FINANCIAL TIMES

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Riots ignite US agenda

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- Biden should not take the black vote for granted — GARY YOUNGE, PAGE 15
- Trump's campaign at risk from 'law and order' strategy — ANALYSIS, PAGE 3

Protest power
Anger grows over Trump

Protesters kneel in Manhattan yesterday during a rally against the killing of George Floyd by Minneapolis police last week. Riots in cities across the US — the worst the country has faced since the 1960s — flared again on Monday after Donald Trump threatened to send American soldiers on to the streets.

Joe Biden, the former Democratic vice-president who will challenge Mr Trump in November, yesterday said Floyd's final words of "I can't breathe" should serve as a "wake-up call for our nation". He also attacked the president for ordering the use of tear gas on peaceful demonstrators near the White House on Monday so a path could be cleared to "stage a photo op" at a church.

Reports page 3

Mike Segar/Reuters

Brussels seeks to curb takeovers by state-subsidised foreign rivals

- Unfair competition worries EU
- Gaps in state aid rules
- Fear of raising China tensions

SAM FLEMING, JAVIER ESPINOZA AND MICHAEL PEEL — BRUSSELS

Brussels is seeking new powers to review and potentially block takeovers of European companies by rivals deemed to have received unfair support from a foreign government, according to plans seen by the Financial Times.

The proposals, which have not yet been finalised, will intensify efforts by the EU to rein in perceived unfair competition from China and elsewhere.

The European Commission will propose new tools to scrutinise the activities of state-owned and supported companies that are operating in Europe or seeking to enter the single market.

The plans, which will be published this month, are likely to stoke tensions at a sensitive time in the EU's relations with China, as Beijing cracks down in Hong Kong and Brussels pushes to seal an investment treaty the two powers agreed to finalise this year.

Charles Michel, the European Council president, and Ursula von der Leyen, his commission counterpart, are tentatively due to hold a summit with Li Keqiang, China's prime minister, later in June — around the time Brussels is due to publish the state aid proposals.

A summary of the EU plan, which has been seen by the Financial Times, gives the commission the power to reduce the impact of subsidies handed out by non-EU governments that have implications for competition in Europe.

"There is an increasing number of incidences in which foreign subsidies appear to have facilitated the acquisition of EU undertakings or have distorted the pricing policy of their beneficiaries," the summary notes.

European governments fear their companies have been left vulnerable to takeover by state-supported groups outside the bloc, given the pandemic-induced economic slowdown.

However, Brussels' concerns predate the current recession: last year the commission produced a paper on China calling for gaps in its state aid regime to be plugged. The EU already has some tools to tackle foreign subsidies, including trade defence instruments and foreign investment screening to address potential security threats.

But its state aid rules directly target only cash handed out by European states. That has left a "regulatory gap" when it comes to subsidies from non-EU states that facilitate acquisitions in Europe or which directly support the activities of subsidiaries operating in the bloc.

Li Keqiang, China's prime minister, is due to meet Charles Michel and Ursula von der Leyen at the time the state aid proposals are published

The commission is due to publish its policy proposal on June 17. The ideas will be submitted for public consultation before consideration by the European parliament and council of member state governments.

Margrethe Vestager, the commission executive vice-president who oversees competition, recently called on member states to buy stakes in companies under threat of foreign takeover. Influential EU members have complained of the alleged lack of reciprocity that makes it much easier for Chinese companies to do business in Europe than vice versa.

Martin Wolf page 15

Briefing

IWG swoops on former WeWork site
The UK-listed flexible-workspace group has taken over a Hong Kong office vacated by its rival in its first move to capitalise on the retrenchment of the group that shelved IPO plans last year.— PAGE 5

Lagarde poised to unveil more stimulus
European Central Bank president Christine Lagarde is widely expected to announce tomorrow a fresh boost to its stimulus efforts to tackle the economic and financial fallout from the pandemic.— PAGE 2

Agreement on fresh Libya peace talks
The warring sides have agreed to restart ceasefire talks after weeks of intense fighting in which Khalifa Haftar, the military strongman trying to seize Tripoli, lost control of a key air base.— PAGE 4

Investors pull out of Brazil markets
Cross-border flows have dwarfed those of most other emerging nations as hard-right president Jair Bolsonaro spooks investors. Other markets are seeing fortunes change.— PAGE 4

Gender judgment awaits Japan's boards
Global fund managers have shifted their voting policies ahead of Japan's annual meetings season this month, facing the all-male boards of hundreds of companies with a mass shaming.— PAGE 6

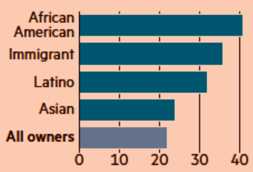
Sanchez deal to extend Spain powers
The premier has reached a deal with pro-market Ciudadanos under which the government will keep lockdown powers late into June. By mid-month it will set out a plan to open up tourism.— PAGE 3

Argentina offered room to manoeuvre
IMF officials have said the country can still improve its restructuring offer on $65bn of debt with foreign creditors as it continues negotiations after slipping into default last month.— PAGE 4

Datawatch

Closed down

% of US business owners who have gone bust due to Covid-19



Sources: Robert Fairlie, University of California at Santa Cruz; US Census Bureau

More than 40 per cent of African-American businesses have failed as the Covid-19 pandemic shut down much of the US economy. That was a steeper drop than among other groups, according to research

China's reawakening spurs Australian iron ore groups

Australia's reputation as the most stable and reliable supplier of critical minerals has been enhanced as its iron ore producers have pounced on rivals' inability to satisfy reinvigorated Chinese demand. BHP, Rio Tinto and Fortescue Metals Group, which control almost two-thirds of the seaborne market, are reaping multibillion-dollar rewards from record exports to China, where demand is expected to grow as exit from lockdown lifts the economy.

Analysis ▸ PAGE 7

Bangkok hotels offer luxury lockdown stays — but no swimming in the pool

JOHN REED — BANGKOK

Travellers tempted to fly to Thailand are being offered a holiday package with a difference: a luxury stay in quarantine for a fortnight in Bangkok.

The south-east Asian nation has allowed five hotels in and around Bangkok to accommodate guests who require "special services, at their own expense" as an alternative to state quarantine.

Mövenpick BDMS Wellness Resort Bangkok, operated by a Swiss hotel chain and owned by one of Thailand's largest hospital groups, is offering a five-star, Bt58,000 ($1,832) "Homecoming Health Watch" package. It includes airport transfers, full-board for 15 nights and outdoor walks in the hotel garden.

The hotel, which had considered closing when the coronavirus outbreak began, initially advertised the offer for Bangkok residents who wanted to isolate voluntarily from their families after being exposed to the disease.

"We put the package out, and then people who were in obligatory quarantine started calling us," said Bruno Huber, the resort's general manager. "It was a nice fluke."

Thailand was the first country after China to report Covid-19 cases. It has been relatively unscathed by the virus, with 3,082 confirmed cases and 57 deaths. However, the pandemic has caused a collapse in the tourism industry, in which medical tourism plays a growing and lucrative role.

Thailand's foray into paid quarantine packages coincides with the country's decision to reopen to international travel soon, as the UK and other countries introduce mandatory quarantines.

The nation requires all passengers arriving from abroad to submit to two Covid-19 tests and spend 15 nights in isolation. Online commentators who have passed through Thai state quarantine, which is free, have described adequate but spartan accommodation at hotels or military facilities, sometimes with two people per room.

Bangkok's Qiu Hotel, which offers a Bt32,000 "alternative state quarantine" package, is receiving bookings for July, co-owner Maysa Phaoharuhan said. The deal includes full-board and "unlimited" visits to Sukumvit Hospital.

Royal Benja Hotel, which offers a Bt45,000 quarantine package, is advertising "luxurious deluxe rooms" with 24-hour room service and city views.

But although guests will be allowed to relax by the pool, they will have to resist the urge to dive in as swimming is prohibited under Thai quarantine rules.

World Markets

STOCK MARKETS

	Jun 2	prev	%chg
S&P 500	3058.99	3055.73	0.11
Nasdaq Composite	9508.90	9552.05	-0.45
Dow Jones Ind	25591.13	25475.02	0.46
FTSEurofirst 300	1399.62	1378.67	1.52
Euro Stoxx 50	3151.34	3077.92	2.39
FTSE 100	6220.14	6166.42	0.87
FTSE All-Share	3442.46	3412.50	0.88
CAC 40	4858.97	4762.78	2.02
Xetra Dax	12021.28	11586.85	3.75
Nikkei	22325.61	22062.39	1.19
Hang Seng	23995.94	23732.52	1.11
MSCI World $	2163.92	2147.88	0.75
MSCI EM $	951.48	930.35	2.27
MSCI ACWI $	514.18	509.47	0.93

CURRENCIES

	Jun 2	prev		Jun 2	prev
$ per €	1.118	1.114	£ per $	0.796	0.801
$ per £	1.256	1.248	€ per £	1.123	1.121
£ per €	0.891	0.892	¥ per €	121.431	119.789
¥ per $	108.585	107.555	£ index	77.319	76.764
¥ per £	136.350	134.261	SFr per £	1.206	1.199
SFr per €	1.074	1.070			
€ per $	0.894	0.898			

COMMODITIES

	Jun 2	prev	%chg
Oil WTI $	36.51	35.44	3.02
Oil Brent $	39.44	38.32	2.92
Gold $	1730.60	1728.70	0.11

INTEREST RATES

	price	yield	chg
US Gov 10 yr		0.67	-0.01
UK Gov 10 yr		0.22	-0.01
Ger Gov 10 yr	103.98	-0.42	-0.01
Jpn Gov 10 yr		0.01	0.00
US Gov 30 yr	129.69	1.47	0.01
Ger Gov 2 yr	104.90	-0.67	0.00

	price	prev	chg
Fed Funds Eff	0.05	0.65	-0.60
US 3m Bills	0.14	0.14	0.00
Euro Libor 3m	-0.35	-0.35	0.00
UK 3m	0.21	0.23	-0.02

Prices are latest for edition. Data provided by Morningstar

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INTERNATIONAL

CORONAVIRUS ROUND-UP

French finance minister Le Maire predicts economy will decrease 11%

The French economy is likely to fall 11 per cent this year as a result of the pandemic, finance minister Bruno Le Maire said.

Gross domestic product shrank 5.3 per cent in the first quarter and Insee, the official statistics institute, has said the decline over the year would be at least 8 per cent. Mr Le Maire said he was convinced that the economy would rebound next year with the help of government support.

Fall in US economic activity bottoming out but recovery still at a modest pace

The plunge in economic activity in the US appears to be coming to an end, according to data tracking mobility, but the pace of recovery looks to only be modest.

Mobility data from Apple and Google "continue to show a sizeable pick-up in driving, walking and park visits", analysts at TD Securities said. Yet data indicating economic activity show only a "more modest pick-up". This includes the retail and recreation category, such as restaurants, shopping malls and cinemas.

Pakistan folk artists dance to new tune

Pakistani folk dancers left out of work by a ban on celebration parties sell face masks by the roadside in Rawalpindi yesterday

Mexico told to expect sharp drop followed by growth at slower rate

Mexico's economy will fall sharply before growing, but at a slower pace, said Arturo Herrera, finance minister.

The recovery "will be big but it won't be at the same rate as the fall", Mr Herrera said in a social media message, because many businesses would still be constrained by social distancing measures.

Economists expect Mexican gross domestic product to contract at least 8 per cent this year. Official data showed 12m people left the workforce in April.

Sudden rise in Tokyo infections raises fears of second wave, governor admits

The number of Covid-19 cases in Tokyo has jumped to 34, one week after a state of emergency was lifted, raising fears of a second wave and the renewed closure of businesses that are only just opening.

"The number of new infections rose to 34 people today and the other indices we monitor have also been getting worse," governor Yuriko Koike told the prefectural assembly. "Given these figures, we will immediately consult with experts, including the possibility of issuing a 'Tokyo Alert'."

Cases so far:

6,318,040

cases and 376,445 deaths by 5.45pm BST on June 2

Source: Johns Hopkins University, CSSE

Read more at ft.com/coronavirus

Eurozone

ECB set to increase bond buying

Central bank head Lagarde signals stimulus push amid doubt over quick rebound

MARTIN ARNOLD — FRANKFURT

European Central Bank president Christine Lagarde is expected to announce a fresh boost to its stimulus efforts tomorrow to tackle the economic and financial fallout from the pandemic.

Most economists are convinced the ECB will expand its €750bn Pandemic Emergency Purchase Programme (PEPP), the extra bond-buying scheme it launched in March. Having already spent more than €234bn, the programme is on track to run out of firepower by October.

"It's become clear that the €750bn PEPP will not be enough," said Erik Nielsen, chief economist at UniCredit.

Several ECB governing council members have already signalled they expect to expand the scheme this week. François Villeroy de Galhau, governor of Banque de France, recently said: "We will very probably need to go even further." Ms Lagarde herself said: "We will not hesitate to adjust the size, duration and composition of the PEPP to the extent necessary."

In figures released yesterday, the ECB showed how the new programme has focused on easing financial market strain in Italy, which was hit harder than most countries by the pandemic.

The central bank's sovereign bond purchases are supposed to match its "capital key" that mirrors each country's size. But in the first couple of months of PEPP it bought €37.4bn of Italian government debt — exceeding the capital key by €8.1bn — while it bought €23.6bn of French sovereign debt — undershooting its capital key by €11.7bn.

Some investors worry the ECB's capacity for monetary easing could be complicated by the German constitutional court's recent explosive ruling against the ECB's older sovereign bond-buying programme. Yet Ms Lagarde has insisted it will be "undeterred".

One way to show this would be for the ECB to not only expand the PEPP scheme, but also to commit to reinvesting the proceeds from the scheme for several years. The central bank could also extend the life of the scheme into next year and broaden it to buy a wider array of assets, including "fallen angel" bonds of companies that have recently been downgraded to junk status.

As many of the lockdown measures introduced to contain the pandemic are eased, business surveys and real-time indicators such as electricity usage, traffic volumes and travel levels have started to recover. Yet economic activity remains well below pre-pandemic levels and most economists expect a sharp downturn then a recovery over two to three years, rather than a swift rebound.

> 'It's become clear that the €750bn PEPP will not be enough'

The ECB is due to update its own forecasts tomorrow, and Ms Lagarde signalled their likely downward direction last week by saying she expected the eurozone to shrink between 8 and 12 per cent this year, the most since before the single currency bloc was created.

Isabel Schnabel, an ECB executive board member, said last week its medium-term inflation outlook would be "of particular interest" and the central bank stood ready to "expand any of its tools" if the situation "deteriorated".

Price growth in the eurozone slid to 0.1 per cent year on year in May, due to a sharp drop in energy prices. That took the ECB further from its core inflation target of below but close to 2 per cent, making it more likely that the central bank will cut its March forecast for price growth to reach 1.6 per cent by 2022.

See Opinion

Hospitality. Opening up

French celebrate return of café society

Slow reawakening of a sector that employs 2m people will prove vital to economy

VICTOR MALLET AND LEILA ABBOUD
PARIS

With a clink of coffee cups and a sigh of relief, the French returned yesterday to cafés and restaurants that had been closed for 11 weeks of coronavirus lockdown during one of the warmest springs on record.

"We are alive again," exclaimed Thierry Fermond, a manager at Café de Flore in Paris, as well-heeled customers relished coffee and croissants at carefully spaced tables on the pavement of the Boulevard Saint-Germain.

Such institutions, from the smartest Parisian brasseries to the humblest corner bars in the provinces, are the social lifeblood of the nation, and their success or failure after the pandemic will help decide the country's economic fate in the coming months and years.

With hospitality providing jobs for 2m people — one-tenth of the private sector workforce — it was no surprise that finance minister Bruno Le Maire had himself filmed enjoying coffee and conversation yesterday at the capital's Café des Phares, a "café-philo" that hosts philosophical discussions.

Moments earlier, he had predicted in a radio interview that the French economy was likely to shrink 11 per cent this year as a result of the "extremely violent shock" of the pandemic. "The worst [for the economy] lies ahead of us," he told RTL radio. "We will pay for this in the form of growth."

Nearly 29,000 people have died from Covid-19 in France since March 1, but daily numbers of infections and deaths have slowed markedly in recent weeks.

A return to normality for cafés and restaurants, however, is likely to be long and slow. For a start, there are none of the international tourists who would normally be flocking to Paris at this time of year.

Restaurants and cafés also have to limit the number of customers by imposing "social distancing" rules — for the time being, no standing at the bar will be allowed — and enforce strict hygiene regulations, including the wearing of masks for waiters.

Table talk: finance minister Bruno Le Maire, right, meets restaurant owners at the Café des Phares, Paris, yesterday
Christian Hartmann/Reuters

In the Paris region, continued circulation of Covid-19 means customers can be served only on outdoor terraces until June 22. "It's a start," said Laurent Lutse, responsible for cafés, brasseries and nightclubs at UMIH, the hotel industry's association. "But there's a danger that there will be lots of bankruptcies after the summer." The crisis was proving particularly hard for venues that relied on foreign visitors, he said.

In the shadow of Sacré Coeur cathedral in northern Paris, the tourist heart of Montmartre is still very quiet. The cafés and restaurants around Place des Tertres have just reopened, but even at noon are practically deserted as they do not usually cater to locals.

"We have 40 places available on the terrace and everything is empty, even a blind person could see that we have a problem," said Mélanie Carette, a waitress at the Sabot Rouge.

"It's not easy," said Christophe, who has run a corner café called Le Comptoir des Saints-Pères in the 6th arrondissement through two years of anti-government demonstrations, public sector strikes and now the pandemic. "I'm doing it to please my customers. I'm not going to make any money."

During the lockdown, the salaries of his eight employees have been paid through the government's "partial unemployment" scheme, but he cannot bring them all back to work until he can restart the business in earnest.

There is room for just six tables on the narrow strip of pavement in front of his café, although he hopes to borrow some space from the hotel that remains closed next door. Unfortunately, that space is not protected from the weather, which is forecast to change today after weeks of bright sunshine when Parisians were largely confined to their homes. "Today is fine," he said. "But what happens when it rains tomorrow?"

Customers across France were nevertheless delighted at the return of their morning refreshments, office lunches and evening beers or apéros.

Norbert Darmon, a dentist whose office is in the 18th arrondissement, said he was looking forward to having a celebratory drink with his staff after work. "It has been a stressful time for us all so it will be nice to spend a moment together," he said.

He plans to take them to a local bistro that has opened with tables spaced a metre apart. "We will have to be careful and wear masks, since we are exposed to many people during the day," said Mr Darmon.

Christophe's first customers at his café on the other side of the Seine were a pair of stonemasons and a rubbish collector, all fed up with weeks of restrictions and takeaway coffees. "I want it in a proper cup," said the garbage man.

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Manufacturing

Central Europe fears knock-on effects of German slowdown

JAMES SHOTTER — WARSAW
VALERIE HOPKINS — BUDAPEST
MARTIN ARNOLD — FRANKFURT

In the past 27 years, Hungarian supplier Nemak Gyor has carved out a niche making cylinder heads for Europe's automotive industry. But with production at Germany's big carmakers declining, the group has been forced to lay off 180 people, or about 20 per cent of its workforce.

"All of them had to shut down their plants for some weeks, and during this period they did not order parts from us, so we had to shut down our production as well," the company's chief financial officer, Gabor Mersich, told the FT.

Nemak Gyor is not alone in feeling the knock-on effects of the German recession, which economists fear will be its deepest since the second world war. Germany is central Europe's biggest trading partner and, across the region, the impact of the slowdown in German industry is rippling through supply chains which are tightly linked with the fortunes of Europe's biggest economy.

Economists say these linkages with Europe's slowing economic motor will exacerbate the hit to the region's economies from the lockdowns introduced to fight the pandemic. But they could also help accelerate the recovery across the region — Europe's fastest-growing in recent years — once Germany's economy kicks back into gear.

In the short term, the effects are likely to be painful. Czech and Polish purchasing managers' index data released on Monday showed manufacturing continued to contract sharply in both economies in May. Countries and businesses with close links to the German car industry, will be hit particularly hard. German car production has dropped to just 45 per cent of capacity, according to an estimate earlier this month from the Munich-based Ifo Institute.

German carmaker BMW has already postponed a €1bn investment in Hungary. And in Slovakia's car industry, production in April was just 18 per cent of the level recorded a year earlier, according to Katarina Muchova, economist at Slovenska Sporitelna bank in Bratislava. "April was the worst month ever in the car sector," she said. "Most of them were just completely shut."

Dan Bucsa, chief central and eastern Europe economist at UniCredit, said: "There are big questions about demand and restoring production in the car industry; that will be an issue especially for Slovakia, the Czech Republic and Hungary, but also for Poland and Romania."

Economists at the Vienna Institute for International Economic Studies (WIIW) expect gross domestic product to drop 9 per cent in Slovakia, 7 per cent in Romania, and 5.5 per cent in Hungary. In Poland, which has a far bigger domestic market than either Hungary or Slovakia, the recession is likely to be less severe; WIIW is forecasting a 4 per cent decline. But companies that do business with Germany are still looking nervously at their western neighbour.

A VW employee works on a plant production line in Dresden, Germany

"I think it will definitely affect us in 2020 and probably also 2021. But I hope it won't be as deep as we think today," said Marek Gorski, chairman of the supervisory board of Ergis, a plastics converter from Poland, whose German revenues have dropped 20 per cent year on year in the past three months. "Germany has become the biggest export partner for many sectors, not just ours. So if something negative happens in Germany, of course we will feel it."

In the medium term, however, high-frequency indicators suggest German business activity has begun to improve, with sectors such as construction showing signs of life.

In the longer term, there could be other benefits of central Europe's ties with Germany. Many German companies have seen their global supply chains disrupted by the pandemic, and Mr Grieveson said that could lead them to bring some production back closer to home. "I think we will see this. But the question is how far it goes, whether it is just incremental, or a game-changer."

INTERNATIONAL

Trump projects strongman image with eye on poor showing in polls

President revisits 2016 aggressive-on-crime strategy while riots distract from coronavirus criticism

DEMETRI SEVASTOPULO — WASHINGTON

Donald Trump called himself the "president of law and order" as he ignored pleas to bring the nation together amid the worst unrest since the civil rights era and resurrected the strategy that propelled him to victory in 2016.

Mr Trump's pledge on Monday to deploy "thousands of heavily armed soldiers" to deal with what he described as angry mobs came as military police fired tear gas and rubber bullets at protesters demonstrating peacefully outside the White House over the killing of George Floyd.

In a scene designed to portray him as a tough leader, after police had cleared the way, Mr Trump walked out of the White House grounds across Lafayette Square to a church, trailed by officials including William Barr, the attorney-general, and General Mark Milley, chairman of the joint chiefs, who wore combat fatigues.

The scene sent a signal that he would take a hard stance on the protests, with five months to go before the presidential election. Supporters and political experts say Mr Trump has returned to his 2016 campaign strategy of being aggressive on crime while the focus on the protests provided respite from criticism of his handling of the pandemic.

Earlier, he told governors they were "weak" and must "dominate" the streets. The rhetoric came days after he tweeted language previously used by segregationists — "when the looting starts, the shooting starts" — and threatened to unleash "vicious dogs" on protesters the morning after taking refuge in a White House bunker.

"He's trying to increasingly push the pandemic to the lower half of the newspaper front page," said David Gergen, a Harvard professor and former adviser to four presidents, including Richard Nixon and Ronald Reagan.

Mr Trump called himself an "ally of all peaceful protesters" but his past undermines that claim. In 1990, he told Playboy magazine that he applauded the Communist party crackdown on the Tiananmen Square protests in 1989, which showed "the power of strength" while the US was seen as weak.

On Monday, he told the governors that Minnesota, where Floyd died, was the "laughing stock of the world" because of the protests.

Jason Miller, a former Trump communications strategist, said there were some parallels with 2016. It was important to remember that the president "was hired to get things done and not be the consoler-in-chief or hand-holder-in-chief", he said. Republicans wanted him to take a tough stance on crime.

Some say the strategy will fail. John Weaver, a Republican strategist, compared the way the president has blamed Antifa, a diffuse anti-fascist movement, for the violent protests to his scaremongering about "caravans" of immigrants ahead of the 2018 elections.

"In 2016 Trump was a theory, in a good economy, running against a woman who had been vilified by a professional attack machine for 25 years," said Mr Weaver. "Today . . . Trump and Trumpism is a fact. He will be crushed in November."

Rick Tyler, former spokesperson for Ted Cruz, the Republican senator, said the president had used Floyd's death to create a partisan wedge. "Instead of calling for calm and addressing the racism in policing, he chose to pour gasoline on the raging fires of injustice by sending out racist tweets. I have one question for Americans: had enough?"

Recent polls show Mr Trump trailing presumptive Democratic presidential nominee Joe Biden nationally and in most swing states. But the president seems to think his approach will spark enough enthusiasm in his base to win.

Laura Schisler, a Trump supporter from Pittsburgh, said the "law and order" message resonated with her female friends who worried about the protests reaching the suburbs. She would welcome the military because people were tired of the chaos. Her husband, Gary, a former air force pilot, said there was a danger the approach could backfire. "If people see thousands of army men and women in full combat gear, those old enough to remember the Vietnam protests will think very poorly of that situation," he said.

Tim Murtaugh, the presidential campaign spokesperson, did not think Mr Trump would lose gains he had made with black voters. The justice department had "swiftly launched" a probe into Floyd's death and Mr Trump had a "clear record of achievement" with black voters, including record low unemployment before the pandemic and securing criminal justice reform.

Mr Gergen said while Mr Trump hoped his law and order strategy would help as it helped Nixon win in 1968, the president had only a "slim" chance of re-election. Voters were tired of the disarray and the growing feeling that "things are spinning out of control". Sending in troops would shift the odds even more against the president in November, he said.

