authorised Corporate Director - Link Fund Solutions				
Trojan Investment Funds				
Trojan Ethical O Acc	107.71	-	0.19	0.00
Trojan Ethical O Inc	107.60	-	0.19	0.00

WA Fixed Income Fund Plc (IRL)
Regulated

Fund	Bid	Offer	D+/-	Yield
European Multi-Sector	€ 125.17	-	-0.25	3.30

Yapi Kredi Asset Management (TUR)
www.yapikrediportfoy.com.tr Tel: + 90 (212) 385 48 48
Other International Funds

Fund	Bid	Offer	D+/-	Yield
Eurobond Fund	TRY 0.138265	-	-0.000521	-
Koc Affiliate and Equity Fund	TRY 0.080242	-	0.79458	-
DPM Bonds and Bills Fund (FX)	$ 1.008022	-	0.000078	0.00

Yuki International Limited (IRL)
Tel +44-20-7269-0207 www.yukifunds.com
Regulated

Fund	Bid	Offer	D+/-	Yield
Yuki Mizuho Umbrella Fund				
Yuki Mizuho Japan Dynamic Growth	¥ 8378.00	-	45.00	0.00
Yuki Japan Low Price	¥ 38678.00	-	276.00	0.00
Yuki Japan Value Select	¥ 13298.00	-	113.00	0.00
Yuki Asia Umbrella Fund				
Yuki Japan Rebounding Growth Fund JPY Class	¥ 28579.00	-	185.00	0.00
Yuki Japan Rebounding Growth Fund USD Hedged Class	$ 1161.63	-	7.62	0.00

Zadig Gestion (Memnon Fund) (LUX)
FCA Recognised

Fund	Bid	Offer	D+/-	Yield
Memnon European Fund - Class U2 GBP	£ 179.84	-	1.61	0.00

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Guide to pricing of Authorised Investment Funds: (compiled with the assistance of the IMA. The Investment Management Association, 65 Kingsway, London WC2B 6TD. Tel: +44 (0)20 7831 0898.)

OEIC: Open-Ended Investment Company. Similar to a unit trust but using a company rather than a trust structure.

Different share classes are issued to reflect a different currency, charging structure or type of holder.

Selling price: Also called bid price. The price at which units in a unit trust are sold by investors.

Buying price: Also called offer price. The price at which units in a unit trust are bought by investors. Includes manager's initial charge.

Single price: Based on a mid-market valuation of the underlying investments. The buying and selling price for shares of an OEIC and units of a single priced unit trust are the same.

Treatment of manager's periodic capital charge: The letter C denotes that the trust deducts all or part of the manager's/operator's periodic charge from capital, contact the manager/operator for full details of the effect of this course of action.

Exit Charges: The letter E denotes that an exit charge may be made when you sell units, contact the manager/operator for full details.

Time: Some funds give information about the timing of price quotes. The time shown alongside the fund manager's/operator's name is the valuation point for their unit trusts/OEICs, unless another time is indicated by the symbol alongside the individual unit trust/OEIC name.

The symbols are as follows: ✥ 0001 to 1100 hours; ♦ 1101 to 1400 hours; ▲ 1401 to 1700 hours; # 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available. Historic pricing: The letter H denotes that the managers/operators will normally deal on the price set at the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers/operators must deal at a forward price on request, and may move to forward pricing at any time. Forward pricing: The letter F denotes that that managers/operators deal at the price to be set at the next valuation.

Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers/operators. Scheme particulars, prospectus, key features and reports: The most recent particulars and documents may be obtained free of charge from fund managers/operators. * Indicates funds which do not price on Fridays.

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MARKETS & INVESTING

Fixed income. Debt sell-off

Lacklustre auction shakes Japan bond trading from slumber

The weakness reflected a judgment that the Bank of Japan might pull back more forcefully on its purchases of long-term government debt
Franck Robichon/epa

Demand is the lowest in three years as investors position for policy shift from central bank

LEO LEWIS AND ROBIN HARDING — TOKYO
TOMMY STUBBINGTON — LONDON

For years, Japan's government bond market has slumbered on the edges of global finance. Dominated by the country's central bank, prices rarely budge, leaving traders with little to do.

But at the start of this month, a sale of 10-year debt failed to stir the usual interest from investors in the ¥1.1 quadrillion ($10.3tn) market.

Unnerved by new plans at the central bank to shift to buying more shorter-term debt, some private buyers stayed away, making it the worst auction in terms of demand since 2016.

