FINANCIAL TIMES

TUESDAY 2 JUNE 2020 | WORLD BUSINESS NEWSPAPER | USA $2.50 Canada C$3.00

Open question
UK shift shows lockdown decisions are political — ROBERT SHRIMSLEY, PAGE 15

The magnificent six
From noodles to bond trading, tales of businesses on the up — PAGE 7

Licensed chaos
Return of red tape hits efforts to help India's poor — NOTEBOOK, PAGE 14

Top Facebook staff revolt over Zuckerberg's stance on Trump

- Anger at president's posts
- Unrest spreads after Floyd death
- Business joins outrage

TIM BRADSHAW — LONDON
ANDREW EDGECLIFFE JOHNSON
NEW YORK

Mark Zuckerberg is facing a backlash from within Facebook after several senior employees publicly criticised the chief executive for refusing to take action over posts by Donald Trump that Twitter last week censured for "glorifying violence".

As violent protests over the death in police custody of George Floyd, an unarmed black man, spread to three dozen US cities, Mr Zuckerberg was forced to defend Facebook's position as — in his words — "an institution committed to free expression". Employees voiced their discontent with Facebook's stance as top executives from a range of US companies expressed outrage at racial injustice in America.

Law enforcement authorities yesterday braced for a seventh night of disturbances, with the National Guard deployed in Washington and more than 20 states. In a private call, Mr Trump berated state governors for not clamping down hard enough on the worst civil unrest for more than 50 years, telling them they had to "dominate" the protesters, according to US media.

On Friday, the president posted on Facebook and Twitter that he would respond to violence with military force, saying: "When the looting starts, the shooting starts." While Twitter slapped a warning on the post and hid it from view, Facebook left the message intact.

Over the weekend, Facebook employees contrasted their company's stance unfavourably with Twitter's, which last week also labelled two of Mr Trump's other tweets as potentially misleading.

Ryan Freitas, who leads Facebook's News Feed design team, tweeted: "Mark is wrong, and I will endeavor in the loudest possible way to change his mind."

Jason Toff, who joined Facebook as a director of product management a year ago, pointed to a broader upsurge of employee activism inside the company.

A memorial honouring George Floyd, at the spot where he was taken into custody
Carlos Barria/Reuters

"I work at Facebook and I am not proud of how we're showing up," he tweeted. "The majority of co-workers I've spoken to feel the same way. We are making our voice heard."

The protest inside the largest social media platform forced Mr Zuckerberg to post two messages within three days — one to explain his decision and another which offered a $10m donation to groups working on racial justice.

Tech staff have proved to be a potent force for change in Silicon Valley. Companies such as Google, Microsoft and Amazon have been targeted by their employees over workplace conditions, climate change and military contracts.

Companies across the industry voiced support for anti-racism and criminal justice campaigns, through messages to staff, on homepages or official social media accounts. More unusually, the chief executives of a range of companies including Goldman Sachs, BlackRock and Shake Shack joined the chorus.

On Friday night, Mr Zuckerberg wrote on his own Facebook profile that he had been "struggling with how to respond" to Mr Trump's posts.

"Our position is that we should enable as much expression as possible unless it will cause imminent risk of specific harms or dangers spelled out in clear policies," he said. "I disagree strongly with how the President spoke about this, but I believe people should be able to see this for themselves, because ultimately accountability for those in positions of power can only happen when their speech is scrutinized in the open."

US riots page 3

> 'The outcome of this year's presidential election really will matter to the future of racial justice in America, as will the tactics employed by the candidates'

Gideon Rachman
Page 15

Briefing

Saudi spree dents reserves by $21bn
Net foreign reserves have taken a hit after Riyadh transferred billions of dollars to its sovereign wealth fund to finance its aggressive move to snap up global assets cheaply amid the pandemic.— PAGE 4

Transmission study backs precautions
Research in British medical journal The Lancet has shown a two-metre distance is much more effective at cutting transmission of Covid-19 than one metre. It also backed face and eye protection.— PAGE 2

Elite summoned to Davos in January
The World Economic Forum has vowed to stage its annual meeting, despite speculation by some of the globetrotting elite that this year's gathering was instrumental in spreading coronavirus.— PAGE 4

Ted Baker in £95m crisis cash call

The upmarket UK fashion chain has said it plans to raise more than its listed equity in a £95m cash call to see it through the crisis, as it reported an £80m loss for last year.— PAGE 5

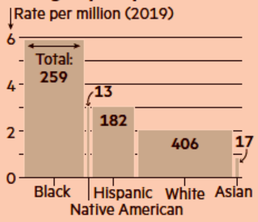
Games deal powers Silicon Valley wave
Words with Friends and *FarmVille* creator Zynga is making its biggest acquisition, paying $1.8bn for Turkey-based Peak Games, maker of *Toon Blast*, as video games boom under lockdown.— PAGE 5

Johnson plans crunch Brexit talks
British officials have said that the prime minister plans crunch talks with Ursula von der Leyen, European Commission president, this month in a bid to unblock post-Brexit trade talks.— PAGE 4

Permian Basin pollution set to halve
Analysis has shown that natural gas pollution in the southwestern US oilfield which is the world's most prolific will soon halve. Gas is recovered as a byproduct of drilling and often flared off.— PAGE 4

Datawatch

Killings by US police



Excludes 'other'
Source: Mappingpoliceviolence.org

Last year, 1,099 Americans were known to have been killed by the police. More than a third were white. But when accounting for composition of the population, black Americans were three times more likely to die than white

Hong Kong accused of using lockdown to ban Tiananmen vigil and stifle dissent

RAVI MATTU AND
NICOLLE LIU — HONG KONG

Hong Kong has banned the annual vigil marking the Tiananmen Square massacre for the first time, sparking claims that the authorities are exploiting the coronavirus pandemic to stifle dissent.

The June 4 ceremony, which draws tens of thousands, is the world's largest commemoration of those lost in Beijing's 1989 crackdown on pro-democracy protesters. Hong Kong and Macau, where smaller events have also been cancelled, are the only jurisdictions in China where such memorials are allowed.

The decision to ban the event comes just days after Beijing pushed through a plan to impose national security legislation on the territory after months of pro-democracy protests last year.

Beijing claims the measures are needed to counter separatism, "subversion of state power, terrorism or interference by foreign countries or outside influences". Critics say they are contrary to the "one country, two systems" framework established in the 1997 handover of the territory by the UK.

Police said the ban would prevent coronavirus infections in a city that has contained the pandemic. There were five locally transmitted infections this week after more than two weeks with no local cases, taking total infections to 1,088 and the death toll to four.

The Hong Kong Alliance in Support of Patriotic Democratic Movements in China, which organises the Tiananmen vigil, said the health crisis was an excuse to block the event at a time when Beijing wanted to assert its authority.

"This is obviously an excuse to suppress protest assemblies," said Lee Cheuk-yan, who chairs the alliance. "The police have no reasonable arguments to ban our public assembly."

The group has called on people to join the commemoration online and hold candlelit vigils across the city.

Amnesty International, the human rights group, said an outright ban was unnecessary. "Covid-19 must not be used as an excuse to stifle freedom of expression," said Joshua Rosenzweig, deputy director for east and south-east Asia. "Hong Kong authorities should help facilitate a socially distanced Tiananmen vigil rather than outright banning it."

In recent weeks, social distancing rules have been eased, with public gatherings limited to eight people. But enforcement of such measures has been light, and venues including restaurants, bars and schools have reopened.

Female-led funds have the edge in coronavirus crisis

A cluster of hedge funds managed by women have outperformed those run by men during the Covid-19 pandemic, fuelling the debate over the industry's lack of progress in addressing its gender imbalance. One observer says limiting losses is "a key attribute that the female managers have been able to deliver". The figures appear to bear that out but others say there are not enough women in charge of funds to provide significant data.

Analysis ▸ PAGE 8

World Markets

STOCK MARKETS

	Jun 1	prev	%chg
S&P 500	3050.19	3044.31	0.19
Nasdaq Composite	9529.09	9489.87	0.41
Dow Jones Ind	25437.53	25383.11	0.21
FTSEurofirst 300	1378.67	1362.93	1.15
Euro Stoxx 50	3078.75	3050.20	0.94
FTSE 100	6166.42	6076.60	1.48
FTSE All-Share	3412.50	3363.67	1.45
CAC 40	4762.78	4695.43	1.43
Xetra Dax	11586.85	11781.13	-1.65
Nikkei	22062.39	21877.89	0.84
Hang Seng	23732.52	22961.47	3.36
MSCI World $	2147.88	2148.33	-0.02
MSCI EM $	930.35	925.34	0.54
MSCI ACWI $	509.47	509.25	0.04

CURRENCIES

	Jun 1	prev		Jun 1	prev
$ per €	1.114	1.112	£ per $	0.801	0.809
$ per £	1.248	1.236	€ per £	1.121	1.111
£ per €	0.892	0.900	¥ per €	119.789	119.839
¥ per $	107.555	107.735	£ index	76.764	76.769
¥ per £	134.261	133.192	SFr per £	1.199	1.188
SFr per €	1.070	1.069			
€ per $	0.898	0.899			

COMMODITIES

	Jun 1	prev	%chg
Oil WTI $	34.73	35.49	-2.14
Oil Brent $	37.74	37.84	-0.26
Gold $	1728.70	1717.35	0.66

INTEREST RATES

	price	yield	chg
US Gov 10 yr		0.67	0.02
UK Gov 10 yr		0.23	0.05
Ger Gov 10 yr	104.53	-0.40	0.05
Jpn Gov 10 yr		0.01	0.00
US Gov 30 yr	130.85	1.46	0.03
Ger Gov 2 yr	104.91	-0.67	0.00

	price	prev	chg
Fed Funds Eff	0.05	0.65	-0.60
US 3m Bills	0.14	0.15	-0.01
Euro Libor 3m	-0.35	-0.35	0.00
UK 3m	0.23	0.24	-0.01

Prices are latest for edition — Data provided by Morningstar

A Nikkei Company

Subscribe In print and online
www.ft.com/subsusa
Tel: 1 800 628 8088

For the latest news go to
www.ft.com

No: 40,415 ★

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

21500>
6 14919 00001 5

INTERNATIONAL

CORONAVIRUS ROUND-UP

Talks begin between Opec and Russia on extending curbs in oil production

Saudi Arabia-led Opec and Russia are in talks to discuss extending cuts in their output as resource-rich nations seek to stabilise the oil market during the pandemic.

Rather than tapering the cuts from July, delegates are in talks about extending production curbs that took effect in May by one to three months, two people briefed on the matter said. Countries are also discussing moving forward next week's virtual meeting of the so-called Opec+ group to June 4, they said.

US manufacturing still contracting in May but slower than previous month

The US manufacturing sector contracted for the third consecutive month in May, but activity improved from an 11-year low as states began to reopen from lockdowns gradually.

The Institute for Supply Management said its index of factory activity edged up to 43.1 last month, compared with 41.5 in April, which had been the lowest level since April 2009. Economists polled by Thomson Reuters were looking for a stronger reading of 43.6.

Vatican splendours on show again

Visitors admire the frescoes in the Sistine Chapel yesterday as the Vatican Museum in Rome reopened after three months of shutdown.

Japanese monthly PMI figure at lowest point in more than a decade

The impact of Covid-19 on Japanese industry is becoming apparent after the purchasing managers' index for manufacturing hit its lowest since March 2009 at 38.4. It was the fourth monthly fall in a row, suggesting the slump in global demand is feeding through to an industrial recession in Asia's largest advanced economy.

The figure is based on a monthly survey of purchasing managers at 400 companies. Figures below 50 indicate weakening activity.

India's credit rating cut to bottom level as growth prospects deteriorate

Moody's has downgraded India's credit rating to the lowest investment level as the country faces a prolonged spell of muted economic growth. The agency cut the rating from Baa2 to Baa3, the last remaining investment grade, and maintained the negative outlook that was introduced last year. It said the seeds of the downgrade preceded the pandemic. "India faces a prolonged period of slower growth relative to the country's potential, rising debt, further weakening of debt affordability and persistent stress in parts of the financial system."

Cases so far:

6,217,949

cases and 373,032 deaths as at 17.32 GMT June 1
Source: Johns Hopkins University

Read more at ft.com/coronavirus

Covid-19

Research supports 2-metre distancing

Face and eye protection reduces infection risk significantly, study finds

ANNA GROSS — LONDON

A two-metre distance is significantly more effective at reducing the transmission of Covid-19 than one metre, according to the most comprehensive study of viral transmission to date published yesterday in The Lancet.

Wearing face and eye protection also significantly reduces the risk of transmitting the virus, according to the peer-reviewed paper, based on 172 observational studies of virus behaviour in community and healthcare settings.

"The overwhelming message is that physical measures are effective in preventing Covid-19," said Trish Greenhalgh, professor of primary care health services at the University of Oxford.

"This is a major step forward in our knowledge, since previous meta-analyses were mainly based on prevention of influenza and other diseases which don't behave the same way as the Covid-19 virus."

The study has been released at a time when governments debate regulations for safe distance between individuals during work and social events, as they seek to lift lockdown restrictions.

It also outlines the efficacy of face and eye protections for key workers and the public, amid tensions over where scarce materials can best be deployed.

The risk of infection when individuals stand at least a metre away from the infected individual was 3 per cent, compared with 13 per cent if they are within a metre.

Every extra metre of distancing is likely to cut the risk in half again, the researchers found.

Face shields, goggles and glasses reduced the risk of infection from 16 to 6 per cent, the findings suggest, while the use of face masks reduced the rate of infection from 17 to 3 per cent.

For healthcare workers, who are six times more likely to be infected with the virus than others, respirators and multilayer masks, such as N95s and FFP2s, provide greater protection than surgical and reusable cotton or gauze masks, according to the study.

"This has implications for all care providers and supports calls for increased production and equitable access to these respirators," said Derek Chu, lead author on the study and clinician scientist of clinical immunology at McMaster University in Canada.

He noted, however, that the benefits of higher-quality protective equipment would have to be weighed against some of the reported challenges, such as discomfort, unclear communication and patients finding caregivers less empathetic.

> 'The message is that physical measures are effective in preventing Covid-19'

Mr Chu added that effective eye protection has been overlooked by policymakers and needs to be taken more seriously when preparing for future waves of the pandemic.

Experts believe that Covid-19 is spread via respiratory droplets emitted by coughing and sneezing, which enter through the eyes, mouth and nose, although there is continuing debate about how much infection is caused by smaller particles in the air, known as aerosol spreading.

The authors of the study warned that the evidence was not conclusive, and that other measures, such as physical distancing, are most effective at reducing the spread of the virus.

Economy. Pandemic impact

Ireland on track for deepest recession

Coronavirus hit to growth stokes tensions over spending as parties try to form coalition

ARTHUR BEESLEY — DUBLIN

Ireland fought hard to control its towering debt load after the financial crisis, but coronavirus has plunged its finances back into deficit and pushed many out of work, sparking fierce political debate about what spending to cut and how large any reductions should be.

The economic consequences of the pandemic are set to push Ireland into its worst recession, with gross domestic product forecast to fall 12.4 per cent this year and possibly as much as 17 per cent, says the Economic & Social Research Institute think-tank in Dublin.

It is a sharp turnround for a country that had rebounded from an international bailout and a €29.8bn austerity drive to achieve full employment and a budget surplus before Covid-19 struck.

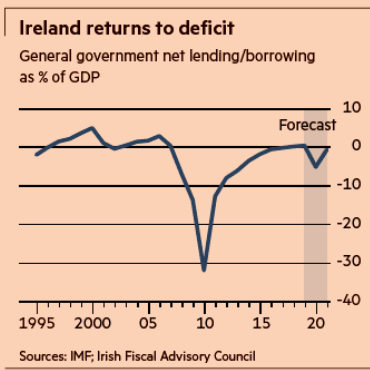
"The scale of the shock that we have faced is completely unprecedented and without equivalent in modern economic times," said Conor O'Toole, senior researcher at the ESRI.

The challenge is a central focus for Ireland's political leaders, who are trying to form a coalition government in difficult, slow-moving talks that could lead to a deal by mid-June. At issue is a deficit reduction plan to kick in from 2022 or 2023 after a stimulus package, but it remains unclear whether there will be specific dated targets. One person close to the talks said the deficit question was a "key area of sensitivity" in the negotiations.

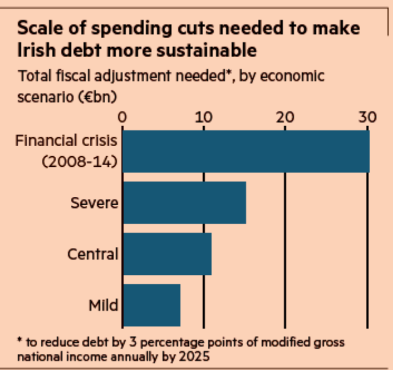
Economists say the country should aim to turn the corner within two to three years, which will need a big stimulus plan. They also warn that Dublin will have to cut spending or raise taxes once growth is restored, in a bid yet again to tackle the national debt.

"The next government will need to make some important and difficult decisions about its competing spending and tax objectives," said Sebastian Barnes, acting chairman of the Irish Fiscal Advisory Council, a statutory budget oversight body.

The quayside area in Dublin's city centre. Coronavirus has plunged Ireland's finances back into deficit
Paul Faith/AFP



Sources: IMF; Irish Fiscal Advisory Council



* to reduce debt by 3 percentage points of modified gross national income annually by 2025

He estimated that a sum "of the order" of €10bn in stimulus could be needed over a two-year period to help restore the economy to growth, but warned the incoming government would then face €2bn-€3bn in "fiscal adjustments" annually for three or four years.

However, the council is optimistic that the austerity of the post-2008 period can be avoided; it could take two to three-and-a-half years to regain pre-coronavirus levels of activity — a far sharper recovery than the 11 years it took to recover from the financial crisis.

This leaves politicians with the difficult decision of how to make the necessary budget adjustments given that the spending cutbacks and tax increases that followed the 2008 crash remain politically controversial. The election in February was fought over spending plans developed at a time of budget surpluses and forecasts of rapid growth, making it even harder for parties in a coalition agreement to decide on cuts.

Political analyst Theresa Reidy of University College Cork said the dominant issue now was Ireland's "fiscal black hole". She added: "The election campaign was built around a best-case scenario in terms of growth. In terms of what we're seeing now, to call it a worst-case scenario doesn't fully capture the extent of the economic impact."

Leo Varadkar's Fine Gael trailed into third place in the election behind the centrist Fianna Fáil, which won the most seats in the Dáil assembly, and Sinn Féin Irish nationalists, who won the popular vote. Fine Gael and Fianna Fáil have been in coalition talks for several weeks with the Green party. Mr Varadkar and Micheál Martin, Fianna Fáil's leader, refused talks with Sinn Féin.

With plans under discussion to build more social housing, boost healthcare and invest in environmental retrofitting of houses, Dublin hopes the next government will benefit from EU pandemic recovery efforts. On Wednesday, Mr Varadkar said he welcomed the "broad thrust" of plans from Ursula von der Leyen, European Commission president, to borrow €750bn. "We need to kick-start economic and social recovery and get funds flowing to the sectors and regions that need them most," he said.

But even as the fiscal council and ESRI called for a stimulus plan from the next government, the prime minister said one of its first decisions would be to taper special coronavirus welfare payments that were introduced in March as almost 600,000 lost work during the lockdown.

"We face a summer of discontent as the economic issues crystallise," said Ms Reidy. "The nation is in a kind of crisis mode — very different to normal politics. As the pandemic supports are unwound, the realities of the economic impact are going to become much more evident for individual voters."

Kieran McQuinn, ESRI research professor, said the focus for the next couple of years should be on stabilising the economy, maintaining income support mechanisms and reigniting activity.

"The incoming government needs to be aware that at some stage there will be a need for some fiscal adjustment down the road," he said. But adjustments too soon could compound the coronavirus shock. "That's the key balancing act that has got to be achieved. It's not easy, for sure," he said.

FINANCIAL TIMES
330 Hudson Street,
New York, NY 10013

Subscriptions and Customer Service
Tel: +1 800 628 8088
uscirculation@ft.com, www.ft.com/subsusa
Advertising
Tel: +1 917 551 5040
usads@ft.com
Letters to the editor
letters.editor@ft.com
Executive appointments
www.exec-appointments.com

Published by
F.T. Publications Inc.
330 Hudson St, New York,
NY 10013, USA;
Tel: +1 917-551-5000;
Editor: Roula Khalaf

Printed by
Blue Island Newspaper Printing, Harvey, IL
Evergreen Printing Company, Bellmawr, NJ
Southwest Offset Printing, San Jose, CA
Sun Publication Inc, Lakeland, FL
Published daily except Sundays, New Year's Day, Good Friday, Independence Day, Thanksgiving, the day after Thanksgiving, Christmas Day and the day after Christmas Day.

US subscription rates, 1 year $406. Periodicals postage paid at New York, NY and at additional mailing offices; Post-Master. Send address changes to F.T. Publications Inc., PO Box 469, Newburgh, NY 12551; USPS number, 190640; ISSN# 09159460.

Governance

Swiss choice on tougher ethics rules puts companies on edge

SAM JONES — ZURICH

Some of the world's biggest companies, from Nestlé to Glencore, face the prospect of tougher ethical regulations in Switzerland, as a four-year debate over business practices comes to a head in parliament this month.

MPs have less than three weeks to thrash out a compromise to a proposed change to the law brought by the Responsible Business Initiative (KVI).

The proposal will make businesses in Switzerland legally liable and "guilty until proven innocent" for abuses of human and environmental rights anywhere in their supply chains around the world — whether at subsidiaries or third-party companies.

The Responsible Business Initiative emerged in 2016 as a result of Switzerland's direct democratic process garnering the support of more than 100,000 citizens, the threshold for triggering a referendum.

Under Switzerland's constitution, its lawmakers have the right to formulate an alternative to the popular proposal. If the initiative's sponsors agree to the parliamentary compromise, the proposal becomes law. If the initiative's sponsors do not, their original proposal is submitted for a popular referendum.

But factions within parliament have not even been able to agree themselves, meaning the stage is set for a high-stakes nationwide vote on the most radical formulation of the law. "It's an extremely hot issue," said Mark Pieth, a legal professor at the University of Basel's Institute of Governance. "It's at a tipping point and if industry were sensible they would push for a compromise [in parliament] next week."

Critics say the proposed changes would impose crippling legal liabilities on businesses for abuses far beyond their control, and turn Switzerland into a centre for activists trying to "blackmail" some of the world's biggest multinationals.

Supporters argue the move will put Switzerland at the forefront of a global change. It will force businesses to account for their conduct, and prevent the Alpine country from becoming an international pariah as investors and other developed nations alter their ideas about good business practice.

Countries across the developed world have begun to put in place wide-ranging laws to enforce greater corporate, social and ethical responsibility. Switzerland has resisted greater legislation, in part because the introduction of such rules could have serious implications for businesses around the world.

Switzerland is a global hub for the trading of commodities and home to some of the world's biggest multinationals in industries from finance to pharmaceuticals and consumer goods to fashion. Swiss companies such as Nestlé, Roche, Glencore, Credit Suisse, Richemont and Syngenta, with subsidiaries across the globe, will all be caught by whatever option Bern chooses.

Businesses such as Nestlé and their subsidiaries face stricter regulations

"Switzerland will be left behind if it does not legislate on this," said Vincent Kaufmann, chief executive of the Ethos Foundation, a leading Swiss ethical investment adviser. "You have regulation like this going on everywhere — such as the modern slavery act in the UK. We are already late in Switzerland. If we adopt nothing, we will be lagging . . . . this is the direction of the trend."

Polling indicates that support in Switzerland for the original, hardline text of the KVI is high: an independent poll conducted last month found that 78 per cent of respondents were supportive of enforcing the new requirements on big business.

"It is not a left-right struggle as you might think," said Mr Pieth. "There are already 120 Swiss NGOs which have come out in support of it, including all of the country's churches. People generally seem to be in favour. The attitude among a lot of ordinary Swiss is that 'we are fed up of our territory being misused by these big anonymous international businesses like Glencore. We don't need that money'."

US RIOTS

America's inequalities burst into the open in worst uprisings for 50 years

Violent events and protests force US to confront racial divisions and police brutality

JOSHUA CHAFFIN AND JAMES FONTANELLA-KHAN — NEW YORK

The worst civil uprisings in the US in more than half a century are forcing Americans to confront deep-rooted problems of racial inequality and police brutality — all while reeling from a pandemic that has killed more than 100,000 of their fellow citizens and shattered the economy.

Protests over the death of George Floyd, an unarmed black man, at the hands of Minneapolis police began peacefully but disintegrated into violence and looting in dozens of cities.

"Last night . . . was an ugly night all across the nation," said Andrew Cuomo, New York governor, adding that "the real issue is the continuing racism in this country. And it is chronic and it is endemic and it is institutional."

In New York City, where police cars were overturned, and banks and other businesses were attacked, some argued that it was the first time since the administration of Mayor David Dinkins in 1991 that police appeared to have lost control of the situation.

"We haven't seen this New York in a long time," said Mitchell Moss, an urban studies professor at New York University.

The turmoil also spread to smaller cities such as Salt Lake City, Utah, where the mayor imposed a curfew until yesterday morning.

In Rochester, a city of 200,000 in upstate New York, mayor Lovely Warren requested a further 200 state police troops after dozens of businesses were attacked on Saturday night, with cars set ablaze and police struggling to cope.

"We are not going to tolerate this unrest in our city," said Ms Warren, who is black. She blamed "outsiders" for hijacking what had been a peaceful protest.

Christopher Hayes, a professor of urban history at New Jersey's Rutgers University, said the upheaval was the worst since the civil rights era.

"In terms of the widespread nature of this, you would have to go back to 1968, when Dr [Martin Luther] King was assassinated," he said. "What that shows us is this Minneapolis situation is an American story."

Floyd's death — and its aftermath — bore a depressing similarity to other cases of police violence against African-Americans, including Rodney King in Los Angeles, Abner Louima, Amadou Diallo, Sean Bell and Eric Garner in New York, and Michael Brown in Ferguson, Missouri, to name a few.

It came as many were still digesting the horror of a video showing Ahmaud Arbery being shot dead in February by a Georgia man and his father, a retired law enforcement official. They had attempted to detain Arberry as he jogged through their neighbourhood in daylight. What may distinguish the reaction to Floyd's case is the quality of the video that captured his death. It shows police officer Derek Chauvin kneeling on Floyd's neck for eight minutes and 46 seconds — as he pleaded for breath.

Protests across the US over the death of George Floyd, an unarmed black man, at the hands of police in Minneapolis spread at the weekend to Washington DC, above, and in front of the White House
Roberto Schmidt/AFP/Getty

The footage is so disturbing that even conservative commentators who typically rush to defend the police have largely stood down. Some police officers have even publicly condemned their Minneapolis brethren.

"You can watch the slow-motion destruction of this guy's life," said Prof Hayes, author of a forthcoming book, *We Are Home*, about the killing of a black man that set off riots in Harlem and Bedford-Stuyvesant in 1964. "It has all the trappings of an old time lynching."

To many observers, the Floyd protests and coronavirus pandemic are entwined as examples of America's seemingly intractable inequality.

Statistics show that black and Hispanic communities have suffered disproportionately from the pandemic. As Mr Cuomo noted last week, the infection rate in parts of Brooklyn and Queens exceeds 40 per cent — or more than double that of the city at large. That discrepancy has been attributed to poverty.

Floyd's death may have also tapped into despair caused by the pandemic, which has resulted in millions losing their jobs. As Mr Moss said: "There's a lot of anger and economic pain, and it's all coming out."

For minority communities, that devastation is compounded by a sense that a president who defended white nationalists carrying torches at a 2017 rally in Charlottesville, Virginia, cares little about their plight.

"We are at a pivotal point in our society where an optimistic outcome would be one where we bend towards justice — or we may bend towards something not akin to justice, like fascism," said Darrick Hamilton, executive director of the Kirwan Institute for the Study of Race and Ethnicity at Ohio State University.

Given the extent and nature of the protests, authorities struggled for solutions. An aggressive police response could restore order, or backfire by prompting more anger.

"This is a moment in America that can't just lead to a momentary outrage," Senator Cory Booker told CNN on Sunday, adding that he was preparing legislation to create a national registry of police misconduct.

Many, including Prof Hayes, argued that authorities should, at a minimum, move swiftly to arrest the three officers accompanying Mr Chauvin, who was charged with third-degree murder on Friday — four days after Floyd's death. That, he argued, would at least signal to the public that some measure of justice was forthcoming. "Stopping the police from executing people in the streets is an incredibly low bar," he said.

> 'The real issue is the continuing racism in this country. And it is chronic and it is endemic and it is institutional'

> 'You can watch the slow-motion destruction of this guy's life. It has all the trappings of an old time lynching'

Other ideas have been discussed in the past but would be more contentious, such as limiting the power of police unions that make it exceedingly difficult to dismiss officers for all but the most egregious conduct.

It took nearly five years, for example, for the New York City Police Department to fire Daniel Pantaleo, the officer who killed Eric Garner in 2014 after applying an aggressive chokehold that caused an asthma attack. Garner, a black father of six, had been accused of selling loose cigarettes. His death incited protests and led Mayor Bill de Blasio to introduce reforms, including extra police training, a civilian review board and requiring officers to wear cameras.

Alex Vitale, a Brooklyn College sociologist and author of *The End of Policing*, said those measures had failed, in part due to the growing political and financial clout of police departments.

Danielle Purifoy, an organiser with Durham Beyond Policing Coalition, a grassroots group in North Carolina, argued American policing was beyond reform because its origins were racist.

"The dominant narrative around policing is that it's broken," said Ms Purifoy. "The reality is that it's actually working exactly the way that it was intended to work."

US society

Businesses join outrage over police killings of black people

ANDREW EDGECLIFFE-JOHNSON
NEW YORK

Protests over the police killings of George Floyd and other unarmed black people have spread to US boardrooms, prompting dozens of executives to express solidarity and vow to address inequalities in their companies.

Business leaders have become less wary in recent years about speaking out on the country's most divisive social issues, from immigration to gun control. Floyd's death under the knee of a Minneapolis police officer has elicited an unusually broad and vocal response.

Mark Mason, chief financial officer of Citigroup, used the bank's blog to share Floyd's last words — "I can't breathe" — and to express the need for business leaders to confront systemic racism.

"The killings of George Floyd in Minnesota, Ahmaud Arbery in Georgia and Breonna Taylor in Kentucky are reminders of the dangers black Americans like me face in living our daily lives."

