FINANCIAL TIMES

THURSDAY 4 JUNE 2020 | WORLD BUSINESS NEWSPAPER | USA $2.50 Canada C$3.00

Food fight
The twin blows driving Britain into the 'hungry gap' — BIG READ, PAGE 13

Looking ahead
Are we heading for a depression or V-shaped recovery? — OPINION, PAGE 15

Island mentality
Migrant cases force Singapore to face stark truths — NOTEBOOK, PAGE 14

Pentagon chief splits with Trump over putting troops on the streets

- Esper opposes using 1807 act
- Floyd protests largely peaceful
- Church visit criticised

KATRINA MANSON AND DEMETRI SEVASTOPULO — WASHINGTON

Mark Esper said he would prefer the National Guard, pictured in Washington, to assist police Manuel Balce Ceneta/AP

The US defence secretary opened a rift with Donald Trump saying he did not agree with the president about sending the army on to the streets to clamp down on the protests that have erupted across America since the death of George Floyd.

"The option to use active duty forces in a law enforcement role should only be used as a matter of last resort, and only in the most urgent and dire of situations," said Mark Esper, a West Point graduate and former soldier. "We are not in one of those situations."

He said the National Guard was "best suited" to help local law enforcement tackle protests.

Mr Esper and General Mark Milley, chairman of the joint chiefs of staff, have faced criticism this week for accompanying Mr Trump to a church near the White House where the president posed for photographs while holding a Bible. Law enforcement officers used pepper spray on peaceful protesters to clear a path for the president.

Minutes before Monday's stunt, Mr Trump warned governors he would use the Insurrection Act of 1807 to deploy the military in their states if they did not quell the protests.

"I do not support invoking the Insurrection Act," Mr Esper said yesterday.

Mr Trump has since Monday repeatedly told governors to call up more National Guard in response to widespread protests and has threatened to send in troops if they do not take a tougher stance.

The National Guard is a reserve of 450,000 citizen-soldiers who serve on a part-time basis, are trained in disaster response and supporting civilian authorities and report to governors. Active-duty troops report through the regular military chain of command.

Several hours before Mr Esper held his news conference, Mr Trump tweeted "LAW & ORDER".

The Insurrection Act was last invoked in 1992 after four police officers were acquitted of charges in connection with the brutal beating of Rodney King, a black man, in Los Angeles.

The effort by Mr Esper to distance himself from Mr Trump came after largely peaceful protests continued across the US over Floyd's suffocation by a Minneapolis police officer. While demonstrators in some cities did not adhere to curfews, there were far fewer incidents of looting or destruction of property.

The Pentagon on Tuesday evening announced that 1,600 soldiers from North Carolina and New York had been moved to the Washington DC region and were on "heightened alert status".

Mr Esper and Gen Milley have been criticised by former defence officials for appearing to allow Mr Trump to politicise the military. Mike Mullen, a retired admiral who was chairman of the joint chiefs under George W Bush and Barack Obama, on Tuesday said he had been "sickened" to see security personnel "forcibly and violently" clear a path for Mr Trump.

"Whatever Trump's goal in conducting his visit, he laid bare his disdain for the rights of peaceful protest in this country, gave succour to the leaders of other countries who take comfort in our domestic strife."

In a rare rebuke by a former senior uniformed officer, Mr Mullen added that Mr Trump had "risked further politicising the men and women of our armed forces".

News & analysis page 3

> If Donald Trump wants the US to bed down for an indefinite struggle against China, he must know that it cannot also be so nakedly at odds with itself

Janan Ganesh
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Briefing

▸ Pandemic takes toll on Europe's jobs
The seven-year labour market recovery has been halted as unemployment rose across the region to 6.6 per cent and reached a four-year high in Germany.— PAGE 2; OPINION, PAGE 15

▸ Axa defies regulators to pay dividend
The insurer has said it plans a payout, despite April calls from French and EU watchdogs to hold fire. Chief executive Thomas Buberl said the board's decision was a balanced approach.— PAGE 5

▸ Lufthansa admits wider aim of bailout
Chief Carsten Spohr has admitted the €9bn package from Berlin exceeds the airline's requirements for survival and is designed to ensure it keeps its global "leading position".— PAGE 6; MICHAEL O'LEARY, PAGE 15

▸ Blavatnik gains to the tune of $1.9bn
Warner Music owner Len Blavatnik has cashed in part of his music industry investment with the sale of shares in the biggest US initial public offering of the year.— PAGE 5

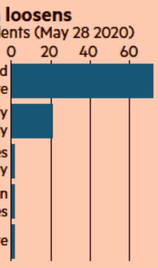
▸ US threatens Chinese airline ban
The White House has said it will ban carriers flying to and from the US unless Beijing relaxes rules that prevent American carriers from operating between the two countries during the pandemic.— PAGE 3

▸ Australia's growth run poised to end
Economists have said a combination of the Covid-19 pandemic and the fierce bushfires that swept the country's east coast in January will almost certainly end the 29-year run without recession.— PAGE 4

▸ Tui agrees €300m Boeing deal over 737
Europe's biggest tour operator has reached a deal over compensation for the grounding of the jet maker's 737 Max fleet, giving a much-needed cash boost to the struggling holiday company.— PAGE 5

Datawatch

Lockdown loosens
% of respondents (May 28 2020)



Source: YouGov

One in five Britons say they now follow lockdown rules less strictly, with a third citing as a reason the storm over prime ministerial aide Dominic Cummings, whose 260-mile trip to visit family was widely seen as a breach

Admission over death toll fuels debate in Sweden

The creator of Sweden's no-lockdown policy has made a striking admission that more curbs would have avoided a high death toll in the pandemic. State epidemiologist Anders Tegnell has for months criticised other nations' rules, insisting Sweden's approach was more sustainable. But rising doubts were fuelled when Denmark and Norway decided not to include the country in their open-border pact. The Swedish death rate is 10 times Norway's.
Analysis ▸ PAGE 2

HSBC risks Hong Kong backlash after publicly backing Beijing's security law

PRIMROSE RIORDAN — HONG KONG

HSBC has come out in support of China's plan to impose a national security law on Hong Kong, risking a backlash from pro-democracy advocates in the territory and political criticism in its UK base.

The London-listed bank used a carefully worded post on Chinese social media platform WeChat to reveal that Peter Wong, chief executive of its Asian businesses, had signed a petition in support of the laws.

"We reiterate that we respect and support laws and regulations that will enable Hong Kong to recover and rebuild the economy and, at the same time, maintain the principle of 'one country, two systems'," the post said.

HSBC confirmed the contents of the post but declined to comment further.

The bank, which books the vast majority of its profits in Hong Kong, had come under pressure to back the law, intended to prevent "subversion" in the territory. Leung Chun-ying, a former Hong Kong chief executive, called on the lender last week to declare its support. "HSBC has been enjoying unique privileges in Hong Kong which should not be taken for granted," he said.

Nevertheless, the move is likely to be contentious with parts of HSBC's Hong Kong customer base, who see the law as a threat to the framework enshrined when the UK handed it back to China.

Ip Kwok-Him, a delegate to China's parliament, the National People's Congress, said HSBC should take a stance on the laws. "As a bank which prints banknotes in Hong Kong, they should express themselves," he said.

The decision is also likely to cause dismay in London. The UK has opposed the law, with Boris Johnson, the prime minister, saying yesterday that if it came into effect, Hong Kongers with British National (Overseas) passports would have greater access to British visas.

Swire and Jardine Matheson, two British colonial-era trading houses, have backed the security law.

In an interview with the Financial Times, Kentaro Okuda, chief executive, said Nomura was "seriously" examining the scale of its operations in Hong Kong as the political climate meant the territory was "not the same as it used to be".

The Japanese investment bank has made no decision yet. Senior executives in the sector have said they are prepared to "stomach" Beijing's new security law.

Ban on Tiananmen vigil page 4
Nomura reviews Hong Kong unit page 6
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No: 40,417 ★

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

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World Markets

STOCK MARKETS

	Jun 3	prev	%chg
S&P 500	3117.03	3080.82	1.18
Nasdaq Composite	9669.19	9608.38	0.63
Dow Jones Ind	26160.54	25742.65	1.62
FTSEurofirst 300	1435.64	1399.62	2.57
Euro Stoxx 50	3267.89	3159.02	3.45
FTSE 100	6382.41	6220.14	2.61
FTSE All-Share	3531.75	3442.46	2.59
CAC 40	5022.38	4858.97	3.36
Xetra Dax	12487.36	12021.28	3.88
Nikkei	22613.76	22325.61	1.29
Hang Seng	24325.62	23995.94	1.37
MSCI World $	2187.09	2163.92	1.07
MSCI EM $	967.48	951.48	1.68
MSCI ACWI $	520.06	514.18	1.14

CURRENCIES

	Jun 3	prev		Jun 3	prev
$ per €	1.122	1.118	£ per $	0.794	0.796
$ per £	1.260	1.256	€ per £	1.123	1.123
£ per €	0.891	0.891	¥ per €	122.096	121.431
¥ per $	108.825	108.585	£ index	77.526	77.319
¥ per £	137.082	136.350	SFr per £	1.212	1.206
SFr per €	1.079	1.074			
€ per $	0.891	0.894			

COMMODITIES

	Jun 3	prev	%chg
Oil WTI $	36.43	36.81	-1.03
Oil Brent $	39.16	39.57	-1.04
Gold $	1742.15	1730.60	0.67

INTEREST RATES

	price	yield	chg
US Gov 10 yr		0.75	0.08
UK Gov 10 yr		0.27	0.05
Ger Gov 10 yr	104.16	-0.36	0.06
Jpn Gov 10 yr		0.01	0.00
US Gov 30 yr	129.09	1.54	0.07
Ger Gov 2 yr	104.90	-0.64	0.03

	price	prev	chg
Fed Funds Eff	0.05	0.65	-0.60
US 3m Bills	0.15	0.14	0.01
Euro Libor 3m	-0.37	-0.35	-0.02
UK 3m	0.24	0.21	0.03

Prices are latest for edition — Data provided by Morningstar

A Nikkei Company

CORONAVIRUS ROUND-UP

Run-off expected as Poland moves presidential election to June 28

Poland has rescheduled its presidential election for June 28, after the coronavirus pandemic made it impossible to vote on the original date of May 10.

Voters will be able to choose whether to vote in person or by post. If no candidate wins more than 50 per cent of the vote, a run-off will be held on July 12.

Polls suggest incumbent Andrzej Duda, an ally of the ruling Law and Justice party, is likely to win the most votes in the first round, but with less than 50 per cent.

German government leaders fail to make progress on second stimulus

Negotiations over a second German stimulus have been inconclusive, as government leaders struggled to resolve differences over how to distribute an expected €80bn-€100bn.

After a €750bn stimulus package in March, Chancellor Angela Merkel's government is trying to further protect employees and companies from further economic shocks. About 60 to 70 measures are being debated, said German news agency DPA.

Palestinians return to mosques

A Palestinian boy takes part in noon prayers in Gaza City yesterday as authorities allowed mosques to reopen.

Italy contraction eases ahead of tough second quarter but job losses intensify

The contraction in Italian activity eased in May with the lifting of the lockdown but the economy is on course for decline in the second quarter.

The IHS Markit services purchasing managers' index for Italy rose to 28.9 last month from 10.8 in April, a survey low.

According to the survey, Italy's job cuts continued, with staff numbers falling at the second-fastest rate on record.

Modi comes under fire as India's caseload climbs above 200,000

India's confirmed coronavirus caseload has exceeded 200,000 infections — the seventh highest in the world — amid growing criticism from public health professionals over prime minister Narendra Modi's handling of the pandemic.

The country's 207,000 confirmed infections put its outbreak just below Spain and Italy. The official death toll of 5,829 is still much lower than other countries with similar caseloads. About 99,000 of those infected with the virus in India have recovered.

Cases so far:

6,425,284

and 381,528 deaths by 5.30pm BST on June 3

Source: Johns Hopkins University, CSSE

Read more at ft.com/coronavirus

Labour market

Pandemic leads to Europe jobless rise

Disruption raises levels of unemployment but EU fares much better than US

MARTIN ARNOLD — FRANKFURT
VALENTINA ROMEI — LONDON

Europe's seven-year-long labour market recovery has been abruptly curtailed by the economic disruption caused by the pandemic, which has pushed up unemployment across the region and sent it to a four-year high in Germany, figures yesterday showed.

The EU's jobless rate rose to 6.6 per cent in April, from a 12-year low of 6.4 per cent the previous month, according to Eurostat, its biggest rise for several years, increasing the number of unemployed by 241,000. In the eurozone, the rate rose to 7.3 per cent from 7.1 per cent.

But April's figures were better than expected; economists asked by Reuters had predicted that unemployment across the region would hit 8.2 per cent.

Economists said the data show that state-subsidised furlough schemes have shielded the EU labour market from the crisis, in contrast to the US, where the jobless rate has risen from near-record lows of 3.5 per cent to 14.5 per cent.

"The remarkably small increase in unemployment in the eurozone reflects the success of the government job subsidy schemes and an exodus from the labour force in Italy," said Andrew Kenningham at Capital Economics.

More than 40m across Europe have enrolled in the schemes, in which much of their wages are paid by government while they are sent home, protecting jobs by allowing companies to temporarily idle employees at state expense.

The unemployment rate may also have been reduced as people were not able to seek work or gave up on their job hunt during the lockdowns, meaning they would be classed as inactive rather than unemployed, economists said.

"The participation rate very likely declined since the start of the year, therefore the fall in employment will probably be much bigger than the drop seen in unemployment," said Nicola Nobile at Oxford Economics.

Total employment in Italy fell by 274,000 between March and April, but its unemployment rate also came down from 8 to 6.3 per cent. That reflected a 746,000 rise in the number of economically inactive people, pushing the inactivity rate up from 36.1 to 38.1 per cent.

Other data yesterday showed jobless numbers in Germany rose by a seasonally adjusted 238,000 between April and May, increasing the unemployment rate in Europe's biggest economy from 5.8 to 6.3 per cent, its highest since 2016.

'The remarkably small increase in the eurozone reflects the success of the government job subsidy schemes'

Germany's federal employment agency said "demand for new workers has dropped massively" due to the pandemic after 584,000 vacancies were registered with jobcentres in May, down 208,000 on a year ago. It said the number applying for *Kurzarbeit*, its short-term leave scheme, increased by a little more than 1m in May, on top of the 10.7m who applied in March and April.

"But that doesn't mean that these people will all end up working short-term," it added.

The slowdown in the number of new applications reflects a broader reduction in the pace of the contraction across the bloc. Economic activity indicators for the services sector in Italy and Spain showed yesterday that the sharp downturn since the onset of the pandemic had begun to ease, although both countries are still on course for a substantial shrinkage in the second quarter.

Scandinavia. Covid-19

Swedish virus expert admits mistakes

Scientist behind the 'lighter lockdown' agrees extra curbs could have cut death toll

RICHARD MILNE
NORDIC AND BALTIC CORRESPONDENT

The architect of Sweden's controversial lighter lockdown policy for dealing with coronavirus has for the first time conceded the country should have imposed more restrictions to avoid such a high death toll.

Anders Tegnell, Sweden's state epidemiologist, agreed with the interviewer on Sveriges Radio that too many people had died in the country.

"If we would encounter the same disease, with exactly what we know about it today, I think we would land midway between what Sweden did and what the rest of the world did," said Mr Tegnell in the interview broadcast yesterday.

Mr Tegnell's admission is striking as for months he has criticised other countries' lockdowns and insisted Sweden's approach was more sustainable, despite heavy international scrutiny of its stubbornly high death toll.

Sweden's centre-left government on Monday said it would appoint a commission to investigate the country's approach to coronavirus before the summer, bowing to pressure from opposition politicians.

The public mood in Sweden appears to have shifted since neighbouring Norway and Denmark last week opened their borders to each other but not their close neighbour. Sweden has reported a much higher death toll relative to its population size than Norway.

Mr Tegnell said in the interview: "There is quite obviously a potential for improvement in what we have done in Sweden. It would be good to know exactly what to close down to better prevent the spread of the virus."

He added that because nearly all other European countries locked down suddenly, it was difficult to know which measures worked best. Sweden kept its schools for under 16s open, a policy that health authorities in Norway and Denmark now think wise. It also kept its borders open to European visitors and relied on public co-operation rather than formal rules for social distancing.

Dining out: Sweden's restaurants remain open but Anders Tegnell, state epidemiologist, below, now says restrictions could have been tougher — Jonathan Nackstrand/AFP/Getty

Mr Tegnell insisted Sweden's strategy was still good and that it would stick to it, though he conceded there was always room for improvement.

The Swedish public has strongly backed Mr Tegnell's approach but politicians and diplomats said they sensed a change in mood in recent days. "Every week that goes by, the public discussion grows about the measures that have been taken or not," said Hans Wallmark, a centre-right opposition MP.

He said the public were dismayed by three things: the high death toll in care homes that makes many people "almost ashamed"; the failure to deliver a mass testing scheme for Covid-19; and the closed borders for Swedes. "All those things are leading to a more critical discussion among Swedes," he added.

A former senior Swedish diplomat said: "We have had a very deep and intimate Nordic co-operation in a great many aspects. People are not very happy that our close Nordic neighbours are closing their borders to us, and they are feeling worried and concerned that our strategy seems to have led to the worst kind of results."

Sweden's diplomatic isolation in the Nordics has coincided with a more critical tone from Swedish media.

"In the short run, it might be fair to say that Sweden is isolated. The general tone of people and the press is that they are more critical. The general public is waking up to the fact that neighbouring countries and others are critical," said a European diplomat in Stockholm.

Sweden has had 4,468 Covid-19 deaths, whereas Denmark and Norway, each with about half their neighbour's population, have had 580 and 237, respectively. Both Copenhagen and Oslo said the higher infection rate in Sweden was behind their decision not to open their borders to Swedes.

Carl Bildt, the former centre-right Swedish prime minister, said: "It is disturbing that Swedes are considered somewhat more unsafe than others in our part of Europe." He pointed to particular anger in the southern region of Skane, which is connected to Denmark by the Oresund bridge from Malmo to Copenhagen and where the infection rate is far lower than in Stockholm.

"I guess they feel to be punished for policies decided in a faraway capital up north," Mr Bildt added.

Sweden has open borders to all EU and Norwegian citizens, and thousands of Danes streamed over the bridge to visit their summer cottages in Skane this Whitsun weekend.

Mette Frederiksen, Denmark's prime minister, has said her country is in talks to look at opening up to individual Swedish regions such as Skane, while Oslo is also holding talks with Stockholm about a potential opening up.

Mr Wallmark, whose constituency is in Skane, said Swedes in border regions took the closed frontiers personally.

"The risk is that it feeds a feeling that we need countermeasures against them," he said. "People are saying, especially in my constituency, 'If we can't go to Copenhagen, then why can the Danes come to Malmo?' In the long run, it's a really bad sentiment that goes against deepening co-operation and trust in the Nordic region."

See Editorial Comment

FINANCIAL TIMES
330 Hudson Street,
New York, NY 10013

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Tel: +1 800 628 8088
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Advertising
Tel: +1 917 551 5040
usads@ft.com
Letters to the editor
letters.editor@ft.com
Executive appointments
www.exec-appointments.com

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

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

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

Latin America

Scientists probe low number of cases in high-altitude cities

GIDEON LONG — BOGOTA
CAMILLA HODGSON — LONDON

Scientists are investigating links between coronavirus cases and high altitude, after a study suggested that those living well above sea level were more resistant to the virus than lowland dwellers.

Bolivian researchers are seeking to understand why La Paz, the country's capital at 3,600 metres above sea level, has suffered relatively few virus fatalities, while its low-lying second city, Santa Cruz, and the surrounding province have been hammered.

One reason could be that those living at altitude have developed a resilience to the low levels of blood oxygen that the virus can cause, a condition known as hypoxia. Mountaineers who are not acclimatised to oxygen-thin air can suffer the same problem, but people who are used to living high above sea level have adapted.

"At sea level, when people get coronavirus and their lungs get destroyed, it is as if they are climbing Mount Everest in just a couple of days, without oxygen," said Gustavo Zubieta-Calleja, director of the country's High Altitude Pulmonary and Pathology Institute, and one of the authors of the study published in the journal Respiratory Physiology & Neurobiology.

But "the low rate of infection in Bolivia's high-altitude population is remarkable and clearly does not follow the often exponential infection rates reported in many countries", the scientists concluded.

The Bolivian team is one of thousands around the world who are racing to understand a virus that has officially killed more than 356,000 people and how exactly it affects the human body.

Mr Zubieta-Calleja suggested treating virus patients with erythropoietin (EPO), a naturally occurring hormone that stimulates the growth of oxygen-carrying red blood cells, which some athletes use to improve performance although it is now banned in professional sport. When people move to higher altitudes, their EPO levels rise as the body responds to the oxygen-thin air.

But others urged caution and warned against drawing conclusions too early and promoting unproven treatments.

Andrew Luks, professor of medicine at the University of Washington, said that while the proposed link was "intriguing", it "by no means establishes that high-altitude residence or high-altitude locations are protective against coronavirus". EPO was also linked to an increased risk of blood clots, he added.

A paper responding to the original study pointed out that during previous pandemics, such as the 2009 Mexico flu outbreak, "high-altitude residence was linked to more adverse outcomes". Another response said it was premature to draw any conclusions without further interrogation of "social, demographic, risk factors or health variables".

Thin air: a woman walks through La Paz, 3,600 metres above sea level

Limited testing capacity in Bolivia means the true infection and death rates are not fully known. According to official data, La Paz and its surrounding area have 507 confirmed virus cases and 28 deaths. Bolivia's other highland provinces show similarly low numbers.

By contrast, Santa Cruz, 400 metres above sea level, and the surrounding province have 6,711 confirmed cases and 149 deaths. The province is home to 15 per cent of Bolivia's population but accounts for two-thirds of its virus cases and almost half its deaths.

A similar pattern can be discerned in Ecuador, where the epicentre of the virus outbreak has been the port city of Guayaquil.

There have been far fewer cases in the capital city, Quito, which is roughly the same size but is 2,800 metres above sea level.

But there are exceptions to the rule. Colombia's capital, Bogotá, at 2,600 metres above sea level, is home to about a fifth of the country's population but accounts for a third of all its coronavirus cases.

INTERNATIONAL

US-style crisis unlikely in EU, says top official

Schinas widens gulf between Europe and Trump over police brutality and race relations, but risks charge of hubris

MICHAEL PEEL AND SAM FLEMING
BRUSSELS

European countries would never call on the military to crack down on domestic protests and have avoided the police brutality and racism seen in the US, a top Brussels official has claimed, in a sign of widening divisions between the EU and US president Donald Trump.

Margaritis Schinas, a European Commission vice-president charged with promoting Europe's "way of life", said events such as the killing of African-American George Floyd, and protests against it, were "not likely . . . to happen in Europe at this scale".

"I do not think that we have issues now in Europe that blatantly pertain to police brutality or issues of race transcending into our systems," Mr Schinas said. "But we do have an issue in Europe, which is the issue of inequalities and income distribution — making the best for everyone of what we have."

Mr Schinas's remarks highlight European tensions with the Trump administration. They are also likely to stoke debate about Europe's record on racism and human rights. The Floyd killing and its fallout have sparked demonstrations in European states too, with some protesters pointing to cases of alleged police violence in their own countries.

Mr Schinas said Europeans, while not complacent, were "world champions" on human rights and took care of minority groups.

Asked if he agreed with Mr Trump's calls for troops to quell protests, he said he was not a "seasoned observer or expert on American politics or institutions". But he added that calling out the military in such circumstances was "not the European way of life". "What I can say is that in Europe we keep our armies only for our foreign enemies," he said.

Mr Schinas's comments echo expressions of alarm over events in the US made by other European leaders. Josep Borrell, the EU's foreign policy chief, has said the bloc is "shocked and appalled" by the "abuse of power" revealed in the Floyd killing.

But the rhetoric from Europe has also triggered warnings of hubris, given high-profile deaths involving police on the continent and wider concerns about the slide into authoritarian government in countries such as Hungary.

In France, some demonstrators who protested on Tuesday against Floyd's death compared it to the case of Adama Traoré, who died in custody north of Paris in 2016. An internal police probe last week exonerated the police.

European countries have also faced multiple claims of violence at their frontiers against migrants trying to enter the bloc. A detailed media investigation last month raised the question of whether Greek security forces had shot dead Muhammad Gulzar, a Pakistani man, at the border with Turkey in March. Athens called the reports "fake news".

> 'In Europe we keep our armies only for our foreign enemies'
> Margaritis Schinas

Mr Schinas said "legitimate concerns" had been raised about Mr Gulzar's death, including by a group of 100 MEPs who had written to the commission about it. But he said he also took note of the Greek government's denials, adding: "I would hope that all these circumstances would be clarified."

Mr Schinas has also been trying to lay to rest controversy over his own job, which the commission originally announced would be named vice-president for "Protecting Our European Way of Life". Critics said this echoed the anti-migrant rhetoric of the far-right. His duties have since been tweaked to "Promoting Our European Way of Life", a portfolio whose responsibilities include migration, internal security, education, religion, culture and sport.

Mr Schinas said he hoped the pandemic would open the way for the EU to end years of division and "crisis management" on migration policy with a new deal founded partly on a beefed-up bloc border force and the speeding up of the return of rejected asylum-seekers.

He said commission proposals could come this month to capitalise on what he described as a new spirit of co-operation kindled by the health emergency.

The proposals face significant potential obstacles — notably resistance from Mediterranean states unhappy at the unwillingness of some other countries to take in asylum-seekers during and after the migrant crisis of 2015-16.

The EU has since toughened its external frontier, triggering condemnation from campaigners that it is relying on bodies credibly accused of abuses, such as the Libyan coastguard, to keep migrants out of "Fortress Europe".

Janan Ganesh see Opinion

US economy. Racial inequality

Wealth gap remains wide for African-Americans

Net worth of a typical black family is 10 times less than a white family, one study shows

JAMES POLITI — WASHINGTON

The mass protests that have gripped the US after George Floyd's death in Minneapolis last week have been centred on outrage at police brutality and racial injustice targeting black communities.

But they have also been underpinned by frustration that African-Americans still suffer from a large economic gap compared with the rest of the country when it comes to wealth, income and wages, even after the longest US expansion on record and despite record-high pre-pandemic stock markets.

"What we have experienced since the last recession is that those disparities were not minimised, we did not see systematic improvement in people's economic wellbeing, and we are seeing some of the ramifications of this now," said Amanda Cage, chief executive of the National Fund for Workforce Solutions, who has worked for years to help distressed neighbourhoods in the south of Chicago.

On Tuesday afternoon, President Donald Trump touted his record on economic issues affecting black communities in a tweet, saying he had done "more" for them "than any president since Abraham Lincoln", citing a scheme to foster investment in low-income neighbourhoods, the passage of criminal justice reform, and low unemployment, poverty and crime.

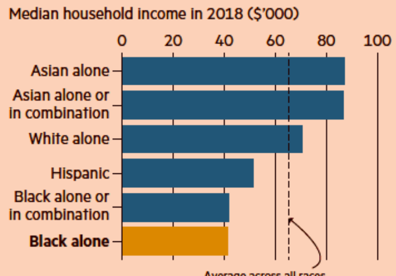
Yet many economists describe the past 10 years as the US recovered from the great recession as a missed opportunity. African-American households are still disproportionately reliant on low-wage labour, under-represented in business and equity ownership, and unable to share in many of the gains happening elsewhere. That is on top of endemic concerns about lack of access to quality healthcare, housing and education.

"The recovery gave precedence to capital over labour," said Dania Francis, assistant professor of economics at the University of Massachusetts in Boston.

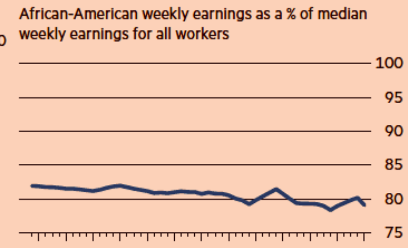
"Even though profits may have been going up, we saw stagnant wages," she added.

Racial divide: a man walks by a store with 'Black Owned' signs in Los Angeles on Sunday
Valerie Macon/AFP/Getty Images

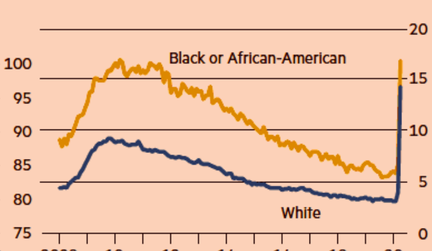
Black income is just over half that of white households
Median household income in 2018 ($'000)



No progress in closing the racial earnings gaps
African-American weekly earnings as a % of median weekly earnings for all workers



Unemployment rates compared
Per cent



Sources: US Census Bureau; US Bureau of Labor Statistics

In 2018, the median household income for a black family was $41,361, having grown by 3.4 per cent over the previous decade, based on US Census Bureau data.