"If you have 140,000 dead and 40m unemployed [because of coronavirus] and blood in the streets, I don't see how you win," he added. "You just ask the old Reagan question, 'Are you better off than you were four years ago?'"

See Editorial Comment

'Instead of calling for calm and addressing the racism in policing, he chose to pour gasoline on the raging fires of injustice'

Frontline DC: a protester walks before military police personnel in riot gear outside the White House on Monday
Jose Luis Magana /AFP/Getty

'Perfect storm'
New York City widens curfew to combat violence

New York City extended a nightly curfew after another night of violence on Monday, as peaceful protests were again overtaken by sporadic violence and looting.

Businesses were targeted in Manhattan, including the flagship Macy's department store in Herald Square, which was set upon by hundreds of looters. In the Bronx, a police officer was reportedly struck by a vehicle. New York Police Department said it made more than 700 arrests.

The mayhem prompted Governor Andrew Cuomo and Mayor Bill de Blasio to expand an 11pm to 5am curfew that was imposed on Monday. It will now take effect from 8pm and run for the remainder of the week, Mr de Blasio said yesterday.

In a tweet, President Donald Trump mocked Mr Cuomo and his brother, a CNN anchor, writing: "Yesterday was a bad day for the Cuomo Brothers. New York was lost to the looters, thugs, Radical Left, and all others forms of Lowlife & Scum. The Governor refuses to accept my offer of a dominating National Guard."

A mixture of peaceful protests and violence flared across the country for a seventh night on Monday, earning comparisons to the civil disturbance of the late 1960s following the assassination of Martin Luther King Jr.

New York City has been particularly traumatised by the violence. It was hit hard by the pandemic, with more than 21,000 fatalities — a disproportionate number were among predominantly black and Hispanic communities.

In addition to the curfew, Mr Cuomo had dispatched an additional 4,000 police to the city. An emotional Mr De Blasio called the situation "a horrible perfect storm we're living through."

The mayor hit out at those who he said would mis-portray the situation or fan violence. Still, he acknowledged: "Yesterday, we had a lot of trouble in some parts of the city."

Joshua Chaffin, Mamta Badkar and Laura Noonan

Spain

Sánchez set to extend state of alert after deal with Ciudadanos

DANIEL DOMBEY — MADRID

Spain's government is set to retain lockdown powers until late June under a deal that virtually assures the prime minister of a parliamentary majority on the issue.

The agreement with the pro-market Ciudadanos party, ahead of a vote in the chamber of deputies, gives Pedro Sánchez the support he needs to prolong the so-called state of alert for a final two weeks after Sunday, when it is due to expire. The measure has previously been extended five times, each time by a smaller majority.

Under the latest deal, the government has agreed that by mid-month it will set out provisions to deal with possible new outbreaks and a plan to "reactivate" the tourist sector, a driver of the economy.

The agreement indicates that Mr Sánchez's minority coalition retains the power to cobble together majorities — at least on some issues of overwhelming importance — despite increasingly polarised politics. It also highlights the increasingly centrist position of Ciudadanos, which flirted with a shift to the right last year but lost 80 per cent of its seats in November's general election. The party also backed the last two extensions of the state of alert.

Edmundo Bal, one of the party's parliamentary leaders, said: "We are doing this out of prudence, considering the general interest and because we think it is the best way of guaranteeing an exit without risking backward steps in this hard fight against coronavirus."

Since the government had already struck deals with Catalan and Basque nationalist parties to abstain or vote in favour of the state of alert, it is virtually assured of parliament's consent.

Alberto Garzón, the communist consumer affairs minister, hailed the "good news that we are beginning to abandon the trenches of recent years" and suggested the government could agree a budget with Ciudadanos.

However, Ciudadanos has said it has no intention of becoming part of the ruling coalition.

The powers to rule by decree and restrict mobility have become increasingly contentious since Mr Sánchez's leftwing coalition assumed them in mid-March, when coronavirus infection rates were at their height.

The prime minister argues that maintaining controls and, in particular, limiting people's freedom to travel across the country, are crucial to prevent a disorderly phase-out of the lockdown and the risk of a resurgence in infection rates.

The rightwing opposition argues that the government has abused the powers that are no longer needed, with coronavirus death and infection rates at lower levels than before.

On Monday, the health ministry said it had not recorded any new deaths in the previous 24 hours — although critics say the figures are partial and have been compromised by methodological changes and late reported data.

US. Election

Biden under pressure to pick black running mate

Democratic presidential candidate urged to be bolder in support of African-Americans

LAUREN FEDOR — WASHINGTON

Former US vice-president Joe Biden is facing mounting pressure to pick a black running mate as he seeks to solidify ties to the African-American community following the death of George Floyd.

On Monday, the presumptive Democratic presidential nominee marked a week since Floyd's death by visiting a black church in his hometown of Wilmington, Delaware.

Mr Biden, who has vowed to name a woman as his running mate, listened and later spoke to local officials and church leaders who called on him to be bolder in his commitment to supporting African-Americans.

"We have qualified black women who are able, who are capable of helping you lead this country," said Shanika Perry, youth pastor at Bethel AME Church.

Mr Biden, who was Barack Obama's vice-president, enjoyed the overwhelming support of black voters during the primary process, with a near 30-point win in South Carolina vaulting him to sweeping victories on Super Tuesday. But he was accused last month of taking the support of African-Americans for granted, after telling a radio presenter: "If you have a problem figuring out whether you're for me or [President Donald] Trump, then you ain't black."

Jim Clyburn, the longtime African-American congressman from South Carolina whose endorsement supercharged Mr Biden's candidacy, said he "cringed" when he heard his radio interview, but added: "I understood what he meant, and most black people knew what he meant."

"Joe Biden is no stranger to the black community. He has always campaigned in the black community, he has always had significant black support simply because he relates to the black community, and he knows how to," Mr Clyburn said.

"It doesn't always come through to people because . . . he is prone to gaffes," he added.

Mr Biden has considered naming one of his white former primary rivals, such as Amy Klobuchar, Minnesota senator, or Elizabeth Warren, Massachusetts senator, as his number two. But activists and political strategists say it is likely Mr Biden will pick a woman of colour following Floyd's death in Minneapolis after a white police officer knelt on his neck.

"African-Americans, particularly African-American women, are the backbone of the Democratic party," said Andra Gillespie, a political-science professor at Emory University and an expert on African-American politics.

LaTosha Brown, co-founder of the Black Voters Matter Fund, said the former vice-president "needs" an African-American woman on the ticket.

"There is a growing sense of frustration and mistrust of government in general and there is obviously the racial tension and the structural racism that is the prevailing undercurrent of this whole movement," she said.

"It is not like he is doing us a favour. It is going to bring value to him, someone that actually . . . has a depth of understanding and connectivity to those who are saying racism is literally killing us."

Stacey Abrams, who narrowly lost Georgia's gubernatorial race in 2018, has actively campaigned to be Mr Biden's running mate, while Kamala Harris, the California senator and former presidential candidate, has regularly helped the former vice-president with campaigning and fundraising.

Other high-profile African-American women mooted include Val Demings — a congresswoman from Florida and former Orlando police chief — and Keisha Lance Bottoms, the mayor of Atlanta, who attracted praise for her handling of clashes in her city on Friday.

A Washington Post-ABC News poll this week showed Mr Biden with a 10-point lead over Mr Trump. The president's approval ratings have plummeted over his handling of the pandemic in which more than 100,000 Americans have died, including a disproportionate number of African-Americans. The poll found Mr Biden had the support of 53 per cent of registered voters nationwide, and 89 per cent of registered black voters.

Antjuan Seawright, a Democratic strategist in South Carolina, said: "Instead of turning the lights off at his house in Delaware, he is going to the place where the people are."

Ms Brown, of the Black Voters Matter Fund, added: "At the very least, I see an effort from the [Biden] campaign to really try to connect in a different kind of way from this fool we have in the White House. This is a particular moment, and if the country ever needed leadership, his moment is now."

See Opinion

Kamala Harris: a possible candidate

Middle East

Second wave of infections forces Israeli school closures

MEHUL SRIVASTAVA — TEL AVIV

Israel has quarantined nearly 10,000 students and teachers as it struggles to control an outbreak of Covid-19 in educational institutions three weeks after reopening its economy.

Pupils returned to schools in a staggered reopening about two weeks ago, after new infections hovered below 50 cases a day for several weeks. But at least 220 students and teachers were confirmed as infected in the past few days, including more than 150 from one school in a wealthy Jerusalem neighbourhood.

The outbreak has pushed new infections close to 100 cases a day for the first time since early May, close to the threshold at which officials have indicated some lockdowns would be reimposed.

"If we get 100 sick people in a day that are not connected to the same outbreak epicentre, we'll need to step back, restrictions-wise," deputy head of the health ministry, Itamar Grotto, told a parliamentary committee. "For now there is one outbreak centre, we have a plan to contain it that does not involve the whole population."

The government has responded saying it will shut any school with a single confirmed case. This is stricter than the earlier requirement of waiting until three cases were confirmed before a school would have to close, which had affected fewer than a dozen schools since lockdown was lifted.

Israel's experiment in returning children to schools has been closely watched abroad as it took the lead in reopening its economy after a relatively mild trajectory of fewer than 20,000 cases, and under 300 deaths. No more than 30 are currently on respirators.

A study yesterday indicated that about 200,000 Israelis, less than 3 per cent of the population, had developed post-infection antibodies, far below the 60 per cent required for herd immunity.

While masks are required in public, or in indoor situations where social distancing is not practical, the rules are not being regularly enforced. Restaurants have opened outdoor seating, and most offices and factories have reopened.

Benjamin Netanyahu, prime minister, said on Sunday a new inspection protocol would need to be enforced to make sure businesses and schools were complying with social distancing rules.

Thousands flocked to beaches, parks and outdoor concerts as the country largely appeared to have escaped the brunt of the outbreak after a shutdown that left nearly a third of the population jobless. Israel can test up to 15,000 people a day, but many testing centres have been idle as demand waned.

INTERNATIONAL

North Africa

Libyan rivals to restart ceasefire talks

Negotiations will resume after Russia-backed renegade loses air base

HEBA SALEH — CAIRO

The warring sides in Libya have agreed to restart ceasefire talks after weeks of intense fighting in which Khalifa Haftar, the military strongman trying to seize Tripoli, lost control of a key air base south-west of the city.

The UN mission in the north African country, which announced the agreement late on Monday, said the discussions between a joint military commission representing both sides in the conflict would start online in the next few days.

Gen Haftar has laid siege to the UN-backed Government of National Accord in the capital for more than a year, but lost control of the al-Watiya air base last month after an intense bombardment by GNA drones supplied and operated by Turkey.

Russian mercenaries from the Wagner group, a company linked with the Kremlin, who are fighting with Gen Haftar's self-styled Libyan National Army, then pulled back from areas near Tripoli to the district of Jufra in central Libya.

A previous attempt to negotiate a ceasefire by Russia, which backs Gen Haftar, and Turkey, which supports the GNA, failed in Moscow in January after Gen Haftar left without signing.

But the renegade general's recent battlefield defeats and divisions in his power base in eastern Libya have changed the dynamic between the two sides and their respective backers, said Jalel Harchaoui, Libya analyst at the Clingendael Institute, a Dutch think-tank.

"Russia, in effect, accepts the outcome of the fighting in the north-western part of Libya," he said. "Now, the Russians support talks to find a new equilibrium."

After the defeat at al-Watiya, Moscow delivered at least 14 MiG 29 and SU-24 fighter jets to Libya, according to the US military, in what was seen as a warning to Turkey to refrain from pressing its advantage.

"Moscow and Ankara are demonstrating that they can produce a form of diplomacy that is accepted by several Libyan factions, the UN and, potentially, the west," Mr Harchaoui said.

However, he questioned whether Gen Haftar could be trusted to accept a long-term peace deal. "He doesn't want to give up on Tripoli and is not reliable when it comes to genuinely sticking to a ceasefire."

> Haftar 'doesn't want to give up on Tripoli and is not reliable when it comes to genuinely sticking to a ceasefire'

The UN mission in Libya said it hoped the resumption of ceasefire talks would "pave the way" for a lasting agreement and enable Libya's leaders to address the threat and repercussions of the coronavirus pandemic.

The UN has blamed foreign meddling in the Libyan conflict for prolonging the fighting and preventing a peaceful resolution. The United Arab Emirates has airlifted thousands of tonnes of weapons to Gen Haftar after committing at a conference in Berlin in January to respect a UN arms embargo.

Turkey has been open about its support and its weapons transfers to the GNA. Syrian mercenaries, brought in separately by Turkey and Russia, have fought on both sides.

Ebola declared

Congo hit by new outbreak

The Democratic Republic of Congo declared a new Ebola epidemic after it identified six cases of the haemorrhagic fever in the western city of Mbandaka. This is the 11th outbreak of the virus in the central African nation since the first cases were detected in 1976 and the fourth occurrence in the past three years.

"This outbreak is a reminder that Covid-19 is not the only health threat people face," Tedros Adhanom Ghebreyesus, World Health Organization director-general, said, adding that four of the people had already died.

Health workers near the Congo city of Butembo carry a victim of Ebola during an outbreak in May 2019
John Wessels/AFP/Getty Images

Record outflows

Bolsonaro blamed for unnerving Brazil investors

ANDRES SCHIPANI — SAO PAULO
JONATHAN WHEATLEY — LONDON

Foreign investors in Brazil's stock and bond markets continue to withdraw money en masse from Latin America's largest economy, frightened off by hard-right president Jair Bolsonaro even as investment returns to many other emerging markets.

Cross-border flows from Brazil have dwarfed those of most other emerging economies. Foreign investors took $11.8bn from Brazil's stock market in the four months from February to May and $18.7bn from its bond market between February and April, according to the Institute of International Finance, an industry association that gathers emerging market data.

Monica de Bolle, a senior fellow at the Peterson Institute for International Economics in Washington, said the record outflows "reflect investors' fears regarding the evolution of the pandemic but, most importantly, the fear of Bolsonaro as an agent of economic, political, institutional and health crises".

Foreign investors have always been wary of Mr Bolsonaro's promises of fiscal discipline, and money trickled out of the Brazilian stock market last year. But since March, foreign money has flooded out of Brazilian assets, said the IIF.

At the same time, emerging markets as a whole have seen a partial reversal of the almost $83bn of outflows they saw that month, with nearly $23bn returning in April and May as investors look for bigger returns than those available in developed economies.

In Brazil, Mr Bolsonaro is at the centre of a political crisis that has put his grip on power in question, but he continues to shrug off the seriousness of coronavirus even as Brazil has seen more than 500,000 infections and an estimated 30,000 deaths so far.

Business and consumer confidence has been shaken, putting the country's already rocky public finances under further pressure. The central bank's latest weekly poll of market economists predicts that the economy will contract nearly 7 per cent this year.

Health officials expect the first wave of the disease to peak in Brazil between July and September, meaning the cost of an emergency support package assembled to fight the economic hardship of the pandemic will rise. Alberto Ramos, Latin American economist at Goldman Sachs, expects this to result in a fiscal deficit equal to 19 per cent of gross domestic product this year.

This has forced Paulo Guedes, the economy minister, to shelve his reformist agenda, unnerving investors. They have been worried by the firing of two health ministers and the resignation of Sérgio Moro, the popular justice minister, amid allegations that Mr Bolsonaro attempted to interfere with federal police inquiries.

The result, said Robin Brooks, chief economist at the IIF, is that cross-border outflows from Brazil's stock and bond markets have been "off the charts", running at double their rate following the onset of the global financial crisis in September 2008.

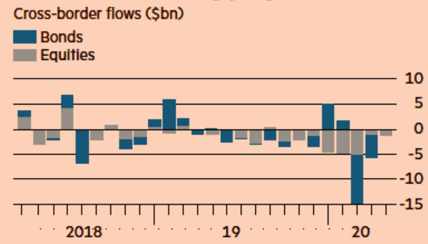
Mr Brooks blamed Brazil's politics for scaring investors away, as well as its economic policymaking during the crisis, particularly the central bank's plan to buy government bonds in a programme based on the Fed's quantitative easing.

"People are pretty sceptical that policy experiments in the US should be tried out in Brazil," he said.

But Tony Volpon, chief economist at UBS in São Paulo, pointed out that while foreign investors had pulled masses of money out of stock and bond markets, Brazilian investors had poured roughly the same amount in, seeking higher yielding assets now that real interest rates had fallen into negative territory.

"Brazilians are certainly more optimistic," he said.

Investors remain strongly negative on Brazil
Cross-border flows ($bn)



Source: Institute of International Finance

GLOBAL INSIGHT
ASIA

Kathrin Hille

Taiwan remains sanguine despite Beijing sabre-rattling

China's move to bring Hong Kong to heel is being watched with more trepidation in Taiwan than almost anywhere else. "If Hong Kong falls, we don't know what's going to be next; it might be Taiwan," Joseph Wu, the country's foreign minister, said in an interview with Fox News last week, referring to the new security law that Beijing has imposed on the territory.

The Chinese leadership's decision to interfere this deeply with the autonomy it had promised the former British colony has worrying implications for Taiwan. It suggests Beijing has concluded its "one country, two systems" formula has failed to produce the intended result.

Such a moment of disillusionment and hard-knuckled realpolitik in Beijing is what Taipei has to fear most. The Chinese Communist party calls Taiwan an integral part of Chinese territory that must be brought under its control. Despite evidence to the opposite, Beijing denies the existence of a separate state on the other side of the Taiwan Strait, often claims that the people in Taiwan desire to be part of China, and calls unification a "historic trend".

This position clashes with political reality in Taiwan. Having been ruled separately from China for more than a century, and as a vibrant democracy for the past 30 years, Taiwan has resolutely rejected the Hong Kong model ever since Beijing devised it with Taiwan in mind, 30 years ago. A long-running series of opinion polls shows that fewer than 20 per cent of Taiwanese would consider unification with China even as a future option.

"In that sense, the events in Hong Kong have increased the risk of China turning towards the option of 'forceful unification'," said William Chung, a postdoctoral fellow at the Institute for National Defense and Security Research, a think-tank backed by Taiwan's defence ministry.

> 'If Hong Kong falls, we don't know what's going to be next; it might be Taiwan'

"After the Hong Kong national security law, the possibility of convincing the Taiwan people of the merits of one country, two systems has become even more remote," he added. "But if China had to acknowledge that their line on Taiwan is fiction, that Taiwan will not be persuaded to unification, that would leave them only the option of force."

While Beijing vows to pursue "peaceful unification", it threatens to attack Taiwan if the island resists its advances indefinitely. General Li Zuocheng, chief of the Chinese military's joint staff department, said on Friday: "When the possibility of peaceful unification is completely lost, the People's Army will [. . .] take all necessary steps to resolutely smash any separatist plots and actions."

Such shrill rhetoric would make many believe that an assault on Taiwan could be imminent, and more likely while the US, the unofficial guarantor of Taiwan's security, is distracted by the Covid-19 pandemic.

But experts in Taiwan are sanguine. Mr Chung argues that, while Beijing's failure in Hong Kong spells danger for Taiwan in the more distant future, Beijing is unlikely to opt for war over Taiwan now because that would leave it to battle on several fronts. Gen Li's statement repeated "all the same" slogans that have been part of China's position on Taiwan for many years, said Lin Chong-Pin, a former deputy minister of defence and one of Taiwan's longest standing experts on cross-strait relations.

Professor Lin even sees signs that the Chinese leadership is reining in hotheads who are calling for an invasion. He points to Chinese government statements about economic incentives for the Taiwanese people and the intention to continue a bilateral trade deal. Whether he is right remains to be seen. Even if Beijing shies away from an invasion of Taiwan, it certainly is using its increasingly well-equipped armed forces to throw its weight around. If the Chinese leadership concludes that its comparatively peaceful ways of wooing Taiwan have failed, it can fly more fighter jets ever closer to Taiwan ever more frequently. That will not be war, but it will not be peace either.

kathrin.hille@ft.com

South-east Asia

Singapore seeks lift from gradual reopening

STEFANIA PALMA — SINGAPORE

Singapore is gradually reopening schools and its economy after a two-month lockdown that throttled business activity on the island.

Select businesses and schools resumed operations yesterday in a move authorities said would reignite 75 per cent of the economy and bring a third of workers back to their offices and factories.

Companies in sectors such as finance, insurance and logistics that meet safety and distancing requirements will reopen but authorities have asked those who can work from home to continue to do so.

This year's graduating classes will return to school full-time, while other primary and secondary students will be homeschooled every other week. Preschools and special educational needs centres will reopen in phases. All pupils above the age of two and teachers will be required to wear a mask.

Social gatherings remain prohibited except for visiting parents and grandparents once a day.

Easing the lockdown will provide a boost to the economy, which is facing its sharpest contraction since independence in 1965. Authorities have warned gross domestic product could shrink 7 per cent this year.

Reopening workplaces was an important turning point, said Irvin Seah, senior economist at DBS.

"[But] even if the government now says 75 per cent [of the economy] will resume operations, it essentially means many companies will continue to operate below their full capacity because partly they have the option to do so and partly because demand globally has remained very weak," he added, highlighting Singapore's export-based economy.

After winning international praise for initially containing the virus, the city state was forced to shut down in early April following an outbreak among migrant workers living in crowded dormitories. That pushed Singapore's total number of infections to 35,292, one of the highest rates per capita in Asia.

The number of daily infections among the 323,000 dormitory residents — who account for more than 90 per cent of total patients — remains in triple digits. On Monday, the number of new cases in dormitories was 408, but there were no other infections in the rest of the island for the first time.

If the infection rate beyond dormitories stays low for the next two weeks, Singapore's second phase of reopening could begin. This would include allowing social gatherings of up to five people, diners returning to eat in restaurants and the playing of sports.

Authorities also announced that temporary structures to house about 60,000 migrant workers would be built by the end of the year, with permanent dormitories accommodating up to 100,000 workers to be constructed in the next few years.

Restructuring proposal

Argentina can improve debt offer, says IMF

BENEDICT MANDER — BUENOS AIRES
COLBY SMITH — NEW YORK

The IMF said Argentina can still improve its restructuring offer on $65bn of debt with foreign creditors as it continues negotiations after slipping into default last month.

"There is still room for Argentina to increase payments to private creditors," Julie Kozack, deputy director for the IMF's western hemisphere department, told the Financial Times.

Ms Kozack's comments come a day after the IMF released a statement on Argentina's revised restructuring proposal, calling for payments to begin in 2022 compared to 2023, among other improvements for bondholders.

The IMF said the current terms would restore the sustainability of the debt, but that there was not significant capacity to raise the offer much further.

"There is only limited scope to increase payments to private creditors and still meet the debt and debt service thresholds," the IMF wrote on Monday.

Yesterday, Ms Kozack clarified that the government's proposal "falls a bit below" the fund's parameters, suggesting some flexibility in the current terms. Nevertheless, a person with direct knowledge of the IMF's thinking said it would be "very hard" to improve the deal beyond a net present recovery value of 50 cents on the dollar while maintaining a sustainable debt burden. That compares to the government's current offer of almost 46 cents, using a 10 per cent exit yield. The latest counter-offers from private creditors imply a recovery value of around 53-58 cents on the dollar.

After the government extended the deadline on its offer by another 10 days on Monday night, Argentina's economy minister Martín Guzmán insisted there was only "scarce" room to modify its proposal to reach a deal that would avoid a messy default.

A person familiar with the government's thinking said that it was a "big deal" that the IMF had drawn a line in the sand at 50 cents on the dollar, given that all parties accept that Argentina will need to seek further assistance from the lender. The IMF can only lend to countries if it considers their debt burden to be sustainable. There should be a deal if creditors accept the IMF's position, the person added.

After lending Argentina $44bn since a 2018 currency crisis, the IMF said in February that the country's debt was unsustainable, calling on creditors to make a "meaningful contribution" to provide debt relief.

The bondholder groups weighed in on the IMF's assessment that there was "limited scope" for the government to improve its offer. "It is up to Argentina to show a serious desire to bridge the remaining gap," Dennis Hranitzky, the legal adviser to the exchange bondholder group, said on Monday.

A bank in Buenos Aires. Argentina is holding talks with foreign creditors

Michael Mackenzie Markets shrug off civil unrest but Wall St may yet find itself on the wrong side of history ➔ MARKETS INSIGHT, PAGE 9

Companies & Markets

IWG moves in to Hong Kong office vacated by WeWork

- Switch underlines diverging fortunes
- UK group taps into £320m war chest

GEORGE HAMMOND — LONDON
ANDREW EDGECLIFFE-JOHNSON
NEW YORK

IWG has made its first move to capitalise on the retrenchment of WeWork, taking over a Hong Kong office vacated by its flexible-workspace rival.

The UK-listed group deployed some of a recently raised war chest to secure the lease on 30,000 sq ft of office space in Causeway Bay in Hong Kong, people briefed on the agreement say.

It is the first former WeWork premises taken over by IWG, which was founded 30 years before its rival but has never achieved the Silicon Valley-style $47bn valuation that WeWork commanded at its peak.

The switch in tenants at Hysan Place — confirmed by IWG — underscores the divergence in fortunes between the two companies, which competed for dominance of the co-working sector in its boom years before the Covid-19 pandemic raised questions about the outlook for offices.

> 'The big positive from WeWork has been to dramatically raise the level of the game for the sector'

WeWork last year lost co-founder Adam Neumann, who had driven the company's rapid expansion, and shelved plans for an initial public offering as its valuation tumbled and its cash ran down.

SoftBank, which owns a majority stake in WeWork, told investors last month that it had written down its $10.3bn investment to just $2.4bn.

IWG's stock has fallen 30 per cent since the start of the year but its market value remains above £3bn.