Some companies devoted advertising resources to responding to the crisis, with Nike, whose slogan is "Just Do It", distributing a video telling Americans: "For once, Don't Do It. Don't pretend there's not a problem in America." Rival Adidas retweeted the ad with the words: "Together is how we make change."

Across social media, the US's disproportionately white group of company leaders pronounced themselves "allies" in the fight against inequality and declared that "black lives matter".

Randy Garutti, chief executive of fast-food chain Shake Shack, said on Instagram he was "fully aware of my station in life as a white leader" and the need to use his platform for change.

Several chief executives announced donations to groups fighting injustice. Slack chief Stewart Butterfield called for reforms to police training, lamenting cases of "outrageous initiation or escalation of violence" by some officers.

Rick Smith, chief and founder of Axon Enterprise, which sells Taser stun guns to police, expressed empathy for those angered by the "indefensible use of force" that led to Floyd's death.

Dara Khosrowshahi, chief of Uber, said the ride-hailing company would also donate $1m to two groups working to make the criminal justice system more equitable.

The Business Roundtable, a Washington lobby group, said: "[Our] CEOs are deeply concerned about the racial bias that continues to plague our society." Other business leaders resolved to boost their commitment to inclusion.

Kevin Johnson, Starbucks' chief executive, said 2,000 employees had joined an online forum he called over the weekend "to make sense of what is happening in our society".

Disney's chairman, chief executive and chief diversity officer said the media group would strengthen its commitment to diversity, "for as long as it takes to bring about real change".

Additional reporting by Laura Noonan in New York and Kadhim Shubber in Washington

Video footage

Outsiders accused of inciting violent protests

CLAIRE BUSHEY — CHICAGO

The internet has christened him "Umbrella Man". The video shows him in a gas mask, strolling next to a car supply store in Minneapolis, knocking out its windows with a hammer.

Some speculated the white man was a member of a far-left group, others that he was a policeman, a rumour the Saint Paul Police Department denied.

Like Umbrella Man's identity, attendance at the civil rights protests and riots that have swept the US is a matter of increasing scrutiny. The types reportedly appearing in Minneapolis — beyond the thousands outraged at the police killing of another black American — include anarchists, Antifa (anti-fascist) activists, white supremacists and agents provocateurs.

The labels came from the political right and left. US attorney-general William Barr said he planned to prosecute "far-left extremist groups" involved in the unrest, while president Donald Trump took to Twitter on Sunday saying: "These people are ANARCHISTS".

The Minnesota chapter of the American Civil Liberties Union on Saturday decried "white supremacists co-opting this tragedy", while the National Association for the Advancement of Colored People said the community was "under attack from outside instigators".

On Sunday morning, Democratic Governor Tim Walz justified extending the curfew another night by saying "bad actors continue to infiltrate the rightful protests of George Floyd's murder". Yet local reporting by the Star Tribune found that of the 57 arrests on Saturday related to protests and rioting, 47 were for Minnesotans.

The protests began after a video was posted online of police officer Derek

Demonstrators at the US Embassy in London protest over the killing of George Floyd in Minneapolis

Chauvin kneeling for more than eight minutes on the neck of George Floyd, who pleaded for air. On Thursday night, people set multiple fires and looted stores, leading Mr Walz to mobilise the National Guard. Protests and rioting spread to cities throughout the US.

The question of who is at the protests, or riots, is critical, because it affects public perception of any resulting damage, said Danielle Kilgo, a journalism professor at University of Minnesota.

"If we don't have a clear party to blame for something that is so negatively thought of, like a riot, then we blame everyone to some degree," she said. "We have a legitimate grievance, we have a terrible tragedy, . . . and it gets lost if other people join that cause for any other reason."

One known member of the Boogaloo Bois — an anti-government group that advocates civil war in the US — along with 15 associates was in Minneapolis, said Alexander Reid Ross of the Centre for Analysis of the Radical Right who has watched footage of the protests. While claiming to be anti-racist, it exists within the racist ecosystem of the far-right fringe.

Neo-Nazis and fascists turned up at protests in New York, Portland, Dallas and Toronto, Mr Ross said. "It very much looks like people who are part of the Boogaloo movement are joining these protests in order to incite violence and accelerate the tensions of US political society."

There has also been tension between protesters over who will bear the consequences for vandalism and arson. A video that went viral on Sunday shows a young black woman confronting two white protesters spray-painting the acronym for Black Lives Matter on a Starbucks in an unnamed city.

"They going to blame black people for this, when black people didn't do it," the woman said. "Stuff like this ain't right."

Additional reporting by Laura Noonan in New York

Beijing taunts

China mocks Trump over response to unrest

TOM MITCHELL — SINGAPORE
XINNING LIU — BEIJING

Chinese officials and state media have savaged the Trump administration's response to violent protests raging across the US, describing the president as a hypocrite after he supported Hong Kong's demonstrations.

In a tweet directed at US state department spokeswoman Morgan Ortagus, who said Beijing had "flagrantly broken its promises to the people of Hong Kong" with its plan to impose a new security law in the territory, her counterpart at China's foreign ministry, Hua Chunying, wrote "I can't breathe".

Those were the final words of George Floyd, the African-American whose death while being detained by Minneapolis police officers sparked violent confrontations in dozens of US cities.

"After just three days of rioting in Minneapolis, President Trump threatened to shoot protesters," a commentary in the nationalist tabloid Global Times observed, in a reference to the president's tweet that "when the looting starts the shooting starts".

By contrast, the newspaper noted, in more than six months of often violent demonstrations in Hong Kong, just one protester had been shot when he allegedly struck the arm of an officer who had drawn his service revolver in self-defence. The protester survived. On the same day that Beijing criticised the US, police in Hong Kong banned a mass vigil on Thursday to commemorate the 1989 Tiananmen Square massacre. Police cited Covid-19 pandemic restrictions for banning the annual gathering.

Lau Cha-kei, a Hong Kong policeman whose stand-offs with protesters last year made him a hero in mainland China, said on Sina Weibo, China's Twitter equivalent: "When the same situation [in the US] happened in Hong Kong last year, [our tough police response] was called suppression of freedom."

> 'Should Beijing support protests in the US like your glorified rioters in Hong Kong?'

Twitter is blocked by China's "great firewall" internet censorship regime, although Ms Hua and other "wolf warrior" diplomats routinely use it to fire back at US officials and other critics.

For Chinese officials and the propaganda organs they control, the chaos across the US was perfectly timed.

On Friday, Mr Trump had attempted to focus the world's attention on the punitive measures he was directing at China for allegedly undermining Hong Kong's autonomy with a strict new national security law. Within 24 hours however, global headlines were dominated by the violent scenes from the US.

Hu Xijin, editor of the Global Times, also mocked comments by Nancy Pelosi, Speaker of the House of Representatives, who said the protests in Hong Kong were "a beautiful sight to behold".

"The 'beautiful sight' defined by US politicians has eventually extended from Hong Kong to the US," Mr Hu said on Twitter. "I want to ask Speaker Pelosi and Secretary [of State Mike] Pompeo: should Beijing support protests in the US like your glorified rioters in Hong Kong?"

Nationalist commentators on Chinese social media largely echoed government and state media criticism of the Trump administration's Hong Kong policy in light of the riots erupting across the US.

Other Chinese internet users, however, noted the irony that Beijing's diplomats and media outlets could take to Twitter while they legally could not.

Ordinary citizens have to use special software, which is widely used but technically illegal, to evade China's internet censorship regime. In response to Ms Hua's tweet of Mr Floyd's tragic utterance, some responded on Sina Weibo with the observation "I can't tweet".

Gideon Rachman See Opinion

Middle East

Saudi foreign reserves fall as spending rises

Kingdom shifts billions to buy assets in US and Europe at cheap prices

ANDREW ENGLAND
MIDDLE EAST EDITOR

Saudi Arabia's net foreign reserves fell by about $21bn in April after Riyadh transferred billions of dollars to its sovereign wealth fund to finance its overseas spending spree.

Figures released by the central bank late on Sunday revealed that the foreign reserves had fallen to $444bn, the second consecutive monthly decline. Net reserves fell by about $24bn in March.

The decline in April was expected after Mohammed al-Jadaan, finance minister, said on Friday that $40bn in foreign reserves had been transferred to the Public Investment Fund, which is aggressively buying stakes in US and European blue-chip companies as it seeks to take advantage of the global Covid-19 crisis to snap up assets cheaply. The transfer to the fund took place in March and April.

The use of Saudi Arabia's reserves to finance the PIF's activities is contentious as the kingdom grapples with its worst economic crisis in decades, some analysts say.

The world's top oil exporter has been battered by the twin shocks of coronavirus and the fall in crude prices. It is also indicative of the radical changes that have taken place under the leadership of Crown Prince Mohammed bin Salman, who chairs the PIF. Traditionally, the kingdom conservatively invested its reserves, which are managed by the Saudi Arabian Monetary Authority, and predominantly bought US Treasury bills and other low-risk and liquid assets.

"Risking the sovereign's reserves for uncertain returns is a very high-stakes game rarely done," said an analyst, who did not want to be named.

Economists estimate that the kingdom needs to keep its reserves above $300bn to preserve the riyal's dollar peg. The government, which insists it will maintain the peg, has introduced tough austerity measures, including cutting state spending, suspending civil servants' cost of living allowances and tripling value added tax to 15 per cent.

It is also ramping up its borrowing as it grapples with a budget deficit that is forecast to hit double digits this year.

The PIF, meanwhile, has spent at least $8bn buying stakes in global companies in the first three months of the year, including BP, Royal Dutch Shell, Total, Boeing, Citigroup, Disney, Facebook and Carnival, the cruise line operator.

John Sfakianakis, an authority on the Gulf at Cambridge university, said that Mr Jadaan's explanation on Friday for the decline of reserves was welcome.

"But on the other hand, the decline brings attention to the [potential] rate of reserve depletion in the months to come and the ability of the government to raise revenue in a crisis and contain fiscal excesses," he said.

"The decline in foreign reserves is always a worry, especially for pegged currencies such as in Saudi Arabia," Mr Sfakianakis added.

Mr Jadaan, who sits on the PIF board, told the Financial Times last week that the foreign currency transfer would provide dollar liquidity to the $325bn PIF to allow it to continue investing overseas, both "tactically" and for the "long term".

China. National security

Detentions alert Hong Kong to legal trap

Activists fear new laws will let Beijing suppress opposition in territory as it has on mainland

CHRISTIAN SHEPHERD — BEIJING

China's decision to foist national security legislation on Hong Kong has focused the attention of activists in the territory on Beijing's use of the law to silence political advocacy and dissent.

Human rights groups and legal experts said the security laws allowed the Communist party to crush opposition because the definitions of crimes such as subversion were so vague.

"The people of Hong Kong should prepare to cope with the varieties of arbitrary detention that have been inflicted on compatriots elsewhere in China who have tried to exercise freedoms of expression," wrote Jerome Cohen, an authority on Chinese law at New York University, in a blog post.

China's security laws were updated after Xi Jinping became president in 2012. Mr Xi said the changes were necessary to ward off threats to party rule from both within and outside China.

Human rights campaigners disagree. Yaqiu Wang, a researcher at Human Rights Watch, said: "The government has been abusing the laws. They target Chinese dissidents or Uighur activists with bogus charges. They use separatism or subversion to criminalise freedom of speech."

Among dissenting voices snuffed out by China's state security laws are Liu Xiaobo, winner of the 2010 Nobel Peace Prize, who was charged with inciting subversion in 2009. He died of liver cancer in 2017 while in police custody.

The Financial Times has profiled six people in jail or detained on national security grounds in the People's Republic of China.

Clockwise from left: supporters of Michael Spavor and Michael Kovrig in Vancouver; Ilham Tohti, a champion of Uighur rights; Huang Qi, who has been jailed three times; below, Yu Wensheng, detained after a secret trial — Linsey Wasson/Reuters

Yu Wensheng

The rights lawyer is part of a network of Chinese legal advocates targeted in a crackdown in the summer of 2015. Hundreds were detained and dozens jailed. He was detained and released without charge.

In 2018, Mr Yu was again taken away by police shortly after he called for an amendment to China's constitution to weaken Communist party rule.

Mr Yu was tried in secret last month, without representation from a lawyer of his choice, according to Xu Yan, his wife.

His sentence has not been announced.

Ilham Tohti

The former scholar at Minzu university in Beijing was jailed for life in 2014 for separatism.

Mr Tohti had written essays advocating gradual changes to political representation for the mostly Muslim Uighur minority, a Turkic-speaking people who live in Xinjiang in north-west China.

In the years since Mr Tohti was sentenced, China has intensified its security campaign in Xinjiang, detained more than 1m Uighurs and other Muslims in so-called re-education camps and jailed hundreds of thousands, many on national security grounds.

Li Ming-che

The pro-democracy activist in 2017 became the first Taiwanese citizen charged with state security crimes in the People's Republic of China since the law was revised in 2015.

Mr Li was sentenced to five years in prison for "inciting subversion of state power" by a court in Hunan province, in a case that worsened already frosty ties between Beijing and Taipei.

He was subjected to what rights groups labelled a "show trial" with the hearing and admission of guilt broadcast online. His wife, who lives in Taiwan, refused to recognise the court.

Michael Kovrig and Michael Spavor

The Canadian citizens were detained by Chinese authorities in December 2018.

Mr Kovrig, a diplomat turned analyst for International Crisis Group, and Mr Spavor, who ran cultural exchanges with North Korea, were accused of "engaging in activities that endanger China's state security". The charges were later refined, for Mr Kovrig to "spying", and for Mr Spavor, to "stealing state secrets".

Beijing has made no secret that the cases are connected to the arrest of Meng Wanzhou, chief financial officer of Huawei, by Canadian authorities at the request of the US.

Mr Kovrig had been splitting his time between Beijing and Hong Kong and was picked up by security personnel during a visit to the Chinese capital.

The men have been held in solitary confinement with limited consular access. Ms Meng was granted bail and has been living under surveillance in one of her Vancouver homes.

Huang Qi

The founder of the 64 Tianwang Human Rights Centre was sentenced in July 2019 to 12 years in prison for "intentionally leaking state secrets to foreign entities". It was Mr Huang's third prison sentence, having previously been jailed for "inciting subversion".

Mr Huang had been one of a cohort of citizen journalists who reported extensively on human rights abuses in China throughout the 2000s, including reporting on the deadly Wenchuan earthquake in 2008.

In April, Pu Wenqing, Mr Huang's mother, wrote an open letter asking to be allowed to visit her son because it was feared his health was deteriorating. Her request was denied by prison officials who cited Covid-19 restrictions, she said.

Brexit negotiations

Johnson heading for crunch talks with von der Leyen

GEORGE PARKER AND JIM PICKARD
LONDON
JAVIER ESPINOZA — BRUSSELS

Boris Johnson is planning crunch talks with Ursula von der Leyen, European Commission president, later this month in a bid to unblock post-Brexit trade negotiations, with British officials warning the haggling cannot be allowed to drag into the autumn.

British and EU negotiators begin their final scheduled round of trade talks today, but neither side is expecting a breakthrough. Instead, hopes are being invested in a "high level" political meeting this month to thrash out a way forward.

British officials said they hoped prime minister Mr Johnson and Ms von der Leyen would inject "political momentum" into talks that have foundered on disputes over issues such as fisheries and EU demands for common standards on state aid, workers' rights and the environment.

"We need a broad agreement in place by the summer," said one British official. "We can't still be having this conversation in September or October." Mr Johnson has insisted the post-Brexit transition period must end on December 31.

Brussels declined to comment on the format or the date of the "high level" talks, but Downing Street expects Mr Johnson to speak to the commission president in late June.

A European Council meeting on June 19 will allow EU27 member states to take stock of the progress of trade talks with Britain — one of the bloc's biggest trading partners — although the summit will be dominated by the union's response to coronavirus.

Michel Barnier, EU chief negotiator, told the Sunday Times newspaper that talks could break down unless Britain shifts its stance, particularly on the question of the "level playing field" regime which Brussels insists must underpin a trade agreement.

But Downing Street said the Brussels plan for a common regulatory framework was "novel and unbalanced" and was not reflected in any other EU trade.

"As soon as the EU accepts we will not conclude an agreement on that basis we will be able to make progress," Mr Johnson's spokesman said.

Although London believes Mr Barnier's team has shown some sign of movement on fisheries — the EU has so far demanded that the bloc's fishermen have continued access to UK waters after Brexit on current terms — the issue remains another big stumbling block.

The EU also wants to wrap fisheries and other issues into a single agreement, raising fears on the British side that Brussels will attempt to assert the role of the European Court of Justice in the governance of the deal.

Teams led by Mr Barnier and David Frost, Boris Johnson's chief negotiator, will hold virtual talks for the rest of the week with an update provided by both sides on Friday.

Meanwhile Sadiq Khan, the mayor of London, has written to cabinet office minister Michael Gove calling for an extension to the transition period.

Mr Khan urged Mr Gove to "put political ideology aside" and seek an extension to the negotiations to avoid more potential damage to the economy.

Environment

Flaring pollution at Permian Basin set to halve

MYLES MCCORMICK

Natural gas pollution at Permian Basin in the US, the world's most prolific oilfield, will halve in the coming months, providing an environmental upside to the crude price crash.

As tumbling demand forces producers to shut wells across the US, analysts say the amount of gas flared in the Permian Basin, which straddles New Mexico and Texas, will fall from 600m cubic feet a day at the start of the year to below 300m cubic feet in the second half.

The fall amounts to the gas required to heat half of homes in Texas. "In the second quarter we will definitely see a massive decline," said Artem Abramov, head of shale research at Rystad, an energy research group.

Gas recovered as a byproduct of oil drilling is often flared because a lack of infrastructure makes finding a market for it uneconomical. The practice emits carbon dioxide and where equipment is not up to scratch, can vent methane, which traps far more heat than CO_2, directly into the air.

The shale boom of the past decade has caused US oil production to soar, allowing President Donald Trump to boast of "energy independence. Output surpassed 13m barrels a day earlier this year, the Permian accounting for more than a third. But with the boom has come a rise in flaring. Regulators at the Texas Railroad Commission issued

Gas flared in the Permian Basin is expected to fall from 600m cubic feet a day to below 300m cubic feet

almost 7,000 licences last year — more than 20 times the figure a decade earlier. Among the biggest flarers on an absolute basis were ExxonMobil-owned XTO Energy, Diamondback E&P and Encana Oil and Gas, said the regulator.

But smaller, private equity-backed companies looking for quick returns tended to be the worst offenders, analysts said.

"Typically, companies that flare are undercapitalised," said Taku Ide, an analyst at the Rocky Mountain Institute, an environmental group. "Companies that have reputational risks will put in takeaway capacity and design systems that minimise venting and flaring."

In April, US benchmark crude traded in negative territory, and while prices have rallied slightly, West Texas Intermediate, the US marker, remains down by about half since January.

The price crash triggered a sharp fall in drilling activity — and with it flaring, but analysts are split over whether the environmental effects would be lasting.

Better infrastructure should reduce flaring when production picks up, said Mr Abramov.

But Colin Leyden of the Environmental Defense Fund said any benefits were likely to be shortlived.

"I don't think there is any doubt that flaring is decreasing in the short term," Mr Leyden said. "But if and when prices recover, there's no reason to expect it won't go back up. There has been no change in the underlying dynamics."

As with the drop in global greenhouse gases from lower industry and transport emissions during the lockdown, he added that "nobody expects it to hold".

World Economic Forum

Davos aims to coax the elite out of isolation

BILLY NAUMAN AND ANDREW EDGECLIFFE-JOHNSON — NEW YORK

The World Economic Forum has vowed to hold its annual meeting in Davos in January, promising an agenda that would expose the failings of capitalism and require attendees to each other to support the funding of infrastructure, healthcare and welfare.

Such events have been cancelled around the world since the pandemic began, with many chief executives expressing doubt that they will return to the conference circuit as before.

Some Davos-goers have even speculated that this year's meeting itself was instrumental in spreading the virus.

"I had this nightmare that somehow in Davos, all of us who went there, got it. And then we all left and spread it. The only good news from that is that it might just have killed the elite," Jamie Dimon, chairman and chief executive of JPMorgan Chase, joked at an investor meeting in February.

Klaus Schwab, the WEF's founder and executive chairman, dismissed that as a possibility in an interview with the Financial Times. The first case of Covid-19 in Switzerland was not recorded until February 23, nearly a month after the annual meeting had wrapped up, he noted. "I have a very good conscience in this respect," he said.

Mr Schwab said the WEF had tested among its members the idea of holding

'If we continue as we do now . . . I could foresee that we will have a revolt on our hands'

the meeting as usual in January. "We got, I would say, enthusiastic support, because it's clear you have to go back to a new normality," he said.

The gathering in the Swiss Alps would proceed only if the WEF could guarantee the safety and security of its participants, Mr Schwab stressed. But he expressed confidence that it could do so and argued that a face-to-face setting was the only effective way for the summit to proceed.

The purpose of the 2021 meeting would be to plot a "great reset of capitalism", Mr Schwab said, contending that the pandemic had laid bare the deficiencies of an "old system" that had neglected infrastructure, healthcare and social security systems.

"If we continue as we do now . . . I could foresee that we will have a revolt on our hands," he said.

Mr Schwab plans to launch an appeal tomorrow for global leaders to channel investments to "build better", suggesting that governments reassess the case for wealth taxes in highly unequal societies and end subsidies to fossil fuel industries.

The multilateralism that Davos has promoted for 50 years has been put under new pressure by the coronavirus pandemic, which has in turn led to nationalistic finger-pointing and deepened concerns about a decoupling of the Chinese and American economies.

However, Mr Schwab argued that this situation made international gatherings such as Davos only more important.

"In the end, everyone will be better off if we co-operate, compared to following an egoistic path," he added.

Jianguang Shen Land reform and opening the financial sector must be added to China's stimulus package ➜ MARKETS INSIGHT, PAGE 9

Companies & Markets

Zynga acquires Turkish video games group Peak for $1.8bn

- Move taps sector boom during crisis
- Deal creates Turkey's first 'unicorn'

TIM BRADSHAW — LONDON
LAURA PITEL — ANKARA

Zynga, the creator of *Words with Friends* and *FarmVille*, is making its biggest acquisition to date, paying $1.8bn for Peak Games as video games' popularity soars amid lockdowns.

The deal is the latest example of Silicon Valley's accelerating pace of mergers and acquisitions, as tech groups aim to take advantage of market turmoil during the virus emergency.

Istanbul-based Peak, maker of popular puzzle titles *Toon Blast* and *Toy Blast*, will add millions of players to Zynga's portfolio and bolster its position in the lucrative puzzle segment. *Toon Blast*, which ranks among the top-10 highest grossing mobile games, competes with the likes of King's *Candy Crush Saga* and Playrix's *Gardenscapes* in the so-called match three puzzle category.

'We're seeing elevated levels of engagement [and] nice levels of retention off of new cohorts'

The acquisition, which is split equally between cash and stock, is Zynga's largest since it paid $560m for Finland's Small Giant Games, which makes *Empires & Puzzles*.

At the same time as it announced the deal, Zynga nudged its full-year revenue guidance up by about 2 per cent to $1.69bn. Shares in Zynga, which had already jumped by 13 per cent on Friday, were up by just over 3 per cent in early trading in New York at $9.45 yesterday. At the start of the year, its share price was $6.15.

Frank Gibeau, Zynga's chief executive, said during an investor call that the gaming company had witnessed a "very strong" second quarter of 2020 because of measures aimed at stopping the spread of coronavirus that left millions of people confined to their homes.

"We're seeing elevated levels of engagement, we're seeing very nice levels of retention off of new cohorts — new players who have come in," he said.

Mr Gibeau said that the acquisition of Peak and its "highly engaged user base" would enable the company to gain entry into new markets.

"The international stance that Peak has is very complementary to what we're doing at Zynga," he added. "The majority of their business internationally outside the US comes from Japan, which is a strategic mobile market for our company and our industry."

Mr Gibeau said that the Turkish games maker was a "very sought-after asset" that had received interest from some of Zynga's competitors. He added that Zynga's relationship with Peak, which dates back to 2017 when it bought a mobile card games business from the company for $100m, meant that it had already "won the hearts and minds".

"We had and built a deep relationship with the team and the founder, Sidar [Sahin]," he said. "It was less about the price, it was more about the fit and how he saw the evolution of his team going forward."

Toon Blast and *Toy Blast* boast a combined average of more than 12m daily active players, Zynga said, increasing the group's total mobile audience by more than 60 per cent. The deal is expected to close in the third quarter of 2020.

The acquisition is the largest-ever of a start-up in Turkey. It also makes Peak the country's first "unicorn", a start-up with a valuation of $1bn or more.

Omer Inonu, Peak's strategy director, said that the company's 100-strong team was "unbelievably proud and happy" at that achievement.

Cash call Fashion chain Ted Baker seeks lifeline as coronavirus adds to troubles

UK retailer Ted Baker has been 'significantly impacted' by the pandemic and plans to refocus on digital sales

ALICE HANCOCK — LONDON

Ted Baker, the upmarket UK fashion chain, has said it plans to raise more than its entire listed equity in a £95m cash call to see it through the coronavirus crisis, as it reported an £80m loss for last year.

The ailing retailer said yesterday that it would use the proceeds to cut debt and pursue a "digital first" strategy that will see it invest in online sales. It has also extended its bank debt by £11.5m.

Despite seeing a 78 per cent uptick in sales through its website since lockdowns were announced at the end of March, the company said that it had been "significantly impacted" by the crisis and that overall like-for-like sales from the beginning of January until May were down 34 per cent.

The coronavirus crisis hit at a crunch point for the struggling retailer, after it issued its fourth profit warning in a year in December and revealed a £25m accounting error that it later said was because of £58m in overstated stock.

Following an independent investigation by Deloitte, Ted Baker said inventory that did not exist had been added to the balance sheet and incorrect prices had been attributed to some products. It said a review into potential misconduct was continuing.

It also reported yesterday that pretax profits for the year to the end of January 2020 were down £110.5m compared with the year before, pushing the company to a £79.9m loss. Revenues were down 2.4 per cent at constant currency to £630.5m.

"Ted's issues are range driven, with price points drifting too high and a lack of newness both impacting resonance with customers," wrote analysts at Peel Hunt in a note.

Shares in Ted Baker, which operates 580 stores and concessions worldwide, have plummeted almost 90 per cent in the past year as it has grappled with weakening consumer sentiment and multiple governance issues.

They closed down 15 per cent in London yesterday.

Last year, its enigmatic founder, Ray Kelvin, was forced to end his 32-year tenure after staff accused him of "forced hugging". He remains Ted Baker's largest shareholder.

The hugging scandal and falling sales prompted an overhaul of top management, with former Debenhams financial chief Rachel Osborne becoming chief executive in March. The company has also appointed a new chief financial officer, creative director and chairman.

Ted Baker also said yesterday that it would be appointing new auditors for the next financial year. BDO will replace KPMG after the Big Four accounting firm told the company it would not seek reappointment.

S Africa looks at reviving flag carrier with state aid

JOSEPH COTTERILL — JOHANNESBURG

The government of South Africa's President Cyril Ramaphosa is considering resurrecting the country's flag carrier with state funds.

The proposal would reverse previous pledges to withhold more bailouts from South African Airways that has been pushed close to liquidation by the coronavirus pandemic.

The government would inject R4.6bn ($264m) to create a new state airline out of SAA, which was placed into a form of bankruptcy protection last year. The draft proposal by administrators was published by South Africa's biggest opposition party yesterday.

The ministry responsible for overseeing state-owned companies said that the government "has not discussed the plan yet and no decisions have been taken on some of the proposals it contains".

SAA, once Africa's biggest airline, has grounded commercial flights since a lockdown began in late March. This has added to a decade of losses that have brought it to near-collapse and tested the limits of Mr Ramaphosa's willingness to devote stretched public finances to rescue beleaguered state companies.

SAA administrators said in the draft plan that state funds were needed on top of about R16bn that the government has already approved to pay off creditors.

The resurrected SAA would sharply cut jobs and aircraft but would be projected to post losses of more than R19bn over three years. "If this draft business rescue plan is approved in its current form, SAA will continue to be a fiscal black hole for years to come," the main opposition Democratic Alliance said.

SAA has received R20bn of bailouts in the past three years to cover the fallout from years of mismanagement.

Pravin Gordhan, the minister overseeing state-owned companies, said last year that the state was "not in a position to make money available to the airline" shortly before it entered into administration. In April he rejected a R10bn funding request.

But Mr Gordhan has since put pressure on the administrators to come up with a rescue plan. He has embraced the idea of forging a new state airline from the ashes of SAA, despite the turmoil that Covid-19 is causing.

SAA's administrators declined to comment. "To assume and comment on this draft as if it is the final version would be very irresponsible," they said.

Rock-bottom rates pose a paradoxical risk to liquidity

INSIDE BUSINESS
FINANCE
Robert Armstrong

The yield on short-term credit is all but zero, and is threatening to stay that way. This causes weird things to happen in credit markets: a store where the products cost nothing, or almost nothing, is unlikely to function like a normal store.

This is most visible in money market funds, the vast cash-like investment pools that investors treat as a higher-yielding alternative to bank deposits.

They are limited to investing in mostly short-term credit, either government-issued or private debt such as bank certificates of deposit or commercial paper, which companies use to manage short-term liquidity.

To recap recent events: as the seriousness of Covid-19 became clear, there was a rush out of "prime" money market funds, which invest in corporate debt, to the safety of government funds — which were already receiving heavy inflows as investors got out of still riskier assets. In March, $160bn came out of prime funds and $790bn into government funds, according to Crane Data, changing the shape of the $4tn-plus market.

The Federal Reserve smelled trouble: it started lending money to banks so they could meet fund redemptions, and started buying commercial paper to make sure companies had access to cash. Despite this, both Bank of New York Mellon and Goldman Sachs were forced to prop up some of their prime funds in the face of withdrawals.

Much of the money has flowed back to prime funds since, but not all of it and not evenly. Northern Trust recently decided to shutter a prime fund that had shrunk from $3.8 to $1.8bn. The assets were yielding 6 basis points, leaving precious little return to scrape a fee out of.

Meanwhile, even much larger money fund managers have cut fees to avoid investor returns falling below zero.

At the same time, companies are exiting the commercial paper market, because more stable funding alternatives are now almost as cheap. Companies from Coca-Cola to Disney have issued $96bn of longer term debt to replace commercial paper this year.

