# FINANCIAL TIMES

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**Out of the frying pan** Venezuelans going 'home' to Lebanon think again — NOTEBOOK, PAGE 16

**Hidden investors** The vast pools of private capital in family offices — GILLIAN TETT, PAGE 17

**Low batteries** UK carmakers in race to boost electric lines — BIG READ, PAGE 15


## Media muzzled
### Myanmar acts to stifle protest

Police on guard in Yangon, Myanmar, yesterday ahead of protests against this week's coup in which the army seized power and declared a one-year state of emergency. Aung San Suu Kyi, the country's elected leader, and other senior officials were arrested on Monday.

Myanmar's junta has ordered all internet service providers to block access to Facebook, which serves as a primary channel for news and communication within the country.

The junta's move came as peaceful protests organised on social media were starting to gather force in large cities. Opponents of the coup were trading online memes praising protesters and taunting the generals.

**Full story** page 2

Reuters

# Nvidia's $40bn Arm purchase at risk from Europe antitrust probes

- UK and EU to launch investigations
- Rivals want deal blocked
- Worries over future neutrality

JAVIER ESPINOZA — BRUSSELS
KATE BEIOLEY — LONDON

The EU and the UK are set to open in-depth competition investigations into Nvidia's $40bn acquisition of the UK chip designer Arm, after rivals called for the deal to be blocked.

Officials and advisers in both Brussels and London said that serious scrutiny of the deal was warranted, given the growing importance of Arm's designs, which are used in almost all smartphone processors and many other devices that require low-power chips.

"This deal will be thoroughly investigated [ . . . ] and scrutiny may lead all the way to a prohibition," said one person with knowledge of the situation. Others said the deal could still pass unconditionally or with concessions.

The deal, announced last September, is also facing scrutiny in the US and China. Nvidia and SoftBank, Arm's current owner, set an 18-month timeframe for the sale to complete in anticipation that regulators would have questions.

The investigations are still at a preliminary stage. The UK Competition and Markets Authority has invited market players to submit their views and has pledged to open a formal probe in the coming months. Paperwork has yet to be formally filed in Brussels.

Arm's designs are widely used in the chip industry, and its biggest customers include Apple, Samsung, Qualcomm and Broadcom. Some companies that rely on Arm's technology fear that they would be disadvantaged if it fell under the control of Nvidia, their competitor.

Jensen Huang, Nvidia's chief executive, has rejected such concerns. In a letter to the Financial Times, he wrote: "I can unequivocally state that Nvidia will maintain Arm's open licensing model. We have no intention to 'throttle' or 'deny' Arm's supply to any customer."

Nevertheless, Nvidia's rivals have lobbied antitrust officials in the EU and UK to block the deal, according to several people familiar with the situation.

"The overarching worry is the loss of neutrality of Arm. At the moment the company is very neutral in its packages with its customers. But the worry is that in the medium and long term Nvidia will use Arm to disadvantage other companies and pump up its own technology," said one concerned rival.

Officials also fear that regulators will be powerless to force Arm to remain neutral in future.

"There is a good chance of the deal being blocked because there is no real way to preserve neutrality," said one person close to the situation. "There will be irresistible economic incentives for Nvidia to combine elements with Arm. Otherwise, why are they paying $40bn?"

Separately, the UK government is looking at whether the deal will have any implications for national security, after Oliver Dowden, the digital, culture, media and sport secretary, came under pressure to intervene.

Nvidia said: "This transaction is great for innovation and market competition. We're confident that the regulators will see the benefits to the tech ecosystem."

NVIDIA

Groups such as Qualcomm, Apple, Samsung and Broadcom rely on Arm technology and some worry about it falling under the control of Nvidia, a rival

## Briefing

- **Improved jobless figures bring US relief**
New US jobless claims dropped to their lowest level since November but held above 700,000, signifying the pandemic's lingering impact on the labour market.— PAGE 4

- **McKinsey to pay $574m in opioid claims**
The consultancy will have to pay almost $574m and has fired two partners in a settlement with US states that claimed its advice to pharma groups contributed to the opioid crisis.— PAGE 6; LEX, PAGE 18

- **BaFin gave selective Wirecard briefing**
Germany's financial watchdog gave the European Securities and Markets Authority selective and incomplete information when making its case for the ban on shorting shares in Wirecard.— PAGE 3

- **Inter Milan owner seeks cash injection**
Chinese retail group Suning Holdings is trying to raise $200m in emergency cash after the pandemic and heavy spending on players hit the football club's finances.— PAGE 8

- **IMF warns Arab leaders of 'lost decade'**
Middle East governments should tackle poverty by investing in green infrastructure and digitalisation to avoid a repeat of the 'lost decade' that followed the global financial crisis, the IMF has said.— PAGE 2

- **Investors shrug off US-China friction**
Despite geopolitical tension, the US and China still have deep investment ties, as can be seen from the interest in this week's listing of video platform Kuaishou, which is set to raise up to $6.3bn.— PAGE 4

- **Vaccine tensions test German coalition**
Growing anger over vaccine shortages has given the Social Democrats a chance to build their profile at the expense of Angela Merkel's Christian Democrats, the senior coalition partner.— PAGE 3

## Datawatch

**Cut off**

Economic cost of major internet shutdowns in 2020 ($bn)

India 2.8
Belarus 0.3
Yemen 0.2
Rest of the world 0.5
Myanmar 0.2

Source: Top10VPN.com

Indian authorities continued to restrict internet access more than any other country last year. Intentional internet blackouts and bandwidth restrictions set its economy back $2.8bn and affected more than 10m people.

# Hong Kong to warn 6-year-olds against 'subversion' in education crackdown

NICOLLE LIU AND PRIMROSE RIORDAN
HONG KONG

Hong Kong is to force teachers to warn students as young as six years old against "subversion" and to throw out library books considered dangerous to the Chinese state, with the imposition of a new national security curriculum.

The city's education bureau released the rules yesterday in response to pressure from pro-Beijing politicians and state media, who blamed teachers and the curriculum for the anti-government protests in 2019, in which thousands of students took part.

The department detailed specific measures for local schools, forcing teachers to warn primary and secondary students against "subversion" and "foreign interference", as outlined in the security law. Schools should stop students and teachers from participating in political activities and tell the police when necessary.

The bureau advised teachers and principals to closely inspect noticeboards in classrooms and to clear out library books that "endanger national security".

The new curriculum will also apply to international schools, with teachers expected to ensure students "acquire a correct and objective understanding" of principles in line with Beijing's national security law, introduced last year.

"As far as prevention and education are concerned, all schools (including primary schools, secondary schools and kindergartens) have a significant role to play," the bureau said.

Tin Fong-Chak, a vice-president of the Hong Kong Professional Teachers Union, said the guidelines were "extremely meticulous" and would control everything that happened in schools. "The government basically does not trust schools," Mr Tin said. "These measures will destroy the teacher-student relationship."

The education overhaul shows that China's crackdown on the former British colony has moved beyond jailing opposition leaders, to reforming Hong Kong society from the mainland.

The security law was in response to the pro-democracy protests, one of the biggest challenges to central authorities on Chinese soil in decades. Beijing's supporters believe that promoting patriotism in students will prevent future unrest. Schools are also expected to set up a working group and submit proposals and reports to the bureau on implementation of the changes from August.

### Silver Lake outplays rivals to win big in AMC flurry

AMC chiefs were no doubt relieved when shares in the beleaguered US cinema chain soared last week, but the real winner was private equity firm Silver Lake Partners, which outmanoeuvred rivals to pocket a $113m profit after selling shares in AMC it had recently swapped from convertible bonds. Its tactics highlight the financial engineering needed to prevail over Wall Street competitors in the battles over troubled companies.

**Analysis** ▸ PAGE 9

## World Markets

**STOCK MARKETS**

| | Feb 4 | prev | %chg |
|---|---|---|---|
| S&P 500 | 3856.47 | 3830.17 | 0.69 |
| Nasdaq Composite | 13702.76 | 13610.54 | 0.68 |
| Dow Jones Ind | 30980.03 | 30723.60 | 0.83 |
| FTSEurofirst 300 | 1576.65 | 1567.25 | 0.60 |
| Euro Stoxx 50 | 3640.20 | 3609.75 | 0.84 |
| FTSE 100 | 6503.72 | 6507.82 | -0.06 |
| FTSE All-Share | 3706.20 | 3706.36 | 0.00 |
| CAC 40 | 5608.54 | 5563.05 | 0.82 |
| Xetra Dax | 14060.29 | 13933.63 | 0.91 |
| Nikkei | 28341.95 | 28646.50 | -1.06 |
| Hang Seng | 29113.50 | 29307.46 | -0.66 |
| MSCI World $ | 2737.93 | 2731.95 | 0.22 |
| MSCI EM $ | 1392.64 | 1381.19 | 0.83 |
| MSCI ACWI $ | 662.97 | 660.97 | 0.30 |

**CURRENCIES**

| | Feb 4 | prev | | Feb 4 | prev |
|---|---|---|---|---|---|
| $ per € | 1.198 | 1.201 | £ per $ | 0.732 | 0.733 |
| $ per £ | 1.366 | 1.365 | € per £ | 1.140 | 1.136 |
| £ per € | 0.877 | 0.880 | ¥ per € | 126.277 | 126.221 |
| ¥ per $ | 105.420 | 105.075 | £ index | 79.737 | 79.604 |
| ¥ per £ | 143.971 | 143.375 | SFr per £ | 1.234 | 1.227 |
| SFr per € | 1.082 | 1.081 | | | |
| € per $ | 0.835 | 0.833 | | | |

**COMMODITIES**

| | Feb 4 | prev | %chg |
|---|---|---|---|
| Oil WTI $ | 56.06 | 55.69 | 0.66 |
| Oil Brent $ | 58.70 | 58.46 | 0.41 |
| Gold $ | 1835.45 | 1833.10 | 0.13 |

**INTEREST RATES**

| | price | yield | chg |
|---|---|---|---|
| US Gov 10 yr | 103.87 | 1.14 | 0.01 |
| UK Gov 10 yr | | 0.44 | 0.07 |
| Ger Gov 10 yr | | -0.46 | 0.01 |
| Jpn Gov 10 yr | 117.89 | 0.05 | 0.00 |
| US Gov 30 yr | 115.32 | 1.93 | 0.02 |
| Ger Gov 2 yr | 107.01 | -0.72 | -0.01 |

| | price | prev | chg |
|---|---|---|---|
| Fed Funds Eff | 0.09 | 0.09 | 0.00 |
| US 3m Bills | 0.04 | 0.07 | -0.03 |
| Euro Libor 3m | -0.56 | -0.55 | -0.01 |
| UK 3m | 0.04 | 0.04 | 0.00 |

Prices are latest for edition — Data provided by Morningstar

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INTERNATIONAL

Political crisis

# Myanmar blocks Facebook to curb dissent

Move comes as peaceful protests organised on social media start to spread

JOHN REED — BANGKOK
HANNAH MURPHY — SAN FRANCISCO

Myanmar's junta has ordered all internet service providers to block access to Facebook in the country to try to quash public opposition to this week's coup.

Human rights groups condemned the move as a blunt manoeuvre to shut down the flow of information in a country where the social media platform is used by millions as a primary portal for news, commerce and communication.

"We are aware that access to Facebook is currently disrupted for some people," the social media company said. "We urge authorities to restore connectivity so that people can communicate with their families and friends and access important information."

Norway's Telenor, which operates one of Myanmar's four main telecoms companies, said all mobile operators, international gateways and internet service providers had a directive from the transport and communications ministry to block Facebook until February 7.

Telenor said it had complied with the order but voiced "grave concerns regarding a breach of human rights".

However, not all internet providers appeared to have blocked the site, with some Facebook users saying they could still access the site yesterday morning.

According to Datareportal, a research consultancy, Myanmar had 21m Facebook users as of January 2020, most of whom accessed the site on their phones. The country has a population of 54m.

Facebook was accused by the UN of playing "a determining role" in stirring up hatred against Rohingya Muslims in 2017. The platform has acknowledged the failings and pledged to invest more in local content moderation.

> 'This is the military's desperate attempt to monopolise control over all information in the country'

The junta's directive also comes as social media companies face mounting pressure from other Asia governments, including Vietnam, to censor dissidents. India has warned Twitter to block content from some accounts related to a farmers' protest or risk legal penalties.

The junta's move came as peaceful protests organised on social media were starting to gather force in Yangon and other large cities. Opponents of the coup were trading online memes praising protesters and taunting the generals.

"This is the military's desperate attempt to monopolise control over all information in the country," said Allie Funk, at Freedom House, a New York watchdog. "They are limiting the possibility of getting information out . . . and limiting people's ability to protest."

The army arrested Aung San Suu Kyi, Myanmar's leader, and other senior officials on Monday, seized power and declared a one-year state of emergency. Just after the coup, phone and internet services were severed, but connections had mostly been restored by Tuesday.

Myanmar has shut off internet service for long periods since mid-2019, when Aung San Suu Kyi's civilian government was still in power, across much of the western Rakhine and Chin states, where the military has been fighting insurgencies against ethnic minorities.

"The authorities know they probably can't take the entire country offline, but they can . . . ensure people don't have access to the necessary networks to communicate or document human rights abuses," said Michael Caster, Asia Digital Programme Manager at Article 19, an anticensorship group.

Brazil

# Bolsonaro berated after Car Wash corruption unit axed

BRYAN HARRIS — RIO DE JANEIRO
MICHAEL POOLER — SAO PAULO

**Jair Bolsonaro, Brazil's president, faces a political backlash after the task force pursuing the *Lava Jato*, or Car Wash, corruption inquiry was disbanded.**

For almost seven years, prosecutors in the southern city of Curitiba investigated a contracts-for-kickbacks scheme that ensnared hundreds of prominent politicians and businessmen.

The inquiry, which extended around Latin America, resulted in almost 300 guilty verdicts and led to the jailing of Luiz Inácio Lula da Silva, former president. Michel Temer, another former president, was arrested and released but remains under investigation.

More than R$4bn ($738m) has been recovered for the public coffers, including those of the federal government and Petrobras, the state oil group.

But since the 2018 election of Mr Bolsonaro, who pledged to root out graft, the investigation has come under political pressure and many feared its days were numbered as early as the middle of last year. The termination of the task force was announced yesterday after several of its staff were seconded to another anti-organised crime unit.

