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Johnson and his rogue Tories are to blame for this Brexit disaster — PAGE 11



Mixed Morales
After 14 years, is Bolivia falling out of love with its leader? — BIG READ, PAGE 9

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. **Report** page 4
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Mark Wilson/Getty Images

Johnson urges Varadkar to keep talking as Brexit deal hopes fade

◆ No 10 says accord being blocked ◆ Brussels blasts 'blame game' ◆ Total breakdown avoided

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 agreement before October 31 are all but dead. Mr Johnson's allies said yesterday that the 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, Germany's chancellor, of blocking a deal. Donald Tusk, European Council president, retaliated by accusing Mr Johnson of playing a "stupid blame game", but each side seemed determined to cool tempers and avoid a total breakdown.

Mr Johnson's team described a 40-minute telephone call with Mr Varadkar as "constructive" and said the prime minister expected to meet his Irish counterpart tomorrow or on Friday for more talks. "Both sides strongly reiterated their desire to reach a Brexit deal," Downing Street said. But the two camps remain far apart on 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 had 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. "She 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. The Downing Street account 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. There is pessimism in Brussels and London over the prospects of a deal by October 31, let alone by the time of an



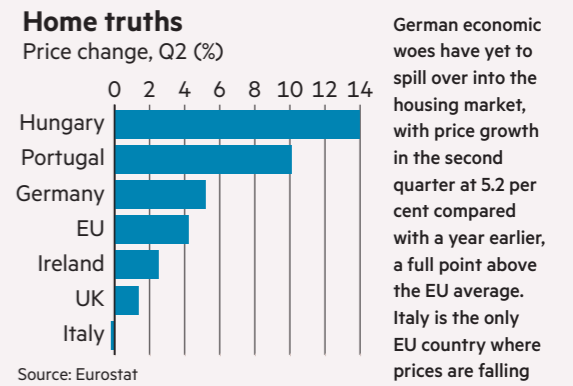
Leo Varadkar along with Angela Merkel is accused by Downing Street of obstructing an agreement

EU summit next week. Talk in Brussels is turning to an extension of the Brexit process — which Mr Johnson has vowed will not happen. Mr Johnson's team has not confirmed that the prime minister will attend the October 17-18 summit, especially if it turns into a discussion on the terms and length of any extension to Article 50. With talks on the verge of collapse, an unnamed Number 10 insider wrote a note published by The Spectator in which they claimed Britain would punish EU member states if they agreed to extend the Article 50 exit process. **Additional reporting by Guy Chazan in Berlin and Laura Hughes in London News & analysis** pages 2 & 3
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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 13; ANALYSIS, PAGE 15; LEX, PAGE 12
- **US steps up assault on Chinese tech**
The blacklisting of four of China's top AI start-ups has thrown a blockbuster Hong Kong listing into doubt and caught billions of dollars of investment in the cross fire. — PAGE 13; HUAWEI PLAN, PAGE 16
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Labour productivity has contracted following two quarters of stagnation. Economists have blamed a lack of investment forced by Brexit uncertainty, which is also absorbing management time. — PAGE 2
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Datawatch



Threat of Isis resurgence behind Turkey's Syria push

Donald Trump's green light for a Turkish assault on US-backed Kurdish forces has thrown the spotlight on a region of key importance to the west. The long north-eastern corner of Syria, wedged between Turkey and the Iraqi desert, is where Isis incubated before bursting into Iraq in 2015. Its 'caliphate' has disintegrated but there are fears that any Turkish action could divert resources from the mopping-up operation and allow Isis to rise again. **Analysis** ► PAGE 4

Fed banks on new Treasury purchases to stop repeat of repo market turmoil

BRENDAN GREELEY — WASHINGTON
COLBY SMITH — NEW YORK

The US Federal Reserve is to resume purchases of Treasuries in an effort to prevent a repeat of the recent disruption in short-term "repo" markets, Jay Powell said yesterday.

Speaking to business economists in Denver, the Fed chair said that the move differed from crisis-era quantitative easing and was directed at solving "recent technical issues" rather than materially affecting "monetary policy". "I want to emphasise that growth of our balance sheet for reserve management purposes should in no way be confused with the large-scale asset purchase programmes that we deployed after the financial crisis," he said. In recent weeks, the New York Fed has injected billions into short-term lending

markets to ease pressures that sent the cost of borrowing cash overnight via repurchase agreements as high as 10 per cent in September. Those measures brought the repo rate back within a normal range but analysts fear that such pressures could crop up again without a far-reaching solution. "It is clear that without a sufficient quantity of reserves in the banking system, even routine increases in funding pressure can lead to outsized movements in money market interest rates," Mr Powell said. "This volatility can impede the effective implementation of monetary policy and we are addressing it. . . I will soon announce measures to add to the supply of reserves." At its September meeting, Mr Powell said that the Fed was considering resuming "organic" expansion of its bal-

ance sheet — buying assets at a regular pace to match growth in its liabilities. "As we indicated in our March statement on balance sheet normalisation, at some point we will begin increasing our securities holdings to maintain an appropriate level of reserves," he said in Denver. "That time is now upon us." Market participants had warned that "organic" expansion might not add reserves fast enough to correct the problem, making the case instead for the Fed to buy anywhere from \$200bn, to more than \$300bn, of shorter-dated Treasury bills over the next six months. Mr Powell also appeared to confirm market expectations of a 25 basis-point cut at its October meeting to add further insurance against uncertainty over "trade, Brexit and other issues". **Letters** page 10
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World Markets

STOCK MARKETS				CURRENCIES				INTEREST RATES			
	Oct 8	prev	%chg		Oct 8	prev			Oct 8	prev	chg
S&P 500	2903.05	2938.79	-1.22	\$ per €	1.096	1.100		€ per \$	0.819	0.812	
Nasdaq Composite	7860.52	7956.29	-1.20	\$ per £	1.222	1.232		£ per €	1.115	1.121	
Dow Jones Ind	28193.47	28478.02	-1.07	€ per £	0.897	0.892		¥ per €	117.339	117.587	
FTSEurofirst 300	1490.11	1506.05	-1.06	¥ per \$	107.095	106.945		£ index	76.547	76.401	
Euro Stoxx 50	3438.36	3471.24	-0.95	¥ per £	130.816	131.767		Sfr per €	1.213	1.224	
FTSE 100	7143.15	7197.88	-0.76	Sfr per £	1.088	1.092					
FTSE All-Share	3918.17	3950.22	-0.81	€ per \$	0.913	0.910					
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								

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NATIONAL

Worker data

Labour output fall worst in five years

Productivity has stagnated since the financial crisis and has failed to recover

VALENTINA ROMEI

Labour productivity contracted in the second quarter at the fastest pace in five years, highlighting how a trend that has persisted since the financial crisis has accelerated as a result of Brexit uncertainty.

Output per hour worked, the standard measure of productivity, dropped 0.5 per cent over the period to June, compared with the same quarter last year, the worst performance since the April-June period in 2014, the Office for National Statistics reported yesterday. It follows two quarters of stagnation.

Productivity is considered the single

most important determinant of a country's standard of living. Lack of growth limits its ability to become richer.

In the UK, productivity has stagnated since the crisis and failed to recover as it usually does after contractions. Further, it has weakened since the 2016 Brexit referendum and contracted in the past year.

Many economists and industry point to the lack of business investment as a reason for deteriorating productivity. Business investment has barely expanded since the second quarter of 2016 and contracted 0.4 per cent in the three months to June.

"The low cost and flexibility of labour relative to capital has certainly supported employment over investment," said Howard Archer, chief economic adviser at EY Item club, a consultancy.

As the Brexit deadline approaches,

businesses have been more inclined to postpone costly investment.

"This unwillingness to invest is partly down to the ongoing unpredictability, which is looming large for all businesses," said Mike Cherry, chairman of the Federation of Small Businesses.

"The political uncertainty is not only dragging down confidence, but is now also a drag on the UK's productivity."

The inability to increase the value of goods and services produced per hour of work limits what companies can afford to pay their workers.

"Business investment collapsed in the wake of the referendum [and] that will weigh on productivity and wages for a long time to come," said Paul Johnson, director of the Institute for Fiscal Studies, a think-tank.

Richard Heys, deputy chief economist at the ONS, noted that "both manufac-

turing and services saw a fall on this time last year, with only a couple of other relatively small sectors contributing positively".

Utilities and construction were the only sectors that recorded a rise in productivity, while output per hour fell 1.9 per cent in the manufacturing sector and by 0.8 per cent in the services sector. Services account for about 80 per cent of the UK economy.

The fall represents a continuation of the UK's "productivity puzzle", with productivity since the downturn in 2008 growing more slowly than during the long period beforehand.

In the 11 years to the second quarter of 2008 UK productivity grew 25 per cent, compared with near-stagnation over the past 11 years.

The UK also underperformed in relation to its peers. Since the second quar-

ter of 2008, the lack of growth contrasted with an average 9 per cent expansion in labour productivity for the 36 member countries of the OECD, the Paris-based club of mostly rich nations.

Nicholas Bloom, professor of economics at Stanford University, calculated in a paper in September that Brexit had reduced UK productivity by 2 to 5 per cent over the three years since the vote. A large part of the reduction was because companies were "committing several hours per week of top management time to Brexit planning".

Further, Brexit-related expenditure reduced spending on intangibles such as research and development, software and training, lower levels of multinational investment and lower supplies of skilled foreign workers, all of which have had a negative impact on output.

Bribery allegations

Saudi probe blocked by UK legal chief, say campaigners

KATE BEIOLEY

Anti-corruption campaigners have accused the UK's top law officer of invoking national security to block a long-running bribery probe into an Airbus subsidiary involved in a sensitive UK defence contract with Saudi Arabia.

In a letter sent to Geoffrey Cox, the attorney-general, last week, two campaign groups, Transparency International and Spotlight on Corruption, expressed "serious concern at the ongoing delay" to the Serious Fraud Office's investigation of defence contractor GPT.

The campaign groups argued the probe should not be "put at risk" by "potential interference on national security grounds, whether it be a direction on your part to stop the prosecution or withholding consent to prosecute".

The letter claimed the UK's anti-fraud watchdog asked the government for permission to prosecute the company more than 18 months ago.

The SFO first launched a criminal investigation into GPT in mid-2012 over allegations of corruption relating to a £2bn UK government contract to provide communications and intranet services for the Saudi National Guard, the kingdom's internal security force that protects the royal family.

The probe was launched after allegations made in 2011 by a former GPT employee, Ian Foxley, who had joined the company after previously serving as a lieutenant colonel in the British army.

GPT Special Project Management, a subsidiary of Airbus, is one of the companies endorsed by the Ministry of Defence to carry out highly sensitive military work in Saudi Arabia. The company is in the process of being wound up later this year and the MoD has given the Saudi contract to KBR, a US military contractor, according to the Guardian.

The SFO must obtain the approval of the attorney-general before it can prosecute the diplomatically sensitive case under the Prevention of Corruption Act.

Claims by campaigners that the government is blocking the case on national security grounds were reinforced by Kevin Hollinrake, a Conservative MP who is Mr Foxley's local MP. "We have been pressing for an answer on this for so long and are keen to seek a resolution, particularly for Ian," he said.

Mr Hollinrake was told by the attorney-general there were many wider implications surrounding the probe, including national security and the issue of whether individuals related to the case should be granted immunity.

The campaign groups warned Mr Cox in the letter that blocking the probe "would irreparably damage not just the UK's international reputation but also the global fight against corruption".

The case has some similarities to an SFO corruption probe into BAE Systems, the defence contractor, over arms deals, including a key one with Saudi Arabia, known as Al Yamamah. That case led to BAE pleading guilty to one charge of false accounting in 2010 after the government had intervened in 2006 to block the SFO investigating claims of bribery involving the Saudi contract.

At the time the UK was accused of caving in to pressure from Saudi Arabia to drop the case, with lawyers and opposition peers arguing national security was not a justifiable reason to halt the probe.

Party ructions

Corbyn's pro-Brexit senior aide sidelined

JIM PICKARD
CHIEF POLITICAL CORRESPONDENT

Karie Murphy, one of the most controversial figures in Jeremy Corbyn's Labour party, has been sidelined amid a power struggle.

Ms Murphy, the pro-Brexit chief of staff, is to move out of the leader's office in Westminster to the party's headquarters in Victoria to help run the election campaign, according to a Labour spokesman.

The party described the move as "temporary", saying it was part of its attempts to "ramp up campaigning" ahead of a general election. "Karie will drive this crucial work from headquarters, as she did during the last election," he said.

But one senior party figure said Ms Murphy was being pushed aside and a new role would be created in Mr Corbyn's team with a title such as "director of the leader's office" to carry out many of Ms Murphy's former functions.

As part of the shake-up, Amy Jackson, political secretary, will also move across to the Southside headquarters in Victoria but will keep her existing title.

Ms Murphy is a close friend of Len McCluskey, the general secretary of Unite the Union – Labour's biggest donor – who wields huge power behind the scenes.

But her combative management style has made her unpopular among many Labour MPs and officials.

Many MPs who want the party to shift to an outright Remain position on Brexit have blamed her – along with Seumas Milne, director of strategy and communications – for Labour's complex fudge on the issue. One MP said he had reacted to the news by singing "Oh What A Beautiful Morning".

Shadow chancellor John McDonnell and shadow home secretary Diane Abbott, who are two of the most influential MPs in Mr Corbyn's circle, have pressed for months for him to remove Ms Murphy.

High praise
Stirling Prize
for low-rise
council estate

The houses in Goldsmith Street, Norwich, have been built and are owned by the council — Robert Evans/Alamy

A Norwich council estate of low-rise brick terraces has won this year's Stirling Prize, British architecture's most prestigious award.

It might surprise some people that council housing is being built at all, but this is a sensitive, sustainable and elegant social scheme on the east coast.

The estate is a very different winner from last year's £1bn Bloomberg Building, the City of London's most expensive office block, embodying a shift in priorities – and recognition of the depth of the housing crisis.

Designed by architects Mikhail Riches and Cathy Hawley, the 100 houses of Goldsmith Street are the result of Norwich city council cleverly negotiating rules that were designed by the Thatcher government to stop councils reinvesting the proceeds of right-to-buy council housing sales to build new housing. They are 100 per cent council built and owned, making them a rarity.

The brick-built houses, street and gardens are on the scale of Victorian terraces but the language is contemporary, with curving corners and elegant window reveals. They have clearly become very popular with residents and are a vindication of the decision of the council and architects to eschew the apartment block slabs that one might have expected to be the outcome of such a project.

Built to Germany's rigorous *Passivhaus* regulations for environmental performance, the houses are super-insulated and energy efficient, apparently leading to a 70 per cent reduction in fuel bills for tenants.

Goldsmith Street beat another interesting environmentally sustainable building, the Cork House in Eton, to the prize. Designed by Matthew Barnett Howland, Dido Milne and Oliver Wilton, the low-slung, ziggurat-roofed house suggests cork can do much more than merely stopper

bottles, which are involved in another contender, Rogers Stirk Harbour + Partners' green-roofed Macallan distillery and visitor experience at Moray.

Also shortlisted was Witherford Watson Mann's intelligent repurposing of a stable block into the Nevill Holt Opera House in Leicestershire, Feilden Fowles' Weston gallery and visitor centre at the Yorkshire Sculpture Park and the undeniably impressive rebuilding of London Bridge Station with its remarkable vaulted public areas by Grimshaw.

This is the first time a social housing project has won the Stirling Prize and it is an award that, a couple of weeks before the release of the report into the Grenfell Tower tragedy, seems designed to send a message about a long-neglected area of architecture.

Edwin Heathcote

Academic study

Stage set for volatile election dominated by EU divorce

SEBASTIAN PAYNE

The UK is heading into the most unpredictable and volatile general election campaign in decades, according to an academic study of the electorate over the past 10 years.