This compared with a median income of $70,642 for non-Hispanic white families in 2018, which had grown by 8.8 per cent since the 2008 crisis.

According to a report in February by the Brookings Institution, a Washington think-tank, the net worth of a typical black family in 2016 was $17,150, while the equivalent figure for a white family was 10 times greater at $171,000, leading its authors to conclude that American society "does not afford equality of opportunity to all its citizens".

"In terms of catching up [on wealth and income] there's still a long way to go," said Gerald Daniels, assistant professor of economics at Howard University in Washington.

"There's a lot of unrest in general, with economic instability, due to inequality," he added.

Ms Cage highlighted the lack of economic progress in some black communities vividly last October at an event hosted by the Federal Reserve, when she described unemployment in South Side neighbourhoods such as Englewood and Fuller Park as exceeding 15 per cent, even when national joblessness was hovering around 4 per cent.

Those conditions have been dramatically exacerbated by the pandemic, she told a similar US central bank event two weeks ago. Many workers had been laid off and small businesses shuttered, while those who did retain jobs were in frontline positions that exposed them to health risks, at a time when the virus itself was disproportionately spreading in low-income neighbourhoods.

"These workers are facing a difficult equation, risking their physical health or making ends meet," Ms Cage said.

"And it isn't a hypothetical question for these folks. If you live in a black neighbourhood in Chicago, you know someone who has died from coronavirus."

> 'In terms of catching up [on wealth and income] there's still a long way to go'

Floyd's death was another devastating blow on top of all these factors. "I don't think you can separate some of the economic disparities from health disparities . . . then layered on top this feeling of powerlessness in the face of government, and in this case government being police," said Prof Francis.

"These things are inextricably linked."

In the near term, a big question in terms of economic support for such neighbourhoods is whether Congress and the White House will agree on a new round of cheques for households, on top of the $1,200 per individual earning less than $75,000 per year already sent.

There is also a debate on Capitol Hill about the fate of federal unemployment benefits worth $600 a week introduced as part of a $2.2tn pandemic stimulus package, which runs out in July.

Democrats want to extend them, but Republicans and the White House are resisting as it may thwart a return to work.

The current crisis may spur debate about deeper and more controversial policy changes to address the economic disparity suffered by black communities.

Some lawmakers, activists and economists have been pushing for slavery reparation payments to black households, as well as so-called baby bonds, which would be savings instruments for every child, and wage guarantee schemes that would help workers have some economic stability. All would be a huge political lift.

"There are structural inequalities that are responsible for a lot of disparities we see today, and any solution that doesn't address those is not going to be successful," said Prof Francis.

Even so, Ms Cage said that thinking about "racial equity" in the labour market, the "racial dynamics of unemployment", and "occupational segregation", plus ways to recognise that blacks often hold some of the riskiest but essential low-wage jobs, was likely to be much more pervasive during this crisis, after being "absent" during the past one.

"The world has changed," she said. "There will be more attention paid to that."

Coronavirus fund

Illinois set to ask Federal Reserve for $1.2bn

ERIC PLATT — NEW YORK
JAMES POLITI — WASHINGTON

Illinois is set to become the first US state to ask the Federal Reserve for emergency funding, planning to borrow $1.2bn from the central bank to plug a financing gap created by the coronavirus pandemic.

The cash-strapped government, which faces more than $130bn of unfunded pension liabilities, said it was finalising plans to pay 3.82 per cent for the one-year loan after a delay in tax collections created a budget shortfall.

The state said that the transaction would be finalised tomorrow, and it would repay the loan by next June.

"The Federal Reserve Bank worked closely with our team to make this transaction possible through the Municipal Liquidity Facility, which is an important tool the state is using to answer the unprecedented economic challenges posed by the Covid-19 pandemic," said Alexis Sturm, the director of the Illinois governor's Office of Management and Budget.

The Fed's loan to Illinois will be its first under the Municipal Liquidity Facility, a $500bn scheme set up under the coronavirus stimulus legislation agreed by Congress and the White House in March to reduce the impact of the pandemic on the US economy.

The US central bank has traditionally baulked at direct support for states and local governments, but officials had been growing increasingly concerned about strains in the municipal debt markets as well as the struggling finances of local authorities.

"This was designed to be a stop gap," said Peter Hayes, head of municipal bonds at BlackRock. "It is not a long-term fix by any means. It is meant to address the big shortfall in [states'] revenues. When you think about the big downturn in revenues that have occurred, every state is under pressure."

Illinois cities such as Chicago will benefit from the emergency loan

The Fed's facility, which is backed by equity from the Treasury department, is considered especially important now given that talks on Capitol Hill on a government deal to provide direct aid to states and local governments are stalled; Democrats support the idea but Republicans resist it.

President Donald Trump flagged his scepticism of bailouts for states in April, saying he questioned the need to help "poorly run" states governed by Democrats, such as Illinois. Jay Pritzker, the Illinois governor, retorted that his state would have posted a budget surplus in the absence of Covid-19.

"To the extent that we're talking about the federal government providing funding for states, all states need it," Mr Pritzker added. "Coronavirus has blown a hole in all state budgets across the country. There isn't a single state that doesn't need support."

Air transport dispute

US vows to bar Chinese passenger airlines

KIRAN STACEY — WASHINGTON

The Trump administration has said it will ban Chinese passenger airlines in and out of the US later this month unless Beijing relaxes restrictions on American airlines.

The transportation department said yesterday it would block any scheduled passenger flight by a Chinese carrier from June 16, in an escalation of the countries' tussle over which flights should be allowed during the pandemic.

"Currently, four Chinese carriers and no US carriers operate scheduled passenger flights between the US and China," the department said. US carriers have asked to resume passenger service from June 1.

"The Chinese government's failure to approve their requests is a violation of our air transport agreement," it added.

The department said that if Beijing allowed carriers such as Delta Air Lines and United Airlines to China, it would be "fully prepared to revisit the action".

But it also said the department could enact the ban sooner than June 16 if President Donald Trump so ordered.

The row stems from an order announced in March by the Chinese aviation regulator, which limited scheduled passenger flights to China by foreign carriers. At the time, governments were shutting down international travel to slow the spread of coronavirus.

The order deemed set capacity based on the international flight schedule as of March 12, by which point US passenger airlines had already stopped flying in and out of China.

The spat over routes is the latest sign of how the pandemic has exacerbated Sino-US tensions, alarming investors, who cite deteriorating relations between the superpowers as the biggest threat to an economic and market recovery.

Mr Trump has repeatedly blamed China for the disease, which originated in Wuhan, and last week announced he was terminating the US relationship with the World Health Organization, which he has accused of being a "puppet of China".

His administration has also announced a fresh round of sanctions on Chinese company Huawei, and the US Senate has passed a bill that would force companies to delist from US stock exchanges if they do not comply with American regulatory requirements, something that could hit Chinese companies in particular.

Last month, Delta and United both said they intended to resume some flights to China, but have so far not been allowed to do so.

According to the US transportation department, the Chinese aviation regulator wrote to the US in May defending the continuation of its March order. According to the department, the Chinese letter said the measures were fair as they "equally apply to all domestic and foreign carriers, being fair, equal and transparent".

The transportation department pointed out: "The department will continue to engage our Chinese counterparts so both US and Chinese carriers can fully exercise their bilateral rights.

"In the meantime, we will allow Chinese carriers to operate the same number of scheduled passenger flights as the Chinese government allows ours," it added.

Contraction

Virus hits Australia's record growth run

First recession in 29 years looms but state support will help, economists say

JAMIE SMYTH — SYDNEY

Australia is facing its first recession in almost 30 years after bushfires and the coronavirus pandemic caused the economy to contract during the first quarter.

Gross domestic product fell 0.3 per cent in the three months to the end of March compared with the previous quarter, according to the Australian Bureau of Statistics.

The economy took a hit after bushfires swept across Australia's east coast in January, and were followed in March by the start of "social distancing" rules and travel bans aimed at suppressing the spread of the virus.

But the full impact of the Covid-19 shutdown is expected to be felt only in the second quarter of 2020. Last month Canberra forecast the economy could shrink by as much as 10 per cent, because of temporary closures of businesses, schools and some government services.

Official confirmation that Australia has suffered two consecutive quarters of contraction — the technical definition of a recession — will not occur until September. But economists said the pandemic would now almost certainly end Australia's record-breaking run of 29 years without recession.

In the 12 months to the end of March, annual growth slowed to 1.4 per cent, the weakest result in more than a decade, owing mainly to a 1.1 per cent fall in household consumption, which makes up almost 60 per cent of the economy.

Bruce Hockman, ABS chief economist, said: "This was the slowest through-the-year growth since September 2009, when Australia was in the midst of the global financial crisis, and captures just the beginning of the expected economic effects of Covid-19."

Sarah Hunter, economist at BIS Oxford Economics, said that Australia's success in handling fallout from the Covid-19 crisis and the roll out of government support packages worth tens of billions of dollars would reduce the economic damage.

BIS Oxford Economics forecast a peak to trough fall in GDP to be "significantly less than 10 per cent", which would be a better outcome than many other developed nations.

Optimism about the economic recovery has driven a surge in the value of the Australian dollar, which hit a five-month high of 69.83 US cents shortly before the ABS released the GDP data. It later fell back to 69.45 US cents.

Josh Frydenberg, Australia's treasurer, said the economy was already in recession based on government advice.

'The average fall [in GDP] across the OECD is six times what we have seen here in Australia'

But he also said the small contraction in the face of a "one-in-100-year" global pandemic showed that the Australian economy had been "remarkably resilient".

"The average fall [in GDP] across the OECD is six times what we have seen here in Australia," he added.

There have been only 102 deaths from Covid-19 in Australia, with just a few new cases reported daily, mainly from returning travellers. This has allowed most states to relax social distancing restrictions, enabling restaurants, bars and even gyms to reopen this week.

Philip Lowe, governor of the Reserve Bank of Australia, said this week the economy had fared better than had initially been feared. "A stronger economic recovery is possible if there is further substantial progress in containing the coronavirus in the near term and there is a faster return to normal economic activity," he added.

National success. Covid battle

'Japan model' brings infections to heel

Cluster control strategy helped but timing mattered most of all, claim experts

ROBIN HARDING — TOKYO

Class act: pupils wear visors while back at school in Nikko yesterday
Carl Court/Getty Images

When Shinzo Abe ended a nationwide state of emergency last week with just 16,724 infections and 894 deaths from Covid-19, he could not resist bragging about the "Japan model" for handling coronavirus.

"In a characteristically Japanese way, we have all but brought this epidemic under control in the last month and a half," the prime minister declared. He lavished praise on the public but Mr Abe's remarks raised a question: what is this Japan model and could it work anywhere else?

Although there has been a surge in cases in Tokyo, understanding the reasons for Japan's relative success in controlling Covid-19 has global significance. After all, the country did not impose a compulsory lockdown and carried out little virus testing, two elements other nations regard as crucial.

Much public debate in Japan had turned on cultural factors, such as high standards of hygiene, obedience to government requests and even claims that the lack of aspirated consonants in the Japanese language reduces the spread of virus droplets. But local experts do not believe their country has any magic power to defeat the virus.

Instead they point to three more prosaic factors: a special contact-tracing strategy, early awareness that brought a positive reaction from the Japanese public and the timely declaration of a state of emergency.

Japan was hit early by the epidemic because of its close links to China. The country reported its first case on January 15 and its first domestic infection on January 28. In early February, at a time when most of the world was still treating Covid-19 as a Chinese problem, Tokyo handled an outbreak on the Diamond Princess cruise ship.

"Japan realised what was happening and started reacting before the virus took hold," said Satoshi Hori, an expert on infection control and a professor at Juntendo University. "It was a locational advantage."

Without any official instruction, the public began hand-sterilising, wearing masks and social distancing of its own accord.

"Everyone wore masks to protect themselves but the real effect was to reduce spreading by asymptomatic carriers of Covid-19," said Prof Hori. "It may have been luck but it did make a difference."

Japan used a particular approach to contact tracing. "Most other countries adopted what we call prospective tracing," said Shigeru Omi, head of the expert panel advising Mr Abe on the virus. "The cluster-based approach uses thorough retrospective contact tracing to identify common sources of infection."

In prospective tracing, the close contacts of a Covid-19 case are monitored so they can be quarantined if they show symptoms. Japan's approach also tries to find out where they were infected, be it a nightclub or a hospital, and then monitor people who visited that site.

Four out of five coronavirus patients do not infect anyone else, so Dr Omi said finding the superspreaders was a more efficient way to control the disease.

Kenji Shibuya, a public health expert at King's College London, said cluster control worked well until early March but eventually coronavirus began to circulate in Japan's big cities.

Slowing the outbreak's growth helped Mr Abe to declare a state of emergency at the right moment, when the number of cases was still manageable.

"If the decision had been made a week later, then the number of cases would have exploded," said Prof Shibuya, comparing the timing of Japan's declaration with lockdowns in Italy and the UK.

The state of emergency did not force people to stay at home but many respected the plea. "Japan's mild lockdown seems to have had a real lockdown effect," he said.

Other countries might not have had the same level of compliance with a voluntary request, said Prof Hori.

Prof Shibuya said Japan's approach was not perfect and other Asian countries had done better. He said more testing was vital. "Because they lacked the tests, they couldn't prevent exponential growth in Tokyo and the big cities," he said. "It's obvious the virus is still circulating. The next wave will definitely come and and we need to prepare."

On Tuesday, the number of new cases in Tokyo rose to 34, the highest in two weeks.

Dr Omi acknowledged that Taiwan and South Korea had responded better than Japan but said that was due to their virus experience with Sars in 2003 and Mers in 2015. "Taiwan and Korea were hit. That alerted the country concerned." Japan had prepared, he said, but not to the same degree.

GLOBAL INSIGHT

WASHINGTON

Katrina Manson

US realises Five Eyes are better than one in dispute with China

When the US looked for allies to issue an international rebuke to Beijing's decision to impose national security legislation on Hong Kong, it did not turn to the G7 — but instead to English-speaking members of an intelligence alliance dating back to the 1940s.

Last week, Washington joined the UK, Australia and Canada to criticise Beijing for undermining the "one country, two systems" framework meant to determine Hong Kong's future for 50 years after its handover from British rule in 1997. The countries, which share a common language and history of UK rule, are members of the Five Eyes, an intelligence sharing organisation (the fifth member being New Zealand).

They form a small, agile club that has proved easier to co-ordinate than other multilateral groupings, a person briefed on the consultations said. After New Zealand said it "couldn't agree in time", the other countries went ahead without Wellington. They are "our closest allies" a diplomat from one of the signatory countries said.

Nick Burns, a former senior US state department official who attended the 1997 Hong Kong handover to China, said the Five Eyes could turn out to be a "powerful voice" on the issue, describing the signatories as longstanding allies, democracies and countries with a history of commitment to Hong Kong.

A state department official told the Financial Times: "This is about co-ordinating diplomatically to address a human rights issue of fundamental importance to all four countries, and about the long history of values we all share."

Each country has its own reasons to align with the US against China over Hong Kong

The effort is less about the use of intelligence collaboration as a public policy instrument than "fast action by the liberal countries most directly affected by China's intimidation policy", said Kori Schake, director of foreign and defence policy studies at the American Enterprise Institute, a Washington-based conservative think-tank.

Each country has its own reasons to align with Washington against China over Hong Kong. Among other things, two Canadian nationals are in Chinese jails following Ottawa's 2018 arrest in Vancouver of a senior Huawei official; Canberra has lately stoked Beijing's ire by calling for an international investigation into the origins of the pandemic; and London, genuinely worried about the fate of its former territory, is intent on pleasing Washington while negotiating a new US-UK trade deal after Brexit.

Along with America's effort to force public discussion of Hong Kong at the UN Security Council last week — which China scuppered — it also marked a rare collegiality from an administration that has snubbed multilateralism.

"I was thrilled to see the US act like the leader of a rules-based order by signing on to support for binding international obligations and working through the UN," said Ms Schake, adding it was "wildly out of synch with the Trump administration's destruction of international obligations and institutions".

The statement was "evidence of how difficult it is to build a broad alliance in short order on China", Karen Donfried, president of the German Marshall Fund, which promotes transatlantic co-operation, also noted. The EU has struggled to find a common position on China, which has courted countries in central and eastern Europe.

Meanwhile, any hope of using the G7 as another venue to apply pressure on China appears to have disintegrated. Mr Trump pushed back any meeting to September after German chancellor Angela Merkel declined an invitation to attend an in-person gathering this month.

In Asia, China has cajoled, intimidated and bought off potential opponents, said Michael Green, former Asia director at the National Security Council. Mr Green said it was "smart" of Washington to turn to the UK, Canada and Australia. "America's pattern has been to scream loudly at China without building any coalitions at all," he added.

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Commemoration

Ban on Tiananmen vigil heightens protest fears in Hong Kong

THOMAS HALE AND NICOLLE LIU
HONG KONG

Tens of thousands of people have gathered in Hong Kong every June 4 for three decades to light candles during the world's largest commemoration of the Tiananmen Square massacre. This year, the candles will have to be lit elsewhere.

Hong Kong police have banned the event, citing coronavirus, but a city stunned by China's move to introduce a national security law last month has deeper concerns than the pandemic.

"This time, they use . . . Covid-19 as an excuse but in future maybe they will use other reasons, such as national security legislation," said Ivan Choy, a political scientist at the Chinese University of Hong Kong.

The ban has been ordered at a critical moment in Hong Kong, where the government is expected to pass a bill today that will criminalise insults to China's national anthem.

The move to push ahead with the measures has raised concerns about Hong Kong's status as a global financial centre, not least after Washington threatened to revoke the city's special trading status.

Beijing's moves have, however, revived protests that were paused under social distancing rules during the health crisis. But the Tiananmen anniversary could add to anti-government sentiment already inflamed by the prospect of the national security law.

"There's a kind of emotion on this event because you have gone there for 30 years — it becomes part of your life," said Prof Choy.

Organisers have asked people to light a candle irrespective of the ban on gathering at Victoria Park, the traditional venue. "We are calling upon every corner of Hong Kong, every corner of the earth, to light a candle at 8pm," said Lee Cheuk-yan, chair of Hong Kong Alliance in Support of Patriotic Democratic Movements in China.

Beatrice Chu, a pro-democracy district councillor, expects to distribute 2,000 candles and leaflets provided by the alliance. "It is a pity that we cannot commemorate together at Victoria Park," she said.

People are expected to gather to mark the anniversary elsewhere. Seven Catholic churches that have reopened at limited capacity after a period of closure because of the coronavirus outbreak will hold special services to commemorate the events of 1989.

Stephen Chan, a 73-year-old priest, said a commemorative mass was celebrated each year, but usually took place on a day other than June 4, so that worshippers could also attend the park vigil.

Hong Kong citizens commemorate the Tiananmen massacre yesterday

"We expect the police will go to every one of the seven churches and arrest people if they discover that it's overcrowded," he said. "So we have to be very careful."

But some of the younger Hong Kongers most closely associated with last year's demonstrations see the Tiananmen vigil in a different light.

Yick, a 26-year-old protester, said he used to go to Victoria Park with his parents but has not attended for several years. "I think it's more of a symbolic thing," he said.

Others are unfazed by coronavirus, with new cases having slowed to a trickle in the city and bars and offices have largely reopened. Mr Choy said he would attend, not because of any organisation, but because he would "like to continue my way of living".

Yick thought it was important to remind the world of the "tragedy", but ultimately saw the commemoration as an event that was "symbolising democracy rather than actually thinking of a way to execute it".

"It's a bit passive to just hold a candle and stuff," he added. "You know, it's a memory kind of thing."

Treatment

South Korea approves use of antiviral drug remdesivir

SONG JUNG-A — SEOUL

South Korea yesterday approved the emergency use of the antiviral drug remdesivir developed by Gilead Sciences to treat Covid-19 as the country struggles to contain sporadic outbreaks of coronavirus.

The decision came after the US Food and Drug Administration last month gave approval for the drug in emergency situations, citing positive results from a US-led trial, which showed taking remdesivir helped Covid-19 patients recover faster on average than without it.

"Redemsivir can help reduce the amount of coronavirus in the body," South Korea's Ministry for Food and Drug Safety said. "This can help the patient's condition improve faster."

Under the ministry's guidelines, one dose of remdesivir can be administered a day with five doses overall for patients with moderate symptoms and 10 doses for patients with severe symptoms and who need oxygen support.

The ministry said it would talk to Gilead to swiftly import the drug, but added that all patients would have to undergo a liver test before taking it because of possible side effects including elevated levels of liver enzymes.

Japan and India have also approved the emergency use of the antiviral drug to treat Covid-19 patients.

'Redemsivir can help reduce the amount of coronavirus in the body'
Ministry for Food and Drug Safety

South Korea has won praise for bringing its coronavirus outbreak under control with its aggressive testing, contact tracing and isolation tactics, but it has seen a series of flare-ups in recent weeks in Seoul and the surrounding area.

It has reported 11,590 confirmed infections. About 850 people remain in hospital or under quarantine and 273 deaths have been reported so far.

Anne Richards Opportunities for the public to own a real stake in the recovery must be broadened ● MARKETS INSIGHT, PAGE 9

Companies & Markets

Axa to defy watchdogs by paying out dividend

- French insurer hails 'balanced' move
- Pandemic fallout set to cost €1.2bn

OLIVER RALPH — LONDON
DAVID KEOHANE — PARIS

French insurer Axa has said it plans to pay a dividend to shareholders, defying the recommendations of regulators worried that the coronavirus crisis will leave the industry facing huge claims.

As the economic damage from the pandemic gathered pace in April, France's ACPR regulator, and Eiopa, the EU supervisory body, asked insurers to halt planned payouts.

That prompted Axa to postpone a decision on its dividend, but yesterday the group said that it would be making a payment, albeit a smaller amount than set out with its results in March.

Axa chief executive Thomas Buberl, who in April hit out at the regulatory confusion over dividend policy, defended its payout as a balanced approach.

> 'The board has met four times [on this topic] and it was the subject of very intense discussion'

"The board has met four times [on this topic] over the past two months and it was the subject of very intense discussion," he said.

The group wanted to balance the need to maintain solvency and liquidity against a responsibility to its shareholders, he added.

The ACPR in April said that French insurers "must refrain from proposing dividend distributions, at least until October 1, 2020", adding that companies that did not halt payments would have to explain why.

Axa's shares rose 10 per cent to €19.05 after the decision yesterday.

The news came as Axa warned that the fallout from the pandemic was set to cost it €1.2bn in claims payments, mainly stemming from cancelled events and business interruption policies.

"The estimate is the largest single company claims estimate that we have seen in Europe reflecting Axa's position as the largest global commercial insurer but is still higher than the level than we had anticipated," said Kamran Hossain, an analyst at RBC Capital Markets.

UBS said that the estimate was 20 per cent higher than it had expected.

Axa has been caught up in the growing controversy over whether customers can claim cover on business interruption policies — something many insurers have disputed.

Last week, the company lost a court case in France over payments to a restaurant. Mr Buberl said that Axa would appeal against the ruling.

He added that there were questions over the contracts of about 1,700 further customers, but an agreement had been reached with more than 200 of them.

"We want to go straight to the customer and propose a solution where we pay something and meet halfway . . . we want to find solutions, we prefer dialogue to the court," he said.

Mr Buberl also suggested policyholders would also benefit from finding a middle ground with company.

"If you go the court route and you have six months of an accountant checking your accounts, then going back into court, then determining the actual damage, the payment, it could take a long, long time," he said.

Axa shareholders will receive a dividend of €0.73 on July 9, down from the €1.43 that it originally proposed. The company said it would consider paying out another €0.70 later in the year.

Mr Buberl noted that "some of our major competitors in Europe have been paying dividends".

High note Warner Music share issue scores $1.9bn for owner Blavatnik and raises IPO bar

Artist Cardi B has helped Warner punch above its weight during the streaming boom — Theo Wargo/Getty Images

ANNA NICOLAOU — NEW YORK
RICHARD HENDERSON — MELBOURNE

Warner Music owner Len Blavatnik cashed in part of his investment in the music industry with a $1.9bn share sale yesterday, the biggest US initial public offering of the year.

After delaying pricing its flotation to show solidarity with the Black Lives Matter movement, the company that represents artists including Cardi B and Meek Mill sold 77m shares at $25 a share, valuing the group at $12.8bn.

The listing breaks a lull in big deals this year that has dragged the sum raised in US flotations to two-thirds below the amount raised for the same period last year, according to Refinitiv data. The Warner Music sale priced towards the higher end of the range announced last week and was increased by 10 per cent, an indication of strong investor demand.

The proceeds will not go to Warner itself but to the investment vehicle of the Ukrainian-born Mr Blavatnik, a citizen of the UK and the US who bought Warner Music for $3.3bn in 2011 when the music industry was in the doldrums and Spotify had yet to catch on widely in the US.

The sale represents the biggest test for the music business since Spotify's listing two years ago and will be closely watched as a barometer for how far the industry has come from the dark days of piracy.

Warner had initially filed to list in February but when the pandemic began to grip the US and Europe the company put the plan on ice. However, in the ensuing weeks, the company's executives saw that demand for streaming entertainment was rising as people were stuck at home.

Shares in Spotify, the music streaming group, were resilient even as the broader market plunged. Dua Lipa, a Warner artist, released an acclaimed album in March that topped the charts in the UK, bringing a boost of confidence.

The business has enjoyed a renaissance as global recorded music revenues grew for five years in a row, reaching $20bn in 2019, according to the IFPI, the trade group. Institutional investors have taken note: Universal Music was recently valued at €30bn, or 27 times its 2019 ebitda, by a Tencent-led consortium.

Warner Music made adjusted net income of about $300m on $4.5bn in revenues in fiscal 2019. The company had punched above its weight during the streaming boom, helped by a bet on US hip-hop acts, said Mark Mulligan, analyst at Midia Research.

The IPO comes during a rapid stock market rally that has added more than a third of value to US stocks. ZoomInfo, a tech group focused on marketing, is set to raise up to $890m when it lists today.

Boeing to pay Tui €300m over 737 Max grounding

ALICE HANCOCK — LONDON

Tui, Europe's largest tour operator, has agreed a €300m compensation deal from Boeing for the grounding of the jet maker's 737 Max fleet, giving a much-needed cash boost to the struggling holiday company.

Tui has not cancelled any orders of the aircraft model, which was grounded after two of the planes crashed five months apart, killing 346 people.

But the Anglo-German group said yesterday that it had deferred its 61 remaining orders of the 737 Max by two years, with the first delivery being taken in 2022. One 737 Max is in transit to Europe for Tui's use, and it has 15 in its fleet. The tour operator is one of Boeing's largest European customers.

The compensation package, which Tui said covered a "significant portion" of the impact of the grounding, includes credits for future aircraft orders as Boeing seeks to prevent airlines and tour operators from cancelling.

The deal comes at a vital time for Tui as it grapples with the shutdown of its operations caused by coronavirus at the same time as having to pay out mass refunds for cancelled customer holidays. Last month it announced plans to reduce its cost base by about a third, including cutting 8,000 jobs.

"[The compensation] reduces the risk of having to do a major capital raise or restructuring," said Richard Clarke, an analyst at Bernstein. "This alone probably gives it another month's worth of liquidity."

In March, Tui agreed a €1.8bn loan from German state bank KfW to keep it afloat during the pandemic. It is selling its stake in the Hapag-Lloyd cruise line to a joint venture with Royal Caribbean, which will give it an additional €660m cash.

Citigroup analysts said that the size of the compensation deal was "disappointing" and warned of "significant recapitalisation risks ahead". The analysts said Tui's model of funding its operations with cash deposits paid by customers for future holidays was likely to be scrutinised by governments, as many airlines and tour operators have turned to state funding.

Tui is one of many airline operators to have agreed compensation with Boeing, which said in January that it expected the payout costs to reach €18.6bn. That figure does not include legal costs related to the 346 fatalities.

Brussels treads tricky path between 'resilience' and protectionism

INSIDE BUSINESS
EUROPE

Ben Hall

Resilience is the boardroom buzzword of the coronavirus crisis, as companies fight for survival or simply fix vulnerabilities exposed by a brutal shock to global supply chains. It has become the motif of choice for EU policymakers as they plot their response to the slump and eye an opportunity to bring manufacturing jobs home.

Nobody can be against resilience. But beneath it lurks the menace of protectionism from which Europe still has much to lose.

