FINANCIAL TIMES

Recovery position

Draghi's €200bn opportunity to revive Italy — BIG READ, PAGE 13

Arm in arm

Rich nations must take a global view on vaccination — MARTIN WOLF, PAGE 15



Electric shock

Musk's risky crypto bet breaks safety first rule — ANALYSIS, PAGE 7

Trump on trial

Impeachment hearing begins

Democratic party impeachment managers walk into the Capitol to begin prosecuting Donald Trump in the former president's second Senate trial.

With Trump no longer in office, pro-ceedings began with a debate over whether it was constitutional to try him at all, on charges of inciting the riot that ended with the storming of the Capitol. Republican lawmakers have argued that it is not but experts have said it is, and the Senate, which the Democrats control through Vice-President Kamala Harris's casting vote, was expected to vote to press on with the trial.

The hearing was scheduled to move on today to opening arguments in the case against the former president. Analysis page 2



WHO team says Wuhan lab leak highly unlikely as source of virus

Field research finds no evidence for theory ● Time lapse hampers hard conclusions

CHRISTIAN SHEPHERD - BEIJING

The World Health Organization has ruled out a laboratory accident as the cause of the coronavirus pandemic, saying it was "extremely unlikely" that the pathogen leaked from a Chinese facility.

A WHO scientific team has spent the past few weeks in Wuhan to learn more about the origins of the virus. It has also visited the Wuhan Institute of Virology, the subject of unfounded allegations that the Sars-Cov-2 virus that caused Covid-19 might have leaked from its

biosafety laboratory. Peter Ben Embarek, head of the visiting WHO team, said it had concluded the evidence weighed against the institute or another of the city's labs being While "accidents do happen", virus leaks from high-level biosafety labs were "extremely rare" and the Wuhan Institute of Virology set-up made it "very unlikely that an escape could hap-

pen from a place like that", he said. The most plausible explanation was the accepted theory that the virus originated in bats and jumped to an as yet unknown intermediate host species before infecting humans, he added.

Beijing's careful management of the trip and a delay of more than a year between the virus being detected and the team's arrival in Wuhan have raised doubts over the investigation's ability to draw hard conclusions concerning the issue of the virus's origin.

Embarek acknowledged the field research conducted in Wuhan did not

"change dramatically" the team's broad understanding of what had happened.

The WIV was known to be menting on coronaviruses before the pandemic, which stoked the lab leak theory. Mike Pompeo, the former US secretary of state in Donald Trump's administration, was among those to advance the unproven allegation.

Liang Wannian, an expert from China's National Health Commission who led a team of Chinese scientists working alongside the WHO, said that the inability to find samples of Sars-Cov-2 in Wuhan's labs added to evidence against the leak theory.

The WHO team's research focused primarily on the early stages of the virus outbreak in China and concluded that the evidence from hospital records and



The WHO team leader says the Wuhan Institute of Virology's set-up made it doubtful 'that an escape could place like that'

blood samples did not suggest the virus had been circulating widely in Wuhan before December 2019, when the first cases were reported.

The team did not rule out the possibility of the virus arriving in Wuhan on fro-zen or refrigerated foods, a theory end-

orsed by a number of Chinese scientists.

Many in China have also pushed the idea that the virus had infected humans elsewhere before the Wuhan outbreak.

Marion Koopmans, a WHO virologist, said the team was open to looking at evidence from countries beyond China and searching "for evidence of earlier circulation, wherever that is indicated".

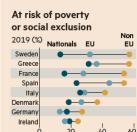
A report on the WHO team's findings is expected in the coming weeks. News & analysis page 3 Martin Wolf page 15

- Biden hosts talks with business leaders The chief executives of Walmart and JPMorgan Chase were among a group of corporate leaders invited to the Oval Office as President Joe Biden spelt out his \$1.9tn stimulus plan.— PAGE 2
- Migration fall threatens global revival After a decade of steady growth in migrant flows, the pandemic has led to a drop in inward flows of skilled workers that will damage economies relying on an influx of newcomers, says the OECD.— PAGE 4
- Myanmar police fire on coup protesters
- Police in the capital Naypyidaw have fired rubber bullets and deployed water cannon in Mandalay as thousands of people protested against the military junta.- PAGE 4
- ► Saudi overhaul to lift princely projects Finance minister Mohammed al-Jadaan has set out big central bank reforms that will formalise Crown Prince Mohammed bin Salman's effort to divert
- Amazon warned over US union bashing More than 70 investors have warned Amazon to halt an anti-union campaign ahead of a ballot that marks the first attempt by its US-based workers to vote for union representation.— PAGE 5

more wealth to his investment plans.— PAGE

- ▶ Glazer football spending spree pays off A \$50m gamble by the Glazer family to turn round their American football fortunes has paid off after the owners of the Tampa Bay Buccaneers saw their team win the Super Bowl on Sunday.- PAGE 6
- ▶ BlackRock puts money on Hong Kong The territory will play a central role in opening up China's financial system to the rest of the world despite recent political upheavals, says BlackRock's new head of Asia-Pacific operations.— PAGE 6

Datawatch



The majority of non-EU citizens in Sweden, Greece, poverty and social exclusion in 2019. For EU migrants, Spain, at 44 per cent, Greece, 36 per cent, and Sweden, 32 per cent had the highest such rates

Investors play FTSE as UK stocks regain allure

Asset managers are taking a fresh look at the UK's premier stock index after years of neglect following the 2016 stirred interest in the internationally focused FTSE 100, which has misfired as the S&P has broken records. With many of its 'old economy' stocks seen as cheap against their earnings or assets, the index is even being pitched to Wall Street investors as cove against a fall in pricey US tech shares.

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KPMG boss apologises after telling pandemic-hit staff to 'stop moaning'

MADISON MARRIAGE - LONDON

Bill Michael, KPMG UK chairman, has apologised after telling the firm's consultants to "stop moaning" during a discussion about the impact of the pandemic on their working lives.

In a virtual town hall meeting on Monday, members of the 1,500-strong financial services consulting team raised concerns over potential cuts to pension contributions, pay and bonuses, according to a senior employee. They also took issue with KPMG's measuring staff performance against a "forced distribution curve", where individuals within a team are ranked from best to worst.

Michael, an Australian who has run the Big Four firm since 2017, told staff to "stop moaning" and to stop "playing the victim card", according to the employee. An app that enabled staff to submit

anonymous comments subsequently stopped working for some employees after on-screen comments accused the chairman of lacking sensitivity and highlighted his recently announced £1.7m pay package. KPMG said the app was available throughout the meeting. "We are all a bit frayed due to Covid,"

said the employee. "If someone tells you to stop moaning in the middle of a recession and when people are dying, that tells you everything. It's incredibly insensitive." In an apology email to staff later in the

day, Michael said: "I know that words matter and I regret the ones I chose to use today. I think lockdown is proving difficult for all of us. I am very sorry for what I said and the way that I said it."

Michael, who was admitted to hospital last March with coronavirus, added: "Covid has hugely impacted the way we

all live and work - many of us very deeply. I can only imagine what you and your families are going through . . . Having endured my own experiences, I should have appreciated the impact it's

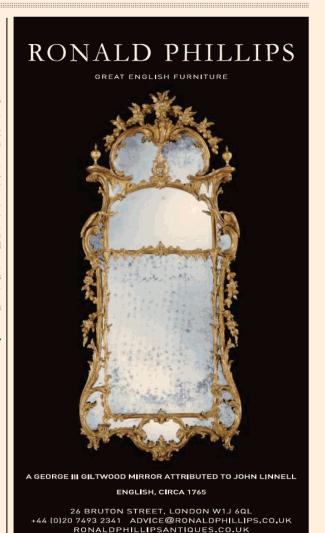
having on all of us."

He told the Financial Times: "I am sorry for the words I used, which did not reflect what I believe in, and I have apolised to my colleague

KPMG said the firm had taken measures to help staff throughout the pandemic, including provision of mental health resources and a special leave code that enables staff to take unlimited time off to care for family and friends.

It added that bonuses would be paid in March and that pay rises had been given to employees who were promoted or had progressed after passing exams. There were "no plans" to cut pension contributions, the firm said.

					W	orld l	Marke	ets					
STOCK MARKETS				CURREN	CIES					INTEREST RATES			
	Feb 9	prev	%chg		Feb 9	prev		Feb 9	prev		price	yield	chg
S&P 500	3910.09	3915.59	-0.14	\$ per €	1.210	1.205	£ per \$	0.725	0.728	US Gov 10 yr	103.63	1.14	-0.01
Nasdaq Composite	14013.53	13987.64	0.19	\$ per £	1.380	1.374	€ per £	1.140	1.141	UK Gov 10 yr		0.46	-0.01
Dow Jones Ind	31348.32	31385.76	-0.12	£ per €	0.877	0.877	¥ per €	126.521	126.733	Ger Gov 10 yr		-0.45	0.00
FTSEurofirst 300	1579.54	1580.44	-0.06	¥ per \$	104.585	105.195	£ index	80.110	80.144	Jpn Gov 10 yr	117.68	0.07	0.00
Euro Stoxx 50	3658.82	3665.51	-0.18	¥ per £	144.285	144.564	SFr per £	1.232	1.235	US Gov 30 yr	114.24	1.93	0.00
FTSE 100	6531.56	6523.53	0.12	SFr per €	1.081	1.083				Ger Gov 2 yr	106.96	-0.71	0.01
FTSE All-Share	3731.03	3726.03	0.13	€ per \$	0.827	0.830							
CAC 40	5691.54	5686.03	0.10										
Xetra Dax	14011.80	14059.91	-0.34	соммог	DITIES						price	prev	chg
Nikkei	29505.93	29388.50	0.40							Fed Funds Eff	0.09	0.09	0.00
Hang Seng	29476.19	29319.47	0.53				Feb 9	prev	%chg	US 3m Bills	0.05	0.03	0.02
MSCI World \$	2795.89	2773.45	0.81	0il WTI \$			58.38	57.97	0.71	Euro Libor 3m	-0.54	-0.55	0.01
MSCI EM \$	1399.82	1395.35	0.32	Oil Brent S	S	- (61.07	60.56	0.84	UK 3m	0.05	0.05	0.00



INTERNATIONAL

Biden is

struggling

to secure

significant

Republican

backing for

his package,

forcing him

solely on his

own party

to rely

White House meeting

Biden seeks support of business titans

US president pushes to win backing for \$1.9tn stimulus package

JAMES POLITI — WASHINGTON ANDREW EDGECLIFFE-JOHNSON NEW YORK

President Joe Biden was set to meet US business leaders including Jamie Dimon, chief executive of JPMorgan Chase, and Doug McMillon, chief executive of Walmart, as he seeks support from leaders of corporate America for his \$1.9tn stimulus plan.

The gathering in the Oval Office yes-terday marks Biden's first with top business executives since his January 20 inauguration and is likely to set the initial tone for the relationship between the new administration and American

Biden has embraced economic plans based on hefty government stimulus and infrastructure investment that is largely supported by US business given the downturn triggered by the crisis.

However, business executives have been arguing that further spending needed to be tailored to the medical response and sectors most affected by the downturn, which could lead to disagreement over the size and details of the rescue plan.

Other aspects of Biden's agenda, including higher taxation, an increased minimum wage and support for unionisation, are also being watched warily by companies as they begin to wrestle with

the new administration's policies.
On the administration side, the meeting was to have included Janet Yellen, US Treasury secretary, and Kamala Harris, vice-president.

Tom Donohue, chief executive of the US Chamber of Commerce, Sonia Syngal, chief executive of Gap, and Marvin Ellison, chief of the home improvement retailer Lowe's, were also expected to

McMillon chairs the Business Roundtable, a lobby group representing US blue-chips in the US capital. Dimon has long been involved in pol-

icy debates in Washington, and is a board member and former chairman of the roundtable. He has donated to both Democrats and Republicans and was at times considered a contender for a top job in the Biden administration.

"My heart is Democratic but my brain is kind of Republican," Dimon told CNBC in 2019.

His presence at the meeting as the only representative of the financial services sector could set him up to be a leading conduit to Wall Street in a similar role to that performed by Stephen Schwarzman, chief executive of Blackstone, during the Trump administra-

During that era, business largely

embraced a big round of tax cuts and deregulation, but balked at the 45th president's trade policies.

Many executives also rejected his erratic policymaking style and leader-ship, and condemned his efforts to overturn the results of the 2020 presidential election, which culminated in the deadly assault on the US Capitol on Jan-

Biden is trying to rally business support for his economic stimulus after struggling to secure significant Republican backing for his plan, forcing him to rely solely on members of his own Democratic party to clinch the passage of the package in a narrowly divided Congress.

However, White House officials have pointed to polls showing that their fiscal plan – which includes direct payments worth \$1,400 to Americans earning up to \$75,000 per year — is overwhelmingly popular among voters. Janan Ganesh see Opinion

Trump impeachment Stage is set for a lively encore

LAUREN FEDOR AND JAMES POLITI

Donald Trump yesterday became the first US president to face two impeachment trials. He was impeached last month on a charge of inciting an insurrection for his role in the January 6 siege on Capitol Hill that left five dead. Hours before a mob of supporters stormed the legislature, the then-president told the crowd: "If you don't fight like hell, you're not going to have a country any

Who is presiding over the trial?

Chief Justice John Roberts presided over Trump's first impeachment trial last year, when senators exonerated him on two charges relating to his efforts to get the Ukrainian president to investigate Joe Biden. With Trump a private citizen, the president pro tempore of the Senate, Patrick Leahy, third in the line of presidential succession, is presiding instead. Leahy, a Democrat, has said he will preside objectively over the trial.

How will the trial proceed?

The trial began with debate over whether the Senate has jurisdiction to try a former president. Republican lawmakers and Trump's legal team have argued it is not constitutional to try a former president after he has left office.

Most legal scholars contend it is. In an open letter published last month, more than 150 academic experts, including the co-founder and several members of the conservative Federalist Society, said that the constitution "permits the impeachment, conviction, and disquali-fication of former officers, including

If senators vote for the trial to proceed, as is expected, impeachment managers and Trump's legal team will set out their respective cases, starting

with the prosecution.

Each side will have up to two days, with each day running no more than eight hours.

At the request of the former presi-dent's legal team, the trial proceedings will wrap up by 5pm on Friday and resume on Sunday afternoon to accommodate the Jewish sabbath.

Early next week, both sides are expected to face questions from senators, who act as jurors. After that, there



Second round: Senate majority leader Chuck Schumer, third right, and Senate committee chairs arrive for the Trump trial yesterday

will probably be a debate about whether to call witnesses

What case will each side make?

Impeachment managers have said the evidence was "overwhelming" Trump had "singular responsibility" for the "tragedy" at the Capitol, adding: "It is impossible to imagine the events of January 6 occurring without President Trump creating a powder keg, striking a match, and then seeking personal advantage from the ensuing havoc."

Trump's lawyers have argued the former president "at all times . . . fully and faithfully executed his duties as president of the United States".

They said Trump had "exercised" his free-speech rights under the first amendment of the US constitution to "express his belief that the election results were suspect" in the run-up to

Will Trump testify?

Lead impeachment manager Jamie Raskin last week invited Trump to testify under oath, something the former president's lawyers, Bruce Castor Jr and David Schoen, swiftly rejected

"Your letter only confirms . . . you cannot prove your allegations against the 45th president of the United States," Trump's lawyers wrote.

Raskin replied: "Any official accused of inciting armed violence against the government of the United States should welcome the chance to testify openly and honestly — that is, if the official had

Will Trump be convicted?

The constitution requires a two-thirds Senate majority for conviction. Because the 100-member chamber is split 50:50, at least 17 Republicans would need to vote with the 50 Democrats to secure Trump's guilt, assuming all senators participate.

But only five Republican senators backed Trump in a procedural vote last month that called into question whether a trial was constitutional.

"It is pretty obvious from the ...that it is extraordinarily unlikely that the president will be convicted," Susan Collins, the Republican from Maine, pointed out after the procedural ballot. "Just do the math."

Others, including Mitch McConnell,

the Senate minority leader, voted for the motion but said they would not pre-

What effect will the trial have on US elections in 2022 or 2024?

If Trump were convicted, the Senate could hold a simple majority vote to bar him from holding public office in future. That would have implications for 2024, when Biden will be up for re-election, given Trump has already said he is considering running for president again.

Some argue the trial could backfire on Democrats, dominating Biden's first 100 days in office and risking his legislative agenda, which includes a proposed \$1.9tn relief package. Critics say voters will see the trial as a waste of time when they are struggling and looking for support from lawmakers.

But others see the trial as full of pot-

holes for elected Republicans, who will want to regain control of the House and Senate in the 2022 midterms. The party will need to energise Trump's conservative base yet win back moderate suburban voters who deserted the party Opinion polls show these are more likely to support punishing Trump.

GLOBAL INSIGHT Martin



Sweden flies flag for the free trade cause within EU

Sandbu

ow should the EU trade with the world? One of the bloc's few truly unified policies is under close examination, and how it could or should be remoulded is being fought over fiercely.

The pandemic has put wind in the sails of

those who see trade policy as a protective instrument - in France, for example, many support the idea of a "Buy European Act", and influential economists are recommending reshoring strategies — prompting traditional supporters of liberal trade to push back.

In the run-up to the adoption of Brussels' trade policy review launched last year, the conflict over how to fill the still-empty rhetorical vessel of what the European Commission calls "open strategic autonomy" is on full display. Trade observers will be quick to point out that divisions between protectionists and free-traders are nothing new But in addition to the coronavirus pandemic, three big changes are forcing all sides to update their views.

The multilateral trading system that used to provide a stable background for disputes over the direction of trade policy has itself come under strain. Domestic pressure has grown on governments to take on board concerns ranging from climate change and social issues to national security. And then there is Brexit, which saw Europe's strongest free-trade champion leave the table.

Left without their leader, some of the UK's traditional allies on trade policy have picked up the baton. Sweden, in particular, has made a big effort at preaching the freetrade gospel and warning against the danger that "strategic autonomy" becomes an excuse for protectionism.

The Confederation of Swedish Enterprise, a business lobby, warns in its contribution to the EU's policy review that "autonomy" suggests it would be desirable to isolate oneself from the world economy. Meanwhile, Sweden's National

High climate ambitions come with a realisation that trade policy must be mobilised

Board of Trade, a government think-tank, unfavourably contrasts governments' "autonomy" to restrict trade with the "autonomy" of businesses and consumers.

This is all part of a campaign to hit back at the impression, strengthened by the pandemic, that openness runs counter to resilience. The view in Stockholm is that, when you look at the facts, EU supply chains are already very resilient and one should not let the exceptions shape the

general direction of policy.

The government has put its diplomatic muscle behind this campaign, inviting like-minded partners to join a grouping of pro-free-trade countries, sometimes dubbed the "Stockholm Six" but now more numerous, that includes Germany.

But within Sweden, too, the trade debate — by tradition consensual - has evolved from more purist, support for free trade. "Issues such as climate change, security and distorted competition are increasingly addressed with trade policy tools and this is more accepted today than a few $\,$ years ago," Henrik Isakson, director for trade policy at the Confederation of Swedish Enterprise, said.

High climate ambitions come with a realisation that trade policy must be mobilised to achieve them. Swedish businesses are reconciled to the idea of a carbon border tax, for example. But, as one trade official insists, such a tax must be carefully designed to address carbon leakage, not protect EU producers, or it will harm international cli-

The sands are shifting in other countries, too. Swedish trade observers suggest the Netherlands, once a stalwart free-trader, is moving as public opinion changes. Last year, the Dutch, unusually, co-wrote a "non-paper" with the French on trade policy. Others, though, are edging in the opposite direction, with Spain and Portugal seen in Stockholm as warming to the cause of liberal trade.

The future of EU trade policy may well hang on whether it is the protectionists or the champions of free trade who make the most of such realignments.

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Berlin ministry lambasts regulator over Wirecard

OLAF STORBECK — FRANKFURT

BaFin's han on the short selling of Wirecard shares in 2019 was based on poor and insufficient analysis, Germany's finance ministry said in a rare public rebuke of the financial watchdog.

"In hindsight, further analysis and investigations into the validity of the information available to BaFin would have been necessary," Sarah Ryglewski, parliamentary state secretary at the ministry of finance, wrote in response to an inquiry by Green MP Danyal Bayaz.

The German payments company last summer collapsed into insolvency in one of Europe's biggest postwar accounting frauds.

BaFin for years did little to investigate whistleblower allegations of misconduct at the company, but instead tar-geted journalists and short sellers who criticised Wirecard. In 2019, it banned betting against Wirecard's share price

In its rebuke of the watchdog, the finance ministry said BaFin had failed to

offer an adequate justification for the short-selling ban. The government argued the watchdog should have employed statistical tools to assess potential correlations between Wirecard's share price and other stocks.
"The federal government is of the

opinion that the bar for imposing a short-selling ban should be high," Ryglewski wrote, adding the govern-ment would strengthen BaFin's analytical capabilities as part of an imminent overhaul of the watchdog.

BaFin declined to comment

Ryglewski acknowledged the finance ministry was briefed about BaFin's plans to impose the short-selling ban in advance. But she pointed out the government did not interfere with the move as the financial regulator took such decisions independently.
"BaFin enlarged the damage that was

inflicted on investors and creditors," Bayaz told the Financial Times, adding BaFin's move gave a false sense of security to Wirecard investors. "The ministry of finance did not stop it."