All this to-and-fro raises a question: in a near-zero rate world, why should money market funds exist? Unlike bank deposits, they do not carry a government guarantee. Institutional prime funds were yielding 37 basis points in early May, 200 basis points lower than a year earlier, according to Fitch. Government funds were offering less than 10 basis points. For retail investors in either type of fund, returns are even lower.

The beauty of the short-term money market is its flexibility. This is important for companies, and especially for banks

It is not inconceivable that short-term rates on US government debt could go negative, which could "shutter" that part of the industry, in the words of analysts at TD Securities.

But Alex Roever, head of US rates strategy at JPMorgan, for money market investors says "it is not so much about the absolute level of yields as your next-best alternative". A few basis points is still more than nothing. More importantly, banks are already flooded with deposits, and may not accept large new ones, even interest-free, given the equity capital that they are required to hold against them. So government funds will continue to have a role even if rights go negative, Mr Roever thinks.

With prime funds, things look different. With banks swimming in deposit funding and companies able to issue very cheap longer-term debt, there is less and less reason for them to exist.

Good riddance, perhaps. Prime funds' promise of cash-like risk with higher returns was always too good to be true. Problems at the Reserve Primary Fund, which held Lehman Brothers paper, sparked some of the most frightening moments of the last crisis.

Well, not quite. Michael Cloherty, head of US Rates Strategy at UBS, points out that the beauty of the short-term money market is its flexibility.

This is important for all companies, but especially for banks. A trading desk can raise dollar funding quickly from money markets, which allows it to act quickly to make trades on behalf of large clients. This helps explain why US markets are more liquid than European ones, which are more dependent on bank funding.

"If you move away from the money fund framework, you get less market depth, because when funding flexibility falls, liquidity falls," Mr Cloherty said.

Yes, there is plenty of liquidity in the market now, but that may not always be true, and if the infrastructure designed to raise short-term money withers, problems could well ensue elsewhere.

The possibility that low rates could actually decrease market liquidity is paradoxical, but is a risk worth considering, all the same.

robert.armstrong@ft.com

Telecoms

Buyout funds in €5bn MasMovil deal

Takeover by Providence, Cinven and KKR looks set to spur consolidation

NIC FILDES AND KAYE WIGGINS

Spanish telecoms operator MasMovil is to be acquired by a trio of private equity firms in a €5bn takeover that is one of the biggest since the pandemic began.

Providence Equity Partners, Cinven and KKR had offered to pay €22.50 a share for MasMovil, the Spanish operator said yesterday.

The deal values the group at €3bn and gives it an enterprise value, including debt, of almost €5bn.

MasMovil, which has consolidated smaller brands including Yoigo, Lyca and Lebara in the past five years, has been a rare success story in the low-growth European telecoms market. Its rapid expansion has turned it into a force in the Spanish market.

The offer from the private equity consortium is a 20 per cent premium to where MasMovil's shares were trading and more than five times the value of the group's stock four years ago. MasMovil stock rose 23 per cent yesterday.

The deal would be "beneficial for MasMovil's shareholders and other stakeholders", the Spanish group said. The private equity firms declined to comment.

The deal, which is subject to shareholder approval, is the largest take-private of a listed European telecoms company in more than two years. It could unleash consolidation in the Spanish telecoms market as the country's most aggressive operator secures heavyweight backing.

> The move is the largest take-private of a listed European telecoms group in more than two years

Talks between Providence, Cinven and KKR over a MasMovil buyout began at the start of the year, but were delayed by the pandemic as the firms waited to see how the business would cope.

The deal is a sign of how private equity firms, which have spent recent months fortifying businesses they already own, are increasingly ready to take on new acquisitions.

The transaction was expected to use leverage of about 4.5 times earnings before interest, tax, depreciation and amortisation, which was lower than that in many private equity deals struck before the pandemic, according to two people familiar with the matter.

MasMovil's stock boomed between 2014 and 2018, when it peaked at more than €25. It has since drifted as investors focused on the group's debt of €1.8bn and cash generation rather than its growth potential, which has triggered the interest from the private equity industry.

Providence is a long-term investor in the Spanish telecoms sector. It already owns a 9.2 per cent stake in MasMovil, having first invested in the business in 2016. This takeover will make it the largest shareholder in MasMovil. Providence has previously backed cable company Ono which was sold to Vodafone.

MasMovil has a 14 per cent share of the Spanish mobile market and an 11 per cent share of the broadband one. It grew its service revenue 20 per cent in the first quarter.

Mining. Consolidation

Metals prove a bright spot in M&A gloom

Flurry of deals as bigger producers seek to prepare for life after pandemic

NEIL HUME — NATURAL RESOURCES EDITOR
HENRY SANDERSON — METALS AND MINING CORRESPONDENT

Mergers and acquisitions have taken a hit because of coronavirus but one bright spot is mining, where there has been a flurry of deals, many of them involving smaller gold producers.

The industry has been comparatively unscathed by the pandemic. Most big mines have continued to operate without interruption, and China, the world's biggest consumer of raw materials, has continued to suck in their products.

This has given executives pause to think strategically about how to position their companies for a world after the pandemic.

According to Refinitiv data, there have been 292 deals worth a total of $11.8bn in metals and mining since March 23, when Canada's Endeavour Mining announced plans to combine with Semafo in a $690m deal to create the largest gold miner in west Africa.

Over the past month Anil Agarwal, the Indian metals tycoon, launched a $2bn-plus bid to take control of natural resources group Vedanta, and Colorado-based Alacer Gold announced plans to merge with Canadian rival SSR Mining in a $1.7bn deal.

In addition, state-owned Chinese miner Shandong Gold swooped in to acquire TMAC Resources, and Canada's Gran Colombia Gold set out plans to buy Guyana Goldfields in an all-stock deal.

"There are definitely opportunities for M&A and consolidation," Mark Bristow, chief executive of Barrick Gold, the world's second-largest gold producer, told the Financial Times.

"There are a lot of deals that are going to come out of necessity. I have no doubt about that. And there will be opportunities for us. We are certainly quite busy on that front . . . tracking the potential opportunities we have identified in the past."

Spiro Youakim, head of the natural resources team at Lazard, said: "In mining and basic industries, top-line growth is limited other than through higher commodity prices. One way to potentially create growth and earnings momentum in this environment is through well thought out and judiciously priced acquisitions."

A foundry worker casts gold ingots in Russia. Producers of gold and battery materials are attracting interest from groups seeking acquisitions
Andrey Rudakov/Bloomberg

Consolidation has been a key trend in gold mining since Barrick announced plans to buy Randgold Resources for $6bn in September 2018. Analysts say there is an abundance of gold companies that lack the scale to appear on the radar of big generalist investors.

When Endeavour announced its deal with Semafo in March, its chief executive, Sébastien de Montessus, said the combined company would have the "trading liquidity, free float and size characteristics that investors are seeking in today's market environment".

Mr Youakim said the same logic applied to other parts of the mining industry, including industrial metals such as copper.

"The fundamental drivers of M&A have not gone away, but there is a flight to safety. In a very uncertain economic environment, investors in this industry tend to prefer large companies with more resilience, more operational and financial wherewithal, more operational flexibility and a reasonably controlled but greater number of assets," he said.

Investor preference for big companies was in evidence earlier this year when Australia's Newcrest Mining raised $655m from shareholders to fund a deal in Ecuador. Petropavlovsk, the Russian gold miner, has examined a potential merger with rival UGC to create a 1.1m-ounces-a-year producer.

Richard Horrocks-Taylor, who runs the metals and mining team at Standard Chartered Bank, picked out gold and battery materials — such as copper, nickel, lithium and cobalt — as attractive hunting grounds.

Gold had been buoyed by the flight to safety, he said. Battery materials were experiencing "some weakness" because of the economic outlook but investors remained optimistic about the sector's prospects.

He added that the recent flurry of activity had shown it was possible to execute deals in spite of the logistical problems caused by the pandemic, using virtual management presentations, online data rooms and technical discussions by video conference. "We are having to come up with some more creative and innovative approaches to due diligence. Some of the things we are helping clients with is using drone technology and Go-Pros to create credible alternatives to [site visits]."

> 'There are a lot of deals that are going to come out of necessity'
>
> Mark Bristow, Barrick Gold

However, investors expecting mega deals involving the big diversified mining groups are likely to be disappointed.

While Anglo-Australian miner Rio Tinto has a "watching brief" on M&A, chief executive Jean-Sébastien Jacques said it was difficult to make decisions while "fundamentals are shifting".

"Right now, the market is finding it difficult to value companies, and the Covid-19 recovery pathway is not clear. Rio Tinto will only transact if an opportunity creates value," he said.

Moreover, the most likely targets for the sector's big groups — major independent copper producers such as Freeport-McMoRan and First Quantum Minerals — are not in distress and would demand a massive premium to recommend a deal. "You've just got to ask the question, why would our shareholders consider selling now," said Richard Adkerson, Freeport chief executive.

Banks

Credit Suisse wins control over Chinese joint venture

DON WEINLAND — BEIJING

Credit Suisse has taken a majority stake in its Chinese securities joint venture, granting it control for the first time over its business with the troubled Founder Group conglomerate.

The Swiss bank joins a handful of other financial institutions taking advantage of an expedited opening of China's financial markets, after years of slow, frustrating developments.

Under pressure from the US to allow more foreign participation in domestic investment banking, asset management and insurance, China's regulators have sped up reforms over the past two and a half years.

Since then, UBS, Nomura, JPMorgan, Goldman Sachs and Morgan Stanley have secured majority stakes in Chinese securities joint ventures, or the regulatory permission to do so.

Credit Suisse said yesterday that it had increased its shareholding in Credit Suisse Founder Securities from 33.3 per cent to 51 per cent, after receiving regulatory approval in April. The bank is injecting capital into CSFS, diluting Founder Securities' stake.

Credit Suisse has appointed Janice Hu, the vice-chairwoman of Credit Suisse in China, as CSFS chairwoman.

"Janice is one of the most experienced China bankers in the industry and has been with Credit Suisse for almost two decades," the bank said in a statement.

Yesterday's announcement marks a key milestone for the Swiss bank in its expansion in China.

The joint venture with Founder Securities was originally struck in 2008. Since then Credit Suisse has not controlled the company's operations at the unit.

By taking control of the business, Credit Suisse can chart out its own strategy and choose its own clients. In the domestic market for sponsoring and underwriting initial public offerings and corporate bonds, it will face stiff competition from Goldman Sachs and UBS, which have in practice controlled their JVs for more than a decade.

The deal for control will also distance CSFS operations from the chaotic default and legal battle playing out at Founder Group, a once powerful state-owned conglomerate linked with Peking University, one of China's most-prestigious schools.

Last year, Peking University launched a lawsuit against former Founder Group executives, claiming that a privatisation and sale of shares in 2004 was paid for with Founder money, indicating a pilfering of state assets.

Founder defaulted on its onshore debt in February and was sucked into a rare bankruptcy case for a high-profile state group. Administrators from China's central bank and other government entities have worked to restructure its debt load of about $26bn.

Foreign banks began setting up joint ventures in China 25 years ago, starting with CICC, a joint-venture investment bank founded by Morgan Stanley and China Construction Bank in 1995.

Goldman Sachs struck the first Sino-foreign securities joint venture in 2004 with Chinese financier Fang Fenglei.

A number of other western banks followed that move and the model has become the most common platform for accessing China's investment banking market.

Financials

Elliott nears victory in Bank of East Asia fight

DON WEINLAND IN BEIJING

Elliott Management is closing in on victory in its battle with Hong Kong's Bank of East Asia, as the city's last large family-owned lender starts discussions about a sale of its banking operations.

The two sides in March called a truce in a six-year conflict for foreign banks, announcing a strategic review of the bank's assets conducted by Goldman Sachs.

Elliott, run by Paul Singer, bought a significant stake in BEA in 2014 and has long pushed for the controlling Li family to sell the business it founded in 1918.

The strategic review has led to early discussions with financial and strategic investors about the sale of the bank's Hong Kong and China banking businesses, according to people familiar with the matter.

BEA owned an insurance unit that was also for sale, the people said.

"Everything is up for grabs," one of the people said.

A sale of one or both of the banking businesses would be a victory for the hedge fund, which claims BEA has been poorly managed in recent years.

In one scenario, the Hong Kong bank and the China-based bank could be sold separately, subject to regulatory reviews in both jurisdictions, the people said.

The review was under way and discussions with potential investors were at an early stage, they said.

Elliott and BEA declined to comment.

BEA is one of the largest foreign banks in mainland China and has an expansive branch network in the country. However, in recent years it has faced severe credit quality problems connected to the mainland business.

Hong Kong has been plagued for almost a year by anti-government protests that have at times disrupted banking operations and hurt the city's reputation as a stable hub.

Divestment by the Lis would signal the end of an era for family-owned banks in the territory, where hostile takeovers and activist investments are rare.

BEA is the last large lender in Hong Kong to remain under the control of a tycoon family. The Lis own just 7 per cent of BEA shares but have been able to retain control through a complex family holding structure common to many Asian conglomerates and rarely challenged in court.

Elliott holds about 8 per cent of BEA while Japan's SMBC and Spain's Caixa have stakes of 17.5 per cent and 16 per cent respectively.

The strategic review was scheduled to conclude in June but the outbreak has pushed that date back to the end of September.

The pause in the hostile takeover battle came just before the scheduled start of a trial due to determine whether BEA had taken on strategic investments from SMBC and Caixa in order to protect itself against Elliott. Such actions, Elliott has argued, unjustifiably diluted ordinary shareholders.

David Li was chief executive of BEA until last year, when he handed the reins to his two sons, Brian and Adrian, who are now co-chief executives.

People familiar with BEA have said Mr Li, who remains executive chairman of the bank, was adamant about retaining control over the family business but that his sons have become more open to a sale after several years of facing off with Elliott.

Retail & consumer

JAB chair Harf set to steer Coty turnround

LEILA ABBOUD — PARIS
ARASH MASSOUDI — LONDON

JAB Holdings, the majority owner of cosmetics maker Coty, will tighten its control over the problem-plagued group by installing its chairman Peter Harf as chief executive.

The unexpected appointment means Coty will get its fourth chief executive in five years and will see JAB scrap a plan announced in February for Pierre Denis, the Jimmy Choo boss and Coty board member, to take over this summer.

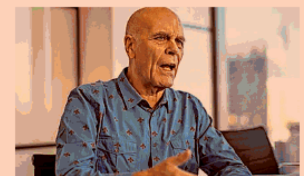
Shares in Coty have dropped more than 60 per cent since the start of the year, continuing their decline even after private equity group KKR last month agreed to invest $750m into the business to help pay down Coty's debts.

Yesterday, KKR finalised a deal to buy a 60 per cent stake in Coty's professional beauty division, which includes brands such as Wella, Clairol, OPI and ghd. Coty will own the remainder of that new standalone business, which will be named Wella and is valued at $4.3bn.

The agreement unlocks a further $250m injection by KKR directly into Coty, which was conditional on a deal for its professional division being signed. Johannes Huth, head of KKR in Europe, is joining the Coty board along with one other representative.

The leadership change at Coty marks a significant shift in strategy for Mr Harf and JAB, which manages the fortune of Germany's billionaire Reimann family and invests billions raised from outside investors such as sovereign funds and wealthy families.

Disagreements over how actively JAB's top leadership should manage Coty and its other holdings prompted the departure in early 2019 of one of Mr Harf's partners, Bart Becht, who believed the group should slow its acquisition spree and deliver better operational results.



Peter Harf's appointment marks a significant shift in strategy for JAB

Mr Harf, 74, and the other partner, Olivier Goudet, wanted instead to continue raising funds from outside investors and focus on dealmaking, leaving operations to a string of managers hired by JAB to run its portfolio companies.

Coty has been the laggard in the JAB empire in the past three years as it struggled with the integration of the $12.4bn acquisition of Procter & Gamble's beauty business. Sales in its third quarter to the end of March were down 20 per cent on a comparable basis at $1.5bn, and, to cope, Coty announced a further $700m in cost cuts.

On Friday Forbes magazine reported that Kylie Jenner, who founded a make-up business that JAB acquired last year, had inflated her wealth to boost her spot in their ranking of female billionaires. Ms Jenner sold a 51 per cent stake in her company to JAB last year for nearly $1.2bn, and denied the report in posts to her Instagram account.

JAB declined to comment.

Shake-up in way we work, talk and eat prompts agile bosses to shift gear fast

Businesses are finding ways of seizing opportunities presented by curbs on daily activities

FT REPORTERS

Businesses will be counting the cost of coronavirus for years. Some have been unable to survive the swift and brutal downturn. Others must borrow to survive. All are making changes to the way they work to reduce the risk of resuming operations.

At the same time, parts of the corporate world have benefited from the restrictions brought in to day-to-day life, often at speed.

The FT has talked to six about how they found some upside from changes to the way people work, talk, eat and shop.

MarketAxess

As economic prospects were slashed and markets convulsed, companies rushed to strengthen finances and corporate bond issuance surged.

This pile-on, plus an ecosystem of traders and investors with no option but to work from home, has been a boon to MarketAxess, an electronic bond trading venue. It has more users than ever and, in March, had record trading in US Treasury, corporate, municipal and eurobond debt.

Rick McVey, chief executive, said a cultural shift had already been under way in the $9.6tn US corporate bond market. "Two things happened in a very different way during the peak volatility months of 2008. Overall market volumes in credit went down and the electronic trading share went down. So we're in a very different place in 2020 in terms of institutional investors' comfort with electronic trading."

MarketAxess qualified for the S&P 500 last year and, from a mid-March low, its shares have risen more than 60 per cent, giving it a market capitalisation of $17.3bn.

> 'We have seen a good recovery in most markets to pre-Covid levels'
>
> Niklas Östberg, Delivery Hero chief

Personal contact remains important for fund managers and investment banks to discuss sentiment and ideas, and electronic trading is a competitive industry where expanding into new areas can be costly.

Even so, Daniel Fannon, at Jefferies, said there were likely to be lasting positive effects. "For clients that have a good experience with the MarketAxess platform and benefit from significant price improvement, it would be hard to imagine them going back to over-the-counter trading." *Philip Stafford*

Discord

Discord is the kind of app that would normally drive teachers crazy. A gaming-focused way to chat using text, voice and video, it had 300m registered users and tens of millions of daily users before the pandemic.

Then in March, as Zoom was taking over the videoconferencing world, Discord found an unlikely new role as a home schooling aid.

In France, state-provided online education tools struggled as traffic surged in the early days of the lockdown. Discord was able to handle the influx of users much better, making it a de facto alternative for many teachers.

According to App Annie, which tracks app stores, Discord jumped into the top 10 most downloaded iPhone apps in France during March, with similar growth in Spain and Germany.

It remains in the top 50 mobile apps in the US and several European countries, in many cases ranking above more established rivals such as Skype, Twitch and Google Meet.

That is no mean feat for a five-year-old start-up. Like Slack, the business messaging app that began as a side project of a video game called Glitch, Discord founders Jason Citron and Stanislav Vishnevskiy started out building a games development studio, Hammer & Chisel, before moving into messaging.

The business has raised about $280m in private financing so far and is said to be in talks to raise new funds at a valuation that could exceed $3bn.

It is racing to update its product to capitalise on the new demand beyond its core audience. In March it increased the number of people who could watch a Go Live broadcast from 10 to 50, making it more useful for teachers.

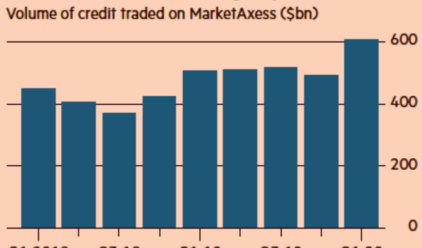
Investors such as Index Ventures believe that despite the apparent supremacy of Zoom, there is plenty of room for others.

"We think video is a really important platform that is pervasive and will probably not have an all-in-one provider like IBM or Microsoft" did in the PC era, said Danny Rimer, a partner at Index. *Tim Bradshaw*

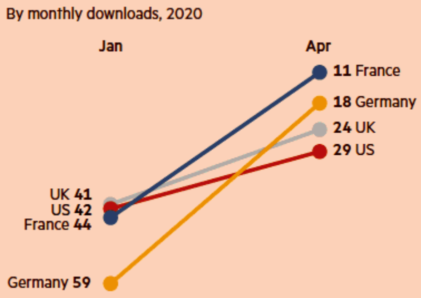
A worker at Delivery Hero's Foodora brand begins a job in Berlin; a Lavazza manager smells the merchandise at the opening of a Milan outlet; an employee handles noodles at a Nissan plant in Osaka; a branch of Patisserie Valerie, which FRP was hired to help liquidate

Fabrizio Bensch/Stefano Rellandini/Reuters; Shizuo Kambayashi/AP; Toby Melville/Reuters

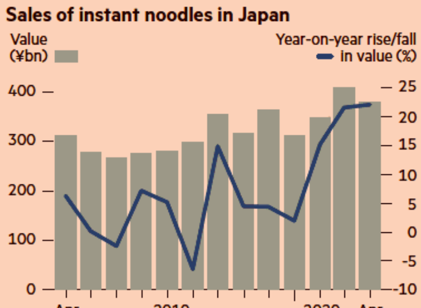
Chance for rewards as US groups turn to debt
Volume of credit traded on MarketAxess ($bn)



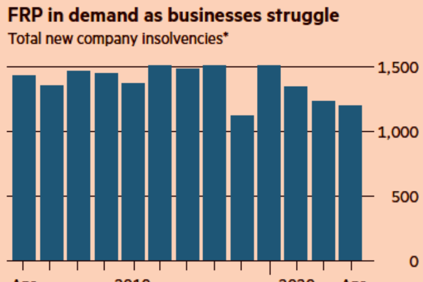
Discord's ranking among non-gaming apps
By monthly downloads, 2020



Sales of instant noodles in Japan

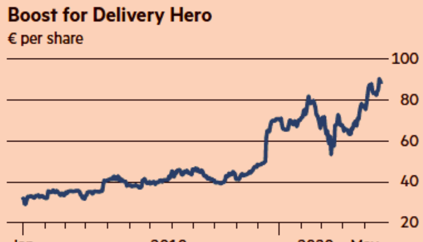


FRP in demand as businesses struggle
Total new company insolvencies*



* England and Wales (not seasonally adjusted)

Boost for Delivery Hero
€ per share



Sources: MarketAxess; AppAnnie; Intage; ONS; Refinitiv

Nissin

Shortly after China began tightening its lockdown in February, Japanese noodle group Nissin swung into action with one scenario in mind: panic-buying.

In anticipation that the virus and lockdown would spread to Japan, it started talks with domestic retailers to increase shipments 150 per cent. In normal times, it churns out 300 new products each year. But now, in a time of crisis, it focused its production on the most popular basic flavours.

These steps paid off as hoarding of noodles spread. Deemed an "essential goods" provider, most of its 36 plants in 16 countries ran throughout the crisis.

By the time its financial year had closed at the end of March, annual net profit had risen 52 per cent from a year earlier to a record ¥29bn ($269m), with sales of instant noodles up 6 per cent in Japan and 16 per cent in China in the final quarter. Demand also rose sharply in Brazil and the US.

Sales of instant noodles in Japan, where the group still generates 70 per cent of its revenue, remained strong in April, increasing 22 per cent in value from a year earlier, according to research group Intage. Nissin's shares have risen 23 per cent since mid-March.

Growth is expected to slow as lockdowns ease. But the group projects another year of record profits: the stay-at-home trend is expected to continue and the global economy looks to be heading for an extended downturn. "We're actually quite strong in a recession," said Yukio Yokoyama, Nissin's chief financial officer. *Kana Inagaki*

FRP

The hit to finances from lockdown has provided rich pickings for restructuring experts helping businesses consider options to avoid collapse.

"We are advising four times as many clients as usual, more than at any other time during my 30-year career," said one insolvency practitioner.

For the founders of FRP, an insolvency and restructuring boutique based in London, the increase in calls came at an auspicious time. At the end of February, the 10-year-old firm floated on Aim, raising £80m to help it take advantage of an already rising number of insolvencies in the UK.

The retail and casual dining sectors have been hit hard; FRP made its name as administrators to high-street chains including BHS and Bonmarché. Last year it was appointed to help liquidate Patisserie Valerie.

Groups that were already distressed find themselves in dire straits. In the past month, FRP has been appointed administrators to department store Debenhams and to restaurant chain Carluccio's, beating larger competitors.

FRP announced to shareholders this month that its case load had grown in "size and complexity" and it had made £11.5m in two months since its IPO. Revenues for the year to April 30 are expected to be 16 per cent higher than last year at £63.2m. Its shares are up 50 per cent. *Tabby Kinder*

Delivery Hero

Logic suggests that online ordering would thrive, but during the early weeks of lockdown, food delivery apps tended to suffer as restaurants shut.

But Berlin-based Delivery Hero has bounced back. Its shares have risen more than 60 per cent since mid-March and are trading at an all-time high, valuing the company at about €17bn.

"We have seen a good recovery in most markets to pre-Covid levels," Niklas Östberg, chief executive, said last month. Orders have nearly doubled compared to last year, to 239m in the first quarter.

Delivery Hero, and other apps including Uber Eats, Just Eat Takeaway and Deliveroo, boosted business by pushing into new delivery markets, including supermarkets and convenience stores.

But while rivals have linked up with the likes of Carrefour and Marks and Spencer, Delivery Hero is planning to go it alone, opening dozens of its own small warehouses. These DMarts are the equivalent of "dark kitchens" — food preparation outlets that exist to serve delivery apps. They are operating in Turkey, Kuwait, the UAE, Singapore, Taiwan, Argentina and Chile, and will be launching in Europe this year.

"We go directly to the source," said Mr Östberg, securing supplies from food producers and consumer-goods companies, using Delivery Hero's scale as one of the largest food delivery operators to strike better deals. As a result, consumers did not have to pay any mark-up and goods were delivered within 15 minutes.

The group believes this style of "quick commerce" will be worth €450bn by the end of 2030. *Tim Bradshaw*

Lavazza

Among Italy's food staples — pasta, tomatoes and coffee — it is the last that has had the biggest revenue boost from the pandemic, says Nielsen.

During the first two weeks of lockdown in March, ground coffee sales in the home of espresso were 22 per cent higher compared with a year ago. Lavazza, the family-owned brand that dates back to 1895, has felt the benefit.

"Our retail business grew 15 per cent globally and 10 per cent in Italy during the first four months of the year compared to 2019," Antonio Baravalle, chief executive, said.

Like many other food and drink companies, it kept production going during the lockdown.

Not all parts of the business, which employs more than 3,000 people across five continents, have had an easy time. Business-to-business activity makes up 40 per cent of revenue and while more people were at home and drinking coffee, "this compensated for the halt experienced by our hotels, restaurants and catering channels only partially", Mr Baravelle said. *Silvia Sciorilli Borrelli*

FT

Trade and the environment
Alan Beattie on trade in produce and its carbon footprint. How will Covid-19 change supply chains for meat and flowers?
ft.com/video

Retail

US online grocery sales rise 24% as stores adapt to lockdown

DAVE LEE — SAN FRANCISCO

Online grocery sales in the US have risen by a quarter over the past month, according to research, as retailers solved the teething problems caused by heavy demand in the early stages of the pandemic.

A Brick Meets Click/Mercatus survey suggested that 43m US shoppers placed 73.5m online grocery orders in May, at an average of $90 per order. Sales in the period are estimated at $6.6bn, up 24 per cent month on month — and a 450 per cent increase on August last year.

It also found that household penetration for online grocery buying had risen to 33 per cent in May, up 2 per cent from April, and more than double what had been projected for this period before the impact of coronavirus.

The growth from April to May was said to have been driven by retailers expanding their capacity to handle online orders, by offering more time slots for delivery, hiring additional staff and reconfiguring stores.

At Amazon-owned Whole Foods, for instance, five stores are "dark" — closed to walk-ins but ready to fulfil online orders. One further store, in San Francisco, has cut hours to focus on online customers only after 1pm. Other retailers have made similar moves.

The demand for online shopping suggests that the inconvenience of queueing, and of reduced shopping hours, has pushed more consumers online.

"We have just leapt forward several years relative to what our expectations would be for households shopping online," said David Bishop, from Brick Meets Click, an ecommerce consultancy. "But that is not to say it is not full of challenges."

Despite the added capacity, customer satisfaction with online groceries appears to be lower than before the crisis, with less than half of those surveyed in March saying they would be "extremely" or "very" likely to use the same service over the next 30 days.

"That's really a reflection of the realities of getting a time slot, finding the products that you wanted to buy and delays around when you are getting them," Mr Bishop said.

The demand for online orders is expected to drop off once lockdown measures are fully lifted, with the impact of lowered household incomes making people less likely to pay a premium for ordering online.

Retailers are also wary of such high levels of online sales, since margins are thinner, while the disruption caused by staff clogging the aisles as they pick online orders from shelves could deter more profitable walk-in shoppers from spending as much.

Automation could play a role in solving some of these problems, by using robots to aid in the picking and packing of customer orders away from the shop floor. At one of its stores — in Salem, New Hampshire — Walmart is testing Alphabot, a machine created by Massachusetts-based Alert Innovation. The robot is designed to autonomously pick items from a store room, preparing them for online pick-up or delivery.