The British Election Study, which has assessed UK elections since 1964, has analysed the outcomes of the 2010, 2015 and 2017 polls and concluded there was "an unprecedented trend of voting volatility", with almost half of voters changing allegiance.

With another election widely expected before the end of the year, after another delay to the UK's departure from the EU, the BES warned that the country's electoral map was undergoing significant changes and predicting the outcome of a 2019 poll would be especially difficult.

Between the 2015 and 2017 elections, a third of voters switched parties while 43 per cent changed in 2015 compared with 2010. By contrast, between 1964 and 1966, when the survey began, just 13

per cent of voters changed their mind.

"Given the UK's recent history of vote switching and the unpredictability of the current climate, it would be unwise for any political party or commentator to presume how voters will behave in a general election," said Edward Fieldhouse, professor of social and political science at Manchester university, who was involved in the study.

David Butler, the veteran psephologist who has studied British elections for 70 years, said at the launch of the report: "I have never felt more confused and uncertain" about the potential outcome of an election.

The BES predicted that in the upcoming election, even greater volatility would occur than in the past three polls as "voters become less loyal", citing, for example, the uncertainty around the Brexit party and how its participation would probably split the Conservative party vote.

It suggested that the British electorate was moving towards dividing along Leave/Remain lines.

Financial Reporting Council

Accounting watchdog head ramps up reform of powers

TABBY KINDER

The new chairman of the accounting watchdog is speeding up plans for a regulator with stronger powers to control auditors and company directors.

Simon Dingemans, who became chairman of the Financial Reporting Council this week, said he would run a "very different" regulator to his predecessor, Win Bischoff, who stepped down after a damning report into FRC effectiveness.

Mr Dingemans takes over after the government said it would follow the recommendations of the report, by John Kingman, chairman of Legal & General, by giving a new watchdog much greater oversight of the Big Four accounting firms.

"I want to see much greater challenge, focus and pace from the FRC as we move to establish [the new regulator] and deliver this important reform programme," said Mr Dingemans. "Success will also need delivery at pace of the legislation to give us the powers we need. We will be working closely with the department for business to achieve this."

Former business secretary Greg Clark ordered the review last year as concerns mounted that the regulator was too slow to investigate misconduct, its sanctions were too lenient and its board was too close to the industry it supervised.

A string of controversies and corporate collapses at Carillion, BHS and Patisserie Valerie intensified disquiet about regulation of the market.

Mr Dingemans, who was chief financial officer of pharmaceuticals group GlaxoSmithKline until May, will run the FRC alongside Jon Thompson, the former boss of HMRC, who has become chief executive. Sir Jon replaced Stephen Haddrell, who had been the FRC's chief executive for a decade.

The new leadership will lead the transition to a more powerful statutory regulator called the Audit, Reporting and Governance Authority. Mr Dingemans and Sir Jon are working with the department for business to dismantle the FRC and implement 83 changes to its structure and powers, as the report advised.

Grant Thornton axes partners page 18

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BREXIT TURMOIL

Johnson unleashes blame game and finds new scapegoat in Merkel

Premier's allies warn of 'historic mistake' if Britain is forced to stay in bloc amid outpouring of No 10 threats

GEORGE PARKER AND LAURA HUGHES

Boris Johnson, who vowed to deliver Brexit on October 31 "do or die", was always going to need someone to blame if Halloween passed and Britain remained a member of the EU. Yesterday he found a new scapegoat: Angela Merkel.

At 8am the 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 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, one unnamed ally of Mr Johnson – widely assumed at Westminster to be his chief adviser Dominic Cummings – dispensed dark warnings of retaliation against the EU over its intransigence.

Even as David Frost, Mr Johnson's chief Brexit negotiator, was in Brussels for talks about the premier's plan for a revised withdrawal deal, Downing Street officials were busy framing what will be a brutal "people versus the establishment" Tory general election campaign.

Amber Rudd, the former Conservative cabinet minister, said the message 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, 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 conviction that the so-called Benn act is watertight and the premier will have to seek an extension to the Article 50 divorce process if no withdrawal 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.



Boris Johnson in Berlin two months ago with Angela Merkel, who apparently objected to the prime minister's new proposal to overhaul the withdrawal agreement with the EU

Omer Messinger/Getty

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, who 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," one unnamed Downing Street insider told the Spectator magazine.

"The main effect of it will probably be to help us win an election by uniting the Leave vote, then a no-deal Brexit. His-

tory is full of such ironies and tragedies."

The same Number 10 insider also 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 at the last minute that if it does not engage with Mr Johnson's Brexit 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 stay in the bloc's customs union to avoid the return to a hard Irish border.

That is a red line that Mr Johnson will refuse to cross, after he rejected the so-called backstop in his predecessor

'It will probably help us win an election by uniting the Leave vote'

Number 10 insider



How to become a British citizen
The FT's guide to the procedure, paperwork and pomp
[ft.com/video](https://www.ft.com/video)

Theresa May's withdrawal agreement with the EU that retained a customs union between the UK and the bloc to avert a hard border. He instead proposed creating a customs border between Northern Ireland and the Irish Republic.

Placing Northern Ireland in a customs union with the EU would be unacceptable to many hardline Eurosceptic Conservative MPs as well as the region's Democratic Unionist party, whose support Mr Johnson could need to get a Brexit deal through parliament.

Arlene Foster, DUP leader, said yesterday: "For the United Kingdom to be asked to leave a part of its sovereign territory in a foreign organisation of which the UK would no longer be a part and over which we would have no say whatsoever is beyond crazy. No UK government could ever concede such a surrender."

Mr Johnson still hopes the EU will compromise at the last minute. But if it does not, his team is already on an election footing, ready to blame Ms Merkel, Brussels and parliament if Britain is still in the EU on November 1.

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Import duties

Farmers feel 'betrayed' by no-deal low-tariff plan

GEORGE PARKER AND DANIEL THOMAS

The UK has set out the temporary tariff regime Britain would apply in the event of a no-deal Brexit, with 88 per cent of goods entering the country escaping import taxes for a year.

The slightly amended regime, announced by the government yesterday, represents a victory for the Treasury, which wanted to keep tariffs low in the event of a no-deal exit to avoid fuelling inflation in a highly volatile economic situation.

A draft no-deal tariff schedule, published in March, applied import duties to 13 per cent of goods, including some meat and dairy products, vehicles, ceramics and fertilisers. They were intended to support farmers and manufacturers.

Conor Burns, trade minister, said that in the event of a no-deal exit on October 31, viewed as increasingly unlikely at Westminster, the emergency tariff schedule would be under continual review.

But there was some anger at the latest proposals, with the farming and ceramics sectors arguing exporters selling into the EU would be hit by a steep rise in tariffs yet importers would pay lower rates or, in some cases, zero to sell to the UK.

Minette Batters, National Farmers' Union president, said the government had "betrayed" the industry and accused Boris Johnson of ignoring the plight of farmers. "The prime minister has missed a real opportunity to back British farmers," Ms Batters said.

The NFU added that egg, cereal and many dairy farmers, as well as horticultural growers, would have "zero protection against cheap imports coming in from around the world".

Stephen Phipson, head of Make UK, which represents British manufacturing, said the tariff regime had been created with the only thought to protect the consumer from any drop in the value of sterling after Brexit, with the plans set to hit exporters hard.

He said that carmakers would be hurt by the need to move parts between the EU and UK, at zero rates coming in but up to 10 per cent on the way out, while food manufacturing for export would be hard if the EU were to impose tariffs.

Laura Cohen, chief executive of the British Ceramic Confederation, said that zero tariffs could "destroy many manufacturing sectors in Britain".

She added: "Government says 'They'll see how it goes for a year' and will run a consultation. In a no-deal Brexit there are going to be delays in monitoring import levels and the damage from a flood of imports could be done before we can prove an import surge. That just isn't good enough."

After lobbying, Liz Truss, international trade secretary, made modest changes to the March tariff plan, including higher tariffs to protect companies making bioethanol.

Future of Europe. Critical summit

EU weighs UK membership extension

Diplomats concede gulf is

widening but see no reason to

formally end negotiations

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 Brexit 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 potential negotiations up to October 31 and indeed after a UK election.

However, EU diplomats are now beginning to consider the choreography of a possible Brexit extension as they prepare for the European Council summit next week. One diplomat described the extension discussions as "water cooler talk" at this stage, but they are expected to intensify by the end of the week.



In the blue corner: EU supporters outside the Court of Session in Edinburgh yesterday where judges were asked to consider an extension request

Jane Barlow/PA

landing zone" for talks with the EU. But since then the two sides have been unable to embark on full-blown negotiations because of the gaps.

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 the key principles included in his proposals: 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 at Stormont gives its consent to the region remaining part of the EU single market regulatory area. The EU sees these UK proposals as a big breach from prior pledges during the Brexit 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."

While EU negotiators are reluctant to end the talks, one official said if there was no progress in coming days, they would determine it is impossible to forge a deal by a European summit which starts on October 17.

"If there's no basis for negotiations by the end of the week, our focus will shift," said one diplomat. The key question then 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 Brexit last month, requires the prime minister to write to the EU to request an extension to the Article 50 divorce process 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 Brexit: at the EU summit last April, she advocated giving Britain a long extension of the Brexit deadline. That was in contrast to French president Emmanuel Macron, who at the same summit opposed a long extension, citing worries that a long-drawn out Brexit could disrupt EU priorities.

"Johnson is misusing the phone conversation [he had with Merkel] to start a blame game," said Norbert Röttgen, head of the Bundestag's influential 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," Mr Röttgen said.

He said Ms Merkel would simply have wanted to convey that it was "unrealistic" to expect the EU and UK to reach a deal on the basis of Mr Johnson's latest proposal by the end of the month. "There's just not enough time," he said.

There was also incredulity in Berlin that Ms Merkel could have insisted, as Downing Street claimed, that Northern Ireland must remain in a customs union and "in full alignment forever".

"It's out of the realm of fantasy," said Detlef Seif, the CDU/CSU's Brexit spokesman.
Additional reporting by Mehreen Khan and David Keohane

Delay law

PM attempting to sabotage Benn act, top court told

MURE DICKIE — EDINBURGH
ROBERT WRIGHT — LONDON

Boris Johnson cannot be trusted to follow through on assurances that he will abide by a law that could force him to seek a delay to Brexit, Scotland's highest court was told yesterday.

Aidan O'Neill QC said Edinburgh's Court of Session should be ready to use its *nobile officium* power to have a court official sign the letter asking for an extension on Mr Johnson's behalf if the UK prime minister failed to do so.

The so-called Benn act, passed last month, requires the premier to seek a delay to Brexit, currently scheduled for October 31, if he has not secured parliamentary approval for a withdrawal agreement or a no-deal departure by October 19.

The prime minister and his advisers and officials were intentionally sending "contradictory messages" in what appeared to be an effort to "sabotage" the Benn act, Mr O'Neill said.

The request for the court to act to ensure compliance with the Benn act has been brought by environmentalist Dale Vince, anti-Brexit legal campaigner Jolyon Maugham QC and Scottish National party MP Joanna Cherry.

The Court of Session's lower Outer House on Monday rejected their request that it force Mr Johnson to comply with the act, saying assurances made to the court on his behalf showed his "clear and unequivocal" intention to do so.

Yesterday's hearing at the higher Inner House included an appeal of the Monday decision and a request for the

court to use its *nobile officium* power.

Mr Johnson has repeatedly said he would refuse to ask for an extension and continued to insist the UK would leave the bloc on October 31, without agreement if necessary.

Mr O'Neill cited a note published by the Spectator magazine on Monday, attributed to a "contact in Number 10", as one of many reports suggesting Mr Johnson might try to frustrate the Benn act. It said Downing Street believed "our legal advice is clear that we can do all sorts of things to scupper delay".

The note said any EU member state that agreed to delay Brexit would be guilty of "hostile" interference in British politics. It said Mr Johnson would retaliate, a threat that appeared intended to dissuade the EU from agreeing an Article 50 extension even if requested by the prime minister or on his behalf.

Acting for the government, Andrew Webster QC said the assurances given that Mr Johnson would not seek to frustrate the Benn act carried "significant weight which the court should rely on".

While the petitioners cited statements by the prime minister and other ministers suggesting he would not sign a request for a Brexit delay, other statements could be found confirming they would comply with the law, he said.

Colin Sutherland (Lord Carloway), lord president of the Court of Session, suggested during the hearing that the whole case could be put on hold until after October 19, when it would be clear if the prime minister had complied with the Benn act. He said the court would announce its decision today.

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 \$591m

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 became 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 jihadists. 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
Dell Souleiman/AP/Getty



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 Defratycka, 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.

FINANCIAL TIMES
FT Weekend

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how to spend it

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Mr Mario Draghi
President
European Central Bank
Sonnenmannstraße 20
60314 Frankfurt

Paris, 4 October 2019

Dear Sir,

Twice before have I allowed myself to congratulate you for the exemplary role you displayed during both of your terms in office. With the approach of your departure, I would like to stress once again how truly indebted we are to you. Your unambiguous declaration at the height of the July 2012 crisis – "The ECB is ready to do whatever it takes" – anchored the ECB as the key institution in the construction of Europe, by preventing the implosion of the eurozone and enabling its most fragile members to regain access to markets.

Results are plain to see. 10-year rates for Italy and Spain currently stand at 0.83% and 0.13% respectively, compared to 7% and 5% in January 2012. Even better, as your support for these states was contingent on their compliance with fiscal compacts of good conduct, it took only moderate ECB action to achieve these results. Renewed investor confidence allowed markets to play their part.

And what about the future? Eight years of accommodative monetary policy have left the ECB with only symbolic room for manoeuvre, and with 70% of European sovereigns trading at negative yields, the traction of monetary policy on the real economy has become questionable. As you acknowledged yourself at the latest ECB meeting, **the next stage in the construction of Europe can no longer be monetary, but fiscal.**

With that in mind, I like to picture the creation of a European Finance Ministry that would use our tremendous ability to raise capital at favourable rates – not to finance yet another stimulus plan with no lasting impact, but to tackle our continent's severe underinvestment in sectors with the brightest future. Our telecom networks are outdated (even in Germany!) and we need to move fast to provide 5G coverage across Europe. Our lag behind the United States and China in artificial intelligence and biotechnology is increasing, and we must catch up at least in part. Finally, the transformation of our economies towards sustainable development must become a top priority, as well as a major growth driver.

I would also like to picture you as Europe's first Finance Minister. Your intellectual authority and your skill as a negotiator are widely recognised. They will be vital to successfully carrying out such an ambitious recasting project that will require reconciling the often bygone divergences between our nation states.

Hoping my expectations will not prove to be inordinate, I remain, yours truly,

A handwritten signature in black ink, appearing to read 'Edouard Carmignac'.

Edouard Carmignac

www.carmignac.com

INTERNATIONAL

South America

Protests force Ecuador leader to flee capital

Government moves from Quito to coastal city in face of fuel price violence

GIDEON LONG — BOGOTA

Ecuador's government has decamped from the capital in Quito to the coastal city of Guayaquil after five days of violent protests over fuel price rises, in which demonstrators have looted warehouses, forced the closure of oil installations and tried to storm congress.

At least one person has died in the country's worst violence in years, and nearly 500 people have been arrested. Videos on social media showed masked youths setting fire to an armoured personnel carrier and pushing it into a ravine. Indigenous activists with sticks fought running battles with police, who responded with tear gas.

President Lenín Moreno has blamed the chaos on his leftwing predecessor Rafael Correa, who he claims is backed by Nicolás Maduro, Venezuela's president.

"They are the ones who are behind this attempted coup d'état, and they are using and manipulating some indigenous sectors," Mr Moreno said in a televised address on Monday from the government's coastal redoubt.