Europe

German exports rebound and French economy stays stable

MARTIN ARNOLD — FRANKFURT VICTOR MALLET — PARIS

A rebound in German exports helped the country's economy to avoid a recession at the end of 2020, although it was not enough to prevent the biggest fall in outbound trade for more than a decade

Despite increasingly strict coronavirus restrictions, German exports recorded their eighth consecutive monthly increase in December and were 2.7 per cent above the same month of the previous year, according to data published by the Federal Statistical Office.

However, the initial impact of the coronavirus pandemic led to a 9.3 per cent fall in German exports over the whole of 2020 — the biggest decline since an 18.4 per cent drop after the financial crisis in 2009.

China overtook France as Germany's second-largest export market behind the US last year. Overall, including imports, China replaced the US as Germany's biggest trading partner in 2020.

year, with a 9 per cent drop in goods and services flowing from the rest of the eurozone offsetting a 5.6 per cent rise in imports from China. The French economy remained stable

Imports to Germany fell 7.1 per cent last

in January with activity running at 5 per cent below pre-crisis levels, the same as in December and an improvement on November's 7 per cent shortfall, the Banque de France said in its latest monthly business survey. "There was little change in industry, services and construction but activity remains badly affected for hotels and the restaurant

The bank's survey is based on reports from 8,500 businesses between January 27 and February 3. Those surveyed expected activity in February to remain at roughly the same level as in January, with a very slight decline in services, but uncertainty remains over whether the government will need to impose another lockdown. Insee, the national statistics institute, said the French economy shrank 8.3 per cent last year.

INTERNATIONAL

WHO's trip to Wuhan fails to solve mystery of virus origins

Team rules out laboratory leak while debate on research and its risks heats up



 $Doors\ open: the\ WHO\ team\ visits\ Huanan\ seafood\ market,\ Wuhan,\ last\ month.\ Below,\ the\ team\ says\ farewell\ to\ Chinese\ counterparts\ yesterday\ - Getty,\ Ng\ Han\ Guan/All\ parts\ (All)\ for the team\ says\ farewell\ to\ Chinese\ counterparts\ yesterday\ - Getty,\ Ng\ Han\ Guan/All\ parts\ (All\ parts)\ for the\ team\ parts\ yesterday\ - Getty,\ Ng\ Han\ Guan/All\ parts\ (All\ parts\ parts$

YUAN YANG — WUHAN

The pavement outside the Wuhan Institute of Virology was lined with security guards and plainclothes officers when the convoy of government cars carrying the World Health Organization team arrived at the home of China's highestlevel biosafety laboratory.

With the international press looking on, it was a tense moment for the foreign ministry officials and local government staff last week who have shadowed the scientists since they arrived in January. As his vehicle was driven past, Peter

As his vehicle was driven past, Peter Daszak, a member of the WHO delegation, wound down the car window to assure the assembled press that the team was "asking all the questions that need to be asked".

But Beijing's tight grip on the visit, the time limitations placed on fieldwork and the fact they arrived more than a year after the virus was detected in Wuhan have fed doubts over whether they can answer a politically charged and scientifically difficult question.

Piers Millett, former deputy head of the support unit for the UN Biological Weapons Convention, cautioned against placing high expectations on the WHO investigators, saying that "often the origins of these events are near impossible to determine" and citing the stillunsolved mystery of the origins of Ebola virus

But Richard Ebright, professor of chemical biology at Rutgers University, called the trip that concluded yesterday a "charade", insisting it did not allow for "meaningful access" or "meaningful investigation".

Yesterday at a press conference, the WHO offered an initial view: it ruled out a laboratory accident as the cause of the pandemic. Some have speculated the Sars-Cov-2 virus that caused Covid-19 may have leaked from the WIV. But the WHO team said that was "extremely unlikely".

China's government is desperate to convince the world it is not to blame for the pandemic and thus absolve itself of responsibility for any of the subsequent devastation to the global economy. With some foreign politicians keen to lay the blame squarely on China, competing narratives have emerged.

Mike Pompeo, secretary of state under former president Donald Trump, advanced the unproven theory the virus leaked from the WIV while Chinese officials endorsed the baseless claim that the pathogen came to Wuhan via a US military exercise. Chinese state media have also claimed it may have arrived in imported frozen food.

"When you deal with a world order where certain countries are big enough to create their own truths, you're never going to get to a situation where there's universally accepted truths," said Tim Trevan, a former UN weapons inspector in Iraq and co-founder of Chrome Biosafety and Biosecurity Consulting. "China and America are already lining up to come to different conclusions."

Behind this lies an intense scientific debate over whether the experiments done at labs such as the WIV yield bene-

'China and America are already lining up to come to different conclusions'

Tim Trevan, biosafety consultant

fits that outweigh the risks — and what kind of research governments should spend their money on in order to prevent the next pandemic.

That the WIV was experimenting on coronaviruses has stoked the theory the virus escaped from the institute. Shi Zhengli, the WIV's leading expert on coronaviruses, has dismissed this by saying the most Sars-Cov-2-like strain of the virus she studied at the lab was too genetically different from the current



strain to be a recent predecessor.
Virologists' leading theory is that predecessors of Sars-Cov-2 emerged in bats and evolved into a more dangerous strain — possibly within another animal intermediary. Daszak and Shi, who have worked closely together, warned in 2013 that such pathogens had the potential to

infect humans.

They insist finding and analysing novel animal viruses was humanity's best chance of preventing the next pandemic. So Daszak expressed dismay last year when the Trump administration halted a WIV project into bat coronavi-

ruses, which had US National Institutes

of Health funding.
David Robertson, head of bioinformatics at the Centre for Virus Research at the University of Glasgow, spoke for many when he asked: "How was the world so poorly prepared for this well-understood natural event — virus spillover of a Sars-like virus — when this had happened before and was predicted to happen again?"

In China, debate on the virus's origins does not take place in public. Local media have barely covered the WHO trip while the team itself is cordoned off in a 200-room wing of a hotel. The location marker for the WIV dis-

The location marker for the WIV disappeared from the Baidu Maps app in the weeks leading up to the WHO visit, despite remaining visible on competitor platform Gaode Maps. Baidu has refused to explain why.

"Most Wuhan people don't care about the WHO trip," said Evan Zou, a local who volunteered when coronavirus first hit the city. "We just want to get on with our lives."

Additional reporting by Christian Shepherd in Beijing and Kiran Stacey in Washington Wellcome Trust

UK scientist warns on threat of different strains

DONATO PAOLO MANCINI — ROME

One of the UK government's top scientific advisers has warned that early signs the Oxford/AstraZeneca vaccine is less effective at stopping mild and moderate cases of the South African coronavirus variant are a "worrying harbinger" for 2021.

Sir Jeremy Farrar, director of the Wellcome Trust medical charity and a member of the government's Sage advisory committee, told the Financial Times that this year would be "very unpredictable" as new viral variants less susceptible to current control methods were likely to undermine efforts to contain the virus.

Signs of the reduced efficacy of the Oxford/AstraZeneca vaccine against the 501.V2 variant in a limited South Africa study have caused the country to suspend rollout of the jab, pending more data.

Oxford university and AstraZeneca have said their vaccine should still protect against severe cases of the disease and that they are working on a tweaked shot that could be available before the end of the year.

Farrar warned that the question of

vaccine efficacy was "not just a problem for South Africa". Biological and immunological pressure would "undoubtedly" lead to more variants around the world this year that could have higher transmission rates, higher fatality rates and be more difficult to prevent, he said.

"The more people infected, the more virus there is," Farrar said, adding that Sars-Cov-2 was now mutating in different ways in response to growing levels of immunity in the population owing to vaccination or prior infection. "We've had biological evolution and now we've

got immunological evolution."
He called on companies, governments and Covax, the World Health Organization's vaccine procurement programme, to begin exploring second and third-generation jabs that could be adapted to new variants and elicit a broader immune response. In the meantime, he said existing vaccines, including the Oxford/AstraZeneca shot, should be used where they are known to be effective — including in the UK — alongside other methods to drive down transmission.

"Keep focusing on public health, driving down transmission, [make] oxygen and personal protective equipment available," he said. "Make sure we just don't focus on vaccines."

He also urged greater co-operation among countries to eliminate the virus. "If we don't stamp [the virus] out everywhere, the new variants will appear and, because they have such an advantage, they will spread everywhere," he said. "Unless the UK wants to close its borders forever, it's going to have to get rid of the virus or reduce it to a level [low enough to manage]."

Avoiding vaccine nationalism was "no longer about a moral, ethical, humanitarian perspective," he said. "For me this is now a financial and economic one rather than just a health one."

Sir Mark Lowcock, the UN's under-

Sir Mark Lowcock, the UN's undersecretary-general for humanitarian affairs and emergency relief co-ordinator, also called on countries to abando vaccine nationalism. "If we all want to be protected, moving faster to get some protection everywhere is a good idea."

Travel restrictions

England arrivals face threat of prison for hiding trips

FT REPORTERS

Passengers arriving in England who try to conceal journeys to countries on a list of high-risk destinations face up to 10 years in jail as part of a series of tough new quarantine restrictions announced by health secretary Matt Hancock yesterday.

Amid growing concerns over the threat from new coronavirus mutations, Hancock also announced that from Monday next week all arrivals would need to take two Covid-19 tests on the second and eighth day after arriving, in addition to the requirement to produce a negative test within 72 hours before departure.

"We must strengthen our defences," Hancock told MPs. "Everyone has a part to play in making our borders safe."

Although the new measures represent a significant tightening of the quarantine system, opposition politicians—and some ministers—have questioned the slow introduction of the regime and whether border restrictions should be even tighter.

Hancock announced £1,000 fines for any international arrival who failed to take a mandatory coronavirus test. There would be a £5,000 fixed-penalty notice, rising to £10,000, for arrivals from high-risk countries who refused to go to a quarantine-designated hotel.

"Anyone who lies on the passenger

locator form and tries to conceal that they've been in a country on the red list in the 10 days before arrival here will face a prison sentence of up to 10 years"

face a prison sentence of up to 10 years."
But the opposition Labour party called for Hancock to go further, while the Scottish government said the UK government's "reactive" approach was "not sufficient" to protect against new coronavirus variants.

Separately, Edinburgh said it would require all people arriving from outside the UK's common travel area with Ireland – not just those coming from the 33 nations on the so-called "red list" – to go into the new hotel quarantine system. Scotland would use the UK government's hotel booking system and seek its help to identify travellers who needed to quarantine.

Scientists have questioned whether the "red list" goes far enough, given that the 501.V2 variant, first identified in South Africa, has now been identified in at least 41 countries, according to the World Health Organization.

But Professor Graham Medley, a member of the Scientific Advisory Group for Emergencies, said measures to tighten border controls would not be able to prevent transmission of new variants entirely; they would only be able to slow their spread. "You cannot stop it, you can only slowit down."

Jim Pickard, Anna Gross and Alice Hancock in London and Mure Dickie in Edinburgh

Pandemic response. Oxford/AstraZeneca blow

South Africa's vaccine plans in tatters after variant concerns emerge

Doubts over jab efficacy against 501.V2 strain prompt rollout halt that will be closely watched

DAVID PILLING — LONDON
JOSEPH COTTERILL — JOHANNESBURG

Last week, Cyril Ramaphosa stood flanked by senior ministers at OR Tambo International Airport, Johannesburg, to welcome the first batch of Im doses of the Oxford/AstraZeneca Covid vaccine to the country.

"Today marks a major milestone in our fight against the coronavirus pandemic," South Africa's president said, effectively firing the starting gun on the immunisation campaign in the continent's worst-affected nation. "This batch will benefit our healthcare workers who have been at the forefront of keepingus all safe."

A week later, those plans are in tatters. South Africa has temporarily halted the rollout of the Oxford/Astra-Zeneca vaccine after a Witwatersrand university study appeared to show that it offered little protection against mild and moderate disease from the 501.V2 variant first identified in South Africa. The study has yet to be peer reviewed and did not assess severe disease.

That study, first reported in the Financial Times, has left scientists scrambling to figure out its implications for the likely effectiveness of the Oxford vaccine and others as the virus mutates.

How South Africa, where the 501.V2 strain accounts for at least 80 per cent of new cases, modifies its vaccine strategy in response will be closely watched.

"If confirmed that the vaccine doesn't protect against severe disease and death caused by the South African variant, we have a massive problem," said Peter Piot, director of the London School of Hygiene and Tropical Medicine. But Piot stressed other vaccines, including the Johnson & Johnson jab, showed protection against severe disease and death caused by the 501.V2 variant.

So far, 45,000 South Africans have officially died of Covid-19 and nearly 1.5m of the 60m population have tested

positive for infection. Pretoria's immediate plan is to switch to the J&J vaccine. J&J has submitted a so-called rolling application to the South African Health Products Regulatory Authority and is expected to submit further data shortly.

Helen Rees, who chairs the health regulator, said: "There is a consensus among scientists in South Africa, supported by the minister of health, that the rollout of the Oxford vaccine should be put on temporary hold, but that the rollout should continue with other vaccines which have demonstrated efficacy against the variant."

South Africa has also secured 20m doses from BioNTech/Pfizer for delivery in the second quarter, plus 110,000 of its doses through Covax, the vaccine distribution facility, which should arrive this month. There are no clinical data for Pfizer's vaccine against the 501.V2 variant but laboratory studies showed a strong antibody response.

Early doses of J&J and Pfizer will go to 1.5m-2m healthcare workers, before the health ministry moves to its target of immunising 40m, or two-thirds of the population, by the end of this year in a push for herd immunity. However, even before the Oxford setback, several health experts, including Dr Shabir Madhi, leader of the Wits study, had called those plans unrealistic.

After the study was released, Madhi said Pretoria might consider shifting "the focus from the goal of herd immu-



nity against transmission to the protection of all at-risk individuals in the population against severe disease".

In all, South Africa has ordered 9m doses of the J&J vaccine and is expecting deliveries in time for a mid-February rollout. J&J has also contracted Aspen, a South African pharmaceuticals company, to complete production of up to 300m doses of its vaccine for global delivery, but these are unlikely to be ready for several months.

J&J said it was "in advanced discussions with the South African government about potential additional collaborations to combat Covid-19 in the country", and further announcements were expected soon.

Dr John Nkengasong, director of the Africa Centres for Disease Control and Prevention, said Pretoria was right to halt use of the Oxford vaccine while it investigated further. "The keyword temporary," he said. "They should step back and take a look. It's not a disaster, it is a cautionary measure."

But Nkengasong said the study was of concern not only for South Africa but for the rest of the continent, where the Oxford vaccine formed what he called "the backbone" of the immunisation strategy. Some 500m doses have been ordered via the African Union and several hundred million more via Covax.

The World Health Organization said it had identified cases of the variant in Botswana, Ghana, Kenya, Comoros and Zambia, as well as in 24 non-African nations. However, many African countries lacked the capacity to detect the new strain on a systemic basis, said Nkengasong, adding the continent had to step up its genomic testing ability.

Fatima Hassan, founder of South Africa's Health Justice Initiative, a group campaigning for equitable access to vaccines, said it was urgent for vaccines already demonstrating high efficacy to be tested further in regions where those variants were circulating. "If it does work . . . those are the vaccines you have to share with the world and ramp up manufacturing capacity," she said. Additional reporting by Hannah Kuchler

in New York **Martin Wolf** see Opinion

INTERNATIONAL

Middle East

Saudis overhaul central bank to lift growth

First big change in decades aims to support crown prince's investment plans

ANDREW ENGLAND — LONDON SIMEON KERR — DUBAI

Saudi Arabia's central bank is set for its most significant changes in decades as a law comes into force this month that analysts say will formalise Crown Prince Mohammed bin Salman's efforts to divert more of the kingdom's oil wealth to back his grandiose investment plans.

The overhaul of the bank – known as Sama – in which driving growth will become part of its mandate and in which it will report directly to the king, could diminish its role of investing hard

currency surpluses in favour of the sovereign wealth fund chaired by the prince, say analysts.

It highlights the kingdom's shift from being a conservative investor to a more aggressive and higher-risk approach favoured by Prince Mohammed, the nation's day-to-day ruler.

Mohammed al-Jadaan, the finance minister, said the changes would not affect Sama's core responsibilities, including maintaining enough reserves to protect the riyal-dollar peg and financial stability, as well as regulating and supporting the financial sector.

"We have a clear proposal of how the surpluses are distributed. One is to rebuild our buffers with the central bank and [two], to rebalance our debt if needed, so if it goes beyond a certain

level we can bring it down," he said.
"Third and fourth, is a distribution between the national development fund [NDF] and the PIF [sovereign wealth fund] because that is the money we want to invest long term."

The NDF, which was set up in October 2017 to oversee state development funds, is also chaired by Prince Mohammed and manages more than \$80bn of assets. Analysts say Sama needs about \$300bn to protect the riyal peg from speculation. Sama's foreign reserves fell to about \$444bn in the middle of 2020.

Jadaan insisted the changes to Sama, the first to the central bank law since the bank's creation in 1952, were designed to modernise the legislation, bring it in line with international standards and provide the institution with greater independence, as some of its responsibilities, such as issuing bank licences, had been handled by the finance ministry.

Sama, the traditional custodian of the kingdom's wealth that mainly invested in US bonds and similar low-risk assets, has been overshadowed by the public investment fund or PIF. The PIF has become the dominant force in Prince Mohammed's economic arsenal and has been asked to invest more actively overseas for higher returns. It wants to swell its assets under management from \$400bn to \$1tm by 2025.

\$400bn to \$1tm by 2025.

Its mandate is broader than its peers in other oil-rich states as it straddles foreign investing, development of megaprojects and new industries. Sama transferred \$40bn to the PIF from its foreign reserves as the fund went on a

spending spree during the global mar ket turmoil in the first quarter of 2019.

Jadaan, a PIF board member, said it would not be the "norm" for the fund, which has pledged to invest \$200bn in Saudi Arabia over the next five years, to receive transfers from Sama's reserves. The PIF had enough funding and would get extra financing from privatisations and any further listing of Saudi Aramco,

the state oil company, he added.

Describing the PIF as the government's "asset manager", he said: "If you need more return, you need more risk, but it has to be a calculated risk."

Alexander Perjéssy, lead analyst for Saudi Arabia at Moody's, said the question was whether central bank changes would "decrease transparency" as the PIF "provides very little disclosure". Birth rate

Number of registered newborns in China drops 15% in 2020

THOMAS HALE — HONG KONG YUAN YANG AND SUN YU — BEIJING

Births in China fell sharply last year as the coronavirus pandemic intensified the scale of the demographic challenge facing the nation.

They dropped 15 per cent from 2019, according to data from the country's Ministry of Public Security, with 10.04m births in the country last year compared with 11.79m a year earlier based on household registrations.

The steep decline is the latest evidence of the demographic challenges facing China, where urbanisation and the historic one-child policy has resulted in a rapidly ageing population that will put pressure on public finances over coming decades.

"We've known for some time there would be a decline, but such a big drop was beyond our expectations," said Huang Wenzheng, a demography expert at the Center for China and Globalization, a Beijing-based think-tank. "We believe [last year's decline] is related to Covid: that households are more worried now."

In 2015, China's leadership loosened its family planning restrictions in order to address looming demographic problems, but the two-child policy it implemented has failed to prop up birth rates.

Academics expect China to further relax its birth policies, but also warn the moves may come too late.

"It's very clear from those numbers that the negative demographic spiral in which China finds itself is serious, is powerful and will cause really largescale fundamental problems," said Dariusz Kowalczyk, an economist at Crédit Agricole in Hong Kong. Kowalczyk anticipates the Chinese

Kowalczyk anticipates the Chinese population will begin to shrink in 2027, which he says will "limit its share in global GDP" and its potential to challenge the US as the world's leading superpower.

The MPS data does not capture newborns that are undocumented at the household level. Full demographic data from the country's National Bureau of Statistics are set to be released at the end of the month.

Pessimism over the data contrasts with a recent economic boom in China following the pandemic. Gross domestic product grew 2.3 per cent in 2020 in contrast to declines across other big economies, with the country's industrial

and export sectors flourishing.

Experts say the country's birth rate challenge will require additional policy

measures.
"Although we might see a small bounceback in the next few years, the overall trend is one of long-term decline in birth rates," said Huang. "To truly address this issue, we need to make it a policy priority, like poverty alleviation or hatfling Covid"

Additional reporting by Emma Zhou in Beijing



10.04m China births last year, compared with 11.79m a

China's GDP growth in 2020, while other nations saw falls

of its mandate and in build our buffers with the central bank to modernise the legislation, bring it in projects and new induport directly to the king, and [two], to rebalance our debt if line with international standards and transferred \$40bn to the

Labour market

Plunge in migration risks global revival, says OECD

DELPHINE STRAUSS — LONDON

Countries that have weathered the pandemic well face a lasting economic drag from the global collapse in skilled migration which will stumt the growth of their working-age population, economists have warned.

The crisis ended a decade of steady growth in migrant flows globally, OECD data found. Few countries have published figures for 2020 as a whole, but Jean-Christophe Dumont, who leads migration research at the OECD, said the year-on-year drop in inward flows to rich countries ranged from 30 per cent to 70 or 80 per cent in those such as Australia and New Zealand that closed their borders almost completely.

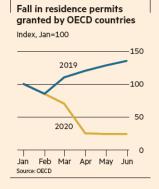
With many countries now tightening

With many countries now tightening border controls, migration in 2021 will be "far from normal", he said, and "could well be similar to 2020 if things don't get better quickly".