Ursula von der Leyen, European Commission president, used the word four times when she unveiled plans for a €750bn recovery fund last week. EU leaders at their last summit in April said more investment in digital and green technologies "will also help make us more resilient and less dependent by diversifying our key supply chains".

The pandemic laid bare Europe's reliance on imports, particularly from China and most starkly in medical products, where governments have been unable to depend on their normal supplies. Cue calls for the return of production to European plants.

Like their international competitors, European companies, mostly large ones, have made increasing use of global value chains, where different stages of the production process are carried out by different businesses often in different countries. Specialisation, economies of scale and tight inventory management help drive down costs. But the growth of this model means supply shocks can ripple across economies, causing far more damage than the original outage. Extended supply chains are only as strong as their weakest link.

European dependence on Chinese inputs is not huge. It ranges from about 3 per cent of gross output in Greece to 8 per cent in Hungary and the Netherlands, according to economists at France's CREST-Ecole Polytechnique. But it has grown strongly — more than fourfold between China's entry to the World Trade Organization in 2000 and 2014, the latest available figures. We can assume it has only accelerated since.

The researchers modelled the impact of a 10 per cent cut in Chinese production on European economies. Their rough estimate is that it lops off on average half a percentage point of growth, quite a hit for a region with lacklustre growth prospects. Most significantly, the hit is 10 times bigger than it would have been a decade ago, when China's role was more limited.

> Businesses had a foretaste of global supply chain disruption with the 2011 earthquake in Japan. They did not heed the warning

Companies were given a foretaste of global supply chain disruption in 2011 with the earthquake in Tohoku, Japan. It appears they did not heed the warning, notes Isabelle Méjean, professor of economics at the Ecole Polytechnique. She says there is a case for government action to nudge or force businesses to take into account the wider economic impact of their choice of suppliers.

Prof Méjean suggests a hierarchy of intervention. First, there needs to be much better information about where supply chain vulnerabilities lie. Second, EU authorities could follow the example of bank stress tests and oblige companies to assess the impact of disruption to sources of supply. Third, they could devise favourable tax treatment for larger inventories, to encourage businesses to maintain a buffer. Lastly, they could subsidise or invest in new industrial capacity to ensure Europe has diversity of supply or can capture more of the value-added in production.

The commission is already acting as stockpiler of medical equipment. Its new €750bn recovery fund, if approved by member states, would include a facility for equity stakes in strategic industries to ensure diversity of supply of important components.

Even before the virus, the EU had embarked on a drive to develop advanced manufacturing in technologies deemed strategically important. It has approved state aid for a programme to establish a car battery manufacturing base and reduce dependency on Asia. It is doing the same for microelectronics and hydrogen technologies. With an investment fund, it can expand its aims. Thierry Breton, industry commissioner, said the investment fund would be the "armed wing" of the bloc's efforts to defend its economic sovereignty.

Critics of globalisation say the outsourcing of supply chains to China has left Europe vulnerable and it is time to bring production back home. Prof Méjean acknowledges the risk of drifting towards protectionism but says concentration of supply in one country or even one company is the issue, not globalisation. "Importing [medical] masks from China is not a problem. Importing all our masks from China is a problem."

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Airlines

Lufthansa admits aid exceeds its needs

Chief concedes Berlin's €9bn is about maintaining clout as much as survival

JOE MILLER — FRANKFURT
PEGGY HOLLINGER — LONDON

Lufthansa chief executive Carsten Spohr has admitted the group's €9bn bailout from the German government is more than it needs to survive, and is designed to ensure the airline maintains a "global leading position".

Mr Spohr's comments come after the European Commission warned against state aid being used to give the group an unfair advantage and strong criticism from low-cost rival Ryanair, which has pledged to launch a legal challenge once the bailout is approved by antitrust authorities.

Margrethe Vestager, EU competition chief, said last Friday there was a "high risk" of market distortion, as she defended Brussels' demands for Lufthansa to relinquish lucrative slots at Frankfurt and Munich airports.

Yesterday, after Lufthansa's supervisory board had accepted the EU's conditions, Mr Spohr conceded that with €4bn in existing liquidity, the Frankfurt-based group did not need the full €9bn from the administration of Chancellor Angela Merkel.

Asked by the FT if Lufthansa could have got by with less, Mr Spohr said: "Yes, but it was not just about survival."

He added: "The German government was focused on how Lufthansa can maintain its position as a German global champion, not just how it can avoid insolvency."

Speaking to analysts earlier, he said the airline sought a larger sum because "we didn't want to go to the edge of what we needed". "We are Germans, we are boring, we love safety," he said.

Ryanair's chief executive Michael O'Leary said Mr Spohr's comments confirmed the Irish carrier's position that the state aid was illegal.

Lufthansa was going to maintain its position as a global brand solely due to its "government's crack cocaine", he told the FT, adding that the rescue package "massively distorts the playing field" for European airlines.

Mr O'Leary warned that Ryanair's legal challenge could drag on for several years, by which stage "untold damage will have been done" to competitors.

In an article for the FT today, Mr O'Leary warns that the EU is waving through state aid for airlines with "no or inadequate conditions attached".

But Mr Spohr insisted Lufthansa's package — the largest corporate bailout in Germany since the start of the Covid-19 crisis — was "very much in line with the size of the company".

Lufthansa, which includes Austrian, Brussels, Swiss and Eurowings airlines, has also been seeking state aid from other European governments.

The group secured €1.4bn from Switzerland in April, and Mr Spohr revealed that additional state aid from Austria could come this week. Negotiations with the Belgian government, he said, were "a little more complicated".

Earlier yesterday, Lufthansa warned it would be forced to take "far-reaching restructuring measures" to cut costs.

The carrier, which swung to a net loss of more than €2bn in the first quarter, said it was burning through €800m a month and reimbursement of cancelled tickets would continue to be a drag.

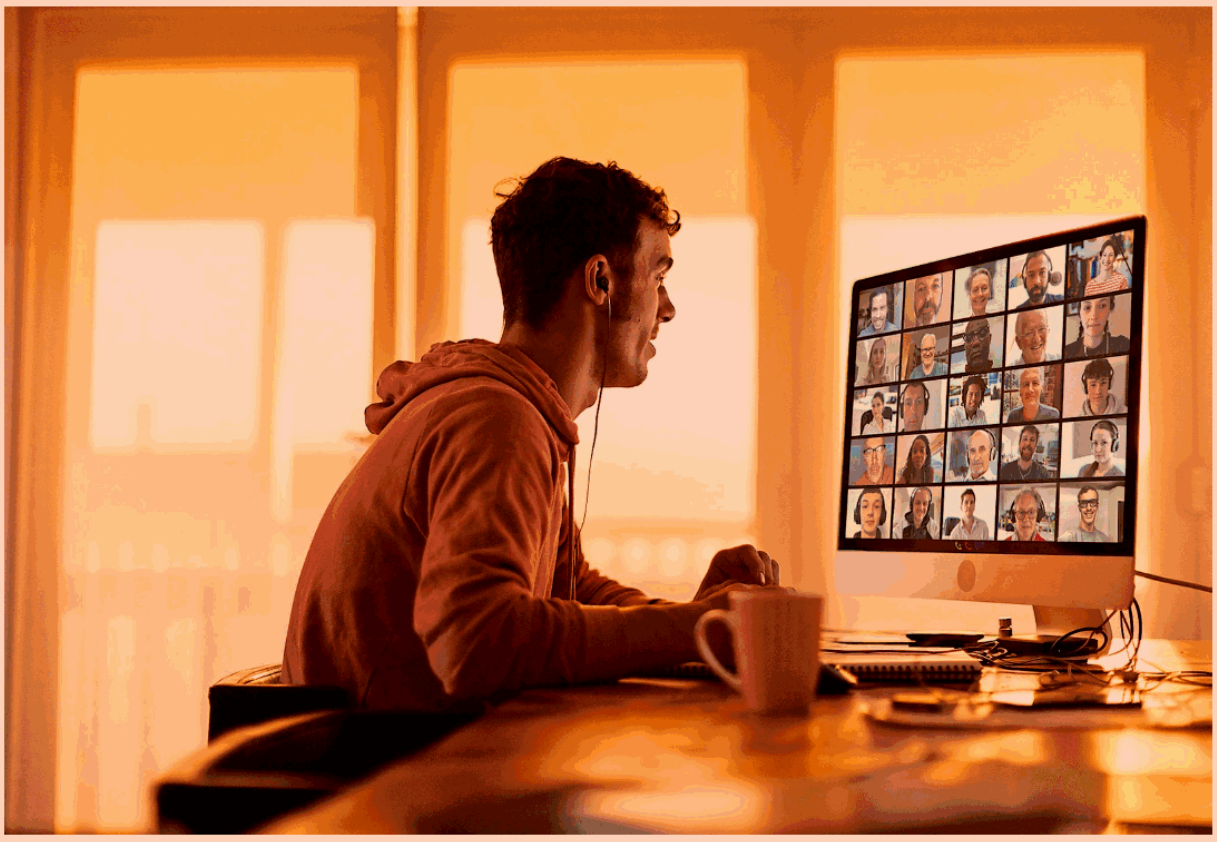
Michael O'Leary see Opinion

Technology. Video

Venture capitalists warm to digital due diligence

For entrepreneurs far from hubs, prospect is raised of a more level playing field

EMIKO TERAZONO — LONDON
RYAN MCMORROW — BEIJING
MILES KRUPPA — SAN FRANCISCO



Some venture capitalists say they have discovered that Zoom team meetings and video site visits have made their jobs quicker and easier
Alistair Berg/Getty

Stephan Dolezalek sat in his house in San Francisco watching a video feed from a camera mounted on a hard hat.

The executive director of agritech investment firm Wheatsheaf was getting an hour-long tour of a facility as he did his due diligence on a promising start-up.

From Zoom team meetings to video site visits, some of the venture capitalists who are still doing deals say that many of these practices have made their jobs more efficient and are here to stay.

Mr Dolezalek said: "The question we never really asked ourselves in the past was, 'If I do this by video rather than getting on a six-hour flight, how much money and time do I save and what do I get less of than I would have gotten in person?' In 12 to 24 months from now, and at least some of the time, the answer will be: 'Video is fine.'"

In Beijing, Philip Beck, an angel investor and fundraiser, said that while the official lockdown had ended, most people preferred video meetings using Zoom or DingTalk, another video app, to face-to-face meetings.

'It shouldn't matter whether you're three blocks, three miles or 3,000 miles away'

Due diligence had sped up by about 25 per cent, he said. In the past, investors typically spent about two weeks with a start-up to understand its business. Now, people "are probably saying No more quickly".

That also reflects increasing caution around new investments.

While first-quarter VC investments were steady at €8.2bn in Europe and $34.2bn in the US, Nalin Patel, an analyst at data provider PitchBook, said that he expected dealmaking "to slow considerably in the next two quarters" and that VC firms were focusing on investing in their existing portfolio companies rather than searching for new start-ups.

Many VCs said face-to-face meetings remained important. Niccolo Manzoni at Paris-based Five Seasons Ventures said: "We are not going to invest in a company without meeting the team directly. The deals we are closing are conversations which started [earlier]."

Duan Lanchun, an investor at Cathay Capital in Shanghai, said her team had restarted office visits at start-ups while wearing face masks and taking along lots of hand sanitiser.

"Investing takes trust, so if you don't go meet someone in person, it's hard to get a sense of them," said Ms Duan.

She said the team had made frequent visits and even stayed two or three days before finalising an investment.

Some investors said they were holding meetings in parks and other open spaces where they could have private conversations while social distancing.

But other VCs said digital due diligence could provide a level playing field for entrepreneurs who are not near a tech cluster or big city where financiers congregate.

Steve Case, former chairman of AOL who chairs VC fund Revolution based in Washington DC, said the pandemic and new due diligence methods would prompt investors to look beyond hubs such as New York, Silicon Valley and Boston.

Revolution has a seed fund called Rise of the Rest that focuses on start-ups in emerging hubs.

"[People] can be in Ohio, Pennsylvania, Virginia, Illinois, Indiana, Texas and Florida. It shouldn't matter whether you're three blocks away, three miles or 3,000 miles away."

Rob Leclerc of AgFunder, an online funding platform, said: "Covid-19 is the best thing in the long run for entrepreneurs and start-ups. Silicon Valley has, in the way it's structured, a typically 90-mile radius from the Bay area."

"[VCs] are now forced to do virtual DDs. This expands the global footprint [and] creates opportunities for investing all over the world."

Mr Dolezalek said that while he missed opportunities such as driving over to a start-up's car park in the evening to see who was still in the office and to check how hard they worked, he welcomed videoconferencing with people who were usually at home.

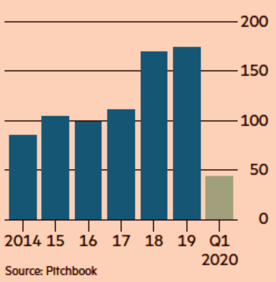
Wheatsheaf has just completed an investment done entirely through digital due diligence. Using local contacts including business executives and fellow VCs, they invested in a Dublin-based start-up.

He said he doubted that digital platforms could completely replace face-to-face networking, but they could help new entrepreneurs and start-ups that were were located away from the VC hubs.

"Can remote companies and investors close the gap in playing field?" he said. "Probably yes, particularly if they get really good at leveraging these new communication tools."

See Lex

VCs report strong Q1 but near-term outlook is weak
US and Europe deal value ($bn)



Source: Pitchbook

Technology

Google takes down phone service that removes Chinese apps

SIDDHARTH VENKATARAMAKRISHNAN
LONDON

Google has intervened after millions of Indians rushed to download a service that promised to help them rid their smartphones of Chinese apps.

Remove China Apps, from the Indian developer OneTouch AppLabs, was downloaded 4.7m times in India between May 27 and June 1, according to SensorTower data.

The app was briefly the most popular on India's Google Play Store before the Silicon Valley company removed it on Tuesday, according to App Annie, another app data provider. Google's policies forbid Android apps that help people to delete or disable other apps.

The popularity of Remove China Apps, which promised to alert users to Chinese-made apps on their phones, comes after unease over the influx of Chinese tech companies and a move by New Delhi to tighten foreign direct investment rules for Chinese groups.

It also coincided with the rise in tensions on the India-China border, noted Parv Sharma, an analyst at Counterpoint Research.

In response, Indian engineer and reformer Sonam Wangchuk called for a boycott of Chinese products. In his tweets and videos, Mr Wangchuk said that Indians should "USE [their] WALLET POWER" rather than rely solely on military force to beat Beijing.

India's prime minister, Narendra Modi, had also spoken about the importance of self-reliance, said Mr Sharma. Both Mr Wangchuk and Mr Modi were mentioned by the developers behind Remove China Apps.

Chinese smartphone makers made up more than 70 per cent of the Indian market

At the start of the year, Chinese smartphone makers made up more than 70 per cent of the Indian market, according to Counterpoint Research. Chinese apps have also made big inroads.

SensorTower estimated that TikTok had 636m downloads in India, excluding third-party Android stores. That compares with 277m downloads for Instagram and 99m for Snapchat from January 1 2014 to the present.

Hannah Bailey, a researcher at the Oxford Internet Institute, said the three biggest concerns around such apps were censorship, data security and the potential for computational propaganda and dissemination of a pro-Beijing agenda.

While it had a rating of 4.9 stars on the Google store, comments before it was taken down showed Remove China Apps did not pick up apps with well-known Chinese connections, such as internet giant Tencent's battle-royale PUBG mobile, as well as pre-installed apps on Chinese smartphones.

OneTouch's website only said that the country of origin was discovered "based on the market research" but did not guarantee accuracy. OneTouch did not respond to requests for comment.

Mr Sharma also said some apps would be difficult to replace. Mitron, a TikTok rival that reached 10m downloads in India in a month and a half, was removed this week from the Google Play Store amid accusations in Indian media about security flaws and recycled code.

Technology

Facebook bets on Indonesian ride-hailing

MERCEDES RUEHL — SINGAPORE
HANNAH MURPHY — SAN FRANCISCO

Facebook has gained a foothold in south-east Asia's largest economy with an investment in ride-hailing group Gojek, Indonesia's biggest company with a $1bn-plus valuation.

The US social media group did not disclose the size of its investment, which is focused on GoPay, the Indonesian start-up's digital payments arm, but people with knowledge of the matter said it was in the low hundred million dollars and takes Gojek's current fundraising round to more than $3bn.

Gojek is the country's equivalent to Uber but also offers a range of other services through its popular app including food and grocery delivery, payments and other logistics.

Indonesia is one of the world's largest social media markets, and one of four that Mark Zuckerberg, Facebook chief executive, targeted to launch WhatsApp Pay. The US tech company is seeking to monetise the rapidly growing number of customers and businesses moving online in the region as growth in its western markets slows.

Facebook said the deal, its first in Indonesia and its second big Asia investment in weeks, would be instrumental in accelerating adoption of digital technology.

"WhatsApp helps small businesses communicate with customers and make sales, and together with Gojek, we believe we can bring millions of people into Indonesia's growing digital economy," said Matt Idema, WhatsApp chief operating officer, in a blog post.

The deal is a validation of Gojek and the network it has built across Indonesia. The start-up is valued at more than $10bn and already counts some of the world's biggest tech companies including Google, Tencent and JD.com among its prominent backers.

"Gojek is deeply embedded in the ecosystem in Indonesia and the world's leading tech companies have gravitated towards its fully integrated platform," said Jeff Perlman, head of south-east Asia for Warburg Pincus, another of Gojek's investors.

While Gojek has branched out to other south-east Asian countries including Vietnam and Thailand, Indonesia remains its biggest market. Its ride-hailing service operates in more than 200 cities across the country while its GoPay service spreads even further across 370 cities, processing billions of transactions each year.

"Facebook and Gojek in Indonesia are as ubiquitous as they come. The power of these two coming together to expand their reach will have tremendous impact," Mr Perlman added.

PayPal also invested an undisclosed amount alongside Facebook, Gojek said yesterday. PayPal's services will be integrated into Gojek's app and the two companies will collaborate to give Gojek's digital wallet users access to the US payment group's network of more than 25m merchants.

Financials

Nomura reviews scale of operations in HK

LEO LEWIS — TOKYO

Nomura is examining its Greater China strategy and the scale of its operations in Hong Kong as relations between Beijing and the former British colony deteriorate, according to the chief executive of Japan's largest investment bank.

Options under discussion, said Kentaro Okuda, include bolstering Nomura's majority-owned joint venture in mainland China, a Shanghai-based brokerage and asset management business that secured licences in 2019 and began operations in December.

The former head of investment banking, who became chief executive in April, said Nomura's roughly 1,000-person Hong Kong operations remained its most critical Asian hub outside Japan, but the situation now was "not the same as it used to be".

His comments followed China's approval last week of a plan to impose a national security law on Hong Kong and a retaliatory threat by the US to revoke the hub's special trade privileges as it no longer deemed the region to have the requisite autonomy from Beijing.

There were no plans to relocate staff from Hong Kong, said Mr Okuda, noting that Nomura was expanding its operations in Singapore. "Because of the political situation, we are seriously looking at the size of the Hong Kong [operations] and others," he said.

In common with peers, Nomura has made no decisions yet. Other banks, asset managers and companies outside the financial sector have said they will stay for now in Hong Kong, given the absence of demonstrably better alternatives. Many executives have declared an intention to "stomach" the security law.

Mr Okuda said the greater China business was critically important but the political situation had to be factored in. As the bank reviewed its strategy for the region, he said, one option could involve expansion of Nomura Orient, the mainland joint venture it set up last year with Orient International and Shanghai Huangpu Investment. That business was established in response to efforts by Beijing to convince the global financial industry that its domestic markets were continuing to open up to foreign participation.

Some analysts have deemed that campaign part of a scheme by Beijing to erode the relevance of Hong Kong. Nomura's swift application to form the joint venture in mainland China last year ran in parallel with moves by JPMorgan, UBS and Goldman Sachs.

Mr Okuda has used his first two months as chief to set out strategic shifts he believes necessary to make the bank more competitive.

Nomura's deliberations come as banks wrestle with the impact of coronavirus and the fallout for investment flows. The bank's performance in the first three months of 2020 illustrated the effect of the pandemic, with higher trading revenues offset by mark-to-market losses on credit derivatives.

See Lex

COMPANIES & MARKETS

A-team returns to defend European aerospace

Top Airbus veterans recalled from retirement to lead national supply-chain task forces in Britain, France and Germany

PEGGY HOLLINGER — LONDON
DAVID KEOHANE — TOULOUSE

They are the A-team — respected veterans of Europe's aerospace champion, Airbus, who have been recalled from retirement to defend the industry's fragile supply chain against a devastating collapse in demand.

Each has been chosen by the aerospace industry of his country to lead a national task force: Tom Williams, former chief operating officer of Airbus commercial, for the UK; Didier Evrard, ex-head of aircraft programmes, for France; and Bernhard Gerwert, previously chief executive of the defence arm, for Germany.

The aim is to bring together each country's big aerospace groups to devise a plan for the survival of shared domestic suppliers. Even before the pandemic, many suppliers had been weakened by the grounding of Boeing's 737 Max single-aisle jet after two fatal accidents.

But the task forces have a longer-term mission too, and one that is already showing some strains of political and business tensions.

It is to win government support for a radical restructuring of their highly fragmented domestic supply chains, so Europe's three biggest aerospace industries are competitive when demand eventually returns.

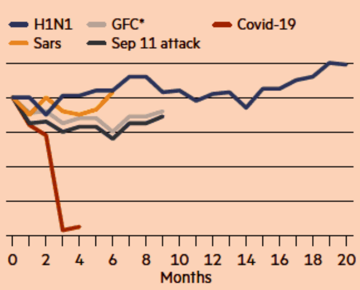
"There has to be a reshaping of the landscape," said Mr Williams, who retired in late 2018 after two decades at Airbus. "A number of companies have struggled to earn a decent level of profitability. We need to create companies that are more robust to protect core technologies for the upturn."

The first task, however, is to navigate the short-term strains — and time is pressing. In the coming weeks, many companies in Europe's €127bn-a-year civil aerospace industry will face a crippling cash squeeze. Payments for deliveries before demand collapsed will begin to dry up from the end of this month, say many in the industry. Meanwhile, bills for goods ordered when forecasts were brighter are now falling due.

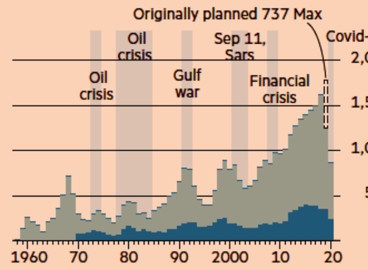
'Before, it was a challenge for the supply chain to meet delivery targets. Now the risk is about survival'

Former Airbus executives Tom Williams, left, Didier Evrard and Bernhard Gerwert will tackle pandemic-related supplier woes in the UK, France and Germany respectively
FT montage

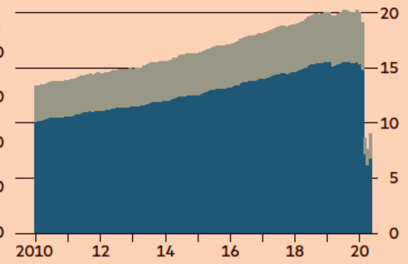
Severe impact on capacity
Available seat kilometres (index)



Aircraft production volumes
Units



Number of commercial jets hits a low
Planes ('000)



Sources: Bain & Co; Roland Berger; Cirium * Global financial crisis

"This wave is coming towards them and they are under pressure," said one senior industry executive. "They have commitments for raw materials that had to be made a long time ago, maybe even 12 to 18 months ago."

At the same time, many customers are refusing to take deliveries, suspending contracts, cancelling orders or demanding price cuts. They will run down their own buffer stocks before coming back for more, exacerbating the impact of the downturn.

"This is the reality," said Michel Crozier, who runs the Safran Electrical & Power factory at Villemur-sur-Tarn, near Toulouse, pointing to a rack of aircraft wiring sitting on his factory floor. Taped to the rack is a sign: "Customer order cancelled. To be reallocated".

"A finished product where the need is no longer there because the company isn't taking a plane any more," he said.

Before the pandemic, companies such as Safran Electrical had raced to keep pace with the world's appetite for air travel. At the start of 2020, waiting times for Airbus's most popular single-aisle aircraft ran to more than six years.

"Up to eight or 10 weeks ago they were being driven by the primes and biggest suppliers to increase production. Everything was about buying new machine tools and ordering lots of long lead-time material," said Mr Williams. "There was a lot of cash going out the door quickly."

Almost overnight, that growth turned into dramatic decline. Revenues evaporated at companies making spare parts for the $77bn-a-year maintenance, repair and overhaul market, as two-thirds of the world's commercial fleet was grounded in the first quarter.

In April, the world's two big aircraft makers, Airbus and Boeing, slashed production by between a third and 50 per cent, respectively, to reflect reduced demand from cash-strapped airlines.

Airbus could go further this month when it unveils job cuts, expected to come to more than 10,000.

That abrupt U-turn is now ricocheting through Europe's aerospace supply chain. Companies took advantage of wage-support schemes offered in France, Germany and the UK. The most efficient have used the time that support has given to resize their businesses.

The biggest, such as Rolls-Royce, Meggitt and others, have announced workforce reductions of 15 per cent or more, amounting to thousands of job losses. Smaller companies such as UK turbine-blade manufacturer JJ Churchill have cut the workforce by 40 per cent and will invest in automation.

But Airbus and many others have yet to make announcements and tens of thousands more job cuts are to come, said Philippe Petitcolin, chief executive of engine maker and equipment supplier Safran. "The whole supply chain, from tier one suppliers like us, down to our own suppliers, are going to have to adapt. The supply chain is going to have to reduce capacity by a minimum of 30 to 40 per cent for the years ahead, not just for a few months," he said.

10,000 Job losses expected to be announced by Airbus this month

40% Cut in workforce at some small suppliers in a tilt to automation

The further down the scale, the more intense the pain, in a supply chain where small companies with fewer than 100 employees are the norm.

In the UK, 725 out of 820 aerospace suppliers have fewer than 50 employees, while those with under 250 employees account for just over a third of the 118,000 jobs. In France and Germany, close to 60 per cent of suppliers generated annual revenues of less than €50m in 2018, according to a 2018 survey.

Many of these smaller businesses are disproportionately focused on commercial aerospace, with little diversification to offset the current downturn.

"Before, it was a challenge for the supply chain to meet delivery targets and maintain quality while ramping up production rates," said Robert Thomson of Roland Berger, which has been helping members of the UK trade body ADS to assess the impact of the crisis on Britain's supply chain. "Now the risk is about survival."

That vulnerability is particularly concerning for aircraft and aero-engine makers, which need suppliers to be able to invest in expansion when the time comes. It is also beginning to worry defence ministries, which fear that a weak aerospace supply chain could jeopardise some of their programmes.

While cheap loans offered by some governments have been welcome, many groups are not keen to take on more debt. A sector looking at a three to four-year recovery needs "patient capital" designed to fit the recovery cycle, said Paul Everitt, head of ADS.

Equally, each country's industry knows that competitors will be looking to exploit the crisis to snare a bigger share of the global market. The UK in particular has seen its share of the global industry slide from second place after the US to barely third in recent years. France, with annual industry revenues of €65.4bn, has overtaken the UK's £36bn, while Germany's industry has caught up at €40bn in annual turnover.

UK industry is lobbying its government to take lessons from France. In previous crises, Paris has supported industry-led funds to invest in domestic aerospace SMEs. Now Marwan Lahoud, another former Airbus executive, is raising a new fund with a much bigger target of €1bn. Although the level of state support has not yet been decided, it could reach €1bn as well and is likely to be part of a multibillion-euro aerospace support package to be launched by the government later this month.

'Given the duration we expect, we can't support all the suppliers the whole time. It isn't possible'

The aim of the fund is no longer to support SMEs with minority stakes as in previous initiatives, but to take control of promising aerospace suppliers in a bid to drive consolidation.

Yet tensions are already emerging over how the funds should be used. Some industry investors object to funding the growth of rivals, or of enabling suppliers to build the scale that will allow them to push back on pricing.

"There are a lot of common interests — and also some divergence," said another person close to the discussions. "It is bloody difficult to do."

In the UK, questions centre on whether the government would support foreign-owned groups with local sites. Any fund would have to overcome the government's aversion to a policy that might be seen as "picking winners".

But in all three countries there are worries that if domestic companies are not strong enough to drive consolidation, local aerospace expertise will be acquired by foreign buyers.

Bidders are already circling, said Alex Murrill, a director at investment bank Baird. "People are seeing opportunity in a crisis," he said. "Investors in the US aerospace business are among the groups who are looking for opportunities in Europe irrespective of Covid."