The president, once an ally of Mr Correa, said he would not back down from his controversial decision to scrap fuel subsidies — an element of the government's bid to keep its \$4.2bn IMF lending programme on track.

He announced the decision last week, saying it would save the state \$1.3bn a year. Overnight, petrol prices rose sharply and the price of diesel doubled, prompting shopkeepers to raise food prices.

The backlash against the measure was

initially led by taxi drivers, but they have since reached a truce with the government, which has imposed a state of emergency across the country.

This week, indigenous activists took up the cause, leaving remote Andean villages and jungle territories to march on Quito.

Conaie, the powerful federation of indigenous groups, said its members would stay on the streets until the subsidies were reinstated, and would join a general strike planned for today. It said 20,000 protesters would be in the capital. The federation warned that military and police officers who entered indigenous settlements "will be detained and submitted to indigenous justice".

Indigenous protests are no small matter in Ecuador. Most of the country's 17m population trace their lineage to the pre-Columbian era and have waged successful campaigns to stop foreign multinationals from exploiting mineral riches.

In 2000, Conaie joined forces with the military to oust the country's president, triggering one of the most turbulent periods in Ecuadorean history. Five years later huge street protests forced another president to flee by helicopter.

The election of Mr Correa in 2006 saw stability restored. He rose to power on Latin America's "pink tide" of leftist leaders inspired by Hugo Chávez in Venezuela. But while he brought calm, he also left the country heavily indebted to China.

Mr Moreno, confined to a wheelchair since being shot during a robbery, succeeded Mr Correa in 2017 and has started unravelling his leftwing legacy. Mr Correa, who lives in exile in Belgium, has branded the president "a traitor".

As part of his shift to the centre, Mr Moreno turned to the IMF, borrowing \$4.2bn as part of an overall \$10.2bn plan



Protesters angry at the end of fuel subsidies march in Quito yesterday

Rodrigo Buendía/AFP/Getty Images



involving other multilateral lenders.

The IMF is urging Ecuador to turn its fiscal deficit into a surplus by next year and cut debt. While the programme has gone smoothly, it now faces its biggest test. "Sooner or later, Ecuador had to bite the bullet," said Ramiro Crespo, an Ecuadorean fund manager and head of Analytica Investments in Quito.

The fund has backed Mr Moreno, but Conaie was clear: "Our fight is to get the IMF out of Ecuador," it said this week.

The protests have hit oil production. State-owned Petroamazonas suspended operations at three oilfields in the Amazon after they were taken over by "individuals not affiliated with the operation," the energy ministry said.

It warned that this pause in operations could cost the country nearly

60,000 barrels of crude per day — nearly 10 per cent of national production. Ecuador accounts for about 0.5 per cent of global oil output.

As the protests raged in Quito, demonstrators blocked roads to the airport, forcing airlines to reroute flights.

The US government said it was monitoring developments, while in Venezuela, opposition leader Juan Guaidó blamed "a group financed by Maduro's accomplices" for stirring discontent. The Colombian government urged its citizens in Ecuador to stock up on food and water.

From Belgium, Mr Correa tweeted a video, describing the Moreno government as "a dictatorship" and calling for fresh elections: "I made a mistake with Moreno, the biggest fraud of our times."

Brexit budget

Ireland puts aside €1.2bn for no-deal

ARTHUR BEESLEY — DUBLIN

Ireland has unveiled a no-deal Brexit budget for 2020, setting aside €1.2bn to battle disruption from the UK's possible crashing out of the EU, with special aid for "vulnerable but viable" companies, agriculture and tourism.

Paschal Donohoe, finance minister, said the prospect of the UK leaving without a deal presented an unprecedented challenge that called for "sustained and meaningful" intervention.

"The context for Brexit has now shifted to no-deal as our central assumption. This does not mean that no-deal is inevitable. But equally, we stand ready if it does happen," he said. Ireland is the EU country most exposed to fallout from a hard Brexit on October 31 because of its deep trade links with the UK.

Concern about the risk of no-deal has prompted some forecasters to warn that Ireland, whose economy is growing strongly after rebounding from the 2008 crash, could slam into another recession next year.

Mr Donohoe's plan assumes the Irish economy will still grow by 0.7 per cent in gross domestic product terms in 2020 but that represents a big slowdown from 5.5 per cent growth forecast this year. He expects a budget deficit of 0.6 per cent of GDP, eliminating a 0.2 per cent surplus this year, and said 19,000 new jobs could still be created. "Equally, the risks associated with a no-deal outcome could become more severe than forecast."

Mr Donohoe, who has previously said that up to 55,000 Irish jobs could be lost within two years of a no deal, said the €1.2bn package excluded EU funding. It includes €650m to support companies, farms and tourism; €365m for new welfare spending to meet any rise in unemployment; and €200m in Brexit spending at ports and airports.

Conall Mac Coille, chief economist at Davy stockbrokers, said government action would only "cushion" the impact of no-deal before more steps would be needed to balance the budget again.

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Kamal Nath
Chief Minister
Madhya Pradesh, India

INTERNATIONAL

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 own-

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

ers say or will not say on these issues. We simply could not operate that way."

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 e-commerce 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."

Lex page 12

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 \$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 \$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 \$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

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 scabbled 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 ana-



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

Tsvangirayi Mukwazhi/AP



lysts. "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

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

crones and that there is little oversight over its funding.

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



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

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.

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 wide-

spread 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 Mukherjee 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.

Opinion page 11

Physics

Cosmology discoveries earn trio of scientists Nobel Prize

CLIVE COOKSON

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.

ARTS



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 innovative 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



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



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

“You had this subversive, radical side, but also some very conservative voices being heard”

hands in the rain. I was split in two, just like society at large.”

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



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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. Gigs 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.

khanomusic.com



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

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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 office-holders 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."

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, Alvaro 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 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

"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"

is elected vice-president later this month.

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 Ortiz 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 Ortiz 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.

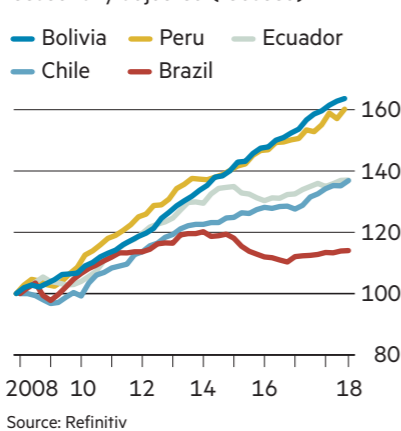
Analysts warn the president's strong rural support tends to be underestimated by surveys. Still, there is a possibility of a defeat in a presidential election, even the prospect of going to a second round, which is unprecedented.

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."

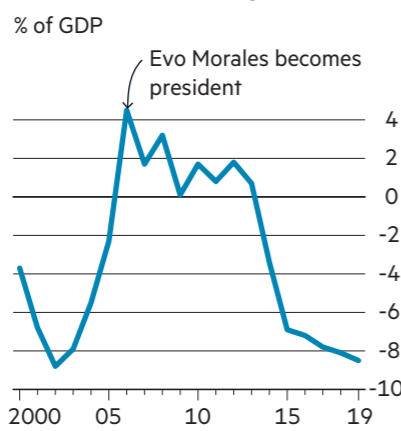
"It was not our intention to create such a cult," says Mr García Linera. "A person turned into an idol drifts away from the people, and Evo cannot live without them."

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."

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



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





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 woful 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

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
Senior Fellow,
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
Senior Policy Fellow,
Centre for Law, Economics and Society,
University College London, UK

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 be 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,
Oxford Brookes Business School, UK

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

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, willful 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 ON FT.COM

Leyla Winston
Modern monetary theory poses a serious threat to Generation Z
www.ft.com/opinion

Opinion

A burst of privatisation looks imminent in India

Swaminathan
Aiyar

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 compa-

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

nies are highly profitable and respected.

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 slow-down 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 Bann 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".

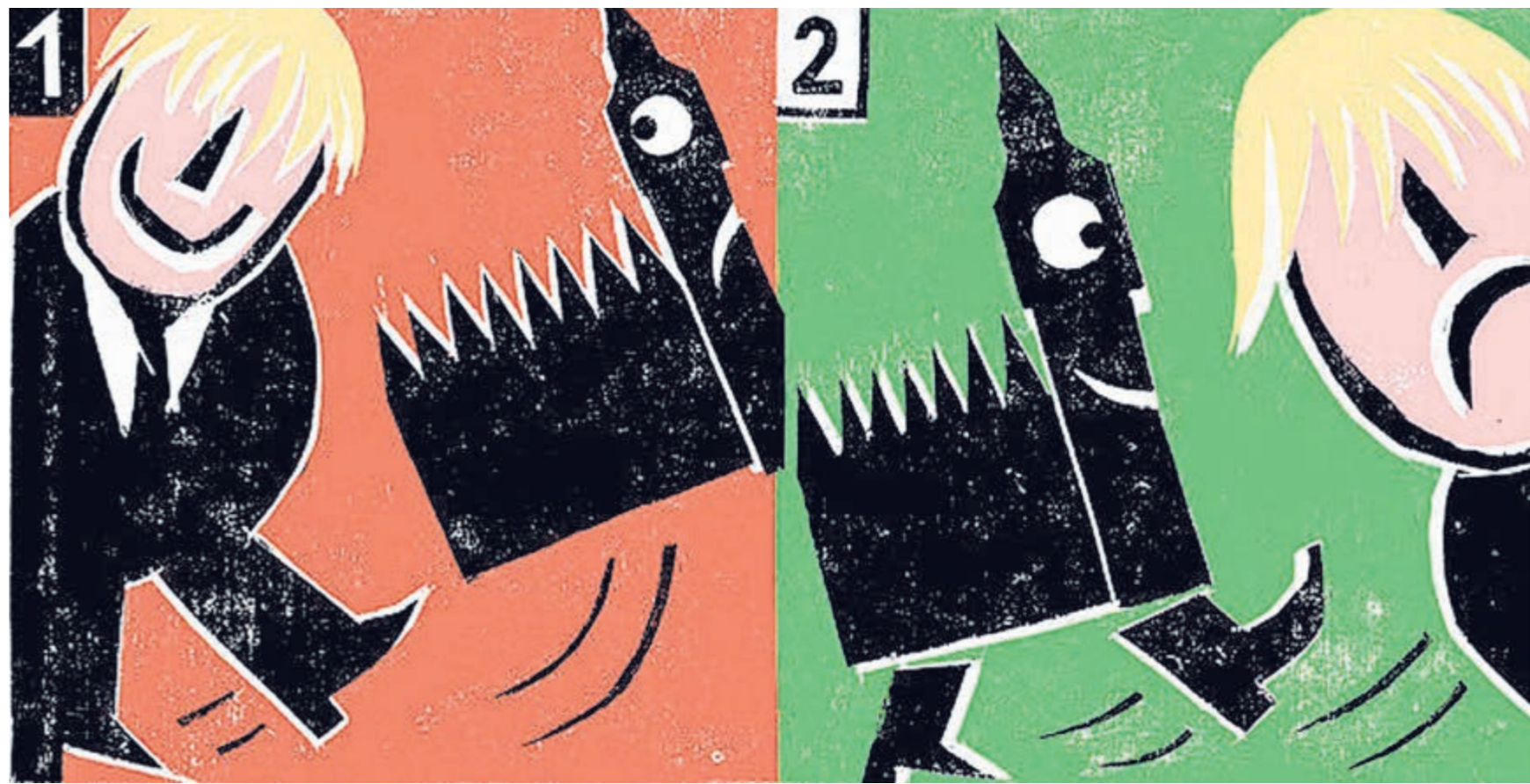
How did the UK reach a position in which its prime minister regards parliament as an obstacle to be ignored? The simple answer is that it decided to insert a particularly ill-considered referendum on an exceptionally contentious subject into a parliamentary system. This created conflicting sources of 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.

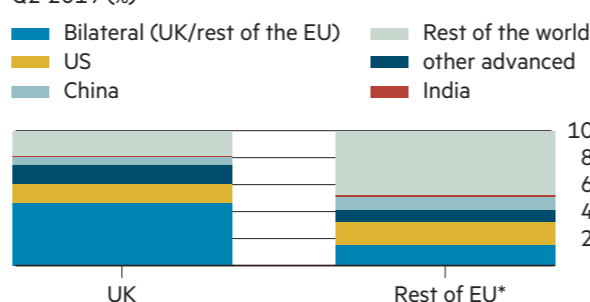
Among the most important reasons for this outcome is the refusal, especially on the Brexit side, to try to understand the EU. They needed to comprehend that the EU is an existential project for its members, not just a trade deal. Application of European law, under the European Court of Justice, is a 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



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 (%)



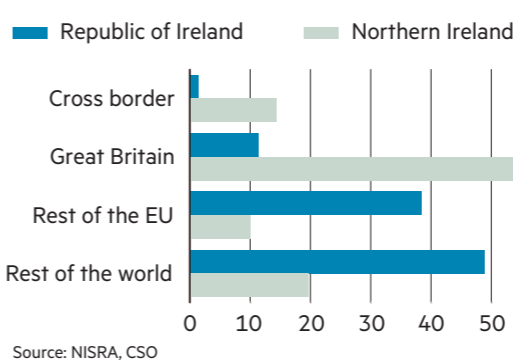
with border-free trade in Ireland. It also represents a rejection of the UK's 2017 commitments on the Irish border. This is sure to have further weakened trust in Britain's reliability. Remember, too, that the EU has long land borders. It will not allow the precedent of intentionally porous borders.

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 regula-

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

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

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



tory 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.

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

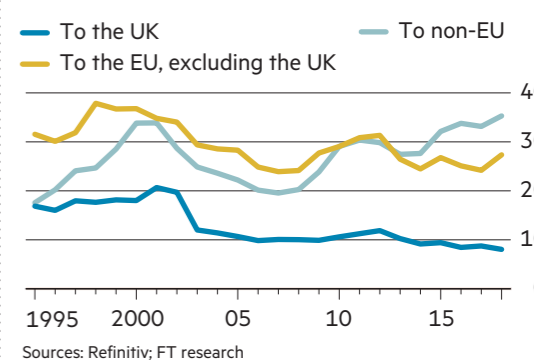
too little; for Brexiters, it is too much. Remainers want to stay in the EU. Brexiters reject the Irish backstop that would keep the UK in the EU's customs area and restrict its trade policy indefinitely.

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

To Ireland, the UK market is of declining importance

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



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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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

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

rule himself, much to the dismay of underlings who lived in fear of being his roommate.

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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Lex.

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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.

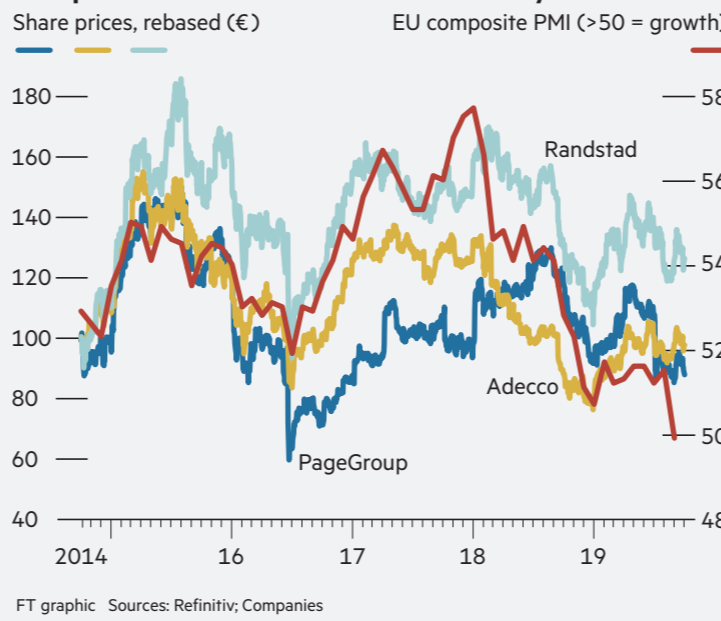
Cellnex's shares have soared 166 per cent since it listed in May 2015, far outpacing the falling MSCI European telecoms index. By the end of this year, its operating profits will have nearly tripled in four years. Its valuation at 22 times this year's ebitda reflects that jump. Arqiva's towers seem cheap 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

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



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'

justification for an expensive bet on Cellnex depends on it finding cheaper tower assets.