Migrants bear the brunt of this, from workers unable to take up jobs and families kept apart, to students forced to defer courses and refugees stuck in camps.

fer courses and refugees stuck in camps. There will also be lasting effects for countries that have recently relied on a steady influx of newcomers to fill jobs, sustain growth in the labour force, boost the education sector and offset the fiscal burden of an ageing population, economists say. In Australia and New Zealand, gross domestic product growth has been fuelled by an expanding population, largely via high net immigration.

But even if net migration returns to pre-pandemic levels by 2024, their respective working age populations will be 2per cent and 2.8 per cent smaller in the medium term, the IMF estimates,



Contracts & Tenders

equivalent to a loss of potential output of between 1.2 and 1.7 per cent.

Marcel Thieliant of consultancy Capital Economics said migration was a key reason Australia's economy was unlikely to return to its pre-virus path, calling it "the price they are paying for very

successful management of the virus". Philip Lowe, governor of Australia's central bank, said recently population growth had shaped the economy, driving GDP growth, offsetting the ageing population, boosting the education sector and straining housing and infrastructure. But in 2020-21, such growth will be the lowest since 1916 when many left to fight in the war. "If population growth is to be slower in a post-Covid world, the trajectory for our economy will look different too," he added.

Canada, which has a policy of pursuing population growth at a similar rate to Australia, has increased net immigration targets from 1m between 2020 and 2022 to 400,000 permanent residents in each of the next three years, which would be the highest level in its history.

Other governments do not see the fall in migration as an immediate problem, as overall unemployment is rising there. An exception is in areas such as healthcare and agriculture; last year, some countries imported seasonal workers.

"In the short term and medium term, it could be a good thing that fewer people are coming now," said Madeleine Sumption, on the Migration Advisory Committee which advises the UK government. Migrants who arrived during recessions were more likely to compete

with domestic workers, she added.
But a lasting drop in cross-border mobility could hit countries where migration has offset the pressures of ageing populations. Without net immigration, the natural rate of decline in Germany's population was about 150,000 a year before the crisis, while in Italy it was falling by more than 200,000 a year. The pandemic's lower immigration, higher mortality and fewer births meant the German population shrank in 2020 for the first time in a decade.

Global migration is likely to pick up once borders reopen but economists do not expect it to reach pre-pandemic levels for some time. Some groups may also be more important than before, said Carlos Vargas-Silva, a migration studies professor at Oxford university, yet remote working could make labour shortages in developed countries less likely.

Myanmar Protesters hit with water cannon and rubber bullets

during demonstrations in Naypyidaw yesterday STR/AFF/Genty Thousands of people gathered in cities across Myanmar for a fourth day yesterday, defying a ban on protests to oppose the military junta's overthrow of Aung San Suu Kyi's government.

Police in the capital Naypyidaw fired rubber bullets at protesters and deployed water cannon against demonstrators in Mandalay, Myanmar's second-largest city.

Crowds in Yangon, the commercial capital, were smaller than on previous days after authorities on Monday imposed a ban on crowds of more than five people in cities and escalated their use of force.

At Yangon's Hledan junction,

protesters defied orders to disperse. "The curfew is illegally announced," said James, a 33-year-old protester,

said James, a 33-year-old protester, who said the public would accept orders only from elected leaders.

The growing unrest raised the spectre of a repeat of the violent crackdowns used against past democratic movements in the country, which led the international community to impose sanctions in the final years of military rule.

The protests came as the second big foreign investor pulled out of a business partnership with a company controlled by Myanmar's military.

Lim Kaling, a Singapore-based venture capital investor and cofounder of gaming company Razer, said he would sell his stake in the country's leading cigarette producer.

Kirin, the Japanese brewer, on Friday said it would terminate the two joint ventures it co-owns with military-backed conglomerate Myanmar Economic Holdings. Min Aung Hlaing, the military chief

Min Aung Hlaing, the military chief and junta leader, promised continuity, in a televised speech on Monday. "There will be no change in the foreign policy, government policy and economic policy of the country during the periods we are temporarily taking the state responsibility," the general said in his first public comments since last Monday's coup.

The UN Human Rights Council will hold a special session in Geneva on Friday to discuss "the human rights implications of the crisis". John Reed, Bangkok, and Thompson Chau, Yangon SeeFT View

MUNICIPAL CORPORATION OF GREATER MUMBAI No. Ch.E/B.M/16117/II dtd 04.02.2021.



	Part 'B':- Item rate basis: 7100201796
Subject	E-Tender Notice for the work of "Construction of Hospital for large animals, security chowky, compound wall, service roads & pathways, bird quarantine, monkey display facility and exhibit for Mugger & Ghariyal with underwater viewing facility in VJB Udyan & Zoo, Byculla, Mumbai."
Total Estimated Cost	₹50,91,65,052/-
E.M.D.	Part 'A':- % rate basis: ₹27,27,875/- Part 'B':- Item rate basis: ₹23,63,775/-
Tender- Sale	05.02.2021 from 11.00 am to 26.02.2021 up to 12.00 pm
Prebid Meeting Date & Venue	12.02.2021 @ 12:00 noon Office of AMC(E.S.), Brihan Mumbai Mahanagarpalika, 2nd Floor, Head Office Extension Building, Mahapalika Marg, Mumbai-01.
Website	http://portal.mcgm.gov.in
Concern Person	Sub Engineer – (B.M) City-E
Name	UDAY D KACHARE
Telephone No.	+91 8450960261
receptions tros	

Climate change

India urged to meet surging energy demand with solar power

BENJAMIN PARKIN — MUMBAI

India's energy demands will increase more than those of any other country over the next two decades, underlining the country's importance to global efforts to combat climate change, according to the head of the International Energy Agency.

In a report, the IEA said India's needs are expected to grow at three times the global average under today's policies as urbanisation fuels a construction spree, people buy more appliances such as air conditioners and hundreds of millions of vehicles hit the roads.

"The choices made by the Indian government, by the Indian people, will affect the entire world," said Fatih Birol, the IEA's executive director.

Energy use in India has doubled since 2000, with most of the demand met by coal and oil. Demand is expected to grow about 35 per cent until 2030, down from 50 per cent before the pandemic.

Birol said policymakers needed to ensure the next wave of growth was met with renewable energy sources such as solar. "India is in a position today to pioneer a new model for low-carbon inclusive growth. The nerve centre of climate change is what developing countries do [and] all roads go via India," he said.

Narendra Modi, prime minister, has set ambitious targets for renewable energy growth, including an expansion in capacity to 450 gigawatts in the next decade.

Solar energy makes up less than 4 per cent of India's electricity generation, with coal accounting for an estimated 70 per cent. But solar could catch up by 2040 if India is able to balance its policy goals with real-world constraints. Covid-19, however, risks denting India's clean energy transition if it is not brought under control this year. The IEA estimates Indian energy investment fell 15 per cent in 2020.

The Indian economy is expected to shrink 7.7 per cent in the financial year ending in March, according to government estimates. The health crisis could also increase the dependence of households, particularly those on low incomes, on inefficient energy sources, Birol said. For example, 660m Indians rely on solid biomass such as firewood for cooking fuel.

"India has a huge potential to be the kingmaker in solar electricity because it is very cheap," Birol said.

But obstacles to investment in renewable energy sources such as solar persist, including a tricky regulatory environment that creates difficulties over land acquisition and concerns about enforcement of contracts.

"The pace is the issue . . . India is a country where you have strong energy

country where you have strong energy demand growth, rule of law and a strong investment framework," Birol said. "The main issue is to have licensing,

giving permission, bringing in investors without falling in the traps of the bureaucracy." Coal is also expected to continue to

Coal is also expected to continue to play a large role in industry, not least in steel production, even as India reduces its dependence on the fossil fuel for electricity generation.

India's dependence on imported oil is another perennial economic risk and policy challenge. Even under a balanced growth scenario, the country's fossil fuel import bill is expected to triple over the next two decades.

next two decad See Notebook The Musk effect Tesla's founder is the greatest of all gifts to cryptocurrencies in an irrational world opinion

Companies&Markets

Amazon told not to interfere in US workers' push for union

 70 investors voice support for ballot Company wages spoiling campaign

Amazon should stop interfering with efforts by its workers to unionise ahead of a pivotal vote in Alabama, said a group of more than 70 of its investors.

Mail-in balloting began this week among more than 5,800 employees in Bessemer, a Birmingham suburb, in the first push by US-based Amazon workers to vote for union representation.

But an anti-union campaign has been waged through billboards, flurries of text messages and compulsory meetings. A website has been set up to advise workers that unionisation would mean it won't be easy to be as helpful and social with each other".

The Amazon investors, led by the Swedish groups Folksam and Ohman

'They have my full support as they fight for a safe, fair workplace'

Scott Stringer, NY City comptroller

Fonder, collectively control more than \$20bn in shares and include the comptrollers for both New York State and New York City, Legal and General Investment Management, BMO Global Asset Management and the Church of England Pension Board.

In a letter, they called on Amazon to end its union-busting and remain "neutral". They added that Amazon appears to be going against its own Global Human Rights Principles, published on the company's website, which states it respected "our employees' right to join, form, or not to join a labor union or other lawful organisation of their own selection, without fear of reprisal, intimidation, or harassment".

Scott Stringer, New York City comp-troller, said: "As these workers seek to organise with [the union] for health,

safety, and protection, Amazon's invesknow we have their backs. There is power in their unity and power in labour, and they have my full support as they fight for a safe, fair workplace."

A successful vote would see workers at the facility join the Retail, Wholesale and Department Store Union, which has pledged to focus on grievances that include packing quotas, work place injuries and time allowed for bathroom breaks. In Europe, Amazon facilities with union-backed workforces were able to stand down with full pay during the early stages of the Covid-19

In a statement, Amazon said it was following the rules set out by the National Labor Relations Board (NLRB). "We have provided education that

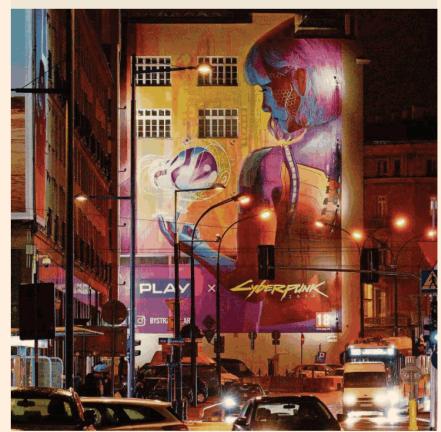
helps employees understand the facts of joining a union," Amazon said. "If the union vote passes, it will impact everyone at the site and it's important associates understand what that means for them and their day-to-day life working at Amazon.'

Last month, when it was announced the vote was to go ahead, Amazon launched a website, DoItWithout-Dues.com, that listed what it considered the downsides of joining a union.

As well as linking to a document detailing the salaries of local union representatives, the site included messages such as "An authorization card or online form is LEGALLY BINDING and may obligate you to PAY monthly dues immediately from YOUR PAYCHECK", and "WHY NOT save the money and get the books, gifts & things you want? DO IT without dues!"

Last week, the NLRB rejected Amazon's request to delay the vote and move to an in-person format. In order for the union vote to succeed, backers need to win 50 per cent, plus one, of the returned votes. Voting closes on March 29.

Ransom attack Fresh setback for Cyberpunk studio as hackers threaten to leak source code



Developer CD Projekt says it will 'not give in to the demands nor negotiate with the actor' - Jaan Arr

JAMES SHOTTER - WARSAW

Polish gaming group CD Projekt, maker of *Cyberpunk 2077*, said it had fallen victim to a "targeted cyber attack" from an "unidentified actor" threatening to leak its source codes and internal documents.

CD Projekt said that during the attack discovered on Monday, someone had "gained unauthorised access to our internal network" and "collected certain data belonging to CD Projekt capital group". The attacker was demanding a ransom.

CD Projekt shares dropped 6 per

cent yesterday.

The group published what it said was the ransom note, which dem-anded that it get in touch to negotiate

[sic] have been EPICALLY pwned!!"

It claimed that those behind it had gained access to codes for Cyberpunk

2077 and Witcher 3, and "accounting administration, legal, HR [and] investor relations" documents. "If we will not come to an agreement, then your source codes will be sold or leaked online and your documents will be sent to our contacts in gaming journalism.

CD Projekt said it would "not give in to the demands nor negotiate with the actor, being aware that this may eventually lead to the release of the compromised data".

The group said "some devices in our network have been encrypted" but back-up files remained intact, and it had "secured our IT infrastructure and begun restoring the data".

It was taking steps to mitigate the impact but that to its "best knowledge" the compromised systems "did not contain any personal data of our

players or users of our services". CD Projekt, founded in 1994 by Marcin Iwinski and Michal Kicinski,

'inappropriate' relationship' HANNAH KUCHLER — NEW YORK Eli Lilly's chief financial officer has

Eli Lilly CFO

resigns over

en forced to step down after an internal investigation had revealed "consensual though inappropriate personal communications" with some Lilly

The US drugmaker said the probe had been sparked by allegations that Josh Smiley had an "inappropriate personal

relationship" with an employee. Smiley, who has been chief financial officer since 2018, will be replaced by Anat Ashkenazi, a senior vice-president who has been controller and chief finan-cial officer of Lilly research laboratories

David Ricks, Lilly's chief executive, said the company's core values were "integrity, excellence and respect for

"We expect all employees to live these values, and we expect exemplary conduct from our executives at all times," he said in a statement yesterday.

Lilly said Smiley's conduct was not related to financial controls or statements. He will be available to help with the transition to his successor Shares in the company were down 2.4 per cent in early afternoon trading in New York.

The resignation is the latest sign that large corporations are taking a stricter approach to relationships at work

Many businesses have taken the view that executives should not have office relationships, fearing they are, or could be interpreted as, an abuse of power.

Former chief executives of McDonald's and Intel, and a former executive at BlackRock, are among those who have stepped down after it was discovered that they had consensual personal relationships.

In 2018, more leaders were removed for ethical lapses than poor business performance, according to a PwC survey

of 2,500 companies.

Ashkenazi said the company had a "high degree of confidence" in its short and long-term outlook. Eli Lilly beat expectations in the fourth quarter, boosted by demand for diabetes and cancer drugs, as well as sales of its Covid-19 antibody treatment.

"I look forward to building on this excellent foundation, working closely with Dave and the rest of our talented Lilly team to drive our strategy forward and helping create shareholder value in the years ahead," she said.

Google's tactics over media bill raise the stakes for Canberra



an you imagine life withous reality Australians have been contemplating since the US technology company threatened to shut its ubiquitous search engine last month over a draft law forcing Big Tech to pay news providers for

"If the code becomes law, Google would have no real choice but to stop providing search in Australia," Mel Silva, managing director Google Australia & New Zealand, told MPs on a parliamentary committee scrutinising the draft news media bargaining code on

The ultimatum provoked a terse reaction from Scott Morrison, prime minister, who told journalists: "We don't respond to threats."

Concern is mounting that a G-exit might cause severe disruption, particularly for small businesses that rely on search to drive customers to their

"It would have a significant impact on our ability to connect our content to our audience," according to Neil Ackland, chief executive of Junkee Media, a small publisher that targets the youth

He warned that the code, which government sources expect will be enacted within weeks, could "potentially be

fatal" for small publishers such as Junkee, which rely on Google and Facebook to drive 75 per cent of traffic to their

The code creates an arbitration system that could make binding decisions on the fees Google and Facebook must pay news providers for content carried on their platform, if commercial negotiations fail. The platforms must also provide at least 14 days' notice before changing algorithms that impact traffic to news' websites. There are stiff finanbreaches non-discrimination clauses.

Canberra says the world-first regulation is needed to address a "fundamental imbalance" in bargaining power between Google, Facebook and traditional media companies. The tech groups have become gatekeepers to the

Critics allege the

conservative government

drew up the pioneering

internet, capturing A\$100 spent on online advertising, and are unwilling to fairly compensate news provid- regulation to curry favour ers for their con- with News Corp tent, according to

the government. Both tech groups say the code is unworkable in its current form and argue that they derive little financial benefit from displaying news.

Google has warned that it would $break\,the\,way\,its\,search\,engine\,operates$ and undermine a fundamental principle of the internet by forcing the company to pay to provide links to news websites

Facebook has warned that it will remove all news, local and international, from its platform in Australia if the code is enacted.

The code has pitted Big Tech in a lobbying campaign against news pro-viders such as Nine Entertainment and News Corp, the latter arguing that it is owed up to A\$1bn a year from Google and Facebook for delivering eyeballs on to their platforms.

Analysts say the outcome of the battle holds implications, with Canada, France and several other jurisdictions mulling similar regulation

"One source of concern for Google is that the news media bargaining code creates a precedent, potentially spurring regulation in larger markets such as the United States," says Liam Harrison, analyst at IbisWorld, a research group.

Google's hardball tactic of threatening to shut its search engine has raised the stakes for Canberra, which critics allege drew up the pioneering regulation to curry favour with News Corp - a staunch supporter of the conservative government

Atlassian, Australia's most successful tech company, says the code is poor regulation because it targets just two companies and would "harm future tech investments and the economy at large".

Most analysts believe a G-exit will

deliver a significant economic hit in the short term, although not as dramatic as the A\$53bn in annual economic benefits that Google claims it generates for businesses and consumers in Australia.

Google's brinkmanship holds considerable risks for the tech group. Some analysts warn that the strong-arm lobbying tactics from Google could prove

counterproductive. "There are already calls for Big Tech to be broken up in the US, and there may be more of this in relation to monopolies . . . That could in the future mean laws that prohibit Google being the default engine on browsers," says David Holmes, assistant professor at Monash University in Melbourne.

jamie.smyth@ft.com

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achieved success with its series of

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sive and highly anticipated launches

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by glitches, prompting Sony to remove the game from its online

PlayStation store a week before

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The episode triggered a slump in CD

Projekt's shares, with the company's market value falling from more than

40bn zloty (\$11bn) in the run-up to

Cyberpunk's launch to less than 30bn

Kicinski told the Puls Biznesu newspaper on Monday that he

hoped *Cyberpunk* would be readmitted to Sony's gaming store as soon

zloty soon afterwards.

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BlackRock keeps faith in HK hub

Incoming Asia unit chief highlights value of city's business infrastructure

MICHAEL MACKENZIE - NEW YORK

The new head of BlackRock's Asia-Pacific operations has projected that Hong Kong will continue to be a pre-eminent financial centre.

Rachel Lord said the Asian hub would play a central role in opening up China's financial system to the rest of the world

despite recent political upheaval. Lord, whose move to Asia after four years running the asset manager's European operations was announced yesterday, said that the city's history and business infrastructure supported

"Infrastructure is very hard to move," she said. "It's less about politics and more about the way the ecosystem is set up, and I don't see any sign that Hong

Kong loses its pre-eminence."

Lord will oversee BlackRock's planned expansion in China from Hong Kong, according to a memo to the asset manager's staff.

She replaces Geraldine Buckingham, who will continue at BlackRock as a senior adviser but will move to Beijing. Buckingham is married to Dominic Barton, Canada's ambassador to Beijing.

Financial firms have been considering whether to shift operations or staff from Hong Kong since Beijing imposed a national security law last year to clamp down on unrest, raising questions about whether the business environment is becoming more unpredictable.

BlackRock is among large asset managers and banks looking to establish a

'It's less about politics and more about the way the ecosystem is set up'

Rachel Lord

deeper presence in China and tap the market of savers. UBS and JPMorgan Chase are looking to build a wealth and asset management presence in China.

"We are not alone in looking at the

opportunity in China, and I fully expect we are the ones that get it right, Lord said.

China's mutual fund industry increased assets 48 per cent to a record \$3.1tn in 2020 and UBS expects the country to become the second-largest asset management market after the US this decade.

Non-US businesses account for about a third of BlackRock's revenues, and it has set a target of reaching 50 per cent over the next decade, with China central to the effort. Asia-Pacific accounts for 7 per cent of non-US revenues at present.

The company expects to win approvals within months to operate a wholly owned fund management business in China, which would allow it to sell funds

to retail investors, and for its wealth management venture with Temasek, a Singapore state fund, and China Construction Bank. BlackRock holds a 50.1 per cent stake in the venture.

The need to encourage citizens to save for retirement meant China would accelerate opening-up to foreign firms, said Susan Chan, who will continue as BlackRock's head of Asia, reporting to Lord. "The rules will change and there will be politics. Our job is to work within

the scope of those rules."

Lord's move to Asia is the latest reshuffle of the asset manager's top ranks. Stephen Cohen, head of Black-Rock's iShares and index investing business in Europe, Middle East and Africa, will replace her as head of Emea.

Total payout maintained as quarterly results beat expectations

DAVID KEOHANE — PARIS ANJLI RAVAL — LONDON

Total joined the list of oil majors reporting multibillion-dollar full-year losses, but it provided a glimmer of hope in the pandemic-stricken sector by beating fourth-quarter expecta-tions and maintaining its dividend.

The group yesterday recorded a \$7.2bn net loss in 2020, driven by asset writedowns forced by the coronavirus pandemic.

However, it said it would maintain its €0.66 a share investor payout, confirming its position as the only European

major to keep its payout stable.
"I think that once again, in what was an extremely volatile and adverse year in 2020 ... we have shown that in the face of that we can resist, resist better than our competitors," Patrick Pouyanné, Total chief executive,

said yesterday.

On an adjusted basis, net income dropped just over \$4bn. The shares fell 1.7 per cent in Paris yesterday.