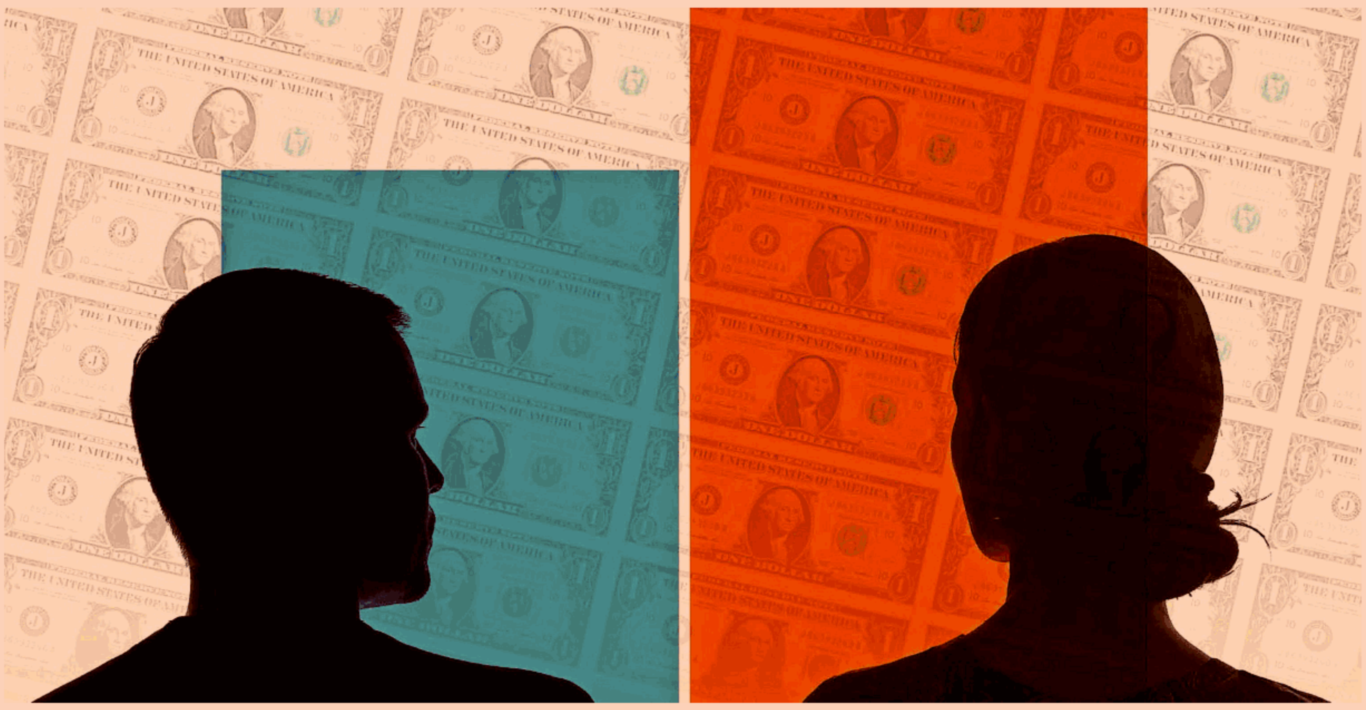
Within the next decade, suggested Alert Innovation chief executive John Lert, hybrid stores — where humans picked fresh produce while backroom robots did the rest behind the scenes — would be able to cater to both online and in-person customers adequately.

"When I pick my peaches, I want to look for bruises and I want to look for ripeness, I'm exercising choice and judgment," he said. "But I don't look at boxes of cereal to see which is the best-looking box. Let the robot pick those."

Amazon is also experimenting with the hybrid model. A new outlet in Woodland Hills, Los Angeles, is expected to offer a walk-in traditional grocery store and, in the same building, a robotics-powered mini-fulfilment centre for local online orders.

Asset management. Workplace diversity

Women-led hedge funds beat male rivals in Covid-19 crisis



Outperformance attributed to approach to risk in industry still battling gender imbalance

LAURENCE FLETCHER — LONDON
HUDSON LOCKETT — HONG KONG

A small cluster of hedge funds managed by women has outperformed those run by men through the coronavirus crisis, new data show, highlighting the industry's long-running lack of progress in fixing its gender imbalance.

Hedge funds run by women lost 3.5 per cent in the first four months of this year, as measured by Chicago-based data group HFR's Women Access index.

That beat a 5.5 per cent fall in its HFRI 500 Fund Weighted index, a broader measure of performance that incorporates both men and women-run funds.

"In the round, [female managers] appear to have a better approach to managing risk," said Russell Barlow, global head of alternative investment strategies at investment firm Aberdeen Standard.

While there were examples of very good and poor performance from men and women-run hedge funds, "the data suggests that there is just a far higher proportion of 'average' male-run hedge funds than female", Mr Barlow added.

The outperformance comes as the $3tn industry faces up to an extreme gender imbalance that is changing only gradually.

Fifty years after the UK's 1970 Equal Pay Act, the proportion of women working in hedge funds, at 18.8 per cent, is the second-lowest across seven alternative asset classes that also include private equity and venture capital, according to a study by data group Preqin, and has only increased marginally since 2017. And despite a wave of female-led hedge fund launches in recent years, the proportion of women in senior hedge fund roles has fallen marginally to 10.9 per cent.

Why women have performed better this year is unclear, as is whether this is a one-off event or a longer term trend.

Some industry insiders suggest female managers proved more adept at avoiding losses when developed stock markets began to tumble at the end of February — a notion in keeping with studies on how women perform in risk-management roles.

Mr Barlow, for instance, described limiting losses as "a key attribute that the female managers have been able to deliver".

That appears to be backed up by the data. Women-run funds posted smaller losses in February and March's equity market sell-offs with March delivering the biggest margin of outperformance of the broader index since the Women Access index was launched in October.

"In discretionary trading, perhaps men put ego before rationale more," said Irene Perdomo, co-founder of hedge fund Devet Capital and now managing director for systematic macro strategies at Gresham Investment Management in London. "Women might be more risk-averse, they could be more cautious about risk management than men — that intuitively makes sense to me."

There is "probably a bit more care put into thinking about risk management" by women, said Monica Hsiao, chief investment officer at Hong Kong-based Triada Capital. "Because we're a minority and we're not part of the boys' club, I think we tend to be a bit more unconventional in our approach," added Ms Hsiao, whose Asia credit-focused fund chalked up a gain of 4.25 per cent in April.

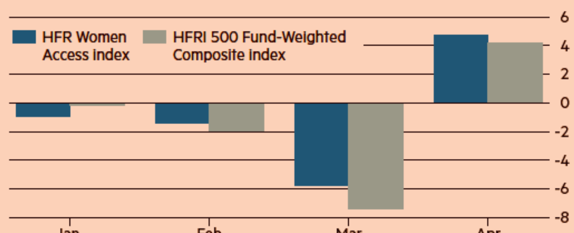
Aberdeen Standard estimates that 1 per cent of hedge fund assets are run by women, which it believes is a large enough sample size to represent a broad range of hedge fund strategies.

But others disagree. Leda Braga, founder and chief executive of hedge fund Systematica Investments, and one of the hedge fund industry's highest profile female executives, said there were not enough women running hedge funds to provide enough data to analyse.

HFR's Women Access index covers 25 funds with $13.2bn in assets.

Hedge funds run by women outperform during pandemic

% return



Source: HFR

Only 1 per cent of hedge fund assets are run by women, according to Aberdeen Standard estimates

FT graphic

It has roughly similar weightings to major hedge fund strategies as the broader HFRI 500 index, although there is a lower exposure to macro trading, which actually performed much better than hedge funds overall this year, and greater exposure to equity strategies, which have underperformed.

A broader HFRI Women index also outperformed HFR's widest measure of hedge fund returns.

The barriers to entry to women, either in the hedge fund industry itself or in university courses such as mathematics and engineering that can lead to hedge fund jobs, may mean that women who progress to run money are on average better than their male counterparts.

For a woman to have a comparable career trajectory to a man is "often more difficult", said Mr Barlow. "Therefore a woman might have had to work harder or show more skill than the average [man] in that role to succeed."

If there are barriers to entry, they may "work as a filter" for female managers, said Ms Braga, whose BlueTrend fund is up about 10 per cent this year. "Your vocation and passion in pursuing [a career] needs to be more intense if the starting conditions are against you."

Ms Perdomo said opportunities were more equal than in the past.

About a decade ago, when she tried to move from quantitative structuring at a bank into trading, she applied for 10 jobs over the course of a year but did not get an interview.

After a year and half, she finally got an interview and got the job. "I'm stubborn, I didn't let the 10 get me down."

Ms Hsiao added: "We have to go through a lot more to even get where we are. We have to be a lot more versatile."

Additional reporting by Eva Szalay

'A woman might have had to work harder or show more skill than the average [man] to succeed'

Equities

NetEase seeks Nasdaq buffer with $3bn HK offering

PRIMROSE RIORDAN AND DANIEL SHANE
HONG KONG
RYAN MCMORROW — BEIJING

Gaming group NetEase will sell up to $3bn of shares in a Hong Kong secondary offering, in what could mark the start of a wave of Chinese companies raising capital in the city as tensions between Beijing and Washington rise.

NetEase, one of China's biggest makers of online video games, began placing shares with institutional investors yesterday ahead of publicly listing its stock on Hong Kong's bourse, according to a term sheet seen by the Financial Times.

The sale is expected to raise $2.6bn to $3bn. The company is set to list in Hong Kong on June 11, according to a person with knowledge of the situation.

NetEase shares currently trade on New York's Nasdaq but Chinese companies increasingly fear that they could fall victim to growing US-China hostilities. President Donald Trump on Friday announced a probe into Chinese groups listed in the US and last month ordered the main federal government pension fund not to invest in such companies.

NetEase, which has traded in New York for two decades, raised the prospect of it being delisted from Nasdaq in a filing to the Hong Kong stock exchange last week, citing tougher US regulations regarding Chinese companies.

Other Chinese companies currently listed in the US are making similar moves. Ecommerce business JD.com is looking to raise up to $3bn through a secondary listing in Hong Kong, and Baidu, the company behind China's leading search engine, is also considering selling shares in the city.

'More and more Chinese companies are considering Hong Kong to diversify risk'

Alibaba raised $13bn in a secondary offering in Hong Kong last year that also came during a time of intense US-China frictions.

"More and more Chinese companies are considering Hong Kong to diversify risk . . . you don't want to put all your eggs in one basket in the current situation," said Shawn Yang, managing director at Blue Lotus Capital Advisors.

The share sale by NetEase, which would be Hong Kong's largest so far this year, could boost its credentials as a regional financial hub.

Shaken by protests, Hong Kong is set to be stripped of the special trade privileges it enjoys with the US after Beijing moved to impose a national security law on the former British colony.

NetEase, which gets four-fifths of its revenue from video games, has been boosted in recent months by lockdowns imposed due to the outbreak of coronavirus in China. Millions of its users trapped at home with few alternatives for entertainment, helped to lift first quarter revenue 18 per cent year on year.

JPMorgan, Credit Suisse and CICC are joint sponsors of the listing. All four companies declined to comment.

See Lex

Equities

Hang Seng in best day for two months after Sino-US frictions are brushed off

THOMAS HALE AND DANIEL SHANE
HONG KONG

Hong Kong's battered stock market enjoyed its best day in more than two months as investors shrugged off Donald Trump's announcement from Friday, saying they had feared harsher measures from the US president.

The Hang Seng index climbed 3.4 per cent yesterday despite Mr Trump saying Hong Kong would lose its special trade status from which it has benefited since its handover from the UK to China in 1997.

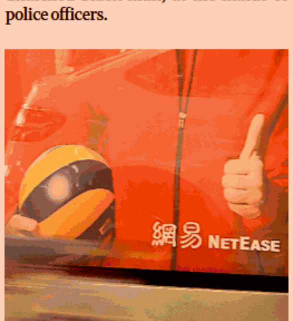
The US president was responding to Beijing's announcement that it planned to impose national security legislation on the city, which investors fear would in effect end its semi-autonomous status under the "one country, two systems" model that underpinned its return to China.

But analysts argued that Mr Trump had pulled his punches by not imposing additional sanctions on Beijing.

They also highlighted his decision not to rip up the so-called phase one trade deal signed last year between the two countries.

"There isn't that much negativity that the Hong Kong market hasn't already absorbed," said Andy Maynard, managing director at China Renaissance Securities in Hong Kong, adding that many market participants had already discounted a revocation of trade privileges.

He also pointed to a shift in attention to the riots that have rocked US cities following the death of George Floyd, an unarmed black man, at the hands of police officers.



NetEase's plans to raise billions in share sales had boosted markets

"The US's pain is probably Hong Kong's gain for the moment," Mr Maynard said.

Some brokers in the former British colony were gloomy on the market's prospects over the coming months, however.

As well as becoming front and centre in a simmering trade spat between the US and China, Hong Kong is mired in a recession following months of anti-government demonstrations.

"Hong Kong is now the battlefield in the US-China trade war," said Dickie Wong, director of research at Hong Kong stock broker Kingston Securities.

He dismissed Monday's rise as a "technical rebound", prompted by bearish traders buying back shares to cover positions previously sold short.

A sense of pessimism threatens to overshadow more positive recent developments, such as plans by Chinese internet groups JD and NetEase to raise billions of dollars through Hong Kong share sales.

The Hang Seng has dropped almost 16 per cent so far this year, compared with less than 6 per cent for Wall Street's S&P 500.

Commodities

Investors pounce on aluminium storage trade as spot price tumbles

NEIL HUME
NATURAL RESOURCES EDITOR

Commodity investors have rushed to profit from a huge glut in the supply of aluminium by buying it up to store and sell for future delivery — reviving memories of the past financial crisis when millions of tonnes of the lightweight metal piled up in warehouses.

Producers around the world are continuing to churn out aluminium, which is used in everything from beer cans to cars, even though demand from carmakers and other industrial consumers has collapsed.

The resulting fall in price is allowing commodity traders, hedge funds and banks to make so-called financing trades — where they buy the metal cheaply, store it in warehouses and sell it in the futures market.

"One of the best risk-free trades in the world at the moment is to get some aluminium and stick it in a warehouse," said Eoin Dinsmore of CRU, a consultancy. "It's not just the global trading houses financing aluminium. Everyone sees a good opportunity to make money."

His comments were echoed by Roman Andryushin, sales and marketing director at Rusal, the biggest aluminium producer outside of China. "We see a strong interest from traders."

For these trades to work, the price of aluminium for immediate delivery must be below long-dated futures contracts, a market structure known as contango. If the gap is big enough a trader can lock in big profits after deducting financing and storage costs.

'One of the best risk-free trades at the moment is to get some aluminium and stick it in a warehouse'

The benchmark aluminium price for delivery in three months on the London Metal Exchange has dropped 15 per cent to $1,537 a tonne this year on fears that supply could outstrip demand by as much 6m tonnes in 2020. In contrast, aluminium for delivery in 15 months is trading about $85 higher.

Oliver Nugent, analyst at Citi, said there were various signals that financing trades were taking off, including the rising premiums for ingot — primary aluminium that is easy to store and can be fashioned into other products.

"That's telling you there is demand for metal that you can sit on and finance," he said. "There is free money on the table because the glut is so big."

The moves are similar to trades seen during the last financial crisis when huge amounts of aluminium found its way into warehouses licensed by the LME.

When demand recovered, queues formed to take delivery of the metal, which triggered complaints by buyers and an investigation by US regulators.

The LME responded by introducing a new set of rules that cap the rents warehouse owners can charge while metal is waiting to be loaded on to trucks.

Mr Andryushin said the renewed interest in financing trades could lead to shortages of value-added products, such as the rolling slabs used by manufacturers, if more of the metal is piled up in warehouses.

Traders are also reportedly selling metal into China. Shanghai aluminium prices hit Rmb13,000 ($1,820) a tonne.

COMPANIES & MARKETS

The day in the markets

What you need to know

- Wall Street within sight of all-time peaks despite US protests
- Australian dollar hits highest level against the greenback since January
- Hong Kong stocks in best one-day performance in two months

Global stock markets climbed while cities were set ablaze across the largest economy after thousands took to the streets to protest.

Wall Street shrugged off a wave of civil disturbance that followed the killing last week of George Floyd, an unarmed black man, by a white police officer.

The S&P 500 was up 0.2 per cent, only 6 per cent shy of its all-time high hit this year, despite the US being plunged into some of its worst protests since the civil rights era in the 1960s.

"The market, it seems, is determined, if not entirely hell-bent, on looking through the myriad negative headwinds faced by the global economy at present," said analysts at Rabobank, who also expressed concern about efforts to reopen a US economy rocked by more than 100,000 virus-related deaths.

"The protests merely extend the lockdown further still, given many businesses that had been attempting to reopen safely . . . have now either been damaged or forced to close their doors yet again in order to protect their businesses and staff."

A tailwind for global stocks was a perceived easing in tension between Washington and Beijing after Donald Trump failed to impose additional sanctions on Beijing at a closely watched press conference last Friday.

Dollar's haven appeal wanes as US-China fears ease

US Dollar index

Source: Refinitiv

Some investors had been expecting the US president to retaliate more strongly to China's plan to impose new national security legislation on Hong Kong.

"While President Trump's speech was heated in rhetoric, it lacked specific measures that would directly impact China," said Lee Hardman, currency analyst at MUFG Bank, who said the US dollar was weakening against currencies such as the Australian dollar owing to "an easing of US/China fears and more reassuring evidence that activity continues to pick-up in China".

The US Dollar index, which measures the greenback against a basket of peers, fell 0.5 per cent while the Australian dollar strengthened to highest level since January at $0.6781, up 1.8 per cent.

Underscoring that rebound in China was Caixin-Markit data for May that showed a "marginal upturn in manufacturing conditions" in China, said Bernard Aw, principal economist at IHS Markit.

China's CSI 300 index rose 2.7 per cent, although the standout Asian bourse was Hong Kong's Hang Seng, which rose 3.4 per cent, its best day in more than two months. **Ray Douglas**

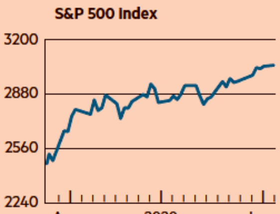
Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	3050.19	1378.67	22062.39	6166.42	2915.43	88708.36
% change on day	0.19	1.15	0.84	1.48	2.21	1.49
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	98.140	1.114	107.555	1.248	7.135	5.363
% change on day	-0.207	0.180	-0.167	0.971	-0.150	-1.249
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	0.675	-0.404	0.005	0.229	2.729	6.790
Basis point change on day	1.790	4.600	0.490	4.600	2.900	-5.500
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	338.97	37.74	34.73	1728.70	17.59	2470.90
% change on day	0.85	0.29	-1.42	0.66	1.44	0.97

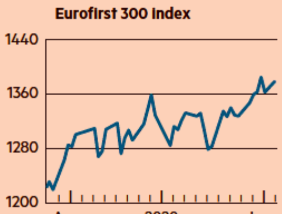
Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets

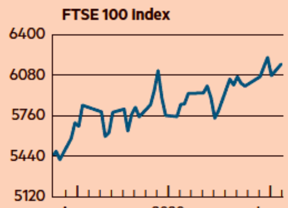
S&P 500 index



Eurofirst 300 index



FTSE 100 index



Biggest movers

%	US		Eurozone		UK	
Ups	Coty	20.11	Publicise	8.15	Standard Chartered	8.66
	Gap (the)	11.69	Bollore	7.09	Associated British Foods	8.02
	Norwegian Cruise Line Holdings Ltd	8.01	Cnh Industrial	6.49	Pearson	7.88
	Kimco Realty	7.56	Renault	6.19	Carnival	7.28
	Alliance Data Systems	7.26	Klepierre	6.04	Int Consolidated Airlines S.a.	5.91
Downs	Pfizer	-8.05	Hugo Boss	-9.14	Hikma Pharmaceuticals	-3.03
	Gilead Sciences	-3.93	Commerzbank	-6.96	Reckitt Benckiser	-1.91
	Nortonlifelock	-3.71	Seadrill	-6.92	Halma	-1.63
	Cabot Oil & Gas	-3.68	Lufthansa	-6.43	Admiral	-1.59
	Western Digital	-3.20	E.on	-5.88	Croda Int	-1.35

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

Coty soared almost 20 per cent after the cosmetics manufacturer said it would appoint Peter Harf, chairman of its majority owner JAB Holdings, as chief executive to steer the group's turnround.

An agreement to sell a majority stake in its hair product lines to private equity firm KKR also helped to lift the group.

Airlines, led by **American Airlines** and **Southwest Airlines**, and other companies reliant on tourism such as **Marriott International** and cruise operator **Carnival**, gained on hopes of a rebound in travel demand as states reopened their economies.

Pharmaceuticals company **Pfizer** tumbled after it reported a setback in a breast cancer drug trial.

Gilead Sciences was also lower after a clinical trial showed its remdesivir treatment only had positive outcomes for patients moderately ill with Covid-19.

Zoom was up more than 10 per cent after a report over the weekend said the California-based videoconferencing company was potentially planning to offer stronger encryption for its paying users.

Retailer **Target** was lower after announcing it would temporarily close stores and adjust opening hours due to the protests that have swept across the US following the death of George Floyd. *Harry Dempsey*

Eurozone

Shares in Spanish telecoms operator **MasMovil** were up more than 20 per cent after it agreed a €5bn takeover by a trio of private equity firms. The deal is the largest take-private of a listed European telecoms company in more than two years. Other telecoms groups such as **Telefónica** and **Nokia** moved higher on the news.

Airbus and aerospace supplier **Safran** rose on a Bloomberg report that the French aircraft manufacturer was considering additional measures to address the impact of coronavirus.

Unibail-Rodamco-Westfield, the French commercial real estate group, continued to make strong gains after it announced on Friday the successful completion of the disposal of five shopping centres in France to a joint venture including Crédit Agricole Assurances and La Française.

Credit Suisse fell following the news that it had taken a majority stake in its Chinese securities joint venture, after receiving regulatory approval in April.

Daimler dropped as the gloomy outlook for the automotive industry weighed on investors.

Volkswagen also fell, after Scania, which it owns, said that it planned to cut 5,000 jobs since demand for trucks was unlikely to pick up in the near future. *Harry Dempsey*

London

Associated British Foods shares rose almost 9 per cent after it announced that its 153 Primark stores in England would reopen on June 15 in line with government guidance. It will take the group close to having 80 per cent of its selling space open.

Standard Chartered was one of the best performers on the FTSE 100, after Jefferies raised the bank from "underperform" to "buy". It said that Standard Chartered's common equity had lower exposure to commercial real estate at 15 per cent in Hong Kong compared with 45 per cent for HSBC, which it lowered to "hold".

WPP, the world's largest advertising group, and broadcaster ITV gained, after analysts at Citi said advertising trends pointed towards a V-shaped recovery for the sector once the coronavirus-induced decline passed.

Travel companies such as **Carnival** and **InterContinental Hotels** continued to rally as the European summer season appeared to have been partially salvaged, with eurozone governments easing their lockdown restrictions. Housebuilders **Taylor Wimpey** and **Persimmon** were also up on increased internet search activity by potential housebuyers.

Education provider **Pearson** climbed on the news that it had issued a £350m education-linked bond. *Harry Dempsey*

China's sceptics must not succumb to stimulus phobia

Jianguang Shen

Markets Insight

At last month's National People's Congress, China unveiled a much-anticipated fiscal stimulus package to counter damage caused by the Covid-19 crisis to the world's second-biggest economy.

The spend, which amounts to an extra Rmb3.6tn ($500bn) or about 4 per cent of China's annual economic output, will be paid for by the issue of special treasury bonds for pandemic relief, as well as infrastructure-bound local government special bonds and a wider fiscal deficit.

For many in China, the intervention is reminiscent of the Rmb4tn stimulus introduced by Beijing after the 2008 crisis. Held up as a painful lesson on the risks of ultra-loose fiscal policy, it has since dominated economic debate. But where does stimulus phobia come from?

Aimed at boosting sagging demand, the global financial crisis-era programme involved massive public infrastructure investment, social welfare spending and rural development.

True, it left China with a painful legacy that was felt many years later, such as bloated local government debt, a red-hot housing market and hordes of zombie companies. People understandably fear a new debt-fuelled bubble from the latest spree.

However, the 2008 package also proved to be a strong and timely relief. The side-effects would have been held in check if the structural flaws in China's economy had been better addressed.

When the world was reeling after the financial crisis, China's policymakers were right to worry about the downturn that it would cause. Months later, the country's exports would drop, unemployment rise and many small businesses collapse. Stimulus enabled China to quickly restore its economic vigour and the country went on to overtake many of its rivals in the ensuing decade.

Huge spending on infrastructure has paid off. A high-speed railway network, new airports and logistics, mostly built after the crisis and once deemed as premature investments, have shaped urban clusters and made its manufacturing sector more competitive.

China now finds itself in a completely different landscape. The current situation calls for even greater urgency than 2008.

As the battle against Covid-19 dragged on, gross domestic product shrank 6.8 per cent in the first quarter of 2020, the steepest year-on-year fall recorded.

> Efforts such as rural land reform and a further opening of the financial sector remain key

By contrast, the economic trough between 2008 and 2010 was a 6.4 per cent year-on-year expansion.

Although April's data contained some green shoots, domestic demand trailed behind supply. While the added value of industrial production grew 3.9 per cent, retail sales and investment contracted.

As the world braces for a sharp technical recession, with the US economy heading for a 38 per cent annualised decline in inflation-adjusted output in the second quarter, a temporary rebound in China's exports in April disguised the grim reality that more foreign orders were being cancelled.

Beijing has vowed to work on what it calls its six priorities — employment, basic livelihood, companies, food and energy security, stable supply chains and smoother government, so saving jobs and small and medium-sized businesses would call for something similar to the US Paycheck Protection Program.

A more resilient supply chain suggests increased infrastructure spending.

China has more room for manoeuvre than other big economies. According to IMF's fiscal tracker, China's support packages (including spending, loans and guarantees) amounted to only 2.5 per cent of GDP by April, compared with 34 per cent for Germany, 20.5 per cent for Japan and 11.1 per cent for the US.

Even after adding the measures announced at the NPC, China's fiscal commitment is still a far cry from that of western economies.

The country also boasts a fresh and promising pool of projects. Of course, much of the fiscal spending will be earmarked for the six priorities but the spotlight should also be turned on those "new infrastructure" investments such as data centres, industrial units powered by artificial intelligence and cold-chain logistics for products such as frozen goods, which could unleash China's potential as an economic powerhouse.

A healthy dose of fiscal action serves shorter term stability and longer term prosperity.

Yet stimulus alone is no panacea. The best way to overcome sceptics is to build on a well-structured and targeted spending plan. Further efforts to rejuvenate the economy through measures such as rural land reform and a further opening of the financial sector remain key to China's sustained growth.

Jianguang Shen is vice-president of JD.com and chief economist of JD Digits

MARKET DATA

WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)

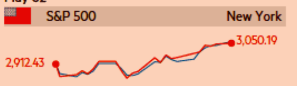
S&P 500	Nasdaq Composite	Dow Jones Ind	FTSE 100	FTSE Eurofirst 300	Nikkei	Hang Seng	FTSE All World $	$ per €	$ per £	¥ per $	£ per €	Oil Brent $ Sep	Gold $
0.19%	0.41%	0.21%	1.48%	1.15%	0.84%	3.36%	0.85%	0.180%	0.971%	-0.167%	-0.889%	-0.25%	0.66%