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

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.

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.

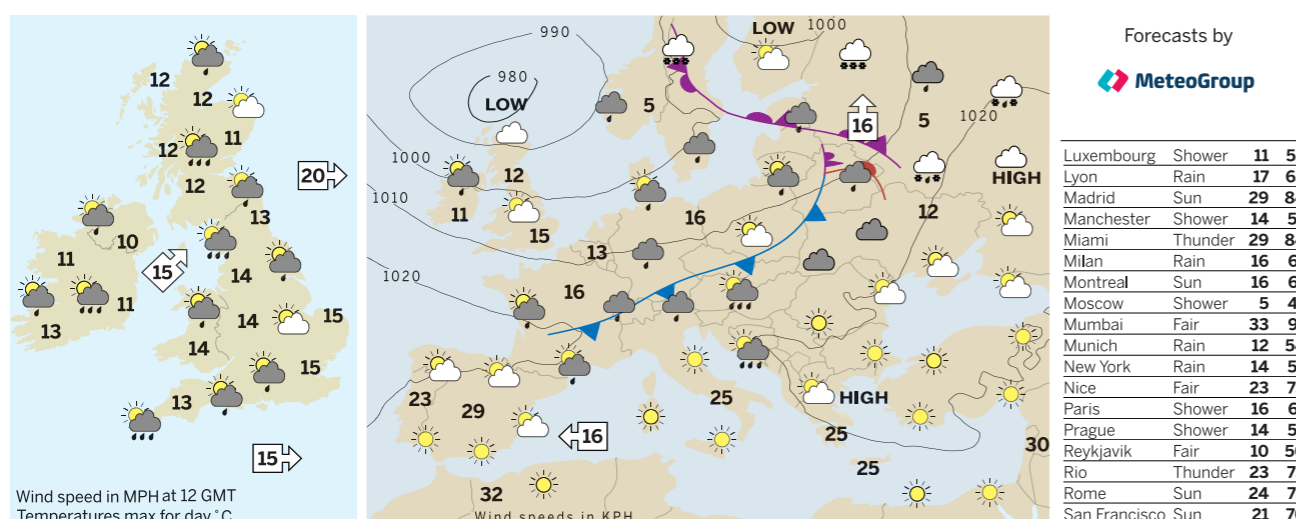
With commission ranging from 13 per cent to reportedly as much as 30 per cent per order, these delivery services do not come cheap. Quality can also be hard to control. Meals may arrive late, cold or even damaged.

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 loss-making 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



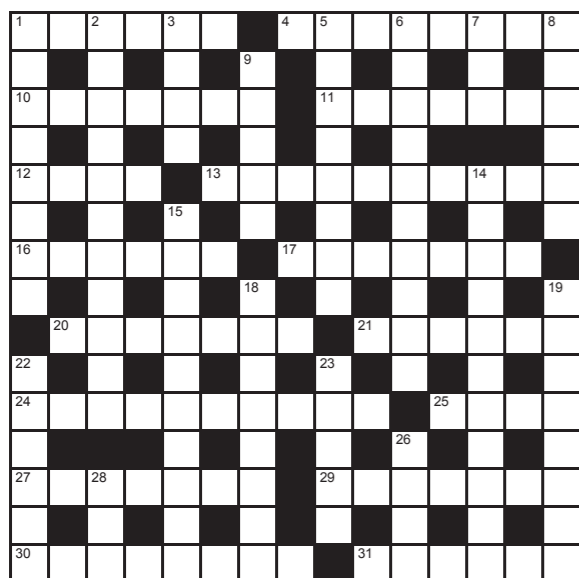
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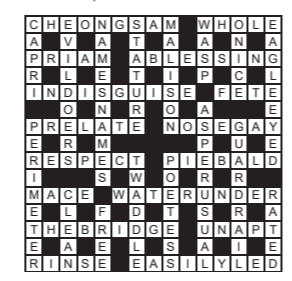
- Husband follows mode of operation to ventilate fabric (6)
- Person who organises golf, with uncertainty, on Scottish isle (8)
- One used to work out what indicates last orders? (7)
- See degree written on lower document (7)
- Aristocrat appointed to host king (4)
- A senior clergyman comes in subdued,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

DOWN

- Michael hides body when recreating novel (4-4)
- Hire Shankar to broadcast religious chant (4,7)
- Current Conservative and newsman like a cool drink (4)

- Jockey sounding cheerful after constant sporting competition (5,3)
- Understand cryptic paper spies peripherally translate (10)
- Girlfriend's first love letter repeated sentimentality (3)
- Country run alongside borders of wisteria (6)
- Record nearly every scrounger (5)
- Roving editor elect that might uncover stories (3,8)
- Soon apart, stick's reassembled (2,3,5)
- Words of Norma perhaps more 'eated, rising after party earlier (8)
- Fruit from acer seen around bark (3,5)
- If might be difficult to read server's initial stroke (6)
- Loud warning of course: closing time (5)
- Periodically turns door to open (4)
- Smuggled group of seamen around Australia (3)

Solution 16,292



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FINANCIAL TIMES



Car crash GM — and its workers — pay a heavy price as strike drags on — ANALYSIS, PAGE 16

Human shield Is Japan Inc right to put staff before shareholders? — INSIDE ASIA, PAGE 14

US extends assault on China techs

◆ Megvii IPO threatened ◆ 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 it 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 eth-

‘We are all taken aback. No change to plans now’
Megvii banker

ics”. It 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 it. Yitu declined to comment. Security-camera groups Hikvision and Dahua, which were also put on the list, suspended trading yesterday. **US eyes credit boost** page 16

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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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.

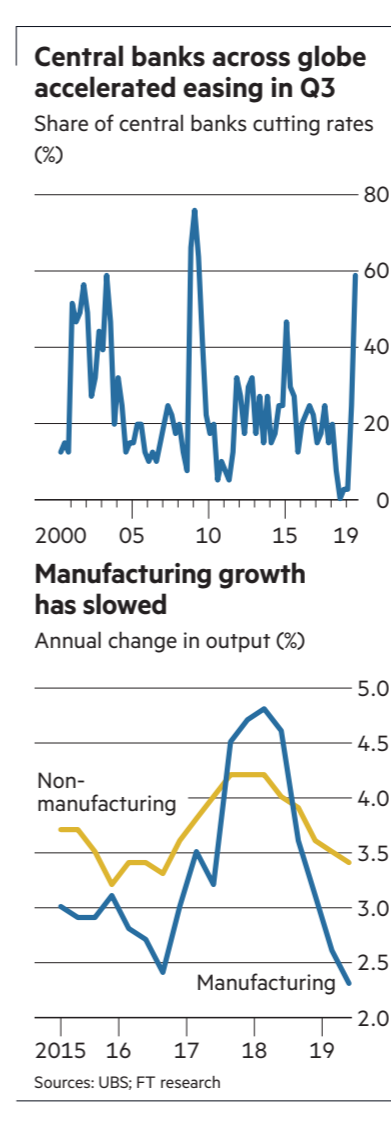
Only three of 41 countries raised rates in the third quarter. Robust economic growth in Norway prompted a third increase this year, while Kazakhstan raised rates owing to worries over inflation. Interest rates were ratcheted up in Argentina to support the currency after President Mauricio Macri's defeat 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* Letters page 10

Markets Insight page 28



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



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's 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.

Lex page 12
Questions swirl page 15



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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Companies / Sectors / People

Companies	Value	Companies	Value	Companies	Value	Companies	Value		
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COMPANIES

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 inten-

tions 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

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

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.

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.

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.

kana.inagaki@ft.com

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 Krahen, 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

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

Fender's Stratocaster was made famous by musicians such as Jimi Hendrix

David Redfern/Redferns

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.

See Lombard

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 Won6.2tn, 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 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.

See Lombard

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

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.



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.

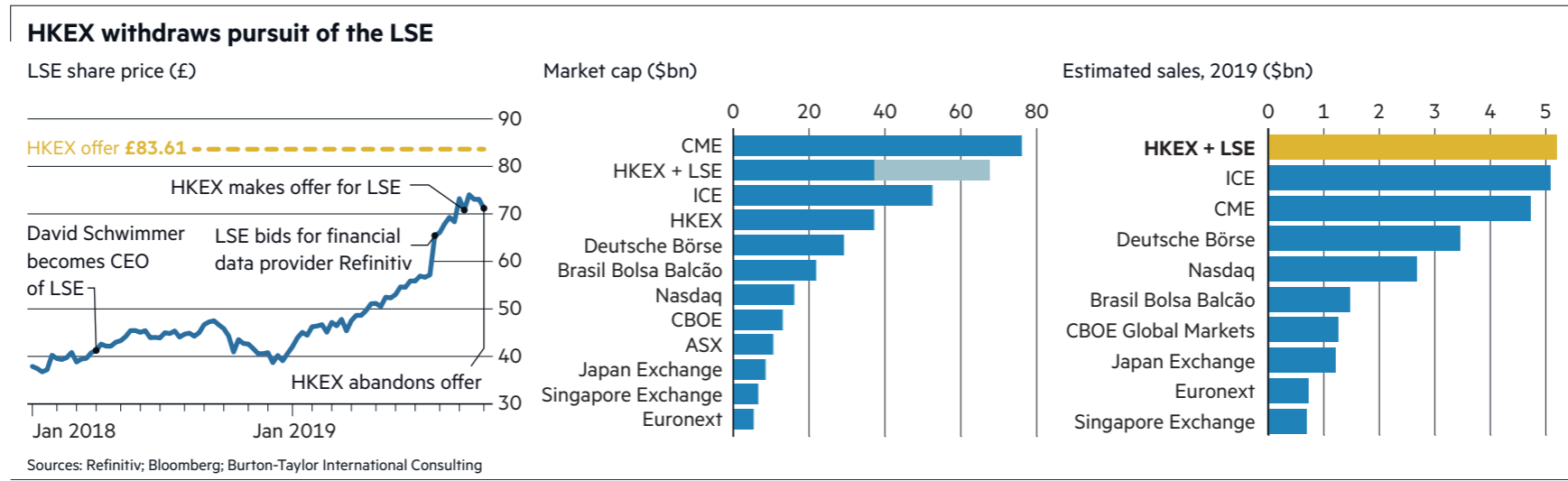
Mr Schwimmer is now able to focus on executing the Refinitiv deal, which he claims will push the more than 300-year old bourse into the lucrative business of slicing and dicing market data. Yesterday it said it had begun seeking regulatory approval from authorities around the world.

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



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

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."

According to three people familiar

'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'

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



Virgin Galactic hopes to send customers into space next year

would have an enterprise value of \$1.5bn.

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".

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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 tele-

coms 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 Massachu-

setts-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."

Automobiles

Uchida picked to take wheel at Nissan for post-Ghosn era

DAVID KEOHANE — PARIS
LEO LEWIS AND KANA INAGAKI — TOKYO

Nissan has promoted the head of its China operations to chief executive and sidelined the whistleblower behind Carlos Ghosn's downfall in an effort to end a boardroom rift that has threatened the carmaker's survival.

The unanimous board decision to appoint 53-year-old Makoto Uchida to head the "new Nissan" follows a three-month search for a successor to Hiroto Saikawa, Mr Ghosn's handpicked appointee who himself was ousted in mid-September.

Mr Uchida will be supported by Ashwani Gupta, an India-born former Renault executive who will become chief operating officer.

The management team will also include Jun Seki, currently in charge of Nissan's turnaround, as vice-COO.

People close to the board said Mr Saikawa's sudden dismissal laid bare the extent of what many describe as a "toxic" internal 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.

After last year's arrest of Mr Ghosn and the breakdown of ties with Renault, the nomination committee embarked on a search for someone with strong management skills to reverse a collapse in profits and an international mindset to revive the 20-year alliance.

Another condition was an individual who could mark a decisive break not only from the Ghosn era but also from the subsequent factional fighting.

"Today it's a disaster," one person close to Nissan's board said ahead of 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, who grew up outside Japan, spent more than a decade at a Japanese trading house before joining Nissan in 2003. He was an alliance executive in purchasing before leading the company's operations in China, one of the group's most important markets.

Masakazu Toyoda, head of Nissan's nomination committee, stressed that Mr Uchida valued the relationship with Renault, saying the alliance was the main reason he joined the Japanese company in the first place.

"His diverse experience makes him an appropriate leader for difficult times like now," Mr Toyoda said at a news conference in Yokohama.

Although Yasushi Kimura, Nissan's chairman, tried to make a virtue of the fact that three members of the shortlist had all ended up with powerful management roles, people close to the board said it provided further evidence of how deep the divisions were, and how difficult it remained to achieve consensus on decisions critical to Nissan's future.

Many officials inside Nissan favoured a Japanese leader, while Renault's chairman Jean-Dominique Senard pushed for Mr Gupta to be part of the mix, according to people with knowledge of the discussions.

The selection process for the new CEO was also fraught with tension as the board clashed over the way its 10-month investigation into Mr Ghosn's financial dealings was conducted.

Senior Nissan figures questioned why the probe had not looked more aggressively at the role of Hari Nada, the former head of legal and close Ghosn associate.

Additional reporting by Peter Campbell in Dubai

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.

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 turnaround 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.



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

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COMPANIES

Hitachi's governance turnaround 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.