ExxonMobil, Chevron, BP and Royal Dutch Shell have recorded more than \$50bn in losses between them for last year, as the crash in oil demand crushed crude prices and forced them to slash

spending plans. As well as a cash crunch, the sector is

\$7.2ы forced asset writedowns

\$4_{bn} Decline in the oil major's net adjusted basis

facing growing pressure from investors and environmentalists to act against climate change, pushing big groups to shift towards cleaner forms of energy. Total has made a push into renewa-

bles, committing 20 per cent of its planned \$12bn in investments this year into greener energy, and will propose changing its name to TotalEnergies. The rebrand will give shareholders "the opportunity to endorse this strategy and the underlying ambition to transition to

carbon neutrality". Total acquired a fifth of India's Adani Green Energy in a \$2.5bn deal last month, and Pouyanneé confirmed yesterday the importance of the subconti-nent for Total's clean energy ambitions.

European energy majors have been re-evaluating long-term price assump-tions to reflect pandemic impact and the transition to cleaner fuels. Total posted 'exceptional asset impairments" of \$10bn, notably on Canadian oil sands assets, booked earlier in the year.

The French group's earnings began to improve in the fourth quarter as the oil price stabilised above \$40 a barrel. Adjusted net income came in at \$1.3bn for the quarter, beating analyst expectations of about \$1.1bn but still down 59 per cent year on year.

Depressed refining margins meant that, like its peers, the company was not able to fully reap the rewards of higher crude prices.

"In a quarter of volatile results and disappointing cash flow for the supermajors, Total delivers a good set of numbers," said Giacomo Romeo at Jefferies.

Total said it expected 2021 oil production to be stable compared with last year, benefiting from the resumption of production in Libya, and it was targeting another \$500m in cost cuts in 2021 on top of \$1.1bn in 2020.

Travel & leisure. American football

Glazers on winning streak after \$50m splurge

Gamble on talent sees owners

of Tampa Bay Buccaneers

progress to Super Bowl victory

SAMUEL AGINI — LONDON SARA GERMANO — NEW YORK

After 12 consecutive seasons without reaching the postseason playoffs, the owners of the Tampa Bay Buccaneers — the Glazer family — made a \$50m gam-ble at the start of last year to turn their American football fortunes round.

Late on Sunday, after an improbable season culminating with the 31-9 victory Buccaneers victory over the defending National Football League champion Kansas City Chiefs, co-owner

Joel Glazer hoisted the Super Bowl tro-phy with a sense of vindication. "My father had an expression: if you want to know the road ahead, ask the person who's been there," he said, gesturing to quarterback Tom Brady by his side. "We found that person

At the age of 43, Brady led the Buccaneers to victory in his first season with the team, collecting his seventh career championship in the process.

The comments provided a rare glimpse at the strategy of the Glazer family, perhaps better known globally for their ownership of Manchester United. In more than 25 years of sports ownership, they have kept a low profile and rarely speak about their ambitions for their investments.

Over the past year they have transformed their clubs' performances by paying for top talent. Brady, a star whose prospects had been written off by most other teams due to his age, struck a two-year deal with the Buccaneers worth \$50m. Across the Atlantic, the Glazers brought young Portuguese star Bruno Fernandes to Manchester United. with his performances on the pitch driv ing the English football team to second place in the Premier League behind

rivals Manchester City. "They're obviously committed, it's just a question of why are they commit-ted," said John Tinker, research analyst for Gabelli & Co, of the Glazers and their sports investments. "Is it because they want to win, or because they want to build it up and sell it?"

Originally from the New York city of Rochester, patriarch Malcolm Glazer made his fortune by taking over the family watch-parts business from his immigrant parents, turning that wealth into a diversified portfolio of investments including stakes in motorcycle



Gronkowski, Brady of the Tampa Bay Buccaneers celebrate after defeating the Kansas City Chiefs on Sunday - Mike

group Harley-Davidson and toy truck maker Tonka, among other companies.

It was Malcolm Glazer's children who convinced him to buy a sports franchise in 1995, according to a person close to the family, with the enormous potential $\,$ returns from NFL ownership being a big appeal. "It wasn't sentimental at all," this person said. When pursuing the Buccaneers, the family "saw it as a tremendous investment"

A decade later, the Glazers followed up with the £790m leveraged buyout of Manchester United. The deal made the family unpopular with some fans for its use of debt to finance the deal. More than £1bn has been spent on interest payments, fees, dividends and other

costs associated with the takeover.

Despite success on the pitch after the takeover, including five Premier League titles and victory in the Uefa Champions League, Europe's biggest club tournament, the team has failed to recapture either trophy since the retirement of

manager Alex Ferguson in 2013.

The following year, Malcolm Glazer died, leaving to his six children a sports empire worth an estimated \$5.8bn, according to Forbes.

ership has changed since Glazer bought the Buccaneers and is today far more competitive, particularly in the Premier League. The surge in media rights fees in Europe has put pressure on clubs to

because

they want

to win, or

they want

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upand

sell it?

because

spend more to compete for titles.

The marketplace for those media rights has also become more compli-cated, Tinker said, pointing to an evolving crisis in French football and private capital interest in Italy's Serie A. "If you look at the issues today, this business which was relatively predictable — people pay to watch sports teams — sud-denly it's all changed."

The complexities of modern sports ownership have been matched by a sharp rise in franchise valuations. The Buccaneers are now worth \$2.28bn, according to Forbes, a tenfold increase from the Glazers' initial investment of \$192m in 1995 — then a record sum for a sports franchise for a team that had the worst record in American football.

At Manchester United, where some of the shares are publicly traded, the stock fell as low as \$12.06 in March last year after Premier League fixtures were suspended because of the pandemic, sinking below the \$14 pricing of its initial The business of sports franchise own-public offering in 2012. The shares have

since rebounded to \$16.33, valuing the company at \$2.6bn. The UK fund manager Lindsell Train,

one of the two biggest shareholders outside the Glazer family, said in a letter to its clients in January that 2020 was unsurprisingly tough for the club. After the onset of the pandemic, United revenues fell to £509m in the 12 months to June 30, a decline of almost 19 per cent year on year, causing a net loss of £23.2m.

However, the firm is betting that the club will benefit as Amazon and other digital streaming platforms spend more on sports content

People close to the club said United's debt did not prevent it from strengthening its playing squad, pointing to ${\ensuremath{\mathfrak{C}}} 200{\rm m}$ of net expenditure on players in the past two years — including Férnandes, who has had 21 goals and 16 assists in 37 league games since joining.

In the meantime, the Buccaneers' Super Bowl victory has generated appreciation for the Glazers' decision making, after the expensive bet on an ageing Brady paid off. "They could have looked really, really,

really silly hiring him," said Tinker. "It was a big bet. No guts, no glory.

Fox News plans to maintain centre-right slant

ANNA NICOLAOU - NEW YORK

Fox Corporation chief executive Lachlan Murdoch defended the company's financial powerhouse, the Fox News channel, telling investors the network would go from "strength to strength" despite a pullback in ratings after the US presidential election cycle.

"We fully expect that news audiences will normalise and Fox News will continue to dominate," he said yesterday while announcing that the cable channel's chief, Suzanne Scott, would stay on in a "multiyear" contract extension.

Observers have questioned how the controlling Murdoch family would position Fox News during a Biden presidency, after some Donald Trump loyalists railed against the network after the November election when it called the vote for Riden.

This led to a splintering in conservative audiences, as some followers of the former president flocked to smaller niche broadcasters such as Newsmax Murdoch indicated that Fox News will

not pivot, stating: "We will stick where are and we think that is exactly right and is the best thing for the business.

"We believe where we are targeted, to the centre-right, is exactly where we should be targeted. We don't need to go further right. We don't believe America is further right," he said.

Fox News, alongside other US news companies, is navigating a new political era after the chaotic Trump presidency fuelled a captivating news cycle, powering record television ratings.

Murdoch's comments came as Fox News is embroiled in a legal battle over its coverage of Trump's unfounded claims of election fraud. Smartmatic, a voting machine company accused by Trump supporters of having helped rig last vear's US election, last week sued Fox News, several of its high-profile anchors and two of the former president's lawyers for defamation.

Fox late on Monday filed a motion to dismiss the \$2.7bn lawsuit, arguing that the network's coverage was protected by the First Amendment. When a sitting president and his sur-

rogates bring lawsuits challenging the results of an election, the public has a right to know the substance of their claims and what evidence backs them up," Fox said. "If those surrogates fabricated evidence . . . then a defamation action may lie against them, but not against the media that covered their allegations and allowed them to try to substantiate them."

Last month Murdoch's brother James criticised US media for the "toxic politics" threatening American democracy in a stinging rebuke of the country's news industry. He did not directly mention Fox News, his father or his brother.

The company, which has long stressed the divide between its opinion programming and news coverage, has not responded to his comments.

Okada takes the top job at Nikkei Group

ALEX BARKER — LONDON ROBIN HARDING — TOKYO

Naotoshi Okada will become chair and chief executive of the Nikkei Group as the 144-year-old Japanese media company that owns the Financial Times wrestles with the downturn brought by

The move comes after chairman Tsuneo Kita announced he will step down at the age of 74, having overseen one the biggest periods of change in the history of the employee-owned publisher.

Together with Okada, a former foreign correspondent and president of Nikkei since 2015, Kita moved the newspaper group online and ventured outside its domestic market in search of growth.

Okada, who is 67, said that as chairman and chief executive of the Nikkei Group, which oversees the company's strategic direction, he would continue "an unwavering goal to become the

world's strongest business media group", further expanding its global

Tsuyoshi Hasebe will succeed Okada as president and chief executive of Nikkei Inc, responsible for day-to-day management of the parent company. He started his career as a reporter, was edi-

Naotoshi Okada's 'unwavering goal' is for the company to be 'the world's strongest business media group'



tor-in-chief of the main Nikkei newspaper from 2016-19 and was the company's head of corporate planning during its £844m FT acquisition in 2015.

Setting out his priorities as president, Hasebe said his strategy would focus on digitisation and globalisation, and he would make "enhancing the quality of our journalism my greatest mission. We

also will focus on developing our human resources in a way that will maintain sustainable growth" Seeing the looming pressures on Nikkei's lucrative print business — the

circulation of its morning edition alone exceeded 3m — Kita and Okada led the launch of Nikkei's online edition in 2010, becoming the first Japanese newspaper to use a paywall. Nikkei has more than 750,000 paying

online readers and a print circulation of about 1.9m for its morning edition.

Alongside the digital transition, Kita and Okada pushed the group overseas, betting on global growth opportunities in the English language.

Nikkei's overseas expansion began with the 2011 creation of Nikkei Asia, its English-language service covering the

Asian continent. It was accelerated with the acquisition of the FT from Pearson. It was the biggest international acquisition by any Japanese news media group.

Musk runs risk of wild ride with Tesla's bet on bitcoin

Carmaker's \$1.5bn investment in digital currency defies corporate cash orthodoxy

RICHARD WATERS — SAN FRANCISCO ERIC PLATT — NEW YORK

Cryptocurrencies play almost no role in the staid world of corporate treasury, where protecting a company's financial liquidity and cash reserves are key. Their massive volatility has ruled them

That did not stop Elon Musk, chief executive of Tesla, from putting \$1.5bn of his company's spare cash into bitcoin

The company's shares edged up more than 1 per cent on news of the bet on Monday, while the price of bitcoin staged a strong rally. But to experts in corporate treasury management, the move makes almost no sense.

"Corporations invest their cash in very high quality, short-term fixed income securities, and are willing to accept a relatively low rate of return." said Jerry Klein, a managing director at Treasury Partners, an investment management firm in New York.

"I don't think there is a case to be made for investing corporate cash in a risky asset like bitcoin, where they could experience significant declines.'

Apart from a handful of listed vehicles that try to give stock market investors a way to speculate on cryptocurrency, only a very few companies have put their spare money into bitcoin. One of

'That to me is OK if you are a hedge fund and your clients know you make speculative bets'

the first was the ecommerce site Overstock-though it only had \$2m in bit-coin when it last disclosed the figure.

The US software company Micro-Strategy broke the mould in the middle of last year, making a well-timed move to start shovelling all the spare cash not needed for its operations into bitcoin. A week ago the company said it had spent a total of \$1.145bn on bitcoin, and was sitting on a hoard of digital currency currently worth \$3.2bn.

Michael Saylor, its chief executive, described the investment as a "second strategy" for his company alongside its previous business of selling software, rather than as a treasury decision. The company has also said the investment was designed to raise brand awareness among corporate buyers of information technology and boost its software sales.

For Tesla, with a stock market value of more than \$800bn, speculating on bitcoin seems unlikely to rise to the level of a second strategy. But accepting payment for its electric cars in the form of bitcoin could burnish its brand in the cryptocurrency universe.

Musk's vocal support for bitcoin and other digital currencies has already brought him a strong following in the crypto world. Tesla also said it would soon start accepting payment in bitcoin in a limited way, potentially giving it more ways to tap Musk's crypto fan

While there may be longer term upside to Musk's enthusiasm for bitcoin, it brings more immediate risks.

One is to reported profitability. Like MicroStrategy, Tesla said it would treat its crypto holdings as an intangible asset with long-term value, like goodwill. As such, it will have to revalue its bitcoin holding regularly and take any decline in value as a cost against profit

Any increase in value, on the other

hand, cannot be fed back into profits, but can only be realised when Tesla sells the holding, in line with US accounting standards.

Tesla's quarterly profit swings are already heavily influenced by the amounts it makes from selling regulatory credits to other companies, distracting from the performance of its underlying car business. A collapse in bitcoin prices could add to the extraneous earnings moves - though the downside would be limited to \$1.5bn, unless the company pumps more of its money into crypto markets.

In its filing with securities regulators,

Tesla said its board had authorised pur-chases of gold and other digital assets.

"It's unusual, it's risky and it won't necessarily provide that hedge that they are looking for," said Campbell Harvey, a professor at Duke University in Durham, North Carolina

"That to me is OK if you are a hedge fund and your clients know that this is exactly what you do, you make specula tive bets and sometimes they work and sometimes they do not . . . Tesla is not a hedge fund."

The largest blue-chip companies have become full-time asset managers over the past decade as their cash holdings have swelled, venturing beyond time deposits and money market funds as places to park their cash.

However, their purchases have often focused on the more sedate world of Treasuries, corporate bonds and assetbacked securities. Apple, which held almost \$200bn in cash and securities in December, invested 48 per cent in corporate debt.

Bitcoin prices have swung wildly over the past 12 months. During the worst of the sell-off in March last year, prices fell as much as 63 per cent from highs hit just weeks earlier. The cryptocurrency has since surged in value and is up ten fold from last year's lows. On Wednesday it was quoted as high as \$47,492.

David Yermack, a professor at New York University, said cryptocurrencies were still so new that accounting and tax authorities did not yet have rules on how companies should recognise the investments. He added that Tesla's investment could prompt guidance on those fronts.

"It has got to be at the top of every-one's minds," he said. "Many companies have avoided doing this for years because the auditors don't know how to account for it."

A large bitcoin investment could also put a dent in Musk's self-declared intention of building a new style of corporate conglomerate dedicated to tackling climate change. The intensive datacrunching that goes into bitcoin mining

— the process by which people involved in the network validate transactions consumes plenty of energy.

Some crypto experts argue that it would be too simplistic for institutions committed to environmental, social and governance issues, or ESG investing, to hold this against the company.

Ethan Buchman, a co-founder of the crypto project Cosmos, said Tesla had already faced potentially bigger ethical concerns, given the mining practices involved in extracting the materials used in car batteries.

He also claimed that cryptocurrencies such as bitcoin, if successful, could lead to more moderate economic growth over the long term, with big advantages for sustainability. See Opinion



 $\textbf{Tesla plans to start allowing } car \ purchases \ in \ bitcoin \ - \textit{Dreamstime/Getty Images/FT Montage}$



Tesla chief Elon Musk's support for bitcoin has won him fans in the crypto world - Andrew Harret/Bloomberg







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Trade deal spurs return to investor radar for London



Fund managers start to top up holdings in hope that 'value' bets can shield against US risk

Asset managers are betting on a come-back for the unloved UK stock market as its bias to the fortunes of the global economy heightens its appeal in a broad

recovery from the coronavirus crisis.

Global equities, which slumped in the early months of the pandemic, have recovered to set record highs. The US S&P 500 has risen 18 per cent in 12 months and China's CSI 300 has gained 58 per cent in dollar terms.

But the UK's FTSE 100 - out of favour with investors since the 2016 EU referendum — has fallen 7 per cent on the same basis. Its total market value is only slightly bigger than that of one US

company: tech giant Apple. "There has been this benign neglect of the UK from global investors since the Brexit vote, which made the market seem too political and complicated to bother with," said Nick Nelson, head of

European equity strategy at UBS.

The UK's trade deal with the EU, which avoided a disorderly crash out of the single market, "has been a catalyst for investors to come back and take another look", he added.

Money managers that have a strong "underweight" position in UK stocks — meaning they hold a lower proportion of them in their portfolios than for the equivalent global benchmark – are

beginning to top up their holdings.

A survey of global fund managers by Bank of America showed that a net 15 er cent were underweight UK equities in January, down from 29 per cent last UK stocks trade at steep discount to US peers Forward price-to-earnings ratio



June and 27 per cent in the aftermath of

"It could be quite [a] good year for UK equities," said Georgina Taylor, a fund manager at UK investment house Invesco. "Gradually, we have been

increasing a bit of exposure to them." Years of investor neglect have left the FTSE 100 trading at 14 times compa-nies' expected profits against 23 times for the S&P 500, FactSet data show.

On another measure, comparing the FTSE All-Share's dividend yield to the income available on benchmark government bonds, the index is near its cheapest levels since the start of the first world war, said Citigroup analysts.

"The UK now looks very cheap on all metrics out there," said Philip Webster, European equities portfolio manager at BMO Global Asset Management.

Some investment strategists have begun telling their clients a story of overy. The FTSE and another benchmark followed by money managers, the MSCI UK index, have just a sliver of tech companies but a large concentration of "old economy" companies that sell energy and basic materials, food and

medicines and banking products.

A lot of these fall in the category of "value stocks" — those judged to be cheap against their earnings or assets.

"There are a few things, such as a rotation into value stocks and a recovery in energy prices, that lend themselves towards a more positive bias," said Gregory Perdon, co-chief investment officer at Arbuthnot Latham.

The manager has been lifting his clients' UK equity holdings but is not getting carried away. "We are definitely not jumping on rooftops to shout that the UK will be the world's best performing market this year," he said.

According to Citigroup, almost 60 per cent of MSCI's UK stock index is comprised of value shares. That makes the . London market the most valueweighted of all its major peers, it found. Robert Buckland, Citigroup's chief

global equity strategist, said he was pitching the FTSE to his clients as ballast against a fall in pricey US stocks.

"They are wary this is not going to be their year and they want to protect

Brexit worries kept potential from the London Stock Exchange - Facund

against falls in tech stocks and growth stocks by owning a market that could go the other way," Buckland said. "The FTSE 100 gives them some cover."

Even in the same sector, UK stocks are undervalued against US peers. According to a study by Royal London Asset Management, UK oil and gas companies traded at 12.6 times expected earnings while US businesses in the same sector traded at 23.1 times. The same trend

was seen for basic materials stocks.
Investors' concerns about the UK economy explained the valuation gap, said Trevor Greetham, head of multiasset investments at Royal London, pointing to the economic hit from Brexit and the "much larger economic contraction due to social distancing than [for] the more widely dispersed US".

The "best prospects for a catch-up" came from lockdowns ending globally, he said, given the global exposure of London sectors such as oil and mining.

But that may be a tough sell to more environmentally sensitive investors. "Investors in Europe and the UK have become much more vigilant and cautious about sectors that are on the losing side of the low-carbon economy," said Supriya Menon, senior strategist at

Also, investing in UK equities does mean confronting sterling volatility. That makes global money managers hunting value stocks keener on US equities, as hedging against pound volatility was a "hassle", said Invesco's

But in the short term, the valuation case is strong, said BMO's Webster. "The US is expensive, the UK is cheap and uncorrelated to tech. The investment

Auto loan trading revs up as US car demand holds firm during pandemic

Pictet. "You are exposing yourself to a structural derating."

Fixed income

Spain draws €65bn orders for long bond as Italy's costs hit record low

ADAM SAMSON — LONDON
MARTIN ARNOLD — FRANKFURT

Spain has attracted more than €65bn in orders for a new 50-year bond on the same day Italy's borrowing costs reached a historic low, underscoring the sizzling conditions in Europe's debt markets.

Spain raised €5bn in yesterday's debt sale at a coupon of 1.45 per cent, accord-ing to a term sheet seen by the Financial

UniCredit noted that this was the country's first 50-year deal organised by investment banks since 2016 — when buyers demanded a much higher borrowing cost of 3.45 per cent.

Meanwhile, Italy's benchmark 10-year bond yield slipped below 0.5 per cent for the first time, reflecting a sharp rally in the price of the asset, Bloomberg

Investor optimism about the country has surged since Mario Draghi, the former president of the European Central Bank, agreed to form a new government aimed at implementing the reforms needed to secure more than €200bn of funding from the EU.

The strong demand for Italian and Spanish government bonds, which hold lower credit rating than peers like

'It's fair to say that the Draghi effect has been the dominant factor in the peripheral bond rally'

Germany and France, highlights how the ECB's vast bond-buying programme and the bloc-wide coronavirus recovery fund have helped boost investors confidence.

It also comes as governments look to finance deficits, which swelled as policymakers sought to buttress their econd mies against the coronavirus shock,

with longer term borrowings.

Portugal received orders of greater than $\ensuremath{\mathfrak{C}40bn}$ in a 30-year sale last week, according to a term sheet seen by the FT.