WeWork's new leadership initiated a review of its entire portfolio that led to the company pulling out of the lease in Hysan Place in March, according to one person briefed on the matter. It has reduced its footprint in Hong Kong by about 20 per cent, the person said.

On a call with Citigroup analysts last month, Sandeep Mathrani, WeWork's chief executive, suggested that the group might have to exit or rethink one in five of its leases. "If I look at the portfolio, like anyone's portfolio, it's 80:20. Eighty per cent [of WeWork's leases] are great, 20 per cent need to be restructured," he said.

The company has brought in the property company Knight Frank to advise on the restructuring of its UK leases as part of its global review. WeWork, like others in the shared office sector, creates special purpose vehicles for each of its leases, meaning landlords cannot challenge the parent company if they do not receive rent.

"The big positive from WeWork in the past decade has been to dramatically raise the level of the game for the sector, and the broad offering is far better for it," said Hemant Kotak, head of UK research at CBRE, a property company.

"That said, operating in a hot sector and its dominance resulted in some rebellious and risk-taking behaviour. You don't undergo the growth spurt we've seen in recent years without some growing pains," he added.

IWG, which was formerly known as Regus, has raised a £320m war chest via a share placing, which it said last week that it intended to use to fund an expansion drive.

The fundraising was a way of "making sure we've got enough cash to participate in the opportunity that's coming", said Mark Dixon, IWG's chief executive, said at the time. Mr Dixon owns almost 30 per cent of the business and invested £91m of his own money in the raising.

Off target US lockdown reopenings derailed as social unrest forces retailers to close stores

A looter robs a Target store in California, after the killing in police custody of George Floyd — Josh Edelson/AFP via Getty

ALISTAIR GRAY

US retailers have been forced to close recently reopened stores as civil unrest after the killing of George Floyd dashes hopes of recovery from the pandemic shutdown.

Businesses that were just beginning to open their doors have had to pull shutters back down after crowds smashed storefronts across the country and stole mobile phones, jewellery, computers and furniture.

Several of the largest retail chains have closed or postponed reopenings in response. Adidas shut all 230 of its US stores until further notice and CVS Pharmacy closed about 60. Other stores are restricting opening hours.

Target either closed or reduced hours at more than 200.

Matthew Shay, chief executive of the National Retail Federation, said communities were right to express their anger at the death of Floyd, an unarmed black man, in police custody. But he added: "Defacing, looting and plundering businesses, whether viewed as a direct outgrowth of fury or an opportunistic act of vandalism, impedes progress and healing."

Midtown Manhattan in New York was hard hit in a seventh consecutive night of disturbances. Looters ripped apart boarding that had been protecting Macy's in Herald Square and ransacked the department store. Luxury outlets on Fifth Avenue, including Bergdorf Goodman, were vandalised.

Other smart districts including Rodeo Drive in Los Angeles, Boston's Newbury Street and Philadelphia's Chestnut Street, as well as malls from Arizona to Florida, have been targeted by a minority of troublemakers.

Some stores, including a Target in Minneapolis, will need to be rebuilt.

Retailers were hiring more security services, including ex-military personnel and police as guards, some of whom carried weapons, said Robert Dodge, president of corporate risk services at G4S, the world's biggest security company by revenue.

The costs of such disruption would usually be bearable but non-essential chains are already reeling from weeks of closures that have caused the biggest drop in US retail sales on record and tipped companies including J Crew and JCPenney into bankruptcy.

"They were at least on the trajectory of trying to clear excess inventory, particularly in apparel," said Neil Saunders, managing director and retail analyst at GlobalData Retail. "This is really quite devastating."

Several retail chiefs expressed sympathy with the demonstrators. "We can replace our windows and handbags," wrote Jide Zeitlin, chief executive of Tapestry, owner of Coach and Kate Spade, in a memo to staff. "But we cannot bring back George Floyd."

Additional reporting by Dave Lee

GIP-backed group set to buy stake in Abu Dhabi gas pipelines

SIMEON KERR, ANJLI RAVAL
AND KAYE WIGGINS

Abu Dhabi's state-owned oil company is poised to sell a $15bn stake in its natural gas pipelines to Global Infrastructure Partners and Brookfield Asset Management.

The investors would take a 49 per cent share in the Abu Dhabi National Oil Company's pipelines, valued at more than $15bn including debt, according to people familiar with the matter.

Discussions have been under way for months but a deal now would come just as resource-rich nations are hit by the drop in both energy prices and revenues, triggered by the coronavirus pandemic.

Adnoc has sold stakes amounting to billions of dollars in energy infrastructure in recent years as Abu Dhabi seeks to privatise assets to diversify funding streams and attract foreign capital to the emirate's energy company. This deal would be part of Abu Dhabi's established revenue maximisation strategy, said one of the people.

GIP and Brookfield are investing as part of a consortium that is in talks with lenders about financing the acquisition, with negotiations for an $8bn loan "almost complete", according to one of the people. Other members include Italian energy infrastructure company Snam, Ontario Teachers' Pension Plan, Singapore's sovereign wealth fund GIC, and NH Investment & Securities of South Korea.

The latest deal, which was first reported by Bloomberg, comes as Abu Dhabi tries to speed up its transition away from oil revenues. The government is seeking to diversify its economy for the longer term amid growing uncertainty about crude demand.

The emirate has sought to manage Adnoc's asset base in a more commercially oriented manner, seeking to squeeze out savings and value from across the business. At the same time, private equity investors and asset managers are eyeing long-term, secure dividends.

KKR and BlackRock agreed in 2019 to invest $4bn in Abu Dhabi's oil pipelines as the Gulf producer opened itself up to institutional capital.

Adnoc declined to comment. GIP and Brookfield did not immediately respond to requests for comment.

Hong Kong's justice system is tried, tested and worth preserving

INSIDE BUSINESS
ASIA

Tom Mitchell

Most fears over the national security law that China will soon impose on Hong Kong focus, rightly, on the Chinese Communist party's habit of twisting a person's exercise of their constitutional rights into proof of a crime against the state. Hong Kong will no longer be Hong Kong if common law judges in the Chinese special administrative region start allowing similar perversions of justice.

But there is another perhaps underappreciated aspect of Hong Kong's unique judicial system that could be at risk if it becomes more like the mainland's. In the former British colony, which reverted to Chinese sovereignty in 1997 under a "one country, two systems" arrangement, rich and well-connected business figures and financiers regularly end up in the dock, at the centre of open trials that can shed light on the inner workings of international investment banks, blue-chip companies and Chinese state-owned enterprises.

One of my favourite examples of this, during more than seven years as a business and finance reporter in Hong Kong, was this scrap of email evidence from a 2009 insider trading case:

"Be the man, Jun, be the man," a senior banker at Morgan Stanley's Hong Kong office told one of his subordinates. "You've never worked on anything this big. Trust me, you will be covered in gold if we pull this off."

"Jun" was Du Jun, a relationship banker who worked for Morgan Stanley, and the golden opportunity in question was a potentially lucrative oil hedging contract with Citic Resources, the energy business of China's Citic investment conglomerate.

While the hedging contract never materialised, Hong Kong's Securities and Futures Commission alleged that in the course of his work, Mr Du acquired inside information about one of Citic Resources' upcoming acquisitions and bought $11m of its shares in advance of the announcement. After the deal was made public in May 2007, Citic Resources' shares jumped more than 15 per cent and rose a further 135 per cent over the following six months.

> Billionaires and senior former officials have stood in the dock and, unlike in China, the outcome of such cases is never certain

Mr Du was found guilty and sentenced to seven years in prison — a fate he could have avoided if only he had not returned to Hong Kong from his home in Beijing, where he had moved after parting ways with Morgan Stanley in 2007.

According to one court document, SFC summonses sent to Mr Du in Beijing could not reach him because he lived with his parents at a military compound where "there is a restriction on contact with overseas entities and mail sent from overseas to that address will be returned".

Would Mr Du's wealth and connections have spared him from a similar prosecution in China if, say, he had worked in Shanghai rather than Hong Kong?

Maybe — or maybe not. Plenty of rich and powerful people go to jail in China if they have fallen foul of the Communist party.

But, if tried there, would Mr Du have appeared in open court with journalists in attendance listening to arguments and evidence from both prosecutors and the defence? Almost certainly not. Nor would the outcome have been in doubt. In China, the defendant loses.

I have been barred from sitting in on Chinese court cases of far lesser import than Mr Du's, for reasons ranging from "not having approval from the local government" to "no seats available in the gallery". In one instance, when trying to witness a labour arbitration case filed by Walmart employees in central China, I was sent packing from the court building and followed back to my hotel by the local state security bureau.

In Hong Kong, by contrast, over recent years billionaires and some of the territory's most senior former government officials have stood in the dock in far more sensational cases than Mr Du's, witnessed by large numbers of local and foreign journalists.

Also unlike China, in Hong Kong the outcome of such cases is never certain.

In one famous bribery case, a billionaire property developer was convicted, along with the government's former second highest-ranking official, while the billionaire's brother was found not guilty. In another instance, a former Hong Kong chief executive was convicted and sent to prison but later acquitted when a judge ruled that the jury had been improperly instructed.

This is how a justice system should function and officials in both Beijing and Hong Kong insist that its fundamental workings will not be altered by the new national security law. I hope they are right.

tom.mitchell@ft.com

COMPANIES & MARKETS

Gender diversity

Japan's all-male boards face reckoning

Global investors poised to rebel against businesses lacking female directors

LEO LEWIS AND KANA INAGAKI — TOKYO

The all-male boards of hundreds of Japanese companies face a mass shaming this month as investors prepare to vote against the leadership of companies that do not have any female directors.

The change in the voting policies of Goldman Sachs Asset Management and several other global fund managers has crystallised ahead of Japan's annual meetings season in June, when typically more than 2,400 companies cluster their AGMs into the space of a week.

Although asset managers have also toughened their pro-diversity voting policies in other developed markets, the disapproval aimed at boards with no women is likely to hit a disproportionately large number of listed Japanese companies. Last year, about 57 per cent had no female board representation, according to Tokyo Shoko Research.

Among the biggest asset managers, Legal and General, with $1.4tn in assets under its wing, said it planned to vote against all Topix 100 companies without female representation.

Even without the upheaval of the pandemic, which is expected to force conservative Japanese companies to turn their AGMs into online events, the season is set to be feisty. According to Mizuho Securities, companies face a record number of shareholder proposals, with

> Legal and General plans to vote against all Topix 100 companies without female representation

demands ranging from the sale of key assets and the scrapping of poison pill takeover defences to pressure for higher dividends and the dismissal of auditors.

While investors say they would accept delays to AGMs and slippage on key metrics such as a return on equity because of the crisis, they intend to hold firm on areas including diversity and governance.

According to L&G, the percentage of women board members at Topix 100 groups only crept above 10 per cent for the first time in 2019, and remains significantly below the 30 per cent ratio among FTSE 350 companies and 27 per cent of S&P 500 board members.

"It is certainly going to be a unique proxy season," said Chris Vilburn, head of stewardship at GSAM Asia. "I think we will see some relaxation on the ROE-related side, but there will still be pressure on companies on environmental, social and governance issues."

Hiroki Sampei, head of engagement in Japan at Fidelity International, said the Covid-19 experience should be used "as a stress test to re-recognise the reality that companies and investors have shelved and postponed various priority issues, such as diversity and inclusion".

Proxy adviser Glass Lewis will also recommend rejecting the chair of a board that does not have an incumbent or proposed female director for companies listed on the first and second sections of the Tokyo Stock Exchange.

The diversity rush is set to add pressure to the limited pool of female candidates, with most companies expected to invite a non-executive director instead of tapping internal talent.

Support services. Pandemic disruption

Polish outsourcers look to gain from outbreak

India's tardy response to the emergency prompted some businesses to look elsewhere

JAMES SHOTTER — WARSAW
BENJAMIN PARKIN — NEW DELHI

Going places: Europe cannot compete with India on labour costs but there are signs it is taking some work from Asian hubs
Amit Dave/Reuters

Three decades of globalisation have made India a power in outsourcing. In cities from Bangalore to Hyderabad more than 4m people staff campuses that provide call centres, IT maintenance and other services to western business.

But the chaotic nature of India's coronavirus lockdown — announced at four hours' notice in late March — left many outsourcers scrambling to avoid interruptions as they switched to remote working, highlighting the risks of concentrating outsourced operations — and work that has been kept in-house but moved offshore — in a single place.

Poland, Europe's biggest outsourcing and offshoring hub and one of the world's top five, is one rival centre hoping to profit.

"For those companies that were not thinking about this before, [the pandemic will accelerate it]," said a Polish manager at a global IT group with operations in Poland and India. "Definitely they will look at the situation [and say]: 'If we are global operating companies, we also have to have our workforce distributed more evenly'."

One challenge for India's outsourcers in the switch to remote work was strict privacy rules on what can be taken out of the office. Another was the lack of infrastructure. The country is plagued by power cuts and staff often lack reliable internet connections at home.

"They don't have fast broadband at home because it is so expensive, so we have had to give staff a sim card, laptops and pay their phone bills so they can work remotely," said one Deutsche Bank executive.

Poland's industry cannot compete with the likes of India and the Philippines on labour costs. Instead it has sought to lure multinationals with the offer of proximity, the legal and regulatory frameworks that come with EU membership, a well-educated, multilingual workforce and good infrastructure.

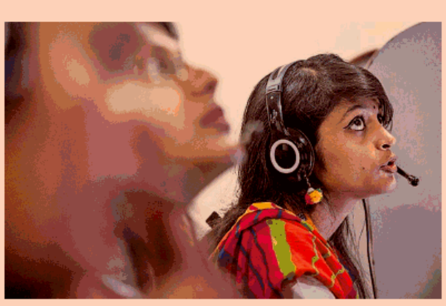
Executives there hope the way Polish outsourcers dealt with the shift to remote working during the pandemic will be another factor in their favour as companies begin to review their operating models in light of the crisis.

Jacek Levernes, co-founder of ABSL, a Polish business services trade body, said the industry shifted 95 per cent of staff to remote working within a week of the lockdown. In some Asian hubs, it took weeks to achieve 60-80 per cent home working.

"To move things from the UK to Poland you can generally save 50 per cent. To move to India can save 70-75 per cent," he said. "But the difference today is that this is not only a financial crisis. Resilience is also something that you need to take into account."

According to Polish executives, some shared service centres in Poland have taken on tasks normally done by colleagues in India as a result of pandemic disruption. "We moved people [in Poland] home even before the government announced the lockdown," said one Polish executive from an IT group with operations in Poland and India.

"India was not able to do this. My organisation probably coped even in India . . . Nevertheless the guys from my team supported . . . some of the India processes."



India's IT companies dismiss the suggestion they will lose business to Poland, claiming that, aside from some early confusion, they oversaw a Herculean mobilisation to keep business running.

Nandan Nilekani, chair of Infosys, an IT outsourcing specialist, said more than 90 per cent of its 200,000-plus staff were working from home within two weeks. "It's a campaign which was logistically extremely complex," Mr Nilekani said. "We didn't miss a beat."

Big Indian outsourcers are cash-rich and argue they are well placed to withstand the shock and take a bigger share. For one, they already have centres in dozens of countries, including Poland, giving them global reach few can match.

"It's too early to call the demise of the Indian outsourcing industry," said Sid Pai, founder of Siana Capital, a venture capital firm, and longtime IT executive. "There will be some pain, maybe significant pain, but I think the larger ones are the ones that'll be left standing."

Indian groups are also adapting. Tata Consultancy Services, India's biggest, said it had built a model allowing it to create virtual teams to handle projects or manage customer service remotely.

> 'It's too early to call the demise of the Indian outsourcing industry'
> Sid Pai, Siana Capital

"We went into the whole situation like everyone else in a very reactionary mode. In fact, we were not expecting the scale of the impact," said Amit Bajaj, head of TCS for Europe. The pandemic has sparked "a huge behavioural change in a very short period of time".

The difference in scale between India and Poland's outsourcing industries — India employs more than 10 times as many people — means that even if India loses only a fraction of its business, it could still be a big relative gain for rivals.

However, some in the industry say that while there may be some shifts between rival hubs, the pandemic is likely to trigger bigger changes.

"The discussion will be about offshore, nearshore, onshore, but it will be even more about virtual centres and how to make the leap in terms of digitalisation and automation, and how to move this labour-intensive work to machines," said Marek Grodzinski, a partner at EY in Poland.

"We hear this from many clients. This has, of course, been discussed for years. But in my opinion it went slowly. And Covid has opened many people's eyes."

Additional reporting by Stephen Morris in London

Insurance

RenaissanceRe sets sights on sector's biggest equity issue since crisis

OLIVER RALPH — LONDON

RenaissanceRe, the Bermuda-based insurer, is aiming to raise about $900m in the industry's biggest equity issue since the crisis began.

Insurance and reinsurance companies could be hit with more than $100bn of claims from individuals and businesses affected by the pandemic. They are also facing investment losses because of the turmoil in financial markets.

Prices for all types of cover have already started rising steeply, and are expected to continue to increase for the rest of the year at least.

Insurers that want to take advantage of the higher prices and sell more policies have to have enough capital to back this new business.

RenaissanceRe said yesterday that it would sell 5.5m new shares, which at Monday's closing price would be worth just over $900m. It will also sell $75m shares in a placing with US insurer State Farm, which owns just over 4 per cent of RenaissanceRe.

The company said it would use the money "for general corporate purposes, which may include expanding existing business lines, entering new business lines, forming new joint ventures, or acquiring books of business from other companies".

> Prices for all types of cover are expected to continue to increase for the rest of the year at least

Its New York-listed shares rose 4 per cent in response to the news but, at $170, they are still below the $200 they hit before the crisis.

Last month, RenaissanceRe said that it faced almost $104m of claims related to the pandemic, in areas such as event cancellation.

At the time, Kevin O'Donnell, chief executive, said that the company was "well capitalised with ample liquidity, and our core franchise remains strong".

Hiscox, another insurer, raised £375m last month, while Beazley raised £247m, with both citing new business opportunities as a reason. QBE, which is based in Australia, raised $750m in April to give itself the capital to withstand economic and market turmoil.

Prices have already started rising in many lines of insurance, some at a faster rate than at any time in the past 20 years. Prices for property reinsurance in Florida rose about 30 per cent on the key June 1 renewal date. And the cost of directors' and officers' liability insurance — the cover companies buy in case their bosses face legal action — has doubled in some areas.

Hardeep Manku, a credit analyst at S&P Global Ratings, said: "There are opportunities to be had, especially in an environment where capital will be constrained." RenaissanceRe's equity raising gave it "the flexibility to address the opportunities".

Reinsurers are facing high claims for the third consecutive year. Natural catastrophes in 2018 and 2019 were expensive for the industry.

The Lloyd's of London insurance market estimates that the crisis will cost insurers and reinsurers about $200bn in total, including claims and investment losses. That would make it one of the most expensive events in the industry's history.

Technology

Amazon secures cheapest borrowing costs

JOE RENNISON — LONDON
ERIC PLATT — NEW YORK
DAVE LEE — SAN FRANCISCO

Amazon has locked in some of the lowest borrowing costs ever secured in the US corporate bond market, underscoring the rise of the ecommerce group during the pandemic.

The company raised $10bn in an offering late on Monday that included three-year notes carrying an interest rate of just 0.4 per cent, according to people briefed on the matter.

The interest on the new three-year note was less than two-tenths of a percentage point above the rate investors charged the US government when it issued debt of a similar maturity in May — a stunning turn for a company whose debt was once considered junk.

Amazon paid 1.9 per cent on a three-year note when it last tapped bond markets in 2017, to fund its takeover of the grocer Whole Foods Market.

The rate it secured this week was below the previous record low of 0.45 per cent secured in 2012 and 2013 by the likes of Apple, IBM and Walt Disney.

Amazon's new seven and 10-year borrowings carried coupons of 1.2 per cent and 1.5 per cent respectively, also the lowest ever in the US corporate bond market, toppling a record set by the retailer Costco this year, according to financial data provider Refinitiv.

The coupon on Amazon's new five-year bond matched a low set by drugmaker Pfizer in May, at 0.8 per cent. The company also issued 30- and 40-year debt.

Investors have been clamouring to lend to blue-chip companies since the Federal Reserve provided a backstop to markets in March, which included a promise to buy corporate bonds. The intervention helped to bring down corporate borrowing costs, which had spiralled to a 10-year high during the coronavirus-induced sell-off in March.

Corporate bond issuance has passed $1tn this year; a record pace.

Amazon's $10bn bond offering was more than three times subscribed, people briefed on the matter said.

"This month is starting off with a bang," said Peter Tchir, chief macro strategist at Academy Securities in New York. "Companies are looking at these yields and thinking they should be issuing. This is an ideal opportunity to refinance existing bonds or add new debt."

Amazon stands out as one of the companies to have benefited from the policy response to the virus, with the closure of non-essential stores pushing more consumers online. Its revenues surged to $75.5bn in the first quarter of 2020 from $59.7bn on a year ago. But soaring expenses shaved 30 per cent off its profits.

"There have been companies that have benefited from this pandemic and Amazon's one of them," said Monica Erickson, investment grade corporates chief at DoubleLine Capital in LA.

See Lex

Personal & household goods

Pandora to use only recycled gold and silver

RICHARD MILNE
NORDIC AND BALTIC CORRESPONDENT

Pandora has become the first big jeweller to target using all recycled gold and silver in its products as the Danish group aims to replace mined precious metals by 2025.

The world's largest jewellery maker by volume, Pandora already uses mostly recycled silver and gold in the products it makes itself, but is now seeking to get all its suppliers to reach 100 per cent recycled, chief executive Alexander Lacik told the Financial Times.

"We have to reach deeper into our own supply chain. They have some way to go. It will cut back on CO2 and reduce pollution. It is hopefully a call to action for our partners and other people," he added.

Pandora, known for its charms, is aiming to become carbon neutral by 2025 and currently 71 per cent of the silver and gold it uses is recycled. Only about 15 per cent of the world's silver supply comes from recycled metal even though it produces carbon emissions a third of mined silver. Recycled gold has emissions 600 times lower than mined gold, according to Pandora.

Mr Lacik said the biggest challenge would be to increase the supply of recycled silver, the main metal Pandora uses, accounting for more than half its volumes by weight, as it had remained flat relative to mined silver in recent years. "The demand hasn't been that big. Us being the largest jewellery maker in the world, we think when we make a statement we can stimulate the demand," he added, stressing that there was little to no price difference between recycled and mined metal.

The jeweller says its move is a 'call to action' that will cut CO2 emissions

Pandora is not counting on a big effect on sales when it makes the move, and Mr Lacik said that the Danish group may even need to educate customers that there is no difference between mined and recycled precious metals, which can be re-used many times.

"It's the right thing to do and if we as the largest company could do it then why can't others follow suit? Do I expect to build market share? I don't think so," he added.

Silver and gold account for about three-quarters of Pandora's metal use, with the rest — copper, palladium, steel — not covered by the recycling target.

Pandora uses 340 tonnes of silver and 300kg of gold a year.

COMPANIES & MARKETS

Australia's iron miners exploit supply gap to outpace Covid-stricken rivals

BHP, Rio and Fortescue are sending record ore shipments to China, where lockdown easing is lifting the economy

JAMIE SMYTH — SYDNEY
NEIL HUME — LONDON

Australia's listed iron ore producers are emerging as big winners in the coronavirus pandemic with rivals around the world unable to capitalise on China's insatiable appetite for the steelmaking ingredient.

BHP, Rio Tinto and Fortescue Metals Group credit innovative technology, adaptive human resources and government action for enabling them to avoid Covid-19 disruptions that have hampered competitors and helped push iron ore prices up to near $100 a tonne.

The trio, which control almost two-thirds of the seaborne iron ore market, are reaping multibillion-dollar rewards from record exports to China, where demand is expected to grow as the exit from lockdown lifts the economy.

Analysts say the miners' ability to continue "business as usual" by implementing extraordinary changes to cope with the emergency is enhancing Australia's reputation as the most stable and reliable supplier of critical minerals.

"Despite Covid-19 Australia's iron ore producers are faring extremely well," said Glyn Lawcock, a UBS analyst. BHP, Rio and FMG are expected to increase shipments 2 per cent this year and generate free cash flow in excess of $25bn if prices average $100 a tonne, he added.

Shares in FMG hit a record high this week, valuing the company at A$42bn ($28bn).

"Fortescue, together with our industry peers, continues to be in a privileged position to continue to operate throughout this time of unprecedented disruption," said Elizabeth Gaines, chief executive. "We are also seeing market concerns on the security of supply from other iron ore producing countries due to Covid-19."

Brazil's Vale and Anglo American, whose subsidiary Kumba is South Africa's biggest iron ore producer, have both faced virus-related disruption.

Iron ore exports to China from Brazil have fallen 12 per cent year-to-date and from South Africa 9 per cent, according to UBS research.

Last month, Vale cut its 2020 iron ore production guidance to 310m-330m tonnes, from 340m-355m, blaming heavy rains and unplanned maintenance as well as Covid-19.

There are growing concerns about further supply disruption as the virus takes hold in Para, a northern state that produces 35 per cent of Brazil's iron ore and is home to Vale's flagship mine.

This puts at risk about 80m tonnes of iron ore just as Vale is struggling to recover from last year's dam disaster, said Daniel Hynes, an analyst at ANZ Bank, referring to the collapse of the Brumadinho dam in Minas Gerais that killed 270 people.

"The global pandemic has made this exercise even more difficult, with rectification work on the dams being delayed, which is likely to delay even further its push to get back to full capacity," he said.

Against that backdrop, iron ore prices have been rising. At one point last week, they climbed to nearly $97 a tonne, their highest since September 2019.

Steel production in China — and thus consumption of iron ore — has been steadily increasing since Beijing began in late March to loosen nationwide restrictions put in place to contain the virus.