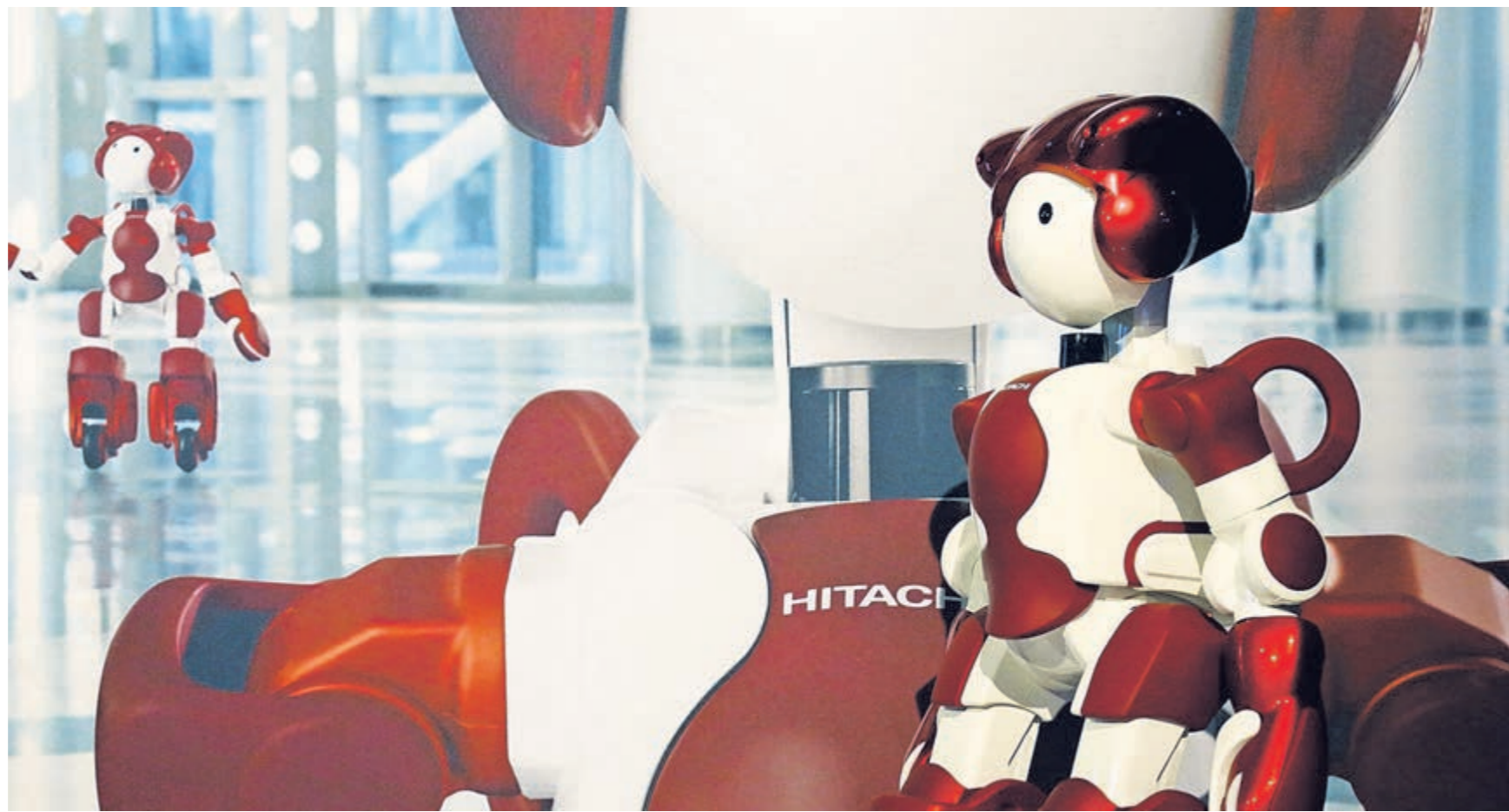
Hitachi's portfolio of businesses was, to many observers, the epitome of why Japan so badly needed a governance overhaul. It had hundreds of subsidiaries, many with only a slim business rationale, but whose effect was to create invisible hierarchies that too often steered the company the wrong way.

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.

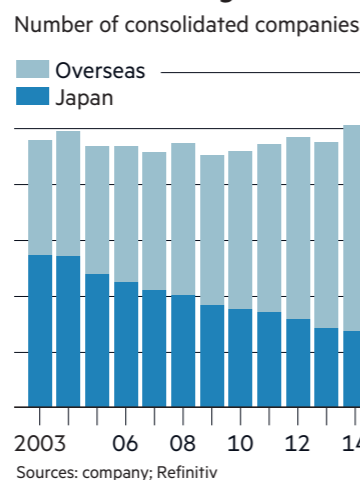
Pressure for better governance in Japan was crystallised by the 2015 governance code but investors' deep dissatisfaction with the likes of Hitachi predated that. One of the most consistent complaints of investors has been the prevalence in the Tokyo stock market of listed subsidiaries of larger companies. 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-artists 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.

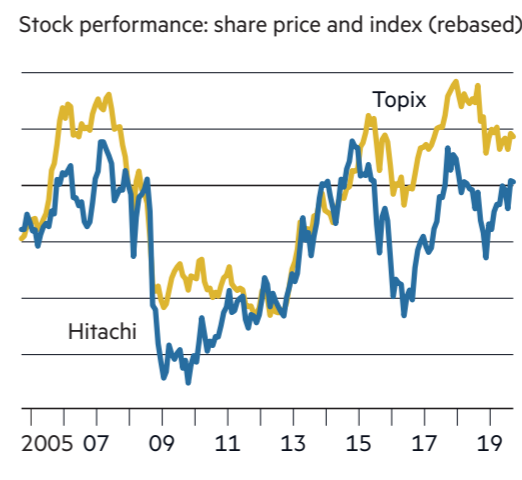
Success in maintaining momentum, say investors who own Hitachi shares, will depend on leadership. To many analysts, the defining change at Hitachi may have been less the crisis mentality forged in the wake of the



Hitachi looks to grow 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

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

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

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 re-hauling its governance will keep the company in the spotlight.

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 being 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."

Legal Notices

UNITED STATES BANKRUPTCY COURT, SOUTHERN DISTRICT OF NEW YORK
 In re: **DELUXE ENTERTAINMENT SERVICES GROUP INC., et al.,** Chapter 11
 Case No. 19-23774 (RDD)
 Debtors. (Jointly Administered)

NOTICE OF COMMENCEMENT OF PREPACKAGED CHAPTER 11 BANKRUPTCY CASES AND COMBINED HEARING ON DISCLOSURE STATEMENT AND CONFIRMATION OF JOINT PREPACKAGED CHAPTER 11 PLAN

TO: ALL HOLDERS OF CLAIMS, HOLDERS OF INTERESTS, AND PARTIES IN INTEREST IN THE ABOVE-CAPTIONED CHAPTER 11 CASES

PLEASE TAKE NOTICE THAT on October 3, 2019 (the "Petition Date"), Deluxe Entertainment Services Group Inc. and certain of its affiliates, as debtors in the above-captioned chapter 11 cases (collectively, the "Debtors"), commenced chapter 11 cases in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") and filed a proposed joint prepackaged chapter 11 plan of reorganization (Docket No. 14) (the "Plan") and proposed disclosure statement (Docket No. 15) (the "Disclosure Statement") pursuant to sections 1125 and 1126(b) of title 11 of the United States Code, 11 U.S.C. §§ 1101-1532 (the "Bankruptcy Code"). Copies of the Plan and the Disclosure Statement will be available for inspection at the Office of the Clerk of the Bankruptcy Court, on file with the Clerk of the Bankruptcy Court, 300 Quarropas Street, Room 248, White Plains, New York 10601, and the Bankruptcy Court's website, <https://www.nysb.uscourts.gov>. The Plan and Disclosure Statement also are available free of charge on the Debtors' chapter 11 website at <https://cases.primedex.com/Deluxe/>.

PLEASE TAKE FURTHER NOTICE THAT a hearing (the "Confirmation Hearing") will be held before the Honorable Robert D. Drain, United States Bankruptcy Judge, in the United States Bankruptcy Court for the Southern District of New York, 300 Quarropas Street, White Plains, New York 10601, on **October 24, 2019, at 10:00 a.m., prevailing Eastern Time**, to consider the adequacy of the Disclosure Statement, any objections to the Disclosure Statement, confirmation of the Plan, any objections thereto, any objections to the proposed assumption of Executory Contracts and Unexpired Leases, and any other matter that may properly come before the Court. Please be advised that the Confirmation Hearing may be continued from time to time by the Bankruptcy Court or the Debtors without further notice other than by such adjournment being announced in open court or by a notice of adjournment filed with the Bankruptcy Court and served on other parties entitled to notice.

PLEASE TAKE FURTHER NOTICE THAT objections (each, an "Objection"), if any, to the Plan or the Disclosure Statement, or to the proposed assumption of Executory Contracts and Unexpired Leases must: (a) be in writing; (b) comply with the Bankruptcy Rules and the Local Rules; (c) state the name and address of the objecting party and the amount and nature of the Claim or Interest owned by such entity or individual; (d) state the particular legal and factual basis for such objections, and, if practicable, a proposed modification to the Plan that would resolve such objections; and (e) be filed with the Bankruptcy Court (contemporaneously with a proof of service) and served so as to be **actually received** no later than October 21, 2019, at 5:00 p.m., prevailing Eastern Time, by those parties who have filed a notice of appearance with the Debtors' chapter 11 cases as well as each of the following parties: (i) the Debtors: Deluxe Entertainment Services Group Inc., 50 Main Street, Suite 1014, White Plains, New York, 10606; 2400 West Empire Avenue, 3rd Floor, Burbank, California, 91504, Attn.: Stefanie Liquori and Eric Cummins; with copies to: (ii) Kirkland & Ellis LLP, Kirkland & Ellis International LLP, 300 North LaSalle Street, Chicago, Illinois 60654, Facsimile: (312) 862-2200, Attn: Joshua M. Altman, Email: josh.altman@kirkland.com and - (iii) Kirkland & Ellis LLP, Kirkland & Ellis International LLP, 601 Lexington Avenue, New York, New York 10022, Facsimile: (212) 446-4900, Attn: Jonathan S. Hennes, P.C., Email: Jonathan.Hennes@kirkland.com; (iv) Counsel to the Ad Hoc Committee: Strock & Strock & Lavan, 180 Maiden Lane, New York, New York 10038, Attn.: Kristopher Hansen, Jonathan Canfield, and Gabriel Sasson, Email: khanesn@strock.com, janfield@strock.com, gsasson@strock.com; (v) Counsel to Existing ABL Agent, Senior Priming Term Loan Agent, Priming Term Loan Agent, and Existing Term Loan Agent: Cravath, Swaine & Moore LLP, 825 Eighth Avenue, New York, New York 10019, Attn.: Paul H. Zumbro, George E. Zobitz, and Sarah Rosen, Email: pzumbro@cravath.com, gzobitz@cravath.com, srosen@cravath.com; (vi) Counsel to MAECQ: Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square, New York, New York 10036, Attn: Shana Elberg and Mark McDermott, Email: shana.elberg@skadden.com, mark.mcdermott@skadden.com; (vii) U.S. Trustee: Office of the United States Trustee for the Southern District of New York, 201 Varick Street, Suite 1006, New York, New York 10014, Attn: Richard C. Morrissey, Esq.

UNLESS AN OBJECTION IS TIMELY SERVED AND FILED IN ACCORDANCE WITH THIS NOTICE, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT AND MAY BE DEEMED OVERRULED.

YOU ARE ADVISED TO CAREFULLY REVIEW AND CONSIDER THE PLAN, INCLUDING THE RELEASE, EXCULPATION, DISCHARGE, AND INJUNCTION PROVISIONS IN ARTICLE VIII OF THE PLAN, AS YOUR RIGHTS MIGHT BE AFFECTED.

Dated: October 7, 2019, New York, New York, */s/ Jonathan S. Hennes*, Jonathan S. Hennes, P.C., KIRKLAND & ELLIS LLP, KIRKLAND & ELLIS INTERNATIONAL LLP, 601 Lexington Avenue, New York, New York 10022, Telephone: (212) 446-4800, Facsimile: (212) 446-4900, Proposed Counsel to the Debtors and Debtors in Possession

¹ The last four digits of Debtor Deluxe Entertainment Services Group Inc.'s tax identification number are 1725. Due to the large number of debtors in these chapter 11 cases, for which joint administration has been requested, a complete list of the Debtor entities and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors' Solicitation Agent at <https://cases.primedex.com/Deluxe/>. The location of the Debtors' service address for purposes of these chapter 11 cases is: 50 Main Street, Suite 1014, White Plains, New York, 10606.

² Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Plan.

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 Telefonica. 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. Megabyte, the research group, 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.

See Lex

Notice of Dissolution to Creditors

In accordance with 12 U.S.C. §1441(i), notice is hereby given that the Financing Corporation, formed pursuant to the Federal Savings and Loan Insurance Corporation Reorganization Act of 1987 to provide financing for the resolution of failed savings and loan associations, with its principal place of business address at Financing Corporation, 1818 Library St., Suite 420, Reston, VA 20190, has commenced the process of dissolution as of October 2, 2019, in accordance with the terms of a plan of dissolution approved by the Director of the Federal Housing Finance Agency on November 30, 2018, by Order No. 2018-OR-B-5.

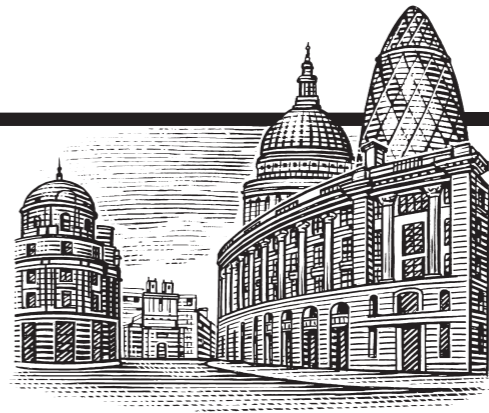
Any claims against the Financing Corporation must be submitted in writing and must include the amount, the basis, the origination date and all relevant documentation supporting the claim, to the following address: Financing Corporation, 1818 Library St., Suite 420, Reston, VA 20190, Attn: FICO Claims.

The deadline for submitting claims is January 7, 2020 (the "Claim Deadline").

Claims should be filed by the Claim Deadline in order to be considered for payment prior to the dissolution of the Financing Corporation.

UK COMPANIES

Lombard



EasyJet takes profit and pleasure from British Airways' misfortune

Matthew Vincent



Have you heard about Europe's new low-cost airline, Air Schadenfreude? Its flights board at departure gates right next to stranded British Airways passengers. Its baggage is always first on the carousel, ahead of Ryanair's surcharged suitcases. And its pilots will fly you to your destination and home again, unlike Thomas Cook's. Sound appealing? If anything, it sounds like easyJet, in its full-year trading update. Johan Lundgren, boss of the real-life no-frills carrier, certainly took some pleasure from the misfortune of others — as "increased demand due to strikes at BA and Ryanair" let him increase his pre-tax profit forecast to "between £420m and £430m . . . the upper half of our previous guidance range". EasyJet passengers will also have taken pleasure from taking off when others couldn't, as investments in

"operational resilience" — ie, crew rosters and standby aircraft — meant fewer cancellations since last September, while BA and Ryanair were leaving 235,000 people grounded.

But easyJet investors took nothing but a little pain — as a sell-off took the share price down 7.5 per cent.

Why would they have qualms over profiting at BA's and Ryanair's expense? EasyJet arguably deserved credit, and a slightly higher valuation, for keeping its staff onside, and in the right airports at the right time. It had them selling more ancillary services, too, which meant total revenue per seat rose 0.8 per cent in the second half, contrary to earlier guidance that it would be "slightly down". No, it wasn't the ability to profit from competitors' woes that investors felt uncomfortable with, just the amount of that profit.

Analysts at Bernstein questioned how profitable easyJet would have been without the strikes at BA and Ryanair. "We wonder what the influence of each of these factors, and the Thomas Cook bankruptcy, was . . . the most interesting question to us is how much of this is due to disruption at

competitors — and what the number would have been adjusted for underlying one-offs." In other words, how much less pleasure might easyJet have taken without others' misfortune?

If the European airline sector is more swings and roundabouts than baggage carousels — with airlines taking turns to cash in on each other's disruption — then "it really amounts to a zero-sum game," argued analysts at AJ Bell. With plenty of investors able to play that game, easyJet's higher profit could easily have been anticipated. Hence the 36 per cent rise in its share price since the first BA strike was mooted, and the 7.5 per cent fall when there was little more positive news.

If easyJet's shares are to keep rising, and return to the FTSE 100 index, the company needs to achieve more progress on its own, on rising costs and slowing capacity growth. Only then will its market value rise from today's £4.3bn to the £4.5bn needed to overtake companies at the bottom end of the index. Its real profit will come at the expense of FTSE laggards Kingfisher, Centrica and J Sainsbury, not BA and Ryanair.

Seventh sale to Sorrell

For all that Martin Sorrell says his latest venture, S4 Capital, is not an acquisition vehicle, it has made yet another acquisition, writes Kate Burgess. It is paying up to \$150m for a Silicon Valley online ad agency. It is about the seventh purchase since S4's inception in May 2018: the two big ones of MightyHive and MediaMonks to get going, then a few others on the way, and now Firewood, which makes Google S4's most important client.