The €3bn offering was priced with a 1 per cent coupon. As recently as two years ago, Portuguese 10-year bonds traded with a yield of greater than 2.5

Last week, Belgium raised €5bn in 50-year debtata coupon of 0.65 per cent while France sold €7bn in debt of the same maturity in January with a 0.5 per cent coupon. Both deals garnered strong investor demand.

Government deficits are set to remain high in the EU this year and UniCredit expects Italy and Austria to follow in Spain's footsteps by locking in low rates with 50- or even 70-year bond issues.

Italy is planning to raise as much as €9bn this week in a trio of mediumterm debt sales, its public debt office said on Monday.

"It's fair to say that the Draghi effect has been the dominant factor in the recent peripheral bond rally," said Frederik Ducrozet, strategist at Pictet

HK stock exchange appoints banking veteran with global vision as next chief

HUDSON LOCKETT AND TABBY KINDER

The Hong Kong stock exchange has picked a senior IPMorgan banker to be its new chief executive as it seeks to build its fast-growing pipeline of new share offerings and trading link-ups with mainland Chinese bourses

Nicolas Aguzin, chief executive of JPMorgan's international private bank, will take the helm at Hong Kong Exchanges and Clearing, the company that runs the city's stock market, in May for three years.

"The board believes that Mr Aguzin's

extensive experience in Hong Kong, mainland China, Asia and globally, and his deep knowledge of global capital markets, will help HKEX continue to build its competitiveness," said the exchange after closing yesterday.

Aguzin's appointment must still be approved by the Securities and Futures Commission, according to HKEX.

The move comes as the exchange faces questions about Hong Kong's future as Asia's biggest international financial hub, after Beijing set a draconian national security law last year.

Aguzin has been with JPM organ for 30 years, with a portion of that time spent in Asia. He served as chairman and chief executive for the Asia-Pacific region from 2012-20.

Aguzin will be the second consecutive banker from IPMorgan to serve as chief executive of HKEX, following his predecessor Charles Li, who was chairman of JPMorgan China from 2003-09.

Li, an outspoken figure who has weathered multiple controversies during his tenure, was originally set to con-



Nicolas Aguzin starts at HKEX in May after 30 years at JPMorgan

tinue in the role until October 2021 but stepped down at the end of December.

Jamie Dimon, chairman and chief

executive of JPMorgan, said: "I'm proud to congratulate my colleague . . . on his important new role as the next CEO of the Hong Kong stock exchange."

JPMorgan said Martin Marron, chief executive for Latin America and Canada, would replace Aguzin as its head of international private banking. Unlike Li and HKEX's interim chief

executive, Calvin Tai, who joined the exchange in 1998, Aguzin does not speak Chinese but is fluent in English, Spanish and Portuguese.

Laura Cha, who chairs HKEX, said Aguzin's international background "will be of great help to us at this stage in our development".

"The fact he does not speak Chinese will not be a factor that affects any of our policies or any of our relationships with our counterparties," she said, adding that the appointment did not need regulatory approval from Beijing.

Yafei Tian, an equities analyst at Citi, said Aguzin's international experience "might suggest the board's intention to further diversify revenue streams".

The UK

on all

metrics

out there'

Philip Webster, BMO Global

Fixed income

now looks

very cheap

While whizzy assets from Tesla to bitcoin have grabbed investors' attention, an old-fashioned one has

The prices of bonds backed by auto loans have hit multiyear highs. The risk-ier triple B groups of auto-backed bonds trade with yields just 0.7 percentage points higher than Treasuries of similar

quietly enjoyed a strong run in the Covid-19era: auto loans.

maturities, according to JPM organ. That extra return over the world's premier risk-free asset has shrunk 0.3 percentage points from its previous lows in January 2020, before the coronavirus crisis began.

Even as yields in the \$220bn autobacked bond market have fallen due to the rally in prices, the interest rates lenders charge for loans have barely declined thanks to strong demand for

cars among consumers. "Auto has been a true Covid winner," said Jennifer LaClair, chief financial officer of Ally Financial, the online-only bank that grew out of the finance arm of General Motors and has the majority of its loan book in autos. Ally's share price is 30 per cent above its pre-Covid highs.

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news and views.

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The short lifespan of auto loans — three to five years, generally — means borrowers do not tend to refinance. The loans also consume less of a household's income than other common forms of

"Unlike mortgages where [1 percent age point] . . . is worth hundreds of dollars a month, the difference between 6

Lenders such as Ally have been able to keep hold of margins that have shrunk in other asset classes

and 7 per cent is around \$12 a month" on

a typical loan, LaClair said. The average yield on an Ally retail car loan is slightly less than 7 per cent when fixed-rate 30-year mortgages below 3 per cent are increasingly common. That means lenders such as Ally have been able to keep hold of margins that have shrunk in other asset classes

New auto sales in the fourth quarter were down an estimated 5.7 per cent from a year earlier, according to

Edmonds, a research firm. But, as Edmonds analyst Ivan Drury pointed out, that is largely down to rental fleets and other corporate customers, which usually account for 10-15 per cent of

Retail demand, by contrast, is extremely strong," Drury said, noting that cars are sitting on dealers' lots for 57 days, on average, the lowest in at least five years. Used cars are also in high demand, providing good recovery values for lenders when borrowers default.

Stimulus checks dealt out as part of the government's coronavirus relief package mean that credit quality has held up. Delinquencies and loans written off were down significantly in the fourth quarter compared with the year before at Ally and other prime and near-prime auto lenders such as Capital One, Wells Fargo, and JPMorgan.

Santander Consumer, a subprime specialist, had a loan charge-off rate of 3.5 per cent in the fourth quarter, down

from 8.5 per cent a year before. Conditions for subprime auto lenders catering to weaker borrowers are "excellent", said John Hecht at Jefferies. Additional reporting by Joe Rennison

The day in the markets

What you need to know

 Global stocks edge up to all-time high but trading remains mixed Run of six consecutive sessions without losses for European stocks ends Brent crude consolidates above \$60 as

Stocks on Wall Street were mixed yesterday, pausing a rally that had been propelled by positive earning results and optimism over a huge stimulus package in the world's largest economy.

The FTSE's All-World index crept up 0.2 per cent to set an all-time high and the tech-heavy Nasdaq Composite gained 0.2 per cent but the blue-chip S&P 500 was 0.2 per cent lower at lunchtime in New York

US stocks hit an all-time high on Monday as Joe Biden's administration kept up pressure on Congress to pass his \$1.9tn stimulus plan and the number of new coronavirus infections in the US fell to a three-month low.

Seema Shah, chief strategist at Principal Global Investors, said the high stock valuations were triggering increased scrutiny from investors about

"Given the wealth of fiscal stimulus that is likely to come in the US, as well as prospects for a surge in pent-up demand . . . investors are already grappling with the question [of] how much inflation will rise throughout this year," she said, adding that "with equities so stretched, any inflationary concerns that leak into bond yields will make it more difficult to justify these

The price of US Treasuries — which



have sold off in recent weeks in anticipation that an economic rebound will result in higher inflation — rose slightly vesterday. The yield on the 10year note fell 1 basis point to 1.15 per cent.

In Europe, the region-wide Stoxx Europe 600 index edged 0.1 per cent lower, ending six consecutive sessions without losses for the benchmark.

Meanwhile, Frankfurt's Xetra Dax was 0.3 per cent lower and London's FTSE 100 rose 0.1 per cent.

Brent crude remained above \$60 a barrel — the international benchmark's highest level since January 2020 — rising 0.9 per cent to \$61.06 a barrel. Traders continue to bet that the crude market is tightening because of a double hit to supply from production cuts by the Opec+ group of producers and a drop in investment by oil companies

This, combined with hopes of a recovery in energy demand, helped send West Texas Intermediate above \$58 a barrel this week. The US marker climbed a further 0.7 per cent yesterday to \$58.39

In Asia, China's benchmark CSI 300 rose 2.2 per cent and Hong Kong's Hang Seng firmed 0.5 per cent. Leke Oso Alabi

A parting of two trading forces spurs sharp rally in stocks

Michael Mauboussin

Markets Insight

he year 2020 will forever be associated with Covid-19 and the ills it caused to people and economies. The outbreak led to the greatest contraction in global economic activity in decades and a precipitous fall in stock markets. More surprising was the extent of the sharp rally from March lows.

The interplay of two forces that drive valuations, the cost of capital and the volatility of markets, might explain some of that counterintuitive behaviour. The cost of capital represents the return investors demand for owning a security and therefore determines a company's cost of debt and equity funding. Volatility in markets captures uncertainty about the future.

Quite sensibly, the cost of capital and volatility almost always move in lockstep as investors need a higher expected return when the world looks riskier. But in 2020, the cost of capital and volatility went in opposite directions.

When the price of many stocks and bonds plunged, central bankers referred to a playbook created during the 2008 crisis. Prescribed actions included lowering interest rates, pur-chasing securities on the open market, lending to businesses on favourable terms and providing households with

money to ease their burdens.

These actions had the effect of lowering the cost of capital. The cost of equity component of this is commonly calculated as the sum of a risk-free rate of return and the equity risk premium (the extra return investors require for owning stocks).

The yield on the US 10-year Treasury note is a proxy for the risk-free rate and went from 1.9 per cent at the beginning of 2020 to 0.9 per cent at the end.

Aswath Damodaran, a professor and valuation expert, estimates that the equity risk premium dropped from 5.2 per cent to 4.7 per cent over the same period as the rebound in stock prices implied lower future returns. The yields on corporate bonds followed a similar trajectory.

These figures imply that the cost of equity declined from 7.1 per cent to 5.6 per cent during the year. When used in valuation calculations, this boosts the current worth of expected future earnings of companies as the future income stream is discounted at a lower rate.

Companies therefore received a

While the actions of the central banks relieved financial pain, they did little to dissipate uncertainty

richer valuation on greater current or prospective earnings. Companies that gained from trends arising from the pandemic, such as those that enabled

homeworking, particularly benefited. However, while the actions of the central banks relieved financial pain, they did little to dissipate uncertainty.

Open questions include the timing and strength of the economic recovery, which businesses will be the ultimate winners and losers, and the degree to which consumer behaviour has changed permanently.

The uncertainty has been reflected in stock markets with a rise in volatility. This is captured by the Cboe Volatility index, or Vix. The Vix started 2020 at about 14 but averaged 30 for the full

The ratio of the Vix to the cost of equity averaged around two from 2016-2019 but soared to five in 2020. This matters because volatility is a primary driver of option value.

An option is the right — but not the

obligation — to do something.

Financial options have been around for a very long time. In recent decades, economists have also developed the concept of real options.

These represent the value of a company's right to make real investments in projects such as

expansion into a new line of business. High volatility means the potential worth of projects falls in a wide range. There is no obligation to act on an option if value is low but there is a right to act if

value is high. Certain businesses are rich with real options. Think of Amazon 20 years ago.

In 2020, companies with real options had a valuation boost for their current operations rise because of a fall in the cost of capital and a gain in their real options due to an increase in volatility.

These observations are also consistent with the performance of convertible bonds, securities that combine a stream of cash flows and an option to convert into equity. The Bloomberg Barclays US Convertibles Liquid Bond Index rose 54 per cent in 2020.

This might help explain some of the large stock price movements in the past year, particularly in the tech sector. The cost of capital and volatility are likely to converge as we pass through this episode. But the pandemic caused actions and reactions with remarkable implications for valuation.

Michael Mauboussin is a researcher at Morgan Stanley Investment Management

Markets update

	2003		•		*3	•
	US	Eurozone	Japan	UK	China	Brazil
Stocks	S&P 500	Eurofirst 300	Nikkei 225	FTSE100	Shanghai Comp	Bovespa
Level	3910.09	1579.54	29505.93	6531.56	3603.49	119634.65
% change on day	-0.14	-0.06	0.40	0.12	2.01	-0.05
Currency	\$ index (DXY)	\$ per €	Yen per \$	\$ per £	Rmb per \$	Real per \$
Level	90.616	1.210	104.585	1.380	6.449	5.432
% change on day	-0.350	0.415	-0.580	0.437	-0.138	1.882
Govt. bonds	10-year Treasury	10-year Bund	10-year JGB	10-year Gilt	10-year bond	10-year bond
Yield	1.142	-0.448	0.065	0.462	3.245	7.550
Basis point change on day	-1.020	-0.200	0.000	-1.300	1.200	12.900
World Index, Commods	FTSE All-World	Oil - Brent	Oil - WTI	Gold	Silver	Metals (LMEX)
Level	446.08	61.07	58.38	1835.25	27.18	3540.90
% change on day	0.23	0.71	0.59	1.79	2.45	1.04
Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.						

Main equity markets

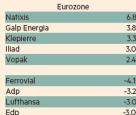






Biggest movers

%	US					
Nps	Hanesbrands	23.47				
	Gartner	9.67				
	Nortonlifelock	4.67				
	Simon Property	3.96				
	Twitter	3.76				
	Coty	-17.53				
SI	Jack Henry & Associates	-10.25				
Downs	Take-two Interactive Software	-6.80				
	Technipfmc	-6.68				
	Carrier Global	-5.37				



6.87	Taylor Wimpey	2.5
3.89	Prudential	2.4
3.36	Berkeley Holdings (the)	2.0
3.04	Imperial Brands	1.8
2.46	Intermediate Capital	1.6
-4.10	Evraz	-3.3
-3.29	Int Consolidated Airlines S.a.	-3.3
-3.07	Experian	-3.3
-3.00	Kingfisher	-2.3
-2.77	Jd Sports Fashion	-2.3

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Wall Street

Solid results sent Hanesbrands higher, with the clothing company reporting net sales for the quarter ending January 2 of \$1.8bn, compared with \$1.75bn for the same period a year earlier.

Boosting the fourth-quarter results was \$28m in revenue from personal protective garments, although Hanesbrands "no longer views PPE as a long-term growth opportunity".

Shopify's expansion of its Shop Pay feature to Facebook and Instagram sent the ecommerce platform to an alltime high.

Shop Pay is an accelerated checkout that lets customers save details such as credit card and shipping information to accelerate purchases. Consumers will over the coming weeks see Shop Pay as a payment option in Facebook Pay.

Coty, the beauty group, sank after reporting net revenues of \$1.42bn, a 16 per cent year-on-year fall for the quarter endina December 31.

The group's "mass business" channel also declined 21.6 per cent in like-for-like sales during the same period.

But reported sales for the Americas region benefited from the contribution from Coty's joint venture with Kylie Jenner, the reality TV star, with the segment generating operating income of \$31.6m in the quarter compared with \$21.5m a year earlier. Ray Douglas

Europe

Dutch recruitment group Randstad climbed after reporting that "volumes in January [were] reaching last year's pre-pandemic levels".

Jacques van den Broek, chief executive, said: "Our revenue trend recovered consistently month by month from April to December.

During the fourth quarter, underlying earnings dropped 10 per cent year on vear to €264m but that beat KBC Securities' expectations. The results prompted the broker to raise Randstad's target price.

Austrian sensor maker AMS plummeted despite reporting full year 2020 group revenues of \$4.2bn, up 86 per cent compared to 2019.

Before yesterday's dip, AMS had leapt more than 25 per cent this year.

Demant, the Danish hearing aid group, rallied on a forecast of organic growth of between 23 per cent and 27 per cent this year and earnings before interest and tax of DKr2.85bn (€380m) to DKr3.15bn.

Polish video gaming group CD Projekt dipped on news that it had fallen victim to a "targeted cyber attack" from an "unidentified actor" that was threatening

The hacker left a ransom note but the maker of Cyberpunk 2020 said it would "not give in to the demands nor negotiate with the actor". Ray Douglas

London

Nucleus Financial, an online platform for financial advisers, jumped on news that it had agreed to be taken over by James Hay Holdings for about £144.6m.

The offer, at £1.88 a share, represented a 12 per cent premium on Monday's closing price.

"Becoming part of this enlarged group gives us a key role in a much bigger story where we can create a leading independent platform of scale with a high-tech, high-touch proposition and philosophy," said David Ferguson, chief executive officer at Nucleus.

An upbeat trading update sent Bellwa higher after the housebuilder reported record output for the six months ending January 31 2021 with the completion of 5,656 new homes, a rise of 6.3 per cent on the same period a year earlier.

"Higher-than-expected volumes higher prices and higher profit margins all mean that Bellway's trading update reads very well," said Russ Mould, AJ Bell investment director.

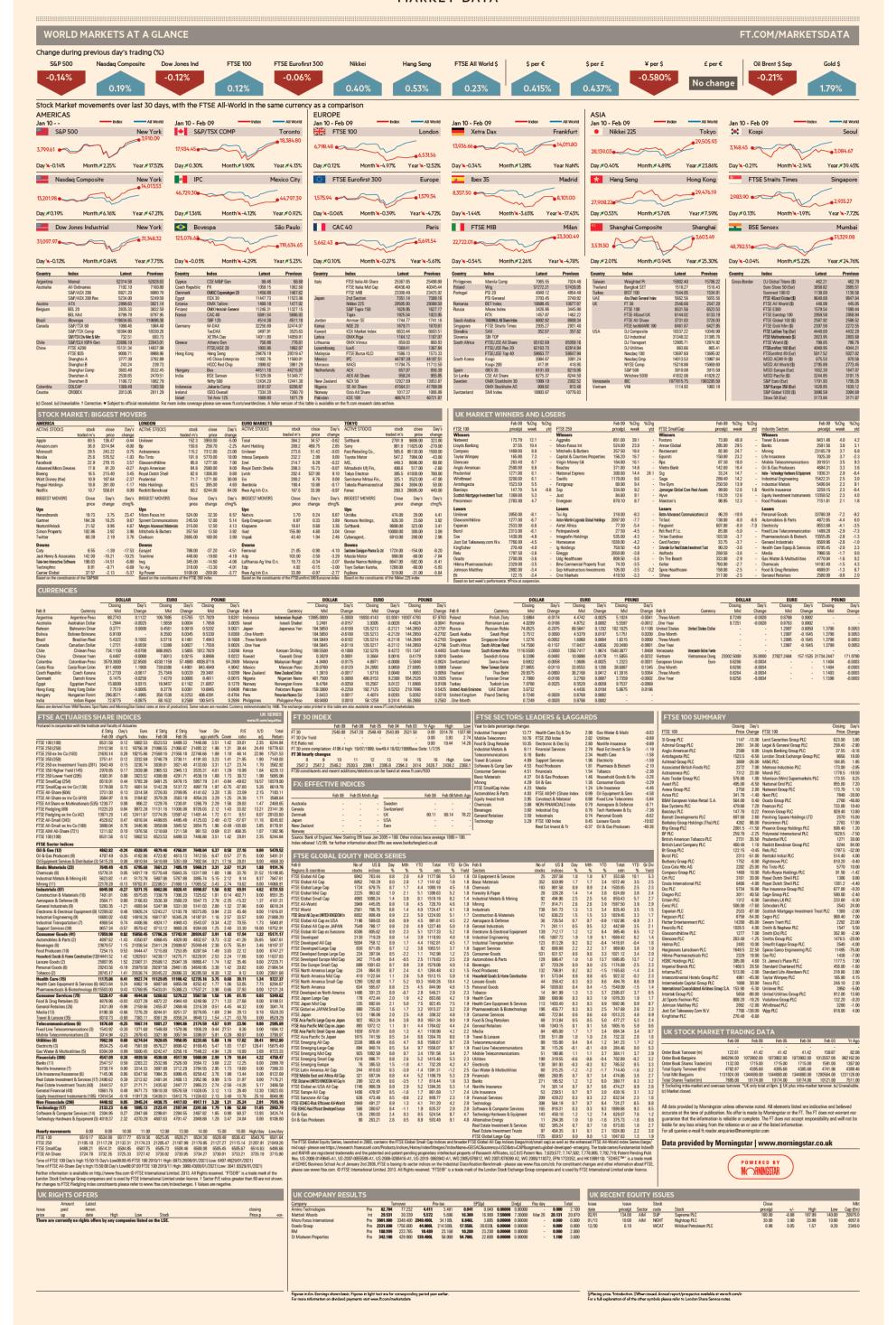
Bellway's peers Berkeley Group and Taylor Wimpey also climbed. Ocado slid despite retail revenue

growing 35 per cent in 2020.