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

AMERICAS

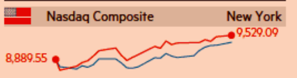
May 02 - - Index All World

S&P 500 New York



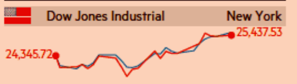
Day 0.19% Month 7.75% Year 10.83%

Nasdaq Composite New York



Day 0.41% Month 10.71% Year 27.82%

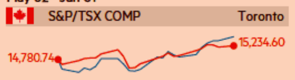
Dow Jones Industrial New York



Day 0.21% Month 7.20% Year 2.49%

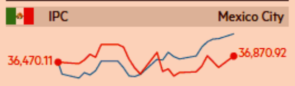
May 02 - Jun 01 Index All World

S&P/TSX COMP Toronto



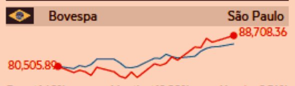
Day 0.27% Month 4.19% Year -5.02%

IPC Mexico City



Day 2.07% Month 1.02% Year -13.82%

Bovespa São Paulo

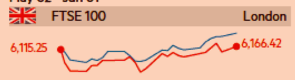


Day 1.49% Month 10.20% Year -8.56%

EUROPE

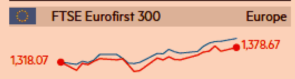
May 02 - Jun 01 Index All World

FTSE 100 London



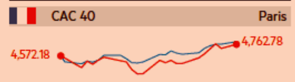
Day 1.48% Month 7.09% Year -13.83%

FTSE Eurofirst 300 Europe



Day 1.15% Month 4.64% Year -5.09%

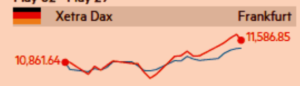
CAC 40 Paris



Day 1.43% Month 4.17% Year -8.54%

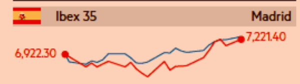
May 02 - May 29 Index All World

Xetra Dax Frankfurt



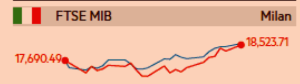
Day -1.65% Month 4.63% Year NaN%

Ibex 35 Madrid



Day 1.76% Month -6.32% Year -19.80%

FTSE MIB Milan



Day 1.79% Month 4.61% Year -6.55%

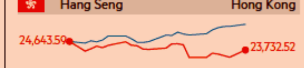
ASIA

May 02 - Jun 01 Index All World

Nikkei 225 Tokyo

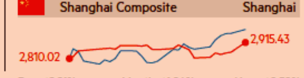
Day 0.84% Month 9.25% Year 7.09%

Hang Seng Hong Kong



Day 3.36% Month -3.67% Year -11.75%

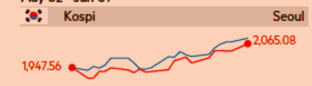
Shanghai Composite Shanghai



Day 2.21% Month 1.94% Year 0.58%

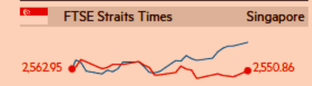
May 02 - Jun 01 Index All World

Kospi Seoul



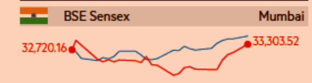
Day 1.75% Month 6.03% Year 1.14%

FTSE Straits Times Singapore



Day 1.60% Month -2.58% Year -18.00%

BSE Sensex Mumbai



Day 2.71% Month -1.23% Year -16.14%

Country	Index	Latest	Previous
Argentina	Merval	39253.52	37824.73
Australia	All Ordinaries	5838.40	5872.20
	S&P/ASX 200	5819.20	5755.70
	S&P/ASX 200 Res	4480.80	4348.90
Austria	ATX	2232.30	2269.13
Belgium	BEL 20	3268.03	3252.95
	BEL Mid	7712.82	7746.52
Brazil	Bovespa	88708.36	87402.59
Canada	S&P/TSX 60	920.14	917.17
	S&P/TSX Comp	15234.60	15192.83
	S&P/TSX Div Met & Min	389.86	396.91
Chile	S&P/CLX IGPA Gen	18602.30	18465.56
China	FTSE A200	10476.61	10200.27
	FTSE B35	9000.71	8988.96
	Shanghai A	3055.94	2989.86
	Shanghai B	206.07	200.23
	Shanghai Comp	2915.43	2852.35
	Shenzhen A	1928.52	1869.38
	Shenzhen B	856.56	849.69
Colombia	COLCAP	1095.45	1085.55
Croatia	CROBEX	2013.05	2011.29
Cyprus	CSE M&P Gen	68.46	68.68
Czech Republic	PX	907.62	895.52
Denmark	OMXC Copenhagen 20	1233.94	1233.47
Egypt	EGX 30	10220.14	10109.91
Estonia	OMX Tallinn	1188.78	1190.83
Finland	OMX Helsinki General	9347.74	9254.18
France	CAC 40	4762.78	4695.43
	SBF 120	3766.02	3710.32
Germany	M-DAX	25396.00	25633.69
	TecDAX	3185.72	3172.96
	XETRA Dax	11586.85	11781.13
Greece	Athens Gen	656.35	652.58
	FTSE/ASE 20	1579.70	1571.46
Hong Kong	Hang Seng	23732.52	22961.47
	HS China Enterprise	9833.83	9561.03
	HSCC Red Chip	3787.58	3656.71
Hungary	Bux	35875.71	36340.47
India	BSE Sensex	33303.52	32424.10
	Nifty 500	8020.10	7822.40
Indonesia	Jakarta Comp	4753.61	4716.19
Ireland	ISEQ Overall	5993.85	5888.54
Israel	Tel Aviv 125	1415.01	1425.45
Italy	FTSE Italia All-Share	20264.79	19943.74
	FTSE Italia Mid Cap	32667.75	32590.67
	FTSE MIB	18523.71	18197.56
Japan	2nd Section	6205.85	6146.25
	Nikkei 225	22062.39	21877.89
	S&P Topix 150	1298.49	1293.69
	Topix	1568.75	1563.67
Jordan	Amman SE	1643.31	1621.18
Kenya	NSE 20	1964.46	1964.46
Kuwait	KSX Market Index	6633.44	6603.51
Latvia	OMX Riga	1030.57	1039.54
Lithuania	OMX Vilnius	721.57	720.67
Luxembourg	LuxX	1005.81	973.76
Malaysia	FTSE Bursa KLCI	1490.14	1473.25
Mexico	IPC	36870.92	36122.73
Morocco	MASI	9852.80	9844.88
Netherlands	AEX	539.54	532.57
	AEX All Share	772.78	761.88
New Zealand	NZX 50	10882.41	10856.69
Nigeria	SE All Share	25267.82	25166.01
Norway	Oslo All Share	872.22	885.88
Pakistan	KSE 100	34021.97	33931.23
Philippines	Manila Comp	5930.17	5838.84
Poland	Wig	48611.01	48127.64
Portugal	PSI 20	4425.86	4330.67
	PSI General	3175.88	3132.62
Romania	BET Index	8701.29	8768.80
Russia	Micex Index	2750.78	2734.83
	RTX	1247.71	1219.76
Saudi-Arabia	TADAWUL All Share Index	7213.03	7050.66
Singapore	FTSE Straits Times	2550.86	2510.75
Slovakia	SAX	360.88	361.31
Slovenia	SBI TOP	873.85	-
South Africa	FTSE/JSE All Share	50929.59	50483.00
	FTSE/JSE Res 20	47679.21	47221.36
	FTSE/JSE Top 40	46950.12	46544.79
South Korea	Kospi	2065.08	2029.60
	Kospi 200	273.19	268.32
Spain	IBEX 35	7221.40	7096.50
Sri Lanka	CSE All Share	4795.40	4846.76
Sweden	OMX Stockholm 30	1649.38	1629.76
	OMX Stockholm AS	639.87	632.92
Switzerland	SMI Index	9831.49	9926.03
Taiwan	Weighted Pr	11079.02	10942.16
Thailand	Bangkok SET	1352.37	1342.85
Turkey	BIST 100	107266.19	105520.47
UAE	Abu Dhabi General Index	4141.61	4119.31
UK	FT 30	2275.40	2351.30
	FTSE 100	6166.42	6076.60
	FTSE 4Good UK	5688.91	5604.73
	FTSE All Share	3412.50	3363.67
	FTSE techMARK 100	5255.21	5173.65
USA	DJ Composite	8253.83	8239.60
	DJ Industrial	25437.53	25383.11
	DJ Transport	8976.19	8969.79
	DJ Utilities	808.27	806.92
	Nasdaq 100	9567.91	9555.53
	Nasdaq Cmp	9529.09	9489.87
	NYSE Comp	11883.05	11802.95
	S&P 500	3050.19	3044.31
	Wilshire 5000	31063.15	30927.04
Venezuela	IBC	324240.00	323765.91
Vietnam	VNI	878.67	864.47
Cross-Border	DJ Global Titans ($)	356.02	355.25
	Euro Stoxx 50 (Eur)	3078.75	3050.20
	Euronext 100 ID	943.48	930.24
	FTSE 4Good Global ($)	7571.02	7547.54
	FTSE All World ($)	338.97	336.10
	FTSE E300	1378.67	1362.93
	FTSE Eurotop 100	2642.04	2613.48
	FTSE Global 100 ($)	1966.90	1960.50
	FTSE Gold Min ($)	2276.28	2258.27
	FTSE Latibex Top (Eur)	4440.00	4432.20
	FTSE Multinationals ($)	2114.18	2109.23
	FTSE World ($)	603.88	599.34
	FTSEurofirst 100 (Eur)	3570.82	3517.16
	FTSEurofirst 80 (Eur)	4217.04	4175.71
	MSCI ACWI Fr ($)	509.47	509.25
	MSCI All World ($)	2147.88	2148.33
	MSCI Europe (Eur)	1426.06	1447.73
	MSCI Pacific ($)	2492.48	2522.83
	S&P Euro (Eur)	1415.17	1400.35
	S&P Europe 350 (Eur)	1414.48	1397.62
	S&P Global 1200 ($)	2393.37	2377.53
	Stoxx 50 (Eur)	2920.58	2892.84

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

STOCK MARKET: BIGGEST MOVERS

AMERICA

ACTIVE STOCKS	stock traded m's	close price	Day's change
Amazon.com	39.4	2462.25	19.88
Apple	33.1	320.69	2.75
Boeing	27.1	151.52	5.67
Nvidia	19.5	349.87	-5.15
Microsoft	19.4	182.35	-0.90
Facebook	17.2	228.74	3.65
Pfizer	15.1	35.12	-3.07
Ecolab	13.8	211.81	-0.77
United Airlines Holdings	10.8	29.42	1.38
Advanced Micro Devices	10.8	53.24	-0.56

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Coty	4.36	0.73	20.11
Gap (the)	9.94	1.04	11.69
Norwegian Cruise Line Holdings Ltd	16.91	1.25	8.01
Kimco Realty	11.95	0.84	7.56
Alliance Data Systems	49.70	3.37	7.26
Downs			
Pfizer	35.12	-3.07	-8.05
Gilead Sciences	74.77	-3.06	-3.93
Nortonlifelock	21.94	-0.85	-3.71
Cabot Oil & Gas	19.11	-0.73	-3.68
Western Digital	42.95	-1.42	-3.20

Based on the constituents of the S&P500

LONDON

ACTIVE STOCKS	stock traded m's	close price	Day's change
Astrazeneca	161.1	8704.00	124.00
Bp	113.0	311.00	5.25
Hsbc Holdings	98.9	380.40	10.30
Rio Tinto	91.8	4377.00	64.00
Diageo	86.2	2851.00	60.50
Glaxosmithkline	73.4	1661.80	-10.00
Royal Dutch Shell	70.4	1250.20	24.20
Flutter Entertainment	68.8	10800.00	520.00
Royal Dutch Shell	66.9	1290.80	31.60
Reckitt Benckiser	66.0	7086.00	-138.00

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Airtel Africa	38.40	4.40	12.94
Hammerson	82.48	8.88	12.07
Rank	157.20	14.00	9.78
Standard Chartered	400.30	31.90	8.66
Associated British Foods	1967.00	146.00	8.02
Downs			
Hyve	88.22	-8.57	-8.85
Bakkavor	73.60	-4.40	-5.64
Future	1304.00	-76.00	-5.51
Cineworld	79.78	-4.62	-5.47
Paragon Banking	339.40	-14.80	-4.18

Based on the constituents of the FTSE 350 index

EURO MARKETS

ACTIVE STOCKS	stock traded m's	close price	Day's change
Sap Se O.n.	1008.6	113.50	0.50
Adidas Ag Na O.n.	437.8	237.20	-1.80
Daimler Ag Na O.n.	426.8	33.38	-1.67
Allianz Se Na O.n.	371.6	162.82	-3.90
Siemens Ag Na O.n.	[illegible]	[illegible]	[illegible]
Basf Se Na O.n.	341.4	48.64	-1.90
Bayer Ag Na O.n.	320.8	60.72	-2.24
Infineon Tech.ag Na O.n.	[illegible]	[illegible]	[illegible]
Novo Nordisk B A/s	299.7	58.53	-0.38
Muench.rueckvers O.n	279.2	204.60	-3.20

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Publicis Sa	27.60	2.08	8.15
Bollore	2.75	0.18	7.09
Cnh Industrial	5.81	0.35	6.49
Renault	21.46	1.25	6.19
Klepierre	18.07	1.03	6.04
Downs			
Hugo Boss Ag Na O.n.	24.54	-2.47	-9.14
Commerzbank Ag	3.50	-0.26	-6.96
Seadrill	0.41	-0.03	-6.92
Lufthansa Ag Vna O.n.	9.14	-0.63	-6.43
E.on Se Na O.n.	9.51	-0.59	-5.88

Based on the constituents of the FTSEurofirst 300 Eurozone index

TOKYO

ACTIVE STOCKS	stock traded m's	close price	Day's change
Softbank	1369.6	5018.00	186.00
Fast Retailing Co.,	972.0	61880.00	1350.00
Sony	434.0	6973.00	99.00
Tokyo Electron	408.7	22455.00	955.00
Toyota Motor	302.9	6720.00	-35.00
Takeda Pharmaceutical	293.7	4114.00	-77.00
Mitsubishi Ufj Fin.,	[illegible]	[illegible]	[illegible]
Daiichi Sankyo ,	258.7	9506.00	-579.00
Advantest	224.7	5630.00	310.00
Fujitsu	209.0	11645.00	545.00

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Toyo Seikan Kaisha,	1225.00	79.00	6.89
Advantest	5630.00	310.00	5.83
Alps Alpine Co.,	1370.00	68.00	5.22
Fujitsu	11645.00	545.00	4.91
Toho Z Co.,	1569.00	71.00	4.74
Downs			
Daiichi Sankyo ,	9506.00	-579.00	-5.74
Mitsui Mining And Smelting ,	2249.00	-73.00	-3.14
Isuzu Motors	981.80	-27.70	-2.74
Nippon Light Metal Holdings ,	180.00	-5.00	-2.70
Shionogi & Co.,	6190.00	-171.00	-2.69

Based on the constituents of the Nikkei 225 index

UK MARKET WINNERS AND LOSERS

FTSE 100	Jun 01 price(p)	%Chg week	%Chg ytd
Winners			
Melrose Industries	119.50	28.2	-50.7
Int Consolidated Airlines S.a.	242.00	26.8	-62.0
Easyjet	706.00	26.7	-50.6
Associated British Foods	1967.00	17.1	-23.8
Barclays	120.78	17.1	-34.8
British Land	407.00	17.0	-35.2
Jd Sports Fashion	658.20	16.5	-20.8
Carnival	1134.50	15.6	-68.9
M&g	142.55	15.4	-41.5
Land Securities	618.20	[illegible]	[illegible]
Intermediate Capital Group	[illegible]	[illegible]	[illegible]
St. James's Place	[illegible]	[illegible]	[illegible]
Losers			
Polymetal Int	1621.00	-4.6	36.0
Whitbread	2501.00	-3.7	-40.5
London Stock Exchange	8126.00	-3.6	5.5
Astrazeneca	8704.00	-3.2	13.6
Hikma Pharmaceuticals	2493.00	-2.7	25.6
Just Eat Takeaway.com N.v.	8676.00	-2.1	-
Imperial Brands	1498.00	-0.9	-20.1
Reckitt Benckiser	7086.00	-0.6	14.3
Rentokil Initial	495.90	-0.2	8.8
Royal Dutch Shell	1290.80	-0.1	-42.8
Glaxosmithkline	1661.80	-0.1	-6.5
Croda Int	5120.00	-0.1	0.4

FTSE 250	Jun 01 price(p)	%Chg week	%Chg ytd
Winners			
Hyve	88.22	456.9	-96.9
Aston Martin Lagonda Global Holdings	54.25	53.0	-69.1
Tui Ag	442.20	46.5	-55.4
Iwg	304.00	40.7	-30.8
Cineworld	79.78	36.6	-63.7
Hammerson	82.48	30.5	-73.4
Provident Fin	198.90	25.6	-57.1
Mitchells & Butlers	187.80	23.2	-58.9
Unite	882.50	22.5	-29.8
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Shaftesbury	[illegible]	[illegible]	[illegible]
Losers			
Softcat	1135.00	-9.7	-3.5
Centamin	167.75	-6.6	32.4
Sabre Insurance	262.00	-6.3	-13.8
Energean	533.00	-5.3	-42.6
Kainos	844.00	-4.7	7.4
Trainline	490.00	-4.3	-2.8
Petropavlovsk	25.15	-4.2	98.0
Hilton Food	1240.00	-3.9	11.3
3i Infrastructure	274.00	-3.5	-7.0
Clarkson	2265.00	-3.2	-25.2
Savills	913.50	-3.0	-20.1
Spirent Communications	247.50	-2.9	0.2

FTSE SmallCap	Jun 01 price(p)	%Chg week	%Chg ytd
Winners			
Hyve	88.22	456.9	-96.9
De La Rue	120.00	177.8	-13.2
Card Factory	41.00	43.4	-71.6
Renewi	25.50	39.7	-28.5
Restaurant	61.30	34.2	-63.2
Hostelworld	76.50	31.9	-40.6
Lookers	23.90	30.6	-57.6
Aa	28.25	30.5	-51.3
The Gym	177.80	30.4	-39.9
Kin And Carta	[illegible]	[illegible]	[illegible]
Ten Entertainment	[illegible]	[illegible]	[illegible]
Reach	[illegible]	[illegible]	[illegible]
Losers			
Lamprell	16.00	-18.4	-60.0
Amigo Holdings	19.00	-15.4	-73.1
Bmo Private Equity Trust	323.00	-14.3	-14.2
Asa Int	106.00	-13.3	-
Dwf	67.40	-13.1	-47.3
Funding Circle Holdings	77.00	-9.7	-20.3
Batm Advanced Communications Ld	86.00	-9.5	122.2
Gulf Marine Services	9.44	-9.4	28.4
Ted Baker	130.00	-8.8	-70.0
Vectura	90.40	-6.1	-1.2
U And I	84.50	-6.1	-52.3
Sqn Asset Finance ome Fund	33.00	-6.0	-59.9

Industry Sectors	Jun 01 price(p)	%Chg week	%Chg ytd
Winners			
Automobiles & Parts	3133.89	17.3	-
Industrial Metals	3033.28	11.1	-
Food Producers	6662.29	10.5	-
Forestry & Paper	17280.26	9.1	-
Life Insurance	5776.29	8.8	-
Oil Equipment & Services	4259.13	8.7	-
Real Estate Investment Trusts	2553.66	8.6	-
Travel & Leisure	6660.10	8.4	-
General Industrials	5323.39	8.3	-
General Retailers	[illegible]	[illegible]	[illegible]
Construction & Materials	[illegible]	[illegible]	[illegible]
Real Estate & Investment Servic	[illegible]	[illegible]	[illegible]
Losers			
Index - Technology Hardware & Equipment	1952.08	-2.7	-1.4
Pharmaceuticals & Biotech.	18685.44	-2.1	4.6
Software & Computer Services	1905.01	0.4	-
Oil & Gas Producers	4820.02	0.4	-
Health Care Equip.& Services	6977.52	0.5	-
Aerospace & Defense	3372.87	1.3	-
Chemicals	10955.04	1.7	-
Beverages	22237.21	1.7	-
Electronic & Electrical Equip.	8608.35	2.2	0.0
Tobacco	33089.79	2.2	-3.9
Household Goods	17024.52	2.3	-5.2
General Financial	10715.60	2.7	-

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

CURRENCIES

Jun 1	Currency	DOLLAR Closing Mid	DOLLAR Day's Change	EURO Closing Mid	EURO Day's Change	POUND Closing Mid	POUND Day's Change
Argentina	Argentine Peso	68.6250	0.1439	76.4309	0.2561	85.6645	1.0018
Australia	Australian Dollar	1.4737	-0.0328	1.6414	-0.0344	1.8397	-0.0228
Bahrain	Bahrainin Dinar	0.3773	-0.0003	0.4202	0.0001	0.4709	0.0041
Bolivia	Bolivian Boliviano	6.9100	-	7.6960	0.0097	8.6257	0.0830
Brazil	Brazilian Real	5.3632	-0.0679	5.9733	-0.0680	6.6949	-0.0195
Canada	Canadian Dollar	1.3620	-0.0202	1.5169	-0.0206	1.7002	-0.0086
Chile	Chilean Peso	794.7500	-10.4500	885.1505	-10.5114	992.0858	-3.3770
China	Chinese Yuan	7.1349	-0.0107	7.9465	-0.0019	8.9065	0.0724
Colombia	Colombian Peso	3709.5300	-3.4250	4131.4785	1.3838	4630.6051	40.3054
Costa Rica	Costa Rican Colon	572.7850	-	637.9376	0.8019	715.0071	6.8772
Czech Republic	Czech Koruna	24.0638	-0.1373	26.8009	-0.1190	30.0388	0.1192
Denmark	Danish Krone	6.6940	-0.0067	7.4554	0.0019	8.3561	0.0721
Egypt	Egyptian Pound	15.9285	0.1365	17.7403	0.1741	19.8835	0.3600
Hong Kong	Hong Kong Dollar	7.7514	0.0004	8.6331	0.0113	9.6761	0.0936
Hungary	Hungarian Forint	309.8452	-1.5138	345.0891	-1.2501	386.7795	1.8487
India	Indian Rupee	75.5450	-0.0713	84.1380	0.0265	94.3028	0.8190
Indonesia	Indonesian Rupiah	14610.0000	-	16271.8572	20.4413	18237.6586	175.4125
Israel	Israeli Shekel	3.4951	-0.0084	3.8926	-0.0044	4.3629	0.0316
Japan	Japanese Yen	107.5550	-0.1800	119.7891	-0.0497	134.2608	1.0688
..One Month		107.5550	-0.1801	119.7891	-0.0496	134.2608	1.0688
..Three Month		107.5548	-0.1803	119.7891	-0.0495	134.2607	1.0686
..One Year		107.5542	-0.1815	119.7892	-0.0493	134.2608	1.0681
Kenya	Kenyan Shilling	106.8000	-	118.9482	0.1495	133.3184	1.2823
Kuwait	Kuwaiti Dinar	0.3082	-0.0002	0.3432	0.0002	0.3847	0.0035
Malaysia	Malaysian Ringgit	4.3175	-0.0300	4.8086	-0.0273	5.3895	0.0147
Mexico	Mexican Peso	21.9650	-0.1648	24.4635	-0.1525	27.4189	0.0600
New Zealand	New Zealand Dollar	1.5906	-0.0243	1.7715	-0.0248	1.9855	-0.0109
Nigeria	Nigerian Naira	386.7500	0.1700	430.7417	0.7305	482.7797	4.8537
Norway	Norwegian Krone	9.6278	-0.0923	10.7229	-0.0892	12.0184	0.0014
Pakistan	Pakistani Rupee	162.8000	0.1750	181.3180	0.4226	203.2231	2.1710
Peru	Peruvian Nuevo Sol	3.4160	-0.0197	3.8046	-0.0171	4.2642	0.0167
Philippines	Philippine Peso	50.3250	-0.2950	56.0493	-0.2577	62.8207	0.2395
Poland	Polish Zloty	3.9544	-0.0498	4.4042	-0.0499	4.9363	-0.0141
Romania	Romanian Leu	4.3472	-0.0053	4.8417	0.0002	5.4266	0.0457
Russia	Russian Ruble	69.4288	-1.2125	77.3261	-1.2515	86.6679	-0.6654
Saudi Arabia	Saudi Riyal	3.7535	-0.0040	4.1804	0.0008	4.6855	0.0401
Singapore	Singapore Dollar	1.4069	-0.0065	1.5669	-0.0053	1.7562	0.0089
South Africa	South African Rand	17.3515	-0.2780	19.3252	-0.2849	21.6599	-0.1354
South Korea	South Korean Won	1224.9500	-13.5000	1364.2844	-13.3020	1529.1041	-1.9825
Sweden	Swedish Krona	9.3776	-0.0408	10.4442	-0.0323	11.7060	0.0622
Switzerland	Swiss Franc	0.9605	-0.0002	1.0697	0.0011	1.1989	0.0112
Taiwan	New Taiwan Dollar	29.9145	-0.1105	33.3172	-0.0810	37.3422	0.2226
Thailand	Thai Baht	31.6800	-0.1300	35.2835	-0.1003	39.5461	0.2197
Tunisia	Tunisian Dinar	2.8610	-0.0016	3.1864	0.0022	3.5713	0.0324
Turkey	Turkish Lira	6.8115	-0.0100	7.5863	-0.0016	8.5028	0.0694
United Arab Emirates	UAE Dirham	3.6732	-	4.0910	0.0051	4.5852	0.0441
United Kingdom	Pound Sterling	0.8011	-0.0078	0.8922	-0.0075	-	-
..One Month		0.8011	-0.0078	0.8922	-0.0075	-	-
..Three Month		0.8011	-0.0078	0.8921	-0.0075	-	-
..One Year		0.8013	-0.0078	0.8916	-0.0075	-	-
United States	United States Dollar	-	-	1.1137	0.0014	1.2483	0.0120
..One Month		-	-	1.1137	-0.1225	1.2483	0.0120
..Three Month		-	-	1.1135	-0.1225	1.2483	0.0120
..One Year		-	-	1.1128	-0.1226	1.2485	0.0120
Venezuela	Venezuelan Bolivar Fuerte	-	-	-	-	-	-
Vietnam	Vietnamese Dong	23282.0000	0.5000	25930.3149	33.1731	29062.9241	280.1478
European Union	Euro	0.8979	-0.0011	-	-	1.1208	0.0094
..One Month		0.8978	-0.0011	-	-	1.1208	0.0094
..Three Month		0.8977	-0.0011	-	-	1.1207	0.0094
..One Year		0.8969	-0.0011	-	-	1.1202	0.0094

Rates are derived from WM Reuters Spot Rates and MorningStar (latest rates at time of production). Some values are rounded. Currency redenominated by 1000. The exchange rates printed in this table are also available at www.FT.com/marketsdata

FTSE ACTUARIES SHARE INDICES

UK SERIES www.ft.com/equities

Produced in conjunction with the Institute and Faculty of Actuaries

	£ Strlg Jun 01	Day's chge%	Euro Index	£ Strlg May 29	£ Strlg May 28	Year ago	Div yield%	Cover	P/E ratio	X/D adj	Total Return
FTSE 100 (100)	6166.42	1.48	5386.17	6076.60	6218.79	7161.71	4.89	1.49	13.78	101.56	5792.81
FTSE 250 (251)	17277.53	1.38	15091.36	17042.96	17338.48	18970.25	3.70	1.87	14.47	127.41	13549.03
FTSE 250 ex Inv Co (186)	17673.67	1.40	15437.38	17429.69	17749.41	19932.31	4.03	1.45	17.08	108.26	14152.28
FTSE 350 (351)	3453.71	1.46	3016.71	3403.98	3480.16	3973.48	4.69	1.54	13.89	51.59	6471.57
FTSE 350 ex Investment Trusts (285)	3386.66	1.47	2958.13	3337.75	3413.74	3927.07	4.80	1.47	14.17	51.43	3274.34
FTSE 350 Higher Yield (107)	2723.67	1.59	2379.04	2680.95	2743.19	3518.07	7.37	1.33	10.21	56.82	5568.85
[illegible]											
Technology (15)	1970.84	0.25	1721.47	1965.95	1973.28	2247.74	3.47	0.79	36.41	23.53	2737.46
Software & Computer Services (13)	2118.82	0.29	1850.72	2112.71	2120.09	2506.97	3.66	0.72	38.03	25.75	3113.73
Technology Hardware & Equipment (2)	4721.92	-0.19	4124.44	4730.77	4760.21	3136.28	1.45	2.76	24.93	43.15	5834.27

Hourly movements	8.00	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High/day	Low/day
FTSE 100	6174.15	6159.66	6137.81	6130.99	6153.88	6143.30	6120.21	6139.01	6155.89	6179.17	6110.61
FTSE 250	17270.89	17301.36	17215.48	17230.18	17305.03	17301.56	17223.67	17261.00	17279.63	17329.39	17178.47
FTSE SmallCap	4877.74	4904.17	4909.05	4914.02	4912.06	4917.13	4913.18	4915.71	4917.02	4922.41	4877.74
FTSE All-Share	3414.76	3409.87	3397.47	3395.02	3407.58	3402.87	3389.98	3399.62	3407.77	3417.85	3386.13

Time of FTSE 100 Day's high:07:36:15 Day's Low08:24:15 FTSE 100 2010/11 High: 7674.56(17/01/2020) Low: 4993.89(23/03/2020)
Time of FTSE All-Share Day's high:07:36:00 Day's Low08:19:00 FTSE 100 2010/11 High: 4257.93(17/01/2020) Low: 2727.86(23/03/2020)

Further information is available on http://www.ftse.com © FTSE International Limited. 2013. All Rights reserved. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. † Sector P/E ratios greater than 80 are not shown. For changes to FTSE Fledgling Index constituents please refer to www.ftse.com/indexchanges. ‡ Values are negative.

FT 30 INDEX

	May 29	May 28	May 27	May 26	May 25	Yr Ago	High	Low
FT 30	2275.40	2351.30	2323.00	2263.20	2171.50	0.00	3314.70	1337.80
FT 30 Div Yield	-	-	-	-	-	0.00	3.93	2.74
P/E Ratio net	-	-	-	-	-	0.00	19.44	14.26

FT 30 since compilation: 4198.4 high: 19/07/1999; low49.4 18/02/1900Base Date: 1/7/35

FT 30 hourly changes

8	9	10	11	12	13	14	15	16	High	Low
2351.3	2315.1	2305	3120.5	2308.7	2311.4	2303.7	2287.2	2281.2	2351.3	2270.1

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

FX: EFFECTIVE INDICES

	May 29	May 28	Mnth Ago		Jun 01	May 29	Mnth Ago
Australia	-	-	-	Sweden	-	-	-
Canada	-	-	-	Switzerland	-	-	-
Denmark	-	-	-	UK	76.76	76.77	78.44
Japan	-	-	-	USA	-	-	-
New Zealand	-	-	-	Euro	-	-	-
Norway	-	-	-				

Source: Bank of England. New Sterling ERI base Jan 2005 = 100. Other indices base average 1990 = 100. Index rebased 1/2/95. for further information about ERIs see www.bankofengland.co.uk

FTSE SECTORS: LEADERS & LAGGARDS

Year to date percentage changes

Leisure Goods	21.53	Basic Materials	-13.20	Food Producers	-21.47
Tech Hardware & Eq	8.73	Beverages	-13.98	FTSE 250 Index	-22.12
Pharmace & Biotech	4.35	Software & Comp Serv	-14.74	Nonlife Insurance	-22.14
Health Care	1.85	Forestry & Paper	-14.92	Real Est Invest & Se	-22.22
Food & Drug Retailer	0.47	Electricity	-15.16	Industrial Metals &	-22.27
Electronic & Elec Eq	-0.94	Chemicals	-15.18	Consumer Services	-23.40
Tobacco	-5.23	Industrial Eng	-16.32	Real Est Invest & Tr	-25.24
Household Goods & Ho	-5.67	Industrials	-16.34	Financials	-27.21
[illegible]					

FTSE 100 SUMMARY

FTSE 100	Closing Price	Day's Change	FTSE 100	Closing Price	Day's Change
3I Group PLC	836.80	11.80	Land Securities Group PLC	618.20	12.40
Admiral Group PLC	2296	-37.00	Legal & General Group PLC	207.30	8.80
Anglo American PLC	1699	-1.60	Lloyds Banking Group PLC	30.86	0.99
Antofagasta PLC	895.20	18.80	London Stock Exchange Group PLC	8126	96.00
Ashtead Group PLC	2440	47.00	M&G PLC	142.55	2.55
Associated British Foods PLC	1967	146.00	Meggitt PLC	286.10	9.10
[illegible]					

FTSE GLOBAL EQUITY INDEX SERIES

[illegible]

The FTSE Global Equity Series, launched in 2003, contains the FTSE Global Small Cap Indices and broader FTSE Global All Cap Indices (large/mid/small cap) as well as the enhanced FTSE All-World index Series (large/mid cap) - please see www.ftse.com/geis. The trade names Fundamental Index® and RAFI® are registered trademarks and the patented and patent-pending proprietary intellectual property of Research Affiliates, LLC (US Patent Nos. 7,620,577; 7,747,502; 7,778,905; 7,792,719; Patent Pending Publ. Nos. US-2006-0149645-A1, US-2007-0055598-A1, US-2008-0288416-A1, US-2010- 0063942-A1, WO 2005/076812, WO 2007/078399 A2, WO 2008/118372, EPN 1733352, and HK1099110). "EDHEC™" is a trade mark of EDHEC Business School As of January 2nd 2006, FTSE is basing its sector indices on the Industrial Classification Benchmark - please see www.ftse.com/icb. For constituent changes and other information about FTSE, please see www.ftse.com. © FTSE International Limited. 2013. All Rights reserved. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence.