Leading politicians lashed out at the rightwing president over the ending of the unit. "It is possible to discuss the extent of the Bolsonaro government's responsibility in relation to the more than 227,000 deaths by Covid, but in the case of Lava Jato's death, this fault is 100 per cent theirs," tweeted Alessandro Vieira, a senator of the centre-left Cidadania party.

"It is terrible that it ends as if all the work was complete," posted Paulo Ganime, leader of the centre-right Novo party in the lower house of Congress. "From now on, the task force must be formed by all of us, as the fight against corruption cannot stop."

Salim Mattar, a businessman who quit his post as privatisation secretary in the Bolsonaro administration last year, lamented the closure of an operation that had "wiped out the biggest corruption scheme in the world".

"Victory of the establishment, criminals and opportunists on duty. The losers are the #taxpayers who had their money stolen," he wrote on Twitter.

The development comes at a time of renewed concerns about corruption in Latin America's largest country. This week, Arthur Lira, a candidate backed by Mr Bolsonaro, was elected Speaker of the lower house even though he was investigated as part of Lava Jato.

Flávio Bolsonaro, a senator and a son of the president, was charged last year with embezzlement, money laundering and criminal association, which he denies.

Shortly after his office announced the end of Lava Jato, Augusto Aras, the attorney-general, played down its significance as merely a change of name.

Deltan Dallagnol, a federal prosecutor and former task force head, said there was "still a lot of work to do" and urged that the fight against corruption be properly resourced.

A branch of Lava Jato in São Paulo was wound down last year and another in Rio de Janeiro is due to finish in April.

*Additional reporting by Carolina Pulice*

Draghi premiership

# Italy crisis leaves Salvini with difficult decision

MILES JOHNSON AND DAVIDE GHIGLIONE
ROME

**Having been thrust into the heart of Italy's political crisis, Mario Draghi must attempt to forge a government of national unity or risk the country heading towards a snap election.**

To succeed, the former European Central Bank president must convince enough of the political parties to back him in a project that will shape Italy's recovery from the Covid-19 pandemic.

Doing so depends on winning the support of at least one of two parties that just three years ago formed a populist coalition hostile to Brussels and a eurozone that Mr Draghi pledged, years before, to do "whatever it takes" to save.

Both Matteo Salvini's anti-migrant League party and the formerly anti-euro Five Star Movement — which have been scathing in the recent past about the type of technocratic government Mr Draghi is trying to create — face a difficult choice that is likely to define their political futures, as well as that of Italy.

> 'For Salvini this could be a chance to stop being radioactive'
> Political risk consultant

Senior Five Star figures have already said their group, the largest in the Italian parliament, will not back Mr Draghi. Yet inside the party, deep splits are starting to show, with some lawmakers threatening to resign in order to support the attempt to form a new government.

Given the turmoil in Five Star, the decision taken by Mr Salvini will be critical to Mr Draghi's chances.

According to estimates conducted by YouTrend, an Italian polling company, without the support or at least abstention of the League, Mr Draghi will not be able to command the majority he will need to govern. If the League votes to back Mr Draghi, his new government would have at least 199 votes out of 315 in the Senate and 400 out of 630 in the lower house. Without the support or abstention of the League, the simulation suggests a Draghi majority would only be possible with the support of Five Star.

Mr Salvini has said he is open to supporting a unity government but prefers early elections. Many in his party, which has strong support among business owners in the country's industrialised north, favour backing Mr Draghi. The League leader's popularity in the polls has faded over the past year, weakening his personal authority.

"Salvini is struggling to hold the party together, especially outside parliament, because the presidents of the regions do not follow him, while the business world wants a Draghi government," said Gianluca Passarelli, professor of political science at Sapienza University in Rome.

"Salvini seems to be extending a hand towards Draghi of his own free will, but in reality he is forced to."

But if Mr Salvini signs up to the project, he risks leaving an opening to his emerging rival on the Italian right, Giorgia Meloni, whose Brothers of Italy party has surged in support. Ms Meloni has signalled that she would remain outside a unity government.

"This is a difficult moment for Salvini," said Daniele Albertazzi, a political scientist at the University of Birmingham in the UK. "There are many in his party that will be very supportive of someone like Draghi trying to kickstart the economy. It is very clear from polling data that Meloni is a big threat to Salvini, and she is taking most of her support from the League."

If Mr Salvini decides to back Mr Draghi, the League leader would have a chance to rebuild economic credibility for his party that was damaged by his attacks on "the Brussels bunker" and appearances with Marine Le Pen, the leader of France's far-right Rassemblement National.

"For Salvini this could be a chance to stop being radioactive," said Francesco Galietti of the political risk consultancy Policy Sonar.

For Five Star, which has been part of Italy's ruling coalition since its alliance with Mr Salvini in 2018, the decision may be even more painful.

"The air we breathe and the official line of the party is 'no to Draghi'," said one Five Star MP. "For us he represents the world of banks and powers against the activism which is at the roots of the party. However, there is already a visible crack in the movement and in the next few weeks anything can happen."

An anti-Hizbollah protester holds a picture of Lokman Slim during a demonstration in Beirut yesterday — Bilal Hussein/AP

Lebanon

# Hizbollah critic found shot dead

A prominent critic of the Lebanese militant group Hizbollah was found shot dead yesterday, raising fears among activists that his killing was a message to opponents of the ruling class.

Security officials confirmed the death of Lokman Slim, who in the past had complained of death threats, but said there were no suspects as yet. The 59-year- old's body was found in a car in majority Shia southern Lebanon, where Hizbollah is dominant.

The publisher and activist, who was born into a Shia Muslim family, was active in Lebanon's October 2019 mass protest movement that denounced all political parties — including Hizbollah, the powerful Shia paramilitary and political party.

Slim's killing "bodes very ill", said Sami Nader, director of the Levant Institute for Strategic Affairs, who saw Slim last week, describing it as "a message for the opponents in the Shia community".

Lebanon, for a brief period seen as a haven of relative stability in the febrile Middle East, has been hit by an economic crisis and political turmoil, compounded by the coronavirus pandemic. Yesterday marked six months since the Beirut port explosion that devastated the country's capital and reignited mass protests against the government.

Slim "is the perfect example of a pro-democracy activist", said Mr Nader, adding that he was well known for briefing foreign officials, prompting Hizbollah supporters to tar him with the pejorative slur "the Shia of the Embassies".

After news of Slim's killing broke, Jawad Nasrallah, son of Hizbollah's secretary-general Hassan Nasrallah, wrote in a tweet: "The loss of some is actually an unaccountable gain and kindness." He later deleted the tweet.

"The current regime is totally bankrupt," said Mr Nader, referring to the political parties, including Hizbollah, that collectively hold sway over Lebanon. "So now it's through violence that they can sustain [power]."

*Additional reporting by Asmaa al-Omar*

**See Notebook**

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Middle East

# IMF urges Arab leaders to take action or risk new 'lost decade'

HEBA SALEH — CAIRO
ANDREW ENGLAND — LONDON

**The IMF has warned that the Arab world risks another "lost decade" if governments fail to invest in technology and implement reforms to accelerate the recovery of economies that have been battered by the pandemic.**

Jihad Azour, director for the Middle East, said governments in the region dealing with diminishing resources, rising debt and rampant youth unemployment had to "learn from the past".

"After the global financial crisis, it took the countries of the region much longer than the average emerging economy to regain their previous level of growth," said the former Lebanese finance minister. "The risk now is that there are countries that will not be able to regain their 2019 level [of output] until 2022, and some who won't reach it for five years."

Even before coronavirus, poorer oil importers had failed to tackle high poverty rates and joblessness in the decade since social and economic grievances fuelled the Arab uprisings. The pandemic had made matters worse by closing the tourism industry vital for jobs and foreign currency earnings, and was damaging other sectors.

Thousands of Tunisians took to the streets last month in protests that echoed the 2011 revolution, venting frustration at a lack of jobs and prospects.

Mr Azour said: "To accelerate the recovery and avoid a lost decade, work should start now on high-quality investment in green infrastructure and digitalisation." The short-term priority should be to vaccinate against coronavirus and support fragile health systems.

Beyond that, governments needed to address debt burdens and stimulate growth by shifting public expenditure away from wasteful spending, such as subsidies, to health, education, technology and sectors that led to job creation and inclusive growth.

"When we say fiscal consolidation, it doesn't have to mean austerity," he said. "It can be done by revising the tax system and sharing the burden differently. It is about focusing the support of the state where it should go." Social spending was still below the level of competitors, "which tells you something — that you need to increase it in the right ways by spending on education and health and by giving it to those who need it".

Government debt levels across the region rose an average 5 per cent of gross domestic product for oil importers and 10-12 per cent for exporters last year. That presented the challenge of finding ways to balance support for economic recovery and debt sustainability given limited fiscal space.

The pandemic has hit oil importers and exporters who faced plunging crude prices. Middle East and North African economies contracted 3.8 per cent in 2020, according to the IMF.

Tunisian protesters pour on to the streets of the capital late last month

Tunisia, the only Arab state considered to have had a successful democratic transition after the uprisings, exemplifies many of the challenges of economic reform in the shadow of the health crisis. Its economy contracted 8.2 per cent in 2020, with poverty and unemployment rising. Youth unemployment rose to 36.5 per cent, according to an estimate by the International Labour Organization.

Tunisian officials have hinted that they are seeking an IMF loan but that would require difficult reforms to limit public sector pay, cut energy subsidies and tackle lossmaking state enterprises.

Analysts have pointed out that successive governments have balked at implementing those reforms and that new pressures brought by the virus would make the task more difficult.

Mr Azour said the IMF was "emphasising" the need for a "national dialogue in Tunisia around a social pact to define the country's priorities".

He accepted this was more difficult in a constrained environment but insisted "the best way is to talk to people to create a national pact, then you share the responsibility and the decision".

INTERNATIONAL

Grand coalition. Pandemic response

# Vaccine shortages needle German leadership

## Junior partner SPD questions role and points finger at CDU after anger at slow rollout

ERIKA SOLOMON — BERLIN

Entering an election year and amid growing anger at European vaccine shortages, Germany's Social Democrats are making a risky play: they are turning against their partner in government.

For 12 of the past 16 years the SPD has been the junior member in a grand coalition with Angela Merkel's Christian Democrats. Yet it has seen few of the benefits. Popular support for the government's stewardship of the coronavirus pandemic has raised the CDU's approval rating above 35 per cent from below 30 per cent before the virus took hold. The SPD has remained at or around 15 per cent for the past year.

But now it aims to capitalise on popular frustration with the EU's botched procurement programme and the roll-out of jabs in Germany, which has been slow, even by European standards.

The politicians most exposed in the vaccine debate belong to the CDU: Ms Merkel, chancellor, Jens Spahn, health minister, and Ursula von der Leyen, president of the European Commission and a former defence minister.

This month the SPD's Olaf Scholz, finance minister, sent a list of pointed questions on vaccines to Mr Spahn.

Michael Müller, Berlin's SPD mayor, wrote a letter to Ms Merkel, demanding a vaccination plan that Der Spiegel, the news magazine, called a "declaration of war". And Manuela Schwesig, state premier of Mecklenburg-Vorpommern, ruffled CDU feathers in a television interview by saying "even the United States under [Donald] Trump" — highly unpopular in Germany — had "obviously done a better job".

"The party is desperately looking for a way to build its own profile," said Uwe Jun, a political scientist at Trier University. "But the probability that this will backfire . . . is higher than the chance of profiting from it."

For the SPD, this is a critical time in a year in which Bundestag elections are held in September and a series of state contests throughout the year. It faces its first serious contest in six weeks, when it will fight to hold on to the premiership of Rhineland-Palatinate. Some party leaders argue that loyalty in government has yet to work in their favour.

"I've been for seven years with the SPD as part of the grand coalition, and for seven years we said we won't get credit for being critics of our own government," said Jens Zimmermann, an MP from the state of Hesse. "Yet for seven years we've been in decline in the polls."

Once one of the most influential parties of the centre-left in Europe, the SPD had its worst election result in 2017, receiving only 20.5 per cent of the vote. Since then it has struggled to chart a new course. On the right, it is under the CDU's long shadow, and on the left the growing popularity of the Greens.

The problem, critics say, is that attacking the vaccination campaign cannot solve the party's identity crisis.

"Voters will be asking, 'What are you going to do with the economy, how are you going to get jobs?' Those are the questions people will be asking," one CDU official said. "No one will be looking back at what went wrong now."

The SPD offensive has also been criticised by some on the left, such as Konstantin von Notz, a Bundestag member for the Greens, who denounced the stance as a combination of "vaccine populism and vaccine nationalism".

Even some in the SPD itself find the strategy questionable. Ralf Stegner, a politician from Schleswig-Holstein known for taking on conservative foes, told the Frankfurter Allgemeine Zeitung newspaper that there was "nothing to be won" from such "squabbling".

The SPD has made other attempts at striking out on its own. In December, it withdrew its support for the use of armed drones by the military. It has also promoted a bill to enshrine the right to work from home over CDU objections.

Yet no issue has proved as contentious as the vaccines strategy.

Paul Ziemiak, general secretary of the CDU, lambasted the SPD's attacks. "Anyone who engages in cheap election campaign manoeuvring and mood-mongering shows first and foremost that they lack the sense of responsibility and the attitude to govern this country well," Mr Ziemiak told the Weser-Kurier newspaper.

SPD officials say they took the decision to go on the offensive only after long internal debate and a recognition there was growing public frustration with the government's vaccine strategy.

"It's too simple to accuse the SPD of doing politics," Mr Zimmermann said. "It was up to Mr Spahn to come up with solutions for this vaccine rollout, but it was the SPD that proposed [Monday's vaccine] summit. It was only after Mr Scholz sent his questions that Mr Spahn started to contact the pharmaceutical companies to talk about ramping up production."

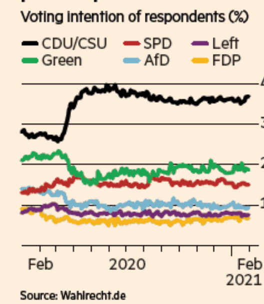
> 'Even the US under Trump had obviously done a better job'
> Manuela Schwesig, SPD

Giving a push to the vaccination drive was one thing, but whether doing so would offer the Social Democrats a political boost was another, said Mr Jun. "I fail to see any strategy here," he said. "Being the opposition within the government is not a promising idea."