New customer acquisition activity paused for the online grocer owing to the pandemic, resulting in a decline in active customers last year from 795,000 to 680,000. Ray Douglas

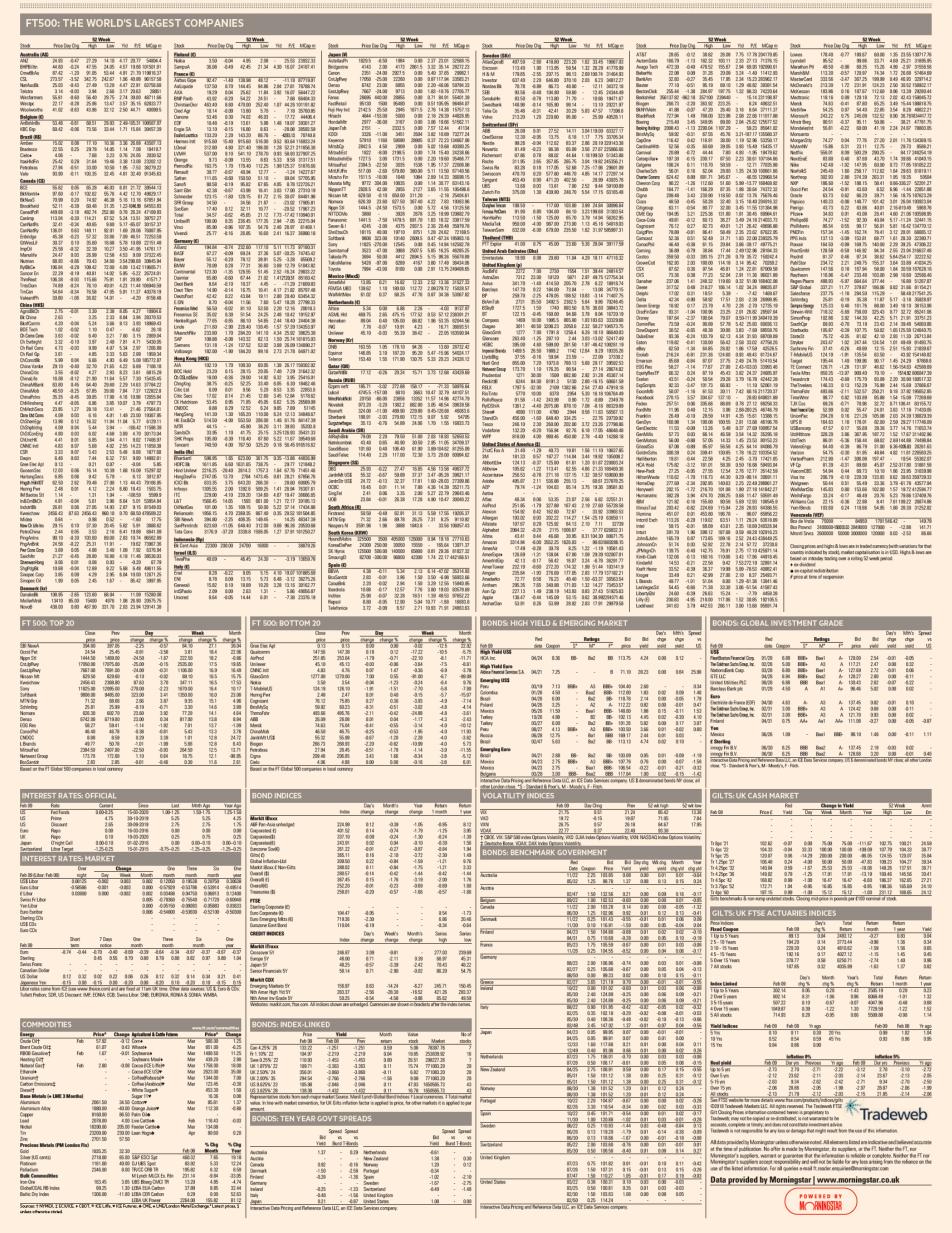
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ARTS

A new project to illuminate bridges on the Thames is characteristic of changes that are transforming London, writes Edwin Heathcote

t's increasingly difficult to make the case for the Thames as a cultural asset. Over the past century it has been an industrial thoroughfare, a back-end, an unlovely and often inaccessible strip of commercial offices, a conduit for inflating the values of apartments aimed at the super-rich and the backdrop to some of the worst, most ill-considered and incoherent architecture in the centre of any serious city anywhere in the world.

And yet. The "dirty old river" that The Kinks sang about in "Waterloo Sunset" keeps flowing and still, somehow, manages to spark surprising vistas, supplies a bracing breeze and cuts a slice of welcome space through the congested city. It is London's most enduring thoroughfare and its most underused public space, a waterway that belongs to us all and yet seems somehow out of bounds. Canaletto painted it as a fanciful blend of Grand Canal and lagoon, a processional piazza. Whatever it is now, it is not that.

Its status as London's last empty artery has provoked a procession of dim, doomed, one-liner plans, from the Garden Bridge (abandoned, after a spending of £53m) to the "dangleway". an unneeded Docklands cable car (for both of which Boris Johnson was largely responsible when he was mayor

One intervention, however, has been designed to bring a little finesse to the Thames. The Illuminated River is a project to light London's bridges in a more coherent and more intelligent way. Designed by US artist Leo Villareal, it conceives the bridges as a kind of continuous artwork, a subtly changing light installation cutting through the city and tying the north and south

So far, four bridges have been illuminated: London, Cannon Street, Southwark and the Millennium footbridge. Next month, Blackfriars road bridge, Waterloo Bridge, the Golden Jubilee footbridge, Westminster Bridge and Lambeth Bridge will be switched on too.

Villareal, who won the commission





from above: Southwark Bridge, part of the Illuminated River project; details lit up on Cannon Street Bridge; Leo Villareal, the project's designer

with architects Lifschutz Davidson Sandilands, in an open competition, gained global attention for his theatrical illumination of the Bay Bridge in San Francisco, which has become one of the city's most popular sights. San Francisco, however, with its broad bay and epic vistas, is a very different proposition to the Thames, with its utilitarian Victorian railway bridges and surrounded by a jumble of medieval alleys, refuse depots, and waterfronts

that are often privately owned and sometimes inaccessible. I walked from the Millennium footbridge where the illumination is a delight. The white LEDs pick up on the reflections in the ripples of the water below, an aqueous, gentle flow which echoes both the footsteps of people on the bridge and the gentle swell of the river, finally realising architects Foster + Partners' original intent to create a "blade of light".

The other bridges have been soaked

illumination of London Bridge emphasises its slender profile, highlighting an under-appreciated modern struc-ture. It's less successful on the chunky flanks of Cannon Street railway bridge, where the illumination of the riveted iron panels only emphasises the clumsi-ness of the Victorian engineering and their surprising disregard for the Thames. At Southwark Bridge, Villareal has done something more sophisticated in attempting to illuminate the shad-owed nest of bracing and girders beneath the bridge, making visible its engineering and changing its character by night so that the structure appears delicate and complex.

The lights on Waterloo Bridge were being tested when I visited, an effort to illuminate another under-appreciated bridge, designed by the architect of Bankside Power Station (now Tate Modern), Sir Giles Gilbert Scott, and built during the second world war, largely by women. The fine white line I saw looked promising, not trying too hard to undermine one of London's key vantage points.

The colours in light are, apparently, inspired by artists who have portrayed the Thames, from Turner to Monet, an impressionistic array of lilac and pastel pink, teal and gold — though there seems to be a misunderstanding here as

they look a little garish at night. They change gradually so that you need a few minutes to pick them up; there are no flashing fairy-lights or lasers.

Sarah Gaventa, the director of the Illuminated River project who took me on a riverside walk, told me: "We had to try to be very unlike the Garden Bridge. So this was not sensational and we had no public funding." She later clarifies that there was a little public funding at the beginning: £500,000 from the City

'We had to try to be very unlike the Garden Bridge. So this was not sensational'

of London and £250,000 from the mayor's office for seed funding. But the scheme, costing £31m in total, was otherwise entirely sponsored by philan-thropy, kickstarted by Hannah Rothschild; those costs include maintenance for a decade.

"It's an artwork which will be seen by 90m people in a [normal] year, completely free of charge." Gaventa adds. It has also, she tells me, been a saga of almost unimaginable complexity, requiring collaborations between



bodies, councils, transport networks, the Port of London Authority and landowners, all of which underscores the odd status of the Thames as a kind of orphan element in the cityscape.

As public art it is, you might argue, making the otherwise banal infrastructure into a *medium*. But in its transformation of the everyday into art, it collides, awkwardly, with a city increas ingly rebranding itself as an endless spectacle. The cascade of stupidly shaped skyscrapers, sky-gardens, Ferris wheels, domes, pop-ups and viewing decks seems to betray an inse-curity, a sense that the city is not enough. It's a phenomenon you see in Hong Kong, Shanghai and Dubai, in skylines reinventing themselves as enter-tainment; in the inevitable wake of falling demand for office space in the city post Brexit and Covid, it is a trend likely

The Illuminated River project has injected a glint into a riverside walk and, of the people I stopped to ask about it, was clearly popular and invigorating (even if only few understood that it was an artwork or that the colours changed). But it illuminates a city which seems to be losing its way, with no clear plan, with random clumps of towers appearing as if by accident, with a skyline being rapidly privatised and public space being outsourced to the private sector.

At the outset of the competition, the Thames was described in documents as "a ribbon of darkness", as if something that was not transformed into an attraction had no significance or reality. The irony is that in highlighting the particu-larities of the bridges, their character and aspect, the essence of the city is being transmuted into something to be consumed; in its efforts to become more special, it becomes more universal.

As Guy Debord wrote in *The Society of* the Spectacle (1967): "The spectator does not feel at home anywhere because the spectacle is everywhere."

illuminatedriver.london

FTWeekend





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On the hunt for true terror



have spent the past week trying to find a game that scares me. Not just a thrill of fear or a jolt of surprise — I want proper, bone-shaking terror

that lingers long after I've turned off the screen. My quest was inspired by The Medium, a new game in which you play a troubled woman who receives a mysterious phone call inviting her to an abandoned Soviet resort. It being a horror story, she unaccountably accepts.

Marianne is a psychic, flitting between our world and the macabre astral plane, which features sculptures made of vertebrae, sinks that ooze blood and, in a chilling touch, curtains sewn from skin which you must slice open with a knife. Yet, despite the spectacularly gruesome aesthetics, the underwritten protagonist left me cold. I wasn't interested in solving Marianne's mystery. And I wasn't properly scared.

I didn't finish the game.

I have always been a fan of horror, of its ability to probe the darkest currents of the psyche, to posit monsters as elegant metaphors for our grief, shame and trauma. I had never spent much time with horror games, though, so I decided to give myself a week to find a game that truly terrified me, a challenge to make lockdown tick past a little faster. It seems logical that a game could be

even scarier than a film. In a movie, you're watching someone else turn the doorknob into the murderer's lair – in a game you have to do it yourself. Game designers are masters of audiovisual manipulation, underscoring danger with sharp violin stabs or guiding players to safety using subtle lighting cues

And where games usually peddle a power fantasy, horror titles induce fear by making us fragile, limiting our health and ammo, introducing enemies we cannot kill. They play on a gamer's darkest fears — none worse than the postmodern moment in Eternal Dark-ness: Sanity's Requiem where the game pretends to delete all your precious save data and crash the console.



'Resident Evil 7: Biohazard' is set in an abandoned house in Louisiana

I started out with the venerable Resident Evil series, which since 1996 has oscillated between survival-horror and action-oriented adventures, also spawning a surprisingly robust film franchise starring Milla Jovovich. 2017's Resident Evil 7: Biohazard, due a sequel this May, seemed promisingly spooky at first. I arrived at an abandoned house in the Louisiana bayou and felt genuinely unsettled by the ominous creaking noises of the house, the squalid family kitchen and the sculpture out front, a cross between

I looked into the utter darkness of the basement, knowing that I had to go down there

Alexander Calder and The Texas Chain Saw Massacre. Yet as soon as a monster emerged and I had to start waving an axe around, I mentally flipped into monster-fighting game mode and all the

tension abruptly vanished. Horror needs to be paced slowly to allow tension time to build, to hide its monsters in the shadows, but this is a hard proposition for games, a medium defined by interactivity and action. A new breed of narrative horror games prioritises atmosphere over combat, including *Soma* and *Amnesia* by Swedish team Frictional Games, an eerie demo for a cancelled Silent Hill sequel called P.T., and Taiwanese game Devotion, a disturbing tale which was removed from online stores due to a controversial ref-

erence to Chinese premier Xi Jinping. Perhaps the game to really scare me would be a more experimental offering from the fertile indie gaming community. I tried Anatomy, a short game by developer Kitty Horrorshow. Here you walk around an empty house, picking up cassette tapes which play speeches expounding on the parallels between a domestic home and the human body

Each room is extraordinarily dark, and I felt a knot of dread growing in my stomach as the game got weirder doors opened on to identical locked doors, windows glitched in and out of existence. On numerous occasions the application closed itself, sending me back to my computer desktop, and when I reopened the game it seemed dif-ferent, as if it was degrading around me.

No explanation was offered for the house's malevolence — scarier than a monster operating as a metaphor is a monster that refuses to mean anything at all. At one moment I stood at the top of the staircase, looking down into the utter darkness of the basement, knowing that I had to go down there to collect the next tape. I wanted nothing less than to descend those stairs. I considered turning my laptop off, but

forced myself onward. I won't reveal what I discovered down there, but suffice to say I had found my scary game. When I tried to sleep after-— lights on, naturally — with the game's ungodly sounds still swimming in my head, I found some comfort in reminding myself that there is no basement in my London home.

FT BIG READ. EUROPEAN POLITICS

Now Brussels has a huge amount of money to spend on its member states, it will gain greater influence over their economies. But that brings the risk of a backlash in Italy and Spain. How will it use its leverage? By Sam Fleming, Miles Johnson and Daniel Dombey

Draghi and the EU's recovery mission

ine years ago, Olaf Bussink launched a consultancy business for foreign online retailers looking to set up operations in Italy. His advice to them was simple: don't.

Bussink discovered that rather than incorporating a company in Italy and setting up a warehouse there, it was easier to send packages to Italian consum-ers that were shipped in from the Netherlands. Today his thriving business helps online retailers set up websites in Italian that target local customers, shipping products ranging from electric bikes to cosmetics from the Netherlands that beat local rivals on price and speed.

"It is slightly more expensive to send things from Holland but for my clients the cost of setting up a business in Italy is so much higher," he says. "Italy has what I call a 'bureaucracy tax'. My clients can add 10 per cent to their prices compared with Italy-based com-

panies and still be very competitive."

As Italy draws up the most ambitious reform plans in a generation to relaunch its sclerotic economy, powered by €200bn of EU funds, uprooting the barriers to investment will help define whether the scheme is a success.

The country is turning to Mario Draghi, the former European Central Bank president, to form a new govern-ment from the rubble of its latest political crisis. His programme involves harnessing a once-in-a-generation package

'We expect Italy to do its homework . . . Don't forget it is an explicit part of the deal. We will stick to it'

of grants and loans underwritten by all 27 EU member states, while also pushing through often unpalatable reforms aimed at energising an economy that in real terms has failed to grow since the start of the millennium.

It is hard to overstate the stakes. Draghi's success or failure in deploying the recovery fund and embarking on key reforms will be critical not only for Italy's future, but also for the credibility of the EU's most ambitious joint economic undertaking since the birth of the euro. "This is a historic chance for the country to invest in its economy and prepare for the future with an ambitiousreform plan," says Manfred Weber, the head of the European parliament's pow erful European People's party group. "We expect Italy to do its homework, like we expect from all member states. Don't forget it is an explicit part of the

deal. We will stick to it."

The news that Draghi had been approached by the Italian president to form a government was greeted with huge relief in Brussels and other EU capitals given his reputation as the man who saved the single currency during the sovereign debt crisis.

In a brief speech accepting the request, delivered inside the Italian presidential palace on Wednesday, Draghi made explicit reference to the challenge of ensuring the EU recovery

'We have the extraordinary resources of the EU at our disposal — we have the opportunity to operate with a careful eye on future generations," he said.

Yet to do so he must first convince enough of Italy's warring lawmakers to provide him with a stable majority in parliament. This will require bringing politicians into his cabinet from different parties who will have strong views on how the money should be spent.

Draghi's entrance last week shook the Italian political establishment, prompting fissures in parties and political alliances and forcing leaders to make decisions over supporting him that will define both their own and their country's future.

Disagreements over how Italy should deploy what is expected to be the big-gest chunk of the EU's recovery fund triggered the series of events that resulted in Draghi receiving the emer-

Toxic politics

The country's unstable previous coalition government, led by the lawyer Giuseppe Conte, was born in 2019 out of an unlikely alliance of the one-time anti-euro Five Star Movement and the staunchly pro-European Democratic party as a way of blocking Brussels antagonist Matteo Salvini's bid to become prime minister.



Mario Draghi is trying to form a vernment and revive Italy's economy. Part of his plans will need approval by European chief Ursula von der Leyen, below. Bottom:

graffiti in Rome depicts former Italian prime minister Matteo Renzi — Emanuel

hard-charging austerity drive. The EU has this time suspended its fiscal rules, allowing the Italian public debt to exceed 150 per cent of GDP, while putting the might of stronger treasuries, including Berlin's, behind an unprecedented commission borrowing programme.

Last month, however, former prime

minister Matteo Renzi began to attack

the coalition's handling of the recovery

spending plans. The former Democratic

party leader pulled his small Italia Viva party out of the government, stripping it

of its majority in Italy's upper house and

leaving Conte crippled.

As the toxic politics that have already

blighted Rome's plans to tap the fund show, reaping the benefits of this Euro-

pean bounty is far harder than it might

look. The EU has deliberately avoided

going down the route of the last sovereign debt crisis, in which the

technocratic government of Mario

Monti was under pressure to enact brutal economic programmes and a

But that does not mean the new recovery fund riches come without strings attached. Accessing the money will require a member state to sign up to a swath of regulatory and administrative reforms. These will need to be delivered according to timelines and milestones set in conjunction with the commission, led by president Ursula von der Leyen, as part of so-called recovery and resilience plans.

Historic opportunity

The idea of common European borrowing was profoundly controversial among fiscally frugal northern EU states such as the Netherlands when they agreed to the concept last July.

They signed up in the belief, however, that the commission would enforce tough reforms alongside investment plans aimed at making weaker economies more resilient the next time a crisis comes along.
"The commission is really serious

20

EU structural funds

France

Portuga

Germany

Italy

one senior EU diplomat. "They won't let us get away with anything

Paolo Gentiloni, the Italian commis sioner who oversees EU economic policy, sees a big difference between the expected Draghi government and the technocratic Monti regime that led Italy between 2011-13.

The latter served at a time when sov ereign debt yields were unsustainably high and the "troika" of the commission, the ECB and the IMF was imposing deeply unpopular reforms on beleaguered euro members, such as Greece. "The Monti mission was a rescue mis-

sion. This is a mission to avoid missing out on a historical opportunity — that is why Draghi's leadership is so important," explains Gentiloni, himself a former Italian prime ministér.

"It is a very different environment from the one we had eight or nine years ago. Some of the problems are still there, but now there is the opportunity to address them in a positive context of a strong boost to growth and the recovery, and not in the context of saving the country from the troika."

Italy has made advances in areas such as pension and labour market reform in recent decades, Gentiloni says in an interview with the Financial Times, but he cautions that there had been less progress in areas such as speeding up the judicial process and reforming competition rules, as well as curbing red tape.
"I am sure that he [Draghi] will use his

extraordinary experience and his strong leadership to make the right things hap pen," he adds. "He knows very well all the bottlenecks, the difficulties, the challenges involved in making reforms happen in Italy."

The country has, for example, one of the slowest legal systems in Europe. A 2018 study by the Council of Europe concluded that the average time for commercial legal cases to be settled was 514 days, among the worst in Europe and longer than in Malta and Turkey. In 2016, Italy had 4.1 civil and

commercial litigation cases pending per

100 inhabitants, compared with 2.4 in France and 0.9 in Germany.

€200bn

Possible value of EU funding that will

conomic reforms

€70bn

Possible value of EU grants that Spain expects to get over the next three years

Percentage of the EU recovery fund that will go to Italy and

40

Partly as a result, the country was ranked 58th globally in the World Bank's Ease of Doing Business report for 2020 — with low results for features such as enforcing contracts and paying taxes. That put it just below Romania,

Lucrezia Reichlin, a London Business School professor and former head of research at the ECB, stresses that Draghi is not "some technocrat coming down from the sky" who plans to push the country through "a crash course in

liberalising its economy".

The focus of his proposals to the commission needs to be on addressing "Italy's structural incapacity to spend money, which is related to the public sector's ability to make decisions pursue transparent processes, and undertake auditing", she says.
This points to one of the commission's

biggest questions about Italy and the recovery fund: whether the country is up to the task of spending such a vast quantity of money wisely over a con-tracted period of time. Italy's history here is far from encouraging.

Along with Spain, Italy has one of the worst track records for efficiently spending EU structural funds. In the 2014-20 EU budget period, Spain managed to spend only 36 per cent of those funds by late last year, with Italy only a little better at 43 per cent. By contrast, France's absorption rate was 61 per cent, and Finland's was 81 per cent.

Yet together Italy and Spain will receive no less than 40 per cent of the EU recovery fund harvest – dominating the spending programme. This means the reputation of the entire project rests on those countries' ability to come up with credible programmes that meet the commission's green and digital priorities and minimise boondoggles,

Some officials hope the Next Genera-tion EU project — which is officially designed to be temporary - could



become a permanent feature of Europe's set-up. But as Erik Nielsen, chief economist at UniCredit, says, that dream "only has a chance if the money is well spent and certainly not wasted".

Windfall fears

To date officials have been more encouraged by what they see from Spain than by the draft proposals that have been discussed in Rome. Madrid expects to receive some €70bn in grants over the next three years, followed by roughly the same amount in loans in the period up to 2026. It has already approved a udget that allows it to borrow €27bn against future grants from the fund, passed legislation last month to eliminate bureaucratic bottlenecks in disbursing the money, and drawn up a list

of 170 reforms to submit to Brussels. Among the top priorities in the country's recovery and resilience plan are the digitalisation of Spanish business and the transition to green energy. Big corporates are hurrying to register themselves as possible beneficiaries. Other

'Spain cannot wait for the funds. We have a very difficult economic situation, with an 11 per cent fall in GDP last year'

goals include turning Spain into a hub for the video games industry and boost-ing the country's sport sector.