Australian mining groups are moving to fill the supply gap, brushing aside rising Sino-Australia trade tensions to increase shipments. In the first four months of 2020, Australia exported 278m tonnes of iron ore, up 11 per cent on the same period a year ago, according to Nick Snowdon, a Deutsche Bank analyst. In contrast Brazilian exports were down 11 per cent from last year.

The Australian miners have benefited from swift action by Canberra to tackle the virus while also designating mining an essential industry, enabling employees to continue travelling to work in the Pilbara, the iron ore-producing heartland in Western Australia that relies on "fly in, fly out" workers.

"In Australia they went pretty hard," Jean-Sébastien Jacques, Rio Tinto chief executive, told the Financial Times. "They have put a good quarantine system in place and shut down the internal borders as well. That is making a big, big difference."

Rio, which overtook Vale as the world's biggest iron ore producer in December, is on course to produce 324m-334m tonnes of iron ore this year, according to Mr Jacques.

About 60 per cent of its workforce in the Pilbara commutes from Perth or other regional centres, a huge logistical exercise made tougher by the impact of social distancing rules.

To limit the number of flights workers were required to take, the company extended fly-in, flyout rosters from one week on, one week off to two weeks on, two weeks off, said Chris Salisbury, head of iron ore at Rio. It halved the number of passengers on those flights and has enabled 4,000 of its 11,000 iron ore employees in the state to work remotely from home.

Rio also introduced airport screening including an online and face-to-face health questionnaire, temperature checks and a rapid finger pinprick blood test for virus-related antibodies.

BHP has taken similar steps, focusing on technologies that reduce the need for staff to work on-site. It deployed augmented reality headsets that use video combined with advanced 3D sensing technologies to enable experts 1,300km away in Perth to oversee maintenance of mine equipment remotely.

"We have applied a level of creativity and imagination in order to boost the safety of our staff. And guess what? It also has a productivity outcome," said Pat Bourke, vice-president of technology.

The company is testing its own Covid-19 contact tracing app in Chile, where rates of infection are worse, and if successful it might be rolled out in Australia.

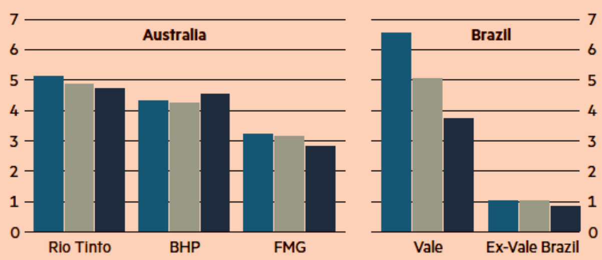
Australia's ability to continue mining has been a lifeline for the economy, which is facing its first recession in 30 years with unemployment projected to hit 10 per cent this month.

Iron ore is Australia's top export and is set to generate a record A$101bn in export earnings this year, according to government forecasts. The resources sector employs 250,000 workers and supports 1m jobs in the supply chain.

"We keep the national economy alive," said Mark McGowan, premier of Western Australia, referring to the contribution of the resources sector during the pandemic. "Without us the country would be under water."

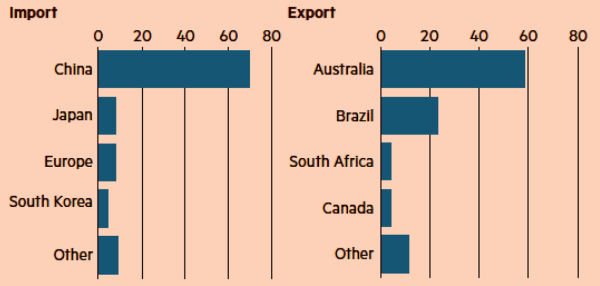
Big wheel: the big three miners found ways to work through the Covid-19 emergency, according to Elizabeth Gaines, below

Australia iron ore producers buoyant as Brazil rivals struggle
Average weekly shipments (m tonnes)



Sources: Deutsche Bank; Wind; Woodmac

Seaborne iron ore
By country (%)



'We have applied creativity and imagination in order to boost the safety of our staff'
Pat Bourke, BHP

'We keep the national economy alive. Without us the country would be under water'
Mark McGowan, WA premier

Industrials

South Korea shipyards buoyed by $20bn Qatar carriers plan

EDWARD WHITE — WELLINGTON
KANG BUSEONG — SEOUL

Shares in South Korean shipbuilders rallied after Qatar's state-owned oil producer signalled a $20bn order for liquefied natural gas carriers, marking a bright spot for an industry that has been hit hard by the pandemic.

The country's Big Three shipyards — Hyundai Heavy Industries, Samsung Heavy Industries, and Daewoo Shipbuilding & Marine Engineering — closed between 6 per cent and 18 per cent higher in Seoul yesterday.

The gains came after Qatar Petroleum said it had reserved production capacity with the companies through to 2027 to build more than 100 new carriers.

"With the conclusion of these milestone agreements, we have everything in place to commence the largest LNG shipbuilding programme in history," Saad Al-Kaabi, the Gulf state's energy minister and chief executive of Qatar Petroleum, said.

As part of the expansion of the North Field, the largest LNG project, Doha has struck a similar arrangement with Chinese shipbuilders.

Neither the number of ships to be built by each Korean company nor their pricing has been finalised.

"It is the first step," Hyundai Heavy said of the deal.

Korean shipbuilders are the dominant force in the LNG carrier market, but they are under threat from Chinese competitors.

The sector has suffered from the impact of Covid-19 on the world economy. Global shipyard output is expected to drop a quarter this year as equipment shortages, site closures, and financial stress rattle the sector, according to industry tracker Clarksons Research.

Investment in new vessels has fallen 60 per cent year on year to $10bn in 2020, prompting shipbuilders to lower prices in a bid to attract customers.

"The outbreak has severely impacted sentiment so far this year, amplifying existing concerns over new-build fuelling and technology choices," Clarksons' analysts said. "Travel restrictions have also limited shipyards' ability to conclude contracts."

The LNG industry is under pressure. Seasonal demand is expected to contract for the first time in eight years this summer, according to consultancy Wood Mackenzie, with growth not expected to return until mid-2021.

Qatar's announcement was "significant" and would probably pave the way for large-scale vessel orders, said Jeong Dong-ik, an analyst at KB Securities in Seoul.

Travel & leisure

Travelodge readies CVA to end rent stand-off

ALICE HANCOCK AND GEORGE HAMMOND
LONDON

Travelodge is set to launch last resort bankruptcy proceedings that will legally allow it to slash rents in an attempt to end a fractious dispute between the UK hotel chain and its landlords.

The company is to file documents today for a company voluntary arrangement, a restructuring measure increasingly used by ailing retail and leisure operators. Unlike standard CVAs, Travelodge will not shut any of its 564 sites or permanently cut rents. Instead it plans to pay landlords £230m for this year and next — roughly half its annual rent.

The budget hotel operator has been in a tit-for-tat dispute with its landlords since it refused to pay rent for the second quarter at the end of March. Landlords claimed that the hotel chain, which is backed by the New York hedge funds Golden Tree Asset Management and Avenue Capital and the investment bank Goldman Sachs, was taking advantage of the pandemic to cut bills that it could afford to pay.

The dispute has been one of the most aggressive to have broken out between property owners and their tenants after multiple retailers and hospitality businesses stopped paying rent during the coronavirus lockdown.

The landlords previously offered to write off one quarter's rent and allow Travelodge to reduce its bill by 20 per cent for the rest of the year, adding that if the company did not agree to the terms, they would forfeit the leases as soon as they were legally allowed to and replace Travelodge with a new budget hotel brand.

Under the CVA proposals, Travelodge's shareholders have agreed to inject £40m cash into the business and make £100m available in additional reserves. The company would start paying full rents again at the beginning of 2022.

The plans are subject to the agreement of 75 per cent of the chain's creditors by value of the debt owed to them, most of whom are its landlords. The proposals will be subject to a vote on June 19. Travelodge declined to comment.

Commodities. Car sales slump

Pandemic brings palladium's record run to screeching halt

The production of catalytic converters for cars leads to about 80 per cent of demand for palladium coming from the car industry
Chris Ratcliffe/Bloomberg

Supply constraints suggest prices could jump again in 2021 when demand recovers

HENRY SANDERSON AND NEIL HUME

Coronavirus has put the brakes on a long rally in palladium prices that has been a gift to miners in South Africa and Russia and to criminals in London.

The price of the silvery-white metal, used in cars' catalytic converters to limit harmful emissions, soared 270 per cent over five years to a record high above $2,800 a troy ounce in February.

The sharp rise prompted a wave of car crime in the UK's capital.

The number of catalytic converter thefts in London jumped to 8,248 last year from 1,674 a year earlier, according to the Metropolitan Police.

But since coronavirus struck, shutting car plants around the world, prices have dropped by a third.

The industry slump, coupled with a loosening in Chinese emissions regulations intended to help local carmakers through the Covid-19 crisis, has sapped demand for the metal, which is mined as a byproduct of platinum and nickel.

The year began with expectations that demand for palladium would outstrip supply by more than 1m ounces, said Colin Hamilton, analyst at BMO Capital Markets.

Today, leading producers and consultants are forecasting a market with a much closer match between supply and demand.

Umicore, a Belgium-based maker of auto catalysts, said it expects global car production to fall by a quarter this year. Johnson Matthey, a UK-based rival, said demand for precious metals in catalysts will fall "sharply" as a result.

"It is likely that financial stress due to the Covid-19 crisis will motivate car companies to take a fresh look at opportunities to reduce the cost of their exhaust . . . systems, especially in China," the UK company said.

Today, about 80 per cent of global demand for palladium comes from the car industry.

The average petrol-burning vehicle contains roughly $300 of the metal while a hybrid contains $360 worth.

Catalytic converters are mounted on the underside of a car between the engine and exhaust pipe, and work by converting toxic emissions such as carbon monoxide and nitrogen oxide to carbon dioxide, water and nitrogen.

Palladium and rhodium, its sister metal, are pasted on to a honeycombed structure that filters the exhaust.

Over the past few years, carmakers in Europe and China have increased the amount of metal they use in their catalytic converters in order to meet stricter emissions limits.

Coronavirus threatens palladium rally

$ per troy ounce

Source: Refinitiv

Between 2017 and 2019, the average quantity of precious metals used on catalytic converters rose by more than a quarter, according to Johnson Matthey.

Last year, China's demand for palladium rose by one-fifth as carmakers moved to meet stringent new emissions legislation across 16 provinces.

But since the pandemic took hold, Beijing has relaxed the enforcement of the limits in the remainder of provinces that were due to meet the requirements this year.

The government has also extended its subsidies for electric cars, which have no need for the devices, to 2022.

Wilma Swarts, an analyst at Metals Focus, expects global demand for palladium in car catalysts is likely to fall to 7.8m ounces this year from 8.8m ounces last year.

Carmakers can also replace palladium with platinum but this is not easy to do without compromising the performance of the catalytic converter.

In March, German chemical giant BASF said it had developed a new catalytic converter technology that enabled "partial substitution" of palladium with platinum but still enabled carmakers to meet more stringent standards on emissions.

Still, substitution is likely to take time, according to analysts, and carmakers will be reluctant to spend money on a switch while they focus on going electric.

That could give a boost to palladium prices if auto sales pick up as lockdowns are eased.

Dmitry Glushakov, an analyst at VTB Capital, said the move to palladium and rhodium-rich catalysts, which are the most effective in capturing nitrogen oxide, carbon and particulates, "will only gain pace".

So far this year, the demand shock of falling car sales has outstripped the supply disruptions in South Africa and weak production in Russia.

That has led to expectations of a broadly balanced market for the first time since 2011.

But that could change if consumption were to rise, said analysts at Citi.

A "substantial" deficit could emerge, helping to drive prices up to $3,000 an ounce in 2021, from the current level of $1,930.

That is because the palladium market remains short of stock after nearly a decade of undersupply.

According to Bank of America, there is less palladium being mined today than in 2004. Persistently low prices for platinum and nickel have meant that new projects have been few and far between in recent years.

"A balanced market is not replenishing low inventory levels, and as such any evidence of a pick-up in demand could well see palladium surge higher once more," said Mr Hamilton.

'Car companies will take a fresh look at reducing the cost of exhaust systems'

Fixed Income

Delinquency rate soars for loans backed by mortgages

JOE RENNISON

The percentage of commercial property loans left unpaid by borrowers in the US more than trebled last month, in a sign of a deepening crisis in the $1.3tn market for bonds backed by the mortgages.

The delinquency rate on loans underpinning commercial mortgage-backed securities rose from 2.3 per cent in April to 7.4 per cent in May, according to the data service Trepp.

Borrowers are considered delinquent when they fail to make a payment within 30 days.

A further 8.6 per cent of mortgages were in that 30-day grace period after missing a payment.

The sharp rise in delinquencies is a sign of the growing stress in commercial mortgages, where borrowers have been squeezed by lockdowns imposed to limit the spread of coronavirus.

Travel bans and social distancing have impinged on the revenues of hotels and retail properties; corporate bankruptcies have caused borrowers to default on office leases; while pressure on consumers has resulted in widespread requests for deferral of rent payments on apartments.

Investors' attention is now focused on remittance reports for June, when loans unpaid since April turn 60 days delinquent and could lead to more serious consequences. Loans could be renegotiated, leading to losses for CMBS investors, or properties seized and sold.

'If the economy opens up and borrowers make their payments, investors will breathe a sigh of relief'

"If the economy opens up and borrowers make their payments, investors will breathe a sigh of relief," Mr Seeger said.

The largest increase in unpaid mortgages has been seen in the "lodging" category, which covers hotels, and retail properties such as shopping malls.

More than 19 per cent of the lodging loans wrapped up in the CMBS market became delinquent in May, according to Trepp, up from 2.7 per cent in April. A further 15.6 per cent of loans were behind on payments, but less than 30 days overdue.

In the retail sector, the equivalent figures were 3.7 per cent in April and 10.3 per cent in May. Another 13.4 per cent of loans are now in their grace periods.

"Retail and hotels remain at the forefront of concern," said Manus Clancy, research head at Trepp. "We saw delinquencies really ratchet higher in May and we expect more . . . in June."

One triple-B rated tranche of a 2018 CMBS deal largely originated by Deutsche Bank, which carries a 19 per cent exposure to lodging, was trading at more than 94 cents on the dollar in early March. It has since fallen to 56 cents.

Another deal from Citigroup, issued in 2015 with high exposure to retail properties, has also hit trouble. The triple-B rated tranche has fallen to 55 cents on the dollar, from more than 98 cents.

Fixed Income

Repsol sells €1.5bn of hybrid bonds as appetite for riskier instruments grows

NIKOU ASGARI

Spanish oil major Repsol sold €1.5bn of bonds with equity-like features yesterday in the latest sign that debt investors are regaining some appetite for riskier instruments.

The market for so-called hybrid bonds, which place less of a strain on a company's balance sheet as they never have to be repaid, faded when the spread of coronavirus damaged demand for debt more exposed to an economic downturn.

But the new deal from Repsol marks the second such issuance in recent days after Swiss fragrance company Firmenich reopened the hybrid market with a €750m bond last week.

Companies with solid credit ratings often issue hybrids as rating agencies tend to class them as half-debt and half-equity, allowing businesses to raise cash without seriously weakening their creditworthiness.

The Madrid-based oil company drew more than €11.5bn of investor orders for its deal yesterday, allowing banks running it to sharply lower the yields on offer.

The hybrid debt was split into two tranches with options to repay investors in six and eight-and-a-half years, pricing at yields of just 3.75 and 4.25 per cent, respectively.

The deal underscores how recent ruptures in the oil market have done little to dent investor demand for debt from the larger, well-capitalised majors.

"There's a lot of demand for the asset class," said Bruno Sáenz de Miera, a director at Citigroup who worked on the Repsol deal.

Repsol said in March it would cut capital spending by more than €1bn

Repsol is using €1bn of the money raised to buy back an existing hybrid bond. First-quarter profits at the Madrid-listed group slid 28 per cent to €447m after the Saudi-Russian oil price war sparked a collapse in the market.

In March, Repsol said it would cut capital spending by more than €1bn in order to limit the damage caused by both the tumbling oil price and falling demand due to the pandemic.

Since then, solid support from central banks on both sides of the Atlantic has meant that markets have largely shrugged off recent protests in the US.

"Hybrids tend to be issued when markets are fairly stable," said Julian Marks, lead portfolio manager of corporate hybrid strategy at Neuberger Berman. "If markets stay steady for the next few weeks, we might see more issuance."

Another risk to hybrid bond investors is that companies can pause their interest payments in certain scenarios. Mr Marks said he believed this would be unlikely to deter investors.

"Coupons on hybrids are cumulative in every case," he said. "Even if coupons were to be skipped, they would be owed next year or the year after."

Equities

Data centres emerge as 'recession-proof' bets during virus shift to online working

RICHARD HENDERSON

Passengers on one side of a plane heading west from London's Heathrow airport can see Windsor Castle, home to Queen Elizabeth II. On the other — if they know where to look — is a cluster of warehouses that plays an increasingly vital role in the world economy.

The warehouses are owned by US group Equinix, which with rival Digital Realty dominates the global business of data centres, which host computing and storage systems to enable the delivery of web services. Both are big winners on the stock market this year, as the Covid-19 crisis has shifted more economic activity online.

The companies' combined market value has jumped by a fifth since January, to more than $100bn, while the S&P 500 benchmark of US blue-chips has dropped 5 per cent.

The pair have even outpaced the NYSE Fang+ index since the market peaked in February. The benchmark includes their biggest customers — groups such as Amazon, Netflix and Facebook — which have themselves emerged as trusty bets in turbulent trading this year. The gains reflect the surge in usage among tech platforms in recent months as the global pandemic has kept billions of people at home, dependent on the internet for work, school and play.

"Data centres are at the other end of the Covid-19 crisis," said Steve Shigekawa, a portfolio manager at Neuberger Berman, a fund manager based in New York. "We hear about the negative impact for airlines and the hotel industry, but for data centres it has highlighted the importance of having a digital infrastructure."

'For data centres [Covid-19] has highlighted the importance of having a digital infrastructure'

Most of these companies are structured as real estate investment trusts for tax purposes. Part of the boost to stock prices has come from investors switching into these stocks from other corners of the real estate market hit hard by the shutdowns, such as retail properties and offices. Colony Capital, a $50bn fund manager, is making an aggressive push into real estate that serves digital industries, including data centres. These investments will comprise up to 90 per cent of its portfolio by the end of next year, from just 2 per cent two years ago.

Colby Synesael, an analyst with Cowen, said the sector had stood out as a "safe haven", adding that data centres were "benefiting from a secular trend that will be measured in years, not quarters". Such stocks are "recession-proof", agreed Max Gokhman of Pacific Life Fund Advisors in California.

Rob Almeida, global investment strategist for MFS Investment Management in Boston, said the fund manager had increased its holdings in data centres during the stock market rally that began in March. These companies are attractive because "the winners in cloud computing are well established and picked over", he added.

MFS has invested in companies that supply these digital infrastructure providers, such as chipmaker Broadcom and its rival Nvidia. The latter announced that sales to data centres surpassed $1bn in the first quarter.

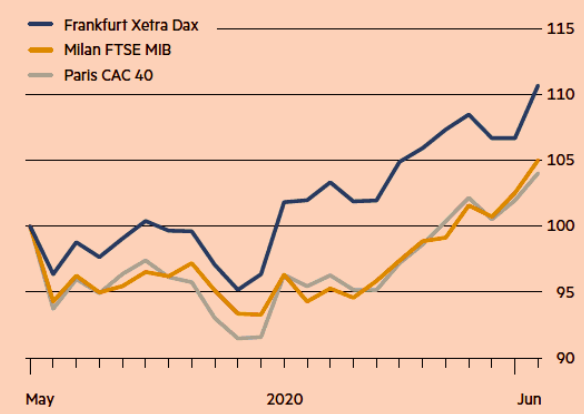
The day in the markets

What you need to know

- Talk of transport corridors boosts UK groups reliant on travel and tourism
- German stocks climb on hopes of €80bn stimulus package
- Oil heads towards $40 in anticipation of output cuts being extended

Reports of fresh stimulus help send German stocks higher

Indices rebased



Source: Refinitiv

Hopes of a swift rebound for virus-hit economies trumped worries over civil unrest in the US, with stocks advancing across all major bourses yesterday.

US states were engulfed in another night of protests triggered by the death of George Floyd last week at the hands of police officers, but the demonstrations did little to dent appetite for equities.

The Dow Jones Industrial Average was up 0.5 per cent at midday in New York while the S&P 500 climbed 0.2 per cent.

"US assets are not being dumped" even as quarantines turn to curfews, said analysts at Rabobank, who added that the large amounts of central bank stimulus made it "almost impossible to repress asset prices".

The buoyant mood weakened the dollar which, until recently, "contained a very large haven premium", said George Saravelos, global head of FX research at Deutsche Bank. But "we are currently witnessing some of this risk premium taken out, which is the reason the dollar is moving across the board".

The dollar index fell 0.2 per cent following a 0.6 per cent fall on Monday.

That softening in the greenback helped sterling climb back above $1.25 this week, its strongest level since early May.

The rebound in the pound came as British and EU negotiators began their final round of Brexit trade talks, which ended in deadlock earlier this year. The UK government was also weighing the possibility of introducing "transport corridors" between Britain and countries with low rates of virus infections. The arrangement would allow people from those nations to be exempt from the 14-day self-isolation period.

Travel and hospitality stocks, already hit hard by the pandemic, rallied off the back of the reports, with the FTSE 350 Travel & Leisure index up 2 per cent yesterday, outperforming the 0.9 per cent rise in the general FTSE 350.

Another report suggesting that Germany was about to launch a €80bn stimulus helped boost the Xetra Dax, which ended the day up 3.8 per cent following a public holiday on Monday.

Oil rallied in anticipation that output cuts agreed between Opec and its allies would be extended. Helima Croft, head of global commodity strategy at RBC Capital Markets, said she expected Saudi Arabia and Russia to agree to "a one to three-month extension" of a collective cut that currently amounts to 9.7m barrels a day.

Brent crude rose 2.4 per cent to $39.25 a barrel while WTI climbed more than 3 per cent to $36.55 a barrel. **Ray Douglas**

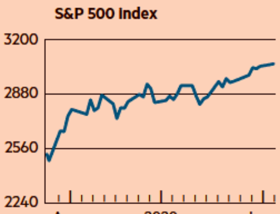
Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	3058.99	1399.62	22325.61	6220.14	2921.40	90434.57
% change on day	0.11	1.52	1.19	0.87	0.20	2.05
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	97.692	1.118	108.585	1.256	7.111	5.222
% change on day	-0.141	0.359	0.958	0.641	-0.342	-2.642
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	0.666	-0.417	0.006	0.221	2.765	6.778
Basis point change on day	-0.900	-1.300	0.080	-0.800	3.600	-1.200
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	342.07	39.44	36.51	1730.60	18.16	2502.80
% change on day	0.83	2.20	2.70	0.11	3.24	1.29

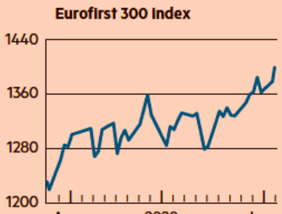
Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets

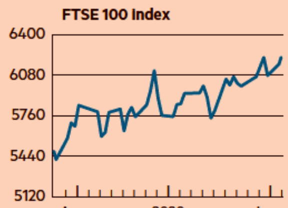
S&P 500 index



Eurofirst 300 index



FTSE 100 index



Biggest movers

%	US		Eurozone		UK	
Ups	Western Union (the)	11.85	Klepierre	13.39	Meggitt	9.30
	Dxc Technology	9.25	Commerzbank	7.83	British Land	8.35
	Arconic	7.17	Erste Bank	7.77	Melrose Industries	7.87
	Sl Green Realty	7.15	Daimler	7.73	Land Securities	6.02
	Occidental Petroleum	5.68	Airbus	7.17	Bp	5.66
Downs	Nortonlifelock	-4.65	Seadrill	-14.97	Hargreaves Lansdown	-4.53
	Newmont	-3.57	Orkla	-3.80	Hikma Pharmaceuticals	-2.73
	Wynn Resorts	-3.48	Coloplast	-3.69	Ocado	-2.56
	Carrier Global	-3.11	Colruyt	-2.68	Aveva	-1.96
	Alexion Pharmaceuticals	-3.08	Vopak	-1.41	Fresnillo	-1.95

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

Western Union led the S&P 500 gainers on the back of reports that it had recently made an approach to buy **MoneyGram**, potentially combining the two largest money transfer companies.

A mid-quarter update from Western Union that showed a sharp improvement in consumer-to-consumer transaction volumes between April and May also helped buoy the stock.

MoneyGram rose more than 70 per cent on hopes of a bidding war.

In 2018, Ant Financial outbid competitor Euronet to buy MoneyGram, but the US government blocked the deal.

Department of Justice compliance sanctions had since eroded MoneyGram's market share, and might make antitrust issues less problematic, said analysts.

Slack, the workplace messaging service, rose after Cowen & Co started coverage with "outperform".

The shift to remote working should accelerate adoption and grow Slack's total available market, the broker said. It also saw worries about competition from Microsoft as overblown, saying that as collaboration had become mission-critical, customers would favour the "best-of-breed" software.

Tellurian slid after Stifel said time was running out for the gas explorer to sign a deal with Petronet of India, meaning the equity was almost worthless. *Bryce Elder*

Eurozone

Unibail-Rodamco led a rally for real estate stocks after saying that its reopened shopping centres had been unexpectedly busy with tenants seeing higher customer conversion rates and bigger basket sizes than anticipated.

The Westfield owner said that 65 of its 90 centres had reopened.