Jab wait: a vaccine centre in Luckenwalde, near Berlin — Liesa Johannssen-Koppitz/Bloomberg

**Support for Germany's main political parties**

Voting intention of respondents (%)




Source: Wahlrecht.de

Short-selling ban

# BaFin gave EU watchdog selective briefing on Wirecard

OLAF STORBECK — FRANKFURT

Germany's financial watchdog BaFin gave the European Securities and Markets Authority selective and incomplete information when making its case for the ban on shorting shares in Wirecard, documents seen by the Financial Times show.

In February 2019, the EU's finance watchdog backed Bafin's move to ban short selling in a single stock, arguing that wild swings in Wirecard's shares after the FT reported accounting manipulation at the Munich-based payments processor posed "a serious threat to market confidence in Germany" and was proportionate to the threat to the country's financial markets.

But the "notification of intent" BaFin shared with Esma's board of supervisors a day before the announcement omitted Bundesbank opposition to the short-selling ban and gave the impression Wirecard's record was spotless.

> 'The authority took its decision based on material provided by BaFin'
> Esma

"BaFin presented the facts to Esma in a highly distorted way," Danyal Bayaz, an MP for the Greens, told the FT, adding the regulator's "biased arguments" probably tricked Esma into approving the short-selling ban.

Wirecard collapsed into insolvency last summer after disclosing that €1.9bn of corporate cash never existed. In the year leading up to its insolvency, Wirecard raised €1.4bn of fresh debt which prosecutors think is largely "lost".

Investors and creditors took the short-selling ban, and a criminal complaint by BaFin against two FT journalists who reported whistleblower allegations against Wirecard, as a vote of confidence in the German company. The investigation into the reporters was only dropped after Wirecard's insolvency.

Documents seen by the FT show BaFin told Emsa the selling pressure on Wirecard stocks could destabilise Germany's Dax stock market. "In the current situation, the risk is that this uncertainty regarding a fair price determination could extend to other issuers, including to Dax-issuers or financial institutions," the watchdog said twice in its briefing.

BaFin argued that a clause in EU law designed to protect "banks and other financial institutions deemed important to the global financial system" from speculative attacks could be applied.

But BaFin did not disclose that the Bundesbank had not found any evidence of danger to financial stability or wider market confidence. Germany's central bank had informed BaFin two days before the Esma briefing that it had not uncovered any spillover from Wirecard on other stocks and did not share BaFin's point of view, documents seen by the FT reveal.

The bank argued that even if a manipulative "short attack" against Wirecard had been imminent, targeted steps against the manipulators were "preferable" to a blanket short-selling ban.

BaFin had justified the short-selling ban to the Bundesbank by highlighting a criminal investigation into an alleged attempt to blackmail Wirecard by financial journalists.

In its communication with Esma, BaFin pointed to a probe by Munich prosecutors into alleged market manipulation. "In this context, it was stated that there is no investigation against Wirecard AG," BaFin wrote, adding that Wirecard was "aware" of allegations that whistleblowers had raised over accounting fraud in Singapore and "hired a law firm to investigate them".

But the watchdog did not disclose to Esma that it was itself investigating potential market manipulations by Wirecard — information it shared with Olaf Scholz, Germany's finance minister, in February 2019, according to Mr Scholz.

Last year, Esma lambasted BaFin for its "deficient" handling of the Wirecard scandal. BaFin president Felix Hufeld and his deputy Elisabeth Roegele, who headed the watchdog's securities department, were pushed out last week.

Paris-based Esma declined to answer specific questions about the information that was shared by BaFin ahead of the short-selling ban.

"The authority took its decision based on the material provided by BaFin in support of their proposed short selling restriction," it told the FT.

BaFin told the FT that it did not share the view that its briefing to Esma was selective and incomplete.

"We informed Esma about all reasons that at the time suggested for us that market confidence was threatened," it said.

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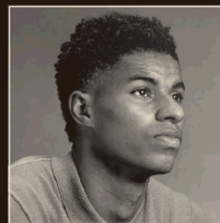

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INTERNATIONAL

Labour market

# New US jobless claims hit 2-month low

Applications for benefits drop below 800,000 but employment fears remain

MATTHEW ROCCO — NEW YORK

New US jobless claims dropped to their lowest level since November but held above 700,000, signifying the pandemic's lingering impact on the labour market.

First-time applications for unemployment benefits totalled a seasonally adjusted 779,000 last week, the Department of Labor said yesterday, compared with economists' forecast for 830,000. There were 812,000 claims during the previous week.

The federal Pandemic Unemployment Assistance programme, which provides benefits to the self-employed and others who would not qualify for regular benefits, had about 349,000 new claimants on an unadjusted basis, down from 404,000 a week earlier.

While claims have dropped for three straight weeks, it remains "too early to predict that this begins a strong reversal of excruciatingly high lay-offs", said Robert Frick, corporate economist at Navy Federal Credit Union.

"It is clear that the resurgent pandemic is having a significant impact on economic activity and hence on jobless claims in certain sectors of the economy and regions of the country, and that is likely the main factor behind continued high readings," said Joshua Shapiro, chief US economist at MFR. He said claims data in the weeks following the holiday season were often volatile.

"With that said, we have seen significant declines in recent weeks that may indicate an easing of lay-off pressures."

The US labour market's rebound has sputtered in recent months, coinciding with a resurgence of coronavirus cases. The economy lost 140,000 jobs in December, primarily due to widespread lay-offs in leisure and hospitality.

President Joe Biden has floated $1.9tn in stimulus and other measures related to fighting Covid-19 in a call for spending beyond the $900bn package Donald Trump, his predecessor, signed in December. Last year lawmakers approved $3.5tn in economic relief.

Mr Biden's proposal to Congress has faced opposition from Republican lawmakers wary of passing another huge bill, particularly as more states loosen business curbs and vaccinations boost optimism over the economic outlook.

Ten Republican senators made a $600bn counter offer to provide stimulus cheques at a lower level than Mr Biden's plan. Democrats have pressed on with a budget reconciliation process that could allow them to pass the $1.9tn package without Republican votes.

'The resurgent pandemic is having a significant impact on economic activity and hence on jobless claims'

The US has averaged 135,341 new confirmed infections a day over the past week, down from a peak seven-day average of almost 245,000 in mid-January, according to a Financial Times analysis of Covid Tracking Project data.

More than 27m people have received at least one dose of a coronavirus vaccine, figures from the US Centers for Disease Control and Prevention showed.

Economists believe hiring picked back up in January, estimating that the labour department today will report a gain of 50,000 jobs for the month.

The number of Americans collecting state jobless aid hit 4.6m for the week ending January 23, marking a decline from 4.8m in one week. The insured unemployment rate, considered an alternative measure of joblessness, fell to 3.2 per cent from 3.4 per cent.

China. Equities

# Investors undaunted by US-Sino spats

Geopolitical frictions have not curbed market appetite for increased financial integration

JAMES KYNGE — GLOBAL CHINA EDITOR

Kuaishou, a popular Chinese short video platform, seems a world away from geopolitics. It shows items such as a grandmother singing *Hey Jude* with her Chihuahua, migrant workers dancing at construction sites and farmers making pork dumplings.

But the company's initial public offering in Hong Kong this week — which is set to be the world's largest since the start of the coronavirus pandemic — reveals a basic truth about the US's strategic rivalry with China: when it comes to making money, there is much more that attracts than repels.

US institutional investors, including Fidelity and BlackRock, feature prominently among investors in Kuaishou's IPO, which is expected to raise up to $6.3bn. "Instead of decoupling financially, the US and China now have one of the largest and fastest-growing bilateral investment relationships in the world," said Nicholas Borst at Seafarer Capital Partners, an investment adviser.

Data from the Rhodium Group, a research company, show that investment ties between the US and China are much deeper than official statistics suggest. American investors held $1.1tn in equity issued by Chinese companies at the end of 2020, or about five times more than the $211bn captured by official US data as of September 2020, according to Rhodium Group estimates.

Much of the discrepancy between Rhodium's estimates and the official US data derives from the fact that many of the Chinese companies that issue shares on US exchanges are domiciled in offshore tax havens such as the Cayman Islands. The practice is so prevalent that the Caymans has vaulted to the top among overseas destinations for US investors, outstripping the UK, Japan, Canada and other countries.

"Trump administration policies have injected greater risk into US-China financial flows but they have clearly not curbed market appetite for greater financial integration," said Thilo Hanemann, a partner at Rhodium.

Screenshot: the Kuaishou app is opened on a mobile phone in front of a laptop showing the company website
Roy Liu/Bloomberg

In 2020, US investors' appetite for Chinese equities was particularly strong. Chinese companies raised $19bn in primary and secondary offerings on US exchanges last year, a total eclipsed only in 2014 thanks to Alibaba's mammoth $25bn IPO in New York.

The Trump administration did take several steps that may yet have a considerable impact on US investment flows into Chinese equities.

It put dozens of Chinese companies on blacklists that ban investments or make it harder to export technology to them. In addition, US lawmakers at the end of 2020 passed the Holding Foreign Companies Accountable Act, which would force delistings of Chinese companies that are unwilling to meet stricter auditing compliance requirements.

In November, former president Donald Trump issued an executive order that barred Americans from investing in Chinese companies on a Pentagon blacklist of groups that could be linked to the Chinese military. This included US-listed state-owned telecoms groups China Unicom, China Telecom and China Mobile.

However, Joe Biden has delayed the implementation of that ban until May 27 as his new administration starts reviewing actions taken by his predecessor. It remains uncertain how hawkish Mr Biden will be towards China.

Xi Jinping, China's president, has shown signs of nervousness. He warned this month that any effort by countries to "build small circles, or . . . wilfully impose decoupling, supply disruption or sanctions . . . will only push the world into division and even confrontation".

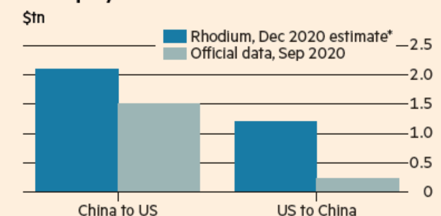
"Beijing is indeed concerned about decoupling or the perception of decoupling that both China and the US have advocated in their respective policies," said Yu Jie, senior research fellow at Chatham House, a think-tank.

She added that China's recent signing of the Comprehensive Agreement on Investment with the EU and the Regional Comprehensive Economic Partnership trade deal with mainly Asian countries was a sign that Beijing wished to ensure that inflows of foreign direct investment continued.

The importance of FDI to China was emphasised by its performance last year, when it attracted $163bn in inflows and eclipsed the $134bn attracted by the pandemic-hit US to become the world's largest recipient of foreign inflows for the first time.

Such numbers underline the fact that even as Beijing's rhetoric towards the west, and especially the US, has turned more critical, the numbers point in the opposite direction. The capitalist imperative to chase returns appears, for now at least, to be at odds with growing wariness between the superpowers.

**US-China bilateral holdings of bond and equity securities**
$tn




* Based on the inclusion of holdings through offshore locations and other adjustments
Sources: Rhodium Group; US Treasury TIC dataset as reported Dec 31 2020

GLOBAL INSIGHT
LATIN AMERICA

Michael Stott

# Market friendly economics on trial in Andean elections

When Ecuadoreans cast their votes in tomorrow's presidential election, they will face a stark choice.

The main leftwing candidate has promised to hand out $1,000 to a million families in a week, while on the right, a former banker wants to revive the stricken economy by wooing billions of dollars in foreign investment.

Other elections this year in Peru and Chile, and next year in Colombia, will also amount to referendums on competing economic ideologies as Latin America emerges from the shadow of the pandemic. There are strong signs unhappy citizens across the Andes could turn to populists as the pandemic exposes the failings of market-friendly policies. Polls show deep dissatisfaction with most of Latin America's incumbent presidents and politicians, particularly those who have espoused technocratic policies.

One former Latin American finance minister, who asked to remain anonymous, identified a common problem: technocrats had built institutions such as central banks, banking supervision and finance ministries which delivered economic stability. But they had failed to provide high-quality public services and too often health and education had ended up being delivered for profit.

The worry now is that voters will throw out some of the economic positives, such as sound macro policies and increasingly credible institutions, along with the hated incumbents. That could mean a return to the free-spending populism of the past, which ran up huge debts and bent institutions to presidents' will.

The region was struggling even before coronavirus. Inadequate public health services, high labour informality and weak state capacity made it particularly vulnerable. Death tolls from Covid-19 are among the world's highest and economic damage among the most severe.

The worry now is that voters will throw out some of the economic positives

Ecuador's leader, Lenín Moreno, who is not running again, is one of the least popular leaders in the region. After he imposed drastic austerity measures last year to plug a hole in the budget, including liquidating the national post office, his approval ratings collapsed to single digits.

Luis Oganes, global head of emerging markets research at JPMorgan, said there was a risk across the Andean nations of populist candidates triumphing. "Covid is providing cover for bad ideas and bad policies that will dominate the next [election] cycle," he said.

Ecuador's voters are notoriously fickle but most surveys indicate that Andrés Arauz, a young economist and protégé of former leftist firebrand leader Rafael Correa, holds a lead over Guillermo Lasso, his main conservative rival.

Mr Arauz's election website calls on visitors to register for the promised $1,000 per family handout. After choosing lump sum or instalment payments, voters are then invited to support his campaign.

In neighbouring Peru, voters will elect a new single-chamber parliament as well as a new president in April, in effect renewing the entire political leadership.

Peru had been one of Latin America's best economic performers in recent years. But its impressive GDP growth, well-run finance ministry and respected central bank have not translated into citizen wellbeing.

One-time emerging market darling Chile, which votes in November, has been plunged into unrest since a wave of riots engulfed it only months before the virus arrived, exposing deep citizen discontent at expensive, poor-quality public services and inadequate pensions.

As in Ecuador and Peru, the anger was directed at a ruling class which looked after itself but failed to deliver for ordinary citizens. Now, the country plans to draft a new constitution in the hope of correcting the flaws.

But amid growing public outrage, there is little time left for the technocrats to course correct while populist triumphs risk taking the region backwards.

*michael.stott@ft.com*

Japan

# Olympics chief refuses to quit over sexism

ROBIN HARDING — TOKYO

**The president of the Tokyo Olympics has refused to resign after igniting a storm of criticism by saying that women do not belong on committees because they talk too much.**

Yoshiro Mori, the 83-year-old former prime minister and president of the Tokyo 2020 organising committee, made the remarks at a meeting of the Japan Olympic Committee on Wednesday.