UK STOCK MARKET TRADING DATA

[illegible]

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

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

POWERED BY MORNINGSTAR

UK RIGHTS OFFERS

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

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

UK COMPANY RESULTS

Company		Turnover		Pre-tax		EPS(p)		Div(p)		Pay day	Total	
Active Energy Group	Pre	1.896	0.195	3.345L	4.145L	0.002L	0.003L	0.00000	0.00000	-	0.000	0.000
AFH Financial Group	Int	38.247	36.581	5.893	5.969	10.710	10.710	0.00000	3.00000	-	4.973	7.000
BMO Capital & Income Investment Trust	Int			92.424L	2.928L	88.960L	2.870L	0.00000	2.55000	-	3.730	6.150
Hollywood Bowl Group	Int	69.230	66.990	14.468	16.385	7.680	8.920	0.00000	2.27000	-	5.132	6.500
Maintel Holdings	Pre	122.932	136.459	1.764	2.248	22.400	14.400	0.00000	19.50000	-	15.100	34.500
Pollen Street Secured Lending	Pre			34.823	30.727	46.800	39.550	12.00000	12.00000	Mar 27	24.000	24.000
Rurelec	Pre	0.000	0.000	4.418L	0.622L	0.790L	0.110L	0.00000	0.00000	-	0.000	0.000
Tertiary Minerals	Int	0.095	0.107	0.279L	0.183L	0.050L	0.050L	0.00000	0.00000	-	0.000	0.000
TOC Property Backed Lending Trust	Pre			1.182L	0.838	4.390L	3.270	1.50000	1.75000	Jan 3	3.000	3.500
W Resources	Pre	0.365	0.219	2.942L	4.592L	0.001L	0.001L	0.00000	0.00000	-	0.000	0.000

Figures in £m. Earnings shown basic. Figures in light text are for corresponding period year earlier.
For more information on dividend payments visit www.ft.com/marketsdata

UK RECENT EQUITY ISSUES

Issue date	Issue price(p)	Sector	Stock code	Stock	Close price(p)	+/-	High	Low	Mkt Cap (£m)

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

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

[illegible]

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

FT 500: TOP 20

[illegible]

Based on the FT Global 500 companies in local currency

FT 500: BOTTOM 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
[illegible]							
Roche	332.70	341.25	-8.55	-2.51	-14.20	-4.1	-2.68
Equinor	141.15	147.90	-6.75	-4.56	-4.90	-3.4	-0.14
AstraZen	8704.00	8580.00	124.00	1.45	-292.00	-3.2	-98.95
EOG Res	50.62	50.97	-0.35	-0.69	-1.66	-3.2	13.44
E.ON	9.51	10.10	-0.59	-5.88	-0.30	-3.1	-0.42
Ch Rail Cons	7.16	6.93	0.23	3.32	-0.20	-2.7	-15.76
Facebook	228.74	225.09	3.65	1.62	-6.17	-2.6	13.05
NovoB	436.25	439.05	-2.80	-0.64	-11.25	-2.5	0.97
CSR	3.72	3.62	0.10	2.76	-0.09	-2.4	-9.25
Sinopec Oil	1.71	1.69	0.02	1.18	-0.04	-2.3	-9.04
Bayer	60.72	62.96	-2.24	-3.56	-1.41	-2.3	5.33

Based on the FT Global 500 companies in local currency

BONDS: HIGH YIELD & EMERGING MARKET

Jun 01	Red date	Coupon	Ratings S*	Ratings M*	Ratings F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
High Yield US$										
HCA Inc.	06/25	7.69	BB-	Ba2	BB	114.38	4.47	-0.03	-0.12	4.05
High Yield Euro										
Aldesa Financial Services S.A.	04/21	7.25	-	-	B	71.10	28.23	0.00	0.64	25.98
Emerging US$										
Peru	03/19	7.13	BBB+	A3	BBB+	104.40	2.60	-	-	0.34
Colombia	01/26	4.50	BBB-	Baa2	BBB-	108.25	2.84	0.02	-1.25	2.42
Brazil	04/26	6.00	BB-	Ba2	BB-	112.10	3.68	0.10	-0.45	3.26
Poland	04/26	3.25	A-	A2	A-	110.58	1.36	-0.05	-0.33	0.94
Turkey	04/26	4.25	-	B1	BB-	88.50	6.65	0.06	-0.57	6.23
Mexico	05/26	11.50	BBB+	Baa1	BBB-	144.25	3.26	0.03	-1.34	2.84
Turkey	03/27	6.00	-	Ba2	BB+	101.26	5.82	0.00	0.17	3.07
Peru	08/27	4.13	BBB+	A3	BBB+	103.50	3.66	0.01	-0.02	0.80
Russia	06/28	12.75	BBB-	Ba1	BBB	174.32	2.51	-0.01	-0.64	-
Brazil	02/47	5.63	BB-	Ba2	BB-	101.90	5.49	0.08	-0.12	-
Emerging Euro										
Brazil	04/21	2.88	BB-	Ba2	BB-	103.09	0.05	0.01	-0.09	-1.19
Mexico	02/22	1.88	BBB+	Baa1	BBB-	101.14	1.20	-0.05	-1.37	1.03
Mexico	04/23	2.75	BBB+	A3	BBB+	107.76	0.76	0.00	-0.07	-1.56
Bulgaria	03/28	3.00	BBB-	Baa2	BBB	117.04	1.00	0.02	-0.15	-1.42

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

BONDS: GLOBAL INVESTMENT GRADE

Jun 01	Red date	Coupon	Ratings S*	Ratings M*	Ratings F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
US$										
FleetBoston Financial Corp.	01/28	6.88	BBB+	Baa1	A	124.51	3.22	-0.05	0.02	-
Morgan Stanley	01/28	4.00	BBB+	A3	A	102.70	3.59	-0.06	0.09	-
NationsBank Corp.	03/28	6.80	BBB+	Baa1	A	124.58	3.21	-0.05	-0.22	-
GTE LLC	04/28	6.94	BBB+	Baa2	A-	124.74	3.34	-0.05	-0.22	-
United Utilities PLC	08/28	6.88	BBB	Baa1	A-	123.24	3.58	0.02	-0.23	-
Barclays Bank plc	01/29	4.50	A	A1	A+	96.22	5.04	-0.06	0.02	-
Euro										
Electricite de France (EDF)	04/30	4.63	A-	A3	A-	137.45	0.82	-0.01	0.10	-
The Goldman Sachs Group, Inc.	02/31	3.00	BBB+	A3	A	124.42	0.68	0.00	-0.11	-
The Goldman Sachs Group, Inc.	02/31	3.00	BBB+	A3	A	121.70	0.93	0.00	0.02	-
Finland	04/31	0.75	AA+	Aa1	AA+	109.26	-0.10	-0.03	0.02	-
Yen										
Mexico	06/26	1.09	BBB+	Baa1	BBB-	94.80	2.01	0.06	0.42	-
£ Sterling										
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	128.68	3.20	0.00	-0.01	0.40
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	137.45	2.19	-0.03	0.02	-

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

INTEREST RATES: OFFICIAL

[illegible]

INTEREST RATES: MARKET

[illegible]

BOND INDICES

	Index	Day's change	Month's change	Year change	Return 1 month	Return 1 year
Markit IBoxx						
ABF Pan-Asia unhedged	207.87	0.26	-0.13	0.14	0.44	7.64
Corporates(£)	380.90	0.27	0.89	1.21	1.39	6.62
Corporates($)	319.26	-0.06	1.33	2.47	1.33	2.47
Corporates(€)	231.70	0.12	0.19	-2.51	0.57	-0.13
Eurozone Sov(€)	253.49	0.10	0.25	1.02	0.69	4.22
Gilts(£)	384.55	0.43	0.02	10.36	0.72	13.09
Global Inflation-Lkd	285.14	0.47	0.85	2.00	1.59	6.03
Markit iBoxx £ Non-Gilts	373.91	0.26	0.88	2.06	1.33	6.47
Overall ($)	277.54	-0.15	0.22	5.92	0.22	5.92
Overall(£)	377.49	0.38	0.27	7.69	0.89	10.98
Overall(€)	244.67	0.10	0.24	0.26	0.67	2.83
Treasuries ($)	263.09	-0.22	-0.66	8.63	-0.66	8.63
FTSE						
Sterling Corporate (£)	-	-	-	-	-	-
Euro Corporate (€)	104.47	-0.05	-	-	0.54	-1.73
Euro Emerging Mkts (€)	581.58	16.98	-	-	15.13	44.09
Eurozone Govt Bond	110.04	-0.19	-	-	-0.34	-0.64

CREDIT INDICES	Index	Day's change	Week's change	Month's change	Series high	Series low
Markit iTraxx						
Crossover 5Y	412.08	-16.91	-65.74	-96.71	743.22	409.93
Europe 5Y	70.40	-1.88	-8.88	-13.18	131.25	69.48
Japan 5Y	68.68	-0.36	-8.57	-8.75	188.33	68.62
Senior Financials 5Y	81.14	-3.80	-12.94	-23.95	150.83	80.86
Markit CDX						
Emerging Markets 5Y	288.53	-5.37	-21.66	-61.75	421.25	288.53
Nth Amer High Yld 5Y	-	-	-	-	-	-
Nth Amer Inv Grade 5Y	77.59	-0.12	-9.57	-12.83	150.81	77.59

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

VOLATILITY INDICES

	Jun 01	Day Chng	Prev	52 wk high	52 wk low
VIX	28.78	1.27	27.51	85.42	11.42
VXD	30.16	1.43	28.73	71.05	2.47
VXN	29.28	1.32	27.96	84.67	13.58
VDAX	33.45	1.63	31.82	93.30	-

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

BONDS: BENCHMARK GOVERNMENT

	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	-	-	-	-	-	-	-	-
	11/22	2.25	104.90	0.25	0.00	0.01	0.01	-0.86
Austria	10/25	1.20	108.76	-0.41	-0.02	-0.02	0.02	-0.17
	02/47	1.50	131.12	0.29	-0.03	-0.02	0.04	-0.64
Belgium	09/22	1.00	103.36	-0.48	0.00	0.00	0.05	0.00
	06/47	1.60	123.48	0.65	-0.03	-0.04	0.07	-0.64
Canada	11/22	2.00	104.02	0.35	-0.07	-0.07	-0.09	-1.76
	06/30	1.25	107.05	0.53	-0.03	0.02	-0.01	-
Denmark	-	-	-	-	-	-	-	-
	11/21	3.00	105.13	-0.51	-0.01	-0.08	-0.02	0.12
Finland	09/22	1.63	105.05	-0.56	-0.01	-0.02	0.03	-0.05
	09/29	0.50	106.30	-0.17	-0.03	-0.04	0.01	-
France	10/22	2.25	106.75	-0.54	-0.01	0.00	0.07	-0.03
	05/26	0.50	105.14	-0.35	-0.02	-0.04	0.01	-0.23
	05/48	2.00	134.89	0.64	-0.02	-0.03	0.08	-0.59
Germany	09/22	1.50	104.91	-0.66	-0.02	0.03	0.10	0.00
	02/26	0.50	106.60	-0.63	-0.02	0.04	0.12	-0.19
	08/29	0.00	104.53	-0.48	-0.03	0.04	0.13	-
	08/50	0.00	100.01	0.00	-0.02	0.05	0.17	-
Greece	02/26	3.65	113.59	1.70	0.01	-0.19	-0.67	-1.62
	02/26	3.65	113.59	1.70	0.01	-0.19	-0.67	-1.62
Ireland	10/22	0.00	100.90	-0.38	0.00	-0.02	0.03	-0.02
	05/30	2.40	122.16	0.15	-0.01	-0.03	0.01	-0.40
Italy	08/22	0.90	101.05	0.41	0.07	-0.13	-0.24	-0.85
	02/25	0.35	97.49	0.90	0.05	-0.15	-0.25	-
	05/30	0.40	92.62	1.19	0.00	-0.23	-0.32	-
	03/48	3.45	121.26	2.40	0.04	-0.06	-0.18	-0.99
Japan	-	-	-	-	-	-	-	-
	11/22	0.05	100.01	0.05	0.00	0.01	-	-
	03/26	0.10	101.31	-0.12	0.00	0.02	0.04	0.06
	09/47	0.80	108.27	0.48	0.02	0.04	0.06	0.03
Netherlands	07/22	2.25	106.11	-0.61	-0.02	-0.01	0.06	0.00
	07/25	0.25	104.07	-0.53	-0.03	-0.01	0.07	-0.17
New Zealand	-	-	-	-	-	-	-	-
	05/21	6.00	105.32	0.38	0.01	0.04	0.00	-1.29
Norway	05/21	3.75	103.49	0.17	0.02	0.10	-0.16	-1.13
	02/26	1.50	106.62	0.33	-0.03	0.09	-0.10	-1.11
Portugal	10/22	2.20	106.22	-0.41	0.00	-0.08	-0.32	-0.18
	02/26	3.30	118.46	0.07	-0.03	-0.19	-0.39	-0.29
Spain	10/22	0.45	101.87	-0.32	-0.01	-0.07	-0.18	-0.09
	10/29	0.60	101.41	0.45	-0.02	-0.13	-0.25	-
Sweden	-	-	-	-	-	-	-	-
	06/22	3.50	107.61	-0.29	0.00	0.02	0.07	0.19
Switzerland	05/22	2.00	105.35	-0.68	-0.01	0.03	0.00	0.13
	06/29	0.00	104.66	-0.50	-0.02	0.03	0.08	-0.04
United Kingdom	-	-	-	-	-	-	-	-
	07/22	0.50	101.17	-0.05	-0.02	0.00	-0.06	-0.63
	09/25	2.00	110.92	-0.07	-0.02	0.00	-0.10	-0.74
	07/47	1.50	122.98	0.58	-0.03	0.00	0.01	-0.92
United States	-	-	-	-	-	-	-	-
	10/22	2.00	104.39	0.17	-0.03	-0.02	-0.06	-1.87
	05/26	1.63	107.09	0.42	-0.04	-0.02	-0.04	-1.72
	11/47	2.75	130.85	1.39	-0.07	0.04	0.12	-1.29

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

GILTS: UK CASH MARKET

Jun 01	Price £	Red Yield	Change in Yield Day	Week	Month	Year	52 Week High	52 Week Low	Amnt £m
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Tr 2pc '20	100.27	0.04	0.00	-20.00	-20.00	-94.12	103.10	100.00	32.53
Tr 1.5pc '21	100.92	0.05	150.00	400.00	-16.67	-91.80	101.58	100.78	32.84
Tr 4pc '22	107.06	0.00	-100.00	-100.00	-100.00	-100.00	109.62	107.06	38.77
Tr 5pc '25	123.63	0.04	-500.00	-300.00	-55.56	-93.94	126.04	121.74	35.84
Tr 1.25pc '27	108.43	0.07	250.00	250.00	-30.00	-91.25	108.81	103.53	30.03
Tr 4.25pc '32	146.05	0.34	17.24	25.93	-5.56	-69.37	148.26	137.84	38.71
Tr 4.25pc '36	157.32	0.47	9.30	9.30	2.17	-63.85	160.46	144.44	30.41
Tr 4.5pc '42	182.03	0.60	7.14	7.14	5.26	-58.62	186.37	160.85	27.21
Tr 3.75pc '52	192.68	0.58	7.41	7.41	11.54	-59.72	198.36	160.72	24.10
Tr 4pc '60	224.68	0.52	8.33	8.33	20.93	-62.86	231.12	180.22	24.12

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

GILTS: UK FTSE ACTUARIES INDICES

Price Indices Fixed Coupon	Jun 01	Day's chg %	Total Return	Return 1 month	Return 1 year	Yield
1 Up to 5 Years	90.37	-0.10	2485.30	0.17	1.48	0.01
2 5 - 10 Years	188.03	-0.33	3813.80	0.41	4.92	0.08
3 10 - 15 Years	228.58	-0.48	4920.58	0.45	8.45	0.33
4 5 - 15 Years	197.20	-0.39	4085.17	0.43	5.92	0.20
5 Over 15 Years	415.76	-0.85	6769.37	-0.36	19.72	0.56
7 All stocks	198.20	-0.53	4204.19	-0.01	11.00	0.48

Index Linked	Jun 01	Day's chg %	Month chg %	Year's chg %	Total Return	Return 1 month	Return 1 year
1 Up to 5 Years	306.15	-0.09	0.89	-1.22	2511.99	1.19	0.15
2 Over 5 years	850.23	-0.31	5.27	9.13	6417.22	5.36	9.57
3 5-15 years	520.42	-0.26	2.64	3.33	4130.14	2.77	4.16
4 Over 15 years	1126.68	-0.33	6.26	11.27	8285.96	6.33	11.57
5 All stocks	754.76	-0.29	4.87	7.99	5799.09	4.98	8.56

Yield Indices	Jun 01	May 29	Yr ago		Jun 01	May 29	Yr ago
5 Yrs	-0.05	-0.10	0.53	20 Yrs	0.63	0.59	1.41
10 Yrs	0.25	0.20	0.92	45 Yrs	0.48	0.44	1.36
15 Yrs	0.51	0.47	1.26				

Real yield	inflation 0% Jun 01	Dur yrs	Previous	Yr ago	inflation 5% Jun 01	Dur yrs	Previous	Yr ago
Up to 5 yrs	-2.53	3.36	-2.56	-2.30	-2.88	3.36	-2.91	-2.68
Over 5 yrs	-2.32	24.79	-2.34	-1.93	-2.34	24.84	-2.36	-1.96
5-15 yrs	-2.73	10.02	-2.76	-2.27	-2.83	10.02	-2.85	-2.37
Over 15 yrs	-2.27	29.83	-2.29	-1.90	-2.29	29.85	-2.30	-1.91
All stocks	-2.33	22.91	-2.34	-1.94	-2.35	22.98	-2.36	-1.97

See FTSE website for more details www.ftse.com/products/indices/gilts
©2018 Tradeweb Markets LLC. All rights reserved. The Tradeweb FTSE Gilt Closing Prices information contained herein is proprietary to Tradeweb; may not be copied or re-distributed; is not warranted to be accurate, complete or timely; and does not constitute investment advice. Tradeweb is not responsible for any loss or damage that might result from the use of this information.

All data provided by Morningstar unless otherwise noted. All elements listed are indicative and believed accurate at the time of publication. No offer is made by Morningstar, its suppliers, or the FT. Neither the FT, nor Morningstar's suppliers, warrant or guarantee that the information is reliable or complete. Neither the FT nor Morningstar's suppliers accept responsibility and will not be liable for any loss arising from the reliance on the use of the listed information. For all queries e-mail ft.reader.enquiries@morningstar.com

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

POWERED BY MORNINGSTAR

COMMODITIES

[illegible]

BONDS: INDEX-LINKED

	Price May 29	Yield May 29	Yield Prev	Month return	Value stock	Market	No of stocks
Can 4.25%' 21	104.92	0.941	0.955	-0.21	5.18	85933.69	8
Fr 0.10%' 21	103.50	-0.623	-0.578	0.05	11.09	232225.31	14
Swe 0.25%' 22	109.34	-0.699	-0.651	-0.84	31.92	193825.44	7
UK 1.875%' 22	111.80	-2.698	-2.643	0.85	15.74	793123.37	28
UK 2.5%' 24	363.11	-2.699	-2.662	1.43	6.82	793123.37	28
UK 2%' 35	307.22	-2.689	-2.660	3.95	9.08	793123.37	28
US 0.625%' 21	100.74	-0.032	0.019	0.73	35.84	1511344.14	42
US 3.625%' 28	132.29	-0.405	-0.409	0.56	16.78	1511344.14	42

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

BONDS: TEN YEAR GOVT SPREADS

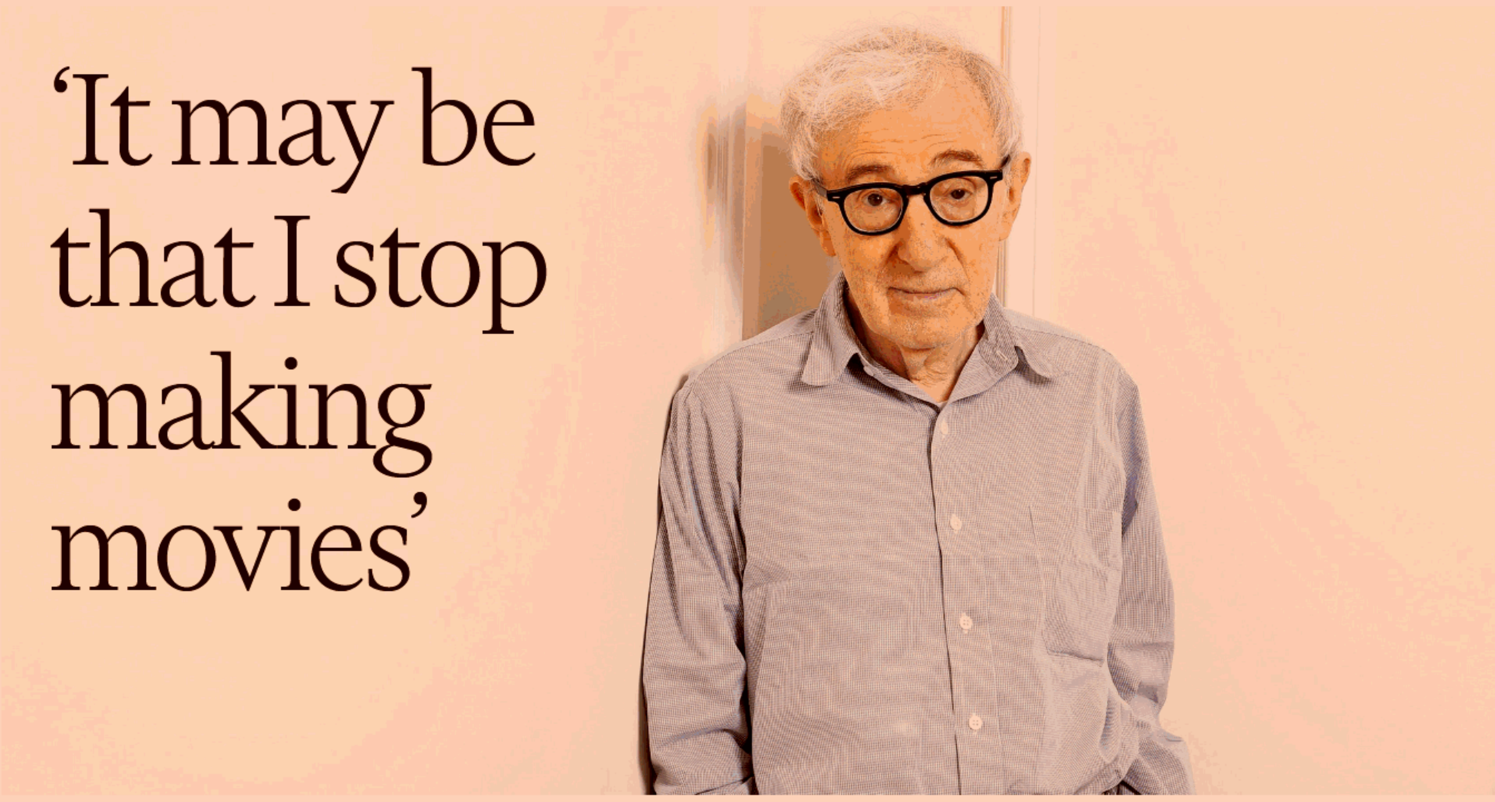
	Bid Yield	Spread vs Bund	Spread vs T-Bonds		Bid Yield	Spread vs Bund	Spread vs T-Bonds
Australia	-	-	-	Italy	1.19	1.67	-
Austria	-0.41	-	-	Japan	-	-	-
Belgium	0.65	-	-	Netherlands	-0.53	-	-
Canada	0.53	1.01	-	Norway	0.33	-	-
Denmark	-	-	-	Portugal	0.07	-	-
Finland	-0.17	0.31	-	Spain	0.45	0.93	-
France	0.64	-	-	Switzerland	-0.50	-0.02	-
Germany	-0.48	0.00	-	United Kingdom	-	-	-
Greece	1.70	-	-	United States	-	-	-

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

ARTS

'It may be that I stop making movies'

Woody Allen talks to Jason Solomons about his battle to keep working, the abuse allegations that still pursue him and why his next film could be his last



According to Woody Allen, the coronavirus pandemic is "another nail in the coffin" for the movie business. He acknowledges, too, that it may help bring down the final curtain on one of the most outstanding and prolific careers in the history of film — his own.

Allen's latest movie, *A Rainy Day in New York*, is released in the UK later this week on streaming platforms but still has no distributor in the US after being dropped by its original backer, Amazon Studios. The Oscar-winning writer and director of 49 films (by his own count), he now admits he does not know if he will ever make another.

Speaking from his Manhattan apartment, Allen cites the closure of the New York cinemas he so adores as a reason to end his own phenomenal run (making a movie a year since 1969). "It may have a negative effect on me," he explains. "The movie houses are all closed here now and I don't know if many of them will come back . . . People are thinking 'It's not so bad at home, I can just have dinner and then watch a movie on a big-screen television set with high definition and surround sound . . .' But I don't want to make movies for television, so it may be that I stop making them."

Allen has already shot another film, *Rifkin's Festival*, which was rumoured to be debuting at Cannes this year, before that festival, along with many others, was cancelled. He is looking instead to premiere it in October at Spain's prestigious but smaller San Sebastian Film Festival, where the comedy itself is actually set, but there is no distribution deal in place for the as-yet unseen film.

He has also written a new script that was supposed to shoot in Paris this summer. "But the virus has put an end to all that," he says, glumly. "I'm 84 and I'll be dead soon. If I wrote the best screenplay in the world, there's no one to make it and nowhere to show it, so for me, there's no viable incentive. I'm used to finishing a script, ripping it out of the typewriter, running over to my producer who budgets it, we cast it and then we shoot it. I've been doing this for years and years the same way — a very simple process. But now, it doesn't work . . . what can you do?"

Above: Woody Allen, 84, photographed in Paris. Right: Jude Law, Elle Fanning and Liev Schreiber in 'A Rainy Day in New York'. Far right: star Timothée Chalamet, who has since disowned the film
Arnaud Journois/Maxppp/PRAP

'My morals have always been middle-class views. I'm in favour of marriage, always thought fidelity was desirable'

The closure of cinemas and the pause on film-making is not the only reason Allen is finding it hard to get movies made and distributed. His reputation has taken a renewed and very public bashing over the past three years, ever since his estranged adopted daughter Dylan Farrow reiterated accusations that Allen molested her in 1992, when she was seven years old. (She is supported by her mother, Mia Farrow, and brother, Ronan Farrow, whose Pulitzer-winning investigative journalism played a key role in bringing Harvey Weinstein to justice.)

Some of the cast of *A Rainy Day in New York*, including star Timothée Chalamet and Rebecca Hall, publicly disowned their roles in the film. Not because of its quality but because they did not want to be associated with the increasingly toxic Allen brand. After that, and an ensuing legal battle with Amazon Studios who had financed it but then cut ties with Allen, casting *Rifkin's Festival* proved difficult, after American and British stars such as Greta Gerwig and Colin Firth said they would never work with Allen again. Instead, the film is led by Spanish and French actors such as Elena Anaya and Louis Garrel.

It's an extraordinary turn of events for the director whose films have earned Oscars for actresses including Diane Keaton, Cate Blanchett, Dianne Wiest and Penélope Cruz. Actors used to clamour to work with him, taking pay-cuts just to notch up an appearance in an Allen movie, but since the rise of the #MeToo movement, support for Dylan's claims of abuse (which were investigated in 1992, with Allen never charged) has grown throughout the industry.

I know critics who won't review his movies now, newspapers that won't publish interviews. Earlier this year, staff at book publisher Hachette staged a walkout when it emerged that the company was about to publish his memoirs, *Apropos of Nothing*. Hachette dropped the book immediately, leaving its publication in doubt until another smaller house stepped in. It is now available as an ebook. The sections about the abuse allegations and Mia Farrow (who, Allen claims, coached Dylan into making them), make for ugly if compelling reading.

What are you supposed to do if you're a fan or, like me, the author of a book about his films? Even for having written such a volume, I'm accused of enabling a monster, of adding to the fog of fame around him so that his crimes become obfuscated and overlooked and the voices of other female victims are ignored. I don't want that.

"I assure you, you have nothing to be embarrassed about," he tells me. "But you can't say anything to those people [who believe the allegations]. Nor can I. I put down in the book the truth, from the point of view of the doctors, the police, the investigators and the eye witnesses. Then there are the lie detector people and the welfare people, the people who looked into it all meticulously for 14 months, and then there are the nannies who worked at the house [where the abuse is alleged to have taken place] and the view of my son Moses, who lived there." (Moses Farrow, whom Allen and Farrow adopted together, has been outspoken in his defence of Allen and scathing in his criticism of Farrow.)

"All you can do is what I do, and ignore the nonsense. People who are interested enough can investigate the story for themselves or in my book and any thinking person would come to the same conclusion that the investigators came to: that this was non-event and prefabricated and just didn't happen.

"I just go on with my life, and after Mia, I went on with the next phase of my life, with Soon-Yi, which has been wonderful." (It was his affair with Soon-Yi Previn, Farrow's then 21-year-old adopted daughter, that ended his relationship with Farrow. He and Previn married in 1997.)

It's doubtful that reviews for *A Rainy Day in New York* will be ecstatic. Not because it doesn't have good one-liners or gorgeous photography by Vittorio Storaro or fantastic New York locations or a fine performance from Chalamet as Gatsby Wells, a young wealthy Manhattanite who yearns for Irving Berlin tunes and craps games. It has all that, and a lovely jazz score. But it will meet with disdain and distaste because, at its core, it is about the comic travails of a beautiful young student reporter, Wells's college girlfriend Ashleigh (played by Elle Fanning, 22), an ingénue from out of town, who is pursued through rainy Manhattan by, in turn, a film director (Liev Schreiber, 52), his screenwriter (Jude Law, 47) and a macho actor (Diego Luna, 40).

Did Allen not feel that, in the circumstances, this was material that risked the wrath of audiences now keenly attuned to spotting evidence of predatory behaviour in his work? "Not at all," he says. "I thought it was a very comic situation and this young woman has to navigate her own way based on experience and wisdom, which she does. I would not write a film dictated to or influenced by movements or opinions. I merely write what I think is a comic situation for a character or set of characters."

Allen's views aren't fashionable, and his writing in his memoirs about certain actresses' looks has drawn much comment. Does he live in a bygone age? "We have moved from a bygone age to a digital age," he sighs. "Fads change but my morals remain the same. A boy and girl on a date today are not as in the mid-1930s on a date, they conduct themselves differently. Many things were sexually taboo when I grew up, were criminal even, and now are common . . . But my morals have always been middle-class views. I'm in favour of marriage, always thought fidelity was desirable . . . I was never a swinger in nightclubs with a million women."