Japanese government bonds stumbled, sending ripples through other markets including US Treasuries and even, briefly, UK gilts.

Behind the drop in demand was a rethink by economists and investors about the next steps for the Bank of Japan ahead of its meeting on October 31 as policymakers fret about the health of the global and domestic economy.

One option for the BoJ is simply to cut interest rates and accept the dent to profitability at the nation's commercial banks, which have chafed against further easing measures.

Alternatively, the BoJ could go further with its rejig of bond purchases.

Analysts are increasingly shifting towards the second view and bracing themselves for what could be one of the central bank's most market-moving meetings in recent years.

"JGBs remain in the eye of the storm and will continue to influence the direction of global rates," said Priya Misra, head of global rates strategy at TD Securities.

Japanese government bonds stumble as investors await central bank's next steps
10-year yield (%)

Source: Refinitiv

Poor economic data and a rise in the consumption tax were likely to keep propping up debt prices, she said.

Still, the lacklustre auction on October 1 reflected expectations that the BoJ could pull back more forcefully on its massive purchases of long-term JGBs, which have underpinned the past six years of market action.

Its aim is to push long-term debt yields further above short-term interest rates — an effect known as steepening the yield curve that is crucial to the health of the country's banking system and the returns of its massive public sector pension fund.

The ensuing sell-off demonstrated markets' acute sensitivity to central banks' support. But its fleeting nature highlights the challenge the BoJ faces in pushing up longer-term yields in a world where investors are anticipating rock-bottom interest rates — in Japan and beyond — as far as the eye can see.

The BoJ tweak came on the same day as a rise in the country's consumption tax that many economists expect will knock the fragile growth of the Japanese economy.

Last week, fresh data showed a sharp jump in department store sales in September. But traders and analysts were not encouraged, instead taking the data as evidence that consumers rushed to the shops to bring forward their purchases of big-ticket items ahead of the long-delayed rise in VAT from 8 per cent to 10 per cent on most goods.

Data on supermarket turnover from the first week of October was none too encouraging, either.

Some economists fear that the tax rise could be burdensome enough to push the third-biggest economy into a technical recession.

Citigroup's Japan economist, Kiichi Murashima, said the spike in consumption showed that "we can no longer deny the possibility that the tax hike's impact may prove larger" than previous expectations.

Against this backdrop, he added, the BoJ's October decision becomes an even closer call and a greater headache for the markets over the next few weeks. Speculation that the central bank would restart stimulus intensified last week when the BoJ raised its purchase target for short-term JGBs while cutting its scheduled purchases for longer dated notes, a move clearly aimed at steepening the yield curve.

In theory, said Capital Economics economist Tom Learmouth, the best way to achieve this goal would be to cut the short-term policy rate but the BoJ may be reluctant to loosen policy given the impact on Japan's already struggling banking sector.

The BoJ has played for time, promising a review of the economic situation when it next meets. But the risk is that it raises expectations for more stimulus that it is unable or unwilling to fulfil.

In particular, the BoJ is reluctant to go deeper into negative interest rates than the current minus 0.1 per cent unless the economic situation is dire.

Tweaks to its asset purchase programme or promises of a longer period of ultra-low rates are more likely options in the short term.

Those approaches face drawbacks of their own, given the legions of yield-hungry bond investors around the globe treating every rise in yields as a buying opportunity.

Dickie Hodges, a London-based bond fund manager at Nomura Asset Management, said he had bought Japanese government bonds in the immediate aftermath of the sell-off, betting that gloom about global growth would force the central bank to target even lower yield levels.

"Nothing has changed," he said. "As we go deeper into an economic slowdown everyone is going to have to double down — and that includes the Bank of Japan."

'JGBs remain in the eye of the storm and will continue to influence global rates'

Asset management

BlackRock launches fund for recycling investment

HENRY SANDERSON

BlackRock, the world's largest asset manager, has teamed with the Ellen MacArthur Foundation to help fund a shift towards a "circular economy," saying the rise of recycling represents a big opportunity for investors.

The $6.8tn-in-assets fund manager said yesterday that growing consumer awareness of waste — from plastic to electronic products — could boost the fortunes of companies such as aluminium can makers and plastics recyclers.

As a result, BlackRock has launched a fund, seeded with $20m of its own money, to buy stocks that stand to benefit.

"Consumers are changing the way they think about how to spend, and circular economy factors will become very important in their decision-making process," said Sumana Manohar, a London-based co-manager of the fund at BlackRock. "That means opportunities for companies who are frontrunners."