The sexism issue marks another setback for Tokyo 2020, which has been postponed by a year because of Covid-19 and is still under threat from the prevalence of the virus around the world.

Speaking at an online JOC meeting about proposals to increase the number of female directors, Mr Mori said that in his experience at the Japan Rugby Football Union, women made meetings last too long.

"It takes twice as long. Women have a strong sense of rivalry. If one raises her hand to speak, then all the others feel they have to do the same. So it ends up with everybody talking," Mr Mori said in comments first reported by the Asahi newspaper. The remarks prompted a popular comedian to withdraw from the Olympic torch relay and furious demands on social media for Mr Mori to quit.

At a querulous press conference, he apologised and sought to retract the comments but said he had no intention of stepping down.

Yoshiro Mori said he was sorry for the remarks based on his experience in the world of Japanese rugby

"My comments yesterday were inappropriate and against the Olympic spirit," said Mr Mori.

However, pushed about whether he would resign to take responsibility, he said: "I've dedicated myself to this for seven years. I have no doubts about what I should do."

Mr Mori, who was prime minister for a year from 2000-01, has a long history of committing gaffes and making chauvinist remarks, including attacks on women who did not have children and athletes who failed to sing the national anthem loudly enough.

Renho Murata, a member of parliament and former leader of the opposition Democratic party, said Mr Mori's remarks were "shameful".

Noriko Mizoguchi, a silver medallist in judo at the 1992 Olympics, posted the International Olympic Committee's code of ethics on Twitter.

Kaori Yamaguchi, a bronze medallist in judo at the 1988 Olympics and a JOC member, told national broadcaster NHK that the comments were particularly unfortunate because the Tokyo Olympics were themed around the importance of diversity.

Katsunobu Kato, chief cabinet secretary, declined to offer comment on behalf of the government, saying Mr Mori's remarks were a matter for the organising committee.

Even before the Covid delay, Tokyo 2020 had attracted significant negative publicity over its costs and allegations of corruption in the bidding process.

Opinion polls show that about 80 per cent of the Japanese public want the Olympics cancelled or postponed again.

Export boom

# China factories press staff to work at new year

THOMAS HALE — SHANGHAI

**Chinese factories are encouraging their employees to keep working over the new year holiday as booming export businesses rush to keep pace with global demand.**

Apple suppliers including Foxconn, Pegatron and Luxshare are offering bonuses and overtime over the annual holiday, which begins next week, while other exporters in China cite higher orders and travel restrictions disrupting the most important festival.

"More workers have stayed for work this year than in the past," said Dan Peng, who works at Foxconn in Guangdong. "The reward for staying is very tempting and orders are abundant."

While companies typically offer incentives to work over national holidays, a rapid rise in demand for Chinese electronics and household goods at a time of global lockdowns has created additional pressure on the manufacturing workforce.

"Export businesses [in China] have kept on being surprised by the strength of orders and the strength of demand for their products," said Louis Kuijs, head of Asia Economics at Oxford Economics, which has recently upgraded its forecast for Chinese exports over 2021.

China recorded double-digit export growth for each of the last three months of 2020, though a shortage of containers in the global shipping industry has pushed up freight rates.

Workers have also remained in place because of an official drive to limit travel. Normally over the new year holiday, tens of millions of migrant workers return home to celebrate with their families. But this year, the Ministry of Transport forecasts a total of 1.15bn trips compared with 3bn in 2019.

'The reward for staying is very tempting and orders are abundant'

Foxconn employee

Lily Qiu, a manager at a furniture maker in Guangzhou, said that almost every worker in her factory had stayed because they feared losing their jobs if they could not return quickly enough after the break. She said foreign orders were 20 per cent higher than last year.

At Hangzhou Hansin New Packing Material, a factory in Zhejiang province, all 50 of the migrant workers, who account for a third of its staff, are working over the holiday.

Other factories that have let workers go home early, in a bid to help them avoid getting caught up in travel restrictions, have struggled to find staff to meet orders. Cheng Xi, who owns a bag factory in Guangzhou, allowed his staff to return home a week earlier than last year. "The local labour market is almost empty," he said. "I receive requests and new orders from my US clients every day but I have no workers in the factory to work on those orders."

While new cases of coronavirus slowed to a trickle in China in mid-2020, the government has emphasised travel restrictions following concerns over recent outbreaks. Tim Wang, a maintenance worker at a plant in Kunshan, said his mother had arranged blind dates for him in his home town, which he could no longer attend. "I will have nothing to do except work," he said.

*Additional reporting by Qianer Liu in Shenzhen and Wang Xueqiao in Shanghai*

FINANCIAL TIMES

HOW TO SPEND IT

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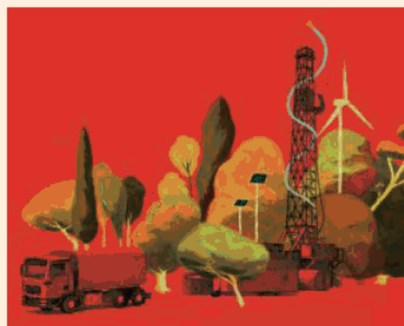
**Maro Itoje:** 'If the game wasn't physical, I probably wouldn't be playing'



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# Companies & Markets

## McKinsey to pay $574m over US opioid crisis claims

- Settlement with states announced
- Consultancy sacks two partners

ANDREW EDGECLIFFE-JOHNSON
NEW YORK

McKinsey will have to pay almost $574m and has fired two partners as it announced a settlement of US states' claims that its advice to pharma groups contributed to the deadly opioid crisis.

Under a settlement announced yesterday with attorneys-general of 49 states, the District of Columbia and several US territories, the consultancy did not admit wrongdoing or liability.

The states acknowledged its "good faith and responsible corporate citizenship" in reaching a settlement in which it agreed to retain documents relating to its opioids work and adopt policies on disclosing conflicts of interest between corporate and government clients.

The partners dismissed by McKinsey

> Purdue was urged to look at whether to 'turbocharge the sales engine', according to a Massachusetts lawsuit

had discussed in emails from 2019 conversations with its risk committee about "eliminating all our documents and emails". Kevin Sneader, McKinsey's global managing partner, said: "We deeply regret that we did not adequately acknowledge the tragic consequences of the epidemic unfolding in our communities." The firm emphasised that it believed its work had been lawful.

In a letter to employees, Mr Sneader said the settlement with every state except Nevada marked "an important step in accepting the consequences of a chapter in our firm's story about which I am not proud".

McKinsey will pay almost $559m over four years to the states to fund opioid prevention, treatment and recovery programmes, and a further $15m to the National Association of Attorneys General to cover states' investigation costs and fund a document repository.

"This is the first multistate opioid settlement to result in substantial payment to the states to address the epidemic," the Massachusetts attorney-general's office said. The sum far exceeds the fees McKinsey earned for its advice to opioid manufacturers.

Authorities had brought the claims after details emerged of McKinsey's advice to Purdue Pharma, owned by members of the Sackler family, on how to boost sales of OxyContin, its prescription opioid. Its consultants had urged Purdue directors to consider whether to "turbocharge the sales engine", according to a lawsuit brought by the Massachusetts attorney-general, encouraging them to direct sales representatives to visit doctors with a record of prescribing large amounts and pitching opioids as giving patients "the best possible chance to live a full and active life".

Letitia James, New York attorney-general, said: "McKinsey's cynical and calculated marketing tactics helped fuel the opioid crisis by helping Purdue Pharma target those doctors they knew would overprescribe opioids. They knew where the money was coming from and zeroed in on it."

In December, McKinsey pushed back on the idea that it had sought to worsen the public health crisis, but admitted that it "fell short" of its responsibility to take account of the possible consequences of its work.

Purdue agreed last October to pay more than $8bn in a criminal and civil settlement with the US Department of Justice. The company remains in negotiations with several states, counties and cities. Sackler family members agreed to pay $225m while denying the allegations against them.

See Lex

## Sweeteners Shell lifts payout to keep investors on side despite fall in earnings to 15-year low

Royal Dutch Shell suffered an annual loss of $21.7bn — Sergei Karpukhin/Reuters

ANJLI RAVAL — LONDON

Royal Dutch Shell raised its dividend despite reporting a fall in annual earnings to the lowest in at least 15 years, as the oil industry reels from the pandemic.

The company's 2020 net income adjusted for one-off factors and cost of supply — Shell's preferred profit measure — fell 71 per cent to $4.8bn, from $16.5bn in 2019.

That is the lowest since its creation in 2005 through the unification of Royal Dutch and Shell Transport.

The Anglo-Dutch oil major reported an annual loss of $21.7bn, a number that reflected a hefty post-tax impairment figure as Shell reassessed long-term energy prices and asset values in light of the virus crisis and its strategy for the energy transition.

That was the company's first headline loss and one of the biggest in the UK's recent corporate history.

Shell's shares closed down 2 per cent in London yesterday.

The pandemic and the resulting collapse in oil demand have wreaked havoc on majors' balance sheets just as European groups are seeking to generate more cash to plough into lower-carbon energy and technology.

For the three months to December 31, Shell's adjusted net income dropped 87 per cent to $393m. That compared with $2.9bn in the same period a year ago and fell short of analysts' estimates of $597m.

Even though cash flow fell 40 per cent against a year earlier and net debt rose to $75.4bn from the prior three months, Shell decided to raise its dividend for a second time in recent months.

A two-thirds cut to the payout last April to 16 cents, the first since the second world war, was met with shareholder ire, and the company's share price dropped to a multi-decade low later in the year. As Shell sought to draw back investors, it raised the payout to 16.65 cents in October, and has said it will again raise the dividend by 4 per cent to 17.35 cents a share in the first quarter of 2021.

"We are coming out of 2020 with a stronger balance sheet," said Ben van Beurden, chief executive, yesterday. "We are committed to our progressive dividend policy."

While the company has championed its robust cash flows and performance, its finances are under huge scrutiny. Oil prices have recovered from 2020's 18-year lows to more than $55 a barrel but are still below the $70 level at the start of 2020.

Sven Reinke at Moody's Corporate Finance said: "By hiking the quarterly dividend 4 per cent, Shell relies more heavily on a market recovery in 2021-22 to achieve its targeted net debt reduction to $65bn."

## Deutsche Bank posts first net profit since 2014

OLAF STORBECK — FRANKFURT

Deutsche Bank has made a net profit for the first time in six years on the back of a trading boom that has boosted the lender's fixed-income trading revenue.

After racking up €5.7bn of net losses in 2019, Germany's largest lender yesterday reported a net profit of €113m for 2020, the first since 2014 and higher than expected by analysts.

The bank's performance was driven by a 28 per cent year-on-year rise in bond and rates trading revenue, which climbed to the highest level since 2016.

Deutsche has been working on a turnround since July 2019, when chief executive Christian Sewing promised to reduce the lender's reliance on investment banking revenues and to refocus on "more stable and predictable" retail and commercial banking as well as asset management. But all business units except the investment bank reported shrinking revenue in 2020.

Despite last year's return to profitability, the lender has racked up combined losses of €14.6bn since 2015. "We are ahead of our own expectations," Mr Sewing said. He was confident that the "overall positive trend will continue in 2021, despite these challenging times".

Chief financial officer James von Moltke said the trading boom continued into January. "We've seen that momentum carry through to the first few weeks of 2021, which is encouraging for us in terms of the outlook," he told Bloomberg Television.

Anke Reingen, an analyst at RBC Capital Markets, said the optimism should be taken with a pinch of salt as the "outlook remains uncertain".

Despite the investment bank's rebound, Deutsche's return on tangible equity last year stood at just 0.2 per cent, far below the 8 per cent the bank is promising by 2022.

Andrew Coombs, an analyst at Citigroup, said the lender's performance was "decent" but warned that it was "unlikely to be extrapolated" as investment banking revenue would probably normalise this year.

While provisions for credit losses more than doubled during the year to €1.8bn, Deutsche's common equity tier one ratio remained steady at 13.6 per cent of risk-weighted assets. Deutsche stock was slightly lower in Frankfurt yesterday.

See Lex


### Contracts & Tenders

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## Silicon Valley founders are masters of the slow-motion exit

INSIDE BUSINESS
TECHNOLOGY
Richard Waters

The news this week that Jeff Bezos wants more time to dabble in space exploration and tackle climate change may seemed to have come out of the blue, but it hardly took close watchers of the Amazon chief executive by surprise.

Tech's biggest personal fortunes are being ploughed back into expensive projects, with some of the most successful and richest founders of the era itching to break away from their normal corporate constraints.

For investors with an eye on the more immediate, this raises obvious worries. Big Tech is facing a public reckoning: it hardly seems to help if industry leaders such as Mr Bezos are shifting their attention elsewhere.

Just months after facing his first grilling from a congressional committee in Washington — and after a year in which he was forced to take a much closer involvement in day-to-day management to deal with the Covid crisis — the Amazon founder has yielded to an urge to break free.

Wall Street, however, barely blinked at the news that he is giving up the chief executive officer title to become executive chairman. The lack of concern is a testament to what the Amazon founder leaves behind, as well as to leadership transitions at other large tech groups that might once have seemed unthinkable.

Mr Bezos's partial retreat from management comes a little more than a year after Google's founders gave up their day-to-day roles in tech holding company Alphabet. Larry Page and Sergey Brin once hoped to use Alphabet as the vehicle for "moonshot" projects that would change the world, but are now pursuing those away from public view.

It was Bill Gates who paved the way, leaving Microsoft to spend his fortune in ways that he hoped would have as much impact on the world as the software company he co-founded.

One reason for Wall Street's equanimity is that departures such as these often take place in slow motion, with plenty of time for new management to prove itself. After stepping down as chief executive, Mr Gates continued for eight years in other roles at Microsoft, and then six more years as chairman, before leaving for good after the appointment of current chief Satya Nadella.

> Bezos will keep control on the things that matter. He will have a say in 'one-way door' decisions — calls that shape Amazon's future

Mr Bezos will keep firm control on the things that really matter. He will have a say in what the company refers to as its "one-way door" decisions — the calls that shape its future. If that means his successor will be left with the two-way door decisions, it might not matter too much if he messes any of them up.

Mr Bezos has created a way of doing business that should outlast him. The most successful tech companies are defined by their cultures and processes as much as by their entrenched positions (though these are often formidable). No company embodies this more than Amazon, where Mr Bezos has built a culture of constant trial and error and relentless execution of strategy. Andy Jassy, his successor, has already used the Amazon way of doing business to make it the clear leader in cloud computing.