Sir Martin shouldn't be so prickly about S4 being tagged an acquisition vehicle. The comparisons with WPP, the media empire he built up by acquisition, are inevitable. S4 is a riposte to critics who said WPP was an agglomeration of walled fiefdoms that failed to spot the digital age and couldn't connect with changing client demands. S4 will be uber-connected, unitary, purely digital and data-led, swears Sir M. It will be faster, clearer and cheaper. And it will double in size in two or three years. Yada, yada, yada.

In an adland squeezed between cost-conscious clients and digital media

colossi Facebook and Google, size may not be all it is cracked up to be. Nimble is good.

However, if S4 is to grow as fast as the nascent business of digital advertising, it must do so by buying tech-savvy agencies such as Firewood. Neither the 70-something year old Sir Martin nor his backers, can afford to hang around to build an empire by organic means. It took Sir M — who says he has more in common with the Beano's Dennis The Menace than the BBC's Bagpuss — more the 30 years to amass WPP.

Fender: blues guitar

Guitar maker Fender could be fined up to 10 per cent of its \$500m turnover if the UK competition regulator thinks it broke rules on pricing. It would need to sell an extra 18,194 limited edition Stratocasters at £2,249 a time to cover that. But are there really that many fund managers having a midlife crisis?

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Banks

'Small cadre' at Barclays lied on Qatar payments, court told

CAROLINE BINHAM

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 Both 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 outside 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 Both, 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 Both then faced a retrial.

The trial continues.

Financial services

Grant Thornton axes partners in push to cut costs

Round of 12 departures will affect all service lines at the accounting firm

TABBY KINDER

Grant Thornton has parted ways with a dozen UK partners in a restructuring designed to reverse a five-year financial decline.

The accounting firm informed its top echelon that about 12 partners — 6 per cent of the total — were leaving as it attempts to improve profits and recover from a difficult year for the business, which has faced scrutiny over its audits of Patisserie Valerie and after the controversial departure of Sacha Romanovitch, its former chief executive.

The internal announcement about the partners, some who have worked at Grant Thornton for 30 years, was made ahead of its financial results, which are due to be published in December.

In its latest results for 2018, profits fell 8 per cent to £72m and revenue from £500m to £491m. The dip pushed average pay per partner down to £373,000, far below the earnings of those at rival firms. It also meant Grant Thornton's 187 partners earned £25,000 less on average than in 2015 when Ms Romanovitch took charge of the firm.

The round of exits will affect all its service lines, including audit and advisory work. An insider said it was "not a night of the long knives", but that some partners who were nearing retirement had been "moved on more quickly" as the firm attempts to rein in "legacy costs" related to its former leadership.

Jonathan Riley, head of quality and

reputation at Grant Thornton, said the departures represented "a combination of factors including early retirement and some people whose roles no longer exist because of recent restructures and a change of focus around our client base generally".

David Dunckley took over as chief executive in November and has made a number of changes in a bid to turn round the firm's fortunes. In March, the firm said it would make about 60 administrative staff redundant. Grant Thornton has also begun to shed risky or unprofitable clients, including stepping away from Sports Direct, one of its largest listed audits.

The firm said: "Like all businesses, we regularly review our operating structure. This builds on steps we've already taken over the last year to ensure our operations are aligned to the changing needs of our clients and their stakeholders."

Mark Henshaw, a partner since 1997, is one of the most senior departures.

Grant Thornton has been hit by a series of blows since last August, which have undermined its reputation as one of the best placed "challenger" accounting firms capable of breaking the stranglehold of the Big Four firms — KPMG, EY, PwC and Deloitte — over Britain's audit market.

The controversies included a £5m fine by the accounting watchdog over its relationships with Nichols, the maker of Vimto, and the University of Salford. It is also being investigated by the Financial Reporting Council for failing to spot a suspected serious fraud at bakery chain Patisserie Valerie.

See Opinion



Plane sailing EasyJet lifted by strikes at rival carriers

EasyJet said full-year profits would be at the top end of its forecasts, after a boost from pilot strikes at rivals British Airways and Ryanair.

The budget airline reported yesterday that it expected to deliver a profit before tax of between £420m and £430m for the 12 months ending September 30. In July, it had given a range of £400m to £440m.

The update comes almost a month after BA was hit by a two-day pilot walkout that grounded 2,325 flights.

International Airlines Group, which owns BA, warned that its full-year profits would be affected, saying the total financial impact of

the strikes would be about €137m.

Ryanair has also seen strikes by pilots in the UK and Spain, although its flights were largely unaffected by the walkouts.

"EasyJet has continued to perform in line with expectations, despite challenging market conditions," said Johan Lundgren, chief executive.

"As a result of our self-help initiatives and the increased demand due to disruption at British Airways and Ryanair, we anticipate achieving headline profit before tax for the full year 2019 of between £420m and £430m." Tanya Powley See Lombard

Support services

Recruiters buffeted by geopolitical squalls

CAT RUTTER POOLEY AND MYLES MCCORMICK

Two of the largest listed recruitment groups have warned that global political uncertainty from Brexit, Hong Kong protests and US-China trade friction will hit profitability this year.

PageGroup downgraded its profit outlook, while Robert Walters said that its full-year profits would be flat compared with last year.

Shares in the two companies were down 11.9 per cent and 5.5 per cent respectively yesterday.

UK-listed recruiters have expanded aggressively overseas in recent years but a downturn in a number of markets is putting pressure on profits.

PageGroup said its 2019 earnings would be 4-10 per cent lower than City

estimates, after fee growth slowed in its third quarter. Operating profit is forecast at between £140m and £150m, compared with a previous consensus of £156m.

In July the FTSE 250 company expected profits this year at the lower end of expectations. Before that analysts had expected as much as £168m.

Steve Ingham, chief executive, said most regions were "impacted by increased macroeconomic and political uncertainty" and the "deterioration in trading conditions" was set to continue.

UK revenues fell 4 per cent year on year at PageGroup and 11 per cent at Robert Walters.

With less than a month before the Brexit deadline, confidence was weak among candidates and employers but IT professionals were still in demand and

there was growth outside London, said Robert Walters.

Revenues for PageGroup's Asia-Pacific region fell 8 per cent once the effect of currency fluctuations was stripped out, while at Robert Walters they rose just 3 per cent.

"Uncertainty surrounding Brexit, the US-China trade tariff stand-off and Hong Kong protests, coupled with the significant impact of the *gilets jaunes* protests . . . have combined to create a unique set of cumulative headwinds," said Robert Walters, chief executive.

RBC Capital Markets remained positive. "Clearly trading is tough — no real surprise given the weaker [macroeconomic] and employment data of late," said Andrew Brooke. But the group was "well placed for the longer term".

See Lex

Media

Reach emerges as frontrunner for JPI titles

PATRICIA NILSSON

Reach has emerged as the frontrunner to buy JPI Media's regional newspapers, the latest scale-building move by the UK's largest local news group in the face of falling print advertising revenues.

The group, which was formerly known as Trinity Mirror and last year bought the Express and Star newspapers for £127m, is the preferred candidate for the bulk of JPI's roughly 200 titles, according to two people briefed on the negotiations. One said Reach entered exclusive talks last week.

Reach is expected to bid close to £50m for the JPI assets, which include The Scotsman and the Yorkshire Post. The deal would not include JPI's London-based title the i, which is the subject

of exclusive sale talks with Daily Mail and General Trust, owner of the Daily Mail, at a similar expected valuation.

Reach, JPI and DMGT declined to comment.

Reach has been a prolific acquirer of regional and local titles in recent years, trying to offset the industry's dwindling profits by gaining scale, merging resources and cutting costs.

In August, it replaced chief executive Simon Fox with former Ladbroke's Coral chief Jim Mullen in a bid to accelerate the company's aggressive drive to consolidate the distressed market.

The National Union of Journalists has previously expressed concern over Reach buying more titles, warning it could hurt media plurality and journalists' jobs and saying the group has been "relentless in reducing original content

and the provision of local professional journalism".

JPI Media was known as Johnston Press until it collapsed into administration last November. After failing to refinance a £220m bond, Johnston Press was rescued by its lenders in a so-called pre-pack administration, a controversial procedure that allowed it to jettison its pension scheme, with a £300m funding shortfall, into the industry-backed Pension Protection Fund.

The deal wiped out Johnston Press shareholders, who had already seen the market value fall to £2.9m.

A deal between JPI and Reach would face potential scrutiny from the competition watchdog, although observers have said the dire situation in the newspaper industry would make blocking the deal unlikely.

FT
Life



**FT LIFE: MEANINGFUL PURSUITS
GREENLAND'S BIG MELT**

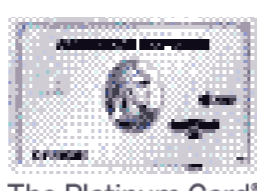
**JOURNEY TO THE
FRONTIER OF
CLIMATE CHANGE**

Greenland is the single biggest contributor to sea level rise. The new Meaningful Pursuits video follows the FT's Leslie Hook on her first visit there.

Amid spectacular scenery, whales and icebergs, she makes some surprising discoveries about the impact of climate change.

Watch *Greenland's Big Melt* now at meaningfulpursuits.ft.com

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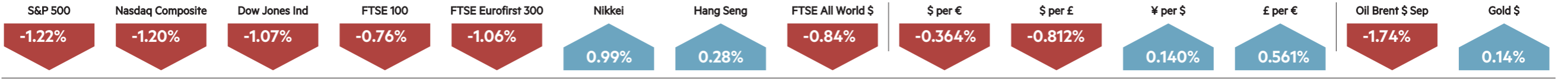
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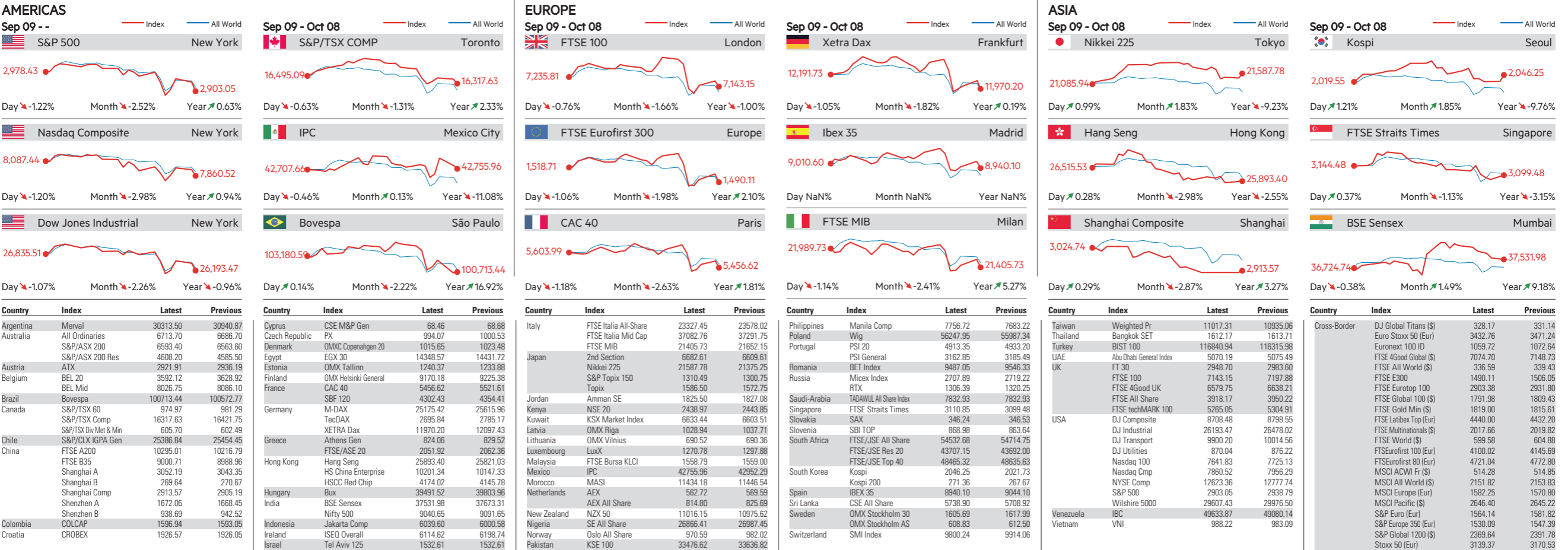
MARKET DATA

WORLD MARKETS AT A GLANCE

Change during previous day's trading (%)



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



(c) Stock (u) Unavailable. 1 Correction. * Subject to official recalibration. For more index coverage please see www.ft.com/worldindices. A fuller version of this table is available on the ft.com research data archive.