The fund is the latest effort by BlackRock to capitalise on the rise of sustainable investing, which is growing in popularity among institutional investors concerned about the threat of global climate change.

Half of all assets managed by the investment industry will be run with some kind of environmental, social and corporate governance consideration by next year, according to estimates from Deutsche Bank.

'Circular economy factors will become very important in consumers' decision-making process'

New York-based BlackRock has been criticised for the scale of its exposures to oil, gas and coal companies and for not doing more to require such companies to fully disclose their lobbying activities.

The Ellen MacArthur Foundation, a charity set up in 2010 by Ms MacArthur, a former long-distance yachtswoman, said it would help advise the BGF Circular Economy fund and would benefit from some of the fees charged to investors.

Andrew Morlet, chief executive of the foundation, said cutting usage of materials was critical in addressing the 45 per cent of global carbon dioxide emissions related to the production of goods.

"We can see that companies are waking up to the opportunities this represents," Mr Morlet said. "We've seen hundreds of companies moving into this space."

Companies such as Ball Corp, a Colorado-based aluminium can producer, and Philadelphia's Crown Holdings are already benefiting from a public backlash against materials such as plastic, Ms Manohar noted.

Shares in Ball have risen 56 per cent this year on the New York Stock Exchange while shares in Crown are up 52 per cent.

Asset management

Odey hit in volatile September for hedge funds

LAURENCE FLETCHER — LONDON
ORTENCA ALIAJ — NEW YORK

Hedge fund manager Crispin Odey is among managers nursing losses after a choppy few weeks that saw large moves in bond and stock markets.

Mr Odey, founder of London-based Odey Asset Management, lost 12.7 per cent in September in his European hedge fund, according to numbers sent to investors and reviewed by the Financial Times. That left his fund down 18.1 per cent for the year.

September proved a major challenge for hedge funds, many of which have been riding rising stock and bond markets this year.

A violent rotation out of shares that had been performing well and into cheap value stocks — which had previously largely been neglected in favour of faster-growing companies, for instance in the technology sector — hit some equity hedge fund managers. There was also a spike in crude prices mid-month following strikes on Saudi oil processing facilities, that was quickly reversed.

Mr Odey's fund has been running bets against financial stocks including insurer Lancashire Holdings, the fund's biggest equity market position, according to a letter to investors seen by the FT. Financials rose strongly in September, however, and Lancashire's shares jumped nearly 9 per cent.

Meanwhile, the British pound, against which Mr Odey has also been betting, climbed against the dollar.

Offsetting some of the losses was Mr Odey's large bet against Metro Bank, whose shares plunged after the lender pulled a £200m bond offering. An Odey spokesman declined to comment on the fund's positioning.

Mr Odey's fund endured three calendar years of losses, including a drop of nearly 50 per cent in 2016, before rebounding 53 per cent last year, when it was one of the world's top-performing hedge funds.

This month, it had regained 4.5 per cent as of the middle of last week, reducing year-to-date losses to 14.4 per cent.

September also saw large moves in government bond markets. US 10-year Treasury yields soared from 1.51 per cent to 1.91 per cent by the middle of the month after a bout of improved economic data, before falling back as concerns about the growth outlook returned. Yields fall as prices rise.

Among hedge fund strategies hit were computer-driven trend-following funds, which have been running large bets on falling bond yields, according to numbers sent to investors.

Man Group's AHL Diversified lost 7 per cent during the month, reducing gains this year to 14.6 per cent, while its Evolution fund fell 4.3 per cent, leaving it up 8.9 per cent. New York-based Gresham Investment Management's Alternative Commodity Absolute Return fund fell 7.9 per cent, leaving it down 7.7 per cent for the year.

Among macro managers, Brevan Howard, run by billionaire trader Alan Howard, was hit after a strong run of performance.

Crispin Odey's fund has endured three calendar years of losses

The fund, which had been betting on falling bond yields, lost about 2 per cent, reducing gains to about 8 per cent

Some funds were able to profit from the sharp market moves. Renaissance Technologies, the $60bn hedge fund business founded by Jim Simons, was up 2.5 per cent in September in its Institutional Equities fund, bringing its year-to-date performance to 10.5 per cent.

One investor in the quant hedge fund said it had benefited from being overweight utilities and from its investments in sectors such as healthcare and materials.

Greenlight Capital, the value-focused hedge fund founded by David Einhorn, also did well, posting an 8.4 per cent return in September.