Sector peer **Klépierre** gained after Kepler Cheuvreux repeated "buy" advice.

Property values need to fall 35 per cent to challenge Klépierre and Unibail's debt covenants so both companies have plenty of room to manoeuvre before needing to raise new capital, Kepler said.

Aroundtown, the Berlin-based real estate developer, jumped after announcing a €500m share buyback.

Sodexo rose after Exane BNP Paribas turned positive on the catering group.

The broker forecast that revenue from work cafeterias would return to 90 per cent of 2019 levels by 2022 and argued that subdued levels were as much to do with unemployment as a structural change towards working from home.

French telecoms group **Iliad** rose after a Bank of America upgrade to "buy". An improving customer mix in its home market should help Iliad continue to outperform rivals into next year, it said.

German stocks **Daimler** and **BASF** led gainers, having missed out on Monday's rally due to a holiday. *Bryce Elder*

London

Engineering group **Senior** climbed after saying its lender had agreed to waive covenant tests scheduled for June and December.

The company also said it was eligible for the Bank of England's Covid Corporate Financing Facility and that, according to its own stress tests, there was no need to seek new funding.

Sector peers such as **Melrose**, **Smiths** and **Rolls-Royce** rallied as investors continued to switch into stocks likely to rebound in tandem with economic conditions.

Aerospace engineer **Meggitt** was the FTSE 100's biggest gainer ahead of relegation from the index, which was expected to be confirmed today.

Carnival, Centrica and easyJet were also expected to be among the companies losing their places in the blue-chip index with security software maker Avast and DIY store owner Kingfisher likely to win promotion.

British Land, **Land Securities** and **Hammerson** all gained after a brighter than expected update from French shopping centre group Unibail-Rodamco.

Insurer **Lancashire** rose on an upgrade to "overweight" from Morgan Stanley.

Hargreaves Lansdown was the FTSE 100's sharpest faller after broker Redburn downgraded to "sell" on competition concerns. *Bryce Elder*

Wall Street stays calm in the storm of political unrest

Michael Mackenzie

Markets Insight

Financial markets have a history of looking through bouts of civil and political unrest. Today, investors are focused on the reopening of economic activity in the US, rather than the turmoil in many American cities since last week's killing of George Floyd, an unarmed black man, in police custody.

Investors can point to history to justify their calm. At the end of a bloody 1968, the S&P 500 finished nearly 11 per cent higher on the year, including the reinvestment of dividends, despite the assassinations of Martin Luther King and Robert F. Kennedy, actions that triggered civil and political turmoil.

The S&P 500 also finished 1992 in positive territory after riots following the acquittal of Los Angeles police officers who had beaten Rodney King, another black man.

Towards the end of the last century, the impeachment trial of President Bill Clinton was accompanied by the S&P 500 rallying more than 20 per cent in both 1998 and 1999.

More recently, the Occupy Wall Street protest that started in Manhattan's Zuccotti Park in late 2011 was accompanied by a 4.5 per cent climb in the S&P 500.

These examples illustrate how equity prices reflect a focus on the underlying economic and corporate earnings narrative at the time rather than societal or political upheaval.

"History shows markets look through many sorts of tumultuous events and have done so for decades," said Nicholas Colas at DataTrek Research, which provided the annual S&P figures. "That may seem counterintuitive, and perhaps not even fair, but it's absolutely true."

Wall Street's confidence in an approaching economic recovery this year, vindicating a sharp rebound in asset prices from their lows in March, suggests that the worst of the Covid-19 shock is behind us.

Market sentiment is tied up with long-term expectations for growth and, in spite of skyrocketing unemployment and intense pressure facing small businesses, investors are intent on getting ahead of an expected new business cycle.

Hence a stock market that has rebounded by a third in value since late March — leaving the S&P 500 within 10 per cent of its February peak despite cumulative US jobless claims filings exceeding 40m.

> Elevated unemployment beyond 10 per cent will only intensify frustration towards governments

Investor optimism also reflects massive support from the US Federal Reserve and fiscal stimulus from Washington.

Over a decade of cheap money from the US central bank has been a boon for asset prices at the same time that it has intensified income inequality.

Deep-seated and truly depressing social issues in the US have been exacerbated by a double-whammy of a health crisis and an economic lockdown that has particularly hurt those at the lower and more vulnerable parts of society.

This ultimately raises an important question for investors. Will the vast amount of stimulus fill the deep economic hole bestowed by the pandemic?

Wall Street is certainly expecting an economic bounce but investors should also note the flattery at work.

Given the extent of the collapse in economic activity in recent months, any rebound in measures of activity as lockdowns ease will look impressive because it is coming from such a low base.

Over the longer term, a period of elevated unemployment beyond 10 per cent, accompanied by business failures, will only intensify civil unrest and frustration towards governments over their approach to the pandemic and the restraints imposed by lockdowns.

It is possible that the protests will themselves lead to a new wave of infections that requires economically painful measures to be extended.

This kind of environment raises the prospect of cautious consumers saving more, thereby weighing on a broader economic recovery.

There is some acknowledgment that Wall Street will reconsider matters should civic unrest delay the resumption of economic activity. "If protests or political spillover start to hurt consumer confidence, that would spell lower stock prices for a longer period than a week or two," said Mr Colas.

The likelihood of a tumultuous summer on main street as protests continue may not deter Wall Street from its bullishness about the post-Covid economic rebound.

A slow recovery that drags on beyond the summer, mirroring the period after the financial crisis, is another matter. The protests on US streets reflect, in part, a call of economic distress.

Ultimately, Wall Street may find itself on the wrong side of history.

michael.mackenzie@ft.com

MARKET DATA

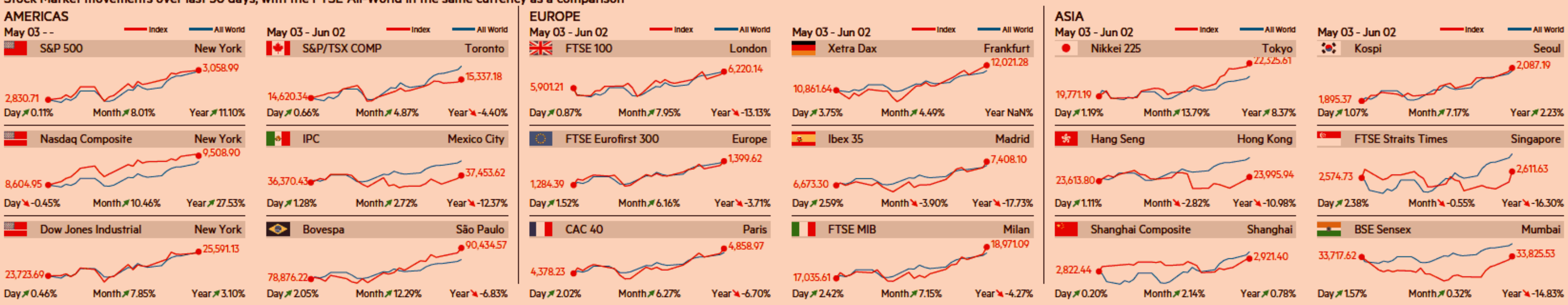
WORLD MARKETS AT A GLANCE

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 $
0.11%	-0.45%	0.46%	0.87%	1.52%	1.19%	1.11%	0.83%	0.359%	0.641%	0.958%	-0.112%	1.69%	0.11%

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



Country	Index	Latest	Previous
[illegible]	[illegible]	[illegible]	[illegible]

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

STOCK MARKET: BIGGEST MOVERS

[illegible]			

UK MARKET WINNERS AND LOSERS

[illegible]			

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

CURRENCIES

[illegible]			

Jun 2	Currency	DOLLAR Closing Mid	DOLLAR Day's Change	EURO Closing Mid	EURO Day's Change	POUND Closing Mid	POUND Day's Change
..One Year		-	-	1.1174	-0.1300	1.2559	0.0074
Venezuela	Venezuelan Bolivar Fuerte	-	-	-	-	-	-
Vietnam	Vietnamese Dong	23256.5000	-25.5000	26007.9376	77.6228	29203.2194	140.2952
European Union	Euro	0.8942	-0.0037	-	-	1.1229	0.0020
..One Month		0.8941	-0.0037	-	-	1.1228	0.0020
..Three Month		0.8940	-0.0037	-	-	1.1227	0.0020
..One Year		0.8933	-0.0037	-	-	1.1222	0.0020

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

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FT 30 INDEX

[illegible]			

FX: EFFECTIVE INDICES

[illegible]			

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

[illegible]			

FTSE GLOBAL EQUITY INDEX SERIES

[illegible]			

Regions & countries	No of stocks	US $ indices	Day %	Mth %	YTD %	Total retn	YTD %	Gr Div Yield	Sector	No of stocks	US $ indices	Day %	Mth %	YTD %	Total retn	YTD %	Gr Div Yield
FTSE EDHEC-Risk Efficient All-World	3956	377.03	0.5	5.8	-12.9	561.23	-12.1	2.7	Technology	289	376.20	-0.3	-0.3	4.6	479.91	5.1	1.2
FTSE EDHEC-Risk Efficient Developed Europe	588	289.22	2.6	7.7	-14.4	477.79	-13.5	3.4	Software & Computer Services	149	661.25	0.0	0.0	8.8	789.54	9.1	0.7
Oil & Gas	150	239.94	-0.9	5.4	-34.1	435.91	-32.6	6.4	Technology Hardware & Equipment	140	277.11	-0.6	-0.6	-0.3	375.92	0.4	2.0
Oil & Gas Producers	104	229.48	-1.2	5.0	-35.0	426.17	-33.5	6.5	Alternative Energy	10	122.54	1.8	1.8	-3.2	173.05	-2.4	1.4
									Real Estate Investment & Services	158	299.28	0.7	0.7	-18.9	540.40	-18.0	3.6
									Real Estate Investment Trusts	81	415.59	0.9	0.9	-16.2	895.78	-15.0	4.3
									Real Estate Investment & Services	152	258.63	2.8	2.8	-30.0	463.40	-29.7	4.2

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.

FTSE 100 SUMMARY

FTSE 100	Closing Price	Day's Change	FTSE 100	Closing Price	Day's Change
3I Group PLC	858.00	21.20	Land Securities Group PLC	655.40	37.20
Admiral Group PLC	2294	-2.00	Legal & General Group PLC	214.50	7.20
Anglo American PLC	1759.8	60.80	Lloyds Banking Group PLC	31.93	1.07
Antofagasta PLC	906.00	10.80	London Stock Exchange Group PLC	8068	-58.00
Ashtead Group PLC	2504	64.00	M&G PLC	142.70	0.15
Associated British Foods PLC	1947	-20.00	Meggitt PLC	312.70	26.60
Astrazeneca PLC	8542	-162.00	Melrose Industries PLC	128.90	9.40
Auto Trader Group PLC	562.00	11.00	Mondi PLC	1541	6.00
Aveva Group PLC	3956	-79.00	Morrison (Wm) Supermarkets PLC	186.00	-2.95
Aviva PLC	260.90	7.80	National Grid PLC	938.20	9.00
Bae Systems PLC	497.00	-1.30	Next PLC	5402	280.00
Barclays PLC	119.50	-1.28	Ocado Group PLC	2172	-57.00
Barratt Developments PLC	513.60	6.00	Pearson PLC	505.80	5.90
Berkeley Group Holdings (The) PLC	4179	49.00	Pennon Group PLC	1161.5	5.50
Bhp Group PLC	1657.6	64.60	Persimmon PLC	2368	-21.00
BP PLC	328.60	17.60	Phoenix Group Holdings PLC	649.80	23.20
British American Tobacco PLC	3202	-22.00	Polymetal International PLC	1603.5	-17.50
British Land Company PLC	441.00	34.00	Prudential PLC	1098.5	9.00
Bt Group PLC	117.60	-1.50	Reckitt Benckiser Group PLC	7010	-76.00
Bunzl PLC	1921	16.00	Relx PLC	1901	2.50
Burberry Group PLC	1575.5	60.50	Rentokil Initial PLC	496.70	0.80
Carnival PLC	1123	-11.50	Rightmove PLC	588.60	-1.40
Centrica PLC	38.54	0.56	Rio Tinto PLC	4443	66.00
Coca-Cola Hbc AG	2077	13.00	Rolls-Royce Holdings PLC	300.40	13.90
Compass Group PLC	1249	53.00	Royal Bank Of Scotland Group PLC	120.55	5.20
Crh PLC	2706	59.00	Royal Dutch Shell PLC	1285	34.80
Croda International PLC	5192	72.00	Royal Dutch Shell PLC	1334.6	43.80
Dcc PLC	6722	-8.00	Rsa Insurance Group PLC	412.00	8.30
Diageo PLC	2818.5	-32.50	Sage Group PLC	677.00	-8.20
Easyjet PLC	724.60	18.60	Sainsbury (J) PLC	194.00	0.30
Evraz PLC	294.90	4.50	Schroders PLC	3016	26.00
Experian PLC	2820	9.00	Scottish Mortgage Investment Trust PLC	737.50	-4.00
Ferguson PLC	6430	48.00	Segro PLC	863.80	21.60
Flutter Entertainment PLC	10890	90.00	Severn Trent PLC	2480	-1.00
Fresnillo PLC	793.60	-15.80	Smith & Nephew PLC	1656.5	-5.50
Glaxosmithkline PLC	1650.6	-11.20	Smith (Ds) PLC	340.80	1.10
Glencore PLC	161.80	4.84	Smiths Group PLC	1370	53.50
Halma PLC	2254	-38.00	Smurfit Kappa Group PLC	2636	-34.00
Hargreaves Lansdown PLC	1748.5	-83.00	Spirax-Sarco Engineering PLC	9784	-48.00
Hikma Pharmaceuticals PLC	2425	-68.00	Sse PLC	1282.5	31.50
HSBC Holdings PLC	384.80	4.40	St. James's Place PLC	958.40	21.20
Imperial Brands PLC	1486.5	-11.50	Standard Chartered PLC	400.50	0.20
Informa PLC	485.70	5.30	Standard Life Aberdeen PLC	263.50	8.20
Intercontinental Hotels Group PLC	4029	71.00	Taylor Wimpey PLC	152.45	1.15
Intermediate Capital Group PLC	1308	31.00	Tesco PLC	229.10	-2.80
International Consolidated Airlines Group S.A.	250.60	8.60	Unilever PLC	4308	-8.00
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK STOCK MARKET TRADING DATA

[illegible]			

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

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

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	
Blencowe Resources	Int	**0.000**	0.000	**0.482L**	0.083L	**1.520L**	0.000	**0.00000**	0.00000	-	**0.000**	0.000
Card Factory	Pre	**451.500**	436.000	**65.200**	68.200	**15.100**	15.400	**0.00000**	6.40000	-	**2.900**	9.300
Electrocomponents	Pre	**1953.800**	1884.400	**199.600**	195.200	**34.700**	33.400	**0.00000**	9.50000	-	**5.900**	14.800
Gooch & Housego	Int	**57.454**	59.708	**1.713**	1.482	**4.800**	1.100	**0.00000**	4.30000	-	**7.161**	11.400
Ingenta	Pre	**10.920**	12.001	**1.266L**	1.204L	**7.980L**	4.710L	**0.00000**	1.50000	-	**0.000**	1.500
Inspired Energy	Pre	**49.298**	32.692	**4.753**	4.199	**0.560**	0.550	**0.00000**	0.46000	-	**0.220**	0.650
Intercede Group	Pre	**10.355**	10.108	**0.574**	0.530L	**2.000**	0.900	**0.00000**	0.00000	-	**0.000**	0.000
Mediclinic International	Pre	**3083.000**	2932.000	**275.000L**	137.000L	**43.400L**	20.500L	**0.00000**	4.70000	-	**3.200**	7.900
Perpetual Income & Growth Investment Trust	Pre			**224.673L**	2.146L	**99.730L**	1.190L	**4.80000**	4.75000	Jun 30	**8.200**	8.000
Tex Holdings	Pre	**43.080**	40.176	**0.897L**	0.877L	**16.300L**	11.900L	**0.00000**	0.00000	-	**0.000**	2.500
Vianet Group	Pre	**16.282**	15.683	**2.403**	2.658	**8.560**	8.870	**0.00000**	4.00000	-	**1.700**	5.700
Warehouse REIT	Pre			**20.676**	22.778	**8.600**	13.700	**0.00000**	1.49339	-	**1.493**	2.987

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. *Intoduction. ‡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]

Stock	Price	Day Chg	52 Week High	52 Week Low	Yld	P/E	MCap m
PingAnIns♦	78.40	1.00	101.00	69.00	2.55	8.87	75335.82
PngAnBnk	13.55	0.23	17.60	11.60	1.09	8.96	36980.19
Pwr Cons Corp	3.52	0.04	5.47	3.40	2.82	7.89	5516.92
SaicMtr	18.23	-0.07	27.48	17.46	7.02	11.36	29954.17
ShenwanHong	0.04	-	0.13	0.03	-	-0.14	39.59
ShgPdgBk	10.68	0.03	13.33	9.82	3.33	5.51	42211.85
Sinopec Corp♦	3.44	-0.03	5.40	3.20	12.49	16.02	11323.88
Sinopec Oil	1.73	0.02	2.68	1.67	-	60.93	2929.98
Denmark (kr)							
DanskeBk	87.56	4.58	123.60	68.04	9.21	5.23	11327.11
MollerMrsk	6992	442.00	10555	4976	2.04	48.12	10554.39
NovoB	433.85	-2.40	453.20	310.60	1.91	25.61	117990.18
Indonesia (Rp)							
Bk Cent Asia	22300	200.00	24700	[illegible]			
Israel (ILS)							
TevaPha	43.57	0.06	46.45	[illegible]			
Italy (€)							
Enel	7.19	0.19	8.61	[illegible]			
ENI	8.77	0.43	14.94	[illegible]			
Generali	13.28	0.39	19.63	[illegible]			
IntSPaolo	1.63	0.05	2.63	[illegible]			
Unicred	8.04	0.13	14.44	[illegible]			

FT 500: TOP 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
ICICI Bk	348.40	339.25	9.15	2.70	57.35	19.7	-8.35
HsngDevFin	1813.55	1737.70	75.85	4.36	297.40	19.6	-5.35
HDFC Bk	1001.00	987.65	13.35	1.35	162.15	19.3	-0.08
DiscFinServ	52.02	49.84	2.18	4.37	7.94	18.0	25.79
Nomura	493.10	475.20	17.90	3.77	68.10	16.0	12.15
L&T	945.45	928.15	17.30	1.86	129.75	15.9	5.34
ANZ	18.02	18.05	-0.03	-0.17	2.43	15.6	14.41
H & M	153.90	148.00	5.90	3.99	19.80	14.8	13.00
HyundMobis	214000.00	206000.00	8000.00	3.88	27500.00	14.7	24.42
Cielo	4.33	4.17	0.16	3.84	0.52	13.6	6.90
Unicred	8.04	7.91	0.13	1.63	0.96	13.6	14.31
NatAusBk	17.88	17.95	-0.07	-0.39	2.13	13.5	10.78
Renault	21.69	21.46	0.24	1.10	2.54	13.2	19.79
FastRetail	61750.00	61880.00	-130.00	-0.21	7120.00	13.0	22.10
Sychrony Fin	22.02	21.10	0.92	4.34	2.54	13.0	18.94
SBI NewA	170.25	170.05	0.20	0.12	19.40	12.9	-10.63
Softbank	5185.00	5018.00	167.00	3.33	578.00	12.5	12.46
Westpc	17.20	17.36	-0.16	-0.92	1.87	12.2	12.13
Alexion	115.26	118.92	-3.66	-3.08	12.46	12.1	10.80
Nppn Stl	1048.00	1019.00	29.00	2.85	109.20	11.6	21.78

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 %
Gree Elec Apl	[illegible]						
Hew-Pack	[illegible]						
Bhartiartl	[illegible]						
RollsRoyce	[illegible]						
CSL	[illegible]						
LasVegasSd	[illegible]						
Pfizer	[illegible]						
SingTel	2.54	2.52	0.02	0.79	-0.10	-3.8	-10.25
Naspers N	2916.74	2850.00	66.74	2.34	-108.69	-3.6	0.56
TJX Cos	53.40	53.33	0.07	0.13	-1.90	-3.4	10.69
Midea	0.64	0.66	-0.02	-3.03	-0.02	-3.0	-14.67
CSR	3.69	3.72	-0.03	-0.81	-0.11	-2.9	-10.22
SaicMtr	18.23	18.30	-0.07	-0.38	-0.52	-2.8	-3.54
Roche	334.85	332.70	2.15	0.65	-9.40	-2.7	-0.18
Equinor	145.15	141.15	4.00	2.83	-3.85	-2.6	1.19
E.ON	9.64	9.51	0.13	1.41	-0.25	-2.5	-2.53
NXP	99.45	99.19	0.26	0.26	-2.56	-2.5	4.02
Disney	118.21	118.77	-0.56	-0.47	-2.74	-2.3	12.03
Intel	60.95	61.86	-0.91	-1.47	-1.39	-2.2	6.06
Devon Energy	12.05	11.70	0.35	2.99	-0.26	-2.1	8.12

Based on the FT Global 500 companies in local currency

BONDS: HIGH YIELD & EMERGING MARKET

	Red date	Coupon	S*	M*	F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
[illegible]										
Mexico	02/22	1.88	BBB+	Baa1	BBB-	101.25	1.14	-0.07	-1.45	0.96
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

	Red date	Coupon	S*	M*	F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
[illegible]										
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+	108.58	-0.04	0.06	0.07	-
Yen										
Mexico	06/26	1.09	BBB+	Baa1	BBB-	94.47	2.07	0.02	0.51	1.68
£ 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

Jun 02	Rate	Current	Since	Last	Mnth Ago	Year Ago
US	Fed Funds	0.00-0.25	15-03-2020	1.00-1.25	1.50-1.75	1.25-1.50
US	Prime	4.75	30-10-2019	5.25	5.25	4.25
US	Discount	2.65	30-09-2019	2.75	2.75	1.75
Euro	Repo	0.00	16-03-2016	0.00	0.00	0.00
UK	Repo	0.10	19-03-2020	0.25	0.75	0.25
Japan	O'night Call	0.00-0.10	01-02-2016	0.00	0.00--0.10	0.00--0.10
Switzerland	Libor Target	-1.25-0.25	15-01-2015	-0.75--0.25	-1.25--0.25	-1.25--0.25

INTEREST RATES: MARKET

Jun 02 (Libor: Jun 01)	Over night	Change Day	Change Week	Change Month	One month	Three month	Six month	One year
US$ Libor	0.06200	0.001	0.001	-0.004	0.17813	0.33713	0.49625	0.63750
Euro Libor	-0.56243	-0.002	0.007	-0.002	-0.46900	-0.35000	-0.19971	-0.11857
£ Libor	0.05363	-0.004	-0.004	0.010	0.10263	0.21263	0.38225	0.56750
Swiss Fr Libor				0.001	-0.76020	-0.65620	-0.58900	-0.48960
Yen Libor				-0.003	-0.08650	-0.04183	-0.00133	0.11933
Euro Euribor				-0.016	-0.49800	-0.32500	-0.16300	-0.10300
Sterling CDs				0.000	0.75000	0.83000	0.89500	
US$ CDs					-	-	-	-
Euro CDs					-	-	-	-

Jun 02	Short term		7 Days notice		One month		Three month		Six month		One year	
Euro	-0.74	-0.44	-0.68	-0.38	-0.65	-0.35	-0.52	-0.22	-0.47	-0.17	-0.44	-0.14
Sterling			0.45	0.55	0.70	0.80	0.78	0.88	0.82	0.97	0.89	1.04
Swiss Franc	-	-	-	-	-	-	-	-	-	-	-	-
Canadian Dollar	-	-	-	-	-	-	-	-	-	-	-	-
US Dollar	0.04	0.34	-0.04	0.26	0.01	0.31	0.12	0.42	0.22	0.52	0.34	0.64
Japanese Yen	-0.15	0.05	-0.20	0.00	-0.25	0.05	-0.15	0.15	-0.05	0.25	-0.05	0.25

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

COMMODITIES

www.ft.com/commodities

Energy		Price*	Change	Agricultural & Cattle Futures		Price*	Change
Crude Oil†	Jun	36.18	0.60	Corn♦	Jul	323.50	-0.50
Brent Crude Oil‡		39.44	0.85	Wheat♦	Jul	514.00	-1.50
RBOB Gasoline†	Jun	1.10	0.03	Soybeans♦	Jul	844.00	3.00
Heating Oil†		-	-	Soybeans Meal♦	Jul	283.20	-0.20
Natural Gas†	Jun	1.78	0.00	Cocoa (ICE Liffe)✥	Jul	1901.00	-60.00
Ethanol♦		-	-	Cocoa (ICE US)♥	Jul	2462.00	-45.00
Uranium†	Jun	25.00	-10.05	Coffee(Robusta)✥	Jul	1181.00	18.00
Carbon Emissions‡		-	-	Coffee (Arabica)♥	Jul	98.35	0.35
Diesel†		-	-	White Sugar✥		369.00	4.40
Base Metals (♠ LME 3 Months)				Sugar 11♥		11.15	0.11
Aluminium		1555.00	17.00	Cotton♥	Jul	61.02	0.75
Aluminium Alloy		1210.00	-5.00	Orange Juice♥	Jul	126.10	1.20
Copper		5527.50	43.50	Palm Oil♣		-	-
Lead		1718.00	40.00	Live Cattle♣	Jun	98.45	-1.70
Nickel		12875.00	280.00	Feeder Cattle♣	Aug	134.88	-0.98
Tin		16025.00	340.00	Lean Hogs♣	Jun	54.73	-1.88
Zinc		2014.00	-10.00				
Precious Metals (PM London Fix)					Jun 01	% Chg Month	% Chg Year
Gold		1730.60	1.90				
Silver (US cents)		1816.00	57.00	S&P GSCI Spt	311.56	21.46	-23.60
Platinum		831.00	6.00	DJ UBS Spot	63.79	5.08	-17.90
Palladium		1925.00	5.00	TR/CC CRB TR	141.80	13.54	-22.75
Bulk Commodities				M Lynch MLCX Ex. Rtn	231.14	-9.84	-33.05
Iron Ore		101.75	1.25	UBS Bberg CMCI TR	11.79	11.80	-16.69
GlobalCOAL RB Index		59.00	1.50	LEBA EUA Carbon	23.51	-4.62	5.43
Baltic Dry Index		546.00	26.00	LEBA CER Carbon	0.24	26.32	0.00
				LEBA UK Power	3376.00	81.02	23.98