STOCK MARKET: BIGGEST MOVERS

Country	Index	Latest	Previous	Country	Index	Latest	Previous	Country	Index	Latest	Previous	Country	Index	Latest	Previous
Argentina	Merval	30313.50	30940.87	Cyprus	CSE M&P Gen	68.46	68.68	Philippines	Manila Comp	7756.72	7832.22	Taiwan	Weighted Pl	11071.31	10925.06
Australia	All Ordinaries	6173.70	6586.70	Czech Republic	PX	9708.27	1000.53	Poland	WSE	56247.95	55892.94	Thailand	Bangkok SET	1617.17	1613.71
Austria	S&P/ASX 200 Res	6552.40	6563.60	Denmark	OMXC Copenhagen 20	1015.05	1023.48	Portugal	PSI 20	4913.35	4183.29	UK	BIST 100	11684.94	11635.98
Belgium	BEI 20	2921.91	2936.19	Egypt	EGX 30	14348.57	14431.72	Romania	BEL Index	9487.05	9546.33	USA	Alu Dhabi General Index	570.19	5075.49
Brazil	Ibovespa	100713.34	100572.77	Estonia	OMX Tallinn	1240.37	1233.88	Russia	MOEX Index	2707.69	2715.22	UAE	Abu Dhabi General Index	2940.70	2983.60
Canada	S&P/TSX 60	974.97	981.29	Finland	OMX Helsinki Gen	9170.19	9225.30	Saudi-Arabia	TADAWUL All Share Ind	7822.93	7822.93	Uzbekistan	INDEX	689.58	683.64
Chile	S&P/CLX IGPA Gen	25386.84	25454.45	France	CAC 40	5456.62	5521.61	Singapore	S&P Straits Times	3110.85	3093.99	Venezuela	BIC	8963.87	49800.14
China	FTSE A200	10295.01	10216.79	Germany	M-DAX	25175.42	25615.96	Sri Lanka	CSE All Share	5738.90	5708.92	Vietnam	VNI	983.22	983.09
Colombia	IBOV	1598.94	1603.98	Greece	Athens Gen	824.06	829.52	South Korea	Kospi	221.05	221.05	Yemen	INDEX	689.58	683.64
Croatia	CROBEX	1925.57	1925.05	Hong Kong	Hang Seng	25893.40	25821.03	Sri Lanka	CSE All Share	5738.90	5708.92	Yemen	INDEX	689.58	683.64
Czech Republic	PX	9708.27	1000.53	Hungary	BUX	39491.52	39803.98	Sweden	OMX Stockholm All	1605.89	1617.99	Yemen	INDEX	689.58	683.64
Denmark	OMXC Copenhagen 20	1015.05	1023.48	India	BSE Sensex	37531.98	37673.31	Switzerland	SMI Index	9800.24	9914.06	Yemen	INDEX	689.58	683.64
Egypt	EGX 30	14348.57	14431.72	Indonesia	Jakarta Comp	6003.98	6003.98	Taiwan	Weighted Pl	11071.31	10925.06	Yemen	INDEX	689.58	683.64
Estonia	OMX Tallinn	1240.37	1233.88	Iran	TEHRAN EX	824.06	829.52	Thailand	Bangkok SET	1617.17	1613.71	Yemen	INDEX	689.58	683.64
Finland	OMX Helsinki Gen	9170.19	9225.30	Israel	Tel Aviv 125	1532.61	1532.61	UK	BIST 100	11684.94	11635.98	Yemen	INDEX	689.58	683.64
France	CAC 40	5456.62	5521.61	Italy	FTSE Italia All Share	23227.45	23278.03	USA	Alu Dhabi General Index	570.19	5075.49	Yemen	INDEX	689.58	683.64
Germany	M-DAX	25175.42	25615.96	Japan	Nikkei 225	21597.78	21375.25	UAE	Abu Dhabi General Index	2940.70	2983.60	Yemen	INDEX	689.58	683.64
Greece	Athens Gen	824.06	829.52	Korea	FTSE KOSPI	221.05	221.05	Uzbekistan	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
Hong Kong	Hang Seng	25893.40	25821.03	Latvia	OMX Riga	1029.43	1037.71	Venezuela	BIC	8963.87	49800.14	Yemen	INDEX	689.58	683.64
Hungary	BUX	39491.52	39803.98	Lithuania	OMX Vilnius	690.52	690.52	Vietnam	VNI	983.22	983.09	Yemen	INDEX	689.58	683.64
India	BSE Sensex	37531.98	37673.31	Luxembourg	LuxX	1270.78	1297.88	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
Indonesia	Jakarta Comp	6003.98	6003.98	Malaysia	FTSE Bursa KLCI	1520.79	1520.79	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
Iran	TEHRAN EX	824.06	829.52	Mexico	IPC	42735.86	42929.28	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
Israel	Tel Aviv 125	1532.61	1532.61	Morocco	MASI	11434.18	11446.54	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
Italy	FTSE Italia All Share	23227.45	23278.03	New Zealand	NZX 50	11016.15	1075.62	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
Japan	Nikkei 225	21597.78	21375.25	Norway	Oslo All Share	970.59	982.02	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
Korea	FTSE KOSPI	221.05	221.05	Poland	WSE	56247.95	55892.94	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
Latvia	OMX Riga	1029.43	1037.71	Portugal	PSI 20	4913.35	4183.29	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
Lithuania	OMX Vilnius	690.52	690.52	Romania	BEL Index	9487.05	9546.33	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
Luxembourg	LuxX	1270.78	1297.88	Russia	MOEX Index	2707.69	2715.22	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
Malaysia	FTSE Bursa KLCI	1520.79	1520.79	Saudi-Arabia	TADAWUL All Share Ind	7822.93	7822.93	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
Mexico	IPC	42735.86	42929.28	Singapore	S&P Straits Times	3110.85	3093.99	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
Morocco	MASI	11434.18	11446.54	Sri Lanka	CSE All Share	5738.90	5708.92	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
New Zealand	NZX 50	11016.15	1075.62	South Korea	Kospi	221.05	221.05	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
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Poland	WSE	56247.95	55892.94	Sweden	OMX Stockholm All	1605.89	1617.99	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
Portugal	PSI 20	4913.35	4183.29	Switzerland	SMI Index	9800.24	9914.06	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
Romania	BEL Index	9487.05	9546.33	Taiwan	Weighted Pl	11071.31	10925.06	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
Russia	MOEX Index	2707.69	2715.22	Thailand	Bangkok SET	1617.17	1613.71	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
Saudi-Arabia	TADAWUL All Share Ind	7822.93	7822.93	UK	BIST 100	11684.94	11635.98	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
Singapore	S&P Straits Times	3110.85	3093.99	USA	Alu Dhabi General Index	570.19	5075.49	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
Sri Lanka	CSE All Share	5738.90	5708.92	UAE	Abu Dhabi General Index	2940.70	2983.60	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
South Korea	Kospi	221.05	221.05	Uzbekistan	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
Sri Lanka	CSE All Share	5738.90	5708.92	Venezuela	BIC	8963.87	49800.14	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
Sweden	OMX Stockholm All	1605.89	1617.99	Vietnam	VNI	983.22	983.09	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64
Switzerland	SMI Index	9800.24	9914.06	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64	Yemen	INDEX	689.58	683.64

Based on the constituents of the S&P 500

AMERICA				EURO MARKETS				TOKYO				UK MARKET WINNERS AND LOSERS																			
ACTIVE STOCKS	stock traded m	close price	Day's change	ACTIVE STOCKS	stock traded m	close price	Day's change	ACTIVE STOCKS	stock traded m	close price	Day's change	Winners	stock	close price	Day's change	Losers	stock	close price	Day's change												
Apple	28.4	226.10	-0.86	BP	501.6	50.10	-0.70	Bova	307.5	4.51	-0.08	Softbank	484.5	4191.00	34.00	Flutter Entertainment	7876.00	3.2	19.7	Clarkson	2545.00	0.1	26.3	Cnc Markets	121.60	14.7	11.2	Mobile Telecommunications	3625.16	10.1	7.1
Amazon	18.4	1715.62	-17.04	Hibst Holdings	148.0	599.20	-8.10	Bayar Ag Na O.n.	216.7	63.37	0.24	Toyota Motor	326.2	7087.00	101.00	Polymetal Int	1175.00	3.1	39.3	Omnet	302.20	3.6	4.0	Mbridge	60.00	13.2	-5.28	Beverages	26286.45	0.0	18.3
Microsoft	14.6	139.96	-0.16	Diago	123.3	3320.00	-8.00	Tel. Ret	207.0	44.47	0.75	Fast Retailing Co.	29.9	6116.00	710.00	Ferguson	6346.00	2.6	27.1	The Bank	1196.00	0.1	-21.7	Kaw	45.00	11.2	-7.19	Electricity	7258.12	-0.9	10.1
Netflix	8.1	273.79	-0.69	London Stock Exchange	109.4	7020.00	-43.00	Sap Sa O.n.	192.1	103.66	-0.62	Takeda Pharmaceutical	206.8	3694.00	73.00	Expian	2558.00	0.7	35.8</												

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Table of FT500 largest companies with columns for Stock, Price, Day, Chg, High, Low, Yld, P/E, MCap, and various regional indices like Australia, Brazil, Canada, etc.

FT 500: TOP 20

Table of FT 500 top 20 companies with columns for Close, Prev, Change, Day, Week, Month, and % change.

FT 500: BOTTOM 20

Table of FT 500 bottom 20 companies with columns for Close, Prev, Change, Day, Week, Month, and % change.

BONDS: HIGH YIELD & EMERGING MARKET

Table of bond market data including High Yield US, Emerging US, and Emerging Euro with columns for Oct, Bond, Coupon, Ratings, Bid, Yield, Spread, and US.

INTEREST RATES: OFFICIAL

Table of official interest rates for US, Euro, and Japan with columns for Rate, Current, Since, Last, Month, and Year.

INTEREST RATES: MARKET

Table of market interest rates for US, Euro, and Japan with columns for Rate, Current, Since, Last, Month, and Year.

BOND INDICES

Table of bond indices including Markit iBoxx, FTSE, and CREDIT INDICES with columns for Index, Day's change, Month's change, and Return.

BONDS: BENCHMARK GOVERNMENT

Table of benchmark government bonds with columns for Date, Coupon, Rating, Bid, Yield, Wk chg, and Month.

COMMODITIES

Table of commodity prices for Energy, Metals, and Grains with columns for Price, Change, and Date.

BONDS: INDEX-LINKED

Table of index-linked bonds with columns for Price, Yield, Month, Value, and No of stocks.

BONDS: TEN YEAR GOV SPREADS

Table of ten-year government spreads with columns for Bid, Spread, and Yield.

BONDS: GLOBAL INVESTMENT GRADE

Table of global investment grade bonds with columns for Oct, Bond, Coupon, Ratings, Bid, Yield, Spread, and US.

BONDS: BENCHMARK GOVERNMENT

Table of benchmark government bonds with columns for Date, Coupon, Rating, Bid, Yield, Wk chg, and Month.

COMMODITIES

Table of commodity prices for Energy, Metals, and Grains with columns for Price, Change, and Date.

BONDS: TEN YEAR GOV SPREADS

Table of ten-year government spreads with columns for Bid, Spread, and Yield.

BONDS: GLOBAL INVESTMENT GRADE

Table of global investment grade bonds with columns for Oct, Bond, Coupon, Ratings, Bid, Yield, Spread, and US.

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BONDS: TEN YEAR GOV SPREADS

Table of ten-year government spreads with columns for Bid, Spread, and Yield.

BONDS: GLOBAL INVESTMENT GRADE

Table of global investment grade bonds with columns for Oct, Bond, Coupon, Ratings, Bid, Yield, Spread, and US.

FINANCIAL TIMES SHARE SERVICE

Main Market

Main Market table with columns for Sector, Stock Name, Price, %Chg, 52 Week High/Low, Yld, P/E, and Vol. Includes sub-sections like Aerospace & Defence, Banks, Chemicals, etc.

AIM

AIM table with columns for Sector, Stock Name, Price, %Chg, 52 Week High/Low, Yld, P/E, and Vol. Includes sub-sections like Aerospace & Defence, Banks, Chemicals, etc.

Investment Companies

Investment Companies table with columns for Conventional (Ex Private Equity), Price, %Chg, 52 Week High/Low, Yld, NAV, and Disl. Includes sub-sections like Conventional (Ex Private Equity), VC's, and Investment Companies - AIM.

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MANAGED FUNDS SERVICE

Table of fund performance metrics including Fund, Bid, Offer, +/-, and Yield for various categories like USD Accumulating Class, GBP Accumulating Share Class, etc.



Algebris Investments Regulated (IRL)

Table of Algebris Investments fund performance metrics including fund names and their respective bid, offer, and yield values.



CCLA Investment Management Ltd (UK)

Table of CCLA Investment Management Ltd fund performance metrics including fund names and their respective bid, offer, and yield values.



Dragon Capital Group

Table of Dragon Capital Group fund performance metrics including fund names and their respective bid, offer, and yield values.



Edentree Investment Management Ltd (UK)

Table of Edentree Investment Management Ltd fund performance metrics including fund names and their respective bid, offer, and yield values.

CCLA Investment Management Ltd (UK)

Table of CCLA Investment Management Ltd fund performance metrics including fund names and their respective bid, offer, and yield values.

Electric & General (1000)F (UK)

Table of Electric & General (1000)F fund performance metrics including fund names and their respective bid, offer, and yield values.

Ennismore Smaller Cos Psc (UK)

Table of Ennismore Smaller Cos Psc fund performance metrics including fund names and their respective bid, offer, and yield values.

Ennismore European Smr Cos Hedge Fd (UK)

Table of Ennismore European Smr Cos Hedge Fd fund performance metrics including fund names and their respective bid, offer, and yield values.

Equinox Fund Mgmt (Guernsey) Limited (GSY)

Table of Equinox Fund Mgmt (Guernsey) Limited fund performance metrics including fund names and their respective bid, offer, and yield values.

Euronova Asset Management UK LLP (CYM)

Table of Euronova Asset Management UK LLP fund performance metrics including fund names and their respective bid, offer, and yield values.

Fidelity International (UK)

Table of Fidelity International fund performance metrics including fund names and their respective bid, offer, and yield values.

FL Investment Services (UK) Limited (1200)F (UK)

Table of FL Investment Services (UK) Limited (1200)F fund performance metrics including fund names and their respective bid, offer, and yield values.

GAM (UK)

Table of GAM fund performance metrics including fund names and their respective bid, offer, and yield values.

Globe Investment Management LLP (UK)

Table of Globe Investment Management LLP fund performance metrics including fund names and their respective bid, offer, and yield values.

Global Investment House (UK)

Table of Global Investment House fund performance metrics including fund names and their respective bid, offer, and yield values.

Findlay Park Funds Psc (IRL)

Table of Findlay Park Funds Psc fund performance metrics including fund names and their respective bid, offer, and yield values.

Foord Asset Management (UK)

Table of Foord Asset Management fund performance metrics including fund names and their respective bid, offer, and yield values.

Franklin Templeton International Services Sarl (IRL)

Table of Franklin Templeton International Services Sarl fund performance metrics including fund names and their respective bid, offer, and yield values.

Fundsmith Equity Fund (UK)

Table of Fundsmith Equity Fund fund performance metrics including fund names and their respective bid, offer, and yield values.

Fundsmith LLP (1200)F (UK)

Table of Fundsmith LLP (1200)F fund performance metrics including fund names and their respective bid, offer, and yield values.

GAM (UK)

Table of GAM fund performance metrics including fund names and their respective bid, offer, and yield values.

Globe Investment Management LLP (UK)

Table of Globe Investment Management LLP fund performance metrics including fund names and their respective bid, offer, and yield values.

Global Investment House (UK)

Table of Global Investment House fund performance metrics including fund names and their respective bid, offer, and yield values.

Global Islamic Fund (UK)

Table of Global Islamic Fund fund performance metrics including fund names and their respective bid, offer, and yield values.

Hermes Investment Funds Plc (IRL)

Table of Hermes Investment Funds Plc fund performance metrics including fund names and their respective bid, offer, and yield values.

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Table of Hermes Investment Funds Plc fund performance metrics including fund names and their respective bid, offer, and yield values.

Kleinwort Hambros Bank Limited (UK)

Table of Kleinwort Hambros Bank Limited fund performance metrics including fund names and their respective bid, offer, and yield values.

Janus Henderson Investors (UK)

Table of Janus Henderson Investors fund performance metrics including fund names and their respective bid, offer, and yield values.

Lloyds Investment Funds Managers Limited (1000)F (JER)

Table of Lloyds Investment Funds Managers Limited (1000)F fund performance metrics including fund names and their respective bid, offer, and yield values.

Lothbury Property Trust (UK)

Table of Lothbury Property Trust fund performance metrics including fund names and their respective bid, offer, and yield values.

M & G Securities Ltd (UK)

Table of M & G Securities Ltd fund performance metrics including fund names and their respective bid, offer, and yield values.

Kames Capital ICVC (UK)

Table of Kames Capital ICVC fund performance metrics including fund names and their respective bid, offer, and yield values.

Kames Capital Investment Portfolios ICVC (UK)

Table of Kames Capital Investment Portfolios ICVC fund performance metrics including fund names and their respective bid, offer, and yield values.

Kames Capital VCIC (IRL)

Table of Kames Capital VCIC fund performance metrics including fund names and their respective bid, offer, and yield values.

Marwyn Asset Management Limited (CYM)

Table of Marwyn Asset Management Limited fund performance metrics including fund names and their respective bid, offer, and yield values.

McInroy & Wood Portfolios Limited (UK)

Table of McInroy & Wood Portfolios Limited fund performance metrics including fund names and their respective bid, offer, and yield values.

Ministry of Justice Common Investment Funds (UK)

Table of Ministry of Justice Common Investment Funds fund performance metrics including fund names and their respective bid, offer, and yield values.

Mirabaud Asset Management (LUX)

Table of Mirabaud Asset Management fund performance metrics including fund names and their respective bid, offer, and yield values.

Morgens Waterfall Vintiadis.co Inc (UK)

Table of Morgens Waterfall Vintiadis.co Inc fund performance metrics including fund names and their respective bid, offer, and yield values.

Natixis International Funds (LUX) I SICAV (LUX)

Table of Natixis International Funds (LUX) I SICAV fund performance metrics including fund names and their respective bid, offer, and yield values.

Natixis Investment Funds (UK)

Table of Natixis Investment Funds fund performance metrics including fund names and their respective bid, offer, and yield values.

Merit Fixed Income Fund (UK)

Table of Merit Fixed Income Fund fund performance metrics including fund names and their respective bid, offer, and yield values.

MIMIP Investment Management Limited (GSY)

Table of MIMIP Investment Management Limited fund performance metrics including fund names and their respective bid, offer, and yield values.

Marlborough Fd Managers Ltd (1200)F (UK)

Table of Marlborough Fd Managers Ltd fund performance metrics including fund names and their respective bid, offer, and yield values.