The supply chain offers other ways for reshaping, such as transferring orders from the least efficient to the best in class, which could force the weakest under. It is a Darwinian battle, say executives, where only the fittest will survive. "Given the duration [of the crisis] that we expect, we can't support all the suppliers the whole time. It isn't possible," said Mr Petitcolin of Safran.

Big original equipment makers such as Airbus, Safran, GKN and Rolls-Royce have already begun to reallocate orders, or even take work back in-house to minimise the impact of the crisis on their own workforces.

Warrick Matthews, head of procurement at Rolls-Royce's civil aerospace division, said that his company would seize the chance to accelerate rationalisation of its 700 civil aerospace suppliers. "I want to come out with the highest-performing supply chain both in the UK and globally," he said. "Will we have fewer higher-performing suppliers coming out of this crisis? Yes, that is my desired state."

Financials

Hintze cites 'extreme stress' for $1.4bn losses

LAURENCE FLETCHER

Michael Hintze has blamed an "unimaginable" market crisis for losses of about $1.4bn suffered by his CQS hedge fund in just two months during this year's coronavirus pandemic.

In a letter to investors, Sir Michael said his CQS Directional Opportunities fund's 17.6 per cent loss in April was driven mainly by positions in structured credit, which were also largely behind a 33 per cent fall in March.

The chance of "extreme stress" hitting different countries, sectors and companies at the same time was "unimaginable until this unprecedented pandemic struck", wrote Sir Michael, who founded investment firm CQS 21 years ago.

Last month the FT revealed Sir Michael's large loss in April, when many hedge funds made back some of the losses incurred in March's turmoil as riskier markets rebounded.

The performance means his fund, which trades credit assets, equities and other instruments, is down more than 46 per cent this year. That leaves Sir Michael, 66, a philanthropist and Conservative party donor, one of the highest-profile hedge fund casualties of the coronavirus crisis so far.

It also puts the fund on course for easily its biggest annual loss since its launch in 2005.

Sir Michael wrote at the turn of the year that he was "cautiously optimistic" for 2020. That bullishness cost him as riskier assets began to tumble on signs the virus was spreading in Europe. CQS, which earlier this year was managing around $20bn, declined to comment.

The letter revealed that April's losses were mainly driven by "idiosyncratic widening" of some structured credit positions, with two defaults in energy positions. The fund also lost money on its credit index hedges and "pandemic-related hedges", as well as distressed positions in the retail sector.

Last month people familiar with the matter said that CQS invested in the riskiest slices of derivative products, the performance of which was hit by a spate of bankruptcies such as Diamond Offshore Drilling and Whiting Petroleum.

Despite the losses, Sir Michael struck a more optimistic tone, noting that he believed the environment could provide "many opportunities" and that cutting some positions "put us in a better position to reposition risk later this year".

Sir Michael, who was born in China and raised in Australia, has a net fortune estimated by the Sunday Times Rich List at £1.5bn.

Cross asset. Trade deal

Brexit is back in 'wall of worries' facing UK stocks

There will be further strains for stocks focused on the UK economy if Brexit sends the pound lower
FT montage

Tough EU talks set to weigh on both FTSE 100 benchmark and sterling, analysts warn

ANNA GROSS

Having navigated the economic storms inflicted by coronavirus, UK markets are heading for fresh stress over Brexit, warn analysts.

The UK has formally left the EU but the terms of its new trading arrangements with the bloc have yet to be fixed and time is running short to agree a deal before transition arrangements expire in December.

So far, negotiations between the two sides have progressed in fits and starts but the Covid-19 crisis has largely prevented this from damaging sterling or UK stocks.

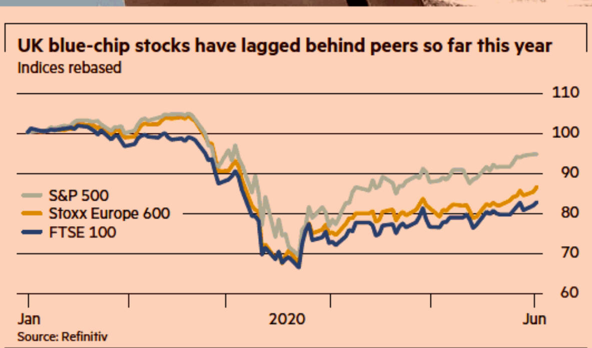
However, analysts are warning that this could change, reversing recent momentum in both equities and the pound.

"Stay alert. Keep distance," Goldman Sachs analysts said late last month. "We expect Brexit concerns to continue to weigh on sterling in the weeks ahead," the bank said, adding that the prospects for UK-focused stocks were not good.

Like all major stock markets, the FTSE 100 suffered a heavy blow in late February and most of March, when the worsening pandemic prompted a rethink on global growth.

The benchmark dropped by a third in those turbulent weeks and still sits about 17 per cent below where it started the year. The more domestic-focused FTSE 250 has fared slightly worse, down almost a fifth for the year so far.

In contrast, the US benchmark S&P 500 index has fallen just 5 per cent so far this year while the pan-regional Stoxx Europe 600 has declined 13 per cent.



Growing trade tension with the EU will only add to the "wall of worries" for UK stocks, said Kasper Elmgreen, head of equities at Amundi.

Trade negotiations between London and Brussels entered their third and final session this week. The UK has ruled out an extension to the current standstill transition period.

If the two sides cannot make any progress this week or at a crucial summit later this month, analysts said sterling would be hit. The effects will worsen as the months count down.

"Sterling will get it on all sides," said Jane Foley, head of FX strategy at Rabobank, adding that the currency would suffer from the combined political, economic and social crosswinds caused by Covid-19 and Brexit. "We're looking at the possibility of an even more drawn-out recession if investors decide investing in the UK isn't worth it."

If there is no breakthrough by the end of this month, investors should price in a 50:50 chance of a trade deal by the end of the year, said analysts at JPMorgan. That should expose the pound to a "fraught few months," they added.

Sterling has not recovered from huge losses in 2016, when it dropped almost 20 per cent in the three months following the referendum on EU membership.

Like most other G10 currencies, the pound has rallied this month, pushing past $1.25 as the dollar has softened. But it is still down 5 per cent against the greenback so far this year. By contrast, the euro is down just 0.4 per cent.

Brexit is not its only problem, said investors. The UK was struggling to rebound from the effects of the viral outbreak, which has left it with one of the highest death rates in Europe and has made its economic reopening fraught with danger.

Meanwhile, ultra-low interest rates — and even talk of negative rates — have pushed the currency lower.

"Whatever kind of Brexit you have, over whatever period, you can't get to anywhere near the same magnitude of impact on the economy as coronavirus," said Paul Dales, chief UK economist at Capital Economics.

Against this backdrop, several banks have recently downgraded their sterling forecasts. In mid-May JPMorgan downgraded its end-of-year forecast for the pound to $1.20 from $1.35.

HSBC also revised its forecast for the same period down to $1.20 from $1.23 previously.

On the stock market, the utilities, consumer discretionary and industrial sectors have been worst off since the referendum.

Analysts are expecting further strains for stocks focused on the UK economy over the coming months if Brexit sends the pound lower.

A 1 per cent decline in sterling tends to lead to a 1 per cent decline in the valuations of domestically focused stocks compared with UK equities more broadly, according to an analysis by Goldman Sachs.

Value can be found among the wreckage, said analysts, but mostly in sectors less exposed to volatility in exchange rates. "From our perspective, it's an attractive hunting ground," said Mr Elmgreen.

Against this negative backdrop, progress towards a UK-EU trade deal could bring speedy "relief" to UK capital markets, said Ms Foley. "There's a lot of weariness," she said.

But others are more pessimistic. Some investors even think the government could use the cover of the Covid-19 disruption to forgo an extension to the transition and enter 2021 without a trade agreement.

"Given the UK economy is going to be suffering anyway, this is a good time to conceal the hit from Brexit," said Seema Shah, chief strategist at Principal Global Investors. "Never waste a good crisis."

'We're looking at the possibility of an even more drawn-out recession'

Commodities

Riyadh set to reverse extra cuts ahead of Opec+ session

ANJLI RAVAL, DAVID SHEPPARD AND DEREK BROWER

Saudi Arabia is set to unwind the extra production cuts it pledged last month, confident that the deal agreed by oil producers in April to reduce supply has restored order to a market thrown into disarray by the Covid-19 crisis.

As part of the deal two months ago, the Opec+ group that includes Saudi Arabia and Russia agreed record production curbs of 9.7m barrels a day. The deal ended a price war between the countries and sought to offset a collapse in demand triggered by coronavirus. This month, Saudi Arabia went further, with cuts of 1m b/d to placate Donald Trump, as the US shale industry reeled from the price plunge.

Now, with Brent crude having rebounded from 18-year lows of below $20 a barrel in April to about $40, Saudi Arabia is poised to bring that 1m b/d of production back, according to four people briefed on the kingdom's thinking.

Yet given lingering uncertainty, Opec+ is expected to agree an extension of its core production curbs for at least one month beyond July, when producers were initially due to start tapering the two-year deal.

A planned virtual meeting of ministers today was in doubt after a dispute over compliance with the agreement but could still take place if a resolution is reached, said two people familiar with Saudi Arabia's thinking.

The price war had already angered US senators and prompted threats of a withdrawal of military aid

Riyadh's likely decision to increase production back to about 8.5m b/d in July, from 7.5m b/d in June, highlights the dilemma it faces. Saudi Arabia does not want production to rebound too quickly, with oil prices still vulnerable to further virus-related drops in demand. Under the original deal, it was meant to be producing 9m b/d by July. But it also wants to secure its market share.

Bob McNally of Rapidan Energy Group said Opec+ nations would come together "relieved by crude's sharp recovery but bruised by their falling out in March and nauseated by crude's epic price bust in April", adding: "They will dial down the drama . . . signalling unity and some incremental restraint."

Monitoring cuts of about 10m b/d, on top of production lost from producers in North America outside Opec+, leaves oil ministers struggling to build a picture of how much crude the world needs in the second half of this year.

If prices were to move much higher, when the world economy is grappling with a deep virus-induced recession, Riyadh could receive a rebuke in Washington. The price war had already angered US senators and prompted threats of a withdrawal of military aid.

"If Trump asks for these kinds of voluntary cuts again, the Saudis will likely take that ask seriously," said Helima Croft at RBC Capital Markets.

Currencies

Dollar poised for 'dramatic' fall against peers, warn Wall Street strategists

EVA SZALAY — LONDON
COLBY SMITH — NEW YORK

Strategists at banks including Goldman Sachs and JPMorgan have turned bearish on the dollar after a wave of optimism over the global recovery from coronavirus pushed the US currency lower against its peers.

The trade-weighted dollar yesterday slipped to its weakest level since March 11, continuing a six-day streak of losses.

Against the Australian dollar, the US dollar is at its weakest since early January. The greenback has also softened against the euro, sterling and key emerging market currencies such as the Chinese renminbi.

Goldman, JPMorgan, Deutsche Bank and Citigroup have argued in recent days that the currency's long rally could be finally over.

Daniel Katzive, head of foreign exchange strategy for North America at BNP Paribas, said investors still held a lot of dollars in their portfolios — a fact that set up the greenback for a "pretty dramatic move lower".

More than two years of near-uninterrupted gains had come to an end in March but the dollar had remained stubbornly strong, even as the US Federal Reserve cut interest rates to near zero and flooded markets with dollars through international swap lines.

However, analysts said several props for the dollar had recently fallen away or started to wobble.

"We had been discouraging investors from putting dollar shorts in their portfolios during the past few months because of our concern about the [backdrop] but that has changed," said Zach Pandl, a strategist at Goldman. He noted that big economies including China's had begun to reopen with low infection rates while the Franco-German proposal for an EU recovery fund had boosted the euro by easing fiscal concerns across Europe.

A dollar sell-off is being driven by brighter global growth sentiment

"We now think it is appropriate for investors to position for dollar downside in their portfolios," he added.

JPMorgan analysts wrote this week that brighter sentiment over global growth as lockdowns were eased had become a "key driver" of the dollar selloff.

"We no longer have the confidence to stand in the way of this optimism and further neutralise our previously defensive trade recommendations," they noted.

In March, as concerns over the viral outbreak reached their peak, the dollar jumped as investors stockpiled the greenback in a scramble to pay debts and to find safety in the world's reserve currency.

The dollar became less attractive once US interest rates collapsed to near-zero but investors struggled to find alternatives.

Fixed Income

Long-dated US yield curve steepens as investors ponder Fed's next move

COLBY SMITH — NEW YORK

Long-dated Treasury bonds have lost favour among investors, sending yields to their highest since March, following a jump in borrowing to fund a massive economic stimulus and signs of shifting policy by the US Federal Reserve.

The increase in rates on 30-year debt in recent days has been sharper than on shorter-term Treasuries, to such an extent that one part of the US yield curve is now steeper than at almost any point in the past three years.

Traders said the move reflected a combination of factors, including a stabilising economic outlook and the expectation that while the Fed would continue to hold short-term Treasury yields low, it would be less aggressive in its interventions in the market for long-dated government debt.

"The longer-term trade is going to be for the curve to gradually steepen," said Subadra Rajappa, head of US rates strategy at Société Générale.

The difference between the yields on five-year and 30-year Treasuries widened to almost 118 basis points on Tuesday, the highest at any point since 2017 save for a brief intraday spike during the Treasury market disruption of mid-March.

The steepening of this part of the yield curve is in contrast to other measures, suggesting it has more to do with technical factors related to Fed policy and Treasury supply than the economy.

Another measure, the difference between three-month and 10-year Treasury yields, has been steady around 53 basis points since the middle of April.

The difference in yields on five-year and 30-year Treasuries hit the highest since 2017 this week

Last year, the difference turned negative, meaning that three-month yields were higher than 10-year yields — a move that spooked investors because an "inverted" yield curve has preceded every recession of the last half century.

The disproportionate move with regard to the 30-year bond comes ahead of the next meeting of monetary policymakers next week.

While senior Fed officials have signalled they see little urgency to expand their already unprecedented measures to support the US economy, there has been frequent discussion among market participants about what tools the central bank may consider next.

Last month, the Treasury department surprised investors by announcing larger than expected sales of longer-term debt to meet its historic borrowing needs, the result of more than $3tn allocated in stimulus legislation.

Ms Rajappa said the influx in supply had heaped additional downward pressure on longer-dated securities.

The recent steepening of the yield curve could also be attributed to the Fed pulling back as an active buyer of Treasuries, said Jon Hill, rates strategist at BMO Capital Markets.

A slightly steeper yield curve is "healthy", Mr Hill said, but should longer-dated bond yields rise too far too fast, he expects the Fed to adjust its purchases, so as to not risk a tightening of financial conditions that could undermine the economic recovery.

"The Fed has the tools to make sure this doesn't get out of hand," he said.

COMPANIES & MARKETS

The day in the markets

What you need to know

- Wall Street higher following release of better than feared jobs data
- Dollar slides for fifth consecutive day of declines
- Tension among Opec and its allies sends Brent oil back below $40

Equity markets remained undaunted by the continuing US protests sparked by the death of a black man in Minnesota at the hands of police with gun stocks rising sharply this week.

Firearms groups Smith & Wesson and Ruger have rallied more than 20 per cent and 10 per cent respectively since Friday's close.

Elsewhere on Wall Street yesterday, stocks were broadly higher. The S&P 500 gained 1.2 per cent by midday in New York following the release of data showing that private employers cut 2.76m jobs last month.

But this was "nowhere near as bad as anticipated", said Michael Pearce, senior US economist at Capital Economics.

This ADP jobs data was the first of three closely watched employment reports this week with first-time jobless claims out today and the official non-farm payroll reading released tomorrow.

Also helping to lift sentiment was data from the Institute for Supply Management suggesting that services sector activity in the US "may be past the bottom", according to Gregory Daco, an economist at Oxford Economics.

The services sector contracted for a second consecutive month in May but edged up from its lowest level in 11 years.

The US dollar, often viewed as a haven asset, remained "more deeply entrenched in a bearish phase", said Stephen Gallo, European head of FX strategy at BMO Capital Markets.

The US Dollar index, which measures the currency against a basket of its peers, slid another 0.4 per cent yesterday for a fifth consecutive session of declines.

The euro strengthened off the back of the softening dollar and hopes of further stimulus from the European Central Bank.

The single currency rose 0.6 per cent to $1.1235, its strongest level since mid-March, ahead of an ECB meeting today that is expected to agree more stimulus.

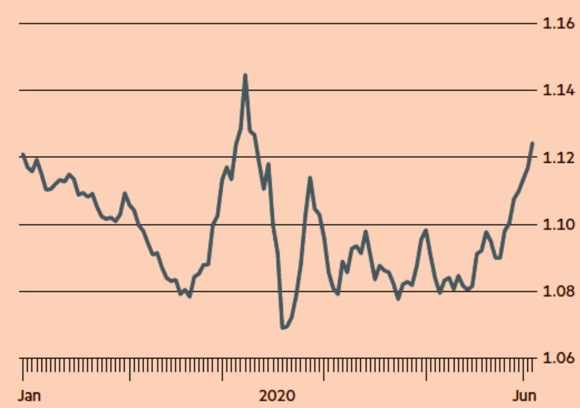
"The prospect of a more robust rebound in Europe with Covid-19 well under control and more policy support on the way has helped drive the euro higher," said Derek Halpenny at MUFG Bank.

The continent-wide Stoxx Europe 600 benchmark rose 2.5 per cent, taking its weekly advance to more than 5 per cent.

Brent crude broke above $40 a barrel before later paring gains in the afternoon after a planned Opec meeting that was expected to announce an extension to output cut appeared in jeopardy. The international benchmark slid 0.7 per cent to $39.28 a barrel. **Ray Douglas**

Weaker dollar and stimulus hopes boost euro

Against the dollar ($ per €)



Source: Refinitiv

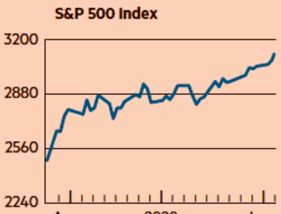
Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	3117.03	1435.64	22613.76	6382.41	2923.37	93180.18
% change on day	1.18	2.57	1.29	2.61	0.07	2.34
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	97.502	1.122	108.825	1.260	7.110	5.028
% change on day	-0.175	0.358	0.221	0.318	-0.008	-3.706
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	0.748	-0.356	0.009	0.270	2.804	6.539
Basis point change on day	8.270	6.100	0.320	4.900	3.900	-23.900
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	348.59	39.16	36.43	1742.15	18.27	2525.60
% change on day	1.56	-1.21	-1.27	0.67	0.61	0.91

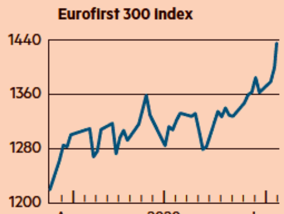
Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets

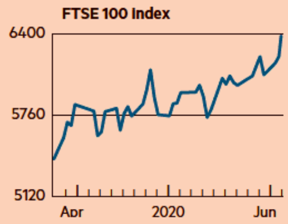
S&P 500 index



Eurofirst 300 index



FTSE 100 index



Biggest movers

%	US		Eurozone		UK	
Ups	Simon Property	14.72	Renault	10.49	Int Consolidated Airlines S.a.	11.41
	Microchip Technology	11.41	Axa	10.37	Rolls-royce Holdings	9.25
	Mgm Resorts Int	10.33	Aegon	9.91	Easyjet	8.25
	United Airlines Holdings	10.23	Cnp Assurances	9.49	Prudential	7.87
	Kimco Realty	10.22	Hann.rueck	9.31	Whitbread	7.20
Downs	Campbell Soup	-4.63	Seadrill	-3.47	Polymetal Int	-6.58
	Regeneron Pharmaceuticals	-3.59	Grifols	-3.00	Fresnillo	-5.90
	Take-two Interactive Software	-3.56	Coloplast	-1.94	Hargreaves Lansdown	-3.09
	Newmont	-3.51	Iliad	-1.50	Ashtead	-1.00
	Activision Blizzard	-3.01	Telecom Italia	-0.99	Antofagasta	-0.26

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

Microchip Technology led semiconductor stocks higher after raising its June quarter sales and earnings guidance.

It cited an easing of Covid-19 related supply-chain disruptions, lower than expected cancellation rates and the reopening of car factories.

Royal Caribbean Cruises and **Carnival** shrugged off "sell" advice from Morgan Stanley as investors chased higher stocks that were likely to benefit from a return to economic recovery.

The cruise industry "will take longer than almost any other form of travel to return to normal" with a risk that operators need more equity as sailings might not resume until 2021 or later, Morgan Stanley said. "We think it will be challenging for cruise ships to structure social distancing in a way that does not . . . make the business model unviable."

Boeing climbed after Daniel Loeb's Third Point revealed in a fund update that it had a stake in the jet maker.

Tiffany fell on a report that LVMH was investigating ways to pressure it into accepting a lower takeover price.

LVMH had not yet decided on a strategy and had not asked the jeweller to reopen talks, Reuters said.

FSD Pharma more than doubled on news that it had received US regulatory approval to begin clinical trials of a Covid-19 treatment candidate. *Bryce Elder*

Eurozone

Renault climbed after Goldman Sachs added the French carmaker to its "buy" list.

The broker saw Renault as a big beneficiary of European scrappage and environmental programmes — with its current savings programme unlikely to harm market share as it has been designed to take advantage of industry support by focusing on small cars and electric vehicle production.

Dufry, the duty-free concession owner, gained on an upgrade to "buy" from Santander. Signs were positive for a stronger than expected rebound in holiday travel and retail spend, suggesting upside to current forecasts, Santander told clients.

While sales were unlikely to return to 2019 levels before the financial year ending 2024, Dufry's liquidity had been "firmly secured" — so the prospect of improving trends over the next few months should be a catalyst, said the broker.

An upgrade to "buy" from Jefferies helped lift chemicals maker **BASF**.

"The classic chemical playbook — cyclical rally through the first two to three quarters of recovery — appears increasingly likely to kick in," it said.

"Top-down models now suggest this is the best window since early 2016," Jefferies added. *Bryce Elder*

London

Another broad-based rally for the UK market lifted the FTSE 100 to its highest level since early March.

Prudential and **Legal & General** were among the best-performing financial stocks as Morgan Stanley said the sector would be a key beneficiary of an EU recovery fund.

The broker advised switching into banks, insurers and financial companies over real estate as a way to play higher yields on debt.

Rolls-Royce, **easyJet** and British Airways owner **IAG** led the blue-chip gainers after Iata, the airline trade group, said the decline in air travel had probably hit its worst point in late April.

Tui gained after the holiday company confirmed that it had received compensation from Boeing for the grounding of its fleet of 737 Max jets.

Chemring, the defence group, led the FTSE 250 gainers on better than expected interim results.

Marks and Spencer gained on an upgrade to "buy" from Jefferies.

The improving residence of M&S's food business should support the retailer through the Covid-19 crisis as well as create a disconnect between the division's potential and the group's valuation, Jefferies said.

Johnson Matthey gained on Citigroup "buy" advice. *Bryce Elder*

Public participation in equities is flagging when we need it most

Anne Richards

Markets Insight

Governments around the world are firing up time machines, pulling years of future growth and spending into the present to plug economic gaps left by the Covid-19 outbreak. France and Germany have proposed a €500bn aid package, for example, while in the UK the Office for Budget Responsibility expects the Treasury to need an extra £300bn to keep businesses on life support.

But hefting private liabilities on to the public balance sheets of generations to come will not be enough to make a clean getaway from this crisis. It would be better for governments to broaden opportunities for people to own a real stake in the recovery, whether through domestic sovereign wealth funds or retail investment products.

In the early stages of a crisis, debt has a natural head start on equity. Debt is quicker and simpler: everyone understands an IOU. But whether by design or not, financial policymakers have gradually increased incentives to continue to invest in debt at the expense of equity.

Factors such as the tax favourability of debt over equity and the additional costs of being a public company, rather than private, have discouraged companies from tapping public equity funding. Meanwhile potential investors are warded away from stock markets.

For issuers, debt can offer a fast fix to an urgent liquidity problem. After all, the future is abstract and today's cash needs are painfully tangible. But, used in isolation, it comes at the risk of strangling growth and productive capacity in the longer term as interest and repayments fall due. And that is a fairly optimistic scenario. Future generations may decide to reject an economic system weighed down by past promises, leading to extreme political and financial upheaval and social unrest.

There is a brief window of opportunity to put structures in place that allow the emergency debt funding to be refinanced through public equity investment. And before that window can be opened, the circumstances around the decline of public participation in equity markets need to be addressed.

The numbers are stark. On the supply side, overall equity financing has held stable at around 50 per cent of total funding for non-financial companies, but the share of public equity has declined from 75 per cent in 2000 to about 55 per cent now, according to a study we commissioned from KPMG. And on the demand side, consider the UK, where there has been no increase in the number of "stocks and shares" savings account subscriptions among individual investors since 2008.

> More radical proposals that address debt's favourable tax treatment would tempt issuers

Public equity needs a level playing field to achieve the goals of recapitalisation, and it is within the power of policymakers to do this.

In Europe, the Capital Markets Union initiative is well placed to strengthen both the supply of, and demand for, public equity, but greater emphasis is needed on reforms to encourage retail savers. There is an opportunity here to think big and use the CMU to create a bloc-wide Covid-19 retail investment product to stabilise corporate funding and share the benefits.

In the UK, meanwhile, the rules that underpin pension funds' management of assets and liabilities should be scrutinised to ensure they do not discourage equity investments. For example, the regulatory environment encourages pension funds backed by weaker companies to switch equity holdings into debt when the ratio of their pension assets to liabilities declines. But that happens when markets fall — potentially locking in losses as well as increasing selling pressure on shares.

Finally, more radical proposals that address debt's favourable tax treatment would tempt issuers. Such changes have met with success in the past. A study of Belgium's notional interest deduction rule, which reduced the tax advantage of debt in 2005, found that it increased the level of total equity financing as a percentage of total corporate assets within a few years.

So rather than take from the future, policymakers might borrow from the past. In 1938, as the US was fighting its way out of the Depression, President Franklin D. Roosevelt highlighted the importance of a mass participation in equity. "The individual must be encouraged to exercise his own judgment and to venture his own small savings, not in stock gambling, but in new enterprise investment," he said.

Now, as then, capitalism must evolve. Financial policymakers have an opportunity to direct that evolution in a way that gives future generations a stake in the recovery, rather than hold them to old promises made in their name.