Allen might be forgiven for living in the past at the moment. The future does not look strong for his movies as he approaches making what would be his 50th film, a milestone. Instead, he has written a play and an opera and suggests his future may be in the theatre, where he has worked before, having written the Broadway plays *Play It Again, Sam* and *Don't Drink the Water* in the 1960s.

He hasn't written any material in response to Covid-19 or the lockdown. "It's not the kind of thing I write well. That kind of movie is best for TV shows who can satirise or dramatise and react quite quickly . . . There will be pandemic comedies and some might be obnoxious and boorish but some will be insightful and true and amusing. But not from me. I have found it too horrible. I have just hidden under the bed. I'm useless, wasting the day, waiting for it to be over. The best I can do is sit in my room and work on a vaccine — but don't hold your breath till I come up with one."

The wry, philosophical Allen humour is still there. It has to be. He is currently mourning the passing, from coronavirus, of his bandleader Eddie Davis, with whom he played jazz every week for many years. "We don't know what the future of the band will be," he says. "I played with Eddie on a Monday night as usual, and two weeks later he was gone . . . A wonderful guy, and we are terribly broken up over it . . . Who knows if we will get back to playing."

Allen's jazz nights have been as regular and defining as his movies for the past 50 years, fixtures in the calendar. That both are now under threat signals a huge shift in one of most iconic cultural lives in New York and world cinema.

'A Rainy Day in New York' is released on digital platforms in the UK on June 5

From above: Allen and Soon-Yi Previn in 2018; Allen in 1986 with Mia Farrow and her children, from left, Fletcher, Dylan, Moses and Soon-Yi — DMI/Life/Getty

FT BIG READ. US SOCIETY

A rust-belt revival in reverse

Unemployment has soared in cities such as Detroit, which faces protests against police brutality. The social and economic problems stirring since the Covid-19 outbreak threaten the progress of recent years. *By Patti Waldmeir*

Workers return to the Fiat Chrysler truck plant in Warren, Michigan. Joel Elvery at the Cleveland Fed says 'the fundamentals that have led to the stabilisation of rust-belt regions haven't changed' — Jeff Kowalsky/AFP via Getty

Its burnt out buildings were once a bigger tourist attraction than its art museum, and in 2013 Detroit went bankrupt. Yet by last year it had been transformed, with a revived downtown filled with jobs and pricey condominiums — one of several fading industrial cities across the US rust-belt that had managed to breathe new life into their economies.

Attracted by low costs, light traffic and architectural masterpieces left over from when these were boom towns, millennials priced out of markets on either coast moved to old industrial cities. They opened cafés and bakeries and pop-up restaurants and art galleries, often with start-up incentives they couldn't obtain elsewhere, creating Midwest cultural and lifestyle hubs in some of the grittiest cities on Earth.

Now that whole process is in jeopardy. Some of the rust-belt cities are among the places hardest hit by the coronavirus pandemic that has killed more than 100,000 people in the US and which is shattering economic optimism and throwing thousands out of work in cities such as Detroit, the original Motor City.

"[Coronavirus] may have wiped 10 years of progress off Detroit in just two months," says Amy Liu, director of the metropolitan policy programme at the

Brookings Institution think-tank and an expert on Midwest cities, who says as many as half of small businesses are at risk. "The public health crisis will come and go for at least 18 months. Things will not just be bouncing back to normal."

In recent days cities across the US, including Detroit, have faced some of the worst nationwide rioting in decades after protests over police brutality against African-Americans turned violent. The protests were sparked by the death of George Floyd, at the hands of police in Minneapolis on May 25. Black leaders in Detroit and some other cities have said much of the violence was committed by white protesters from the suburbs, highlighting the complicated racial dynamics that pose a further challenge to the rust-belt's revival.

Covid-19 hit Detroit just as it was trying to "reverse generations of structural racism and poverty" in mostly African-American neighbourhoods, says Ms Liu. "There was a deep, deep awareness that the early renaissance was not reaching all people in all neighbourhoods. So it's a setback."

The burden of the pandemic has fallen hardest on exactly those people: poor African-American households with a high incidence of conditions such as heart disease, diabetes and asthma, exacerbated by poverty, poor nutrition and lack of access to medical care. More than 40 per cent of Michigan's Covid-19 deaths have so far been African-Americans, three times the percentage of black people in the state.

So acute is the poverty that when the virus began to stalk Detroit in early March, thousands of mostly non-white residents lacked even that most basic amenity to fight it: clean water for handwashing. And although the city and state governments moved swiftly to get those with large unpaid water bills reconnected, the city rapidly became a Covid-19 hotspot.

Wayne county, which includes Detroit and has a population of just 1.7m, is fifth in the US league table for coronavirus deaths, trailing only counties that include the much larger cities of New York and Chicago.

"One of the things we always said was 'we can't take our foot off the accelerator'. We had great momentum," says one property developer involved in the city's revival. "But this city is only in the second inning [out of nine in a baseball game]. How will [downtown] retailers survive if people keep working at home for extended periods?

"Every single thing we pushed was about being together, and now the direction is going to be the opposite," he adds. "I am very worried."

Going down a familiar road

Experts from industry, finance, government, philanthropy and academia — who have studied the city as a model of rust-belt revival — agree that the next few months, and even years, will be financially difficult.

More than 40 per cent of Detroiters who had jobs before the pandemic struck have lost them — many on a permanent basis — according to a University of Michigan survey. It estimates the city's unemployment rate now stands at 48 per cent — more than twice the official state level and up from 11 per cent before the pandemic, according to the study's authors.

Below: a protester in Detroit during weekend clashes with police over the death of George Floyd. Left: a vacant property on the east side of Detroit. The economic fallout from the pandemic could put the regeneration of inner-city areas on hold
Matthew Hatcher/Getty; Reuters/Rebecca Cook

48%
University of Michigan estimate of Detroit's current joblessness rate, up from 11 per cent before the pandemic

>40%
Proportion of Michigan's Covid-19 deaths from the African-American community, three times the percentage of black people in the state. By Monday deaths in the state neared 5,500

$194m
Detroit's projected revenue shortfall in 2020-21 which forced the city to adopt budget cuts and draw down half of its $100m 'rainy day fund'

In April, S&P Global Ratings revised its outlook on Detroit debt to negative — making it potentially more difficult for the city to borrow — on pandemic concerns. And many of the new start-ups that gave Detroit its unlikely rust-belt charm may never reopen even after the city ends its lockdown, most probably sometime this month.

But Detroit will be far from alone in suffering serious pandemic damage. And it may be better placed to recover than others, partly because it has already had "practice" from overcoming bankruptcy.

The city emerged in 2014 from what was then America's largest municipal bankruptcy after restructuring $7bn in debt and putting its finances under state oversight. Several of the city's richest philanthropic foundations and other private entities provided funding to help, and urban experts point to a tight public-private coalition as critical to the deal. By 2015, the city had achieved a balanced budget for the first time in more than a decade, and in 2018 it was released from state financial oversight. But if the city budget goes back into deficit, Detroit will come under state financial oversight again.

"The advantage Detroit has is that we have been down this road before, there is a playbook that we have that other cities don't," says Wendy Lewis Jackson, managing director of the Detroit programme at the Kresge Foundation, one of the city's largest philanthropic backers.

It is a view echoed across the city. Other experts point to Detroit's highly rated mayor, Mike Duggan, strong municipal and corporate leadership and the unwavering commitment since the bankruptcy of philanthropic institutions funded with old Detroit money as reasons for optimism.

The importance of the public-private partnership that has driven Detroit's recovery was demonstrated within days of the pandemic outbreak when the city quickly set up a drive-through Covid-19 testing site with booking services provided by Quicken Loans, the company founded by Dan Gilbert, who is seen as the single biggest corporate driving force behind Detroit's rebirth.

"You are dealing with a community that is used to taking hits. This isn't new, it's just worse," says Pam Lewis, head of Detroit's New Economy Initiative, set up by philanthropists such as the Ford and Kresge Foundations to help drag the city into the 21st century. "There has been loss of life, there will be loss of businesses, but people will come through it."

Peter Scher, head of corporate responsibility at JPMorgan Chase and architect of its planned $200m investment in the city by 2022, says Detroit's regeneration leaves it much better prepared to handle the crisis than it would have been had it hit in 2012 or 2013.

"Now you have the institutional capacity on the ground," he says. "[There is] a sense of shared purpose and shared focus across the business community, government and civic leadership, that didn't exist to the same extent [back] then.

"I don't want to minimise the impact of this [pandemic] but I look at a lot of cities around the world and I think Detroit is as well positioned as any of them," adds Mr Scher. "I think it will continue to be one of the great American comeback stories."

Midwest resilience

There could even be a silver lining to the crisis, say experts, for the less densely populated cities of the Midwest where commuting by personal car is still the norm, public transportation is used only by those with no alternative, and where living well costs far less than on the coasts. Cities such as Pittsburgh, Indianapolis and Cleveland could capitalise on the kind of smokestack cachet they gained before the pandemic hit.

"People are pulling out of big cities. Will the middle of America now be seen as more attractive than it was prior [to this]?" asks Becky Frankiewicz, president of ManpowerGroup North America, a recruitment company. She points to a recent Harris Poll saying nearly one-third of Americans are now considering moving to a less densely populated area.

Equally, some believe the pandemic-induced recession could ease overheated property markets in rust-belt cities. "High housing prices were becoming a barrier to attracting people from other markets because cities like Indianapolis and Detroit were no longer the deal they once were," says Aaron Renn, publisher of Heartland Intelligence, a cultural and economic newsletter about the Midwest. "You used to be able to buy a house in Detroit for $100; now it can be several hundred thousand

> 'Every thing we pushed was about being together, and now the direction is going to be the opposite. I'm very worried'

dollars. Detroit attracted creative people because it was essentially free to live there. That's not true any more."

"The Midwest won't necessarily be hit worse than anywhere else in the US," he adds. "It's not Orlando, a tourism-dominated economy, or even Nashville, which has made a huge investment in hotels." But there will be a "restaurant blowout", and that could hit the reviving neighbourhoods.

Many start-ups — which have had help from local foundations and government schemes during the crisis — believe they can survive. Détroit is the New Black, a fashion brand on the newly resurrected main drag and also the city's unofficial motto, says it plans to reopen once the lockdown has been lifted. Gwen Jimmere, founder of Naturalicious, an African-American haircare brand, responded to supply chain problems by shifting to making hand sanitiser during the lockdown. "I am 100 per cent confident we will survive the pandemic. In fact, sales are up," she says.

Community pressures

Places such as Cleveland, Columbus and Cincinnati in Ohio "have had really explosive growth in core neighbourhoods in the last 10-15 years . . . and some of that will come back pretty easily," says David Stradling, an urban historian at the University of Cincinnati. Those who started the rust-belt foodie wave "won't lose their entrepreneurial skills or their ability to cook", he says. "I don't think coronavirus will adversely affect the Midwest any more than it adversely affects other regions."

Yet many Detroiters are worried that the pandemic could reignite racial tensions between the city — where four-fifths of the population is African-American — and white working-class residents in nearby suburbs.

"This risks being another scarlet A [or shaming] on the African-American community," says John Austin, an economics lecturer at the University of Michigan and director of the Michigan Economic Centre, in a reference to the 19th century novel *The Scarlet Letter*.

"The subtext, once again, is 'blacks wrecked the city'. With the anti-leadership of [President Donald] Trump, there is more white-working class resentment and the pandemic's disproportionate impact on black communities may give whites another reason to justify racist attitudes and why they should fear African-Americans," he says.

The city has ambitious plans to revive poor black neighbourhoods that have so far seen none of the new prosperity in the wealthy downtown and midtown areas, but those plans could be delayed or derailed by the crisis.

The pandemic has devastated municipal finances, forcing the city to draw down half of its $100m "rainy day fund". In May, the city council passed deep cuts to balance the budget because of a projected $194m revenue shortfall for this fiscal year. "We need to make sure that we don't fall into the trap of bankruptcy again," says Ms Jackson of Kresge.

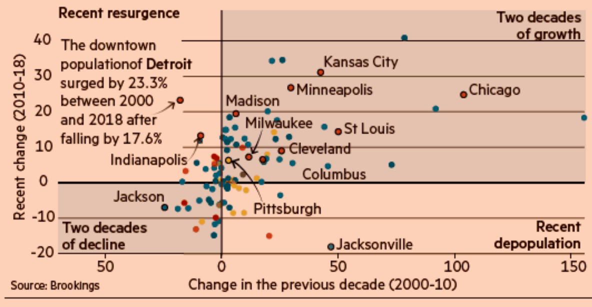
But, says Ms Liu, "Detroit is going to go through the next recession with a lot more assets in place than during the previous recession. The one thing I learnt from places like post-[Hurricane] Katrina New Orleans is that the bulk of the battle is whether you have the ability to bring the community together and execute in a crisis. There is a lot more capacity in Detroit for recovery than in 2008."

Joel Elvery, policy economist at the Federal Reserve Bank of Cleveland, says this holds true for much of the rust-belt.

"The fundamentals that have led to the stabilisation of rust-belt regions haven't changed. Compared with the period from 1975 to 2010, these regions are going to be stable and stable is a lot better than declining." And at the end of the day, he says, this pandemic too will pass.

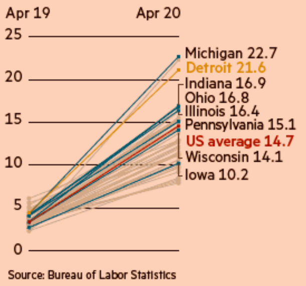
Ms Lewis delves further back in history for a local comparison to the current situation. "Think of the great fire of Detroit in the 19th century," when Detroiters formed a "bucket brigade" to carry water from the Detroit river to fight the fire that eventually destroyed the city, she says. "People innovated to rebuild afterwards. It's the same thing now: we just have to hold on until the 'fire' ends and then rebuild."

Downtown populations had been surging in America's rust-belt...
Change over the previous two decades (%)



Source: Brookings

... but unemployment has soared in recent months
Per cent



Source: Bureau of Labor Statistics

FINANCIAL TIMES
'Without fear and without favour'
TUESDAY 2 JUNE 2020

EU foreign policy is in a muddle over Libya

Confused Mediterranean initiative contrasts with bold action on virus

EU leaders are putting together what promises to be an impressive common fiscal and monetary response to the coronavirus pandemic. Regrettably, the EU is proving less good at pursuing a coherent, united foreign and security policy, especially with regard to conflicts on its eastern and southern borders. A particularly worrying example is the civil war in Libya, where the EU's well-meaning efforts at promoting stability suffer from confused objectives and risk making matters worse.

Libya descended into turmoil in 2011 when Muammer Gaddafi, the dictator since 1969, was overthrown in a popular uprising to which Nato, with Britain and France leading the way, lent air support. Since 2014, power has been contested between a UN-backed Government of National Accord, based in Tripoli, and the forces of General Khalifa Haftar, which control eastern Libya. As in Syria, the military interventions of outside powers, notably Russia and Turkey, and US disengagement expose the limits of EU influence over a conflict raging on Europe's doorstep.

The EU's latest initiative, launched on March 31, is called Operation Irini, the Greek word for peace. Ostensibly, its purpose is to enforce a UN Security Council arms embargo — universally ignored in practice — on the Libyan combatants and their suppliers. Yet the initiative is badly designed and fails to narrow intra-EU disagreements over what the bloc's priorities should be in the Mediterranean and north Africa.

Operation Irini is a sea-based mission that, inadvertently or not, risks hurting one side in the conflict: the Tripoli-based government, which receives its weapons by sea, mainly from Turkey. By contrast, Gen Haftar's forces are supplied by air and land across the Libyan-Egyptian border. In this way, the EU operation may end up helping the general, who is backed by Russia, Egypt and the United Arab Emirates, not the UN-backed government that the EU officially supports.

However, it is no secret that France, the EU's leading military power, is more sympathetic than its partners to Gen Haftar. Paris sees him as a potential ally in its campaign to stamp out Islamist extremism in the Sahel. Cyprus and Greece also lean towards the general because of a controversial maritime boundaries accord between Turkey and the Tripoli-based government that may increase Turkish influence in the eastern Mediterranean.

Operation Irini also risks reigniting disputes among EU states over refugees and migrants crossing from north Africa. Such arrivals have dwindled to a trickle since the summer of 2017. Yet some governments, led by Austria and Hungary, protest that irregular migrants will venture on to people smugglers' boats in order to be rescued and brought to European shores. This criticism was levelled at earlier EU naval missions, but often served to disguise certain governments' unwillingness to accept more burden-sharing of migrants and refugees. Nonetheless, EU leaders are to review Operation Irini every four months to make sure it is not straying from its mandate.

The simmering tensions over migration, and the contradictions embedded in the Libyan arms embargo policy, illustrate how far the EU is from fulfilling the hopes of Ursula von der Leyen, European Commission president, and becoming a "geopolitical" actor. The chief problems are persistent differences in outlook among the 27 national governments, a lack of EU hard power and a barely visible strategic culture. No one pretends that it will be easy to settle the Libyan civil war. But the contrast between the EU's bold response to the pandemic and its muddled foreign policy could not be clearer.

A disunited UK emerges from the lockdown

Westminster government has not carried other nations with it

For the first weeks of lockdown, the UK was largely united in its anti-virus strategy. As the economy restarts, it is a much more disunited kingdom. Many primary schools in England reopened for some pupils yesterday; other nations are weeks or months away from that point. "Non-essential" shops can start trading in two weeks in England but not Scotland. Scottish residents can travel no more than five miles; those in England can drive the length of the nation. It is natural that the UK's nations, and regions, might want to exit from lockdown at different speeds. But disparities in strategies and guidelines risk eroding public trust.

Devolution is built around the idea that a one-size-fits-all approach is not always suitable for the whole UK; some decisions are best made closer to residents. Scotland, Wales and Northern Ireland have exclusive powers to set policy in health, education and social welfare, for example. But in Covid-19, this patchwork of competences confronts a common threat. As far as possible, it should be fought using a common approach.

Instead, what the Westminster government refers to as a "UK" Covid-19 recovery strategy — with three phases including lockdown — applies, de facto, largely only to England. The plans of Scotland, Wales and Northern Ireland are broadly aligned with one another but slower and more cautious.

Details of guidelines can differ markedly and sometimes oddly, with little scientific explanation. Six people from two different households can meet outside in England but eight in Scotland. The credibility of official guidance has already been badly dented by disclosures that the UK prime minister's top adviser made a 500-mile round trip with his family during lockdown. Citizens finding themselves obeying different rules from others who may live a only few miles across an invisible border, risks undermining it still further.

Some at Westminster accuse some leaders of the devolved administrations — notably Nicola Sturgeon, Scotland's first minister who before the pandemic was pushing for a new independence referendum — of acting out of political, indeed nationalist, motivations. The reality is more complex. These leaders are elected and will be judged by their own nations on their competence and success, whether they opt to stay in lockstep with Westminster or diverge. There has been concern in Edinburgh, Cardiff and Belfast — as in some parts of England — that Boris Johnson's Conservative government, having gone into lockdown too late, is exiting prematurely.

While it may suit Ms Sturgeon's wider goal to show differentiation, Mr Johnson's failure to carry leaders of the devolved nations with him is partly an issue of confidence and trust. Some Edinburgh officials add that they have experienced nothing like the level of consultation they sought. The first minister tweeted that she learnt of Downing Street's plan to shift its core message from "Stay Home" to "Stay Alert" from newspapers on the day it was later announced.

As the UK cautiously starts its post-lockdown journey, the danger of second waves or pockets of infection looms large. Nations or regions may need to reimpose shutdowns to control them. Even if speeds differ and there are occasional U-turns, however, it would be preferable for all to agree on core messages, rules and strategies, and follow similar paths. Wider and more open co-operation and consultation by London with other capitals is needed. For a Downing Street machine that functions like a bunker, this might seem anathema. But the country would benefit.

Letters

Email: letters.editor@ft.com
Include daytime telephone number and full address
Corrections: corrections@ft.com
If you are not satisfied with the FT's response to your complaint, you can appeal to the FT Editorial Complaints Commissioner: complaints.commissioner@ft.com

Content responsibility amounts to prohibition for social media

President Donald Trump's attempted regulatory attack on Twitter (Inside Business, May 30) shows that some of those on the political left should be careful what they wish for in their own instinctive attacks on the big business tech platforms.

One thing should be clearly understood. There never could be a social media platform functioning with full legal responsibility for its substantive carried content. Exactly the same applies to search engines, email providers, mobile phone and texting services, and landline and letter post utilities. The whole idea of social media is to allow users to communicate with each other directly in substantial numbers. They do not submit draft input for central editing, and could not enjoy a free-to-use model if that were required. The kind of platform content responsibility that Mr Trump proposes would (within its defined limits of scope) amount to an effective prohibition of social media.

It is true that social media and search engines differ from other content carriers in that their data can remain widely accessible for an indefinite period after its posting. Hence, although their users are fully responsible for the content they create, it is appropriate that social media should be required by law to take down unlawful content — whether, for example, this incites crime or constitutes a defamatory civil wrong — and especially so since users are permitted to hide their identities. It is nevertheless essential that any such laws should allow reasonable periods for the platforms to make specific determinations, and for independent courts to be the final arbiters of compliance, if these laws are not to become de facto prohibitions of social media in the relevant jurisdictions.

There should be no legal bar against Twitter attempting to adopt a composite business model as platform carrier and editorial commentator, as it seems to be now doing with some of Mr Trump's tweets. Its efforts to draw a consistent line around this seem redundantly obtuse — rather like a concert promoter introducing Handel's *Messiah* by warning the audience that the lyrics present an unbalanced view of faith controversies.

I still prefer to seek news and analysis from high quality edited publications and broadcasters. Yet whether we use social media much or not, all of us should be alert to clear attacks on freedom of expression.

Andy Thompson
Worcester Park, Surrey, UK

Lecturing will not cut the mustard with Europe

Sir Malcolm Rifkind poses the rhetorical question as to whether the UK should accept "the laws and regulations of foreign, though friendly, states (the EU). Can you imagine the French or the Germans being willing to do so if they were in our position?" (Letters, June 1). Well, yes, I think if France or Germany want to trade into, live and work in, open a business in the US, neither Paris nor Berlin can pick and choose which US laws to obey. No one has to obey a single EU law but let us be clear.

That means none of the current access for British firms, big and small, manufacturing, retail, or financial, professional or creative services, road hauliers, security and police services, or universities to today's Europe.

Lecturing 27 sovereign independent democracies, they must allow Dominic Cummings and his epigones to cherry pick which laws we will obey may sound good in London. It convinces no one across the Channel.

Denis MacShane
Former Europe minister,
London SW1, UK

A man of the cloth's defence of online worship

As one of those interviewed for Henry Mance's feature on online worship (Magazine, FT Weekend, May 23), there is a reason I didn't mention the pandemic as God's judgment to teach us a lesson (Letters, May 30). I don't believe it is.

There does seem to be reason to look for connections with human activity and there are moral consequences to what we do. There is reason to reassess how we live, how we trade and the FT as the leading business newspaper can take a lead in this. But that is all very different to saying God sent this to tick us off, not least because it is a very indiscriminate method of discipline.

We live in a natural world where illness and disease are part of our mortal existence. What I do can affect others because, to quote John Donne, *"No man is an island"* and the bell tolls for us all.

Matters of mortality frequently lead to asking deeper questions about the purpose of life and the spiritual quest. Online worship is connecting with these — though I've learnt since the interview to be a bit smarter about how I interpret the clicks.

Ian Black
Residentiary Canon,
Peterborough Cathedral, UK

"WHEN THE SHOOTING STARTS THE VOTING STARTS."

If a loving God wanted to send a message, She would

David Critchley (Letters, May 30) wonders why Church leaders have not recognised that the Covid-19 pandemic is a punishment by God for the sins of humanity. It may be that they think this is unlikely. If a loving and omnipotent God wanted to send a message to us surely She would open a Twitter account and tweet Her warning. In doing so She would also clear up any doubts we might have about Her existence.

Tony Palmer
Eyam, Derbyshire, UK

Retailers are part of our urban fabric

I welcome your excellent leader on the demise of retail in the high street ("Lockdown will leave behind big holes on the UK high street", May 28) which I would like to add to. The likes of John Lewis and Marks and Spencer are much more than their retail activities, they have excellent employment packages and conditions, which go through into retirement packages, and their employees are important to the local economy of our towns and cities.

These employers and employees and those of other local companies, to a greater or lesser extent, make a major contribution to the social fabric of their host cities and towns, from local taxation, to its culture, to local purchasing etc.

On the other hand the Amazons and their delivery vans are purely takers from these local communities, they contribute nothing.

John Beadsmoore
Cambridge, UK

Cummings' sartorial choice was spot on

Dominic Cummings received criticism in your article last week for his choice of shirt ("Dominic Cummings' clothes — like his speech — made no apology", May 27). It was suggested that had he followed the dress code and smartened up, we might have been convinced he had followed lockdown rules. I think this is a misreading of his intentions and does him a disservice. His choice of an untidy, oversized, borderline-magnolia coloured, collared shirt was spot on. It was overwhelmingly dull. As dull in fact as the institutional tumbler and glass on his equally boring Gopak table and the wafty set of papers he carelessly clutched.

Arriving nearly half an hour late and despite the media hype for this "event", many people would have drifted off already. This carefully constructed study in the nondescript was surely intended to bore us into submission. The chronological precision of his visit to Dullsville via the world's most boring motorway, convinced me that this was a man who preferred to pore over a road atlas in preference to a satnav. Were it not for his failing eyesight.

Dominic's low-slung, dark chinos were also sniffed at — but I thought they were great too.

Rich Farrow
London SE3, UK

In Yorkshire, folk take the law into their own hands

Having recently examined the relevant statutory instrument, I realise that I have been breaking the law relating to lockdown since its inception in March (Report May 26). I had, naively, assumed that its purpose was to prohibit activities which might increase the risk of Covid-19 infection.

I was therefore happy to water the oak saplings which I had planted on somebody else's land, with the owner's permission, adjacent to the farm track leading to my house.

There is no way in which this activity, in a remote part of the Yorkshire Dales, could be deemed to increase infection risk but equally there is no way in which it might fall within the exemptions to the legal requirement to stay at home.

I do not intend to make any public apology for this breach.

I also intend to continue my lawbreaking until the current drought comes to an end.

Roger Harrison-Topham
Leyburn, Yorkshire, UK

More countries look set for revenue-based taxes

Tom's Braithwaite's column ("If profits recover, governments are ready to tax them", Opinion, May 30) is excellent on whether the market has priced in potential future tax increases to pay for the circa $17tn stimuli. I would make one comment about his reference to Moderna, Netflix and Zoom Video where he says: "Higher taxes will not hit these fast-growing companies, most of which make little in the way of profits to start with."

The future may hold an increase in jurisdictions which impose revenue-based taxes such as France's company value-added contribution (CVAE) and Texas' margin tax. Hence, loss making companies will see an increase in tax expense, which will need to be factored into their forecasts as to when they will have positive earnings per share (EPS).

Aaron Schaal
Rye Brook, NY, US

'Censor' is not what Twitter did to Trump

I disagree with your headline which states that Twitter "censored" Trump's tweet, and I think the FT should be careful with the use of the word (Report, May 30).

Censoring is defined as suppressing, prohibiting, cutting or at best limiting access to information. Twitter did not do any of these; it just put a warning in front of the statement, which is still fully accessible with just a click. My toaster manual with its pages of warnings at the beginning is not censoring the rest of the information.

If anything, Twitter attracted widespread attention to Trump's statement and its dangerous nature.

Jem Eskenazi
London N3, UK

Relations with the boss may be changed forever

Pilita Clark observes (Opinion May 25) that working from home carries the danger of losing touch with the boss.

It may also be the occasion for finding out who the real boss is.

John Doherty
Canberra, Australia

Correction

● Four subsidiaries of BT are not among companies that submitted gender pay gap data in 2019 but have failed to do so this year, as wrongly reported in an article on May 29.

A return to the Licence Raj will only stall India's reopening

New Delhi Notebook
by Stephanie Findlay

The doors were still shut when I pulled up to the Wendy's restaurant in New Delhi last week, nine weeks after India entered a nationwide lockdown on March 24. Home deliveries had failed to take off in the capital after news broke that a pizza boy had tested positive for coronavirus, sending 72 families into quarantine.

The restaurant management decided to temporarily pivot to donation-funded social work. Instead of churning out Bun Tikki burgers made of potato patties, staff inside were cooking a steaming vat of oily rice to distribute to families pushed into poverty by the coronavirus lockdown. I did not expect to see fast-food companies on the front lines of the pandemic response in India. But with years of experience navigating New Delhi's byzantine regulations, they were well positioned to help.

When India put its 1.4bn people under one of the world's strictest lockdowns, it centralised control of daily life. Everything seemed to require a permit or stamp, in an echo of the bad old days of the Licence Raj decades ago, when a rat's nest of rules arbitrated by bureaucrats stifled the country's economic growth. In 1991, India began to dismantle the socialist-era system of permits and regulations to move to a market-led economy. Red tape persists, but those radical reforms helped unleash growth, helping to lift millions from poverty.

The pandemic has been an unwelcome flashback. For weeks after Prime Minister Narendra Modi announced the lockdown, essential services struggled to operate because they could not get permits for their vehicles to move through cities or across state lines. It seemed nothing was immune from the permit mania, even the residents' association in my neighbourhood decreed that any worker coming in must be issued a pass or they would be barred entry in a bid to keep the area "safe and secure" from coronavirus.

I found the new rules alien, but this was familiar territory for Mukesh Kumar, the 31-year-old chief financial officer of Wendy's India. He said that part of his job is to secure more than 25 licences for each restaurant spanning multiple government departments.

To put vehicles on the road to help with food donations, and to organise buses to take thousands of migrant workers home from New Delhi, Mr Kumar spent hours on the phone with officials beginning with the chief minister's office and ending with local police departments. Two weeks later, he finally got the green light to run the buses. "There were tons of bureaucrats involved," said Mr Kumar, offering the Zen-like advice: "Success is correlated with patience."

On a 47-degree day last week, the hottest May Day in years, Neelami was one of hundreds of people waiting to board a bus home to the central state of Chhattisgarh. The slight 18-year-old was holding her baby, standing in the dusty field of a sports centre by the New Delhi airport that had been converted into a temporary depot. She was waiting to introduce her two-month-old daughter to her husband, who had been trapped in his village since the lockdown. "It's been very difficult," said the 18-year-old, "I'll be happy when I'm home".