Northwest Investment Management (UK)

Table of Northwest Investment Management fund performance metrics including fund names and their respective bid, offer, and yield values.

Oasis Investment Management (UK)

Table of Oasis Investment Management fund performance metrics including fund names and their respective bid, offer, and yield values.

Oasis Global Mgmt Co (Ireland) Ltd (IRL)

Table of Oasis Global Mgmt Co (Ireland) Ltd fund performance metrics including fund names and their respective bid, offer, and yield values.

Optima Fund Management (UK)

Table of Optima Fund Management fund performance metrics including fund names and their respective bid, offer, and yield values.

Mirabaud Asset Management (LUX)

Table of Mirabaud Asset Management fund performance metrics including fund names and their respective bid, offer, and yield values.

Natixis International Funds (LUX) I SICAV (LUX)

Table of Natixis International Funds (LUX) I SICAV fund performance metrics including fund names and their respective bid, offer, and yield values.

Natixis Investment Funds (UK)

Table of Natixis Investment Funds fund performance metrics including fund names and their respective bid, offer, and yield values.

Merit Fixed Income Fund (UK)

Table of Merit Fixed Income Fund fund performance metrics including fund names and their respective bid, offer, and yield values.



New Capital UCITS Fund PLC (IRL)

Table of New Capital UCITS Fund PLC fund performance metrics including fund names and their respective bid, offer, and yield values.

Northwest Investment Management (UK)

Table of Northwest Investment Management fund performance metrics including fund names and their respective bid, offer, and yield values.

Oasis Investment Management (UK)

Table of Oasis Investment Management fund performance metrics including fund names and their respective bid, offer, and yield values.

Oasis Global Mgmt Co (Ireland) Ltd (IRL)

Table of Oasis Global Mgmt Co (Ireland) Ltd fund performance metrics including fund names and their respective bid, offer, and yield values.

Optima Fund Management (UK)

Table of Optima Fund Management fund performance metrics including fund names and their respective bid, offer, and yield values.

Mirabaud Asset Management (LUX)

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Natixis International Funds (LUX) I SICAV (LUX)

Table of Natixis International Funds (LUX) I SICAV fund performance metrics including fund names and their respective bid, offer, and yield values.

Natixis Investment Funds (UK)

Table of Natixis Investment Funds fund performance metrics including fund names and their respective bid, offer, and yield values.

Merit Fixed Income Fund (UK)

Table of Merit Fixed Income Fund fund performance metrics including fund names and their respective bid, offer, and yield values.



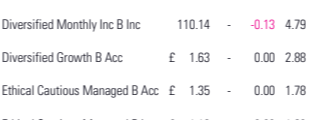
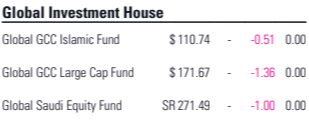
Ashmore Investment Management Limited (LUX)

Table of Ashmore Investment Management Limited fund performance metrics including fund names and their respective bid, offer, and yield values.



Dodge & Cox Worldwide Funds (IRL)

Table of Dodge & Cox Worldwide Funds fund performance metrics including fund names and their respective bid, offer, and yield values.



Orbis Investments (U.K.) Limited (GBR)

Table of Orbis Investments (U.K.) Limited fund performance metrics including fund names and their respective bid, offer, and yield values.

Orbis Investments (U.K.) Limited (GBR)

Table of Orbis Investments (U.K.) Limited fund performance metrics including fund names and their respective bid, offer, and yield values.

MANAGED FUNDS SERVICE

Fund	Bid	Offer	+/-	Yield
Pictet-USD Sov.St.Mon.Mkt-I	\$ 108.51	-	0.01	0.00
Pictet-Water-I EUR F	€ 390.90	-	5.48	0.00



Pictet Asset Management (Europe) SA (LUX)
15, Avenue J.F. Kennedy L-1855 Luxembourg
Tel: 0049 188 323 3000

FCA Recognised

Pictet-Abol Fin.Fin.Inc-HI EUR	€ 111.13	-	4.03	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	\$ 140.88	-	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 Coy Dbr-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	\$ 826.91	-	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 Divid-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.St.Mon.Mkt EUR I	€ 100.61	-	0.00	0.00
Pictet-Euroland Index-I EUR	€ 159.69	-	1.29	0.00
Pictet-Europe Index-I EUR F	€ 199.81	-	1.42	0.00
Pictet-European Equity Selection-I EUR F	€ 733.16	-	3.80	0.00
Pictet-European Sust Eq-I EUR F	€ 285.61	-	2.16	0.00
Pictet-Global Bds Fundamental-I USD	\$ 131.36	-	0.29	0.00
Pictet-Global Bonds-I EUR	€ 194.46	-	0.86	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 Mgmtment Selection-I USD F	\$ 303.84	-	4.01	0.00
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	¥ 180.25	-	10.52	0.00
Pictet-Japanese Equities Opp-I JPY F	¥ 1110.27	-	36.12	0.00
Pictet-Japanese Equity Selection-I JPY F	¥ 1626.73	-	63.60	0.00
Pictet-LATAM Lc Coy Dbr-I USD F	\$ 144.82	-	0.54	0.00
Pictet-Multi Asset Global Opportunites-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	0.00
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	€ 129.36	-	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	¥ 1086.66	-	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	-	1.83	0.00
Pictet-USD Short Mid-Term Bonds-I F	\$ 138.22	-	0.13	0.00

Platinum Capital Management Ltd

Other International Funds	Bid	Offer	+/-	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

Regulated	Bid	Offer	+/-	Yield
Automation & Artificial Intelligence 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 J. JPY	¥ 2156.69	-	23.40	0.00
Japan Value J. 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
European Forager A EUR	€ 191.84	-	0.50	0.00

Polar Capital LLP

Regulated	Bid	Offer	+/-	Yield
European Forager A EUR	€ 191.84	-	0.50	0.00

Private Fund Mgrs (Guernsey) Ltd

Regulated	Bid	Offer	+/-	Yield
Monument Growth 01/10/19	€ 516.81	521.82	3.72	2.49

Prusik Investment Management LLP

Regulated	Bid	Offer	+/-	Yield
Prusik Asian Equity Income B Dist	\$ 185.92	-	0.02	4.79
Prusik Asia Energy Opportunites Fund A Acc	€ 153.03	-	0.89	0.00
Prusik Asia Fund U Dist.	€ 188.08	-	2.83	0.00

Purisma Investment Fds (UK) (1200)F

Regulated	Bid	Offer	+/-	Yield
Global Total Fd PCG A	274.24	-	1.31	0.65
Global Total Fd PCG B	271.77	-	1.20	0.43
Global Total Fd PCG INT	268.24	-	1.27	0.20

Purisma Investment Fds (CI) Ltd

Regulated	Bid	Offer	+/-	Yield
PCG B	218.41	-	2.61	0.00
PCG C	213.90	-	2.56	0.00



S. W. MITCHELL CAPITAL

Ram Active Investments SA

Other International Funds	Bid	Offer	+/-	Yield
RAM Systemic Emerg Markets Core Eq	\$ 95.79	-	0.16	-
RAM Systemic Emerg Markets Eq	€ 169.12	-	0.17	-
RAM Systemic European Eq	€ 437.71	-	2.39	-
RAM Systemic Global Sustainable Income Eq	€ 123.58	-	0.06	0.00
RAM Systemic Long/Short Emerg Markets Eq	\$ 114.81	-	0.35	-
RAM Systemic Long/Short European Eq	€ 144.43	-	0.05	-
RAM Systemic North American Eq	€ 297.94	-	1.29	-
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	-

Rathbone Unit Trust Mgmt (1200)F

Regulated	Bid	Offer	+/-	Yield
Ethical Bond Inc	95.43	-	0.09	-
Ethical Bond Acc	213.60	-	0.20	-
Global Opportunities Acc	243.27	-	1.58	0.00
Income Inc	847.48	-	2.33	4.03
Income Acc	1544.42	-	4.25	4.09
Multi Asset Enhanced Growth Acc	170.94	-	0.09	0.51
Multi Asset Strategic Growth Inc	179.13	-	0.01	1.53
Multi Asset Strategic Growth Acc	201.88	-	0.02	1.51
Multi Asset Total Return Inc	132.98	-	0.07	1.44
Multi Asset Total Return Acc	156.79	-	0.09	1.44
Rathbone UK Opportunities Inc	418.66	-	0.94	-
Rathbone UK Opportunities Acc	557.56	-	1.26	-
Strategic Bond I-Class Acc	149.25	-	0.10	3.32
Strategic Bond I-Class Inc	115.00	-	0.08	3.39

RLUM Ltd

Regulated	Bid	Offer	+/-	Yield
Royal London Sustainable Diversified A Inc	£ 2.15	-	0.00	1.02
Royal London Sustainable World A Inc	281.50	-	1.00	0.26
Royal London Corporate Bond With Income	94.51	-	0.10	3.57
Royal London European Growth Trust	166.20	-	0.50	1.00
Royal London Sustainable Leaders A Inc	658.60	-	1.70	-
Royal London UK Growth Trust	569.10	-	0.30	1.98
Royal London UK Income With Growth Trust	210.70	-	0.90	5.16
Royal London US Growth Trust	254.00	-	1.10	0.00

Scottish Friendly Asset Managers Ltd

Regulated	Bid	Offer	+/-	Yield
Managed Growth	264.20	-	0.40	0.00
UK Growth	298.10	-	0.80	0.00

Ruffer LLP (1000)F

Regulated	Bid	Offer	+/-	Yield
LF Ruffer European C Acc	603.99	-	6.84	0.87
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	-	0.85	0.00

Fund	Bid	Offer	+/-	Yield
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 Japanese O Acc	264.14	-	0.30	0.25
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 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

Fund	Bid	Offer	+/-	Yield
Trojan Ethical Income O Acc	137.43	-	0.13	2.71
Trojan Ethical Income O Inc	123.43	-	0.11	2.82
Trojan Fund O Acc	327.63	-	0.65	0.79
Trojan Fund O Inc	268.28	-	0.54	0.79
Trojan Global Equity O Acc	385.31	-	1.48	0.61
Trojan Global Equity O Inc	318.72	-	1.23	0.62
Trojan Global Income O Acc	131.10	-	0.60	2.88
Trojan Global Income O Inc	120.73	-	0.59	2.72
Trojan Income O Acc	350.20	-	0.75	3.92
Trojan Income O Inc	188.87	-	0.41	4.13

Fund	Bid	Offer	+/-	Yield
Slater Growth	543.26	543.26	1.98	0.00
Slater Income A Inc	142.45	142.45		

MARKETS & INVESTING

Fixed income. Debt sell-off

Lacklustre auction shakes Japan bond trading from slumber



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.

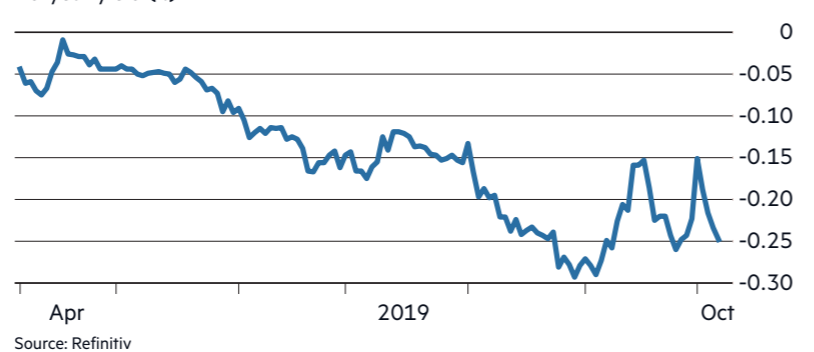
Alternatively, the BoJ could go further with its rejig of bond purchases.

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

Japanese government bonds stumble as investors await central bank's next steps

10-year yield (%)



and will continue to influence the direction of global rates," said Priya Misra, head of global rates strategy at TD Securities.

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 weakness reflected a judgment that the Bank of Japan might pull back more forcefully on its purchases of long-term government debt

Frank Robichon/epa

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

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, accord-

ing 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 4.5 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 Ghanaian 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

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

'Circular economy factors will become very important in consumers' decision-making process'

some kind of environmental, social and corporate governance consideration by next year, according to estimates from Deutsche Bank.

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.

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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

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 11 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.

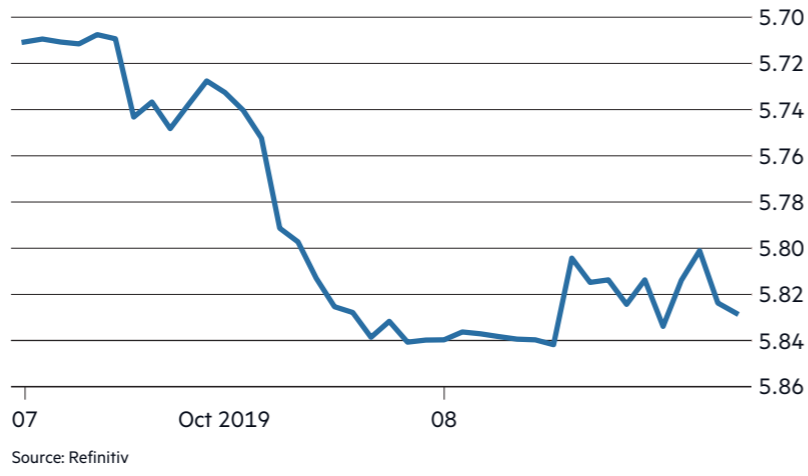
US-China trade talks are scheduled to resume tomorrow with analysts remaining dubious on the likelihood of a game-changing outcome.

"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

Turkish lira under pressure after Trump threat

Against the dollar (lira per \$)



Source: Refinitiv

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**

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

Negative rates and QE have not pushed eurozone inflation back to target, but things could be worse

month that tumbling inflation expectations are not confined to the euro area.

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 eas-

ing. 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.

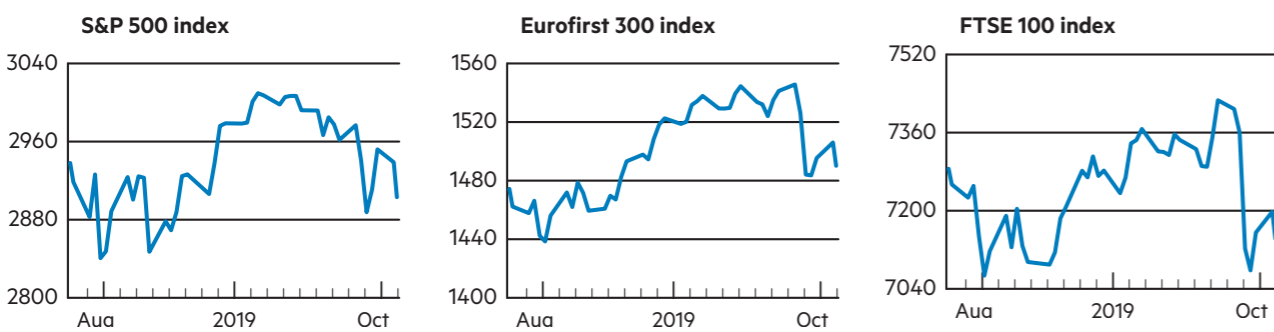
tommy.stubbington@ft.com

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



Biggest movers

%	US	Eurozone	UK
	American Airlines 2.38	Omv 0.45	Polymetal Int 2.75
	Dr Horton 1.55	Thales 0.45	Fresnillo 2.07
Ups	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**

The Banker

GLOBAL FINANCIAL INTELLIGENCE SINCE 1926



Subroto Som
EVP and Group Head of
Retail Banking Group,
Mashreqbank



John Everington
Middle East and Africa
Editor, The Banker

Digital transformation in retail banking

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