Amazon's investors can also comfort themselves with the thought that the biggest tech companies no longer rely on the inspiration of their founders and will not live or die on the strength of their next great idea.

Nearly a decade ago, Steve Jobs's death left Apple-watchers anxious about where the company's "next big thing" would come from. So far, it has not needed one: the iPhone has been the hub for a spreading universe of gadgets and services, putting it at the centre of the digital lives of about 1bn people.

Amazon, with its interests across retail, logistics and cloud computing, has carved out an equally massive territory. For Mr Jassy, it will be a case of keeping the flywheel of ideas turning and the machine humming, and hoping Mr Bezos gets the one-way door decisions right.

A founder's departure may also provide a chance for companies that have been through rapid expansion to re-evaluate their place in the world. Since Tim Cook took over at Apple, the group has gone from scrappy underdog to responsible leader: cleaning up its supply chain, burnishing green credentials and presenting itself as the "responsible" face of consumer tech. (Most recently, that has involved stoking a fight over privacy with Facebook, everybody's favourite tech punching bag.)

It is impossible to tell yet what an Amazon run by Mr Jassy will look like. But after 27 years that shaped internet business history, the beginning of the end of the Bezos era is at hand.

*richard.waters@ft.com*

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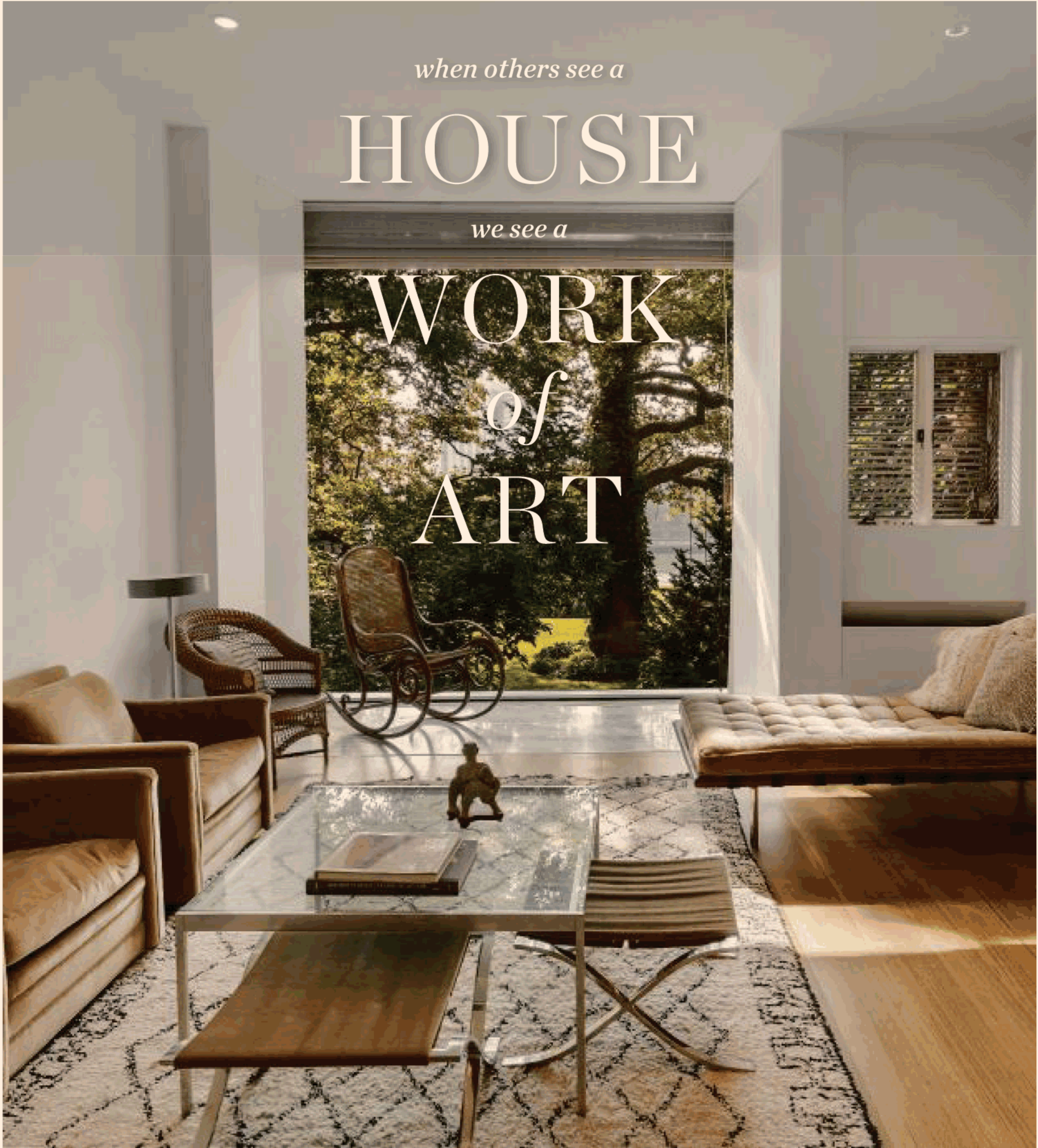


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COMPANIES & MARKETS

Financials

# BioNTech investor pays €600m dividend

## Bet on Covid jab group brings windfall for clients of Munich fund MIG

JOE MILLER — FRANKFURT

One of the early backers of Germany's BioNTech will pay a dividend of €600m to its own investors after selling most of its stake in the developer of the Covid-19 vaccine for a 4,500 per cent net return.

Munich-based venture capital fund MIG is making the payout after initially investing just over €13m in BioNTech, the start-up founded by Ugur Sahin and Ozlem Tureci in 2008.

BioNTech, which initially focused on developing cancer therapies, had built up €425m in losses since it was founded, according to regulatory filings compiled before it embarked on its coronavirus project in February 2020.

The success of the vaccine, developed with Pfizer, changed its fortunes. Since listing on New York's Nasdaq in 2019, BioNTech's shares have risen almost 650 per cent, bringing its market value above that of Dax-listed Deutsche Bank.

MIG, which owned almost 6 per cent of the company after its flotation, has sold close to 11m shares in the months since the pandemic, leaving it with a less than 1 per cent stake. The beneficiaries of the sale are thousands of German and Austrian retail investors who put an average of €20,000 in MIG's life sciences and deep tech fund, which held the BioNTech stake.

While BioNTech has not yet disclosed revenues from the vaccine, its partner Pfizer has said it expects sales worth $15bn this year, which could leave the group with profits of about $4bn.

The two companies entered a 50:50 partnership in March last year, and BioNTech has a separate contract to supply the vaccine in China.

MIG said its BioNTech investors would receive close to €340m from the fund this year, in addition to a €260m payout from 2020. Billionaire brothers Andreas and Thomas Strüngmann were also early backers of BioNTech.

MIG, which specialises in life sciences investment, was also a backer of Sahin and Tureci's first company, Ganymed, which sold to Astellas in 2016 for $1.4bn.

To date, MIG has invested about €580m in more than 40 companies, and its BioNTech dividend represents the largest distribution to shareholders in the fund's history.

"We are proud of our portfolio company's enormous success and their contribution to overcoming the global pandemic with the world's first Covid-19 mRNA vaccine," said Kristian Schmidt-Garve, a partner at MIG.

"We are also very pleased that we were able to realise substantial returns for our investors, representing a considerable multiple of their initial investment," he added.

Mr Schmidt-Grave said MIG had seen "a strong increase" in demand for its investment products in recent months.

Separately yesterday, rival German biotech CureVac reported it had raised more than $517m via a share offering. The Tübingen-based company is developing Covid-19 vaccines with pharma groups Bayer and GSK, and has signed a deal to deliver 400m doses to the EU.

CureVac went public in New York last August, after the German government invested €300m to prevent the company — backed by billionaire SAP-founder Dietmar Hopp — falling into foreign hands.

Mining

# Vale in $7bn settlement over Brazil dam disaster

NEIL HUME AND MICHAEL POOLER

**Brazilian miner Vale has agreed to a $7bn settlement with authorities over a dam breach that killed hundreds of people and caused an environmental catastrophe.**

Almost 12m cubic metres of mining waste burst from a storage dam in the state of Minas Gerais in January 2019, destroying everything in its path. The disaster killed 270, mainly Vale employees and contractors.

The disaster at the Córrego do Feijão mine near the town of Brumadinho was one of the worst disasters in mining history and came only four years after a similar event at a nearby mine jointly owned by Vale and BHP.

It led to Vale being blacklisted by big investors, particularly in Europe, and the introduction of an international standard for tailings dams in an effort to avoid a repeat.

Vale's share price and performance has suffered, with the company forced to lower output to meet new safety standards, although the impact has been offset by higher prices for iron ore.

"Vale is committed to fully repair and compensate damage caused by the tragedy in Brumadinho and to increasingly contribute to the improvement and development of the communities in which we operate," chief executive Eduardo Bartolomeo said yesterday.

The Minas Gerais Court of Justice, which conducted the mediation, described the settlement as "historic and with global repercussions", adding that it was the largest ever in Latin America.

> 'The amount . . . does not cover the damage caused to all families, deaths and environmental destruction'

However, the figure is lower than the $10bn the authorities originally sought.

"The amount that was negotiated does not cover the damage caused to all families, deaths and environmental destruction in the basin," said Joceli Andrioli of campaign group the Movement of People Affected by Dams.

"In this agreement, it is Vale who will win, who profits billions, because an action that should have paid R$54bn ($10bn) is being negotiated to R$37bn."

Vale said it had already paid more than $440m in indemnities through agreements signed with 8,900 individuals, while more than 100,000 had received emergency aid payments totalling $330m.

The dam that burst was 86m meters high, built in 1976 by Ferteco Mineração, a company acquired by Vale in 2001. It utilised an "upstream design" whereby waste mining slurry was pumped into a storage pond behind a starter mud wall.

New upstream tailings dams have now been banned in Brazil.

Of the $7bn settlement announced yesterday, $1.5bn has already paid out within the scope of the settlement. The company will recognise an additional charge of $3.7bn in its 2020 results.

Christopher LaFemina of Jefferies said: "It should be a positive for Vale shares as uncertainty regarding the settlement amount had been a major overhang."

Vale's US-listed shares were down 1.13 per cent at $16.69 in early afternoon trading.

*Additional reporting by Carolina Pulice*

Healthcare

# 23andMe to join Branson Spac at $3.5bn valuation

JAMES FONTANELLA-KHAN AND HANNAH KUCHLER — NEW YORK

**Richard Branson's publicly listed special acquisition purpose company has agreed to merge with 23andMe, valuing the genetics testing group at about $3.5bn.**

23andMe is the latest company to go public via a merger with a Spac, as an increasing number of private companies prefer the less burdensome route to a traditional initial public offering.

The Silicon Valley-based company will trade on the New York Stock Exchange by reverse-merging with the British entrepreneur's VG Acquisition, which raised $480m in October to hunt for consumer-facing businesses.

Under the terms of the transaction, VG Acquisition will inject $509m in cash into 23andMe, while a group of investors will provide an additional $250m via a private placement.

Sir Richard and Anne Wojcicki, 23andMe's chief executive, will contribute $25m each to the private placement. Other institutional investors include Fidelity, Altimeter Capital, Casdin Capital and Foresite Capital.

Once the deal is complete, existing 23andMe shareholders will own 81 per cent of the company, which will trade under the ticker symbol "ME".

Over the past 12 months, a wave of Spacs have been launched as sports stars, celebrities and industry titans have backed Wall Street's latest trend despite the historically poor performance of these vehicles.

Sir Richard said in an interview with the Financial Times that Spacs "cut through a lot of red tape". He said he had a great experience with the Virgin Galactic Spac in 2019, where he combined his space tourism venture with the blank-cheque company of Chamath Palihapitiya, the former Facebook executive who has become a poster child of the recent Spac frenzy.

Ms Wojcicki said she had previously been resistant to going public, since she liked to know her investors. "Partnering with Richard, that was the slam dunk," she told the FT. "We're trying to transform healthcare, and that is a long-term vision. It's not overnight," she said. "There's definitely bumps in the road."

In partnership with GSK, the UK drugmaker, 23andMe is exploring more than 30 drug development programmes, Ms Wojcikci said.

Travel & leisure

Whole new ball game: Inter Milan suffered a pre-tax loss of €102m last season, mainly due to revenue shortfalls caused by the pandemic — Daniele Mascolo/Reuters

# Inter Milan owner seeks $200m in emergency cash

MURAD AHMED, ARASH MASSOUDI AND KAYE WIGGINS — LONDON
SILVIA SCIORILLI BORRELLI — MILAN
HUDSON LOCKETT — HONG KONG

**The Chinese owners of Inter Milan are rushing to raise at least $200m in emergency cash, after the Italian football club's finances deteriorated due to the pandemic and heavy spending on top players.**

Suning Holdings, the retail conglomerate that owns a majority stake in the Serie A team, is seeking new investment by the end of the year in response to a financial crisis at the club, according to three people familiar with its finances.

Suning's challenges with Inter Milan comes as the retailer, which is backed by Jack Ma's Alibaba, faces questions over its heavy debt burden in China.

The club had been in exclusive discussions with private equity group BC Partners in recent weeks over a potential investment, but those talks have ended after the two sides could not agree on valuation, according to people with knowledge of the matter who confirmed reports from the Italian media this week.

The club continues to speak with BC Partners as well as other potential investors including distressed debt funds such as Ares Management and Softbank-owned Fortress Investment Group. Others who have been monitoring the situation include Swedish private equity group EQT and US-based Arctos.

Those talks range from discussing an outright acquisition of the club or the purchase of a minority stake, according to several people familiar with discussions.

Suning is working with Goldman Sachs to advise on fundraising options.

Those people added that the negotiations with BC Partners foundered over a valuation for the club, with Suning believing it is worth more than €900m. Two people familiar with the discussions said BC Partners valued the group at just €750m.

Those discussions have become critical due to the precarious financial situation of the club, which requires a cash injection to continue operations into next season, according to three people with knowledge of the situation. One person close to the club's leadership said Suning was committed to financially supporting the club through this year.

> Suning Holdings has spent hundreds of millions of euros on star players such as Romelu Lukaku

Some of those with knowledge of the talks added that Suning was believed to be far likelier to sell an equity stake, even if that means taking a loss on its investment, rather than allowing the club to go bankrupt altogether.