[illegible]

BOND INDICES

	Index	Day's change	Month's change	Year change	Return 1 month	Return 1 year
Markit IBoxx						
ABF Pan-Asia unhedged	208.95	0.50	0.50	0.66	0.39	7.66
Corporates(£)	380.19	-0.20	-0.20	1.02	0.96	6.23
Corporates($)	320.57	0.41	1.74	2.89	1.74	2.89
Corporates(€)	231.40	-0.14	-0.14	-2.64	0.08	-0.32
Eurozone Sov(€)	252.82	-0.27	-0.27	0.75	-0.01	3.78
Gilts(£)	382.34	-0.58	-0.58	9.73	-0.07	12.21
Global Inflation-Lkd	286.51	0.48	1.34	2.49	1.87	6.23
Markit iBoxx £ Non-Gilts	373.10	-0.23	-0.23	1.84	0.88	6.07
Overall ($)	278.50	0.35	0.57	6.29	0.57	6.29
Overall(£)	375.71	-0.48	-0.48	7.18	0.20	10.24
Overall(€)	244.12	-0.23	-0.23	0.04	0.02	2.47
Treasuries ($)	264.02	0.35	-0.31	9.01	-0.31	9.01
FTSE						
Sterling Corporate (£)	-	-	-	-	-	-
Euro Corporate (€)	104.47	-0.05	-	-	0.54	-1.73
Euro Emerging Mkts (€)	600.75	19.17	-	-	18.80	48.69
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	386.64	-25.43	-59.12	-122.14	743.22	385.61
Europe 5Y	67.14	-3.26	-6.09	-16.44	131.25	67.11
Japan 5Y	68.00	-0.68	-7.88	-9.43	188.33	68.00
Senior Financials 5Y	78.43	-2.71	-7.34	-26.66	150.83	78.43
Markit CDX						
Emerging Markets 5Y	280.26	-8.27	-29.93	-65.72	421.25	280.26
Nth Amer High Yld 5Y	515.27	-	-	-	515.27	515.27
Nth Amer Inv Grade 5Y	78.51	0.92	-8.65	-12.28	150.81	77.59

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

BONDS: INDEX-LINKED

	Price Jun 01	Yield Jun 01	Yield Prev	Month return	Value stock	Market	No of stocks
Can 4.25%' 21	104.93	0.920	0.941	0.00	5.18	85693.60	8
Fr 0.10%' 21	103.38	-0.601	-0.623	-0.11	11.35	233211.36	14
Swe 0.25%' 22	109.31	-0.695	-0.699	-0.03	31.92	194669.42	7
UK 1.875%' 22	111.73	-2.686	-2.698	-0.06	15.74	795774.74	28
UK 2.5%' 24	362.70	-2.736	-2.699	-0.11	6.82	795774.74	28
UK 2%' 35	306.42	-2.689	-2.689	-0.26	9.08	795774.74	28
US 0.625%' 21	100.74	-0.041	-0.032	-0.02	35.84	1525917.83	42
US 3.625%' 28	132.69	-0.451	-0.405	0.29	16.78	1525917.83	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	1.15	1.57	-
Austria	-0.37	-	-	Japan	-	-	-
Belgium	0.73	-	-	Netherlands	-0.49	-	-
Canada	0.53	0.95	-	Norway	0.34	-	-
Denmark	-	-	-	Portugal	0.08	-	-
Finland	-0.11	0.31	-	Spain	0.46	0.88	-
France	0.71	-	-	Switzerland	-0.50	-0.08	-
Germany	-0.42	0.00	-	United Kingdom	-	-	-
Greece	1.69	-	-	United States	[illegible]		

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

VOLATILITY INDICES

	Jun 02	Day Chng	Prev	52 wk high	52 wk low
VIX	27.88	-0.35	28.23	85.42	11.42
VXD	29.08	-0.35	29.43	71.05	2.47
VXN	29.30	0.31	28.99	84.67	13.58
VDAX	32.77	-0.67	33.45	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	0.02	-0.87
Austria	10/25	1.20	108.55	-0.37	0.04	0.02	0.05	-0.11
	02/47	1.50	128.62	0.37	0.08	0.06	0.12	-0.52
Belgium	09/22	1.00	103.33	-0.46	0.01	0.02	0.06	0.04
	06/47	1.60	121.40	0.73	0.08	0.02	0.15	-0.52
Canada	11/22	2.00	104.00	0.36	0.00	-0.06	-0.13	-1.63
	06/30	1.25	107.00	0.53	0.00	0.05	0.00	-
Denmark	-	-	-	-	-	-	-	-
	11/21	3.00	105.12	-0.51	0.00	-0.03	-0.02	0.16
Finland	09/22	1.63	104.98	-0.53	0.03	0.02	0.06	-0.01
	09/29	0.50	105.73	-0.11	0.06	0.02	0.07	-
France	10/22	2.25	106.70	-0.53	0.02	0.01	0.09	0.02
	05/26	0.50	104.89	-0.31	0.04	0.01	0.05	-0.16
	05/48	2.00	132.69	0.71	0.07	0.03	0.15	-0.48
Germany	09/22	1.50	104.90	-0.65	0.01	0.03	0.12	0.03
	02/26	0.50	106.41	-0.60	0.03	0.07	0.16	-0.13
	08/29	0.00	103.98	-0.42	0.06	0.10	0.19	-
	08/50	0.00	97.32	0.09	0.09	0.14	0.27	-
Greece	02/26	3.65	113.68	1.69	-0.02	-0.21	-0.73	-1.48
	02/26	3.65	113.68	1.69	-0.02	-0.21	-0.73	-1.48
Ireland	10/22	0.00	100.82	-0.34	0.03	0.02	0.04	0.04
	05/30	2.40	121.53	0.21	0.06	0.03	0.07	-0.32
Italy	08/22	0.90	101.22	0.33	-0.08	-0.18	-0.32	-0.98
	02/25	0.35	97.73	0.85	-0.05	-0.17	-0.31	-
	05/30	0.40	93.00	1.15	-0.04	-0.26	-0.37	-
	03/48	3.45	121.96	2.37	-0.03	-0.09	-0.21	-0.99
Japan	-	-	-	-	-	-	-	-
	11/22	0.05	100.01	0.05	0.00	0.01	-	-
	06/26	0.10	101.30	-0.11	0.01	0.02	0.04	0.09
	09/47	0.80	107.87	0.49	0.02	0.03	0.07	0.05
Netherlands	07/22	2.25	106.08	-0.60	0.01	0.00	0.07	0.03
	07/25	0.25	103.87	-0.49	0.04	0.03	0.09	-0.11
New Zealand	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Norway	-	-	-	-	-	-	-	-
	02/26	1.50	106.53	0.34	0.02	0.07	-0.10	-1.05
Portugal	10/22	2.20	106.19	-0.39	0.01	-0.04	-0.32	-0.16
	02/26	3.30	118.41	0.08	0.01	-0.15	-0.37	-0.23
Spain	10/22	0.45	101.87	-0.32	0.00	-0.05	-0.18	-0.07
	10/29	0.60	101.28	0.46	0.01	-0.11	-0.23	-
Sweden	-	-	-	-	-	-	-	-
	06/22	3.50	107.60	-0.29	0.00	0.02	0.08	0.20
Switzerland	05/22	2.00	105.36	-0.69	-0.01	0.02	-0.01	0.15
	06/29	0.00	104.66	-0.50	0.00	0.03	0.08	-0.02
United Kingdom	-	-	-	-	-	-	-	-
	07/22	0.50	101.08	-0.01	0.04	0.05	-0.05	-0.57
	09/25	2.00	110.65	-0.02	0.05	0.05	-0.07	-0.68
	07/47	1.50	121.80	0.63	0.04	0.04	0.02	-0.85
United States	-	-	-	-	-	-	-	-
	10/22	2.00	104.38	0.18	0.01	-0.01	-0.07	-1.73
	05/26	1.63	107.11	0.41	-0.01	-0.03	-0.08	-1.63
	11/47	2.75	129.69	1.44	0.05	0.09	0.16	-1.15

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

GILTS: UK CASH MARKET

Jun 02	Price £	Red Yield	Change in Yield Day	Week	Month	Year	52 Week High	52 Week Low	Amnt £m
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Tr 2pc '20	100.26	0.04	0.00	-20.00	-20.00	-94.03	103.10	100.00	32.53
Tr 1.5pc '21	100.93	0.03	-40.00	-25.00	-50.00	-95.00	101.58	100.78	32.84
Tr 4pc '22	107.09	-0.02	-50.00	0.00	-300.00	-103.64	109.62	107.06	38.77
Tr 5pc '25	123.69	0.02	-50.00	0.00	-77.78	-96.97	126.04	121.74	35.84
Tr 1.25pc '27	108.49	0.06	-14.29	20.00	-40.00	-92.50	108.81	103.53	30.03
Tr 4.25pc '32	146.15	0.33	-2.94	3.13	-8.33	-70.00	148.26	137.84	38.71
Tr 4.25pc '36	157.11	0.48	2.13	-2.04	4.35	-62.79	160.46	144.44	30.41
Tr 4.5pc '42	181.54	0.62	3.33	0.00	8.77	-56.64	186.37	160.85	27.21
Tr 3.75pc '52	191.85	0.60	3.45	0.00	15.38	-58.04	198.36	160.72	24.10
Tr 4pc '60	223.43	0.54	3.85	0.00	25.58	-61.15	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 02	Day's chg %	Total Return	Return 1 month	Return 1 year	Yield
1 Up to 5 Years	90.41	0.04	2486.32	0.15	1.52	0.00
2 5 - 10 Years	188.15	0.07	3816.29	0.27	4.99	0.07
3 10 - 15 Years	228.65	0.03	4922.13	0.10	8.48	0.32
4 5 - 15 Years	197.30	0.05	4087.32	0.21	5.98	0.19
5 Over 15 Years	414.17	-0.38	6743.48	-1.60	19.27	0.58
7 All stocks	197.89	-0.16	4197.59	-0.67	10.83	0.49

Index Linked	Jun 02	Day's chg %	Month chg %	Year's chg %	Total Return	Return 1 month	Return 1 year
1 Up to 5 Years	306.20	0.02	0.79	-1.20	2512.38	1.09	0.17
2 Over 5 years	849.01	-0.14	4.32	8.97	6408.06	4.41	9.42
3 5-15 years	520.47	0.01	2.23	3.34	4130.50	2.36	4.17
4 Over 15 years	1124.45	-0.20	5.10	11.05	8269.55	5.17	11.35
5 All stocks	753.79	-0.13	4.00	7.85	5791.62	4.10	8.42

Yield Indices	Jun 02	Jun 01	Yr ago		Jun 02	Jun 01	Yr ago
5 Yrs	-0.06	-0.05	0.53	20 Yrs	0.65	0.63	1.41
10 Yrs	0.24	0.25	0.92	45 Yrs	0.50	0.48	1.36
15 Yrs	0.52	0.51	1.26				

Real yield	inflation 0% Jun 02	Dur yrs	Previous	Yr ago	inflation 5% Jun 02	Dur yrs	Previous	Yr ago
Up to 5 yrs	-2.54	3.36	-2.53	-2.30	-2.88	3.36	-2.88	-2.68
Over 5 yrs	-2.32	24.78	-2.32	-1.93	-2.34	24.83	-2.34	-1.96
5-15 yrs	-2.73	10.01	-2.73	-2.27	-2.83	10.02	-2.83	-2.37
Over 15 yrs	-2.27	29.82	-2.27	-1.90	-2.28	29.84	-2.29	-1.91
All stocks	-2.32	22.90	-2.33	-1.94	-2.35	22.97	-2.35	-1.97

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

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

POWERED BY MORNINGSTAR

Where metal monsters rule the Earth

Forty years since the inaugural festival, Download is still the defining event in the hard rock calendar, writes Michael Hann

The spark for what became the flagship event in heavy music — the one gig every band with loud guitars and a heavily stylised logo wants to play — was a near-riot 40 years ago. Paul Loasby was working for the promoter Harvey Goldsmith at Rainbow's shows at Wembley Arena in February 1980, when the band's leader, the temperamental guitarist Ritchie Blackmore, refused to play an encore at the first concert. When Loasby went on stage to tell the crowd to go home, he was met with a barrage of flying seats. But Loasby didn't just see rage: he saw the power and passion of the heavy rock audience and resolved to harness it.

That summer, at Donington Park racetrack in Leicestershire — a site chosen for being as central within the UK as possible, and because it had an airstrip and Loasby was tickled by the idea of bands coming in by helicopter — Loasby's dream came to pass. He had left Goldsmith's company, and, in partnership with another of the big promoters of the day, MCP, he put on the first Monsters of Rock festival.

"You go up the stairs to the stage," says Steve Dawson, then of Saxon, who were third on stage that day, "and you could see the crowd, as far as the eye could see. And there's only one thing crossing your mind: I hope I don't fuck up; I hope I can remember what I'm doing. They announce your name, there's a deafening roar, and it starts. And you go into automatic pilot then. It's like you're not there. It's over in a split second, and you come off, and everyone's patting you on the back, saying how great it were, that you really did it."

Forty years on from that first festival, Donington is still the defining event in the metal and rock calendar, more than any of the other festivals that took its template and copied it. Almost every band with any kind of reputation has played there; a headline slot might be the only UK show in a mega-band's world tour. It's also now the second biggest festival in the UK, after Glastonbury.

It has not been a history entirely without hiccups. Monsters of Rock ran until 1996, then there were seven fallow years until the Download Festival was established. And this year, of course, there will be no 40th anniversary special event, because of coronavirus (instead, Download will be showing music from previous festivals on its social media channels over the festival weekend, June 12-14, and encouraging fans to camp in their gardens).

Andy Copping, a Monsters of Rock attender from the beginning, who then worked on some of the later events, has booked and promoted Download since its inception in 2003. "By the time Monsters of Rock finished in 1996, they were finding it was quite a struggle to keep the event annual, because the festival was just running out of bands," he says.

Monsters of Rock had become so tied to the classic rock and metal tradition that it couldn't countenance booking big bands who didn't fit the long-hair-and-tight-trousers stereotype.

"So with Download the idea was to bring Monsters of Rock kicking and screaming into the modern day, where you could have some of the heritage acts, but mix those in with new acts who were coming through — My Chemical Romance, Paramore, Biffy Clyro, Muse. Those bands would sit very comfortably alongside Iron Maiden and Metallica."

And a good Donington can be a career-maker. Copping mentions the US metal band Trivium, who were virtual unknowns when they opened the main stage on the Saturday of the 2005 festival. "They'd never played an audience that size and they totally rose to the occasion. They absolutely destroyed the event. They were the talking point of the weekend."

"That show gave our band its career," says Trivium's singer/guitarist, Matt Heafy. "Before that, we were just a tiny band that no one paid any attention to anywhere on the planet. And when we flew to the UK we assumed no one knew our band. I woke up 45 minutes before our set and my voice sounded bad, and my guitar was out of tune. None of us really sounded like we were going to be great that day.

"We walked up onstage at 10.59am, saw there was an empty field, and thought, 'OK, here we go.' At 11 o'clock, when we started, 40,000 people were up the hill, and I just blacked out with the adrenaline. I don't even remember playing. I remember walking offstage and everyone's eyes were just wide open. From that moment on, our record went gold. Every time we played the UK we'd sell out. And then the UK trickled outwards to every country in the world. It was all thanks to Donington."

The modern event — a state of the art festival with multiple stages and all the facilities of a small city — is a far cry from the original Monsters of Rock, which teetered on the brink of disaster.

"Don't ask me why, but we forgot to put water on the site," Loasby recalls. "There weren't any bars because we weren't allowed to sell alcohol. All we had was orange juice, Coca-Cola and whatever." That didn't stop people bringing their own alcohol in (they can't any longer), only to discover, as Copping remembers, a distinct lack of toilets. Which led to another means of waste disposal.

"I had not experienced pee in plastic bottles before," says Jennie Halsall, who was the publicist for that first festival. "I was seeing these bottles of yellow being thrown around in front of the stage and thinking how disgusting it was. But the guys at the front were not going to move."

And though the day of the festival — just a single Saturday — was warm and sunny, there had been rain for days beforehand, which revealed a problem neither Loasby nor Donington's owners had been aware of when the stage was erected in a natural bowl inside the racetrack. "The drainage system for the bowl stopped halfway down," Loasby says. "So all the water bubbled up about 100 feet in front of the stage, where this river of mud started flowing, underneath the right PA stack. The stage sank on the right. It was quite severe — something like a foot. There was a wonderful book that came out a year or so later, of overhead Britain, and somebody took a photo and it ended up in the book — a wonderful shot of the crowd, and you can see this river of mud going through the right hand side. It's really huge, and there's an enormous gap in the crowd. It really does look awful."

'All the water bubbled up about 100 feet in front of the stage, where this river of mud started flowing'

There's always mud, of course — Download is almost as famous for it as Glastonbury — but, after 40 years, there's a sense that Donington Park is the true home of hard rock, and that is built on the mythology that Loasby established with Monsters of Rock. "There's something about the place when it comes to music and the history of it," Copping says. "And we've seen how fans react — I've seen a group of guys come in, turn to each other and say, 'We're home.' This is a living, breathing entity that will long outlive me."

Trivium's latest album 'What the Dead Men Say' is released on Roadrunner

Top: Corey Taylor of Slipknot at last year's Download Festival. Above: fans at what was then the Monsters of Rock festival in 1981

Joseph Okpako/WireImage; Kevin Cummins/Getty Images

Matt Heafy of Trivium at Download Festival in 2006

Cummings: a new vision of satire?

GAMING

Tom Faber

"Dominic needs to get back to work," the game instructs, "but his eyes have went all weird. Best drive to Barnard Castle with his kid just to make sure it's safe to drive to London." And so I find myself driving along an obstacle-strewn country road towards a distant castle. It's difficult to concentrate because my character's vision keeps fogging over and he won't stop coughing. An imperious child screams at me from the back seat. I finally arrive, passing a double-decker bus displaying a banner that reads "Clap you plebs". As I steer through the castle gate, a victory message pops on to the screen: "Your eyesight is fine."

30 Miles to Barnard Castle was released on the game-creation platform Dreams just hours after Dominic Cummings, the UK prime minister's chief adviser, held a press conference where he addressed his controversial trip from London to Durham under lockdown. It's a smart example of video game satire, addressing a topical subject by subverting familiar driving game tropes. In asking players to become Cummings behind the wheel, the game elegantly underlines the most farcical aspects of his story.

This type of gaming satire is familiar: social commentary that flares briefly before sinking into the great swamp of forgotten content. There it joins the mini-games that emerged around the time of Donald Trump's election, ranging from the crude *Trump Dump*, in which you direct a bird to befoul the president, to the lyrical bonus level of *Surgeon Simulator*, in which Trump lies on your operating table and you must decide whether to give him a heart of stone or a heart of gold. In the poignant *Thoughts and Prayers*, death-counts of mass shootings flicker across a map of the US and you must alternate between clicking the "think" and "pray" buttons to end the bloodshed. It never works.

No matter how clever these games are, you'd never play them more than once. They're created to make a point, not for engaging gameplay. That's the problem with satire games: the comedy works best when it's topical, but good games take years to make.

Parodic simulation games make satire work by punching up. There's *Big Pharma*, in which side-effects only matter if they damage your bottom line, while *Tropico* and *Papers, Please* offer hilarious insight into totalitarian rule, of the banana republic and Eastern Bloc varieties respectively. It's unclear as yet whether the recently announced *Pope Simulator* will be a satire, but it certainly has potential.

The game elegantly underlines the most farcical aspects of his story

Blockbuster games channel a particular school of broad-spectrum satire, such as the brash idiocracy of *Grand Theft Auto*'s America or *Bioshock* and *Fallout*'s juxtaposition of mid-20th-century scientific optimism with future societies debased by technology. The sci-fi universe of last year's *The Outer Worlds* is more sophisticated, painting a galaxy where the Halcyon Holdings Corporation owns everything; citizens live as debt-slaves who cheerily punctuate everyday chatter with brand slogans.

Yet even this vision of a hyper-corporate dystopia feels generic. In gaming's major leagues, writers only dare aim for the safest targets: violence, prejudice, soulless corporations. To get specific would mean taking a political stance, and no games company seems willing to jeopardise profits by splitting their fan base.

There's a problem deeper than toothlessness at the heart of satirical games: countless titles pay lip-service to criticising ideologies which are in fact deeply rooted in their gameplay. It creates a dissonance that borders on hypocrisy. Many ultra-violent games are presented as commentary on our violent culture, yet only permit interaction with the game-world down the barrel of a gun. The veneer of satire is merely a moral fig leaf to let the gore flow freely. Similarly, games that vilify corporations often set your rebel protagonist on a trajectory of accumulating unnecessary wealth and despotic power, effectively neutering any coherent critique.

Satire can tell us a lot about ourselves. When asked for a book that would give valuable insight into Athenian society, Plato recommended the comic plays of Aristophanes. But in order to go a step further and inspire change, writers need to say something fresh with moral integrity. Games aren't quite there yet.

As disposable as it is, *30 Miles to Barnard Castle* marks a moment when the increasing availability of game-creation tools is empowering comedic minds who are unafraid to be political and don't need years of development to do it. It points to a future where we no longer need to choose between a good satire and a good game.

'30 Miles to Barnard Castle' was released within hours of Dominic Cummings's press conference

FT BIG READ. INTERNATIONAL TRAVEL

Panicking at the start of the coronavirus outbreak, many governments decided to isolate new arrivals. But with little agreement about how to go about it, the new rules are often haphazard and muddled.

By Pilita Clark, Tanya Powley, Jamie Smyth and Don Weinland

The new era of quarantine

When Hope Ailsa checked in to the luxurious InterContinental Sydney hotel for 14 days of coronavirus quarantine, she soon found she was not about to have anything resembling a holiday.

"We weren't allowed outside our room," says the superyacht captain, who returned home from the Philippines in April after Australia brought in some of the earliest and tightest pandemic quarantine rules.

"The windows didn't open and there was no fresh air. They posted two guards on each floor and if you opened your door they would stare at you and tell you to close it."

"I was crying," she says, explaining she is a heavy smoker and had savage withdrawal symptoms until the reception desk ordered nicotine patches. To get through her stay she started running laps of her room, covering about 1km a day, and took up toilet-roll bowling.

Her experience convinced her that two weeks in captivity, even in a five-star hotel overlooking the Opera House, could affect mental health. Yet she still thinks that confining apparently healthy people is necessary. Being free to travel and spread infection would be unfair, she says.

Her support for a practice that dates back to at least the Middle Ages is widely shared. More than 140 countries and

'There has never been another time when such a large percentage of the global population has faced quarantine'

territories have brought in quarantine measures since January, according to data compiled by the International SOS medical and security services group, a level experts say is unprecedented.

With little obvious debate and consultation, or even agreement among scientists about when to apply it, governments around the world have decided that isolating arrivals from other countries is an essential response to coronavirus — and, in some cases, could remain so for quite some time.

"We are witnessing a unique moment in history," says Eugenia Tognotti, a professor of history of medicine at Italy's University of Sassari. "There has never been another time when such a large percentage of the global population has faced quarantine."

For some public health experts, the speed at which countries have cracked down on people's movement to stem the spread of the virus has come as a relief.

"I was very happily surprised," says Rodrigo Rodriguez-Fernandez, a medical director at International SOS. It is hard enough to put a national healthcare policy in place, he says, so the rapid spread of quarantine measures was "really refreshing".

Yet this new world of confinement has also brought problems. Human rights groups say some governments have used quarantine as a pretext to make arbitrary arrests.

Elsewhere, rules have sprung up so haphazardly it has created a confusing hodgepodge of travel rules that have begun to alarm transport and tourism companies.

Authorities have commonly quarantined arriving travellers for 14 days, a period researchers deemed safe for a virus with an average incubation period of about five days. But the rules are by no means uniform.

Quarantine in Myanmar has meant up to 21 days of confinement for some arrivals. Samoa has required 14 days of isolation before you arrive and 14 days after you get there. Some countries put you in a hotel; others let you go home. Some require a test for Covid-19 before arrival, others once you get there.

Co-ordination problem

For the travel and tourism industry, which supports an estimated one in 10 jobs worldwide, this jumble of measures is a worrying reminder of what happened after the September 11, 2001 attacks in the US, when countries launched an array of different airport safety rules, many of which lasted until this year.

That lack of alignment after 9/11 is one reason it took the industry five years to recover, says Gloria Guevara Manzo, chief executive of the World Travel & Tourism Council. "We have to learn from the past," she told a Financial Times conference in May, adding it took only 18 months for the sector to regain its feet after the 2008 financial crisis when there was better co-ordination among countries.

Isolating incomers: staff prepare temporary quarantine beds at the international airport in Kolkata in India. Below: a passenger checks in at Istanbul airport. Right: health workers in Beijing waiting for travellers arriving from Wuhan in April

Reuters, Getty

However, more than four months after the first coronavirus quarantine measures were imposed in China, where the outbreak began, co-ordination has been slow internationally and even within individual countries. In the US, Texas began easing its 14-day quarantine rules for out-of-state visitors as early as April but similar restrictions were still in place last week in states such as Alaska.