"The country cannot wait for the funds," says Manuel de la Rocha, the official entrusted by Prime minister Pedro Sánchez to keep track of the resources. "We have a very difficult economic situation, with an 11 per cent fall in GDP last year, and we need to inject funds into the economy right now . . . and accelerate the absorption of these

But critics of Sánchez's Socialist-led government demand more transparency over how the funds will be allocated, as they voice concerns about the power the prime minister will wield

The anti-bottleneck legislation, which set out the government structures responsible for co-ordinating the funds, was opposed by the main opposition People's party, the centrist Ciudadanos grouping and Catalan nationalist MPs only passing because of the abstention of the hard-right Vox party. Pablo Casado, the PP leader, argued it would give the prime minister "a free bar" and lead to clientelism" that ends in corruption.

The government has rejected opposi-tion calls for an independent agency to administer the funds, arguing that set-ting up such an institution would waste valuable time and that it would be over-whelmed by the task.

"The government has shown it is willing [to carry out reforms], but governance is a huge issue, with political fragmentation and the rise of populism across southern Europe," warns Toni Roldán, director of the centre for eco-nomic policy at Esade business school in Madrid. "I fear that with this windfall of money, there will not be substantial reforms. And the commission has little room for manoeuvre, since they would be terrified of assuming the political cost [of halting payments of funds].

Similar concerns swirl around Italy, which is acknowledged among EU officials and diplomats to be behind Spain when it comes to drawing up its recovery plan before an April 30 target date. Business leaders warn that the existing draft plan, which set out priorities including digitalisation, energy transi tion, health and education, lacks crucial detail on governance and procedure.

The commission also faces a hugely difficult task as it prepares to police the countries' plans. Withholding recovery fund money if countries fail to hit their reform and spending deadlines and targets would trigger political uproar. Yet Brussels cannot afford to preside over a project that becomes tainted by squandered billions, abandoned projects and lost opportunities for economy-boost-

Bussink, who has profited by finding ways to navigate Italy's administrative barriers, stands to lose out if Draghi is successful in overhauling Italy's economy as part of its recovery plan. But he is not overly concerned.

"If shipping got super-efficient here it would hurt me for sure," he says. "That still wouldn't take away the bureaucracy. That is the most painful thing, and the hardest thing to resolve."

about these reform programmes," says $\,$ Italy and Spain struggle to spend

Jobless rates are high among young and southern Italians Unemployment rates (%)





FINANCIAL TIMES

Without fear and without favour

WEDNESDAY 10 FEBRUARY 2021

Foreign investors face a dilemma in Myanmar

Cutting ties risks pushing the country further into China's embrace

Big business has always been uncomfortable when trying to find a way to deal with authoritarian regimes. Chief executives, just like politicians, grapple with the same basic dilemma whether to engage or withdraw. It is a question facing companies, many Japanese, active in Myanmar following last week's military coup. While the wave of optimism that accompanied the initial overthrow of the junta in 2011 abated following violence against the Muslim Rohingya minority, democratic progress had still been encouraging.

Cutting off foreign investment now would do little to preserve that progress. Instead, it would risk pushing the country further towards Beijing and allow authoritarianism to embed itself deeper.

Many businesses — worried about the reputational damage and the insta-bility brought on by the coup — may soon leave but there is no ethical imperative unless they are in business with the military. Myanmar is already among Asia's poorest countries, and $exiting \ an \ ethical, normal \ business \ will$ only compound the damage done from the turmoil that accompanies the coup.
Companies that do leave will have to

write off investments built up over the past few years that are, often, only now beginning to pay off. Foreign invest-ment in the country peaked around 2015, according to official statistics, at \$9.5bn — roughly 10 times the amount in 2009 before the democratic transition began. Most of this has come from elsewhere in Asia; Japan, in particular, is a big investor in the country, with companies including Toyota and Mitsubishi operating in Myanmar.

There are broader questions at stake too, about the economic relations between democratic and authoritarian $\,$ regimes. Many countries are wrestling with this problem. The British parliament has debated whether to amend its trade law to take into account how to deal with countries accused of committing genocide, with an eye to China's behaviour towards its Uighur minority The EU, meanwhile, is touting the potential for improving China's record on labour rights through its investment deal. Engagement brings the possibility of empowering alternative voices and centres of power, but it can also be seen as tacitly endorsing repression.

In this case, a retreat will mean

Myanmar's government simply looks elsewhere for investment. The region is critical to Beijing's geostrategic goals —
many refer to Myanmar as China's
"west coast" — by providing access
through ports and pipelines to the
Indian Ocean. This reduces China's dependence on the critical trade route through the Strait of Malacca between Malaysia and Indonesia

Sanctions should therefore be directed towards individuals, similar to those introduced against Russia by the Magnitsky Act in 2012, rather than the blanket sanctions that the US placed on Iran, cutting the country off from western markets and emboldening hardliners. One exception, how ever, should be companies directly tied to the military regime, especially the two main business groups Myanmar Economic Holdings Public Company and Myanmar Economic Corporation. In 2019, a UN fact-finding group called for member states to boycott these companies. Japanese brewer Kirin finally ended its joint venture with

MEHL after this year's coup. Tens of thousands of people have taken to Myanmar's streets to protest and urge a return to democracy. They deserve support from western govern-ments whose leaders should make clear the cost to the generals from any attempt to crush the opposition. Sanctions are called for but they must be the right ones that help Myanmar's people.

Britain wakes up to the power of border controls

The tough new regime stands and falls by quality of policing

Britain has always boasted of the merits of its open economy. Global Britain was the catchphrase of those who cam-paigned for the UK's departure from the EU and who saw the country as a champion of free trade once freed from the strictures of Brussels. So when it came to managing the pandemic, the government's attitude to border controls was always a potential Achilles heel. Last spring, as successive governments began to introduce travel restrictions, such as routine testing or quarantining, Britain's borders remained stubbornly open. The failure to act was baffling and has proven foolish in hindsight. Ministers have been playing catch-up ever since.

The rapid spread of new variants of coronavirus has now galvanised ministers to act. Under a scheme due to take effect next week, people coming into the UK will have to take Covid-19 tests soon after entry for the first time. All arrivals will have to be tested on the second and eighth days after arrival, in addition to producing a negative test result before departure. Other changes include a 10-day government-mandated quarantine for any travellers to England from a "red" list of 33 countries. Foreigners are already banned from coming into the UK from those countries. British residents, however, will be allowed to return home from them if they take part in the supervised hotel quarantine. Anyone refusing to go to a quarantine-designated hotel faces fines of up to £10,000. In addition, anyone who tries to conceal they were in a country on the red list in the 10 days before arrival in the UK faces a prison sentence of up to 10 years.

As a tightening of the current regime – under which most people arriving must merely self-isolate in a private home without any post-flight tests the changes are welcome. The govern-ment's light-touch quarantine system has proven too easy to undermine. Although the police were able to levy fines for breaking quarantine require-ments, the system has largely relied on the willingness of travellers to register their contact details and to follow the rules unmonitored. The strategy of quarantine hotels has already proven successful in other countries including Singapore and New Zealand. Similarly, the introduction of double-testing is scientifically sound. Modelling for Pub-lic Health England last June already gested that "double-testing", with a second check taken after eight or even five days, would capture the great majority of pre-arrival infections.

However draconian the threatened prison sentences or fines, implementa-tion and policing will be critical if the rules are to have any success. The 10-year prison term, while eye-catching, is perhaps more a tacit admission of the systemic weakness in any regime. Nor does it bode well that, with just days to go before the quarantine system comes into force, the government has struck deals with only 16 hotels to provide just 4,600 rooms — a fraction of the estimated 28,000 that will be needed over the first month of the scheme. Some hotel operators have declined to sign up given the government's refusal to block-book entire venues. While public health must come first, ministers cannot ignore the impact on the travel industry from the new approach. A clear exit strategy is vital.

Clear and consistent rules, combined with efficient monitoring, are measures that should have been put in place months ago. But it is to be welcomed that the government is finally getting to grips with Britain's borders. The success of the rollout of the vaccine programme is likely to have emboldened ministers to act. The hope must be that the new regime heralds the start of more effective government.

Letters

Corrections: corrections@ft.com If you are not satisfied with the FT's response to your complaint, you can appeal

Tax reform will require cross-party backing

In his opinion piece (February 8) Martin Wolf makes some excellent proposals for reform of the UK tax system. One missing element regards the rate at which taxes will be levied. It seems to be assumed that there will continue to be a flat tax on corporate income as well as on personal income above some not-very-high tax threshold: a billionaire pays the same rate as, say, a doctor.

This was not always so. The last time that the whole nation had to bind together to pay off debt and build infrastructure, in the years after the second world war, it was considered

fair that the rich should pay a much higher rate than the middle classes in some cases above 80 per cent of their income. This was thought to provide some concept of equality of sacrifice — the "broadest shoulders

bear the greatest burden".

It would be technically easy to devise a formula under which, say, those on incomes above £500,000 pay 60 per cent, above £10m 70 per cent, above £50m 80 per cent and above £250m 95 per cent. Analogous change would need to be made to taxes on dividend payments, and other incomes, to preserve neutrality

between them and prevent arbitrage.

With tax increases in prospect, even if not immediately, such an approach would dampen or eliminate the increased burden that will otherwise fall on the overwhelming majority of taxpayers. When Churchill was prime minister we had a tax structure equivalent to this. One would hope that today such a proposal could win bipartisan support, even if there is argument about the gradient of the tax incline and maybe the endpoint Charles Enoch

St Antony's College University of Oxford, Oxford, UK

Regulators need to end illusion of 'free banking'

The "free if in credit" pricing model for personal current accounts, adopted by major banks in the 1980s, is fundamentally flawed (FT Money, FT Weekend, January 30). It may just have made some sense when interest rates were high enough for banks to enjoy the endowment effect of lending money out at interest where the funds were sourced from interest-free current account balances. This profit could then cross-subsidise the operating costs of servicing these accounts.

However, this logic was undermined from the start by the fact that the major banks never extended free current accounts to their business banking customers.

Andrew Bailey, now the governor of the Bank of England and quoted in Nicholas Megaw's article, was so right when he said that maintaining the illusion that banking could be free encouraged product mis-selling.

Surely no one would expect their electricity company to supply free electricity, while relying on profits from activities such as insurance sales. service contracts and penalties for late payment to cross-subsidise the cost of providing the core product. Why do we expect the banks to behave this way, except for the fact that personal customers have become addicted to not paying for the core services of payment processing, cash handling and keeping money safe.

The "free" banking model is inefficient, because customers have no price incentive to operate their accounts economically. For example, they can make numerous small cash withdrawals regardless of the processing cost. Worse, the ways that the banks have sought to recoup costs have caused suffering to numerous customers facing punitive interest and charges for becoming overdrawn. The staggering costs of mis-selling disasters of which PPI is but the largest, have adversely affected the pension savings of thousands by their impact on bank valuations, dividends and share prices.

The banks all charge the same price (ie nil) for core current account services. This means there is in practice no price competition.

Indeed there is very little real competition of any kind for what is a utility service. Does this not open the door for the regulators to step in and administer some strong medicine to help solve the problem once and for

Adrian Lloyd Solihull, West Midlands, UK



Brazil's soyabean farmers can be heroes, not villains

There is one take-home message from the letters the FT has published about the threats to Brazil's Cerrado savannah, the most recent of which being "Soy moratorium is no way to save Brazil's Cerrado" (January 18). It is that farmers alone have the authority to make decisions about their property.

Retailers accuse the soyabean industry and vice versa. Meanwhile, it has become clear that one cannot expect Brazil's government to take action on conservation. We therefore argue that the most efficient way to protect the Cerrado's biodiversity is to create an incentive for farmers willingly to protect nature.

So how to do it? At the Black Jaguar Foundation, a Dutch-Brazilian non-government organisation, we actively reach out to farmers, partner with them and teach them about how to benefit from nature preservation. Interested farmers are invited to join a reforestation programme. All expenses and technical support are covered by our organisation.

Additionally, farmers receive guidance on how to develop agroforestry and sustainable timber systems on the reclaimed land. The strict ecological legislation thus would no longer be a burden but an opportunity. As André Nassar, executive president

of Abiove, the soy traders' industry association, suggested in his letter this method creates partnerships that work. Farmers, now seen as the villains of this story, could be the heroes if we all work together.

Marjolein Mooij Wageningen, The Netherlands

America's Republicans find tables have turned

Your well reasoned leader "US Senate must convict former president Trump" (FT View, February 9) has just about as much chance of happening as the UK parliament had of holding prime minister Tony Blair to account for "misleading" the UK into participating in the invasion of Iraq in 2003.

Your characterisation of what nappened in last month's storming of the US Capitol — that Trump "raised" a mob — is overstated.

Trump only used the mob which the Republican party has spent decades bringing into being. Through a deliberate series of lies about everything from climate change to Barack Obama's birthplace, the embers of anger only needed to be fanned into

Elected Republicans are not in fact choosing "unity" so much as they are seeking individual political survival. Having spent decades filling the minds of their supporters with vile rubbish, elected Republicans now find that it is the mob which controls them rather than the other way around. Guy Wroble

Victorian-era case shapes

insurance for company directors soars", February 8) reports that the UK Treasury is negotiating with insurers over the increased costs of serving as a director following the proposed new

directors is necessary but not sufficient. Most directors' and officers' liability insurance policies do not cover the personal liability of directors, merely their costs as long as they have behaved within the law. It is easier to say that all directors have unlimited personal liability.

years of governments failing to address the flawed "Salomon vs Salomon" judgment of 1896 which established that a company is essentially regarded as a legal person separate from its directors. This should have resolved the issue of directors' personal liability and "the overseeing mind". It did not. Unless the talks address this, we may well limp on for another 125 years. **Bob Garratt**

Director, Good Governance Development Honorary Visiting Professor, City Business

open flames by Trump.

talks on insuring directors

Your front page story ("Cost of liability corporate governance legislation.

Once again government is missing the major point. Liability insurance for The bigger issue is the tragedy of 125

School, University of London London EC1, UK

for rule of law" (Report, February 1) unfortunately illustrates an incomplete picture of Hong Kong. Notwithstanding the violence in 2019, statistics from one of the arbitral

Hong Kong from contracts over fears

Hong Kong's role as a hub for arbitration is growing The article "Businesses look at cutting

institutions in Hong Kong, the Hong Kong International Arbitration Centre (HKIAC), show that the number of arbitration cases handled in Hong Kong last year actually increased, with 318 new cases, the highest number

This is a clear endorsement of the city's reputation as an effective and neutral international legal hub. The total amount in dispute was close to \$9bn — the highest since 2011. The vast majority of cases have the "seat" of arbitration in Hong Kong.

From July to December 2020 - the six months following the introduction of the National Security Law - the HKIAC received 182 new cases, an increase of 39 per cent from the same period in 2019.

We are never complacent about our existing competitive edge. Of particular importance to international companies is Hong Kong's advantages in matters related to doing business in China. Under a game-changing arrangement signed in 2019, the HKIAC has received applications covering assets totalling \$1.9bn and to date mainland courts

have granted orders totalling \$1.5bn. Hong Kong is the only jurisdiction outside the Chinese mainland that can provide this service.

A specialist list of judges in the Hong Kong Court of First Instance deals with arbitration matters. Courts in Hong Kong have a long record of neutral decision-making that is strongly

supportive of the arbitration proces We continuously strive to meet market demands to ensure Hong Kong remains one of the world's leading international legal hubs for dealmaking and dispute resolution services.

Teresa Cheng Secretary for Justice, Hong Kong Special Administrative Region Hong Kong

An outsider's view of Japan gender culture

I read Leo Lewis's column on the "Tokyo Olympics chief's moment of national sexist shame" with particular interest (Opinion, February 8). In 2011, I was an exchange professor in a well-established university in Kyoto. While there, I found teaching undergraduate and graduate students one of the most rewarding experiences in a long career of university-level teaching.

The students, female and male, were eager to learn and participate in class discussions equally and enthusiastically. My main course was on gender and development.

The faculty was another story however. More than 95 per cent were male professors. They were always very cordial to me. But I soon learned that in conversations among academics I was just expected to listen.

And, indeed, since I did talk, I was identified as a woman who did not understand the Japanese gender culture well and in fact "talked too much". Sound familiar?

Vidyamali Samarasinghe Professor, School of International Service American University Washington, DC, US

Politics are no laughing matter for India's comedians

New Delhi Notebook

by Amy Kazmin



A young stand-up comic with an infectious grin, Munawar Faruqui has made a name for himself on India's comedy circuit in recent years by delivering sharp-edged satire with a boyish, unassuming stage presence.

Yet along with appreciative fans, the millennial Muslim comedian also caught the attention of Hindu zealots, who resent his casual references to Hindu deities, allusions to deadly anti-Muslim riots and barbs about leaders of the ruling Bharatiya Janata party.

In Prime Minister Narendra Modi's "New India", such irreverence can carry a heavy price. On New Year's Day in the prosperous city of Indore, Faruqui was beginning a show when Hindu vigilantes, led by the son of a BJP state legislator, disrupted the performance and hustled him off to a police station.

Faruqui, 30, and four other comics were arrested on charges of violating a British colonial-era law that makes it a criminal offence to "deliberately outrage the religious feelings of any

community". For the next 36 days, Faruqui sat in jail, his bail application thrice rejected by lower courts, with one judge declaring it is "the constitutional duty of every citizen to promote brotherhood and harmony".

He was finally freed late on Saturday night, more than 36 hours after India's Supreme Court ordered he be granted bail. But the ordeal of the young comic — whose family home was destroyed in Gujarat's 2002 communal riots - is far from over.

Faruqui now faces a protracted legal battle fighting criminal charges in both Madhya Pradesh and Uttar Pradesh, a state ruled by the radical Hindu cleric Yogi Adityanath, a BJP stalwart. His fellow comics remain in

Even if he is acquitted, Faruqui's travails send a chilling message to other comedians — especially those from India's Muslim minority planning to riff on India's contemporary politics or social life. They joke at their peril, as the ruling party and its zealous Hindu supporters are watching.

India's many sweeping colonial-era criminal statutes — which make it a crime to deliberately offend people's religious feelings or promote enmity between communities — give authorities plenty of legal tools to

apply pressure on critical voices. "Faruqui's case shouldn't be seen in isolation," says Akash Banerjee, a popular political satirist. "It is part of the gradual creeping control over any sort of dissent. Today, talking about religion is off the table. Tomorrow, criticising any politician will be off the table because in India, politicians are demigods."

Comics aren't the only ones feeling the heat. Police in five BJP-ruled states have filed criminal charges against a senior Indian executive from Amazon's video streaming services and a clutch of Bollywood film personalities over a scene in a new Amazon Prime mini-series, *Tandav*, in which students in a college play

portray Hindu gods discussing

Though the scene was deleted after an uproar, the Supreme Court rebuffed the filmmakers' plea for protection from arrest, saving their constitutional right to free speech did not extend to hurting people's religious feelings.

In court, actor Mohammed Zeeshan Ayyub, who played a student acting the part of Lord Shiva, argued he should not be punished for dialogue uttered while in character. But Judge MR Shah — who has praised Modi as India's "most popular, loved, vibrant and visionary leader" — disagreed, saying the actor had read the script before signing up for the role.

Journalists are also under fire, with three BJP-ruled states filing charges of sedition and instigation of violence against a clutch of prominent journalists and Congress party parliament member Shashi Tharoor $\begin{array}{l} \text{for tweets} - \text{whose accuracy was later} \\ \text{contested} - \text{about the death of a} \end{array}$ farmer in recent protests.

Taken together, the recent flurry of high-profile legal cases are a stark warning to Indian public figures, including in the media and the arts, about the potential price of sharp political critique.

"One has to be very careful in the times in which we live," says Banerjee.
"Everything can be misconstrued. The law book is open for anyone to

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Opinion

Romney is the model for a new Republican party



f nothing else, the trial of Donald Trump in the US Senate will afford teachers of game theory a case study for the age. It is in the collective interest of sensible Republicans in that chamber to convict the former president over last month's Capitol siege. It is in no individual senator's interest to taste the ensuing wrath of his fans. Republicans must either co-ordinate to pool their risk — they can't all be hounded - or let Trump off. He can

book his acquittal party now. The likeliest volunteer for the torment of going against Trump is Utah

senator Mitt Romney. No one who sought converts to Mormonism in 1960s France is unacquainted with thankless work. The most prominent latter-day saint in the US remains a glutton for it. Last February, Romney alone among Republican senators voted to remove Trump over his dealings with Ukraine. Of late, he has stressed the legitimacy of convicting a former president. Elliptically, he wants a "meaningful consequence" for the incitement of violence on January 6.

If there is a future for US conservatism beyond hot-tempered quackery, Romney points the way. What marks him out as an agent for change is that he does not stop at a moral stand against Trump. He also questions the small-government bias of a party that has let its economic views become articles of faith. His break with Republican convention is as doctrinal as it is moral. Coming nine years after a stringently free-market (and

duly failed) run for the White House, his apostasy is eye-catching.

So far, its most concrete expression is the Family Security Act he proposed last week. Romney wants to condense a fog of tax credits and fiscal transfers into a single benefit for households with children. The left-leaning People's Policy Project, a think-tank, says it is more

Here is a conservative with hard cash for low-to-middle earners, not just cultural flattery

generous than President Joe Biden's plan. Bucking a policy trend since the 1990s, it is not conditional on a parent being in work. A rare consolation for the right is its removal of the so-called tax penalties against marriage.

It is not just liberals of a cosmopolitan sort who will chafe at the pro-natalism. Given what is known of the climate impact of each new life, strict environmentalists might too. Only a churl, though, would deny the progressive intent. Here is a Republican with hard cash for low-to-middle earners, not just cultural flattery. The more the party offers of the first, the less it need count on the second. More bread should lead to fewer circuses. There is a neat circularity to the process of Republican

reform.