Inter Milan is led by president Steven Zhang, the 29-year-old son of Zhang Jindong, Suning's billionaire founder. After spending €270m to acquire the club in 2016, Suning has authorised spending hundreds of millions of euros on star players such as Romelu Lukaku and Christian Eriksen to seek a return to the top of Italian and European football.

The "Nerazzurri" have faced a cash crunch over the past year. The club suffered a pre-tax loss of €102m last season, mainly due to revenue shortfalls caused by the pandemic. Suning is also facing financial pressures closer to home that have made it difficult to continue funding the Italian club, including a recent crackdown by Chinese authorities on foreign outflows of capital.

Suning and Inter Milan declined to comment. BC Partners, Fortress and Ares did not immediately respond to requests for comment.

*Additional reporting by Edward White in Seoul and Sherry Fei Ju in Beijing*

Retail & consumer

# Unilever sets out plans to woo Generation Z

JUDITH EVANS

**Unilever plans to reshape its business to focus on fast-growing markets such as plant-based foods, beauty products and nutritional supplements and lift its appeal to younger consumers.**

Chief executive Alan Jope, who took the job in 2019, said Unilever's new single-company structure would make it nimbler in disposals and acquisitions, letting it focus on higher-growth markets.

The company ditched its almost century-old Anglo-Dutch structure last year to become a UK-domiciled business.

The maker of Lifebuoy soap, Hellmann's mayonnaise and Magnum ice cream will also focus on "purpose" and sustainability to attract Millennial and Generation Z consumers, said Mr Jope.

"Young people in particular feel it's time for businesses and brands to show more responsibility."

Yet markets reacted with scepticism to Mr Jope's plans and to annual results that met expectations for sales growth but highlighted costs related to the pandemic and rising commodity prices. Unilever's shares were down 6.2 per cent yesterday.

Underlying sales growth for 2020 was 1.9 per cent, meeting analyst expectations, but underlying operating profit came in at €9.4bn, down 5.8 per cent from a year earlier because of unfavourable currency movements.

In the fourth quarter, underlying sales growth was 3.5 per cent, but margins and restructuring costs failed to meet expectations, said Bruno Monteyne at Bernstein.

"Beneath the surface, things do not look that great," he added.

The company increased its dividend in the fourth quarter by 4 per cent to €0.43 a share.

Unilever plans to focus on skincare, hygiene, upmarket beauty, plant-based foods and "functional nutrition", including dietary supplements and fortified products such as the Horlicks brand it bought last year, said Mr Jope.

The group will seek to boost ecommerce, which accounts for more than half of "prestige" beauty product sales since the pandemic, and sharpen its focus on the US, China and India, said Mr Jope.

He reinstated a target for underlying sales growth of 3 to 5 per cent a year, and said the group would spend €1bn on restructuring during 2021 and 2022.

Before the pandemic, Mr Jope had been under pressure to set out his plans to end a period of slow growth. A year ago, he announced a review of Unilever's tea business, which includes the PG Tips and Lipton brands and generates about €3bn of annual revenues.

Yesterday, Graeme Pitkethly, chief financial officer, said the most likely outcome was an IPO or spin-off of most of the company's tea brands.

**See Lex**

Pharmaceuticals

# Frazier retires from chief's role at Merck

HANNAH KUCHLER — NEW YORK

**Kenneth Frazier, one of the most outspoken voices for racial justice in corporate America, will retire from his post as Merck chief executive this summer, and will be replaced by the drugmaker's executive vice-president, Robert Davis.**

Mr Frazier is one of only a handful of African-American chief executives of Fortune 500 companies, and spoke out against the killing of George Floyd last year. He will stay on as Merck's executive chairman from July.

He has been chief executive and chairman since 2011, before which he was Merck's general counsel.

In his 10 years at Merck, Mr Frazier oversaw the start of a new era in cancer care, with treatments stimulating the immune system to tackle tumours.

Les Brun, Merck's lead independent director, credited Mr Frazier for leading the company as it delivered blockbuster drugs such as Keytruda for cancer, and Gardasil, the HPV vaccine. He also commended Mr Frazier's belief in the importance of a "strong, values-based culture".

Mr Brun added: "These characteristics and accomplishments, coupled with his principled stances on broader public issues . . . make his planned retirement felt so personally by every member of the board."

Other business leaders praised his work. Chuck Robbins, Cisco chief executive, tweeted: "He is a compassionate leader who will be missed on a day-to-day basis, but we will continue to seek his insights for a long time to come!"

Mr Davis, the incoming chief, is also a lawyer by training. He joined Merck as chief financial officer in 2014, and his role expanded two years later to include business development, investor relations and corporate strategy.

Mr Davis said he looked forward to steering the company through the coming launch of a pneumonia vaccine, as well as more oncology treatments.

Shares in Merck, up more than 130 per cent since 2011, were down 1.4 per cent to $76.21 in early afternoon trading.

Merck also announced a quarterly loss but issued a rosy outlook for 2021, guiding to sales between $51.8bn and $53.8bn, and adjusted earnings per share of $6.48 to $6.68.

It missed expectations for the fourth quarter, as the pandemic kept people away from their healthcare providers, especially for vaccinations for other diseases. Merck said coronavirus cost the company $400m in lost revenue in the quarter, and $2.5bn in the full year.

Kenneth Frazier has promoted strong values at the group and taken a stand on public issues

# Silver Lake's AMC trade proves a triumph

## Tactics highlight tough negotiating, deft financial engineering and luck needed to profit from troubled businesses

SUJEET INDAP — NEW YORK
JOE RENNISON AND ROBERT SMITH
LONDON

Inspired by ideas on Reddit, spread on Twitter and executed by retail traders, the surge in the shares of US cinema chain AMC Entertainment last week broke new ground on Wall Street.

But the big winner was a well-established private equity firm: Silver Lake Partners.

"A thunderbolt out of the sky," marvelled one person close to AMC, whose shares climbed more than fivefold in an electrifying end to January.

Unfolding alongside an even more dizzying leap in the stock of video games retailer GameStop, the move was cast by some as a battle between retail investors and Wall Street's elite.

As the week of drama on financial markets drew to a close, Silver Lake last Friday locked in a $113m profit after selling shares in AMC that it had recently swapped from convertible bonds. The California-based firm owns entertainment group Endeavor and is best known for buying tech companies such as Dell, and more recently investing in Manchester City football club.

Far from being an opportunistic swoop, Silver Lake's AMC trade was set in motion last summer and has since proved one of the great private equity masterstrokes of the pandemic. The dealmaker's tactics highlight the tough negotiating, financial engineering — and in this case, dose of luck — required to prevail over Wall Street rivals in fights in troubled companies.

AMC's difficulties began in earnest last spring when the march of the pandemic across America ensured that the seats in its theatres remained empty.

In April, as the Federal Reserve emerged to support capital markets, AMC quickly raised $500m by selling senior bonds. The company said this would give it enough cash to ride out the pandemic until Thanksgiving last November, by which point it believed

> 'It wasn't enough and AMC was just bleeding money because no one was going to movie theatres'

cinemas would have started reopening.

But as summer arrived, the pandemic had shown no sign of abating. AMC's cash burn was exceeding $100m a month. The company was on the verge of collapse.

"It became obvious it wasn't enough and AMC was just bleeding money because obviously no one was going to movie theatres," said Bert Choe, an analyst at Covenant Review.

In response, the Kansas-based cinema chain embarked on a complex debt restructuring. The intention was to buy time until widespread vaccine deployment would eventually allow Americans to safely gather indoors.

The restructuring pitted the world's most sophisticated and ruthless investment funds against each other. On the one side was a rescue package from Silver Lake. On the other was a rival plan from lenders led by private equity titan Apollo Global Management.

In the end, Silver Lake's package prevailed in the AMC boardroom. It was to prove a critical victory because the private equity firm had found itself in a particularly tough spot.

Silver Lake had bought a $600m convertible bond from the cinema operator in 2018. The firm was optimistic that, even in an age of digital streaming, Americans would still frequent movie theatres. The convertible bond paid a near 3 per cent coupon giving Silver Lake downside protection while allowing it to share in the upside if AMC's stock rose.

The bond, however, had one unattractive feature: it was unsecured. This meant that, in the event that AMC filed for bankruptcy, it would be paid out after more senior loans.

Such a bankruptcy was looming in May and June. AMC's junior debt was trading below 30 cents on the dollar and even senior debt was in the 60s. Bank loan holders, including Apollo, had proposed a comprehensive refinancing that involved injecting more cash into the company. But AMC management and shareholders were wary of the plan. They feared that the group was ultimately angling for a bankruptcy where they could take control of AMC on the cheap, a claim the lenders deny.

The AMC board, with Silver Lake's representative on it excusing himself, ultimately accepted the rival package proposed by Silver Lake.

The private equity firm would put in $100m of debt at the senior level and the junior bondholders would swap $2bn of debt for $1.5bn at a higher interest rate and longer maturity. Most controversially, Silver Lake would also have its $600m convertible bond leapfrog to the most senior creditor level. This meant that it would share in the recovery the loan holders would get in the event of a bankruptcy proceeding.

Due to restrictions in its loan documentation, AMC had only limited capacity to issue senior debt. By moving the $600m convertible bond up the chain of creditors — much of the company's capacity to borrow more was exhausted. Lenders were aghast at the board's decision-making, according to participants directly familiar with the matter. They believed that their offer had superior terms but that AMC had instead chosen a shareholder-friendly proposal when the company, they believed, had an obligation to all stakeholders — including creditors.

But just weeks after the restructuring was sealed in July, a second wave of coronavirus infections was sweeping America. And by the autumn, the spectre of bankruptcy had reappeared. Once more AMC was running low on cash. The senior lenders were broaching the idea of a bankruptcy filing that was not favourable to the interests of Silver Lake and other junior stakeholders. The proposal would have allowed AMC to make a series of operational changes — sell locations, reject leases and slim down operations while likely writing off much of the company's junior debt and equity.

Silver Lake and Apollo declined to comment. AMC did not respond to a request for comment.

**$600m**
Convertible bond Silver Lake bought from AMC in 2018. It was upgraded to senior creditor level

**$20**
Price AMC shares peaked at during last month's rally. They are now just under $8

By November, AMC's luck and that of Silver Lake had changed dramatically. BioNTech/Pfizer's Covid vaccine had produced promising results, and optimism about a near-term economic recovery returned. AMC shares shot up and it announced plans to sell shares to the public through a so-called "at-the-market" programme where it simply could place shares opportunistically during trading hours.

Then on January 25, AMC chief executive Adam Aron dramatically announced that the company had raised more than $900m in financing since mid-December, and nearly $2bn overall since April. "Any talk of an imminent bankruptcy for AMC is completely off the table," he said.

By January 27, as various stocks of troubled companies were boosted by Reddit-fuelled rallies, AMC jumped over $20 per share at one moment.

Securities filings published last week disclosed that Silver Lake had swapped its convertible bond at $13.51 per share exercise price and then sold the 44m shares at an exercise price of $16.05. This netted the private equity firm a $113m profit. A hedge fund, Mudrick Capital, emerged as another big winner. It swapped existing AMC bonds for equity and received shares for lending the company $100m with its overall haul of close to $200m, according to a person with knowledge of the fund's performance. The fund still owns AMC bonds, having exited its equity position.

> 'I'm super bummed I didn't buy AMC junior bonds or stock'
> Hedge fund executive and lender

"I think the company has done a very good job of raising not only the liquidity they needed to get through the summer but twice that amount," said founder Jason Mudrick. "It's a novel situation."

One lawyer involved in the case explained that because of AMC's negative cash flow and heavy debt, these equity investors were betting on "option value" in its shares: the possibility of a rapid vaccine rollout or new drugs to combat Covid-19 meant that it had a chance, even if remote, of a rapid turnaround worthy of a punt.

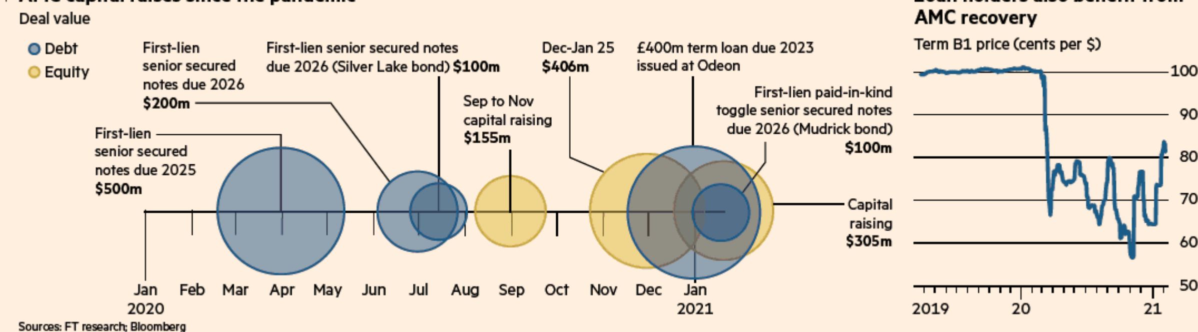
Still, the surge in the cinema chain's stock driven by day traders seemed to exceed any fundamental valuation and is on an entirely different scale.

"I'm super bummed I didn't buy AMC junior bonds or stock", lamented one hedge fund executive who was a lender. But lenders and bondholders have also profited from the rally. AMC's term loan has jumped to close to 90 cent on the dollar and even AMC junior bonds have jumped to more than 70 cents.

This week equity analysts at MKM Partners put a $1 price target on AMC shares. Stockholders had been diluted by 75 per cent in recent months even as the company's debt load and deferred rent remained massive, they wrote.

The sheer force of that calculation likely convinced Silver Lake to use the chance to cash in on its winnings. Ordinary investors are slowly being persuaded as well: AMC shares have quickly plummeted to just under $8.

A bicycle taxi passes in front of an AMC cinema in New York. The chain fell into difficulties after the pandemic closed cinemas
Amir Hamja/Bloomberg

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### Healthcare

# Former GSK head Witty to take reins at UnitedHealth

MAMTA BADKAR

**UnitedHealth has named Andrew Witty as its new chief executive, handing the former head of UK pharma group GlaxoSmithKline a major role in the US healthcare industry.**

Sir Andrew will succeed David Wichmann, who spent less than four years at the helm of the healthcare company. The retirement of Mr Wichmann, who has been at the Minnesota-based company for more than two decades, caught Wall Street by surprise.

The news is "surprising to us; we expected Wichmann would be CEO for many years to come", said Scott Fidel, analyst at Stephens, though he added that United does have "an extremely deep senior management bench".