Anne Richards is chief executive officer of Fidelity International

MARKET DATA

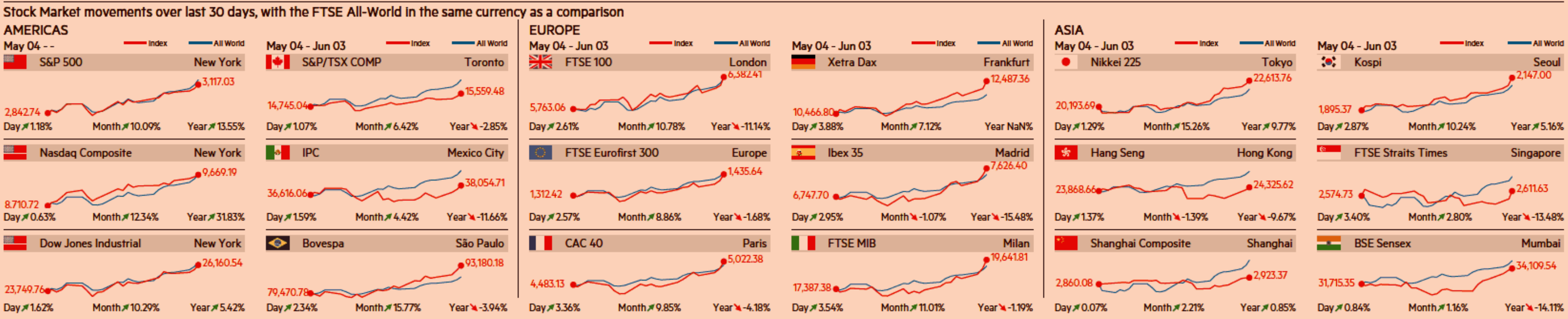
WORLD MARKETS AT A GLANCE

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 $
1.18%	0.63%	1.62%	2.61%	2.57%	1.29%	1.37%	1.56%	0.358%	0.318%	0.221%	No change	-0.62%	0.67%

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

AMERICA	Close price	Day's change	Day's chng%	LONDON	Close price	Day's change	Day's chng%	EURO MARKETS	Close price	Day's change	Day's chng%	TOKYO	Close price	Day's change	Day's chng%
[illegible]															
Microchip Technology	107.89	11.05	11.41	Hammerson	137.75	26.90	24.27	Axa	19.05	1.79	10.37	Nissan Motor Co.,	441.00	30.70	7.48
Mgm Resorts Int	20.08	1.88	10.33	Aston Martin Lagonda Global Holdings	68.85	10.20	17.39	Aegon	2.85	0.26	9.91	Nippon Sheet Glass ,	451.00	30.00	7.13
United Airlines Holdings	32.97	3.06	10.23	Senior	77.50	9.70	14.31	Cnp Assurances	11.19	0.97	9.49	Mitsui Chemicals,.	2382.00	157.00	7.06
Kimco Realty	13.76	1.28	10.22	Hyve	104.70	12.70	13.80	Hannover Rueck Se Na O.n.	164.40	14.00	9.31	Fuji Heavy Industries	2571.50	146.50	6.04
Downs				**Downs**				**Downs**				**Downs**			
Campbell Soup	49.60	-2.41	-4.63	Hochschild Mining	192.70	-15.50	-7.44	Seadrill	0.34	-0.01	-3.47	Nksj Holdings,.	3740.00	-91.00	-2.38
Regeneron Pharmaceuticals	595.51	-22.16	-3.59	Polymetal Int	1498.00	-105.50	-6.58	Grifols	27.49	-0.85	-3.00	Fujitsu	11660.00	-245.00	-2.06
Take-two Interactive Software	129.81	-4.79	-3.56	Fresnillo	746.80	-46.80	-5.90	Coloplast B A/s	142.52	-2.82	-1.94	Nec	4745.00	-90.00	-1.86
Newmont	56.18	-2.05	-3.51	Avast	500.50	-17.50	-3.38	Lindt Ps	7527.56	-125.07	-1.63	Cyberagent,.	5310.00	-100.00	-1.85
Activision Blizzard	70.78	-2.20	-3.01	Softcat	1081.00	-36.00	-3.22	Iliad	163.75	-2.50	-1.50	Astellas Pharma .	1899.00	-33.50	-1.73

Based on the constituents of the S&P500 | Based on the constituents of the FTSE 350 index | Based on the constituents of the FTSEurofirst 300 Eurozone index | Based on the constituents of the Nikkei 225 index

UK MARKET WINNERS AND LOSERS

FTSE 100	Jun 03 price(p)	%Chg week	%Chg ytd	FTSE 250	Jun 03 price(p)	%Chg week	%Chg ytd	FTSE SmallCap	Jun 03 price(p)	%Chg week	%Chg ytd	Industry Sectors	Jun 03 price(p)	%Chg week	%Chg ytd
[illegible]															
Hargreaves Lansdown	1694.50	-5.5	-13.7	Tui Ag	485.50	-8.5	-51.0	Dwf	66.00	-16.5	-48.4	Tobacco	33313.78	-0.6	-3.1
Rolls-royce Holdings	328.20	-5.2	-51.8	Helios Towers	161.80	-7.0	8.4	Amigo Holdings	17.80	-16.0	-74.8	Beverages	22636.18	-0.3	-
Carnival	1174.50	-1.8	-67.8	Softcat	1081.00	-6.6	-9.8	Bmo Private Equity Trust	314.00	-14.7	-16.6	Industrial Transportation	1903.46	0.8	-
Bt	117.90	-1.5	-39.9	Ascential	271.60	-5.9	-30.0	Dp Eurasia N.v.	36.90	-6.8	-29.4	Software & Computer Services	1919.87	1.8	-
Hikma Pharmaceuticals	2419.00	-1.4	21.9	Gcp Infrastructure Investments	113.00	-4.2	-14.4	Schroder Uk Public Private Trust	28.00	-6.5	-24.1	Food Producers	6657.50	1.9	-
Admiral	2331.00	-1.3	1.3	John Laing	356.80	-3.9	-7.9	Gem Diamonds	29.80	-6.3	-42.8	Aerospace & Defense	3607.35	2.0	-
Sage	687.20	-1.2	-8.1	Clarkson	2370.00	-3.3	-21.8	Pendragon	8.48	-6.1	-33.9	Pharmaceuticals & Biotech.	18550.63	2.2	4.1
British American Tobacco	3241.50	-1.0	-0.7	Sabre Insurance	269.00	-2.9	-11.5	Premier Foods	43.50	-5.5	14.3	Chemicals	11419.01	2.5	-14.5
Smurfit Kappa	2672.00	-1.0	-9.2	Man	142.60	-2.3	-11.5	Cmc Markets	191.40	-5.0	29.7	General Financial	11023.59	2.7	-
Diageo	2894.00	-0.8	-9.1	Integrafin Holdings	525.00	-1.7	15.4	Majedie Investments	209.00	-5.0	-19.6	Banks	2422.68	3.0	-36.0
Fresnillo	746.80	-0.5	16.0	Victrex	2032.00	-1.6	-20.0	Porvair	620.00	-4.9	-11.2	Food & Drug Retailers	4245.26	3.0	1.0

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

CURRENCIES

Jun 3	Currency	DOLLAR Closing Mid	DOLLAR Day's Change	EURO Closing Mid	EURO Day's Change	POUND Closing Mid	POUND Day's Change
Argentina	Argentine Peso	68.8026	0.0953	77.1927	0.3569	86.6673	0.3917
Australia	Australian Dollar	1.4423	-0.0088	1.6181	-0.0046	1.8168	-0.0053
Bahrain	Bahrainin Dinar	0.3772	0.0000	0.4231	0.0013	0.4751	0.0014
Bolivia	Bolivian Boliviano	6.9100	-	7.7526	0.0251	8.7042	0.0273
Brazil	Brazilian Real	5.0281	-0.1935	5.6412	-0.1981	6.3336	-0.2231
Canada	Canadian Dollar	1.3489	0.0001	1.5133	0.0050	1.6991	0.0055
Chile	Chilean Peso	764.9900	-15.2950	858.2761	-14.3210	963.6213	-16.1809
China	Chinese Yuan	7.1099	-0.0006	7.9769	0.0252	8.9560	0.0274
Colombia	Colombian Peso	3579.3300	-46.9050	4015.8094	-39.4294	4508.7106	-44.7456
Costa Rica	Costa Rican Colon	577.1050	1.7850	647.4796	4.0960	726.9515	4.5235
Czech Republic	Czech Koruna	23.7213	0.0004	26.6139	0.0868	29.8805	0.0943
Denmark	Danish Krone	6.6449	-0.0199	7.4552	0.0019	8.3702	0.0012
Egypt	Egyptian Pound	16.0787	0.1048	18.0394	0.1757	20.2536	0.1952
Hong Kong	Hong Kong Dollar	7.7503	-0.0002	8.6953	0.0279	9.7626	0.0303
Hungary	Hungarian Forint	306.7205	-2.1010	344.1232	-1.2335	386.3611	-1.4253
India	Indian Rupee	75.4700	0.1075	84.6731	0.3948	95.0659	0.4334
Indonesia	Indonesian Rupiah	14110.0000	-322.5000	15830.6500	-309.3157	17773.7017	-349.1678
Israel	Israeli Shekel	3.4763	0.0030	3.9002	0.0161	4.3789	0.0176
Japan	Japanese Yen	108.8250	0.2400	122.0956	0.6644	137.0816	0.7317
..One Month		108.8249	0.2399	122.0956	0.6644	137.0816	0.7316
..Three Month		108.8248	0.2397	122.0956	0.6645	137.0815	0.7314
..One Year		108.8242	0.2384	122.0957	0.6647	137.0816	0.7309
Kenya	Kenyan Shilling	106.1000	-0.3500	119.0383	-0.0054	133.6491	-0.0199
Kuwait	Kuwaiti Dinar	0.3081	-0.0002	0.3457	0.0010	0.3881	0.0010
Malaysia	Malaysian Ringgit	4.2625	-0.0150	4.7823	-0.0013	5.3693	-0.0020
Mexico	Mexican Peso	21.5950	-0.0380	24.2284	0.0361	27.2022	0.0377
New Zealand	New Zealand Dollar	1.5570	-0.0139	1.7469	-0.0099	1.9613	-0.0113
Nigeria	Nigerian Naira	388.1800	1.4300	435.5163	3.0116	488.9718	3.3307
Norway	Norwegian Krone	9.4775	-0.0501	10.6332	-0.0215	11.9384	-0.0254
Pakistan	Pakistani Rupee	164.2000	-0.8500	184.2232	-0.3531	206.8349	-0.4180
Peru	Peruvian Nuevo Sol	3.3860	-0.0145	3.7989	-0.0039	4.2652	-0.0048
Philippines	Philippine Peso	50.1200	-0.2250	56.2318	-0.0693	63.1338	-0.0843
Poland	Polish Zloty	3.9347	0.0150	4.4145	0.0311	4.9564	0.0345
Romania	Romanian Leu	4.3079	-0.0185	4.8333	-0.0050	5.4265	-0.0062
Russia	Russian Ruble	68.6488	-0.1112	77.0201	0.1254	86.4735	0.1318
Saudi Arabia	Saudi Riyal	3.7550	0.0015	4.2128	0.0153	4.7299	0.0167
Singapore	Singapore Dollar	1.3970	-0.0026	1.5674	0.0022	1.7597	0.0023
South Africa	South African Rand	16.9163	-0.1885	18.9791	-0.1492	21.3086	-0.1698
South Korea	South Korean Won	1216.6500	-8.7500	1365.0135	-5.3583	1532.5558	-6.1763
Sweden	Swedish Krona	9.2891	-0.0357	10.4219	-0.0062	11.7011	-0.0082
Switzerland	Swiss Franc	0.9621	0.0015	1.0794	0.0051	1.2118	0.0056
Taiwan	New Taiwan Dollar	29.8745	-0.0800	33.5175	0.0192	37.6315	0.0177
Thailand	Thai Baht	31.5525	-	35.4001	0.1148	39.7452	0.1248
Tunisia	Tunisian Dinar	2.8531	-0.0050	3.2010	0.0048	3.5939	0.0051
Turkey	Turkish Lira	6.7298	-0.0028	7.5504	0.0214	8.4771	0.0232
United Arab Emirates	UAE Dirham	3.6732	-	4.1211	0.0134	4.6269	0.0145
United Kingdom	Pound Sterling	0.7939	-0.0025	0.8907	0.0001	-	-
..One Month		0.7939	-0.0025	0.8906	0.0001	-	-
..Three Month		0.7939	-0.0025	0.8905	0.0001	-	-
..One Year		0.7941	-0.0025	0.8901	0.0001	-	-
United States	United States Dollar	-	-	1.1219	0.0036	1.2597	0.0040
..One Month		-	-	1.1219	-0.1338	1.2597	0.0040
..Three Month		-	-	1.1217	-0.1338	1.2597	0.0040
..One Year		-	-	1.1210	-0.1338	1.2599	0.0040
Venezuela	Venezuelan Bolivar Fuerte	-	-	-	-	-	-
Vietnam	Vietnamese Dong	23262.0000	5.5000	26098.6896	90.7520	29302.0544	98.8350
European Union	Euro	0.8913	-0.0029	-	-	1.1227	-0.0001
..One Month		0.8912	-0.0029	-	-	1.1227	-0.0001
..Three Month		0.8911	-0.0029	-	-	1.1226	-0.0001
..One Year		0.8903	-0.0029	-	-	1.1221	-0.0001

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

FTSE ACTUARIES SHARE INDICES

UK SERIES www.ft.com/equities

Produced in conjunction with the Institute and Faculty of Actuaries

	£ Strlg Jun 03	Day's chge%	Euro Index	£ Strlg Jun 02	£ Strlg Jun 01	Year ago	Div yield%	Cover	P/E ratio	X/D adj	Total Return
FTSE 100 (100)	6382.41	2.61	5579.09	6220.14	6166.42	7214.29	4.72	1.44	14.76	101.56	5995.72
FTSE 250 (251)	17897.08	2.64	15644.45	17436.31	17277.53	19008.16	3.57	1.86	15.11	127.41	14034.88
FTSE 250 ex Inv Co (186)	18379.82	2.89	16066.43	17864.15	17673.67	19971.95	3.87	1.45	17.82	108.26	14717.74
FTSE 350 (351)	3575.17	2.61	3125.18	3484.08	3453.71	3999.22	4.52	1.49	14.82	51.59	6699.16
FTSE 350 ex Investment Trusts (285)	3507.94	2.65	3066.41	3417.38	3386.66	3953.26	4.63	1.43	15.13	51.43	3391.61
FTSE 350 Higher Yield (107)	2847.77	2.89	2489.34	2767.83	2723.67	3552.09	7.04	1.27	11.19	56.82	5822.58
FTSE 350 Lower Yield (244)	4076.92	2.38	3563.78	3982.10	3971.95	4104.16	2.37	2.06	20.50	39.31	4782.30
FTSE SmallCap (262)	5060.03	1.96	4423.14	4962.93	4921.71	5546.77	4.53	1.01	21.94	52.76	7923.92
FTSE SmallCap ex Inv Co (145)	3891.13	2.35	3401.37	3801.70	3760.29	4575.81	5.67	0.50	35.30	30.89	6395.85
FTSE All-Share (613)	3531.75	2.59	3087.22	3442.46	3412.50	3948.13	4.53	1.48	14.97	50.48	6685.41
FTSE All-Share ex Inv Co (430)	3436.22	2.65	3003.72	3347.67	3317.47	3875.53	4.65	1.41	15.27	49.96	3374.54
FTSE All-Share ex Multinationals (539)	1062.49	2.64	769.77	1035.18	1026.73	1129.82	4.02	1.31	18.98	8.80	2096.79
FTSE Fledgling (95)	8096.38	0.95	7077.32	8019.80	8006.17	9373.03	4.38	1.33	17.20	91.77	16421.63
FTSE Fledgling ex Inv Co (41)	9475.76	0.38	8283.09	9440.18	9392.64	11394.67	7.32	0.97	14.04	70.29	18838.43
FTSE All-Small (357)	3499.55	1.90	3059.08	3434.35	3407.15	3847.76	4.53	1.02	21.60	36.68	7030.98
FTSE All-Small ex Inv Co (186)	2902.68	2.29	2537.33	2837.81	2807.46	3414.72	5.73	0.52	33.61	22.98	6043.71
FTSE AIM All-Share (729)	895.18	0.43	782.51	891.36	883.20	941.93	1.48	1.41	47.70	3.12	1023.35
FTSE Sector Indices											
Oil & Gas (12)	**5390.19**	**4.00**	**4711.75**	**5182.67**	**4981.90**	**9387.68**	**8.89**	**1.40**	**8.03**	**206.26**	**5924.35**
Oil & Gas Producers (8)	5237.34	3.97	4578.14	5037.50	4841.62	9102.13	8.86	1.41	7.98	202.92	5966.87
Oil Equipment Services & Distribution (4)	4668.04	6.93	4080.49	4365.64	4246.90	9456.94	11.60	0.54	15.93	6.80	4019.54
Basic Materials (23)	**5799.69**	**1.63**	**5069.71**	**5706.64**	**5577.99**	**6365.81**	**5.98**	**2.15**	**7.77**	**140.33**	**6844.84**
Chemicals (7)	12434.21	2.11	10869.16	12177.75	11912.05	14457.80	2.81	1.98	17.97	87.38	11829.33
Forestry & Paper (1)	19427.14	2.63	16981.93	18929.64	18855.94	20471.28	1.59	5.96	10.54	0.00	22986.55
Industrial Metals & Mining (2)	3439.04	3.80	3006.18	3313.24	3267.33	6113.57	16.11	1.06	5.88	261.34	4390.72
Mining (13)	16722.32	1.49	14617.55	16476.32	16084.66	18097.80	6.38	2.15	7.27	444.07	10425.84
Industrials (99)	**5265.07**	**2.88**	**4602.37**	**5117.71**	**5060.77**	**5211.77**	**2.59**	**1.46**	**26.47**	**19.30**	**5789.58**
[illegible]											

Hourly movements [illegible]

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FT 30 INDEX

	Jun 03	Jun 02	Jun 01	May 29	May 28	Yr Ago	High	Low
FT 30	2438.90	2366.10	2324.60	2275.40	2351.30	0.00	3314.70	1337.80
FT 30 Div Yield	-	-	-	-	-	0.00	3.93	2.74
P/E Ratio net	-	-	-	-	-	0.00	19.44	14.26

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

FT 30 hourly changes

8	9	10	11	12	13	14	15	16	High	Low
2366.1	2398	2408	3120.5	2399.1	2395.8	2394.3	2414	2426.7	2439.2	2366.1

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

FX: EFFECTIVE INDICES

	Jun 02	Jun 01	Mnth Ago		Jun 03	Jun 02	Mnth Ago
Australia	-	-	-	Sweden	-	-	-
Canada	-	-	-	Switzerland	-	-	-
Denmark	-	-	-	UK	77.53	77.32	78.44
Japan	-	-	-	USA	-	-	-
New Zealand	-	-	-	Euro	-	-	-
Norway	-	-	-				

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

FTSE GLOBAL EQUITY INDEX SERIES

Jun 2 Regions & countries	No of stocks	US $ indices	Day %	Mth %	YTD %	Total retn	YTD %	Gr Div Yield
FTSE Global All Cap	8902	582.17	1.2	9.1	-8.5	887.66	-7.6	2.5
FTSE Global All Cap	7079	462.39	0.3	7.3	-0.3	624.68	0.2	2.5
FTSE Global Large Cap	1770	526.09	1.1	8.2	-7.3	825.90	-6.3	2.6
FTSE Global Mid Cap	2186	732.09	1.4	11.8	-11.7	1050.70	-11.0	2.4
[illegible]								

Jun 2 Sectors	No of stocks	US $ indices	Day %	Mth %	YTD %	Total retn	YTD %	Gr Div Yield
Oil Equipment & Services	36	188.00	2.3	2.3	-29.8	307.88	-28.2	5.4
Basic Materials	350	460.92	1.6	1.6	-10.3	770.16	-9.0	3.6
Chemicals	159	672.74	1.9	1.9	-10.3	1114.25	-9.2	3.1
Forestry & Paper	20	232.87	1.2	1.2	-16.3	437.26	-14.7	3.7
Industrial Metals & Mining	93	296.96	2.6	2.6	-21.5	498.23	-20.5	4.4
Mining	78	703.66	0.7	0.7	-3.5	1202.45	-1.6	4.1
Industrials	746	400.88	1.5	1.5	-10.7	612.31	-9.9	2.2
Construction & Materials	148	483.02	1.8	1.8	-12.9	773.67	-12.0	2.5
Aerospace & Defense	37	620.22	1.3	1.3	-30.7	933.50	-30.2	2.7
General Industrials	64	192.51	2.2	2.2	-15.5	321.95	-14.3	2.9
[illegible]								

FTSE SECTORS: LEADERS & LAGGARDS

Year to date percentage changes

Leisure Goods	21.53	Basic Materials	-13.20	Food Producers	-21.47
Tech Hardware & Eq	8.73	Beverages	-13.98	FTSE 250 Index	-22.12
Pharmace & Biotech	4.35	Software & Comp Serv	-14.74	Nonlife Insurance	-22.14
Health Care	1.85	Forestry & Paper	-14.92	Real Est Invest & Se	-22.22
Food & Drug Retailer	0.47	Electricity	-15.16	Industrial Metals &	-22.27
Electronic & Elec Eq	-0.94	Chemicals	-15.18	Consumer Services	-23.40
Tobacco	-5.23	Industrial Eng	-16.32	Real Est Invest & Tr	-25.24
Household Goods & Ho	-5.67	Industrials	-16.34	Financials	-27.21
Personal Goods	-6.17	Construct & Material	-16.86	Industrial Transport	-28.43
Gas Water & Multi	-6.53	NON FINANCIALS Index	-17.12	Life Insurance	-30.70
Equity Invest Instr	-8.42	Financial Services	-17.64	Aerospace & Defense	-32.66
Consumer Goods	-8.46	Health Care Eq & Srv	-17.74	Travel & Leisure	-36.79
Utilities	-8.53	FTSE SmallCap Index	-18.25	Fixed Line Telecomms	-37.16
Mobile Telecomms	-10.09	Telecommunications	-18.57	Oil & Gas Producers	-41.40
Support Services	-11.27	FTSE 100 Index	-19.43	Oil & Gas	-41.59
Mining	-12.76	FTSE All{HY-}Share Index	-19.85	Banks	-41.89
Technology	-13.14	Media	-20.15	Automobiles & Parts	-43.23
		General Retailers	-20.22	Oil Equipment & Serv	-53.82

FTSE 100 SUMMARY

FTSE 100	Closing Price	Day's Change	FTSE 100	Closing Price	Day's Change
3I Group PLC	892.00	34.00	Land Securities Group PLC	671.40	16.00
Admiral Group PLC	2331	37.00	Legal & General Group PLC	229.90	15.40
Anglo American PLC	1805.2	45.40	Lloyds Banking Group PLC	33.76	1.83
Antofagasta PLC	903.60	-2.40	London Stock Exchange Group PLC	8250	182.00
Ashtead Group PLC	2479	-25.00	M&G PLC	149.10	6.40
Associated British Foods PLC	1957.5	10.50	Meggitt PLC	330.10	17.40
Astrazeneca PLC	8596	54.00	Melrose Industries PLC	132.50	3.60
Auto Trader Group PLC	567.00	5.00	Mondi PLC	1581.5	40.50
Aveva Group PLC	4106	150.00	Morrison (Wm) Supermarkets PLC	188.35	2.35
Aviva PLC	278.90	18.00	National Grid PLC	961.20	23.00
Bae Systems PLC	513.40	16.40	Next PLC	5528	126.00
Barclays PLC	125.32	5.82	Ocado Group PLC	2185	13.00
Barratt Developments PLC	537.60	24.00	Pearson PLC	514.20	8.40
Berkeley Group Holdings (The) PLC	4294	115.00	Pennon Group PLC	1193	31.50
Bhp Group PLC	1680	22.40	Persimmon PLC	2478	110.00
BP PLC	339.30	10.70	Phoenix Group Holdings PLC	676.60	26.80
British American Tobacco PLC	3241.5	39.50	Polymetal International PLC	1498	-105.50
British Land Company PLC	450.90	9.90	Prudential PLC	1185	86.50
Bt Group PLC	117.90	0.30	Reckitt Benckiser Group PLC	7082	72.00
Bunzl PLC	1986	65.00	Relx PLC	1944.5	43.50
Burberry Group PLC	1640	64.50	Rentokil Initial PLC	499.90	3.20
Carnival PLC	1174.5	51.50	Rightmove PLC	612.40	23.80
Centrica PLC	39.76	1.22	Rio Tinto PLC	4519	76.00
Coca-Cola Hbc AG	2143	66.00	Rolls-Royce Holdings PLC	328.20	27.80
Compass Group PLC	1279.5	30.50	Royal Bank Of Scotland Group PLC	125.50	4.95
Crh PLC	2831	125.00	Royal Dutch Shell PLC	1342	57.00
Croda International PLC	5214	22.00	Royal Dutch Shell PLC	1393.2	58.60
Dcc PLC	6914	192.00	Rsa Insurance Group PLC	431.90	19.90
Diageo PLC	2894	75.50	Sage Group PLC	687.20	10.20
Easyjet PLC	784.40	59.80	Sainsbury (J) PLC	198.80	4.80
Evraz PLC	308.10	13.20	Schroders PLC	3133	117.00
Experian PLC	2887	67.00	Scottish Mortgage Investment Trust PLC	751.50	14.00
Ferguson PLC	6586	156.00	Segro PLC	872.80	9.00
Flutter Entertainment PLC	11290	400.00	Severn Trent PLC	2544	64.00
Fresnillo PLC	746.80	-46.80	Smith & Nephew PLC	1699.5	43.00
[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

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UK RIGHTS OFFERS

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
Angling Direct	[illegible]					
Chemring Group	[illegible]					
Energiser Investments	[illegible]					
Hummingbird Resources	[illegible]					
Instem	[illegible]					
PCF Group	[illegible]					
SSP Group	[illegible]					
Vertu Motors	[illegible]					

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

UK RECENT EQUITY ISSUES

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

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

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Stock	Price	Day Chg	52 Week High	52 Week Low	Yld	P/E	MCap m
[illegible]							

FT 500: TOP 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
HsngDevFin	1835.65	1813.55	22.10	1.22	333.50	22.2	-4.19
ICICI Bk	356.85	348.40	8.45	2.43	64.15	21.9	-6.13
HDFC Bk	1022.25	1001.00	21.25	2.12	169.85	19.9	2.04
Cielo	4.68	4.40	0.28	6.36	0.68	17.0	15.02
L&T	961.30	945.45	15.85	1.68	135.75	16.4	7.10
SBI NewA	174.90	170.25	4.65	2.73	23.50	15.5	-8.19
SimonProp	72.79	63.45	9.34	14.72	9.60	15.2	15.30
HyundMobis	224000.00	214000.00	10000.00	4.67	29000.00	14.9	30.23
ANZ	18.92	18.02	0.90	4.99	2.40	14.5	20.13
Unicred	8.45	8.04	0.42	5.16	1.05	14.1	20.22
Enel	7.50	7.19	0.32	4.38	0.92	13.9	20.33
AnBshInBv	48.14	44.69	3.45	7.72	5.76	13.6	14.95
Bradesco	20.21	19.05	1.16	6.09	2.38	13.3	15.32
AXA	19.05	17.26	1.79	10.37	2.24	13.3	17.60
Firstrand	44.86	41.43	3.43	8.28	5.17	13.0	11.22
DiscFinServ	55.98	52.39	3.59	6.85	6.38	12.9	35.47
NatAusBk	18.70	17.88	0.82	4.59	2.06	12.4	15.86
DBS	21.80	20.21	1.59	7.87	2.36	12.1	9.22
OilNatGas	86.30	84.30	2.00	2.37	9.30	12.1	8.01
Boeing	167.57	153.31	14.26	9.30	18.05	12.1	26.00

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 %
CSL	283.55	284.73	-1.18	-0.41	-24.08	-7.8	-5.01
RollsRoyce	328.20	300.40	27.80	9.25	-17.90	-5.2	-98.98
Midea	0.64	0.64	0.00	0.00	-0.03	-4.5	-14.67
Pfizer	35.78	36.16	-0.38	-1.05	-1.63	-4.4	-5.00
SingTel	2.57	2.54	0.03	1.18	-0.09	-3.4	-9.19
Northrop	331.55	327.06	4.49	1.37	-11.43	-3.3	1.15
Intel	61.71	62.12	-0.42	-0.67	-1.86	-2.9	7.26
ShenwanHong	0.03	0.04	0.00	-2.86	0.00	-2.9	-22.73
CSR	3.73	3.69	0.04	1.08	-0.10	-2.6	-9.00
Amgen	219.12	223.72	-4.60	-2.06	-5.69	-2.5	-5.23
Hew-Pack	16.73	15.79	0.94	5.95	-0.39	-2.3	13.87
WalMrtMex	55.30	55.36	-0.06	-0.11	-1.23	-2.2	-4.61
HCA Hold	111.22	109.02	2.20	2.02	-2.44	-2.1	6.04
CntJpRwy	18605.00	18425.00	180.00	0.98	-390.00	-2.1	11.75
Kroger	32.62	33.00	-0.38	-1.15	-0.66	-2.0	2.02
NTTDCMo	2938.50	2948.50	-10.00	-0.34	-51.50	-1.7	-7.21
Devon Energy	12.23	12.16	0.07	0.53	-0.21	-1.6	9.87
BT	117.90	117.60	0.30	0.26	-1.80	-1.5	-98.97
GileadSci	73.78	73.26	0.52	0.71	-1.12	-1.5	-7.80
Takeda Ph	4133.00	4159.00	-26.00	-0.63	-62.00	-1.5	7.93

Based on the FT Global 500 companies in local currency

INTEREST RATES: OFFICIAL

Jun 03	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	4.25	30-10-2019	5.25	5.25	4.25
US	Discount	2.25	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	0.00-0.10	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 03 (Libor: Jun 02)	Over night	Day	Week	Month	One month	Three month	Six month	One year
[illegible]								

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
Crude Oil†	Jul	36.63	-0.23
Brent Crude Oil‡		39.16	-0.48
RBOB Gasoline†	Jul	1.10	-0.01
Heating Oil†		-	-
Natural Gas†	Jul	1.84	0.06
Ethanol♦		-	-
Uranium†	Jul	25.00	0.00
Carbon Emissions‡		-	-
Diesel†		-	-
Base Metals (♠ LME 3 Months)			
Aluminium		1566.00	7.00
Aluminium Alloy		1210.00	-5.00
Copper		5512.00	60.00
Lead		1718.00	0.50
Nickel		12815.00	-60.00
Tin		15995.00	45.00
Zinc		2017.00	6.00
Precious Metals (PM London Fix)			
Gold		1742.15	11.55
Silver (US cents)		1827.00	11.00
Platinum		845.00	-3.00
Palladium		1966.00	43.00
Bulk Commodities			
Iron Ore		100.80	-0.95
GlobalCOAL RB Index		59.50	0.50
Baltic Dry Index		592.00	45.00