If Americans take a jaundiced view of technocrats, it is not without historical cause. Herbert Hoover was a first-class administrator — in public and private realms — before his stint as the Depression's Marie Antoinette. Rational to a fault, the president from 1929 to 1933 seemed cloth-eared to the wails of a suffering people. A generation later, Robert McNamara infused the defence department with the same mix of technical mastery and dire judgment. This sublime quant, the first president of the Ford Motor Company from outside the Ford family, helped to botch the Viet-

In 2012, voters had Romney pegged as the heir to this grand tradition of competent fools. Plainly, the co-founder of Bain Capital, the vaunted salvager of the 2002 winter Olympics, would have run a tight ship. But perhaps too tight. No one who wrote off 47 per cent of the nation as wards of a soft-touch government was presidential fibre.

This is what gives drama and even poignancy to (the former missionary will have to excuse the phrase) his conversion. He is moving beyond his party's impoverished concept of "freedom" as something inversely proportional to one's annual tax liability.

Lots of anti-Trump conservatives stop short of that. Their dream is a

better-behaved frontman or woman for roughly the same ideas that left the party so ripe for populist capture in 2016.

A veteran of private equity, Romney is not going to make the Grand Old Party his last corporate turnround job. Too many of his colleagues are incorrigible, as Trump's near-certain acquittal implies. Despite that ageless sheen, at 73 the senator is also likely to be too old.

What he might achieve is to serve as the model for whoever does one day redeem the party. For a Republican, denouncing Trump is brave, in the all too physical sense. But it is also howlingly obvious.

It is the design of a new, more rounded conservatism that requires difficult thought. Romney is doing some of both. It is one of the better second acts in American lives

We must vaccinate the world – now

Martin Wolf Economics

The cost of jabs for all would be a rounding error; it is also the only way to end the pandemic for good



ering from the depths of the Covid-19 crisis. But that crisis will not depart for good until the pandemic is under control. Since the virus knows no fron-tiers, it cannot be under control anywhere unless it is under control everywhere. The alternative is for us to remain inside national prisons indefinitely. Alas, that is what we risk if leaders do not raise their gaze from their own countries.

In its January World Economic Outlook Update, the IMF projected global economic growth at 5.5 per cent this year and 4.2 per cent in 2022. Moreover, its "2021 forecast is revised up 0.3 percentage point relative to the previous forecast". The global contraction in 2020 is also now thought to have been 0.9 percentage points less than previously expected. Still, it was the worst recession since the second world war and had especially devastating effects on women, the young, the poor, people employed informally and those working in contact-intensive sectors.

Losses relative to pre-pandemic expectations are large and likely to prove permanent. They will turn out to be a form of "long economic Covid". As the World Bank's Global Economic Prospects report notes, this is partly due to the damage done to investment and human capital. It is also due to the combination of pre-existing economic weaknesses with increased fragilities. especially the big jump in debt. One of

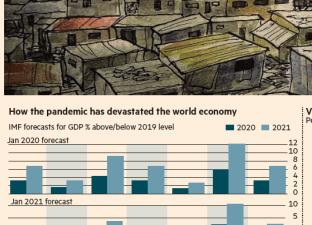
the report's chapters is entitled, "Heading into a Decade of Disappointment". That is plausible and disturbing.

A precondition for limiting long-term economic and social damage is bringing the virus under control. Only then can we hope to return to normal life. Indeed, no event since the second world war has better demonstrated the limits of national autonomy. A recent paper pub lished by the National Bureau of Eco-nomic Research argues that "up to 49 per cent of the global economic costs of the pandemic in 2021" will be borne by advanced economies even if they achieve universal vaccination at home. This is due to the networks of produc tion and trade that bind countries together. No economy is an island.

As Tedros Adhanom Ghebrevesus director-general of the World Health Organization, has argued, "vaccine nationalism harms everyone and protects no one". Moreover, the costs of an inward-looking policy of "health in one country" are not just narrowly eco-nomic. It also implies long-term limits on cross-border travel for all purposes.

More important still, it increases epi-demiological risk. The more widespread the virus, the greater is the likelihood of harmful mutations. Already, the arrival of such mutations suggests the need for a long-term effort to adapt the vaccines, quite apart from developing better treatments. Covid-19, it is increasingly clear, will be a long haul.

It must also be a global haul. Yet a cursory glance at global vaccination



Eurozone China India

rates shows there is instead a race to vaccinate local populations, with wealthy countries well in the lead. anywhere. Among large rich countries, the UK is currently ahead, with 19.2 doses administered per 100 residents. The global figure is just 1.7 doses.

This outcome may have been inevitable given political pressures — even though, as many argue, it would be better to vaccinate the vulnerable and the most significant workers (such as teachers) everywhere, before moving

Advanced

World

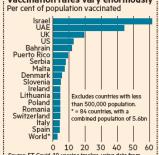
The bulk of the necessary inoculations will now appen in 2022 and 2023 That is far too late

on to the less vulnerable and significant

Yet what was not inevitable was the gross underfunding of the effort to produce and distribute vaccines for the world.

As things stand, Covax — the effort to make and distribute vaccines globally— hopes to deliver 2.3bn doses this year. But even that would cover only about a fifth of its target population, far too few to achieve herd immunity. Planned supplies are also heavily backloaded this year. The bulk of the necessary vaccinations will now happen in 2022 and 2023. That is far too late. Indeed, already by next year, it may be vital to revaccinate early recipients with modified vaccines.

Money is a crucial issue. At the end of last year, the Covax Advance Market Commitment, which buys doses in



2021 vaccine programme is just a first step for developing countries Available Covid vaccine (cumulative, million doses) 1.500 1.000 Apr Jun Aug Mar May Jul S 2021 ce: Covax Global Supply Forecast (CEPI, Gavi, WHO)

advance for poor countries, had \$2.4bn. With promises made since then, it needs another \$2bn to pay for doses due just this year. The total vaccination effort will probably cost \$35bn and more with the likely need for regular revaccina-tion. It will cost still more if an effort is made to accelerate vaccine production and distribution this year. Moreover, the ACT (Access to COVID-19 Tools) Accel- $\begin{array}{ll} {\rm erator-of\ which\ Covax\ is\ a\ part,\ but} \\ {\rm which\ also\ includes\ treatment\ and\ test-} \end{array}$ ing - has a \$27.2bn funding gap today and will need more again in future.

According to the IMF, advanced economies have already announced \$5.6tn in extra fiscal spending in response to Covid-19. And that is only a part of the total fiscal cost. The money needed today by the ACT Accelerator is just 0.5 per cent of this sum. Even if the money

needed to accelerate vaccine production and distribution for global use were term compared with the pandemic's fis-cal costs, let alone the huge health and

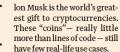
other costs it has imposed. Scientists have achieved miracles with the vaccines. Now the world's lead-ers have just to show elementary common sense. They must do "whatever it takes" to finance accelerated production and distribution of vaccines — and, if necessary, reformulated vaccines -

This is the only way for us to regain any sort of normality. Nothing should be allowed to get in the way. This is a global war and our species is not yet winning. That has to change, from tomorrow.

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Musk's effect on cryptocurrencies reveals an irrational world

Katie Martin



have few real-life use cases. They are handy for laundering money and buying drugs on the internet, and are beloved by the hardcore libertarian and paranoid among us who long to be free from investor protections. But they are only slowly creeping into everyday transactions.

They pay no dividends and give no shareholder rights. They are plagued with scams and spark alarm among environmentalists for the huge amounts of computing power that is used up

Their volatile value is also only as much as the next person is prepared to pay for them.

But when that next person is Tesla founder Musk, a billionaire idolised by countless amateur traders, that amount can turn out to be quite high.

In recent weeks, Musk has appeared to focus his attention on dogecoin - a cryptocurrency branded with jaunty images of a Shiba Inu dog and that was established in 2013, very deliberately, as a joke.

With his help, including a February 4 tweet describing dogecoin as "the people's crypto" and a February 6 Twitter poll asking whether dogecoin is "the future currency of Earth", he managed to propel the value of the Dogecoin "market", for want of a better term, to more than \$10bn, a record

high. It is currently up about 900 per

cent since late January.

Now it turns out that while Musk was drawing a crowd with his bizarre comments and images boosting a "currency" that, to reiterate, is a joke, it would have been worth paying more attention to another of his tweets.

The volatile value of these 'coins' is only as much as the next person is prepared to pay for them

On December 20, Musk broadcasted a cartoon image of a monk, hands clasped in prayer, tagged as "me trying to live a

more normal productive life".

To his side was the suggestive image of a beautiful young woman, skirts hitched to her waist and no obvious signs of underwear. The word bitcoin was plastered over her nether regions.

This is not the sort of material that

professional analysts and investors in Tesla may be accustomed to tracking. But it came just weeks before the company on Monday revealed it had spent \$1.5bn on bitcoin, following a change in its investment policy last month. The company also plans to start

accepting bitcoin for payments. The news sent the price of bitcoin shooting 14 per cent higher to a new

record of more than \$44,000. What to make of all this, aside from the fact that Musk has no taste filter on his tweets?

The constructive view, perhaps, is that Tesla's apparent intention to accept payments in bitcoin could prove to be a key moment in the cryptocurrency's evolution towards a standard method

of payment.
That may be so, although right now,

while it is still not unusual for the price of bitcoin to fluctuate by 10 per cent or more a day, it remains hard to imagine.

The wearier view is that this is just the sort of silliness we need to get used to at this stage of the longest market bull run in history.

No one is forced to buy bitcoin, or

dogecoin for that matter. Some fans have reaped life-changing rewards from their faith in the crypto gods, and good luck to them.

But the pitfalls are well known enough that buyers know the risks. Regulators in the UK and elsewhere frequently remind purchasers that they must be prepared to lose all of their money.

Professional fund managers keep a close, if often reluctant, eye on this market, just as they were jolted into paying attention to last month's rocket-like rally in the shares of GameStop, a

stumbling US video games retailer. That is because wildly speculative behaviour by amateur investors is usually a good sign that benign market conditions are close to expiring. Global stocks have climbed 77 per

cent since the shortlived slump when coronavirus first struck markets a year ago. Everyone is on high alert for a pullback. But few predict an imminent

Some feel that markets are incapable of crashing while the fiscal and monetary support is so plentiful. The vast amounts of money poured into the financial system by central banks and governments has to come out somewhere. This is one of those places.

And just as markets can remain irrational longer than you can remain solvent, amateur investors are demonstrating that their wild speculation can be wilder, and potentially longer lasting, than anything we have seen before.

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Ocado: packer cracker

Suspending disbelief has paid off for Ocado investors. The UK online retailer's vertigo-inducing share price has more than doubled over the past year — not bad when you consider Ocado was unable to meet demand for its UK delivery service or announce any new corporate customers for its automated warehouse businesses.

Nor has Ocado turned a profit yet. Full-year results, announced yesterday, showed a pre-tax loss of £44m. That compared with a £214.5m loss in 2019.

Profits rose sharply in the retail business, run as a joint venture with Marks and Spencer. But that was not enough to offset growing losses in the international business selling automated warehouses. The shares fell 3 per cent on news that capital expenditure would rise even more, to £700m, this year.

This is likely to be the last year of increasing losses in the international technology business. As its automated warehouses are built, accounting rules will allow Ocado to start recognising about £256m of fees that are due.

In the UK business, three new warehouses will come on stream this year, increasing capacity by 40 per cent. That will come as margins fall in the retail business. After the pandemic, basket sizes will shrink and marketing costs will rise.

The retail business is an important test bed. But it accounts for less than a tenth of Ocado's market value. For shareholders, attention is focused on the future of warehouse technology.

There is plenty of room to grow. The grocery markets in countries where there is potential for automated warehouses are worth £2.8tn, of which Ocado's current partners have 7.5 per cent. The group's sales effort has been hampered by Covid-19 restrictions, which prevented customers from viewing its facilities. More competition is emerging, including US group Takeoff working with grocers Ahold Delhaize and Tesco. Investors would like to see more contracts signed.

The more the grocery market goes online, the better Ocado's prospects. We can only guess at how much of the pandemic-induced shift will prove permanent. Ocado's own estimate of its future fee opportunity — anything

between £3.5bn and £26bn underlines the uncertainties. Anyone investing at this price needs to believe two things. First, that Ocado has great technology. Second, that the grocery market has changed for good.

Total: brand on the run

Big groups rebrand themselves in response to a reputational disaster, boringness or a merger. The credibility crisis facing Total faces all producers of planet-damaging hydrocarbons. Hence a name — TotalEnergies — pointing to its shift to renewables.

Tedium is rather to Total's advantage. Investors see it as a relatively safe bet in a disrupted sector, providing steady oil volume growth even as it pivots. The share price outruns sector rivals. That, along with implicit state protection, should keep predators away for a while. But consolidation of the sector will change the game for everyone eventually.

Total's new moniker arrived with its quarterly results yesterday. After an oil crash, post-tax profits fell two-thirds to \$903m in the period. Including earlier asset impairments, the full year brought a loss of more than \$7bn.

Total shares trade at a 10 to 15 per cent premium to Shell, BP and Eni on an enterprise value to ebitda basis, largely the result of an indicated dividend yield of more than 7 per cent, double Shell's, Boss Patrick Pouvanné's commitment to the payout has been unwavering. He must hope his injection of renewable projects will help maintain the premium, as oil and gas endure a slow run-off. Gross renewable energy capacity rose 2.4 times last year, though how much it earned we do not know.

Total has done enough to remain independent for a while. If the rebranding works, it will help. Such exercises do not always endure convincingly; think of BP's Helios logo

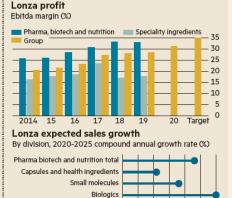
Energy transition means the hydrocarbons sector will be unrecognisable a decade from now. Gossip about a combination of Exxon and Chevron may have been premature. Defensive mergers are likely to spread from US shale to the multinational majors. Groups may equally sell high-carbon divisions to

Lonza: Alpine ambitions

Shares in drug manufacturers with contracts to make coronavirus vaccines are trading at records Switzerland's Lonza is selling off its lower-margin, non-core chemicals divisions to focus on healthcare, where revenues are expected to rise rapidly.

Contract drug manufacturers Share prices (rebased) Lonza Catalent





Cell & gene therapy and bioscience

While vaccine pioneers scale the peaks of medical science to halt the andemic, it is contract drugmakers

that support the expedition. Desiring a sharper focus on its role in healthcare, Switzerland's Lonza is disposing of its speciality ingredients business. Private equity groups Bain and Cinven said yesterday they will buy the unit for SFr4.2bn (\$4.7bn).

Names such as Moderna have grabbed headlines with vaccine discoveries but Lonza will have the job of mass manufacturing. It has responsibility for four of Moderna's five vaccine production lines that will produce 500m doses annually. Links to solving the pandemic has excited investors. The Swiss group's shares have only recently slipped back from

all-time peaks. Last year's rally has led to the group's pricey valuation. Its enterprise value is 25 times expected ebitda, up by half from recent years. Then again, valuations for peers Sartorius and Celltrion trade at close to 40 times expected ebitda.

What may have dragged back the multiple is its stolid speciality chemicals unit. Lonza perhaps thought it could make better use of the capital employed, which UBS estimates to be worth no less than SFr3.5bn.

Lonza's speciality ingredients unit should be a good fit for private equity. Its business lines, cleaning and disinfecting chemicals, have suffered competitive pressure yet should provide steady cash flow in a world obsessed with cleanliness. Bain and

Cinven will pay 13 times ebitda. That is a decent price, if only half Lonza's current multiple. The division's profit has not budged for many years. A similar business, Schülke, was sold by Air Liquide for 12 times last spring. While the connection with

Moderna's vaccine seems exciting, actual proceeds from the contracts will only provide a small percentage of revenues. Lonza needs to reinvest these proceeds into more promising areas such as cell and gene therapies. Revenues for what remains of

Lonza should expand at a near 10 per cent compound annual growth rate to 2025, consensus estimates show. This deal looks good business for

Lonza. Recycling the capital into high return areas is the next mountain.

bottom-fishing private owners or part-float renewable units. No rebranding lasts forever in a fast-changing sector.

Honda/Nissan: exhaust manifold

Unexpectedly, Honda and Nissan have both reported positive operating profits for the fourth quarter. Demand for cars jumped because consumers are shunning public transport amid the pandemic. Unfortunately, the relief this as given Japanese auto groups will not last, not least due to a global shortage of semiconductors.

A closer look at the numbers shows a lasting revival in earnings is not on the cards. In the nine months to December,

Nissan posted a net loss of ¥367bn (\$3.5bn) on a 29 per cent decline in sales. At Honda, the previously resilient motorcycle division has started running out of gas with sales slipping in the last quarter.

Shares in the pair have been lifted by the broader rally that has pushed Japan's Nikkei 225 Average to a three decade high. Nissan's stock has doubled from a March low. Its enterprise value to forward ebitda of 46 times is far higher than that of

global peers such as Volkswagen. Yet the outlook is much bleaker for Honda and Nissan than for European rivals. They have lagged behind in the shift to electric vehicles. That means higher costs in coming years as the duo restructure. Honda already faces growing competition from electric

scooter makers, including Chinese manufacturer Niu, whose sales rose 43 per cent last year. A global semiconductor shortage has cut Honda's sales outlook by 100,000 cars in the current quarter. Nissan faces worrying financial hurdles. Its debt pile of more than ¥8.2tn is growing and has pushed its debt-to-equity ratio above

200 per cent. The real challenge lies in the coming quarters. Automakers have been keeping production lines going thanks to stockpiles of chips. Prices to source these scarce components will rise, adding pressure to margins. Nissan runs a negative nine-month operating margin of 2.5 per cent, something it avoided even during the worst of its management scandals. Ominously, there is not much of a buffer left.

Coty/Estée Lauder: the line on beauty

The business of selling lipstick and skin creams has turned ugly. Working from home has prompted many people to abandon their usual beauty routines. The collapse in air travel has resulted in far fewer sales at airport duty-frees

Not all beauty groups are equally exposed. The latest quarterly results from Estée Lauder and Coty highlight the former's resilience and the latter's continued befuddlement.

Estée Lauder, whose brands include MAC and La Mer, delivered a nearly blemish-free quarter. Revenue rose 5 per cent to \$4.8bn during the last three months of 2020 amid a rebound in demand for premium skincare

products from China. Cost-cutting helped boost net earnings 56 per cent to \$877m. The stock — up 28 per cent in 2020 — hit a new high this week. The company has announced plans to resume its share buyback programme later this year.

The picture could not be more different at Coty, which has struggled since buying beauty brands from Procter & Gamble in 2016. An integration nightmare led to billions in writedowns. Coty ended up spinning out some brands in a deal with KKR last May. A turnround still has a long way to go.

Estée Lauder benefits from a strong portfolio of high-end skincare brands and a balanced geographical exposure. Coty remains dependent on mass market make-up brands like CoverGirl and Rimmel, which are mainly sold in drugstores. Its higher end offerings are mostly perfumes, which have suffered as people work remotely. Coty has less exposure to beauty-obsessed Asia. The result: sales at Coty slumped 16

per cent during the December quarter. The net loss ballooned to \$252.3m from \$22m a year ago. Coty shares, down 80 per cent from 2015 peaks, are among the cheapest in the sector at just 23 times forward earnings. Estée Lauder trades at 40 times. Coty's low valuation means there will be huge upside if new CEO Sue Y Nabi can turn the group round and recapture its youthful glow

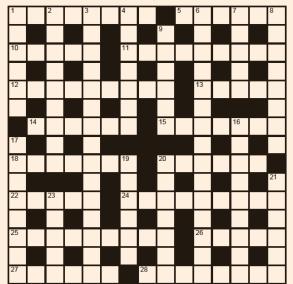


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ACROSS

1 Guided back, leading to conscious state (8)

5 Was a staff member on boat sounding

5 Was a staff member on boat sounding rough? (6)
10 Philosophical writer that's across the pond on fenland river (5)
11 Natural gold floor covering one put in retirement place reflected (9)
12 System of government from countryside spot is manageable (9)
13 Subtracting unspecified number from lower number (5)

lower number (5)

14 Underwear obtained from English

county, daughter being cold (6)

15 You're welcome to dine with son inside

at the moment (2,5)

18 Training in dance flats (7)

20 Throw about twelve inches underhand

(6)
22 John's crushed by French defeat (5)
24 European to become fit after playing squash maybe (9)
25 Leisure facility with maze and tennis

court at periphery (9)

26 Boss's address east of Kingston unoccupied (5)

27 Prison guard leaving out new mug (6) 28 Bill recalled documents about Encourse originating at school (4,4)

1 Roque found in British river in sixties

perhaps (6)

2 Heading away from home, listen to broadcast – hard rock (9) 3 Type of film mentioned wonderful horse

somewhere on the south-west coast (6-5-4) 4 One who doesn't dream about the

4 One who doesn't dream about the "greatest" highway (7)

6 Bottom golfer leans on family to get secret identity? (15)

7 Crone brains child (5)

8 Grace to make speech at the end of month (9)

month (8) 9 Part of plant's name rewritten beneath stone (6) 16 Pudding habit will be curbed by summer

in France? Famous last words (2,2,5)
17 Bring trouble on oneself when tackle inhibits pro (3,3,2)

19 Monster sale vast – gear all fifty percent

20 FBI agents occupying prescribed section

21 Guests of Her Majesty here receiving OBE primarily? They take a bow (6) 23 Mark's overwhelmed by love letter conveyed in aircraft? (5)

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