Sir Andrew has been chief executive of UnitedHealth's health services arm Optum since early 2018 and assumed the role of president in 2019. For much of 2020, he took a leave of absence to help with the World Health Organization's efforts to combat Covid-19.

He will assume his role and rejoin the board of directors immediately, while Mr Wichmann will continue in a transition period through March. Sir Andrew left GSK in early 2017 after three decades at the pharma group. His almost nine-year stint at the top of GSK divided opinion despite the company's shares comfortably outperforming the FTSE 100, the UK's blue-chip stock market index over the same period.

Those who champion the 56-year-old's legacy point to his investment in emerging markets and strengthening GSK's position in vaccines. Critics argue that he neglected the company's core pharma business during a period when rivals capitalised on advances in medical science.

This "is an earlier transition than we would have expected," said AJ Rice, analyst at Credit Suisse, though he noted that "a quick check with the company suggests that the move was a personal decision made by Mr Wichmann in the aftermath of navigating through the pandemic last year and with the company in strong shape financially."

Shares in UnitedHealth were down 2.3 per cent by midday in New York. The company reiterated its 2021 outlook for adjusted net earnings of between $17.75 to $18.25 per share.

### Technology

# Parler chief Matze says social media network has fired him

HANNAH MURPHY — SAN FRANCISCO

**The chief executive of Parler, the social media platform favoured by far-right groups which has been recently forced offline, has said he had been fired.**

John Matze said he was removed by Parler's board, which is controlled by Republican party donor Rebekah Mercer, last Friday. He said he had not signed a severance agreement.

Mr Matze added he had been given no reason for his "termination". He said: "Over the past few months, I've met constant resistance to my product vision, my strong belief in free speech and my view of how the Parler site should be managed."

Parler did not respond to a request for comment. Ms Mercer, the daughter of hedge fund billionaire Robert Mercer, could not immediately be reached for comment.

A self-described "unbiased social media network" that purports to champion "free speech", Parler rose in popularity over the past year among far-right groups as larger rivals Facebook and Twitter stepped up efforts to stamp out misinformation and violence-inciting content, including curbing posts from former US president Donald Trump.

But the app was forced offline in January after Amazon cut off the provision of its web hosting services, citing repeated content moderation failures in the wake of the attack at the US Capitol by a pro-Trump mob on January 6.

Apple and Google have also removed Parler from their app stores on similar grounds.

Last month, Carolyn Maloney, who chairs the US House oversight and reform committee, called on the FBI to investigate the role that Parler played in fomenting the riots at the Capitol. She also urged the FBI to explore the platform's "ties to Russia, given the company has re-emerged on [a] Russian hosting service".

Ms Mercer has previously said she set up Parler with Mr Matze, whose exit was first reported by Fox News, "to provide a neutral platform for free speech, as our founders intended" and to counter the "ever-increasing tyranny and hubris of our tech overlords".

Ms Mercer is its lead investor, according to a report by The Wall Street Journal.


### Legal Notices

CLAIM NO. CR-2020-003059

**IN THE HIGH COURT OF JUSTICE**
**BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES**
**COMPANIES LIST (ChD)**
**IN THE MATTER OF THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION LIMITED**
**AND THE BRITANNIA STEAM SHIP INSURANCE ASSOCIATION EUROPE**
**AND IN THE MATTER OF THE FINANCIAL SERVICES AND MARKETS ACT 2000**

**NOTICE**

**NOTICE IS HEREBY GIVEN** that on 29 January 2021 Mr Justice Michael Green made an order (the "**Order**") under Part VII of the Financial Services and Markets Act 2000 ("**FSMA 2000**"):

1. sanctioning an insurance business transfer scheme providing for the transfer to The Britannia Steam Ship Insurance Association Europe ("**Britannia Europe**") of the whole of the insurance and reinsurance business of The Britannia Steam Ship Insurance Association Limited ("**Britannia**") (the "**Scheme**"); and
2. making ancillary provisions in connection with the implementation of the Scheme pursuant to section 112 of FSMA 2000.

The business to be transferred by way of the Scheme comprises:

1. all insurance and reinsurance contracts in respect of which Britannia is the insurer or reinsurer;
2. Britannia's outwards reinsurance contracts; and
3. all other contracts, assets and liabilities of Britannia whatsoever, (the "**Transferring Business**").

The Transferring Business, save for that which is administered in Japan by or on behalf of Britannia acting through its branch in that jurisdiction (the "**Japan Business**"), will transfer from Britannia to Britannia Europe on 20 February 2021.

Policyholders may have a right under the law of the relevant EEA state to cancel their policy as a result of the Scheme within 21 days from the date of this publication, or such other period (if any) as the law of the relevant EEA state provides. If you are a policyholder and have any questions about your policy or the transfer, or wish to exercise any right you may have to cancel your policy with Britannia, please contact Phillippa Smith at Tindall Riley (Britannia) Limited on +44 (0)20 7407 3588 during normal office hours.

The transfer of the Japan Business from Britannia to Britannia Europe will take place on 20 February 2022, subject to the authorisation and approval of a corresponding branch established by Britannia Europe, which is expected to occur by late 2021, and a further order of the High Court of Justice of England and Wales confirming the transfer.

A copy of the Order can be obtained free of charge by writing to Phillippa Smith at Tindall Riley (Britannia) Limited, Regis House, 45 King William Street, London EC4R 9AN or by e-mail to BritanniaPartVII@tindallriley.com

Alternatively, a copy of the Order and other documents in relation to the Scheme can be downloaded from Britannia's website at https://britanniapandi.com/part-vii-transfer.

Solicitors for The Britannia Steam Ship Insurance Association Limited and The Britannia Steam Ship Insurance Association Europe, Holman Fenwick Willan LLP, Friary Court, 65 Crutched Friars, London EC3N 2AE, United Kingdom, +44 (0)20 7264 8000, ref. RWH/WJR/667.46.

05 February 2021

Equities. Regulation

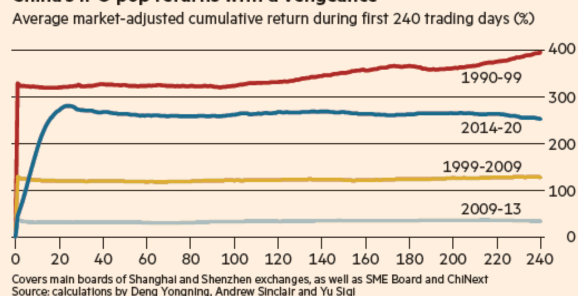
# China valuation limits underprice IPOs by $200bn

Offerings on Shanghai's tech-focused Star Market, hailed by state media as China's Nasdaq at its launch, are not subject to valuation ceilings — Reuters

Beijing faces challenge to reform system that has led companies to list abroad

HUDSON LOCKETT AND THOMAS HALE
HONG KONG

**China's IPO pop returns with a vengeance**
Average market-adjusted cumulative return during first 240 trading days (%)




Covers main boards of Shanghai and Shenzhen exchanges, as well as SME Board and ChiNext
Source: calculations by Deng Yongning, Andrew Sinclair and Yu Siqi

Initial public offerings in China have undervalued companies by up to $200bn over the past six years, academic research indicates, reflecting a struggle to price listings in the world's second-biggest equity market.

Limits on the valuations at which companies can sell shares in IPOs on most Chinese bourses mean that groups listing onshore may have raised just a quarter of what they otherwise could have, according to a working paper provided exclusively to the Financial Times by researchers at Hong Kong University.

Researchers determined the extent of IPO underpricing by tallying up the early share price gains across almost 1,300 market debuts from 2014 to July 2020 on the main stock exchanges in Shanghai and Shenzhen, as well as the latter's tech-focused ChiNext market and its small business-orientated SME Board. They found stocks jumped on average 300 per cent on their debut following reforms in 2014, compared with just 37 per cent under a previous listings regime.

That underscores the challenges Beijing faces in making its markets more attractive for Chinese companies looking to float, analysts said. US-Sino tensions have made that task more urgent, with $1tn of Chinese equity listings at threat of being evicted from Wall Street under draft US legislation.

"We've not moved forward in 20 years — that, I think, is the bigger picture of what this work shows," said Fraser Howie, an independent analyst and expert on China's financial system.

Chinese authorities have for decades oscillated between a market-driven regime for pricing IPOs and one in which regulators have a greater say.

For about a decade after the Shanghai Stock Exchange reopened in 1990 following a more than 40-year hiatus, regulators required most IPOs to price well below their market value. That let retail traders, who could subscribe to IPOs through a lottery system before shares hit the market, benefit from a massive jump on the first day of trading.

But by about 2009 regulators had moved towards an auction-based system for pricing IPOs more akin to those in New York, Hong Kong and London. That meant retail and other investors were far less likely to enjoy big price rises on the first day of trading.

Those reforms drew the ire of investors, according to Andrew Sinclair, a co-author of the University of Hong Kong paper. "The idea of the IPO pop on the first day, that was something people had come to expect, but that was an artefact of inefficiencies in the market," Mr Sinclair said. "When it became more efficient that was something that completely broke their expectations."

Following criticism by local financial media and academics, who argued that the new system funnelled more money to already wealthy entrepreneurs, the China Securities Regulatory Commission in 2014 in effect imposed a limit that meant most companies could only list their stock at a maximum value of 23 times earnings per share.

Mr Sinclair said that created "a huge incentive to start listing abroad" for Chinese technology groups. Alibaba's $25bn New York IPO in September 2014, at the time the world's biggest, valued its stock at a price-to-earnings ratio of 40 times.

China has recently begun to experiment again with market-driven pricing for IPOs. Those on Shanghai's tech-focused Star Market, which was hailed by state media as "China's Nasdaq" during its launch in 2018, are not subject to valuation ceilings. Shenzhen's ChiNext has followed suit.

'The idea of the IPO pop on the first day . . . was an artefact of inefficiencies in the market'

"Given all the reforms . . . companies can now sell their stocks at more market-driven prices," said Kinger Lau, chief China equity strategist at Goldman Sachs. "I think that creates extra motivation for Chinese companies to issue."

Yet listings on Star, which were not included in the University of Hong Kong research, have enjoyed an average day-one jump of 160 per cent since the market launched, according to data from Dealogic. Shares in tech group QuantumCTek climbed a record 924 per cent on their debut in June.

By comparison, first-day IPO gains on the Nasdaq and New York Stock Exchange have averaged about 19 per cent and 12 per cent in the same timeframe, respectively.

Bruce Pang, head of research at investment bank China Renaissance, said that Star IPOs' pricing reflected a "compromise" between the interests of issuing companies, retail traders and investment banks.

Star IPO sponsors must invest in the companies they bring to market, with a two-year lock-up period. That is supposed to ensure bookrunners do not try to offload overpriced shares in shoddy companies to investors, but also incentivises them to price IPOs low enough to ensure a juicy return.

"If you're a broker underwriting these listings you have to put up some of your money to invest in these companies, so you'd want more upside," Mr Pang said.

The arrangement is not without its critics, however. Mr Howie described it as a "direct conflict of interest".

"Ultimately it's the companies themselves which are suffering," due to limitations on IPOs, he added. "Selling two dollars for one dollar never makes any sense."

FT
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Commodities

## EU emissions crackdown drives carbon above €38

DAVID SHEPPARD — ENERGY EDITOR

The price of carbon in Europe has soared above €38 a tonne for the first time as traders rush to secure supplies of EU emissions allowances.

Prices have risen almost 13 per cent this week, in the sharpest rally since late August, according to Bloomberg data. The gains took place largely on Tuesday and Wednesday after an auction in Poland in which companies paid a premium to the market level.

Yesterday, intraday carbon prices reached a record of €38.08 a tonne, before easing back below €37.

This week's gains mark an acceleration in the cost of releasing a tonne of $CO_2$, which has soared as the EU strengthens commitments to cutting emissions. The price of carbon has climbed 60 per cent since November.

"The bulls [are] firmly in charge once more," said Tom Lord at Redshaw Advisors, a consultancy.

Analysts said the strength of the move over Tuesday and Wednesday was likely to be self-fulfilling, as traders who had been betting against the price were forced to scramble to buy back positions.

A growing band of traders have said they expect prices to keep rising as the EU further tightens emissions rules — a shift that will over time make alternatives in the renewable energy sector more competitive against fossil fuels.

A setback could come if Brussels felt compelled to cut costs for businesses and add more allowances

Under the scheme, heavily polluting industries and power plants are allocated a set number of allowances each year that they can sell if they manage to cut their own emissions, or buy if they pollute more than expected.

Some traders have cautioned that the carbon market risks be a one-way bet, and forecast that the EU Emissions Trading System price could hit €50 a tonne or higher in the coming years.

A setback could come if Brussels felt compelled to cut costs for businesses and added more allowances to the market. EU ETS prices can be volatile, with prices falling about 25 per cent between September and November, before the latest rally began.

Electricity supplies in Europe have already adjusted since 2017, under pressure from the rally in the EU ETS that pushed prices from €7 to €30 a tonne.

Analysts have cautioned that the gains may prompt some buyers to step back temporarily in the hope that prices retreat again.

The market went through a decade-long slump after the financial crisis as the slowdown cut emissions, leaving a surplus of allowances and depressing prices.

The potential for gains has caught the attention of traders outside the once niche industry. Pierre Andurand, the hedge fund manager, was revealed by the FT last year to have dipped a toe in.

Commodities

## Grain and soyabean rally helps push food index to highest level since 2014

EMIKO TERAZONO

Global food prices have reached their highest level in almost seven years, further raising the spectre of food inflation and hunger at a time when the Covid-19 pandemic continues to hit economies around the world.

The UN Food and Agriculture Organization's food price index for January rose by a tenth from a year ago to its highest level since July 2014, led by a sharp increase in grain prices. Substantial buying of corn by China and lower than expected production in the US helped send the gauge — which tracks a basket of food commodities against their 2014-16 prices — to its eighth consecutive monthly increase, the longest rising streak in a decade.

Prices are not yet at levels seen during the food crisis of the late 2000s, but the trajectory was a concern, said analysts. "It could become a big issue for less prosperous countries which depend on imports for food," said Abdolreza Abbassian, FAO senior economist.

China is seeking to restore its grain reserves, as well as keeping a lid on domestic prices while it rebuilds a hog herd that was decimated by African swine fever. The pandemic has also prompted countries reliant on imports for staples to boost government-held inventories in grains and oilseeds such as soyabeans, as well as sugar.