The disparity is especially acute in Europe, where countries including Italy, Spain and Greece are planning to loosen quarantine rules as summer nears — just as the UK, one of the region's largest economies, introduces them.

The UK has bucked international trends throughout the pandemic by failing to impose the quarantine rules, airport testing or the tighter border con-

'We are concerned about the deployment of such measures of quarantine because it is a major deterrent to air travel'

trols that other nations introduced. To the fury of British airlines and hotels, it has now decided that from June 8, arrivals from abroad will have to self-isolate for 14 days or face a £1,000 fine.

There will be exemptions for freight drivers, doctors and others. But the step is "the very last thing the travel industry needs", according to a letter to the government endorsed by more than 200 travel and hospitality companies. The "unworkable" move would deter foreign visitors and probably spur reciprocal quarantine requirements on British travellers, they said.

Boris Johnson, the prime minister, has said the government did not bring in quarantine earlier because "the scientific advice was very clear that it would make no difference" to the arrival of the epidemic. It was acting now, as infection rates were falling, because it did not want to see a wave of reinfection from abroad, he said.

One scientist who has attended the UK government's scientific advisory group on emergencies, or Sage, told the FT in April that quarantine would have been economically disastrous for an island nation supplied by thousands of Channel-crossing lorries each day.

This is not the first time Britain has stood out on such matters.

The World Health Organisation was created in 1948 in the wake of a series of 19th-century "international sanitary conferences". These wrestled with the need to agree on quarantine procedures to stop the spread of diseases, such as cholera, without unduly disrupting international trade.

At the first conference, convened by France in 1851, "maritime nations, notably Britain, wanted to minimise any health regulations that would interfere with the free flow of trade", says a paper by Charles Clift at the Chatham House think-tank who has studied the history of global health institutions.

Economic cost

The struggle to preserve both public and financial health has continued ever since, not least when it comes to the current pandemic.

The WHO has long been wary of curbing the movement of people or goods in a public health emergency, in part because it says such restrictions are often ineffective and can damage economies.

Asked last week if this was still the case, a spokesman pointed to written WHO advice saying travel measures that significantly interfere with international traffic for more than 24 hours "may have a public health rationale at the beginning of the containment phase of an outbreak", as they can buy time for countries to prepare. "Such restrictions, however, need to be short in duration, proportionate to the public health risks, and be reconsidered regularly," it said.

So why have so many countries ignored this? One possible answer: panic. Covid-19 spread at a much faster rate than most countries expected. The sight of overwhelmed hospitals in developed countries such as Italy may have jolted governments into action.

In many countries, the public welcomed the move. Quarantine has been part of a suite of travel restrictions credited with keeping death rates low in countries such as New Zealand and Australia. At one point, more than two-thirds of Australia's confirmed Covid-19 cases were returning travellers, according to Brendan Murphy, the country's chief medical officer. More than 33,800 people have been quarantined in the country since March, mostly in hotels with government footing the bill.

140+
Number of countries which have introduced quarantine rules

6,000
Daily passengers at Heathrow airport, down from 250,000 before the crisis

5 yrs
Time it took the travel and tourism industry to recover after 9/11 attacks

Things have not always run smoothly. In Perth, a man was jailed after repeatedly sneaking out of his quarantine hotel room. A 70-year-old man in the same city ended up in intensive care after falling ill in hotel quarantine where his wife's pleas for medical help at first went unanswered.

In New Zealand, anguished relatives have gone to court to overturn quarantine rules that stopped them seeing dying family members.

But the countries' success in stemming the virus shows that measures such as quarantine work, says Bharat Pankhania, senior clinical lecturer at the University of Exeter's college of medicine and health.

"It worked. What more do you want?" he told the FT. The UK's larger population and arrival numbers might have made quarantine harder but not impossible, he added. "Because that was seen as a tall order, they said, 'can't be done'. Anything is possible if you want to do it."

An era of travel bubbles?

Some countries have begun to ease their quarantine measures, but for financially stricken airlines the policy has been a source of contention from the start of the pandemic.

"We are concerned about the deployment of such measures of quarantine because it is a major deterrent to air travel," says Alexandre de Juniac, director-general of the International Air Transport Association.

Instead of quarantine, aviation and tourism companies are pushing for common international standards on how to manage travel, including temperature checks at airports, wearing face masks during transit, social distancing where possible at the airport and increased cleaning of equipment.

The travel industry is also backing quarantine-free "air bridges", "bubbles" or "travel corridors" set up between countries with low infection rates. Australia and New Zealand have agreed to establish a "Trans-Tasman travel bubble", while countries including Israel, Greece and Cyprus have discussed a tourism safe zone in the eastern Mediterranean.

John Holland-Kaye, chief executive of London's Heathrow airport, where average passenger numbers have fallen from about 250,000 a day to almost 6,000, says there are other factors to consider.

"There is no perfect way currently to say that one person has the disease and another one doesn't, but we can say one country is low-risk and, therefore, we should accept passengers coming in from there. And, reciprocally, they will accept passengers from us if we are seen as low risk," he told the FT.

Heathrow is working with 10 other major hub airports around the world, including Hong Kong and San Francisco, to try to establish the same health measures globally, as a way of fast tracking the "air bridge" idea. However, this is ultimately a decision for governments.

Meanwhile, anyone hoping to see an end to quarantine soon cannot ignore the country where the coronavirus outbreak began: China.

It is now more than four months since Wuhan, the city where the virus was first detected, was cordoned off. Mass quarantine later enveloped the entire province of Hubei and its 60m people. Measures were later adopted to safeguard Beijing from exposure to the virus, keeping the capital's total number of infections to about 500.

While foreign arrivals to China have fallen to a trickle, internal travellers have been subject to strict but inconsistent quarantine rules.

When Wuhan reopened to travel on April 8, those heading to Beijing found the trip more difficult than advertised. Arrivals were greeted by local officials in hazmat suits who bussed them directly from the train station to their home or government facility.

Some districts allowed returnees to quarantine at home with relatively few restrictions; in some cases a note promising not to set foot outside sufficed. In other districts, officials taped shut the returnees' doors and put a sensor device outside the door that would alert authorities if it was opened.

Regulations in Beijing have eased in recent weeks. However, in northern China, where a cluster of cases was recently discovered, large cities such as Harbin have been locked down and quarantine measures enforced.

Even in the country that first experienced Covid-19 and took some of the most radical steps to quash it, life is still not entirely as it was. With prospects of a vaccine or treatment still unknown, that may remain the case around the world for quite a while to come.

FINANCIAL TIMES
'Without fear and without favour'
WEDNESDAY 3 JUNE 2020

George Floyd and the story of Two Americas

Killing has highlighted links between race and economic inequality

Social unrest has spread across America and beyond in reaction to the police killing of an unarmed African American man, George Floyd, by a Minneapolis police officer. It has brought even more attention to the racial inequality and economic bifurcation in the US — and the ways in which they are inexorably linked — which the Covid-19 pandemic had already laid bare.

Just as people of colour have disproportionately been victims of the virus, they also have been subject to higher levels of incarceration and police brutality. The roots of the problem are deep and old. An invisible line runs from the original sin of slavery in the US, to the racial segregation of the Jim Crow south, to the gerrymandering or redrawing of voting maps that has supported the systemic economic oppression of African Americans. As a result, relative to whites, they have suffered higher levels of poverty and unemployment, as well as poorer education levels and health outcomes, for decades.

In the post-second-world-war era, African American unemployment levels have typically been double the levels of those of white Americans. Some progress in closing the gap was made in the past 10 years thanks to nearly full employment preceding the outbreak of Covid-19 — companies have trouble discriminating when they really need workers. Yet there is a persistent divide between the fortunes of white Americans and those of colour.

The coronavirus crisis has split the workforce into three groups: those who have lost jobs or at least some pay; those who are deemed "essential" workers who must labour on through the crisis (often at great risk to their own health); or those who are virtual knowledge workers whose lives have hardly been affected.

African Americans have fallen disproportionately into the first two groups. While they have faced unprecedented job losses, they have also been on the front lines of the crisis as essential workers, often in unsafe or low-paying jobs. They have been more exposed to the virus either through work or through health vulnerabilities as people without access to quality healthcare, nutrition, or good housing are more at risk. As a result, African Americans have suffered higher than average infection and death rates.

The combination of mass unemployment, Covid-19, and social unrest has the potential to exacerbate the divide. Many of the wealthiest Americans live in affluent districts or have decamped to summer homes and holidays in the country where they are comfortably waiting out the quarantine. Meanwhile, large-scale social dissent in the highest density parts of the country threaten both health outcomes and the reopening of the economy.

President Donald Trump has tried to capitalise on the sense that public law and order is in danger, stoking further anger and the potential for more violence. While some politicians, most notably New York governor Andrew Cuomo, have emphasised unity, Mr Trump is trying to craft a divisive narrative of random, violent protesters at war with good cops.

Americans should not buy it. As Mr Cuomo put it, the tragedy of George Floyd is one of many "chapters in a book. And the title of the book is continuing injustice and inequality in America". The only way to end the Two Americas story will be to acknowledge that race and economic inequality are profoundly connected. Solving the Covid-19 crisis, police violence, unemployment and most other US problems will require connecting the dots between the two — something this president has shown himself incapable of doing.

Poorer countries need long-term economic help

International support has managed to stave off a financial crisis

In much of the rich world, at least, phase one of the coronavirus crisis is passing. As the number of infections falls and lockdowns ease, many governments are entering a new phase — beginning to plan how to reformulate economic policy and support a recovery. Yet co-ordinated international long-term planning is still strikingly absent. Unless this changes, the biggest victims will be poorer countries, which face deep scarring from the crisis.

The pandemic is by no means over. Coronavirus is now hitting many emerging markets harder than advanced economies: Brazil has the highest daily death rate, while the number of deaths is increasing in populous middle-income countries including Mexico, India and Russia. Even while the number of cases declines in Europe and the US, the global growth rate in cases has increased, with Latin America and the Caribbean now at the centre of the pandemic — accounting for roughly two-fifths of all deaths.

Emerging markets have less capacity to respond to the virus, with weaker public health systems and economies that often depend heavily on tourism or remittances. These sources of foreign currency have dried up and, along with the collapse in commodity prices, that has put pressure on financial systems and government budgets. The World Bank estimates, in a report published on Tuesday, that the economy of the average developing country will be 8 per cent smaller after five years than it would have been without the pandemic, thanks to a "recession combined with a financial crisis". For energy exporting countries, the shortfall rises to 11 per cent.

Efforts to stabilise the international financial system have undoubtedly helped. Last week the IMF said emerging markets had managed partially to reverse an earlier record outflow of capital. Kristalina Georgieva, head of the fund, told a conference they had raised $77bn from the bond markets in April and May to offset the $100bn that left during March. Central banks' bond-buying and the Federal Reserve's swap lines have encouraged investors back into emerging markets and eased the dollar funding squeeze.

Now the focus must shift from firefighting to reducing the long-term fallout. The development of a vaccine, potentially by next year, may make this easier, but governments must prepare for the worst today. The call in a letter from former UK prime minister Gordon Brown and 225 past and present world leaders, economists and health experts to hold an urgent G20 summit is well-founded; a co-ordinated approach from a body that includes both richer and poorer nations is called for. So, too, are the signatories' proposals for debt relief, green investment spending, and increasing the firepower of the IMF and World Bank.

A decade after Mr Brown prodded the G20 to take the lead in fighting the global financial crisis, it is unclear whether the body is capable of doing something similar today. As multilateralism has waned, individual countries are focused on dealing with their own domestic crises. The most meaningful action would need the support of both the US and China at a time when relations are at rock bottom and leaders are using nationalist confrontation to distract from criticism over their handling of the pandemic.

Yet there is still scope for the IMF and World Bank to play a significant role in reducing global economic damage, if enough countries are ready to lend support and back increased funding. International co-operation has already helped ameliorate a potential financial crisis. Now it should be used to prevent an economic one.

Letters

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Ultra-long-dated bonds offer investors a stark choice

In your editorial comment on public sector debt ("Borrowing long is the way to borrow safely", June 1) you mention irredeemable debt issued by the UK in the 19th century. Irredeemable it may have been, but it has been paid back in full nevertheless.

The closest proxy to eternal debt you find in today's markets are bonds with a maturity of 100 years. Since 2015, an eclectic group of countries including Mexico, Argentina and Austria has taken advantage of investors' appetite for such products. In the context of regional governments, the German State of North Rhine-Westphalia has recently issued benchmark bonds maturing in 2119 and 2120.

For public sector borrowers the case for ultra-long maturities is obvious. Long-term certainty with regard to interest rates is more important than short-term economy with regard to interest expenditures. There may be strong evidence that low rates are here to stay, but who knows? As you correctly point out, the enhanced certainty comes at very little extra cost. In the case of North Rhine-Westphalia, the yield of the "century" bonds has now dropped below 1 per cent, way below the historical average of debt servicing costs.

For investors the story is more complicated. In the market for German public sector debt, maturities of up to 30 years provide little opportunity for positive yields.

Faced with a stark choice between compromising on credit quality or accepting longer tenors, many real money accounts with a positive yield target go for duration. Parting with your money for up to 100 years requires a decent amount of trust in the quality of the bonds you buy. Issuers should be aware that a credible long-term strategy of sustainable development, including sound financial management, helps justify such trust.

Axel Bendiek
Head of Treasury and Investor Relations
Ministry of Finance of the State of North Rhine-Westphalia
Düsseldorf, Germany

Davos has never looked more irrelevant

Klaus Schwab's pitching of "a great reset of capitalism" at a face-to-face meeting at Davos in January 2021 is a world apart from reality ("Davos aims to coax the elite out of isolation in January", June 2). In its 50 years as the talking shop of the 1 per cent, Davos has never looked more irrelevant. My advice to Mr Schwab is — read the room.

What billionaire elites are unable and unwilling to understand, even in this moment of crisis, is that they cannot change the broken system of which they are the main beneficiaries. Arsonists do not make good firefighters. Instead, people on the front lines of inequality from the US to Kenya, from the Philippines to Mexico and beyond are busy building the new system that will leave neoliberal capitalism, racism, patriarchy and environmental destruction behind. Elites cannot understand that change is coming from the streets, without them. In spite of them. Because of them. Time's up for Davos, A relic of a broken system.

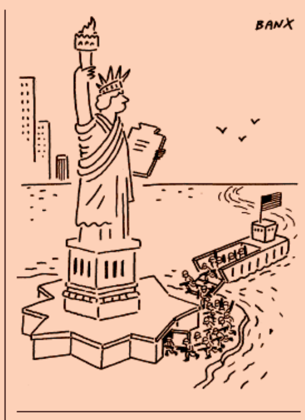
Jenny Ricks
Global Convener, Fight Inequality Alliance
Johannesburg, South Africa

Plea to university fund to act on fossil fuels

Chris Flood's article (FTfm June 1) highlights a divestment announcement by the huge University Superannuation Scheme (USS). What is not so clear from the report is the total greenwashing that is taking place here. There is no actual divestment in thermal coal as USS has no such investments. More to the point, the USS press release fails to mention the more than £1.3bn they hold in fossil fuel intensive industries such as oil and gas producers and airports. They don't mention it as they have no plan to change it.

The UN has given us little more than a decade to drastically cut our use of fossil fuels or risk calamitous and irreversible global heating. That the management of the UK's largest pension fund has decided it has no responsibility to reduce its direct contributions to this is inexcusable. A divestment that USS is finally making this year is from tobacco companies. In other words it took them 70 years to react to the discovery that smoking causes cancer. Unfortunately, we don't have that time window with the climate emergency and USS need to clean up their act, and fast.

Professor William Spence
Queen Mary University of London
London E1, UK



Robots be damned, the weekly shop is still with us

Robotics, automated deliveries and augmented reality AR shopping will have their place in retail post-pandemic ("Robots from Estonia boost supermarket spirits during pandemic", May 29). But it would be too simplistic to see this as the "new normal".

While we've seen robots being used to redefine convenience, we've also seen a return to the big weekly shop in-store. Hermès Guangzhou's flagship took a record-breaking $2.7m in single day sales when it reopened after China's lockdown. There's clearly a global desire to return to stores, but some obvious challenges remain.

Innovation in the shopping micro-moments such as touching a product, experiencing a demo or testing a product must be reinvented with solutions that include motion, gesture and voice.

Maybe the QR code will be resurrected. Touchless retail will ensure people feel safe again in-store and will define the retail experience for the foreseeable future.

Simon Hathaway
Managing director Emea, Outform
Leicester, UK

Despite Covid-19, cash in hand has a way to go yet

Following the publication of "Coronavirus accelerates shift away from cash" (May 28) in the rush to accept a narrative that cash will soon cease to be in circulation, perhaps we should pause and consider the opposing viewpoint.

Professor Sally Bloomfield of the London School of Hygiene and Tropical Medicine says contactless payment is probably the least risky option — yet she says touching a chip-and-pin machine could potentially be riskier than using cash, as more people touch them each day. "These are all very small risks, but every small risk adds up."

Given that digitalised systems have been and continue to be susceptible to outages and infiltration, depending on one form of payment transactions would be potentially risky and hugely disruptive.

Moreover, future generations learning essential mathematics skills and money management wouldn't be best served by living in a world where they do not come into contact with physical cash.

Cashless forms of payment may be right for some businesses and individuals; however, I prefer to take my guidance from the decision makers than a small snapshot of opinion captured in a survey.

That is why I spoke to the Treasury, who said "we know that many people still rely on cash, that's why at Budget the chancellor committed to legislating to protect it".

Therefore, as long as policymakers continue to support cash, then it is probably premature to conclude that to coin a phrase, "we are all cashless now."

Samson Dada
Director, SD Consultancy
Manchester, UK

Choosing nuclear narrows future energy choices

The case Jonathan Ford makes for borrowing at the lowest cost could apply to any capital project including new nuclear ("Britain needs new nuclear, and the government should fund it" June 1).

But he doesn't explain why he thinks EDF can deliver Sizewell C on time and budget when two of their other pressurised water reactor EPR projects are over a decade late and Hinkley's costs are rising?

There are serious questions about nuclear's role in net zero.

Lord Deben, chairman of the UK's independent committee on climate change, describes it as a "transitional" power source, saying: "If we get better at balancing the grid and the amount of baseload energy, the need becomes smaller."

There is wide agreement with Mr Ford that new nuclear takes a long time to build and costs are too high, but the National Infrastructure Commission draws a different conclusion: "Making decisions now, such as committing to a fleet of nuclear power plants, rules out a more diverse future generation mix and the potential this has to reduce costs to consumers." We concur.

Dr Andy Wood,
Adnams plc, Southwold, Suffolk, UK
William Kendall
Entrepreneur, Kelsale, Suffolk, UK

Do not overstate Hongkongers' love of UK

Thomas Hoyle (Letters, June 1) overestimates the interest Hong Kong people have in British residency, particularly if the Chinese government responds by announcing that BN(O) passport holders who take up the British offer automatically lose Chinese nationality and Hong Kong residency. This measure would be entirely reasonable as anyone who is apprehensive about the national security law should not retain Chinese nationality. Mr Hoyle's suggestions are typical in not considering Chinese countermeasures. If the British government is serious about its doomsday assessment of the Hong Kong situation, perhaps it should also advise British businesses to leave Hong Kong and the rest of China?

Leung Chun-ying
Former Chief Executive
Hong Kong Special Administrative Region, Hong Kong

Europe must heed the right Hamilton moment

Alexander Hamilton's life was so intense that the proposal of a Hamilton moment ("Is the Franco-German plan Europe's 'Hamiltonian' moment?" May 21) should specify which concrete episode we are referring to in order not to end duelling with the US vice-president (Mike Pence could be the fastest gunslinger in the Midwest).

Much has been said about the mutualisation of the Thirteen Colonies' debt, but it is a mistake to think that the key moment occurred in 1790, when Hamilton served as Secretary of the Treasury. The decisive instant took place in 1787, during the Constitutional Convention, when Hamilton together with Madison made the federal government have its own financial resources and stop relying on the contributions of the states. This is the Hamiltonian moment the EU should aspire to.

Federico Pastor
Treasury counsel. Ministry of Finance
Madrid. Spain

A bond with a reliable return, what's not to like?

After many years of low interest rates, many of us would love to invest in a bond that guarantees a reliable return over a reasonable period; this bond could then fund much needed public infrastructure. Furthermore, as an architect, I would be delighted to assist. Over to you, chancellor.

Tom Allen
Managing Director, Artistic Industries
Melton Mowbray, Leicestershire, UK

Lockdown stress puts paid to a coronavirus baby boom

US Notebook

by Patti Waldmeir

As it turns out, we didn't all spend the quarantine having sex. Despite early predictions of a coronavirus-induced baby boom, it seems that during lockdown we were less eager to jump into bed than some had imagined.

Justin Garcia, a sex researcher at the Kinsey Institute at Indiana University found, in a study of global sexual habits from mid-March to mid-May, that nearly half of those surveyed said they had sex less frequently and enjoyed it less during the pandemic (although some reported sexual experimentation).

He thinks there will be no baby boom to show for those two months of lockdown: "People report pretty high rates of feeling stressed and worried, and those are not psychological states conducive to sexuality," he told the Financial Times.

"Two gazelles don't mate in front of a lion and we don't stop to have a good chat in the middle of a fire. For many people, their bodies and brains are responding as if they are in the midst of a fire," he added.

The couples surveyed reported that their relationships improved in other ways under lockdown, even if they had less sex. And some 20 per cent said they "expanded their sexual repertoire" during quarantine.

But Mr Garcia predicts they may struggle with a new challenge, as lockdown lifts: "If one partner is going to the store and not wearing a mask and the other partner is very cautious, then the blame game changes," he says. That may mean that in terms of sex, "my sense is that things will not rebound until people feel safe".

So if we weren't all busy procreating, what did we do with our quarantine instead? As much of the US reopens, it's worth reflecting on some survey data that shows what we did with our love and our money during lockdown: will new sex and spending habits endure in a world that now hopes to pass for normal?

Jamie Foster Campbell, who researches how technology shapes acts of intimacy, says many Americans are spending far more time online with elderly relatives now: "People in their mid-60s say the pandemic has reinvigorated relations with their adult children". Will family rituals, such as meals prepared and shared in synch on video chat, endure, or will we all go back to planning to call every month, but only managing it on birthdays?

Online shopping took up a lot of time, especially if it involved jockeying for scarce grocery delivery timeslots or finding a pork chop once they became scarce due to pandemic-induced closures of meatpacking facilities.

According to data from Nielsen, the consumer research company, two of the fastest year-on-year growth categories in the US in the week to May 23 were oat milk, which saw its sales up 254 per cent, and fresh meat alternatives, up by 178 per cent. They may have benefited from the general green-spiritedness and health consciousness of the public under lockdown, since obesity is a risk factor for Covid-19, say consumer experts. It's not clear whether any of that will persist, however.

Flea and tick shampoo sales were up by nearly one-quarter over the same week last year, so it can't be seasonal. Instead, it must be all those pandemic puppies we bought for company during lockdown. Hair-colour sales were up 20 per cent and nail polish up one-third. It will be bad news for salon owners, if consumers decide they can now do all their grooming at home.

Lobster sales were up by three-quarters and scented candles by nearly two-thirds: is there finally romance in the air? Lockdown may have limited our ability and desire to have sex in some ways that were utterly predictable, and others that were surprising, experts say.

E.B Cotenord is a sex worker near Chicago: she has an asthmatic 10-year-old at home and so she stopped seeing clients several weeks ago, and started working 60 to 70 hours a week providing video and phone sex instead. She says she won't return to real-world sex work "until there is a vaccine", although it is far more lucrative. The danger to her at-risk child would be too great.

The US economy may be reopening, but sex and spending habits could turn out to be lagging indicators. Go short on condoms, then, and long on sex toys: we may be having less, but kinkier sex for some time to come.

patti.waldmeir@ft.com

Opinion

Votes should be earned, not owed, however high the stakes

Gary Younge

Back in 2004, at a brunch at the Georgetown home of a senior Democrat operative, surrounded by the architects of John Kerry's campaign, in a moment of indiscretion, I raised the N-word — Ralph Nader.

Mr Nader was the Green party candidate who had stood in the 2000 presidential election when Al Gore narrowly lost to George W Bush. The vote was so close it was decided by the courts. For this, the Iraq war and the erosion of civil liberties, those in the room blamed Mr Nader, who netted more votes than Mr Bush's margin of victory in Florida and New Hampshire. What was their plan to deal with Mr Nader in 2004? I asked.

Venom and rancour filled the room: "If he hadn't stood Gore would have won"; "He stole Gore's votes"; "The idiots who voted for him are responsible for everything that happened." A guest from outside their bubble said she had voted for him and asked if that made her an idiot. They rounded on her, virtually accusing her of taking food from the mouths of poor black children. (She was the only black woman in the room.)

Sixteen years later, the Democrats look as if they may be about to make the same mistake again. In the week before nationwide protests over police brutality began to rage, Joe Biden faced rigorous but fair questions in an interview on black radio. He was asked about marijuana legalisation, the likelihood that he would choose a black running mate and his stewardship of the 1994 crime bill, which was partly responsible for the astronomic increases in black incarceration. At the end, the presidential nominee told the interviewer: "If you have a problem figuring out whether you're for me or Trump, then you ain't black."

When a political party or movement blames people for not supporting it, it has generally lost not just a campaign but a raison d'être. It suggests an entitlement to something that must be earned. It relieves the political actor from thinking about what they might do differently, preferring to hold the audience responsible for failing to appreciate the morality play it has been presented with.