Agricultural & Cattle Futures		Price*	Change
Corn♦	Jul	322.50	-1.50
Wheat♦	Jul	511.50	2.50
Soybeans♦	Jul	854.75	2.75
Soybeans Meal♦	Jul	293.60	0.70
Cocoa (ICE Liffe)¥	Jul	1918.00	17.00
Cocoa (ICE US)♥	Jul	2373.00	-44.00
Coffee (Robusta)¥	Jul	1156.00	21.00
Coffee (Arabica)♥	Jul	98.85	0.95
White Sugar¥		375.60	4.60
Sugar 11♥		11.42	0.06
Cotton♥	Jul	59.65	0.26
Orange Juice♥	Jul	127.40	1.35
Palm Oil♦		-	-
Live Cattle♣	Jun	95.30	-3.15
Feeder Cattle♣	Aug	134.88	-0.98
Lean Hogs♣	Jun	52.15	-2.58

	Jun 02	% Chg Month	% Chg Year
S&P GSCI Spt	311.20	21.29	-23.24
DJ UBS Spot	63.72	4.91	-17.78
TR/CC CRB TR	142.20	13.84	-22.27
M Lynch MLCX Ex. Rtn	231.14	-9.84	-33.05
UBS Bberg CMCI TR	11.83	12.14	-16.08
LEBA EUA Carbon	23.51	-4.62	5.43
LEBA CER Carbon	0.24	26.32	0.00
LEBA UK Power	3376.00	81.02	23.98

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

BOND INDICES

	Index	Day's change	Month's change	Year change	Return 1 month	Return 1 year
Markit IBoxx						
ABF Pan-Asia unhedged	208.96	0.01	0.51	0.67	0.40	7.67
Corporates(£)	380.76	0.15	-0.06	1.17	1.11	6.39
Corporates($)	320.68	0.02	0.02	2.92	0.02	2.92
Corporates(€)	231.95	0.24	0.10	-2.41	0.32	-0.08
Eurozone Sov(€)	252.96	0.05	-0.22	0.81	0.04	3.83
Gilts(£)	381.81	-0.14	-0.72	9.58	-0.21	12.05
Global Inflation-Lkd	287.81	0.45	0.45	2.95	2.25	6.20
Markit iBoxx £ Non-Gilts	373.46	0.10	-0.14	1.94	0.98	6.17
Overall ($)	278.30	-0.09	-0.09	6.22	-0.09	6.22
Overall(£)	375.45	-0.07	-0.56	7.11	0.13	10.16
Overall(€)	244.36	0.10	-0.14	0.14	0.12	2.57
Treasuries ($)	263.62	-0.16	-0.16	8.85	-0.16	8.85
FTSE						
Sterling Corporate (£)	-	-	-	-	-	-
Euro Corporate (€)	104.47	-0.05	-	-	0.54	-1.73
Euro Emerging Mkts (€)	602.91	2.16	-	-	19.55	53.73
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	256.86	-23.40	-33.62	-82.24	421.25	256.86
Nth Amer High Yld 5Y	482.16	-33.11	-	-	515.27	482.16
Nth Amer Inv Grade 5Y	75.64	-2.87	-7.60	-14.21	150.81	75.64

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

BONDS: INDEX-LINKED

	Price Jun 02	Yield Jun 02	Yield Prev	Month return	Value stock	Market	No of stocks
Can 4.25%' 21	104.98	0.886	0.920	0.03	5.18	85294.18	8
Fr 0.10%' 21	103.51	-0.627	-0.601	0.01	11.35	233952.33	14
Swe 0.25%' 22	109.34	-0.716	-0.695	0.00	31.92	194927.80	7
UK 1.875%' 22	111.76	-2.701	-2.686	-0.03	15.74	794749.91	28
UK 2.5%' 24	362.66	-2.735	-2.736	-0.11	6.82	794749.91	28
UK 2%' 35	306.04	-2.680	-2.689	-0.38	9.08	794749.91	28
US 0.625%' 21	100.84	-0.128	-0.041	0.06	35.84	1522901.34	42
US 3.625%' 28	132.46	-0.428	-0.451	0.10	16.78	1522901.34	42

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

BONDS: TEN YEAR GOVT SPREADS

	Bid Yield	Spread vs Bund	Spread vs T-Bonds		Bid Yield	Spread vs Bund	Spread vs T-Bonds
Australia	-	-	-	Italy	1.19	1.63	-
Austria	-0.39	-	-	Japan	-	-	-
Belgium	0.70	-	-	Netherlands	-0.51	-	-
Canada	0.54	0.98	-	Norway	0.38	-	-
Denmark	-	-	-	Portugal	0.08	-	-
Finland	-0.13	0.31	-	Spain	0.45	0.89	-
France	0.68	-	-	Switzerland	-0.45	-0.01	-
Germany	-0.44	0.00	-	United Kingdom	-	-	-
Greece	1.68	-	-	United States	-	-	-

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

BONDS: HIGH YIELD & EMERGING MARKET

Jun 03	Red date	Coupon	S*	M*	F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
High Yield US$										
HCA Inc.	04/24	8.36	BB-	Ba2	BB	113.67	4.47	0.00	-0.98	-
High Yield Euro										
Aldesa Financial Services S.A.	04/21	7.25	-	-	B	71.10	28.23	0.00	0.64	25.98
Emerging US$										
Peru	03/19	7.13	BBB+	A3	BBB+	104.40	2.60	-	-	0.34
Colombia	01/26	4.50	BBB-	Baa2	BBB-	108.50	2.79	-0.07	-1.24	2.36
Poland	04/26	3.25	A-	A2	A-	110.94	1.30	-0.02	-0.37	0.87
Brazil	04/26	6.00	BB-	Ba2	BB-	112.85	3.54	-0.15	-0.49	3.11
Turkey	04/26	4.25	-	B1	BB-	89.93	6.33	-0.17	-0.97	5.90
Mexico	05/26	11.50	BBB+	Baa1	BBB-	144.75	3.18	-0.11	-1.41	2.75
Turkey	03/27	6.00	-	Ba2	BB+	101.26	5.82	0.00	0.17	3.07
Peru	08/27	4.13	BBB+	A3	BBB+	103.50	3.66	0.01	-0.02	0.80
Russia	06/28	12.75	BBB-	Baa3	BBB	174.63	2.47	-0.01	-0.69	-
Brazil	02/47	5.63	BB-	Ba2	BB-	103.90	5.35	-0.10	-0.26	-
Emerging Euro										
Brazil	04/21	2.88	BB-	Ba2	BB-	103.09	0.05	0.01	-0.09	-1.19
Mexico	02/22	1.88	BBB+	Baa1	BBB-	101.39	1.06	-0.08	-1.54	0.86
Mexico	04/23	2.75	BBB+	A3	BBB+	107.76	0.76	0.00	-0.07	-1.56
Bulgaria	03/28	3.00	BBB-	Baa2	BBB	117.04	1.00	0.02	-0.15	-1.42

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

VOLATILITY INDICES

	Jun 03	Day Chng	Prev	52 wk high	52 wk low
VIX	26.09	-0.75	26.84	85.42	11.42
VXD	27.22	-1.23	28.45	71.05	2.47
VXN	27.81	0.13	27.68	84.67	13.58
VDAX	32.13	-0.65	32.77	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	104.89	0.26	0.00	0.00	0.02	-0.86
Austria	10/25	1.20	108.68	-0.39	-0.02	-0.05	0.03	-0.14
	02/47	1.50	129.29	0.35	-0.02	0.00	0.10	-0.54
Belgium	09/22	1.00	103.29	-0.45	0.01	0.01	0.07	0.06
	06/47	1.60	122.02	0.70	-0.02	-0.04	0.13	-0.55
Canada	11/22	2.00	103.88	0.41	0.05	-0.03	-0.08	-1.58
	06/30	1.25	106.88	0.54	0.01	-0.01	0.01	-
Denmark	-	-	-	-	-	-	-	-
	11/21	3.00	105.13	-0.52	0.00	-0.03	-0.02	0.15
Finland	09/22	1.63	105.04	-0.56	-0.03	-0.05	0.03	-0.04
	09/29	0.50	105.92	-0.13	-0.02	-0.05	0.05	-
France	10/22	2.25	106.73	-0.54	-0.01	-0.03	0.09	0.01
	05/26	0.50	104.99	-0.33	-0.02	-0.05	0.03	-0.18
	05/48	2.00	133.64	0.68	-0.03	-0.03	0.11	-0.51
Germany	09/22	1.50	104.90	-0.65	0.00	0.00	0.12	0.03
	02/26	0.50	106.46	-0.61	-0.01	0.01	0.15	-0.14
	08/29	0.00	104.16	-0.44	-0.02	0.02	0.17	-
	08/50	0.00	98.08	0.06	-0.03	0.06	0.24	-
Greece	02/26	3.65	113.73	1.68	-0.01	-0.19	-0.74	-1.48
	02/26	3.65	113.73	1.68	-0.01	-0.19	-0.74	-1.48
Ireland	10/22	0.00	100.94	-0.39	-0.05	-0.06	-0.01	-0.01
	05/30	2.40	121.93	0.17	-0.04	-0.05	0.03	-0.36
Italy	08/22	0.90	101.16	0.36	0.03	-0.11	-0.29	-0.96
	02/25	0.35	97.59	0.88	0.03	-0.10	-0.28	-
	05/30	0.40	92.65	1.19	0.04	-0.16	-0.33	-
	03/48	3.45	120.78	2.42	0.05	-0.01	-0.16	-0.93
Japan	-	-	-	-	-	-	-	-
	11/22	0.05	100.02	0.04	-0.01	0.00	-	-
	06/26	0.10	101.32	-0.12	0.00	0.01	0.03	0.08
	09/47	0.80	107.96	0.49	0.00	0.02	0.07	0.05
Netherlands	07/22	2.25	106.09	-0.60	0.00	-0.04	0.07	0.02
	07/25	0.25	103.94	-0.51	-0.01	-0.03	0.08	-0.13
New Zealand	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Norway	-	-	-	-	-	-	-	-
	02/26	1.50	106.30	0.38	0.04	0.06	-0.06	-1.01
Portugal	10/22	2.20	106.20	-0.40	-0.01	-0.03	-0.33	-0.17
	02/26	3.30	118.41	0.08	0.00	-0.13	-0.38	-0.23
Spain	10/22	0.45	101.88	-0.32	0.00	-0.06	-0.18	-0.08
	10/29	0.60	101.40	0.45	-0.01	-0.13	-0.25	-
Sweden	-	-	-	-	-	-	-	-
	06/22	3.50	107.55	-0.28	0.02	0.02	0.09	0.21
Switzerland	05/22	2.00	105.31	-0.66	0.03	0.04	0.02	0.17
	06/29	0.00	104.18	-0.45	0.05	0.04	0.13	0.03
United Kingdom	-	-	-	-	-	-	-	-
	07/22	0.50	101.13	-0.03	-0.02	-0.01	-0.07	-0.60
	09/25	2.00	110.74	-0.04	-0.02	-0.01	-0.09	-0.70
	07/47	1.50	121.46	0.64	0.01	0.00	0.03	-0.84
United States	-	-	-	-	-	-	-	-
	10/22	2.00	104.33	0.20	0.02	0.00	-0.05	-1.71
	05/26	1.63	107.00	0.43	0.02	-0.03	-0.06	-1.61
	11/47	2.75	129.09	1.46	0.02	0.04	0.18	-1.13

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

BONDS: GLOBAL INVESTMENT GRADE

Jun 03	Red date	Coupon	S*	M*	F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
US$										
Morgan Stanley	01/28	4.00	BBB+	A3	A	102.47	3.63	0.02	0.10	-
The Goldman Sachs Group, Inc.	02/28	5.00	BBB+	A3	A	112.13	3.22	0.02	-0.37	-
NationsBank Corp.	03/28	6.80	BBB+	Baa1	A	124.63	3.20	-0.06	-0.30	-
GTE LLC	04/28	6.94	BBB+	Baa2	A-	125.10	3.29	-0.02	-0.26	-
United Utilities PLC	08/28	6.88	BBB	Baa1	A-	123.04	3.60	0.01	-0.23	-
Barclays Bank plc	01/29	4.50	A	A1	A+	96.00	5.08	0.02	0.04	-
Euro										
Electricite de France (EDF)	04/30	4.63	A-	A3	A-	137.45	0.82	-0.01	0.10	-
The Goldman Sachs Group, Inc.	02/31	3.00	BBB+	A3	A	124.42	0.68	0.00	-0.11	-
The Goldman Sachs Group, Inc.	02/31	3.00	BBB+	A3	A	121.70	0.93	0.00	0.02	-
Finland	04/31	0.75	AA+	Aa1	AA+	108.85	-0.06	-0.02	0.05	-
Yen										
Mexico	06/26	1.09	BBB+	Baa1	BBB-	94.34	2.09	0.00	0.51	1.66
£ Sterling										
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	137.45	2.19	-0.03	0.02	-
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	128.68	3.20	0.00	-0.01	0.40

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

GILTS: UK CASH MARKET

Jun 03	Price £	Red Yield	Change in Yield Day	Week	Month	Year	52 Week High	52 Week Low	Amnt £m
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Tr 2pc '20	100.26	0.07	75.00	40.00	0.00	-89.06	103.08	100.00	32.53
Tr 1.5pc '21	100.91	0.06	100.00	100.00	-33.33	-89.47	101.58	100.78	32.84
Tr 4pc '22	107.01	0.01	-150.00	-133.33	-75.00	-98.08	109.62	107.01	38.77
Tr 5pc '25	123.45	0.06	200.00	-700.00	-50.00	-90.48	126.04	121.74	35.84
Tr 1.25pc '27	108.06	0.12	100.00	500.00	-7.69	-84.42	108.81	103.53	30.03
Tr 4.25pc '32	145.18	0.39	18.18	34.48	0.00	-63.55	148.26	137.84	38.71
Tr 4.25pc '36	155.64	0.56	16.67	24.44	12.00	-55.56	160.46	144.44	30.41
Tr 4.5pc '42	179.14	0.70	12.90	20.69	14.75	-50.00	186.37	160.85	27.21
Tr 3.75pc '52	188.29	0.68	13.33	19.30	21.43	-51.43	198.36	160.72	24.10
Tr 4pc '60	218.34	0.62	14.81	21.57	29.17	-54.41	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

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Stars keep Woody Allen's flimsy vessel on course

FILM

Danny Leigh

If 2020 was not fraught enough already, welcome to the entertainment — the latest film by Woody Allen. **A Rainy Day in New York** is the title. The question is how to review it. Of course, we could try to set aside the allegations of abuse that have hung over him for almost 30 years, as if the film were in an airtight bubble — this movie about, among other things, the attraction of younger women to older men in the film business. Or, as many would now demand, perhaps we should redact the whole thing?

Until recently, Allen seemed conclusively *non gratis*. In the wake of #MeToo, about which he has made breezy comments, the film's financier Amazon returned the rights to the director, deciding it was, for them, unreleasable. By then the star, Timothée Chalamet, had publicly apologised for being the star at all. Next, in this most disorienting of years, an odd turn — sympathetic press and a spell at number one in what remains of the global box office. Life, as the meme has it, comes at you fast.

The tone is pointedly carefree, a wisp of a story kept afloat by young movie stars: Chalamet joined by Elle Fanning as sweethearts at a private college. His character is named — brace yourself — Gatsby Welles, his performance, as with so many Allen male leads, doubling as a mimic of the director. The likeness goes deeper than usual. Gatsby is an old soul and then some, obsessed with bygone New York, dimly lit piano bars and poker — interests that suggest not just standard Allenitis but one half of a body-swap comedy in the style of *Freaky Friday*. (In the other, the 84-year-old Allen presumably embraces TikTok while listening to Billie Eilish.)

Gatsby gets to indulge his passions in the centre of the film, a weekend in the city during which he plans to tour faded haunts with Fanning's aspiring journalist Ashleigh Enright. She, however, has other ideas, using the time to interview troubled film director Roland Pollard (Liev Schreiber) — leading, as interviewing directors so often does, to adoption as a muse and a caper into paparazzi infamy. Gatsby is left to wander alone through a Manhattan not only cut off from the jazz age, but so changed from the hubbub of *Annie Hall* into a one per cent-ish enclave that even Allen passes comment (vaguely).

What remains in place — more clearly than for some time — is his knack for casting charming actors. If Gatsby is a ludicrous confection (he's not vaping, that's a cigarette holder), Chalamet is unfailingly watchable. Better yet is former teen pop star Selena Gomez, excelling as a wry-before-her-time wisecracker. Fanning, meanwhile, does as well as anyone could with a part built out of a dislike for journalism ("the oldest profession") and some excruciating ideas about ambitious young women. The sharpest comic talent in the film, what she gets for her trouble is ending up in her underwear.

Wilfully trollish or simply tin-eared, the scene is thin farce either way. So then, the 48th movie of Allen's career as a director, the 26th of the long, difficult second act since his break-up with Mia Farrow — no inspired *Blue Jasmine*, luckily not *Magic In The Moonlight* either. These are the least contestable facts I can offer. Like so much else these days, the rest I leave up to your own judgment.

On UK streaming platforms from June 5

Comic talent: Elle Fanning in 'A Rainy Day in New York'

A Rainy Day in New York
Woody Allen
★★★☆☆

Days of the Bagnold Summer
Simon Bird
★★★★☆

Guest of Honour
Atom Egoyan
★★☆☆☆

The Uncertain Kingdom
Various directors
★★★☆☆

Days of the Bagnold Summer is not a horror movie. No zombies haunt the local shopping centre, much as the hero might like them to. He is Daniel Bagnold (Earl Cave), 15, a lank death-metal devotee, caught in the eternal torment of shoe shopping with his librarian mother, Sue (Monica Dolan). Outside, the sun is out. His face fills with dread. "You'll bake in black," she warns. So begins a delightfully downbeat comedy of single parenthood and summer holidays, modestly scaled, diamond-cutter precise.

Making his first feature is Simon Bird, the British actor familiar from sitcoms including the vastly popular *The Inbetweeners* (he played the bookish Will). At first glance, the unnamed suburbia here looks perfect for a rerun. But the mood is different, less crass, more poignant. This holiday, Daniel was meant to be in Florida, where his father has started a new family. But fathers can't be relied on and fate decrees a stay at home — the rest all sighs and slumps, an endangered best friendship, a brilliantly listless search for a summer job. The story arc is so gentle, it might pass for a straight line — but, triumphantly, not quite.

Bird and writer Lisa Owens manage not only to mine repeated laughs from their basic gag — metal mayhem in Hornchurch Drive — but to do so sweetly rather than tweely. The real coup is that half the film belongs to Sue, not an adjunct to her son but the star of her life story too, finely drawn with a stacked workload and her own streak of misfittery. Dolan is great, as is Cave, a vision of bedbound fury, half his lines those timeless teenage monosyllables: "I said, *all right*."

On UK streaming platforms from June 8

Metal mayhem: Monica Dolan and Earl Cave in 'Days of the Bagnold Summer'

Guest of Honour, the haywire new film from Canadian director Atom Egoyan, opens with a eulogy being prepared, the coffin nearby. As a framing device, it gives away the ending, but also makes a neat means by which to get to know the deceased. He is Jim, a Toronto food health inspector about to be played in flashbacks by David Thewlis. The head mourner is his daughter, Veronica (Laysla De Oliveira). Notebook ready, the priest (Luke Wilson) asks after her father's spiritual path.

And so we travel back into life and Jim's stickling routine, patrolling the eateries of Ontario, brandishing his lanyard as he peers at suspect worktops. Ill-temper occasionally takes hold — "Thriftiness and the health code aren't always the best of friends, are they?" — but still, he is someone you would be glad to know had visited the restaurant before you. Public service has meaning for Jim, a clue to hidden depths.

Thewlis is fun to watch at work. Less so the film. Long years have past since Egoyan made his name with intrigues such as *Exotica* and *Felicia's Journey*, deft tales of dark family histories. Here, he reaches for similar heights with the testimony of Veronica, her father's eulogy turning into her own confession. Your own response may be more of a squint, wearied by a cockamamie stew of childhood guilt and malice aforethought on high school orchestra trips.

I could go into more detail — I'm not sure it would help. "He made a lot of odd choices," Veronica says of her father. Listen out for a voice from the coffin, protesting that he's not the only one.

Available in the UK on Curzon Home Cinema from June 5

"Events" was Harold Macmillan's famous summary of the force that could transform all things. So it is that **The Uncertain Kingdom** — a collection of short films designed to map the British psyche four years after the EU referendum — emerges with the country already jolted into another, much larger crisis. The project still has a powerful charge, a troubling mosaic of moving pictures.

Brexit looms like Banquo's ghost even in the comedies. In Sophie King's surrealist *Swan*, pitched somewhere between Swift and Kafka, a middle-aged everyman is rewarded for his patriotism by trans-formation into the most aristocratic of birds. ("We're moving over to a grain-based diet," his wife smiles grimly.) A potent image arrives in *Pavement*, a social-realist sci-fi in which a homeless man sinks into the stones beneath him.

With *Verisimilitude*, director David Proud delivers a sardonic study of a disabled actress adrift in the film industry. The bag is mixed, but chief among the successes is Ellen Evans' mini-documentary *Motherland*, a searing account of deportation and the Windrush scandal — a note from a kingdom for which uncertain is now just one possible adjective.

On UK streaming platforms now

Fresh produce: David Thewlis plays a food health inspector in 'Guest of Honour'

Empty hall sounds even better

CLASSICAL MUSIC

Stephen Hough/Lucy Crowe
Wigmore Hall
★★★★☆

Richard Fairman

Access to music online is hotting up. First we had individuals performing spontaneously from their living rooms, then large-scale galas promoted by international organisations. Now the Wigmore Hall's new online recital series shows the action is getting serious.

Throughout this month, Wigmore Hall is offering a programme of 20 live weekday recitals. The idea is based on its Monday lunchtime series broadcast by the BBC, which has ceased during the lockdown. Each recital starts a little after 1pm as a video relay on the Wigmore Hall website (or audio on BBC Radio 3) and will stay online after the event. All the recitals are free of charge, though donations to Wigmore Hall are invited.

The line-up is impressive. As with the Bavarian State Opera's live events, the lockdown means that participants presumably need to live close by. London, fortunately, is home to many leading musicians and Wigmore Hall has called up a good number of them for action between now and June 26, when the series concludes with a performance of Schubert's *Die Winterreise* by Mark Padmore and Mitsuko Uchida.

First up was pianist Stephen Hough on Monday. Although it is sad to see the hall looking empty (only the BBC announcer and the Wigmore Hall director were sitting, suitably distanced, halfway back), the famed Wigmore Hall acoustic sounds even better than when the hall is full.

Hough's programme of Bach-Busoni and Schumann lasted just under an hour. It was a neat idea to start with Busoni's famed arrangement of the Chaconne from Bach's Violin Partita No 2, as Busoni appeared in the Wigmore Hall's opening night gala back in 1901. The work is a favourite of virtuoso pianists and Hough was duly impressive in it, while showing what a range of feeling Busoni found, and amplified, in Bach's original.

Stephen Hough at Wigmore Hall

His Schumann was the Fantasie in C, written when the composer was isolated from his wife-to-be Clara. Poetry again held a balance with virtuosity, another world from the barnstorming Lang Lang in London a few years back. There was, of course, no audience to applaud, but thank you for the encore, a heavenly rendering of the Bach/Gounod *Ave Maria*.

The second recital, on Tuesday, featured the partnership of soprano Lucy Crowe and accompanist Anna Tilbrook. For some watching live, the audio and video were out of sync, but the answer was to shut one's eyes and listen to Crowe's lambent soprano echoing through the hall.

This was a varied programme, more successful in its mix of English-language folk songs and art songs than in the German repertoire, though Berg's *Seven Early Songs* had rapturous moments, not least the soaring close of the fourth song, "Traumgekrönt". The unaccompanied Irish folk song "She Moved Through the Fair" was infinitely touching. Madeleine Dring's "It Was a Lover and his Lass" sparkled equally in singing and playing. Both these recitals can be watched in the video library on the Wigmore Hall website, and there are more to come.

wigmore-hall.org.uk

The pandemic has exposed tensions over global food security. But the question is even more urgent in the UK, with the arguments around self-sufficiency being played out in trade talks with the EU and US.
By Judith Evans

An English farmer surveys his cows of mixed breeds in a livestock field. The role of the sector in helping to guarantee food security has been a feature of both the coronavirus outbreak and the discussions around Brexit
Matthew Lloyd/Bloomberg

The Brexit test for UK farmers

At this farm in the Shropshire village of Middleton Scriven, Richard Yates has been saying goodbye to his cows. After the UK entered lockdown in March, the milk processor Mr Yates had supplied for six years said it would end daily pick-ups, cutting down to every two days to save money. But that would have required the 54-year-old farmer to buy a larger milk tank. Combined with plunging milk prices, it made his herd of 150 Friesians financially unviable. Mr Yates — who also raises lambs and grows arable crops — decided to sell the cows.

"My father is buried about 20 yards away from my milking parlour. We used to call ourselves 'cow men'. There is a certain empathy that one gains from milking cows twice a day, every day," Mr Yates says. "I've sold them with a very heavy heart."

Other parts of his farm also look vulnerable. His Easter lambs were hit by a drop in prices due to the pandemic, while a second flock of 1,000 lambs born in March and April will be sold early next year just after the UK's Brexit transition period is due to end. With about a third of UK lamb currently sold into the EU, the shape of the market into which they will be auctioned is uncertain.

It is on farms such as the one owned by Mr Yates that the impact of coronavirus is rapidly colliding with the country's plans for Brexit, the issue that consumed British public life until the arrival of the pandemic.

Farmer Richard Yates hopes the pandemic will remind people of the importance of the industry

Disruptions from coronavirus have elevated the issue of food security globally. Governments have rushed to shore up food supply chains upended by the closure of restaurants and the grounding of flights.

This process carries added urgency in the UK, which having left the EU now faces a critical decision about the future of its food market. The UK's transitional trading and border arrangements with the EU end on December 31, and without a permanent trade deal by then the UK could crash out, cutting into food export markets for farmers such as Mr Yates.

Even without such a "no-deal" exit, the terms the UK agrees with other countries on trade in food and agricultural products will determine the extent to which farmers are forced to compete with rivals from overseas. This will affect levels of food self-sufficiency and dictate whether the UK's fragmented farming sector must face a brutal transformation into a globalised industry.

Minette Batters, president of the National Farmers' Union, says government ministers are divided on how to safeguard the industry post-Brexit. "It's a major reset moment for food and farming, and a failure to get it right will be disastrous," she says.

Up to this year UK farmers received about £3bn in annual EU subsidies under the Common Agricultural Policy, which aims to protect European farmers and food supplies. While trading freely within the bloc, they had been protected from competition outside it by high tariffs on agricultural food products. Free movement of people has also benefited British farmers: some 70,000 to 80,000 mainly eastern European seasonal workers travel to the UK to harvest fruit and vegetables each year.

The existing subsidies will be gradually replaced with a UK environmental payments scheme, starting in 2021. But details of this scheme are still unknown, as are the UK's future trading arrangements. Trade deals could subject farmers to cheaper overseas competition, potentially bringing down consumer food prices, but also forcing some of the UK's 140,000 farms out of business.

Making a nod to the farming industry's main fear, Ms Batters says: "I have heard ministers say that Brexit is the opportunity to bring in cheap raw ingredients and add value to them under the Union Jack."

The 'hungry gap' returns

The period from March to early June in the UK used to be known as the "hungry gap" — a time when winter root vegetables were no longer ripening but spring fruits and vegetables were not yet ready.

For decades, UK consumers have not had to experience the hungry gap. A globalised food industry filled it. Fresh Ghanaian mangoes can be packed on to a flight to London and reach stores within 72 hours of picking. Even the millions of Britons in food poverty are less subject to the seasons than to the generosity of food bank donors.

But this spring the spectre of food scarcity appeared again. In the weeks before and just after lockdown began on March 23, UK shoppers were confronted with a sight not seen in generations: empty supermarket shelves, as panic buying compounded the impact of households transferring food buying from restaurants to stores.

> '[Brexit] is a major reset moment for food and farming, and a failure to get it right will be disastrous'

The food industry responded quickly. Factories cut their ranges to churn out more of the key products. Supermarkets rationed items per person and ramped up home deliveries, while the government relaxed competition rules so they could co-ordinate.

Henry Dimbleby, co-founder of the Leon Restaurants chain who was last year asked by the UK government to conduct a major review of the country's food system, says: "It is hard to convey, having seen it from behind the scenes, what an extraordinarily good job the food system has done."