The fund is up 24 per cent this year after a brutal end to 2018 that saw it post its worst-ever performance.

Some funds were also able to profit from bargains they picked up during the market fallout from Argentina's president Mauricio Macri's surprise defeat in primary polls in August.

London-based Promeritum Investment Management, for instance, made gains on Egyptian and Ghanian bonds. It was up 1.2 per cent last month and is up 8 per cent this year.

Commodities

Trump ethanol plan triggers steep fall in Rins credit prices

GREGORY MEYER — NEW YORK

The US ethanol industry sounded elated last week when the Trump administration unveiled long-sought reforms to shore up biofuel demand but the reaction in the markets has been less enthusiastic.

The price of compliance credits used in ethanol markets has fallen since Friday's announcement by the Environmental Protection Agency, reflecting questions about the details and doubts it could drive greater sales, analysts said.

Most petrol sold in the US contains about 10 per cent ethanol. The commodity is of huge economic importance in Midwestern US states where more than a third of the corn crop is sold to ethanol plants. These states, in turn, are crucial to Donald Trump's re-election prospects in 2020.

The EPA on Friday announced a plan to push ethanol demand to 15bn gallons a year — the level required by a congressional mandate — in 2020 after punching holes in the mandate by giving exemptions to dozens of oil refiners.

If successful, the plan would soften the impact of the exemptions on ethanol demand, pushing up the price of credits that oil refiners purchase to meet blending requirements. The credits are formally known as Renewable Identification Numbers, or Rins.

But after Friday's announcement, the Rins credits "have been falling off a cliff", said Denton Cinquegrana of Opis, a fuel price information service.

Opis reported the average price of ethanol Rins was 20 cents a gallon on Monday, down 16 per cent from Thursday and close to the average price of 2019. The drop reflected "disappointment" in the proposal, said Bill Lapp of Advanced Economic Solutions, a consultancy.

The price of ethanol swaps was $1.485 a gallon in Chicago on Monday, down 2.3 per cent from Thursday. Corn futures also settled at $3.87 a bushel, slightly lower than Thursday.

The EPA this week plans formally to propose the expanded biofuel requirements, according to an agency official.

In its announcement last week, the EPA said that it would "seek comment on actions to ensure that more than 15bn gallons of conventional ethanol be blended into the nation's fuel supply beginning in 2020".

Markets & Investing

FINANCIAL TIMES

The day in the markets

What you need to know

- US and European equities fall on trade worries ahead of talks
- Asian markets rally after technology shares outperform
- Trump puts Turkish lira under selling pressure

Turkish lira under pressure after Trump threat

Against the dollar (lira per $)

Source: Refinitiv

US and European stocks fell yesterday as US-China trade worries combined with growing Brexit uncertainty to weigh on global markets.

By midday in New York, the S&P 500 was 0.4 per cent lower while the Nasdaq Composite was down 1.3 per cent and the Dow Jones Industrial Average had shed 1.1 per cent.

The sell-off came against the backdrop of declining borrowing rates as investors, unnerved by another flare-up in US-China trade tension, sought the relative safety of government debt.

The yield on the benchmark 10-year US Treasury was down 4 basis points to 1.51 per cent — close to a one-month low.

US-China trade talks are scheduled to resume tomorrow with analysts remaining dubious on the likelihood of a game-changing outcome.

"We see some possibility of a truce but a comprehensive trade deal remains unlikely," BlackRock said in a note to clients.

Across the Atlantic, the broad Stoxx Europe 600 benchmark and Frankfurt's Xetra Dax each closed down 1 per cent while Paris's CAC 40 shed 1.2 per cent and London's FTSE 100 lost 0.5 per cent.

Sterling weakened 0.6 per cent against the euro, leaving the single currency trading close to 90p for the first time in a month, as hopes of a Brexit deal at next week's EU summit faded.

Asian markets rallied after technology shares outperformed across the region.

China's CSI 300 closed up 0.6 per cent. In Hong Kong, the Hang Seng index gained 0.3 per cent, rising from a five-week low despite four days of often violent protests.

The Turkish lira remained under pressure after President Donald Trump threatened to "obliterate" the country's economy if it launched any operation in Syria that the US considered to be off-limits.