> To suggest that African Americans' melanin count should shape their political choices is deeply insulting

That does not spare the voter the moral and strategic accountability for how, and whether, they vote. But it does absolve them of blame for how others vote and so of the outcome of an election: It's not reasonable to blame people for what they didn't vote for.

As electoral politics become more polarised, the space for unedifying recrimination grows. In the UK, for example, there is a row over the prime minister's adviser Dominic Cummings breaking lockdown. On social media, some supporters of former Labour leader Jeremy Corbyn did not just blame the Conservative party and its supporters for the scandal. They lambasted anyone who had either not voted Labour or who was simply deemed insufficiently loyal, as responsible. "You had a chance to vote for an alternative in December," came the retort. "And you didn't take it."

There is truth in this. But it is partial. It suggests an obligation on behalf of the voter, rather than a challenge to the party or movement. This is not just bad karma — it's bad politics. You're not likely to win if you don't learn the lessons of your defeat; and you can't learn those lessons if you blame your losses on someone else. "Would it not be simpler", as playwright Bertolt Brecht wrote after the crushing of the 1953 uprising in East Germany, "to dissolve the people and elect another?"

You'd think the Democrats would have worked that out after 2016, when their core vote's failure to turn out cost them the election. African Americans' melanin count shapes their life chances, life expectancy, health, education and professional opportunities. The one thing it doesn't determine is their voting preference. To suggest otherwise is deeply insulting. They have other options, including staying at home.

Mr Biden's remarks were only a gaffe in so far as he probably didn't mean to say them out loud. The Democrats desperately need the black vote — they have only won one election since the second world war with the white vote alone. But they often take the black vote for granted.

Mr Biden owes his nomination to older black voters (younger ones voted for Bernie Sanders in the primaries). The party is less united behind him than it was for Hillary Clinton. More than 20 per cent of Sanders' voters say they do not plan to vote for Mr Biden in November, compared with roughly 15 per cent for Mrs Clinton at this stage in 2016.

Now, as fires burn in cities across the US in protest at entrenched police brutality, the stakes have been raised. "Part of the reason these are systemic inequalities is that they transcend not only party, but time," Stacey Abrams, a Georgia Democrat who is among those being vetted as a running mate for Mr Biden, told the New York Times. "We have to be very intentional about saying this is not about one moment or one murder — but the entire infrastructure of justice."

That's the kind of radical intervention that does not sit easily with Mr Biden's political record. He won the nomination by not being Bernie Sanders; voters may want more from him than simply not being Donald Trump if he is going to win the presidency.

The writer is professor of sociology at Manchester university

The EU rises to meet the Covid-19 crisis

Martin Wolf Economics

A radical plan from Germany and France transforms Europe's possibilities

The EU was born out of catastrophe and has advanced through crisis. Today, it confronts threats on many fronts. If it fails to rise to these challenges, it might even shatter. Fortunately, Angela Merkel understands this. The German chancellor remains the trusted leader of the indispensable European country. By agreeing a radical new financial plan with French President Emmanuel Macron, she has transformed the EU's possibilities. It is another "whatever it takes" moment, this time from Europe's leading politicians, confirming that Germany and France will only let the EU fail if their electorates discard their elites, as the Americans and British have done. But history has marked the peoples of these two countries too deeply for them to risk similarly infantile politics.

Remember the EU's history. The Coal and Steel Community and Economic Community were created in reaction to the second world war. The single market was a response to the economic malaise of the 1970s. The currency union was agreed in 1991 in reaction to German unification. The creation of the European Stability Mechanism and the transformation of the European Central Bank into a modern central bank were results of the eurozone financial crisis.

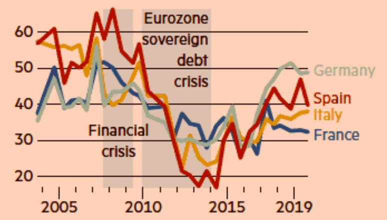
Now comes the economic disaster of Covid-19, with unprecedentedly rapid declines in output expected this year and an uncertain recovery ahead. Yet far more than this is threatening the EU. A nationalist US has turned against the very idea of EU integration. The UK has danced off into the mid-Atlantic. China and Russia have embarked on a "divide and rule" policy. Perhaps most important, the mishandled eurozone financial crisis divided member states and turned Italy, above all, towards Euroscepticism. One poll indicates that in an "Italexit" referendum, 42 per cent of Italians would now vote to leave. (See charts.)

Covid-19 has hit EU members unequally, in terms of deaths and predicted economic effects. The consensus of forecasts is that Italy's gross domestic product will shrink 11 per cent, against 7 per cent in Germany, this year. It is likely to be still worse. The ECB is prepared to act, to keep spreads on government debt manageable. But, with an astounding act of secession from the EU's legal order, the German constitutional court has undermined the ECB's credibility.

It is only against this dangerous background that one can understand the proposal by the German and French leaders for a new €500bn fund and a subsequent increase to €750bn by the European Commission, in what it calls "Next Generation EU". As a response to the immediate crisis, this may not be decisive. But, in terms of the longer-term future of the EU, it is symbolically and practically transformative, if not the widely discussed "Hamilton moment". These two leaders plan to do whatever it takes to preserve the EU; it should, once again, be enough.

Trust in the EU recovered after financial crises, but is weak

% of respondents who say they trust the EU



Source: Eurobarometer

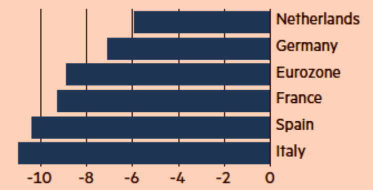
Italians have turned against the EU

How would you vote in a referendum on European membership? (% of respondents)

Source: Tecnè

All economies are hit, but some are hit worse than others

Latest consensus forecasts for GDP growth in 2020 (%)



Source: Consensus Economics

The EU is political will made institutional flesh. In 2012, I responded to widespread scepticism in US financial circles over the survival of the eurozone by noting that Alexis de Tocqueville, writing in the 1830s, doubted whether the US could survive secession by states. But the North turned out to have the needed will and might. Similarly, there is a tendency for outsiders to underestimate what the EU means to core members. This agreement is a reminder.

In the immediate future, the response to the economic crisis will mostly come from national fiscal policies, albeit backed by the ECB. But the latter, too, has to be buoyed up by the Franco-German proposal, which has now ended up in the commission's new plan. The "frugal four" (the Netherlands, Austria, Denmark and Sweden) will try to stop this. One can expect them to fail.

> This is a Merkel moment. The ever-cautious politician has once again made a decisive move

The commission's new fund consists of €440bn in grants (a crucial element), €60bn in guarantees and €250bn in loans. Two-thirds of the grants are to be channelled via a "Recovery and Resilience Facility". Funds would be raised in capital markets between 2021 and 2024, to be disbursed over several years. To put the €750bn in context, it is close to 1.5 per cent of EU GDP over three years.

As Anatole Kaletsky of Gavekal has argued, the Franco-German proposal is far more significant than such relatively modest numbers suggest. It includes two innovations: the ability of the commission to borrow on its account and so create a new class of EU bonds; and the fact that the borrowing is to be financed by new European-wide taxes on carbon emissions or financial and digital transactions. The leverage on the tax revenue allowed by the ability to borrow could be huge. If, for example, the EU would float an irredeemable bond at 1 per cent (a conservative assumption), it could borrow €100bn, forever, on €1bn of annual revenue. That is a very big deal.

Yet it is not strictly-speaking a "Hamilton" moment, by which is meant the way Alexander Hamilton, first treasury secretary of the US, used the powers of the federal government to transfer the debts the states had incurred in the war of independence on to the federal balance sheet. In the EU's case, this is not a plan to assume debt. Also, crucially, the EU does not have a federal political process. Budgetary decisions have to be taken by unanimity. Nevertheless, it is a big step forward symbolically, in that it demonstrates solidarity, and practically, in that it creates a new financial instrument to be funded by EU taxes.

Whatever it may not be, this is a Merkel moment. Once again, this ever-cautious politician has made a decisive move. The EU is embattled from without and within. Will this proposal be enough to resist these pressures? I hope so. The European idea was a response to destructive nationalism. It has to survive.

martin.wolf@ft.com

Workers know and run Walmart but are denied a voice

Mary Pat Tifft

In the nearly 32 years I have worked at my Walmart store in Kenosha, Wisconsin, I've seen a lot of changes — from the products we sell, to the associates I work with, to the customers who come through our doors. What has not changed is a management culture that refuses to listen to employees on the front lines.

We are the people who know our company best, who see at first hand what's working and what isn't, but when we make recommendations to protect customers and the brand's reputation and long-term success, it's still radio silence from the top. Walmart's response to Covid-19 — slow, inadequate, failing to prioritise our health and public health — underscores why workers like me need a voice in shaping corporate policy.

A study by United for Respect found that it took weeks — in some cases almost two months — for Walmart fully to adopt Centers for Disease Control recommendations for employers. While most retailers started launching social-distancing strategies and protective partitions in February and March, Walmart didn't start limiting customers in its stores or installing sneeze guards until early to mid-April.

And a survey of 1,500 Walmart associates nationwide conducted in early May found that only 9 per cent were able always to maintain at least a six-foot distance from other people at work in April. Only two in five said they trusted Walmart to keep them, their co-workers and customers safe. In my store, many associates are afraid to go to work. This makes the Black Friday-like crowds all the more difficult to handle, especially now that our state has started to reopen.

> Response to the pandemic shows why people like me need a share in shaping corporate policy

The refusal of Walmart's board of directors and executive team to take our concerns seriously has had tragic consequences. Already we know at least 22 associates have died and thousands have become sick. We can't afford to wait any longer for a seat at the table. A fellow Walmart employee and leader of United for Respect put forward a shareholder resolution that will be voted on at the company's annual meeting on June 3, to ensure hourly associates like us are considered for positions on the company's board of directors.

Investors and stakeholders such as us rely on executives and the board to make decisions that ensure stability and protect our brand. With a seat on the board, frontline workers can make sure our concerns are effectively communicated and properly addressed.

Failing to maintain sanitary conditions and responding slowly to initial cases put Walmart at risk of outbreaks that force store closures. The regulatory and legal risks are growing. Congressional leaders are looking into the outbreaks at Massachusetts Walmarts and the family of Wando Evans, an associate in Chicago who died of Covid-19, is alleging Walmart failed to fulfil its duty of care to workers and customers.

The company's owners, its chief executive Doug McMillon and wealthy board members are too far removed from what is happening in their stores to make sensible decisions. It comes down to this: there would be no hesitation in adopting policies such as comprehensive paid leave or hazard pay if executives had to put on their vests and face the battlefield as we do every day. If they had been coughed on by a belligerent customer refusing to wear a face covering, hazard pay would have been implemented swiftly. If they felt the loneliness of not seeing their kids and grandkids, for fear of contagion, paid sick leave would be guaranteed and generous.

While Walmart drags its feet and spends millions on feel-good advertisements, associates have been doing heroes' work, providing leadership that is absent at Walmart's executive level. We don't need glitzy ads thanking us; we need greater protective equipment, hazard pay of 1.5 times our hourly wage, and greater transparency on cases.

We run Walmart — serving our customers, keeping profits flowing and leading safety efforts in a pandemic. But we desperately need change and that can only happen with changes to who is in the room when policies are made.

The writer is a Walmart associate and member of United for Respect

Lex.

Twitter: @FTLex

Property: safe as houses

Coronavirus has brought the "Boris bounce" in Britain's housing market to a screeching halt. Prices fell 1.7 per cent month on month in May, according to lender Nationwide. That is the worst slide since the doldrums of the financial crisis in early 2009. HM Revenue & Customs data show that residential property transactions in April halved. Worse is to come, if borrowing plans are anything to go by. Fewer than 16,000 mortgage applications were approved in April. That is half the levels recorded at the low point of the last crisis, and the lowest since records began a quarter of a century ago.

So far, so rational. Socially distanced, virtual dinner-party chatter may wax lyrical about swapping narrow London town houses for a backstreet artist's cottage in Cornwall. But upping sticks in the midst of a pandemic, and the worst recession in 300 years, is less appealing. Most of these dreamers will, realistically, count on a return to the workplace at some point and opt to stay put. The calculation is even clearer for those starting out on the housing ladder with shakier job security.

In a perfectly functioning world, that sets the stage for markets' self-correcting mechanism to kick in and send prices lower until demand steps up. As wannabe homeowners from Sydney to London know, that has a nasty habit of not happening.

Take Hong Kong, a convenient midway point between these two cities and one of the priciest housing markets. Prices for homes are down a relatively modest 8 per cent since the near year-ago peak. That takes in a 12-month period when the territory has been battered by coronavirus, protests and erosion of its autonomy.

The wild card is supply. Prime areas and capital cities tend not to have enough. UK housebuilders who downed tools during the pandemic have (inadvertently) helped to maintain the skewed imbalance. Real estate group CBRE reckons the hiatus will result in just 15,000 homes being built by private developers in London this year, compared with an average 22,000 in each of the past five years.

Two other factors are key. One is the proportion of pandemic-stalled transactions that end up being broken off. The other is the link between the number of home sales and pricing. The scale of economic collapse makes it tempting to deduce that prices must fall sharply. Precedent, at least in big global capital cities, suggests otherwise.

Seadrill/offshore oil: under water

Anton Dibowitz, the chief executive of Seadrill, did an excellent job yesterday of summing up the plight of offshore oil services: too many rigs carrying too much debt. His ominous view was accompanied by a glut of bad news.

Company results revealed a $1.3bn operating loss, a delisting from the NYSE and the appointment of a restructuring team to lower debts. The Oslo-listed shares slipped 10 per cent. Once worth $20bn, Seadrill now has a market value of less than $50m.

Mr Dibowitz has been here before. He led the company, founded by billionaire shipping magnate John Fredriksen, through a Chapter 11 restructuring in 2017. It may come as some consolation that this time many of his peers are in the same boat. The coronavirus pandemic has accelerated an oversupply of rigs. Oil prices have fallen below $40 a barrel. Houston-based Diamond Offshore Drilling filed for Chapter 11 in April.

With total debts close to $7bn, Seadrill's fate is in the hands of creditors who have few options beyond an equity swap. Capacity reductions are a necessity. Seadrill's first-quarter loss mostly stems from impairment charges of $1.2bn connected to its plan to scrap up to 10 of its rigs. Investment in new offshore fields remains subdued. Tentative signs of an uptick have been put on hold by the virus.

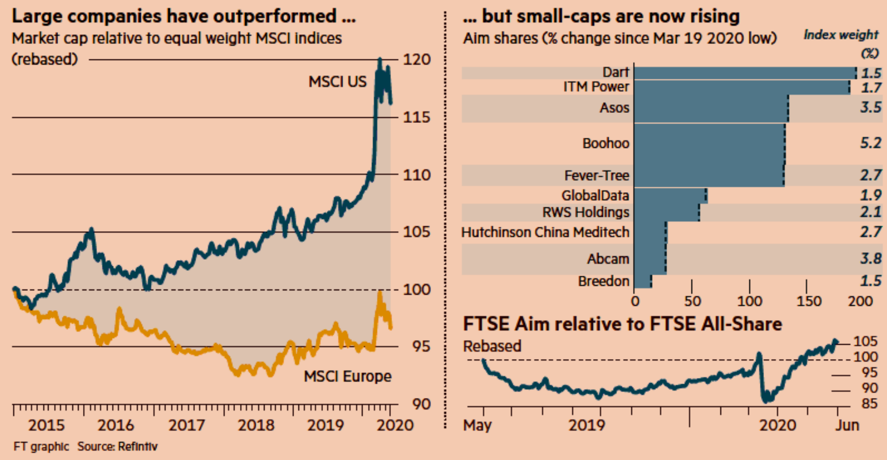
Oil majors battling the forces of global decarbonisation are now cutting spending and shelving new projects at a faster clip. The result: offshore activity is at a 20-year low this year.

Oil services have never been cheaper relative to the market and oil majors. But years of low investment do not mean the cycle is about to turn. Investment values may have fallen but offshore production is not about to collapse. Offshore capacity under construction was 3.8m barrels per day last year, say analysts at Bernstein.

That is only just below the 4.3m annual average since 2000. The forecast for this oil subsector is just as dark as its product.

Small-caps: V for variable

This year larger companies have trailed their smaller brethren in Europe after leading the way for years. The UK's Aim small company stock index has had a sharp rebound since March and has outrun the broader All Share index. However, this rally has been led by relatively few constituents.



FT graphic Source: Refinitiv

Markets rejected the notion that less is more in the bull market that ended last year. Shares of smaller capitalised companies in both the US and Europe trailed their mega-cap brethren. This year, amid forecasts of a depression, small-cap indices have returned to the fore. The trend contradicts expectations that fast-growing small enterprises do best in economic expansions.

Studies by academics Eugene Fama, Ken French and others have shown the long-term outperformance of fast-growing small-cap stocks. The past three years appear to have been an exception. The performance of MSCI's market cap weighted indices relative to equally weighted ones show that larger stocks have pushed ahead, led in the US by tech groups such as Amazon and Facebook.

Consider the run of the UK's Aim small-cap index this year. The Aim index ratio to the FTSE All Share has surged to a one year high. Surely a V-shaped economic recovery will follow?

Not necessarily. A glance at the top gainers on Aim since the March price low shows a few big winners. Just three groups — fashion sites Asos and Boohoo plus tonic maker Fever-Tree — make up about a fifth of Aim's 51 per cent rise. Those three, a large weighting in Aim, are not representative of a resurgence in the British economy.

Even if business has been brisk for the companies, thematic incentives are driving outperformance elsewhere on the index. This is probably the case for specialist drug distributor Clinigen and also for biotech Novacyt, whose share price has tripled during the pandemic. Novacyt's testing technology was rejected by France's government yesterday, giving a rare knock to its share price this year.

The US small-cap barometer, the Russell 2000, has also bounced off its low and is up 42 per cent. But it has not kept pace with the S&P 500. Mega-caps remain in vogue there.

If good things come in small packages, investors are unwrapping only selected ones. The party for small-caps will not last once governments around the world start to reduce financial support for households and businesses in earnest.

Elliott/Bank of East Asia: the hold-up

Paul Singer's patient six-year battle with Bank of East Asia has been rewarded. His activist hedge fund, Elliott Management, is closing in on a win as the bank finally begins discussions to sell off some of its assets.

Shares in Hong Kong's last major family-owned bank jumped 17 per cent yesterday in expectation that these sales can improve lagging returns.

Elliott, which holds an 8 per cent stake, has long claimed that the lender is poorly run. It is right. Profits halved last year to the lowest level in more than a decade. Return on average equity more than halved in the span of a year to 2.7 per cent.

BEA's heavy exposure to mainland China has become a liability as the pandemic outbreak has taken a toll on the country's economy.

Its stock has fallen more than 30 per cent in the past year.

There is significant value to be unlocked. The lender has HK$865bn ($112bn) in total assets, which includes those in its core banking businesses in Hong Kong and mainland China as well as insurance, hospitality, and property businesses.

As one of the largest offshore banks in mainland China, it has cheap funding via HK$647bn in total deposits. At home, it had HK$27.8bn assets in its Hong Kong pension fund business as of the end of last year. Yet in spite of all that the bank's market value is just HK$49bn.

Despite this vast gap, unfavourable market conditions mean that the speed and values of disposals will be capped. Hong Kong's economic uncertainty, political turmoil and doubts over the city's status for global investors make quick asset sales improbable.

In China, BEA's losses are mounting and provisions for bad loans have surged in unsecured retail loan and commercial property portfolios.

The sale of assets will be welcomed, but BEA may struggle to carry out the disposals as buyers show restraint. The pay-off may not make up for Mr Singer's sufferance.

Amazon: prime rates

In 2060 Jeff Bezos will be 96 years old. Amazon, the company he founded and runs, may be worth $2tn by then. Shares are up 33 per cent this year, giving the company a $1.2tn equity value. Then again, perhaps it will have been vanquished by an upstart able to do what Amazon has done to Barnes & Noble and IBM. What is certain is that by 2060 Amazon will be due to repay $2bn in bonds issued this week.

The coupon on the bonds pays a paltry 2.7 per cent. Large, high-grade companies such as Amazon are taking full advantage of benign market conditions created by US Federal Reserve support.

In all, Amazon sold $10bn in debt that matures between 2023 and 2060, with the shortest-term notes paying just 40 basis points. The spreads to Treasury rates were extremely narrow.

What a difference a few weeks make. In late March, big, highly rated groups were having trouble accessing even short-term debt. Now the consequence of easy money means the likes of Pfizer and Hershey can use the bond market to pay off commercial paper facilities interrupted by short-term hiccups.

In all of 2017, US investment-grade companies raised a record $1.24tn, according to S&P LCD. That figure is expected to be topped in 2020 — perhaps as early as this month. Despite record unemployment and massive economic contraction this year, buyers of corporate debt (including the US central bank) are happy to take on both short-term liquidity risk and long-term solvency risk.

What seemed like a corporate debt crisis has turned into a corporate debt bonanza. Amazon, unlike other tech companies, has been a savvy user of cheap debt to juice its equity returns for years. But with government debt paying virtually nothing, Amazon is not paying much for its new cash. Jeff Bezos is known for long-term plans and likely has a vision of what the world, and Amazon, will look like in 2060. Fortunately for him, credit investors do not seem to be thinking so far ahead.

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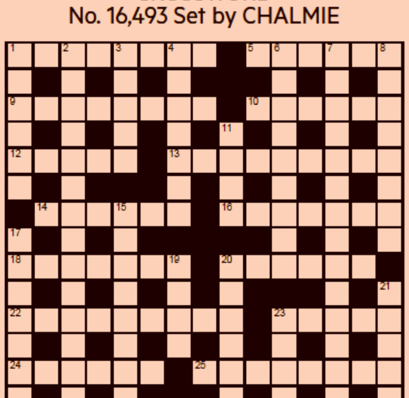
WEATHER

Forecasts by MeteoGroup — Warm front — Cold front — Occluded front — Wind speed in MPH

Today's temperatures — Maximum for day °C & °F

Amsterdam	Fair	20	68	Madrid	Sun	29	84
Athens	Fair	25	77	Manila	Sun	35	95
Atlanta	Fair	31	88	Melbourne	Cloudy	13	55
Beijing	Sun	35	95	Mexico City	Cloudy	26	79
Belgrade	Fair	19	66	Miami	Thunder	29	84
Berlin	Sun	25	77	Montreal	Cloudy	17	63
Bermuda	Fair	23	73	Moscow	Shower	16	61
Bogota	Shower	19	66	Mumbai	Thunder	29	84
Brussels	Fair	22	72	Nassau	Cloudy	31	88
Buenos Aires	Sun	17	63	New York	Thunder	31	88
Caracas	Shower	31	88	Nice	Shower	22	72
Chicago	Cloudy	28	82	Oslo	Sun	23	73
Copenhagen	Sun	18	64	Paris	Fair	26	79
Dallas	Fair	34	93	Prague	Fair	22	72
Delhi	Sun	37	99	Reykjavik	Drizzle	10	50
Doha	Sun	45	113	Rio	Cloudy	25	77
Dubai	Sun	39	102	Rome	Sun	24	75
Dublin	Cloudy	15	59	San Francisco	Sun	29	84
Edinburgh	Cloudy	15	59	Seoul	Fair	28	82
Frankfurt	Fair	26	79	Shanghai	Thunder	25	77
Geneva	Thunder	23	73	Singapore	Shower	31	88
Hamburg	Shower	24	75	Stockholm	Fair	19	66
Helsinki	Sun	18	64	Sydney	Sun	18	64
Hong Kong	Sun	32	90	Taipei	Fair	35	95
Honolulu	Drizzle	30	86	Tel Aviv	Sun	26	79
Jakarta	Thunder	33	91	Tokyo	Fair	27	81
Karachi	Fair	35	95	Toronto	Shower	27	81
Lima	Cloudy	20	68	Vancouver	Fair	17	63
Lisbon	Fair	25	77	Vienna	Thunder	20	68
London	Shower	18	64	Warsaw	Cloudy	15	59
Los Angeles	Sun	26	79	Washington	Fair	36	97
Luxembourg	Sun	25	77	Zurich	Sun	26	79

CROSSWORD
No. 16,493 Set by CHALMIE



JOTTER PAD

ACROSS
1 Some in the audience sit up, edgily backing substitute (8)
5 Time in army unit is a constant equilibrium (6)
9 Where French prostitute entertains Sergeant-Major Fox (8)
10 Copper's trophy the last in order, I see (6)
12 Places to play piano on ships (5)
13 Back shortly with priest present for Teilhard de Chardin's human intelligence and memory (9)
14 Pants and comes back to life? (6)
16 A top-end collection of papers stuck together (7)
18 Decide not to punish bird seen among bricks (3,2,2)
20 Start buying weapon for Clyde? (6)
22 Pressed to repair organ parts (4,5)
23 Force 50 have escaped (5)
24 Without authorisation? That's it! (6)
25 Bus to Lima nearly crashes, which makes people sick (8)
26 Sweet scent of feeding bottles (6)
27 Break in travel at sea (8)

DOWN
1 Track down uprising in Wilts (6)
2 7's work helped town after disaster (5,3,3,4)
3 2's gunfire ends around noon (5)
4 2's hero has stone jewellery (7)
6 Swan necessary for 2's hunters (9)
7 Forgive porkies spread about European composer (6,9)
8 Among fancied teams, university cricket club does well (8)
11 2's villain with no hair after losing head (4)
15 Under evaluation at home, electronic digestion mechanism (9)
17 New article about 2's cat (8)
19 Empty award for 2's duck (4)
20 Fool in favour of 2's grandfather (7)
21 Cat is one writer's obsessed about (6)
23 Oddly fill up the bird in 2 (5)

Solution 16,492