But more stubborn problems are emerging. Since the closure of restaurants and other food service outlets, surplus milk, dairy products and potatoes have led prices to drop, filled warehouses and briefly forced milk dumping. When restaurants closed, meat producers lost the market for many of the most expensive cuts of each animal, squeezing them financially. And fruit and vegetable farmers began a race to recruit local workers to replace overseas pickers no longer able to travel.

As the UK negotiates on trade deals with the US and EU, farmers have seized on these renewed concerns about food security to push the argument for supporting domestic production. A fresh round of talks with the EU began on Tuesday, with the sides still far apart on issues such as fisheries and competition rules; talks with the US started in May.

Last month the government released a scheme of tariffs to be imposed in the event of the UK failing to reach a trade deal with the EU. They included duties on beef, butter and poultry to help protect UK farmers, meeting with tentative approval from the sector.

Just over half of the UK's food is sourced domestically; that figure was as low as a third in the run-up to the second world war, before reaching a high of more than 80 per cent in the 1980s.

"Being able to be as self-sufficient as we can in what we are good at is not a protectionist argument," says Ms Batters. "We've always supported sourcing out of a global food larder but we have a good climate here, we have a large population and we are an island nation. We should be aiming to produce more of what we are good at."

But Mr Dimbleby warns that over-reliance on local food production presents its own risks, such as shortages resulting from the failure of a harvest. "We don't know what form the next crisis is going to take, so having diversity in the system is a good thing," he adds.

On a question key to post-Brexit trade negotiations, both agree that the UK must insist that all imported foods be produced to the same animal welfare, safety and environmental standards as those grown domestically.

Self sufficiency 'is not a protectionist argument', says Minette Batters of the National Farmers' Union

"I don't think it makes any sense," says Mr Dimbleby, "to create a system that enhances and restores our environment here and just export those problems overseas in the form of trade deals bringing in lower-standard foods that undercut what we produce in the UK."

Cabinet divisions

Beef treated with growth hormone and chlorine-washed chicken, two methods of meat production that are allowed in the US but not the UK, have become totemic for those who suspect a free-market approach to farming may prevail post-Brexit.

The Financial Times reported in May that the UK government is drawing up plans to cut tariffs on US agricultural imports to help push forward a trade deal. Led by international trade secretary Liz Truss, the plan has exposed divisions in government. Officials at the Department for Environment, Food and Rural Affairs and the department's secretary of state, George Eustice, together with the Cabinet Office minister Michael Gove, are worried the US tariff cuts will be followed by UK concessions on animal welfare standards.

A Defra spokesperson says: "We have been clear that in all of our trade negotiations — including with the US in our first round of negotiations — that we will not undermine our high domestic environmental protection, animal welfare and food safety standards by ensuring in any agreement British farmers are always able to compete."

Wyn Grant, emeritus professor of politics at the University of Warwick, says farmers may lose out to the demands of other business interests such as financial services and manufacturing as the talks progress.

Not all observers of UK agriculture worry about import standards. Some believe being forced to compete internationally would have long-term benefits, potentially boosting productivity.

Shanker Singham, a trade and competition lawyer and fellow at the Institute of Economic Affairs, a free-market think-tank, opposes attaching stringent animal welfare and environmental standards to imports. The IEA is close to the hardline pro-Brexit MPs that helped propel Prime Minister Boris Johnson to power. "If you are going to take that kind of approach, you should never have left the EU," he says. "You can dress up your protectionism as something else, but it is clearly protectionism.

"[This] is an opportunity for UK farmers. They are banned at the moment from US markets in lamb and beef — that could change. There is massive protein demand from all around the world, places like the Gulf. UK farmers ought to do well by servicing that."

> '[This] is an opportunity for UK farmers. They are banned from US markets in lamb and beef — that could change'

David Hughes, emeritus professor of food marketing at Imperial College London, says the perception of UK food as higher quality and hence more expensive than elsewhere is not always accurate. Argentine beef farmers "could meet our animal welfare requirements at a substantially lower price than we could produce", he says.

"They were major suppliers to us, then we blocked them when we joined the EU. We put up a nice big fortress because we wanted to be more self-sufficient," he says. "In a world of swashbuckling, cavalier round-the-world trading, when you make trade deals with some larger countries that have lower-cost agriculture, they are going to want access to your markets."

Farming's fragile finances

Financially stretched consumers may also stand to gain. Mr Singham believes ministers are acutely aware that throwing open access to the UK food market could help reduce domestic food prices.

Conservative MPs have traditionally been close to the farming lobby, whose members are over-represented in their rural constituencies. But Mr Johnson won December's general election with the aid of what became known as the "red wall" — traditional Labour voters who switched sides in some of the opposition party's heartlands in the Midlands and northern England.

"To hold on to 'red wall' constituencies, [this government will] have to do things to lower the price of energy, food and so on," Mr Singham says.

According to Euromonitor, UK consumers devote 6.8 per cent of their spending to food, compared with 11.9 per cent in France, and just 5.6 per cent in the US.

For most farmers, financial rewards are scarce. More than half of farms generated a negative return on capital in 2018-19, government data show. Figures from Mr Dimbleby's team reveal that UK food producers in 2017 on average made a 1 per cent return on capital employed, compared with 11 per cent for processors, 12 per cent for manufacturers, 8 per cent for wholesalers and 6 per cent for retailers.

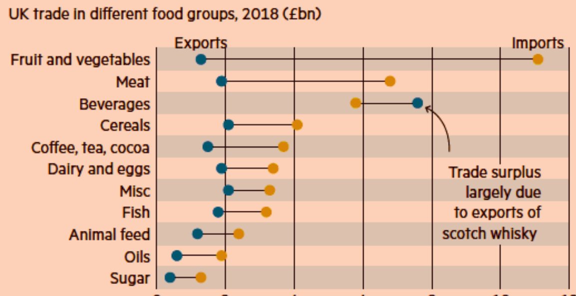
The sector's fragmentation is one reason, Mr Dimbleby suggests: unlike in France, UK farmers have not formed co-operatives. Failure rates in the UK are low and land prices high, while an inheritance tax break on agricultural land encourages farms to stay in families. The structure of the UK industry has left farmers facing both intense financial pressure and accusations of being overly cushioned from global markets.

Now the pandemic has focused attention back on to them.

Mr Yates remains optimistic: "We mustn't take our eye off the fact that hopefully the country appreciates the value of a regular supply of high-quality, affordable, traceable food," he says. "Perhaps this will be a fork in the road."

With one exception, the UK is a net importer of food and drink

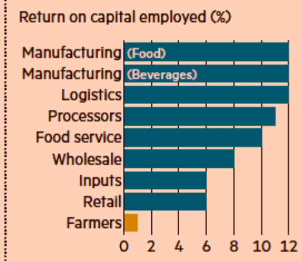
UK trade in different food groups, 2018 (£bn)



Source: HMRC

Compared with other parts of the food chain UK farmers make low returns on investment

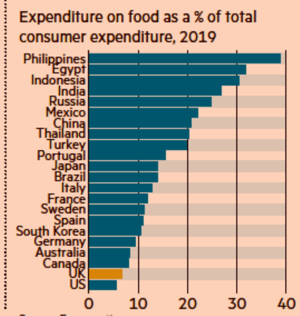
Return on capital employed (%)



Source: National Food Strategy

The relative cost of food

Expenditure on food as a % of total consumer expenditure, 2019



Source: Euromonitor

FINANCIAL TIMES
'Without fear and without favour'
THURSDAY 4 JUNE 2020

The virus has brought the digital future closer

Big Tech has shown it can be a responsible citizen but risks remain

The digital future has long been talked about but the pandemic has brought it a big step closer. For millions, technology has been a lifeline in a new, socially-distanced reality. All over the world, consumers forced to stay at home have tuned in to Netflix, ordered from Amazon and dialled in to Zoom calls. In the US, less than 5 per cent of grocery shopping took place online before the crisis but this has surged to 10-15 per cent. Zoom says peak numbers using its video conferencing app in April were 30 times the level in December.

Some of this may recede after the exit from lockdown. But the changes under way in remote working, learning and shopping are striking. As Satya Nadella, chief executive of Microsoft, said recently: "We've seen two years' worth of digital transformation in two months." The role Big Tech has played during the crisis is reflected in the surging share prices of the companies as investors have bet on their business models. Five of the big tech stocks now constitute more than a fifth of the value of the S&P 500 index — a modern-day record in terms of concentration.

For the companies, the crisis has not only cemented their market power but provided an opportunity to show that they can be responsible corporate citizens. The pandemic has underlined the benefits of these digital platforms both socially and economically, in helping to fight disinformation about Covid-19 as well as in handling the ecommerce boom. Governments, meanwhile, have looked to Big Tech to help with the development of contact tracing apps.

The sector's advance looks unlikely to be curtailed any time soon. Many of the larger players are using the crisis to get even bigger. Data show they are hunting for deals at their fastest pace since 2015. Amazon's expansion in particular seems to know no bounds; the ecommerce giant is in talks to buy the self-driving car company Zoox while its investment in food delivery service Deliveroo was given the go-ahead by UK regulators for fear the start-up might be pushed into bankruptcy.

All this presents policymakers with some tricky challenges at a time when many had been keen to restrain the dominance of the big online platforms. The politics of the "techlash" have been made more complex even as the need for action has increased. It will require a nuanced response from regulators.

One area long overdue for reform remains competition law. In the US, the standard for antitrust legislation has not changed since the 1980s and remains focused on the harm to consumers. In a world of digital services, the focus needs to shift to market structure and corporate concentration. In this regard the European Commission is ahead of the US. Last April, a report commissioned by the EU called for lower bars on antitrust rules targeting "dominant players". The commission on Tuesday launched a public consultation on its flagship digital platform regulation. It has long wanted more power to audit how companies use consumer data.

In a sign US lawmakers want to follow Brussels' lead, both Democrats and Republicans are promoting bills to ensure any data collected to fight the pandemic cannot be used for other means. Another factor in the debate over regulation, however, is the growing tension between the US and China.

A technology cold war could spur a desire in Washington to nurture national "champions". While that, and the way the pandemic has burnished tech companies' image, may deter concerted action to rein them in, lawmakers should be wary of allowing today's tech giants to become so dominant that they stifle the next generation of bold and innovative disrupters.

Britain is out of step with partners on quarantine

Pandemic has led to patchwork travel restrictions across the globe

As so often during the coronavirus pandemic, Britain is engaging in dubious exceptionalism. It went into lockdown later than many European counterparts. Now, just as EU members are starting to reopen borders to each other, the UK — which had no quarantines, airport tests, or border controls during the shutdown — is moving the other way. From next Monday it will impose a near-blanket requirement for arrivals from abroad to self-isolate for 14 days, or face £1,000 fines.

The Westminster government cites scientific opinion that as the UK emerges from lockdown it is important to prevent people coming from other countries from triggering a second wave of pandemic. Home secretary Priti Patel told MPs suggestions that quarantines should have been imposed earlier, when the virus was "at its peak", were misguided; scientists said this would make little difference. What she did not say is that acting well before the virus peaked, to introduce controls on arrivals from countries with far higher infection rates than Britain's, might have saved many lives.

The logic is less clear of imposing restrictions now on people arriving from the many countries with lower infection rates than those in the UK. According to FT tracking, Britain's seven-day rolling average of new cases per million is below Sweden, the US and some Middle East countries, but above most EU states, Japan and Australia.

There are, moreover, gaping loopholes. Travellers may go from airports to places of isolation by public transport. The plan risks exacerbating virus-related inequalities by permitting foreign holidays to those working from home, who can easily self-isolate on their return, but not manual workers who must return to workplaces.

That might give domestic tourism a small boost. But foreign tourists will be deterred, and 200 travel and hospitality companies have complained the quarantine plans are the "very last thing" they need. Corporate travel will be hard, too. While seasonal agricultural workers and truck drivers are exempted, financial and professional services companies and workers from many other sectors are not. Serious disruptions to business and the economic recovery could result. To lessen the damage, the government should pursue with all speed the option of establishing "air bridges" or travel corridors with countries with low virus rates.

The UK's singular approach highlights how the pandemic has woven a patchwork of travel restrictions and quarantine rules around the world, often with little debate or scientific consensus. International SOS, a medical and security group, has found that more than 140 countries and territories have brought in quarantine measures since January, potentially holding back travel and commerce that is vital to an economic recovery.

Turning the clock back now will be tricky. New Zealand, South Korea, Hong Kong and Taiwan, where border restrictions helped to keep infections at low levels, will be chary of lifting them. All countries, however, should seek to open corridors or "bubbles" with others with similar virus rates — like New Zealand's with Australia.

Requiring arrivals to produce recent negative virus test certificates, as has long happened with inoculations, or submit to on-the-spot testing might be less disruptive than all-out quarantines. Effective test and trace systems can help, too; contact-tracing apps should be able to function across borders. After the splintering of global travel witnessed in this pandemic, creating a new framework to deal with future travel restrictions will be a key part of preparing for the next one.

Letters

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Pandemic hampers push to reduce plastic waste

While Covid-19 has led to increased plastic consumption ("Pandemic sets back fight against single-use plastic", June 1), it has also exposed vulnerabilities in the global waste management system. This is particularly stark for fund-constrained communities in south-east Asia, home to the world's largest sources of ocean plastic. Here, Covid-19 threatens to undo the progress made by fledgling initiatives to tackle plastic pollution.

One example is from Muncar, a coastal village in Indonesia. In 2017, private sector and government partners created Muncar's first formal waste management system. Prior to this effort, more than 90 per cent of the community did not have access to waste services. Today, 54,000 people are receiving collection and 527 tons of plastic have been kept out of the ocean.

But now, critical funding is drying up. First, villages have diverted budgets to tackle the virus. New programmes are often first on the chopping block, threatening an important funding source: up to 20 per cent of the waste system's revenue comes from local government. Collapsing oil prices have dealt another blow. In Muncar, the price for recycled plastics has fallen between 30-40 per cent to compete with cheap oil as a production feedstock. In a worst-case scenario, waste programmes will be suspended, forcing residents to dump or burn waste.

The UN has called on countries to treat waste management as "urgent and essential" to combat Covid-19 and prevent knock-on effects to public health and the environment. Countries should not have to choose between tackling the pandemic or ensuring resilient waste management — an important part of any public health system.

Andre Kuncoroyekti & Joi Danielson
Project STOP,
Muncar, East Java, Indonesia

Latinos should take a stand in America too

If America indeed faces the spectre of a race-based US election, as Edward Luce argues in his article (June 1), where, I wonder, does that leave America's largest minority? Mr Luce mentions the words "white" and "black" seven and three times, in reference to those communities, but offers no mention of "others". It seems that Latinos, who are America's largest minority and account for about 20 per cent of the US population, have again been sidelined both in Mr Luce's article, and in US politics.

Where have the nationwide mass-protests been held when Latinos have been killed, or when we have been accused of bringing drugs, bringing crime, being rapists and perhaps some of us being good people? How many among us are aware of the injustices Latinos suffered during the despicable era of Jim Crow? There are too few words available in the margins of a letter to the editor for us to fully express our frustrating silence, but we must take a stand in these tumultuous times.

Jorge Alberto Chico
The Woodlands, Texas, US

Another view of what is happening in New York

Living in New York it's a bit comical and even sickening to read your reporting about leftwing social media executives expressing their distaste with the president's tweets ("Facebook employees revolt over Zuckerberg's stance on Trump", June 3).

Donald Trump is frankly the only one to have spoken rationally about deploying forces to keep social order, protect lives and livelihoods. I have a friend with an upscale glasses shop in Soho who is in tears because her store has been robbed and the efforts and the hard work of many years are now literally up in flames. No one here has any confidence in Mayor Bill de Blasio's ability to control the situation and many fear we have entered a stage of outright anarchy and a complete breakdown of the social order.

My message is this: please put your politics aside and go speak to real people, see the situation on the ground or even watch for yourselves on the above social media platforms the violence and the looting taking place on our city streets.

Those executives have a lot more to worry about!

Sam Schwartzbard
Neponsit, NY, US

'We're on Orange Alert'

Davos elite needs to act for the general population

Putting aside the cognitive dissonance of the elites solving problems such as grinding poverty, Covid-19 and dysfunctional social security systems, it seems that the annual World Economic Forum has become a victim of its own success ("Davos aims to coax elite out of isolation in January", Report, June 1).

Clearly the public relations optics of world political and business leaders setting down their enormous carbon footprint in the Swiss Alps is bad enough. The idea that this event can lead to solutions to problems created and sustained by most of the attendees themselves is absurd.

Better that Klaus Schwab and his posse of elites try something more practical: raise the $1tn from their clubs members' personal wealth as a downpayment for establishing programmes needed to bring the benefits of global co-operation to the general population. Since they are so smart and effective at making money for themselves, it might be timely to start showing how to spend it in a co-ordinated, targeted manner to provide examples to support social justice.

After 50 years of meetings and self-aggrandising showboating, turning this institution towards practical action would be more convincing than another round of ego stroking.

Tom Tomeoni
Thousand Oaks, CA, US

The right way to evaluate Bounce Bank Loans

According to the report of June 1, "three senior bankers estimated 40-50 per cent of the 608,000 borrowers who have accessed the Bounce Back Loan Scheme could eventually default". This is looking at it the wrong way. What it actually means is that 50-60 per cent of borrowers will be able to repay. In other words as many as 360,000 self-employed and/or small businesses have been saved from bankruptcy.

This is a direct result of the Treasury guaranteeing 100 per cent of the loan capital and interest, effectively becoming — as I urged in my April 16 letter to you — the lender of last resort. That move allowed the money to get where it was needed in time rather than waste critical weeks (if not months) while the banks assessed each borrower's ability to pay, which could have forced those 360,000 businesses into avoidable bankruptcy.

Furthermore, given that the government is guaranteeing the loans, why should the ability or otherwise of the borrowers to repay be the concern of any banker, senior or otherwise? Their sole task is to transfer the money from one place to another, like a bunch of ridiculously overpaid FedExers.

Ian Mackillop
Ilminster, Somerset, UK

An idea for rule by a panel of virtual special advisers

As Sebastian Payne reports on the scrapping of the virtual parliament (Report, June 1) and as we learn about a locum MP, Kizzy Gardiner (Opinion, May 30), still Dominic Cummings moves on unabashed. All of which points towards removing the tier of MPs in the chamber and replacing them with a virtual panel of the special advisers who write their policies and speeches. The voice of the people would be replaced by the ventriloquism of the policy that currently seems to be our government in any case.

Simon Crosby
Aysgarth, North Yorkshire, UK

Who is really operating Johnson's satnav?

Rich Farrow says (Letters, June 2) Dominic Cummings was a man "who preferred to pore over a road atlas in preference to a satnav". I certainly do not agree about the doings of Mr Cummings, but please, there is nothing wrong with a road map! It gives a much wider view over the landscape you are travelling through, instead of just giving direction to turn right or left. Maybe our PM is to dependent on a satnav operated by Mr Cummings?

Eva Ekehorn,
London TW9, UK

Transparency and trust go hand in hand

Robert Shrimsley's article ("For Johnson, Covid-19 is now an economic crisis," June 2) raises a question: why can the government not be honest with the electorate and tell us both the scientific advice they receive (including a summary of differing views) and the reasons for the decisions they make in relation to the lockdown and Covid-19? Most adults surely realise that the country cannot afford to close down indefinitely and difficult decisions need to be taken, balancing health and the economy.

For ministers to keep repeating the mantra that they are "following the science" is clearly not as straightforward as it sounds and simply results in the media quoting members of SAGE and others who do not agree with the decision.

It is also unhelpful for us to have been told initially that masks were not recommended, and for the prime minister to tell us that we have a world-beating track and trace system when it is not in fact operational.

The pandemic is not the fault of the government, but the less transparent they are, the less they will be trusted and the more they will be seen as responsible for anything that goes wrong.

Giles Dixon
London TW9, UK

A guide to the pitfalls of state energy policy

Jonathan Ford writes ("Britain needs new nuclear, and the government should fund it", June 1) that direct state financing of nuclear construction would not mean recreating the Central Electricity Generating Board.

The CEGB, its predecessor and affiliates, owned and operated most of Britain's electricity generation, transmission and distribution capabilities from 1948 to 1990 including all of its nuclear fleet.

The electricity industry post-CEGB has been characterised by excessive executive pay and a continuous balance of payments deficit as British equipment was replaced by imported kit. There have also been concerns over security of supply and a lack of forward planning, subsidy to renewable power generators, charges of price gouging of domestic consumers and some of the highest energy prices in Europe.

I think Mr Ford needs to reveal the great sin of that institution.

And as he ponders on the sacrifice the British people are going to have to make to achieve 150GW of new green capacity, the one-third of the land mass of the country either on or offshore if this is supplied by wind, and the "end of life" risk associated with nuclear, he may want to think twice about the notion of selling on projects to private investors.

Alistair Mackie
Ely, Cambridgeshire, UK

An eloquent addition to the school curriculum

Kenneth Baker ("Coronavirus is changing UK education for the better", May 19) has eloquently made the case for what I call the fourth "R" of education. Along with Reading, wRiting and aRithmetic we now have compute"R".

Neil McPhater
Longstanton, Cambridge, UK

Surge in Covid cases reveals blind spot over migrant workers

Singapore Notebook
by Stefania Palma

Two weeks ago, Lim Soon Heng made a draconian suggestion for how Singapore might deal with the Covid-19 outbreak that has ripped through migrant workers' dormitories, propelled overall infection rates to among the highest in south-east Asia and prompted an unusual bout of soul-searching in the city state.

The president of Singapore's Society of Floating Solutions wrote in The Straits Times that some of the city's 1m migrant workers could be shipped to "beautifully landscaped floating islands" to protect the rest of the city's 6m population from future pathogens. At least Mr Lim did not suggest banning the mostly Bangladeshi, Indian and Chinese migrants from interacting with locals as that would "smack of apartheid". Phew.

Life in Singapore felt almost normal only a couple of months ago. It had seemingly contained the virus, even as the rest of the world was shutting down. But everything changed in early April with the migrant workers' outbreak. It has shone a rare light on marginalised communities and shattered Singapore's aura of infallibility around its pandemic response. It has also sparked fervent debate in a quasi-authoritarian democracy that has been ruled by one party for over half a century and where protest without permit is allowed in only one park.

Officials have said they did in fact take preventive steps to fight the virus, including closing dormitories' communal spaces and staggering worker's meal times and recreation hours. Critics reply that it was not enough, given that social distancing is impossible in bunk bed dormitory rooms that sleep up to 20 people. More to the point, they argue the contagion is testament to the "invisibility" of Singapore's low-wage migrants. They live on the island's fringes. They struggle to unionise. Many are tied to their jobs to repay huge debts taken on to come here.

All that is inarguable. Still, I can't help wondering about our own blind spots. After all, you can see migrant workers everywhere, if you look. They labour at myriad construction sites around the city, and sit in the back of open lorries, often sleeping on each others' shoulders as they are ferried to and from work.

Looking the other way is also part of the problem, and some Singaporeans recognise this. "I also feel responsible," one friend told me. Others may not. But at least the situation has forced political debate into the open.

At one recent online press conference, I asked government officials if it was because of cost that workers had not been pre-emptively moved from their dorms? It was "not just a question of cost", came the reply. Meanwhile, my screen lit up with viewers' responses. "I'm glad your question hit home, the panel lit up," said one. "Good question!" read another. Messages streamed in.

It's not always a smooth ride for critics. When an essay in the New York Times argued the pandemic had exposed Singapore's "hardest truths", there were vitriolic comebacks on social media. Some called on the correspondent to leave "if you are so unhappy with Singapore". Others deployed whataboutery about America's own moral credibility. National pride, when pricked by others, is always an important factor.

"Singaporeans are not entirely enamoured with state-led economic development, nor blind to the chips in the script of progress and prosperity. These . . . apparently, are not for others, for outsiders, to see or comment on," wrote Teo You Yenn in her book about Singaporean poverty, *This is What Inequality Looks Like*. "Accepting that there is poverty and inequality is difficult if nationalist pride is a high priority".

The authorities are now starting to move. This week, they said temporary structures to house about 60,000 workers would be built by the end of the year, with other permanent dormitories accommodating up to 100,000 to be built in coming years. New standards, including a 10-people-per-room limit, will ensure that dorms are "more resilient to public health risks including pandemics".

Such policies only address a part of the migrant workers' challenging living conditions. Still, perhaps they are a sign that it will be difficult to put the lid back on after the pandemic and return Singapore to where it was.

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Opinion

A divided nation cannot compete in a superpower duel

AMERICA

Janan Ganesh

Log on to Twitter for a masterclass in gall. What claims to be the account of Iran's supreme leader shows his concern for America's downtrodden. The Turkish president is "deeply saddened" at their lives under an "unjust order". As for China, one official opts merely to quote the late George Floyd. "I can't breathe," said the man whose death after police arrest has set off US-wide protests.

America's internal schisms are being used against it, and used well, with the soft touch and irony that autocrats are meant to lack. But then there is so much to work with.

The dividedness of the US — racial, material, political — is aired thoroughly enough as a domestic blight. It is the effect on its foreign policy that can get lost in the anguish. If the US is riven, it must also be hampered in its outward actions. And nowhere will it suffer more than in the superpower duel.

The US-China rift is so cheaply likened to the cold war that we forget how much more unified America was back then. When it took on the Soviets, it was fresh from the bonding trauma of the second world war. Republicans and Democrats did not just have bipartisan manners, but shared policies: a mixed economy, anti-isolationism, foot-dragging on civil rights. Immigration had been too low for too long to test the country's sense of itself. Trust in government was so high as to implicate Americans in Old World deference. The distribution of incomes was much flatter than it is now. Politics rarely spilled on to the street.

With all the due caveats about silent tensions (and, in McCarthyism, loud ones), the US that set out on the cold war was a nation of almost quaint togetherness. It could be mobilised for an open-ended contest against a far-off rival.

Achieving the same trick now would tax a Lincoln or a Roosevelt. It is not just a week's urban unrest that has to be overcome, but two or three decades of calcified partisanship. If another cold war is afoot, the US goes into it with less of the cohesion that primed it for the first. The best it can hope is the causal link runs the other way: that an external foe is what brings citizens together. If so, the process is slow in working.

> If another cold war is afoot, the US goes into it with less of the cohesion that primed it for the first

As they consider the inflamed streets, Americans of some vintage will shiver with memories of the late-1960s. It is important to follow that thought a bit further. What the turmoil over civil rights and the Vietnam war ultimately brought was a change in world affairs: the cold-war breather we know as detente.

The US saw it could not tussle with the Soviets while its own house was in such disrepair. It had to sue, if not for peace then for a *modus vivendi*, at least until it felt robust again. Foreign policy could not endlessly buck domestic weakness.

Nor can it now. If anything, the US is even less cohesive in 2020. Detente-era Washington was still a bipartisan place, with Republicans renouncing their own president, Richard Nixon, and some Supreme Court judges being confirmed near-unanimously. It is now a pit of bad faith. Nor was income inequality such a sore point before the market reforms of the 1980s. It is now entangled with the race question and the Covid-19 pandemic.

For reasons of pride or strategy, confronting China might be still be right. But it matters that it coincides with the most fractured time in national life for half a century. The least to be said is that those who will the confrontation should not stoke the disunity.

And so to the president. Donald Trump did not etch the faultlines into his society, but he picks at them with rare abandon. We know well enough that he will not desist out of good conscience. Much odder is that he rejects the geopolitical case for doing so.

If he wants the US to bed down for an indefinite struggle against China, he must know that it cannot also be so nakedly at odds with itself. The president can have discord at home, or he can have a tenable showdown abroad. It is ever harder to see how he can have both. A true hawk would be sweetly emollient in domestic politics.

Instead, the president touts a Bible (unconvincingly) and pledges to get rough (convincingly). Protesters are dispersed not far from the White House. In Washington, the ambient sound comes from vigilant helicopters. The past week is said to have been Mr Trump's most divisive yet. As such, it was also the worst for his foreign goals.