The lira was hovering at its lowest level in more than a month against the US dollar. **FT reporters**

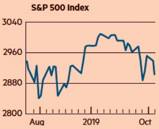
Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	2903.05	1490.11	21587.78	7143.15	2913.57	100713.44
% change on day	-1.22	-1.06	0.99	-0.76	0.29	0.14
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	98.927	1.096	107.095	1.222	7.130	4.082
% change on day	-0.040	-0.364	0.140	-0.812	-0.120	0.373
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	1.522	-0.595	-0.206	0.331	3.132	7.028
Basis point change on day	-2.300	-1.900	2.450	-3.400	-1.100	-1.300
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	336.59	57.78	52.21	1501.25	17.43	2786.10
% change on day	-0.84	-1.16	-1.30	0.14	-1.02	0.96

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.

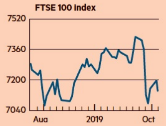
Main equity markets

S&P 500 index



Eurofirst 300 index

FTSE 100 index



Biggest movers

%	US		Eurozone		UK	
Ups	American Airlines	2.38	Omv	0.45	Polymetal Int	2.75
	Dr Horton	1.55	Thales	0.45	Fresnillo	2.07
	Vulcan Materials (holding)	1.14	Raiffeisen Bank Internat	0.45	Coca-cola Hbc Ag	1.06
	Newmont Gold	1.12	Adp	0.44	Smurfit Kappa	0.83
	Monster Beverage	1.08	Telecom Italia	0.42	Phoenix Holdings	0.79
Downs	Waters	-6.14	Hugo Boss	-4.32	London Stock Exchange	-5.80
	Boston Scientific	-5.72	Seadrill	-4.05	Whitbread	-3.90
	Thermo Fisher Scientific	-5.55	Infineon Tech	-3.47	Flutter Entertainment	-3.50
	Perkinelmer	-4.91	Saint Gobain	-3.30	Tesco	-3.04
	United Rentals	-4.66	Arcelormittal	-3.14	Nmc Health	-2.96

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

Nektar Therapeutics slipped on a Goldman Sachs downgrade from "buy" to "sell".

News earlier this year that Nektar had used flawed batches of cancer drugs in two clinical trials had not only raised worries about its safety and efficacy, it undermined confidence in the company's ability to run large-scale clinical programmes, said Goldman.

Nektar would take several years to rebuild confidence in the drug, it added.

Domino's Pizza opened lower before rallying on a mixed update.

The franchise owner cut like-for-like sales growth targets for both its domestic and international markets but also flagged lower central costs and unchanged expansion guidance.

United Rentals faded after UBS took the equipment hire group off its "buy" list based on "increasing evidence" of a slowdown in its markets.

Warnings from equipment makers such as Linamar pointed to a significant deterioration in industry volumes so United Rentals' operating earnings were likely to disappoint over the next few quarters, UBS argued.

Cannabis stocks fell after California-based retailer **MedMen** terminated a deal announced last year to buy sector peer PharmaCann for $682m, blaming regulatory obstacles. *Bryce Elder*

Eurozone

Qiagen slumped after the diagnostic equipment maker scrapped development of its gene sequencing platform in favour of a partnership with rival Illumina, which required a restructuring charge of up to $265m.

The German company also warned that sales last quarter had missed targets because of weak demand in China and said that Peer Schatz was stepping down after 15 years as chief executive.

Cellnex of Spain climbed after agreeing to buy the telecom masts division of Arqiva, the UK broadcast infrastructure group built around former BBC and National Grid assets, for £2bn.

AMS fell on reports that the chipmaker would not be bound by its 12-month block on rebidding for Osram, the German lighting maker, having last week failed to win enough shareholder support with a €4.5bn offer.

The cooling-off period only applied to a special purpose vehicle that AMS had used to launch the bid and not to the parent company, financial regulator BaFin was quoted as saying.

Kinnevik of Sweden, which invests in online consumer brands such as Zalando, gained on a Merrill Lynch to upgrade to "neutral".

Hugo Boss slipped on a downgrade to "hold" from Hauck & Aufhäuser, the Frankfurt-based private bank. *Bryce Elder*

London

Fading hopes of a Brexit deal put pressure on domestically dependent stocks such as **ITV**, **Tesco** and Premier Inn owner **Whitbread**.

Sterling's drop helped cushion the fall for the FTSE 100, where dollar earners such as **Coca-Cola HBC** and information group **RELX** climbed.

Land Securities fell after Credit Suisse downgraded to "underperform" as part of a property sector review.

"Whilst the range of potential Brexit outcomes remains wide, the most supportive outcome for UK property of a soft Brexit followed by political stability appears highly unlikely," it said.

The pressures on office and retail space, along with the growth in flexible renting, meant Land Securities was "in need of a strategic rethink", Credit Suisse told clients.