Established non-governmental organisations and grassroots volunteers are working to ease the pressure on Indians whose livelihoods have been disrupted by the lockdown. A group of lawyers chartered a plane to help labourers stranded in Mumbai and unable to work to make a 2,000km trip home. But more needs to be done. Aid workers estimate that there are hundreds of thousands who need help. And, as lockdown eases, the complex set of rules is still changing, delaying a return to normalcy.

On Monday, Indian authorities unexpectedly announced that the borders of New Delhi would be sealed for another week, causing traffic to snarl and aid workers to scramble. "It's chaos, the government is confused," said one volunteer helping organise buses for migrant workers.

Meanwhile, India's Covid-19 caseload is still rising and showing no sign of peaking as it approaches 200,000 infections. It remains to be seen if the excessive bureaucracy will dissipate as the country opens up. More than ever, India needs to kick-start growth. Returning to the Licence Raj will only make that harder.

stephanie.findlay@ft.com

Opinion

For Johnson, Covid-19 is now primarily an economic crisis

BRITAIN
Robert Shrimsley

No one will admit it openly but there has been a decisive shift in the British government's approach to coronavirus. In the minds of ministers, the pandemic is no longer primarily a health crisis; it is now principally an economic crisis.

Of course, it has always been both but the move to ease lockdown, when there are still thousands of new cases each day, shows that economic considerations are weighing more heavily.

Many will say amen to that. A scared public is insufficiently frightened of the economic costs of shielding themselves. The damage to companies and livelihoods, to say nothing of the social costs, has been immense. Easing must come before safety can be assured. As foreign secretary Dominic Raab says: "We cannot just stay in lockdown forever".

There was always a balance to strike between the health of the economy and the health of its citizens. But there is a discernible shift of emphasis. Rishi Sunak, the chancellor, is warning colleagues that unemployment may hit 10 per cent. He sees unlocking the economy by the summer as his top priority, not least to save the leisure sector. Announcements now are designed to prepare people for the next easing.

Mr Sunak is planning a July mini-budget to stave off a collapse in demand. Investment in infrastructure will be bolstered by new green projects, such as boiler scrappage schemes, to create jobs and help the UK towards its net zero carbon targets. His ideas for the leisure sector include more drive-in cinemas.

For all the talk of "following the science", these have always been political decisions and this call, even more than the mistakes made at the start of the pandemic, is the one against which Prime Minister Boris Johnson will be judged. The difficulty is that, for economic activity to pick up, people — especially the middle-aged and older — must still believe the government is putting health first. Hence, his insistence that his five tests for easing have been met when in truth, the UK is barely meeting three. Members of his Scientific Advisory Group for Emergencies are openly nervous about the easing.

The UK is recording 2,000 new infections a day, double that of France when easing began there. And these are just those who have been tested. The Office for National Statistics suggests there are 8,000 new cases a day, many asymptomatic. Ministers admit privately they thought the numbers would be in the low hundreds by now. The track-and-trace system on which containment will rely is, in Mr Johnson's words, still gearing up. The R value remains close to 1.

> Despite talk of 'following the science', these have always been political decisions

Yet fears for the economy are growing and pressure is increasing from Conservative MPs for an end to lockdown. They are also pushing back on quarantine plans and for the 2m rule on social distancing to be cut to a lower figure. It is too cynical to say the easing was announced to divert MPs' attention from the prime minister's peripatetic and apparently visually challenged adviser Dominic Cummings, but Mr Johnson did need to cut the number of fronts on which he was fighting his own party.

But the Cummings affair has cost goodwill and hastened the collapse of non-partisan support. (Mr Johnson's allies say Mr Cummings is essential for delivering Brexit; in fact Brexit was used to rally allies around Mr Cummings.)

This shift in emphasis does not signal the end of the pandemic. It means ministers think the National Health Service can cope and that the cost in lives is bearable. These are the hard choices leaders have to make.

But the notion of a choice between economy and health is a false one. Not only might a recovery be derailed by a second spike but demand can be stalled by health fears. Recovery will need more than the young. If the virus looks under control, the urge to return to normal may overcome lingering fears. But if cases rise again, many will minimise their exposure. Demand will stay low.

This is why ministers insist the tests have been met and stress the cautious nature of easing and a readiness to reverse if necessary. Emerging from lockdown was always going to be the hard part and ministers are right that the economy and public cannot take much more. But the cost of jumping too soon may outweigh the cost of delaying.

Confidence is key. Ministers cannot allow people to perceive a gap between what is good for the country and what is good for them. They must believe the assurances that the easing is measured, that health remains the paramount concern and that the government can stay on top of the crisis. This, then, may yet prove the true price of the Cummings saga. It has cost Mr Johnson some of the benefit of the doubt at the moment he needs it most.

robert.shrimsley@ft.com

Trump, race and the arc of history

GLOBAL AFFAIRS
Gideon Rachman

Calculations about how the killing of George Floyd will affect the 2020 US presidential election will seem coldly rational — even offensive — to the thousands of protesters who have taken to the streets of America.

They, and many others, are haunted by the appalling footage of his dying moments, as he choked to death under a policeman's knee. The protesters know that the US has a history of racial violence that goes back centuries. Even two terms in office for Barack Obama, the first ever African-American president, did not lead to the profound changes in race relations that many had hoped for.

The Black Lives Matter movement was actually founded during the Obama presidency — after the acquittal in 2013 of George Zimmerman, who was accused of the murder of Trayvon Martin, an unarmed black teenager. It gathered further momentum in 2014 — still during the Obama presidency — after the deaths of two more African-Americans, Eric Garner and Michael Brown, at the hands of the police. An academic study last year suggested that, over the course of a lifetime, black men in America have a one in 1,000 chance of being killed by the police, and are two-and-a-half times more likely to die this way than white men. African-Americans represent 12 per cent of the US population, but 33 per cent of the prison population. They are also dying in disproportionate numbers from coronavirus.

Many activists can and do argue that police violence against African-Americans reflects deep forces within society and the state that are impervious to whoever happens to be sitting in the Oval Office. But that kind of despair, while understandable at a moment like this, is too bleak. The outcome of this year's presidential election really will matter to the cause of racial justice in America, as will the tactics employed by the candidates.

The violence and looting triggered by the killing of Floyd has brought the highest number of curfews declared across America since the riots that followed Martin Luther King's assassination in 1968. Yet while King's death was also a cause of rage and despair, the civil-rights movement he led did change America profoundly, and had inspired the landmark legislation of the Lyndon B Johnson administration in the 1960s.

As a result, the institutionalised segregation of the Jim Crow south is now just a shameful memory. In 1968, just 54 per cent of black Americans graduated from high school, compared with more than 90 per cent today. The poverty rate for African-Americans, which stood at almost 35 per cent in the year of King's assassination, was down to 22 per cent in 2016, the year of Donald Trump's election. Since then it has fallen further, though the coronavirus recession may reverse some of those gains.

Mr Obama liked to quote King's saying: "The arc of the moral universe is long, but it bends towards justice." This year's presidential election will be a historic test of that cautious but steady optimism. On the surface, the current unrest and violence look like a disaster for Mr Trump. Yet one lesson of the riots that followed King's murder is that violent unrest often drives voters, particularly white voters, to the right.

In November 1968, Richard Nixon won the presidency for the Republicans. Research by Omar Wasow of Princeton University, quoted in the New Yorker, suggests that counties that bordered areas affected by urban riots were 6-8 per cent more likely to vote for Nixon. The riots may have helped tip a close election to him.

> The outcome of this year's presidential election really will matter to the cause of racial justice in America

The Nixonian tactic of linking Democrats to crime and disorder was highly effective. It is already clear that the Trump campaign will follow a similar strategy. Rudy Giuliani, one of the president's favourite surrogates, has pointed to "hundreds of millions of property damage" in cities run by Democrats and stated: "This is the future if you elect Democrats."

This kind of tactic will motivate Mr Trump's base. But, while there is much today that is reminiscent of 1968, a lot has changed. Nixon won his home state, California, with its large harvest of electoral votes. But social and demographic change means that today California is firmly in the Democratic column and Bill Clinton won the state in 1992, despite riots that year after the acquittal of the police officers who brutalised an African-American, Rodney King.

On the other hand, Nixon had to contend with a strong third-party candidate, the openly racist George Wallace — who won five southern states that would otherwise almost certainly have gone to Nixon. Mr Trump will face no such challenge in November. He may be hoping that a racially polarised and radicalised electorate will help him in the mid-western states that were crucial to his victory in 2016.

Knowing all this, the Democrats have to tread carefully. Joe Biden, their presidential nominee, has so far taken the obvious line of denouncing both racial injustice and violence on the streets. It is a stance that has been echoed by Democratic office-holders in states and cities hit by the unrest. But Mr Biden will be under political and moral pressure to go further in expressing the anguish of the African-American community who were key to handing him the Democratic nomination in the first place.

As a politician with a well-deserved reputation for verbal gaffes and awkward phrasing, he will have to tread a very fine line as he tries to bend the "arc of history" once again.

gideon.rachman@ft.com

Delisting Chinese companies plays straight into their hands

Jesse Fried

Last month, the US Senate unanimously passed a bill aimed at improving the reliability of financial statements by China-based companies trading in the US.

The legislation focuses on a real problem with these businesses, whose total market capitalisation is about $1tn. Over the past decade, alleged fraud at China-based, US-traded companies — including most recently Luckin Coffee — has cost American investors billions of dollars. Unfortunately, the bill's remedy may end up making them worse off.

To reduce fraud, the Sarbanes-Oxley Act of 2002 requires audits of every US-traded company to be inspected by the Public Company Accounting Oversight Board. But those based in China refuse to comply. They, and the Chinese government, say PCAOB inspection of China-based audit records would violate state-secrecy laws. Why block PCAOB access? Inspections might well reveal bribes to high-ranking officials, embarrassing the Chinese Communist party.

The US bill requires the Securities and Exchange Commission to prohibit trading in the stock of any company that goes three consecutive years without PCAOB inspection. Its apparent goal is to force China to agree to inspections. If the strategy succeeds, it should be harder for insiders of China-based companies to defraud American investors. The bill has bipartisan support in the House of Representatives.

But the cure could be worse than the disease. Both Chinese controlling shareholders and Beijing are likely to exploit the ban to further their own objectives, at American investors' expense.

Over the past decade, controlling shareholders of more than 90 China-based, US-traded firms have arranged confiscatory "take-private" transactions. The goal: delist US shares at a low buyout price and then relist in China at a much higher valuation. The poster child is Qihoo 360, an internet security firm that was taken private in 2016. Founders squeezed out US shareholders at a valuation of $9.3bn. In February 2018, Qihoo relisted on the Shanghai Stock Exchange at a valuation of more than $60bn. Qihoo's chairman made $12bn — more than the whole company claimed to be worth 18 months before.

Investors in US-listed Chinese companies are more vulnerable to this tactic than investors in public US companies. Financial statements are unreliable and most companies — including Luckin Coffee — incorporate in the Cayman Islands. This jurisdiction affords investors less protection than Delaware, home to most US companies. Neither US nor Cayman court judgments can be enforced in China, where insiders and assets are based. When American investors are hurt, the same state-secrecy laws invoked to shield audit papers from the PCAOB make it difficult for shareholders and regulators to get to the bottom of things.

> Both China's controlling shareholders and Beijing would exploit a US ban to further their objectives

The proposed trading ban could make things even worse for shareholders. Assuming Beijing continues to bar inspections, the SEC will announce a ban, causing a rout in a barred company's stock as investors dump shares before they become non-tradeable. The Chinese controller can then use a take-private to cash out investors at rock-bottom, while blaming the delisting on the US government. The trading ban will play straight into the controller's hands.

China is unlikely to cave on inspections, as it dislikes the idea of foreigners probing domestic commercial transactions involving party officials. In fact, Beijing could use a trading ban to further its long-held objective of moving its large technology companies home. Beijing is unhappy that its biggest and most famous tech giants — such as Alibaba and Baidu — trade in the US and not at home. It wants its crown jewels back.

Several years ago, Beijing began trying to induce large overseas-traded Chinese firms to list at home. So far there have been no takers. But, by not allowing inspections, China can then trigger a ban and force its companies to leave the US. Some may then return home. Of course, exits would be arranged by Chinese controllers to enrich themselves at public investors' expense.

While the US legislation is well intentioned, it probably will not open China to inspections. Sadly, there is no easy way to protect investors from any fraud by China-based companies trading now in the US. Good money has been paid for stock that may come to be worth very little.

If Congress wishes to protect American investors, it should consider barring new listings from countries that refuse inspections or otherwise frustrate the pursuit of cross-border wrongdoers. True, that would come too late to help current investors, but it would at least protect future investments.

The writer is the Dane professor at Harvard Law School

The junk bond nightmare of hair roots and split ends

Ellen Carr

Covid-19 has reminded the high-yield bond market that we are just one dye job away from *au naturel*. Sally Beauty, a junk-rated hair-and-nail-product retailer, and a financial parable for our times, feels the pain of our spreading roots.

Sally Beauty has been a leader — if that is the right word — in raising cash in tough times. Back in 2008, it was among the first to draw its revolver credit line pre-emptively, on that grim day after the shotgun wedding between Merrill Lynch and Bank of America. High-yield bond investors were more worried then about the revolver's lead underwriter (Merrill) than Sally Beauty, whose business proved resilient in the ensuing financial crisis. The recession might have cancelled Vegas, but we could at least pretty ourselves up for a night out.

With Covid-19, Sally Beauty has led the way again, with a revolver draw on March 23. This time the rationale is different. In 2008, it wanted "to preserve financial flexibility" in light of the "dislocation of the financial markets". Today, it seeks "support of its operations out of an abundance of caution". In April, it even issued a second-lien bond.

The words "second-lien bond issue", laughable in 2008, show that markets today are far from being in the dislocated mess of 2008. Junk investors are buying issues from good companies (Lamar Advertising), perhaps bad (chemical and ammunition group Olin), and ugly (Royal Caribbean Cruises), thanks to the US Federal Reserve's bridge loan to the junk market, facilitated by BlackRock. Granted the terms are buyer-friendly — high yields, backed by collateral — after years of sub-5 per cent coupons and paltry covenants.

> In a second wave of the virus, Sally Beauty may be begging for money with nothing left for collateral

But if markets are functional for now, those fundamental roots are not. Sally Beauty has a more defensive business model than many (J Crew does not sell personal protective equipment). Yet it is not immune to Covid-19. All its stores closed for a month. True, it sells everything you need for DIY hair care, mostly via its online segment. But asking that channel to pick up the slack on the other missing 95 per cent of sales is a fantasy.

Moreover, even if US states continue to reopen, and Sally Beauty only has to trim the cash on its balance sheet, there could be a second wave of Covid-19. The retailer might then find itself begging for money with nothing left to pledge as collateral, and inadequate cash flow to service the debt it has. In short, that is why some in the junk bond market are so nostalgic for 2008.

We know how to run "reasonable" downside cases where revenue losses reverberate through cash flow statements. We can assess liquidity sources, and make assumptions about what happens if the bond market shuts, or banks become insolvent. The paradox of Covid-19 is that it shows how close to *au naturel*, and default, normally healthy junk-rated companies are. It also shows the power of Treasury and the Federal Reserve to render models meaningless.

Currently, it is as hard to invest in a portfolio of junk-rated companies insulated from Covid-19 as to get on your reopened salon's schedule — many such bonds trade above their redemption prices. Meanwhile, you can buy all the lower-rated energy names you want, cheap. Sally Beauty is one of the companies in the middle. Operationally, they have glimmers of hope, thanks to economic reopening. As for their bonds, they bestride a wide trading range emblematic of the tug of war between corporate cash burn and Fed-fuelled bond buying. Figuring out which will dominate takes the impossible: a pandemic crib-sheet and a White House inside track. Early in the pandemic, it was reasonable to wonder if the crisis would end leverage as we know it. Only a couple of months later, it is just as plausible for both companies and investors to believe that crisis-era central bank support is here to stay.

The writer is a bond portfolio manager at Weaver Barksdale, which may hold interests in companies mentioned

Lex.

Twitter: @FTLex

Social media: Twitter storm

Fallout from Twitter's decision to apply two fact-checks and one warning to tweets by Donald Trump, US president, has been as baffling as it is bombastic. Yet even if the president's executive order is not enforceable it has shone a light on a contentious law that underpins the entire business model of social media platforms.

The president's executive order calls for a review of federal advertising; for regulators to police social media companies for bias; and a potential revocation of Section 230, which stops online platforms being treated like publishers. Spooked investors sent shares in Twitter down 5 per cent in the past week. That is an overreaction.

An executive order cannot change federal law and there will be no immediate impact on the revenues of Twitter, Facebook or other platforms.

But they are not out of the woods so far as Section 230 is concerned. Presidential candidate Joe Biden has also spoken out against it, calling for platforms to be more responsible for misinformation published.

Section 230 is integral to companies that rely on user-generated content. Created after an investment firm tried to sue an online bulletin board over anonymous comments, it ensures that companies such as Twitter cannot be sued for user-posted content — even if they intervene and moderate posts.

If more responsibility for content is shifted to companies, platforms will have to limit publication to a far smaller group of users or, alternatively, monitor everything that is posted on their sites. The first option is incompatible with advertising-revenue generation. The second would require a huge increase in headcount.

The bulk of extra cost would probably fall to Facebook. No wonder Mark Zuckerberg wants to avoid being drawn into Twitter's actions — a move that some staff have denounced. Not only is Facebook the biggest site, with close to 3bn daily active users across platforms, it has a lower headcount to user ratio. Twitter employs close to 30 employees per million users, Facebook about 15 per million.

Facebook's operating margins are already on the decline as total expenses rise and revenue growth slows. Adding more employees will reduce the operating margin. But with margins at 33 per cent in the first quarter, the company can afford rising costs. Even reform of Section 230 is unlikely to upset Facebook's dominance.

Hong Kong/NetEase: exodus zone

The quest to save humanity is on — both in the real world and on smartphones. LifeAfter, a NetEase zombie-survival game, lets players unite to rescue mankind from a post-virus apocalyptic world.

It is one of many titles that have helped the Chinese company survive the coronavirus outbreak. NetEase now expects to raise as much as $3bn in a secondary listing in Hong Kong. Yet the move may bring a new threat with it.

Listed in New York, NetEase started placing shares yesterday, before a listing next week. At first glance, the timing seems perfect. NetEase has benefited greatly from gamer boredom during lockdowns. Sales rose nearly a fifth in the first quarter. Net revenues from its online learning services more than tripled too as schools were closed.

But in the past week, renewed US-China tensions have battered investor confidence. US-listed Chinese groups will be subject to stricter auditing standards. US lawmakers want groups to prove independence from foreign governments. Against this backdrop NetEase's secondary listing starts to look like a flight from rising pressure.

Then again, a listing in Hong Kong is hardly more appealing. The city's status as an Asian financial hub is increasingly uncertain as protests roil the city.

Some investors will also be distracted by JD.com's secondary listing. The US-listed Chinese ecommerce business is seeking to raise up to $3bn in Hong Kong, just one week after NetEase.

Another market darling, JD.com's share price has soared by more than half this year. It could divert potential funds away from NetEase.

Fortunately, NetEase does not need the cash. Healthy profits have roughly doubled its cash and equivalents since 2016 to $11bn at the end of March.

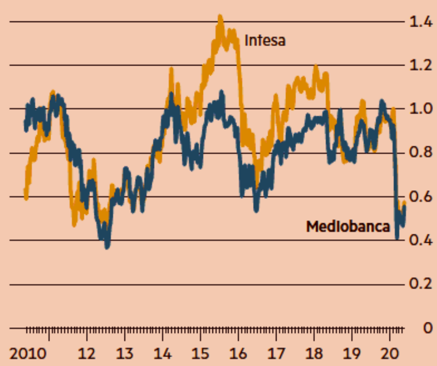
Those who missed out on NetEase's spectacular performance — up 12,000 per cent — since listing in New York two decades ago may be keen on the new listing. But Hong Kong is unlikely to replicate that sort of success.

Mediobanca/Delfin: vision collision

Italian industrialist Leonardo del Vecchio hopes to increase his stake in Mediobanca. Shares in the investment bank are the cheapest since the euro debt crisis. Low exposure to Italian sovereign debt and fewer bad loans are two qualities that make Mediobanca stand out among its local peers.

Italian bank valuations

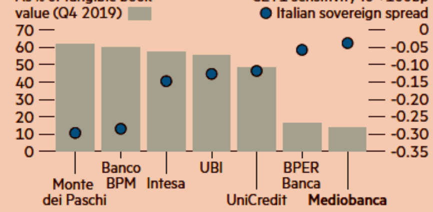
Ratio of price to tangible book



Italian sovereign debt exposure

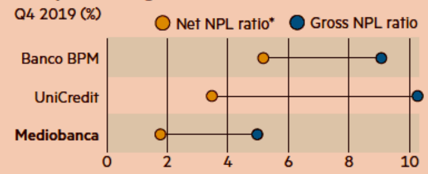
As % of tangible book value (Q4 2019)

CET1 sensitivity to +100bp Italian sovereign spread



Non performing loans

Q4 2019 (%)



FT graphic Source: Refinitiv; Autonomous; Citi

* Net of provisions

You must have vision to accomplish what Leonardo del Vecchio has done from his humble beginnings. His eyewear maker, Luxottica, has made him billions. Italy's second-richest man sees more to do, this time in banking. His target is investment bank Mediobanca. His Delfin vehicle wants to increase his stake to one-fifth. The ECB has 90 days to approve or otherwise. Mediobanca's share price shot up 8 per cent yesterday.

Mr del Vecchio had been expected to increase his holding since first disclosing a position last year. His intentions are shrouded in secrecy.

He has previously criticised Mediobanca for an over-reliance on consumer lending and dependence on dividends from its 13 per cent stake in Italian insurer Generali. Chief executive Alberto Nagel's response is a planned further expansion into wealth management.

Whatever Mr del Vecchio's true aims — he claims to support Mr Nagel — at least the shares are much cheaper than when he last topped up. Mediobanca is profitable and well capitalised with a return on equity of 9 per cent last year and a common equity tier 1 ratio of 14 per cent. Shares trading at about half the tangible book value — levels last seen in the 2012 debt crisis — suggest the market does not care. Its consumer lending does look threatened, given rising unemployment. That unit made up about half of group profits last year.

Mediobanca can at least absorb losses, with about 400 basis points of capital above minimum regulatory requirements. It also has the lowest proportion of Italian sovereign bonds in its portfolio compared with peers — just 13 per cent of tangible book value. Mediobanca did not raise emergency capital after the last financial crisis and is unlikely to have to do so now.

Should Mediobanca need funds, its holding in Generali, worth about €2.5bn, would be first to go.

Mr Nagel sees another future with that money: growing the asset management business. No matter what is said publicly, he and Mr del Vecchio will not see eye to eye on strategy. That tension, implying the likelihood of further purchases, should support the shares this year.

Retail reopening: not such a lovely day

Start all the clocks. England is creeping out of lockdown. Yesterday, the country partially opened schools, cafés and car showrooms. In two weeks, John Lewis — that most quintessentially English department store — and Primark will begin to open stores. The slow move towards normality is well under way. The move back to pre-pandemic profitability is not.

Depressed top lines and higher expenses will follow. For a glimpse of how shoppers will respond, take a look at schools. The government gave the go-ahead for certain primary classes to resume from yesterday, although several scientists advocated holding back. Parents were equally split, according to one survey, with half opting to keep their children home.

Assume that a similar split plays out in shops and cafés. In the latter case, there is less inclination to grab an afternoon latte with colleagues when all work from home. Railway concourses, home to many cafés, are far emptier than usual. Back in 2018, Starbucks, which even in those prelapsarian days managed to bleed red ink in the UK, was gunning for smaller store formats. History is being unkind to that innovation.

Primark, almost synonymous with crowds, will have its revenues crimped by social distancing rules. That will cap customer numbers, especially at high-density stores that make up to a fifth of total selling space. Like-for-like early days sales at its 112 European stores already reopened are lower than the comparable period last year; at four stores by more than half.

Meanwhile, furloughed staff will return to the payroll. Perspex partitions, disposable eating ware and PPE for staff all add to overheads. As do actions of good citizenship — free coffees for key health workers, say, or honouring long overdue refunds and loyalty points. Retailers will also have plenty of dusty pallets of unfashionable clothes to junk. Normality will return — but it is not the profitable one that markets are banking on.

US banks: sanity check

The banking sector offers a litmus test for the technology and healthcare stocks that have rocketed during the pandemic. Banks, as highly leveraged institutions exposed to every kind of business and sector, offer a more comprehensive perspective on the state of the underlying US economy than the broader stock market.

While the S&P 500 has clawed back to a deficit of just about 5 per cent this year, the KBW bank index remains down almost one-third. This could continue. Banks will be the first to bear the brunt of an economic contraction that could exceed 5 per cent of GDP in 2020, with unemployment pushing 20 per cent. In the equity market rally that followed the 2008 crisis, financial groups trailed. They suffered from paying fines for misconduct as well as needing to repair balance sheets.

Banks' current poor performance has less to do with problems of their own making and more about market worries of pending loan losses. Also, weak margins could persist while interest rates bounce around zero. Any euphoria in broad stock market indices belies the events on the ground. Optimism about the economy and markets should be reserved until bank prospects themselves improve.

The flashpoint for banks is quarterly dividends. Stock buybacks, typically a majority of the capital returned by banks, have already stopped. Many, including the managing director of the IMF, argue that the top 30 global banks, which last year spent $250bn on shareholder capital returns, must halt dividends as well.

Dividend yields for the big six US banks hover between 2.5 per cent and 4.3 per cent, with the exception of struggling Wells Fargo. Investors appear to believe the pressures on banks are manageable. True, the spread between the 2-year and 10-year Treasury has widened to the largest level in two years, a bullish sign for an economic recovery. But it is only when bank shares begin to snap back that true optimism will be warranted.

FT Lex on the web
For notes on today's breaking stories go to www.ft.com/lex

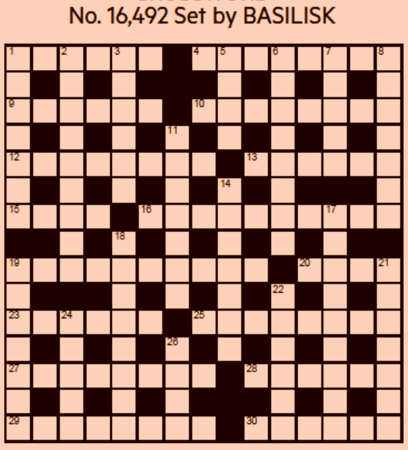
WEATHER

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

Today's temperatures Maximum for day °C & °F

Amsterdam	Sun	26	79	Madrid	Sun	30	86
Athens	Fair	24	75	Manila	Fair	34	93
Atlanta	Fair	31	88	Melbourne	Cloudy	15	59
Beijing	Sun	33	91	Mexico City	Cloudy	25	77
Belgrade	Fair	19	66	Miami	Thunder	29	84
Berlin	Sun	26	79	Montreal	Cloudy	18	64
Bermuda	Fair	22	72	Moscow	Rain	13	55
Bogota	Rain	19	66	Mumbai	Thunder	31	88
Brussels	Sun	27	81	Nassau	Cloudy	30	86
Buenos Aires	Sun	17	63	New York	Cloudy	21	70
Caracas	Fair	31	88	Nice	Fair	23	73
Chicago	Sun	33	91	Oslo	Sun	27	81
Copenhagen	Sun	23	73	Paris	Sun	30	86
Dallas	Shower	31	88	Prague	Sun	21	70
Delhi	Sun	35	95	Reykjavik	Drizzle	11	52
Doha	Sun	41	106	Rio	Sun	27	81
Dubai	Sun	39	102	Rome	Sun	24	75
Dublin	Sun	24	75	San Francisco	Sun	28	82
Edinburgh	Shower	23	73	Seoul	Thunder	21	70
Frankfurt	Sun	28	82	Shanghai	Sun	32	90
Geneva	Sun	26	79	Singapore	Fair	31	88
Hamburg	Sun	26	79	Stockholm	Sun	19	66
Helsinki	Sun	17	63	Sydney	Rain	15	59
Hong Kong	Shower	31	88	Taipei	Cloudy	33	91
Honolulu	Drizzle	30	86	Tel Aviv	Sun	30	86
Jakarta	Shower	33	91	Tokyo	Fair	27	81
Karachi	Fair	35	95	Toronto	Thunder	25	77
Lima	Cloudy	20	68	Vancouver	Rain	16	61
Lisbon	Fair	24	75	Vienna	Shower	19	66
London	Sun	27	81	Warsaw	Fair	19	66
Los Angeles	Sun	28	82	Washington	Fair	27	81
Luxembourg	Sun	27	81	Zurich	Sun	25	77

CROSSWORD
No. 16,492 Set by BASILISK



JOTTER PAD

ACROSS
1 Put out broadcast developed with no old characters (6)
4 Army limit a railway having one interchange (8)
9 Stop: I'm getting deep in trouble (6)
10 Men on International Court entering through station (8)
12 Check unusually robust conclusions of scientific experiment (8)
13 Tax banned rubbish bags retrospectively (6)
15 Drive off shortly after reversing car (4)
16 Alluded to Red Guards fight over head of state (10)
19 Not happy with complaint covering limitations of poll (10)
20 What provides some personal support for chief? (4)
23 Gloomy star conveying lines with little energy (6)
25 Uses right attitude to intervene in medical matter (8)
27 Tested material cut in a revolutionary manner (8)
28 Doggerel essentially ruined Eliot's name (6)
29 Go through part of song by triphop's premier artist (8)
30 Fashionable photograph verges on parody (6)

DOWN
1 Make couples broadcast despatch under pressure (4,3)
2 Heartless attitude evident in former partner's revelations (9)
3 Objective solution for disorder's not about to last (6)
5 Satirist reveals something the viewer wants to see (4)
6 Training run tired unauthorised entrant (8)
7 Biting cold found in very dry surroundings (5)
8 Felt desire nobody on the far right merited (7)
11 School promoted unchanged plans (7)
14 Returns from place of religious instruction? (7)
17 Sweetener in 60% of corruption cases succeeded in New York (4,5)
18 One confined by banks depressed about reversal of policy (4,4)
19 Express opposition to dictator's decline (7)
21 Yorkshire making regular deductions arranged cover for members (7)
22 Anger about record being overturned is marked (6)
24 Inhuman South American priest's reported (5)
26 All-points bulletin? (4)

Solution 16,491