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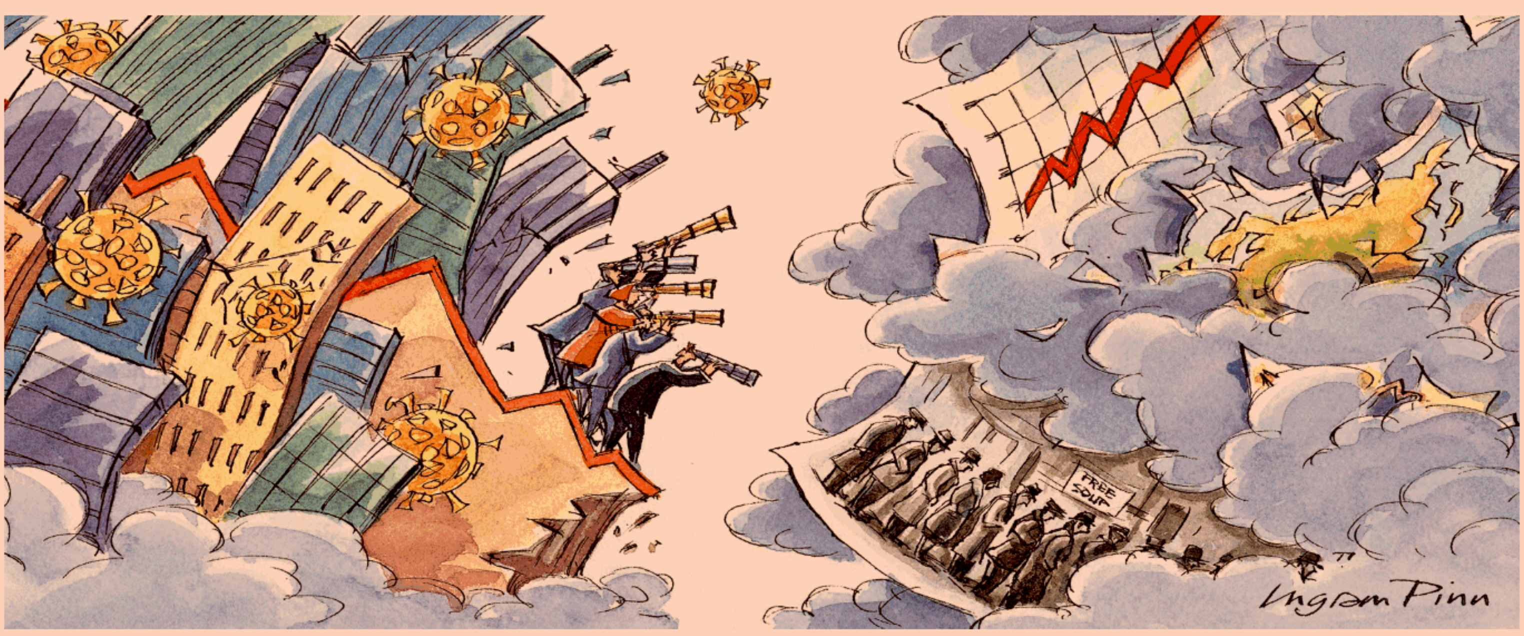
Are we heading for another Depression?

Leading economists and market analysts on what is next for the world economy



Expect fumbling fragmentation

ROBERT ZOELLICK, FORMER WORLD BANK PRESIDENT AND AUTHOR OF 'AMERICA IN THE WORLD'

The deep economic dive has shocked people. The pace and extent of recovery depends on the discovery and availability of treatments and vaccines. I suspect we will see slow revivals, episodic setbacks and costly adjustments — but not a decade of economic disaster. Many small businesses and some storied brands will not survive, while skilful adaptors and disrupters, especially in the digital economy, will emerge stronger. I will be watching for signals of confidence from consumers, businesses, and societies.

The Depression caused more than economic pain. It metastasised to a loss of faith in democracies, the triumph of ideologies of hate, a turn to demagogues, a breakdown of international trade and finance and, ultimately, the second world war.

Today, the US, the innovator and guarantor of the late 20th-century order, is recklessly deconstructing its own framework. China, which rose successfully within this supportive international system, threatens it from within while exploring an alternative design based on tributary states. Ageing Japan, fearful of China and uncertain of America's reliability, treads cautiously. India drifts back to the diplomacy of "strategic autonomy". Russia manipulates for external advantage while withering internally. The EU struggles to preserve internal coherence while waking painfully to dashed dreams of a postmodernist international legal order. Britain debates with itself. Middle-weight economies struggle to calculate where they will fit within the fractious new world. Billions of people in developing countries do the best they can.

This picture of fragmentation reveals spectres of dangers, old and new. The world needs biological security and advances in biotechnology. People demand inclusive economic growth. Environmental and energy challenges loom. We are just beginning a huge digital transformation. Would-be regional hegemons still seek weapons of mass destruction and terrorists want to wreak devastation. Democracies wonder about the future of freedom. The world weighs the future of China.

Gloom is not, however, destiny. Crises test the resilience of nations. Leaders in key countries — and officials and entrepreneurs working across states to achieve practical results — will set the course. These actors require public support. Speaking for the US, Abraham Lincoln said long ago that "public opinion in this country is everything". It still is.

A V-shaped recovery is on track

MIKE WILSON, MORGAN STANLEY'S CHIEF INVESTMENT OFFICER

While 2020 has been an unusual year to say the least, I would argue that financial market behaviour has been quite predictable. The pandemic led to a sharp drop in the market, record unemployment and, tragically, 100,000 deaths thus far in the US. But it also prompted policymakers to respond with unprecedented support. The US Federal Reserve is now on track to expand its balance sheet by 38 per cent of gross domestic product over the next 18 months to \$12tn, or twice as much as it did after the 2008 financial crisis. We project that fiscal spending plans will result in US deficits this year approaching 25 per cent of GDP, a level not witnessed since the second world war.

Though Covid-19 came out of the blue, recessions are never caused by a single event. Instead, they are the result of excesses that have built up in the real economy. With the prior expansion lasting a record 10 years, there were plenty of excesses by the time 2020 rolled around. The pandemic was just the trigger for a recession that was already approaching. In fact, markets had already been trading defensively for years, with most individual stocks in a bear market. As usual, when the downturn finally arrived, the bear market ended with a sell-off in March.

Historically, economies frequently experience a V-shaped recovery after a recession. The severity of this particular recession, combined with the unprecedented policy response, makes it unlikely we will see anything but a V-shaped recovery this time. In fact, on many metrics we track, the market recovery looks almost identical to what happened after the collapse of Lehman Brothers. Just as in 2009, most investors naturally remain very sceptical.

It appears that the US economy is reopening without significant increases in Covid-19 cases. This is encouraging and if cases do rise again in a second wave, the healthcare system should be better prepared, making another lockdown less likely. Such an outcome should mean the unprecedented fiscal and monetary stimulus boosts the economy rather than just making up for lost ground. With the past as prologue, we expect the rally to broaden out to more cyclical parts of the equity market, where valuations remain inexpensive.

Without a global recovery plan, demand will stagnate

MARIANA MAZZUCATO, DIRECTOR OF THE INSTITUTE FOR INNOVATION AND PUBLIC PURPOSE, UNIVERSITY COLLEGE LONDON

Covid-19 has brought economies to their knees. The question is how long and how severe the resulting recession will be. The answer depends on the quality and quantity of global stimulus packages. To work, they must address both demand and supply, delivering income to the most vulnerable through well-structured universal basic income policies or national job guarantee schemes, and assistance to companies to get back on their feet as well as providing a bold, green direction for investment.

Economic growth will also depend heavily on the speed at which we can find a vaccine, manufacture it at scale and make it globally accessible. The World Health Organization initiative to ensure worldwide sharing of all Covid-19 related knowledge, data and technologies by making a pool of Covid-19 patent licenses freely available to all countries is a great move in this direction. The virus can only be defeated with truly collective intelligence.

In developed economies such as Japan, the EU and the UK, government stimulus has been large but mainly reactive and the same levels have not been matched elsewhere, especially in developing countries. Given the global nature of the economy, without a truly global recovery plan, demand will stagnate. Even worse, inequality, which has made the crisis worse than it had to be, will only increase.

While assisting citizens and businesses is the right thing to do, the structure of that aid matters. Loans and mortgage holidays, which only delay interest payments, risk increasing private debt, already at record levels. True debt relief for the most vulnerable individuals and families could avoid this. We need policies that are not only reactive but also strategic, bringing us closer to an investment-led global Green New Deal. Bold plans to create carbon neutral cities and regions could foster creativity and innovation — especially now that many have rediscovered the joys of walking and biking. Social, organisational and technological innovation could help change how we eat, how we move, and how we build, spurring a green transformation. Conditions attached to bailouts of the most polluting industries, from steel to airlines, can make this happen quicker.

Let's remember 2020 as the year we rediscovered the need for strong global health systems and the world avoided a new Depression with a Green New Deal and an investment-led recovery.

It could be the 1930s all over again

ANDRÉS VELASCO, DEAN OF THE SCHOOL OF PUBLIC POLICY, LONDON SCHOOL OF ECONOMICS

During the Depression, Latin America was buffeted by a collapse in commodity prices, a slowdown in world trade and a massive capital outflow. The same shocks are hitting the region today, but this time one has to add a decline in remittances and a productivity freeze, due to having much of the labour force under lockdown.

Back then, the economic contraction was brutal. Between 1929 and 1933, output fell by 10 per cent in Argentina and Mexico and by an eye-popping 37 per cent in Chile. Brazil and Colombia also suffered sharp initial drops, but by 1933 had recovered pre-Depression income levels. Latin America is well on its way to replicating that dismal performance today. The IMF predicted in April that the region's economy would shrink by 5.2 per cent in 2020, and the actual contraction will probably be much larger.

A V-shaped recovery for Latin America looks farfetched — unless a vaccine spurs a global resumption of growth. The virus came late to the region and Brazil, Ecuador and Mexico have been remarkably inept at containing it. High public debt and spotty access to international capital limit what other governments can do to counteract the pandemic. Only Chile and Peru have the fiscal space to finance aggressive containment policies. Even there, new cases of contagion and Covid-19-related deaths are up sharply in the past two weeks.

Under the Inter-American Development Bank's mildest scenario, Latin America's economy contracts by 6.3 per cent in 2020-22. In the most extreme case, the cumulative contraction reaches 14.4 per cent — not too different from what the region experienced in the Depression.

In the 1930s, the countries that recovered quickly were those, mostly in South America, that adopted unorthodox measures. They cut interest rates and allowed their currencies to depreciate after leaving the gold standard. Most also defaulted on their foreign debts — except in the Caribbean, where platoons of US Marines guaranteed repayment.

Today, flexible exchange rates are the new orthodoxy, so that is not a constraint. But availability of dollar finance is. Unless institutions such as the IMF and the IADB sharply step up their lending, a new wave of debt defaults could make it the 1930s all over again.

FT Full debate
This is an edited version of the discussion. For the complete text, including views from Unicredit's Erik Nielsen and Trinh Nguyen of Natixis, go to ft.com/opinion

Flag carrier bailouts will harm Europe's airline industry

Michael O'Leary

Covid-19 is a catastrophe for Europe, its citizens and its businesses. Few industries have been hit as hard as the airline sector. Carriers that are essential for Europe's connectivity and are the lifeblood of business activity and tourism have seen demand collapse and their viability jeopardised.

With the right response, we can keep the catastrophe short-term. But by letting the richest European countries once again prop up their bloated flag carriers, with no or inadequate conditions attached, the EU risks damaging the health of European aviation and the single market long after the pandemic has gone. This would be a betrayal of the EU's historic success in building a dynamic single market in air travel.

Of course, European companies and employees need short-term support. And there are some good examples of schemes open to all airlines, such as the UK's Covid Corporate Financing Facility. Germany has allowed all airlines to defer payment of air travel taxes.

Sadly, though, these are exceptions. Italy's €500m Covid-19 fund is limited to airlines with a licence issued by Italy, in breach of EU rules. France will only defer taxes for French flag carriers. And Sweden has excluded all airlines based outside its territory from its €455m loan guarantee scheme.

An eye-watering €9bn has already been approved without conditions to prop up Air France, SAS, Condor and Finnair; over the weekend, the commission dropped its original demands and agreed a much-diluted package of commitments in exchange for a record €9bn in state aid to Lufthansa; more is on the way such as the pledged €2bn-€4bn aid package from the Netherlands for KLM.

> We want a level playing field. Ryanair has not received any aid granted to country of origin operators

Ryanair has not received any aid granted to country of origin airlines. Nor are we asking for it. But we do want a level playing field. We are a truly European airline, not a national one. We have always responded to crises by tightening our belt and innovating. This is the way forward for European aviation.

The EU needs to rediscover the courage it had when it took on vested interests and created the single aviation regime: for the first time airlines could fly to and from anywhere in Europe. This was a regulatory revolution. We and other low-fare airlines turned it into commercial reality, creating new routes at affordable prices, changing the mindset of European travellers and transforming the economic fortunes of isolated regions and depressed cities across the continent.

Today's bailouts are regressive, unfair and unlawful. They will set the clock back, threatening the future of European aviation at least as much as the pandemic itself. The commission must defend its independence, stand firm against powerful member states, uphold the law, and build a single, coherent framework that promotes competitiveness, connectivity and a cleaner environment.

State support must be allowed only on strict conditions: it must not be reserved for airlines originating in the country granting the aid, it must be accessible to all, time-limited, and targeted on relieving cash flow issues, like payroll support and suspension or deferral of aviation taxes, airport fees and air traffic control charges. The commission must tackle the biggest distortion of all: the bias in favour of national airlines from big countries with deep pockets.

Covid-19 is receding to the point where we can prepare to resume flying in time for summer. With the right health measures in place, this will kickstart the tourist industry. Now is not the time to unwind the single market and undo its enormous benefits.

After all we have been through, it would be a tragedy if European air transport emerges from the pandemic less competitive than before, with inefficient monopolies effectively renationalised and free to increase fares, reduce choice and engage in predatory conduct that drives low-cost competitors from the market.

The writer is chief executive of Ryanair

Lex.

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Zoom: zump bump

All human life is on Zoom. In the past three months the go-to video chat service for the pandemic has hosted work meetings, mass firings, birthdays, weddings and break-ups. Online dumpings are now so common, jiltees talk of being "zumped".

This week the US group doubled its full-year sales forecast to $1.8bn — the sort of update that comes once in a company's lifetime, if ever.

The guidance, according to chief financial officer Kelly Steckelberg, is "conservative". Heaven knows what a reckless forecast would look like. Zoom is right that the slow return to normality means videoconference services will remain essential for corporate and personal use. Whether its potential user base is really bigger than previously thought is debatable.

When Zoom listed in April 2019 it claimed a total addressable market of $43bn by 2022. This was a typically bold assertion for a US tech hoping to make a splash. But now Zoom would like investors to believe its potential market has grown even larger.

The reason is obvious. Since Zoom joined the market, its share price has grown almost 500 per cent. At $59bn, its market value exceeds its own total addressable market prediction.

Has the crisis accelerated adoption of video conferencing so much? This is tricky to judge without knowing how many people use Zoom. In first-quarter data, it stuck to previously announced figures, saying that peak daily meeting participants exceeded 300m per day, up from just 10m in December.

But one person logging into five meetings is counted five times. There is no daily active user count. This makes it hard to see how Zoom compares with competitors such as Microsoft Teams, which has 75m daily active users, and Google Meets, which has 100m.

Its growth is still phenomenal. Zoom offers a choice of backdrops and a beauty filter. The number of organisations with 10 or more people paying for services rose 350 per cent. It is doing a good job of selling users extra services too. Cash generated by operating activities rose more than 10 times on last year to $259m.

It is not time to zump Zoom shares yet. But it is disappointing that the group has succumbed to the tech sector's characteristic weakness for vague disclosure.

A crush met online through a beauty filter is liable to disappoint when finally encountered warts-and-all.

Wizz Air: up and away

Hungary is the home of low-cost carrier Wizz Air. Hungry describes chief executive József Váradi. He is one of the few airline bosses bullish on the industry's post-virus recovery. While legacy carriers sag from heavy debts or beg for bailouts, Mr Varadi sees opportunity on the radar.

Full-year results attested to that yesterday. The numbers coincided with an airline-led rally in FTSE indices.

Perhaps reality is catching up with Wizz's pessimistic rivals. EasyJet thinks recovery will be delayed until 2023. Mr Váradi believes capacity could be at 80 per cent as quickly as early next year.

Diverging opinions on the outlook are one reason why easyJet's market value remains below its lower-volume rival. Different approaches to crisis management are another. EasyJet is focusing on cost-cutting. Wizz wants to expand.

A strong balance sheet supports that confidence. Net debt is negligible, with €1.5bn in cash — including the only state support taken, £300m of Covid Corporate Financing Facility borrowings. Monthly cash burn is moving to €70m, which means two years of liquidity, in the unlikely event that full grounding continues.

As cash-strapped rivals hunker down and cut capacity, Wizz is still taking on new aircraft, expecting seats to grow by 9 per cent this year. Instead of waiting for demand to return on existing routes, it is redeploying planes to new ones. Four new bases are already established, including five aircraft at Milan Malpensa.

The business is standing by plans to expand to Abu Dhabi. Airport charges are falling with industry capacity.

Nevertheless, losses are still expected this year; €150m according to consensus. Even if passengers return as fast as Mr Váradi thinks, last year's operating margins of 12 per cent are further out on the horizon.

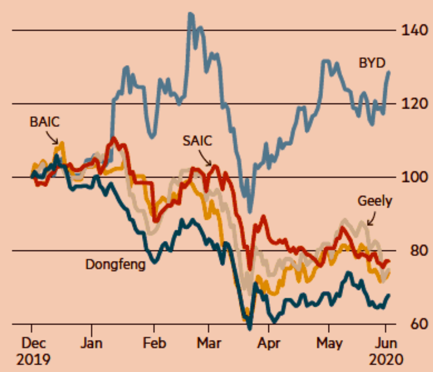
Expect ticket prices and ancillary revenues to remain subdued. But if you believe in a V-shaped recovery, Wizz is the stock to fly you there.

China cars: shock and roll

Car sales in China should rebound sharply in May as customers return, keen to avoid crowded public transport. Shares in China's largest electric-vehicle maker, BYD, have rallied sharply on the expectation of more EV subsidies. Further foreign expansion from acquisitive groups such as Geely should not be ruled out.

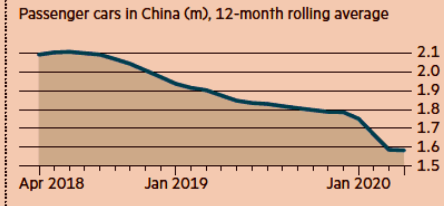
Chinese car shares have stopped falling ...

Share prices in HK$ (rebased to 100)



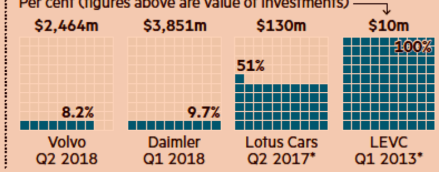
... as have vehicle sales

Passenger cars in China (m), 12-month rolling average



Geely's stakes in other carmakers

Per cent (figures above are value of investments)



FT graphic Source: Refinitiv; China Association of Automobile Manufacturers; S&P Capital IQ, FT research

* Figures based on original investments

Fears of a lengthy global recession are growing. Most leading indicators are heading south. But one of them, car sales, is bucking the trend. In China, the world's biggest car market, sales are strong enough to suggest that a wider sector recovery is under way.

There are opportunities here for picky long-term investors.

China's May car sales are forecast to increase 11.7 per cent to 2.1m units after a 4.4 per cent rise in April. The pace of declines in electric cars has slowed too, as local governments rolled out measures to boost sales.

Hong Kong listed shares in BYD Motors, China's largest electric-car maker, have risen 42 per cent from March lows, reflecting expectations of more stimulus in the second half. The benchmark Hang Seng index has, in contrast, added just 12 per cent.

There is pent-up demand for new cars after months of lockdown, supplemented by buyers now wary of public transport. Low fuel costs have boosted demand for bigger, pricier cars — which means higher margins for carmakers.

The choice for motorists and investors is bewildering. China has more than 400 electric-vehicle makers and 12 big, traditional car companies.

There is a pressing need for consolidation even in a market recovery. Car sales are already expected to drop 15 per cent for the full year. And a second wave of infections could mean a decline of up to a quarter.

The development costs of new cars are rising as Chinese consumers become more discerning.

Big manufacturers with high-profile brands such as Geely — which has taken Volvo Cars under its wing — and state-controlled groups such as Dongfeng Motors will have an advantage.

Shares in the latter have risen nearly a fifth from a March low but trade at just four times forward earnings.

If the beneficiaries of the latest surge in demand can emerge from the pandemic with enough dry powder, they will have the chance to scoop up stakes in struggling rivals at bargain prices.

There is scope for their shares to motor higher.

Nomura/Hong Kong: beyond our Ken

When the going gets tough, the anxious head for the exit. Nomura is reviewing the scale of its operations in Hong Kong, according to chief executive Kentaro Okuda. The territory is losing its commercial relevance as a result of authoritarian interventions by Beijing and the protests these are provoking.

China is intent on imposing security laws to crush dissent. This might come, at the margins, in the form of a broker's "sell" note on Chinese equities, although free speech on politics is the main target. In retaliation, the US has threatened to revoke Hong Kong's special commercial status.

Hong Kong is starting to look like the worst of all worlds for footloose foreign banks, brokers and fund managers. Relocate to Shanghai and you know where you stand: in the Communist party's backyard. Singapore, the main alternative, offers offshore stability a long way from the real action.

Nomura regards Hong Kong as a key outpost for its investment bank, for all that critics regard the unit as an also-ran. The Japanese group has 1,000 staff there — about 4 per cent of the total. Outside Japan, only Asia consistently makes pre-tax profits for Nomura. The Americas and Europe divisions have lost money most years since 2015.

China offers better growth potential than elderly Japan, albeit with local hostility to overcome. Nomura already had plans to expand in Shanghai, more than doubling staff there to 500.

More than one foreign boss shares Mr Okuda's concerns. Over half the members of Hong Kong's American Chamber of Commerce see China's move as bad for business, even if few plan to relocate soon. The real spur to leave would be changes to Hong Kong's independent judiciary — based on English Common Law — and its low income taxes of 15 per cent.

Big businesses will be quietly moving people out before then. The national security law has signalled that political dominance matters more to China than the commercial vigour of its small satellite. Companies will act accordingly.

US biotech: Moderna's art

Hope is the ultimate drug for both the infirm and the investor. In May, Moderna, a Boston-based biotech, announced promising but preliminary results in an early-phase trial of a coronavirus vaccine. Its shares soared, sending its market capitalisation to $31bn. Heady stuff for a company that had yet to commercialise a treatment. Hours after the announcement it priced a $1.3bn stock offering.

With ordinary companies battered by an economic slowdown that has turned off revenue, many investors are happy to wager on a company whose near-term business model is, intentionally, not to have immediate revenue. Biotechs have dominated US initial public offerings. Excluding blank cheque companies, more than half of US listings in 2020 have been healthcare businesses.

Of 19 healthcare IPOs this year, 17 are trading above their IPO price. Among the 17, several have doubled or more. Gilead Sciences, whose Remdesivir has shown promise as an antiviral treatment for Covid-19, has seen its stock jump 14 per cent this year.

Still, most drugs fail to reach commercial viability. Shareholders are making hopeful but risky bets on complex technologies that are, by definition, unproven. Outside life sciences, most companies at the IPO stage need to show either real profits or galloping revenue growth.

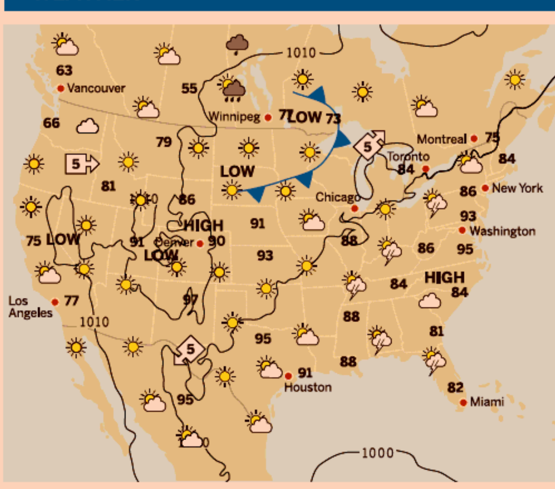
More attention is now being paid to the details of the Moderna vaccine trial. The trial had just eight participants who showed "neutralising" antibodies. Some experts were wary of drawing conclusions from the limited data Moderna released.

Although its shares have tripled this year, the stock is down a quarter from its peak. Investors who bought the stock offering have made big paper losses. Testing will advance to the next stage in the weeks and months ahead.

Investment is an art, not a science. But evidence still matters. More of it is needed before backing Moderna.

Lex on the web
For notes on today's breaking stories go to www.ft.com/lex

WEATHER

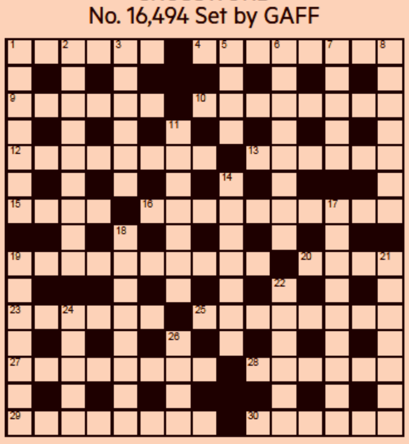


Forecasts by MeteoGroup Warm front Cold front Occluded front Wind speed in MPH

Today's temperatures Maximum for day °C & °F

Amsterdam	Rain	15	59	Madrid	Thunder	25	77
Athens	Sun	26	79	Manila	Fair	35	95
Atlanta	Thunder	31	88	Melbourne	Fair	13	55
Beijing	Sun	30	86	Mexico City	Fair	27	81
Belgrade	Fair	27	81	Miami	Thunder	28	82
Berlin	Shower	25	77	Montreal	Fair	24	75
Bermuda	Fair	25	77	Moscow	Thunder	20	68
Bogota	Shower	19	66	Mumbai	Thunder	31	88
Brussels	Cloudy	16	61	Nassau	Thunder	31	88
Buenos Aires	Sun	17	63	New York	Fair	30	86
Caracas	Sun	32	90	Nice	Thunder	21	70
Chicago	Fair	30	86	Oslo	Rain	20	68
Copenhagen	Sun	18	64	Paris	Rain	17	63
Dallas	Fair	35	95	Prague	Thunder	22	72
Delhi	Fair	35	95	Reykjavik	Sun	12	54
Doha	Sun	46	115	Rio	Cloudy	25	77
Dubai	Sun	39	102	Rome	Fair	25	77
Dublin	Cloudy	15	59	San Francisco	Sun	24	75
Edinburgh	Cloudy	14	57	Seoul	Fair	26	79
Frankfurt	Thunder	19	66	Shanghai	Fair	30	86
Geneva	Thunder	19	66	Singapore	Thunder	30	86
Hamburg	Thunder	18	64	Stockholm	Fair	19	66
Helsinki	Shower	17	63	Sydney	Fair	16	61
Hong Kong	Fair	31	88	Taipei	Fair	35	95
Honolulu	Drizzle	31	88	Tel Aviv	Sun	30	86
Jakarta	Sun	33	91	Tokyo	Fair	28	82
Karachi	Fair	36	97	Toronto	Fair	29	84
Lima	Cloudy	20	68	Vancouver	Cloudy	17	63
Lisbon	Shower	24	75	Vienna	Fair	25	77
London	Cloudy	17	63	Warsaw	Sun	21	70
Los Angeles	Sun	25	77	Washington	Thunder	34	93
Luxembourg	Thunder	16	61	Zurich	Thunder	19	66

CROSSWORD
No. 16,494 Set by GAFF



JOTTER PAD

An 80 year anniversary puzzle

ACROSS
1 Leave session of golf confused (3,3)
4 City in Switzerland revolutionary for taking small denominations (8)
9 Sounds like I'm surrounded by features (6)
10 Infernal boil treated with acid (8)
12 Aliens endlessly turned around these days (8)
13 Endeavour to head left a bit (6)
15 Muscles of arms (4)
16 He stops poaching meat and fish that's big enough (10)
19 New quiet movement (10)
20 Heard spies are often high (4)
23 Held by cox for directing crew (6)
25 Jesus is about to judge queen (8)
27 Patching incorrect final draft in US (8)
28 Country-side supporter embraces church (6)
29 Steadies wobbling reserve (3,5)
30 Billy's mains (6)

DOWN
1 Found at the end of a flight (7)
2 Prepared vegan rice and beef (9)
3 What a cricketer does when not in WC (6)
5 Musical shock (4)
6 Started once more to kick into the long grass (8)
7 Range of first-hand complaints (5)
8 Lay brown-coated copper line (7)
11 Romantic sad about setter (7)
14 Lands that produce extremely bankable pounds (7)
17 Condition of coasts ignored by uncompassionate criminal (9)
18 Lies hurt with nuts damaged (8)
19 Coffee estate (7)
21 Ways in which setters are devious (7)
22 Content to assume tricolour is not imperial (6)
24 Scrap of fruit at half time (5)
26 Relief after last supper's overrun (4)

Solution 16,493