Recruitment companies fell after both **PageGroup** and **Robert Walters** warned on profits.

PageGroup blamed deteriorating conditions in Greater China, Hong Kong, the UK and France, as well as signs of weakening in the US and Germany, while Robert Walters flagged a slowdown in the UK and Ireland. Sector peer **Hays** also fell.

EasyJet led the airline stocks lower after Brexit uncertainties held it back from giving any guidance for the new fiscal year just started. *Bryce Elder*

Bond investors are addicted to the stimulus placebo

Tommy Stubbington

Markets Insight

Ever since Mario Draghi, the European Central Bank's president, began to stoke expectations of further stimulus in June, investors have been betting heavily on two things: that more quantitative easing is on its way, and that it will not work.

Now that Mr Draghi has delivered his parting shot from the ECB by cutting rates and resuming bond-buying to the tune of €20bn a month, markets have doubled down on those bets.

A key gauge of inflation expectations in the eurozone, which is closely watched by the ECB's governing council, fell to an all-time low this week. The so-called five-year five-year inflation forward — which measures how much annual inflation markets are pricing in over the second half of the coming decade — sank below 1.11 per cent.

Much analysis of the latest stimulus move has focused on whether Mr Draghi could "over-deliver" by further stoking a rally in eurozone government bonds that has pushed yields to record lows — or at least, not cause it to go into reverse.

On that basis, September's easing package can be counted a modest success. A bond rally that looked to have stalled ahead of the meeting has since resumed. Many investors are already betting on further rate cuts, or expecting Christine Lagarde, Mr Draghi's successor, to assert her authority by beefing up the QE programme.

But for a central bank whose only mandate is to keep inflation below but close to 2 per cent, it is a strange kind of success. The eurozone rate slipped below 1 per cent in September. Stimulus may be good for bond investors' portfolios, but it appears to have little impact on their inflation expectations.

Buying 30-year German debt at a sub-zero yield looks like an odd trade at the best of times. If you expect the ECB to get anywhere near its target over the next three decades, it looks foolish.

Richard Barwell at BNP Paribas Asset Management likens investors to a patient knowingly demanding a placebo: "The bond market is adamant it needs stimulus, but equally adamant it doesn't work," he said.

If investors believe that monetary easing no longer has much impact — a view shared by a growing number of economists — then why keep doing it?

Mr Draghi pointed out in his interview with the Financial Times last month that tumbling inflation expectations are not confined to the euro area.

> Negative rates and QE have not pushed eurozone inflation back to target, but things could be worse

While it is true that US inflation forwards have also sunk alarmingly this year, it is less clear why the ECB should take comfort. The collapse is a sign of investors' waning faith in the power of central banks everywhere.

The outgoing ECB head denied the central bank is out of ammunition, arguing more could be done with both interest rates and asset purchases. But Mr Draghi also gave his most forceful plea yet for governments to loosen the purse strings to complement ECB stimulus. While he would never say so directly, to many this sounds like a tacit admission that the ECB is low on bullets.

Markets seem to agree that, at this point, fiscal stimulus offers more bang for its buck than further monetary easing. Hints in August and September that Germany was considering ditching its commitment to a balanced budget caused brief bond market wobbles.

A full-blown commitment by Berlin to borrow and spend would no doubt have a much bigger impact on both the economy and the expected path of inflation. Bond markets in Germany and beyond would feel the pain as they were forced to digest greater issuance of bonds to fund any spending splurge. In that light, the clamour for negative-yielding debt suggests that investors don't expect much on the fiscal front.

These dynamics are playing out amid a row over Mr Draghi's final policy moves. Central bankers from Germany, Austria and the Netherlands have joined the German tabloids in publicly criticising the ECB's stimulus package.

The boss of Europe's biggest insurer, Allianz, lambasted the Italian for his "politicisation" of monetary policy.

There is little logic to these calls for higher interest rates. Negative rates and QE have not pushed inflation back to target, but things could always be worse. Without them the eurozone might soon be facing the spectre of deflation. But they are another sign that the negative side-effects of monetary policy are coming into focus as its effectiveness wanes.

If Ms Lagarde goes down the path of further stimulus, the calls will grow louder. Some ECB policymakers may even calculate that causing further discomfort could become the main point of QE and negative rates: dish out enough pain to German savers and Berlin may shift its stance on fiscal policy.

It might just work, but it is a dangerous game, both for an increasingly political ECB and for bond investors.

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