Food prices have also been affected by dry weather in South America, a leading supplier of corn and soyabeans to international markets, while expectations of a rise in export tariffs in leading wheat exporters such as Russia have also pushed prices higher.

Oilseeds have seen strong demand as governments replenish inventories

The continued disruption in the shipping industry is another factor: freight prices for grains and oilseeds are at their highest levels since October 2019 according to the International Grains Council, a global body.

The rally in grains and soyabeans follows several years of low prices after favourable weather led to bumper crops. Corn prices are up 45 per cent from a year ago to $5.55 a bushel and soyabeans have jumped 56 per cent to $13.71. Wheat is up 16 per cent while rice is 27 per cent higher.

Analysts at Commerzbank said agricultural commodity markets were also supported by positive sentiment in equity markets, economic stimulus and rising oil-price forecasts. By mid-January, speculators' net long positions in corn — overall bets that prices would rise — had reached their highest level since spring 2011, said Michaela Helbing-Kuhl. Then corn cost $7 a bushel.

The FAO also warned that the larger volumes of world trade and a sharp decline in global grain inventories, to the lowest level in five years, had made markets more vulnerable to production shortfalls.

Equities

## Future magazine group faces investor unrest over stock-based bonus plan

PATRICIA NILSSON AND ATTRACTA MOONEY

Future, the magazine publisher behind titles including Country Life and Horse & Hound, has come under fire over a proposed bonus scheme that could award its chief executive over £40m.

Institutional Shareholder Services and Glass Lewis, two influential advisers to many of the world's biggest asset managers, have recommended that investors vote against the proposed pay package at the group's upcoming annual meeting on February 10.

Two shareholders have also expressed concern to the Financial Times about the so-called "value creation plan". It could pay employees up to £95m in stock-based awards annually over three years based on total shareholder return, a metric that includes share price performance and dividends.

Future's proposal has inflamed shareholder concerns that companies are using the pandemic to introduce bonus policies which are potentially very generous. Last month, a third of shareholders at Cineworld revolted over a bonus scheme that could award the chain's chief executive and his deputy up to £65m each in shares.

One top-30 shareholder said Future's annual meeting was set to be "another controversial one . . . expect significant pushback from shareholders".

Neville White, head of responsible investments policy and research at EdenTree Investment Management which has a small stake in Future, said he was concerned about "excessive pay creep" at the company.

Zillah Byng-Thorne, Future's chief executive, is entitled to 14.3% of this pot, or up to an annual £13.6m

The scheme proposes that, as long as the company's share price goes up by at least 10 per cent a year from September 2020 to September 2025, all employees will be granted shares in three tranches, each capped at £95m. These awards will vest from 2023.

Zillah Byng-Thorne, Future's chief executive, is entitled to 14.3 per cent of this pot, or up to an annual £13.6m. She was paid a total of £3.7m last year and is set for a salary increase of more than 21 per cent to £575,000.

Future said it had "consulted closely" with shareholders and the proposal reflected "constructive feedback", adding most of the potential bonus would be distributed among its 2,300 employees.

About a fifth of the bonus pool will be reserved for senior executives, including the chief executive's share. A previous scheme only rewarded the 50 most senior directors.

"The proposed plan is directly aligned to shareholder interests . . . the maximum potential award would require the company to create over £4bn of additional shareholder value over the course of the next five years," the group said.

One top-30 shareholder offered support, arguing the 10 per cent share price hurdle was above "typical long-term stock market returns of 6-8 per cent a year" and that there was a "reasonable lock-in" with executives expected to hold the shares until 2025.

Ms Byng-Thorne took over Future in 2014 and has bucked a trend of declining revenues in print media, also snapping up assets worth roughly £1.1bn.

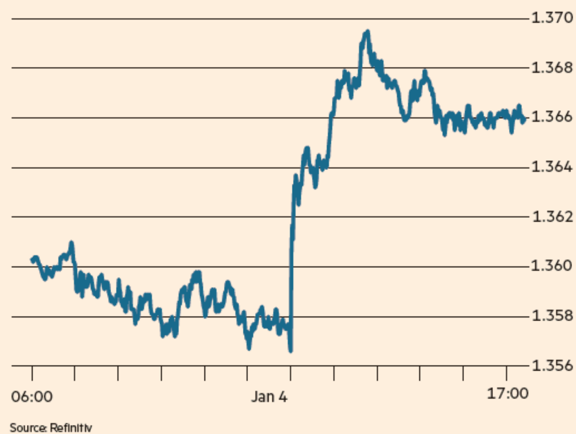
COMPANIES & MARKETS

## The day in the markets

### What you need to know

- **Pound rises and UK bonds sell off after central bank keeps rates unchanged**
- **European stocks, including the continent-wide Stoxx 600, close higher**
- **Difference between two-year and 30-year US bond yields hits five-year high**

**Pound jumps after BoE leaves rates on hold**
Against the dollar ($ per £)




Source: Refinitiv

The pound jumped yesterday after the Bank of England kept its key interest rate unchanged and prompted traders to put back their predictions for negative rates.

The central bank's Monetary Policy Committee voted unanimously to keep its policy rate at 0.1 per cent and not increase the size of its bond-buying programme. Following a survey of commercial lenders regarding the feasibility of negative interest rates, the bank said it would prepare contingency plans for such a move — but added this would take six months.

The committee was "clear that it did not wish to send any signal that it intended to set a negative bank rate at some point in the future", said Andrew Bailey, the BoE's governor.

Money markets suggested traders were not pricing in a move to negative rates, even two years away. The pound, which had started the London session around 0.6 per cent lower on fears over sub-zero rates, was 0.1 per cent higher for the day at $1.3661. Sterling also strengthened 0.7 per cent against the euro.

Government bonds sold off following the BoE meeting, as bets that negative rates would be deployed unwound. The UK 10-year gilt yield rose 0.07 percentage points to 0.44 per cent, the highest level since late March.

The UK's FTSE 100 share index, which is stacked with companies that earn dollar revenues, closed down 0.1 per cent.

However, the UK benchmark has still risen about 16 per cent since November as investors have bet that the "old economy" companies that dominate the index, such as oil producers and banks, will benefit from a vaccine-led recovery.

On Wall Street, blue-chip S&P 500 index and the tech-heavy Nasdaq Composite were both up 0.7 per cent at lunchtime in New York after data showed new US unemployment claims fell to their lowest since November.

This also helped prompt a sell-off in US government debt, as investors calculated that the nation's economic recovery would eventually drive borrowing costs higher. The gap between two-year and 10-year yields widened to 1.03 percentage points yesterday, the steepest level since 2017. Meanwhile, the difference between two-year and 30-year bond yields hit its highest level for five years, at 1.47 percentage points.

In Europe, the continent-wide Stoxx 600 benchmark was 0.6 per cent higher. Germany's Xetra Dax rose 0.9 per cent and France's CAC 40 climbed 0.8 per cent.
*Naomi Rovnick, Eva Szalay and Colby Smith*

### Markets update

| | US | Eurozone | Japan | UK | China | Brazil |
|---|---|---|---|---|---|---|
| **Stocks** | **S&P 500** | **Eurofirst 300** | **Nikkei 225** | **FTSE100** | **Shanghai Comp** | **Bovespa** |
| Level | 3856.47 | 1576.65 | 28341.95 | 6503.72 | 3501.86 | 119684.34 |
| % change on day | 0.69 | 0.60 | -1.06 | -0.06 | -0.44 | -0.03 |
| **Currency** | **$ index (DXY)** | **$ per €** | **Yen per $** | **$ per £** | **Rmb per $** | **Real per $** |
| Level | 91.351 | 1.198 | 105.420 | 1.366 | 6.463 | 5.422 |
| % change on day | 0.197 | -0.250 | 0.328 | 0.073 | 0.115 | 1.061 |
| **Govt. bonds** | **10-year Treasury** | **10-year Bund** | **10-year JGB** | **10-year Gilt** | **10-year bond** | **10-year bond** |
| Yield | 1.139 | -0.455 | 0.054 | 0.439 | 3.214 | 7.511 |
| Basis point change on day | 1.380 | 1.100 | 0.080 | 6.900 | 0.300 | 21.000 |
| **World index, Commods** | **FTSE All-World** | **Oil - Brent** | **Oil - WTI** | **Gold** | **Silver** | **Metals (LMEX)** |
| Level | 438.23 | 58.70 | 56.06 | 1835.45 | 26.80 | 3459.90 |
| % change on day | 0.32 | 0.27 | 0.45 | 0.13 | -1.92 | 0.63 |

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

### Main equity markets

### Biggest movers

| % | US | | Eurozone | | UK | |
|---|---|---|---|---|---|---|
| Ups | Align Technology | 13.70 | Bbva | 7.50 | Lloyds Banking | 5.65 |
| | L Brands | 9.87 | Dassault Systemes | 6.06 | Natwest | 5.54 |
| | Snap-on | 8.73 | Santander | 5.32 | Compass | 4.45 |
| | Alliance Data Systems | 7.14 | Bayer | 5.32 | Whitbread | 4.21 |
| | Kohl's | 6.95 | Accor | 4.41 | Int Consolidated Airlines S.a. | 3.29 |
| Downs | Qualcomm | -8.96 | Unilever | -5.72 | Unilever | -6.20 |
| | Int Paper Co | -7.96 | A.p. Moller - Maersk B | -3.46 | Fresnillo | -3.29 |
| | Air Products & Chemicals | -6.28 | Ses | -3.18 | Bt | -3.22 |
| | Cognizant Technology Solutions | -6.08 | Red Ele. | -2.55 | Just Eat Takeaway.com N.v. | -3.22 |
| | Qorvo | -5.51 | Casino Guichard | -2.55 | United Utilities | -2.42 |

Prices taken at 17:00 GMT. Based on the constituents of the FTSE Eurofirst 300 Eurozone. All data provided by Morningstar unless otherwise noted.

### Wall Street

Better than expected results lifted **eBay**. The online retail platform reported fourth-quarter revenue of $2.9bn, up 28 per cent year on year, while annual active buyers grew 7 per cent to 185m globally.

But UBS wanted more detail on the platform's outlook. "Management struck many of the same long-term themes," said the bank, but "did not provide the usual annual framework for revenue guidance or margins".

UBS added: "This lack of clarity will remain a key debate as investors attempt to bridge a strong 2020 turnaround to the longer-term dynamic in 2022 and 2023." It also assigned eBay a "neutral" rating.

A blockbuster quarter helped send **PayPal** rallying. "We have just completed the strongest year in our history," said John Rainey, chief financial officer, on news that the online payments system had added 72.7m active accounts in 2020 while total payments on the site climbed 39 per cent year on year to $277bn.

**Cigna**, the health insurer, dropped after revealing that its medical care ratio — which represents medical costs as a percentage of premiums — increased to 85.8 per cent for the fourth quarter from 82.3 per cent in the same period in 2019, "due to Covid-19 related impacts".
*Ray Douglas*

### Europe

**Bayer** leapt after the German pharmaceuticals group announced a formal agreement "designed to manage and resolve future Roundup cases".

The company has been facing thousands of claims in the US linked to the potentially carcinogenic effects of its herbicide Roundup. Bayer continues to deny any wrongdoing.

As part of the agreement, Bayer would pay up to $2bn to support the claims and programmes covered by lawsuits.

**Securitas**, the Swedish security services group, sank after reporting fourth-quarter operating income of SKr856m (€84.48m), down 35 per cent on the same period a year earlier.

"The negative impact of the corona pandemic on the airport security business remains to be significant, primarily in . . . Europe," said Magnus Ahlqvist, president, referring to the rapid fall-off in tourism levels last year. He added the group would launch efforts in Europe and Ibero-America this year "to improve our margins".

An upgrade in its outlook failed to lift **Infineon**. The German chipmaker predicted revenue of about €10.8bn for this year, up from €10.5bn previously stated. But the Munich-based group had already climbed more than 50 per cent last year for its best annual performance in a decade. *Ray Douglas*

### London

**Whitbread**, the owner of the Premier Inn hotel chain, climbed after announcing the successful pricing of two green bonds, the extension of its revolving credit facility and its intention to repay private placement notes.

The refinancing maintained the "group's strong balance sheet and financial flexibility", it said, "while at the same time extending the maturity of its debt".

Whitbread has had to contend with coronavirus-triggered lockdowns last year that contributed to its accommodation bookings falling by around a half towards the end of 2020.

**Duke Royalty**, a provider of alternative capital solutions, rose after reporting cash revenue for the three months ending December 31 of £4.2m, which represented a record quarter for the metric. Based on current trading, Duke expected cash revenue for the current quarter to be £2.5m.

"While the macro environment remains highly volatile, the pandemic has also presented Duke with a significant growth opportunity," said Neil Johnson, chief executive. "Banks have been tightening SME [small and medium-sized enterprises] lending criteria ever since the global financial crisis and demand for more flexible, alternative sources of capital remains very strong." *Ray Douglas*

# Reddit rebels will return if lessons go unheeded

Mohamed El-Erian

Markets Insight

The retail investor Reddit rebellion has painfully been exposed to one of the big lessons of popular political uprisings, although that does not mean it will not return.

First, early gains during the initial surprise attack on the established order are hard to maintain if the movement is leaderless, lacks staying power, and is easily distracted.

Second, the established order — supported in its counter-attack by those wishing to minimise disorder and uncertainty — quickly reasserts its dominance. However, this reassertion tends to happen in ways that fail to deal with the uprising's underlying causes. That leaves in place the roots of future disruptions.

The story of the uprising is now well known. Facilitated by efficient communication platforms, disposable funds and costless trading apps such as Robinhood, a young group of investors tried to beat hedge funds by exploiting the "pain trade".

In this case, that meant squeezing large short positions held by hedge funds on a handful of stocks, such as GameStop. Scrambling to save themselves, these stressed funds had to raise cash by selling out of their long positions, which put pressure on the market as a whole.

The strategy worked extremely well, initially. Sustaining it proved hard.

Retail investors' ability to buy, a critical element in any short squeeze, was hindered by draconian limits on additional purchases imposed on them by trading platforms. This, in turn, was said to be a function of the requirements imposed on trading platforms by clearing houses.

The buying power of the rebellious investors was also distracted by talk of silver being their next "target" — a problematic approach given the silver market's much larger size and its relatively low share of outstanding shorts.

Finally, infusions of fresh capital stabilised the trading intermediaries and calmed the bloody-nosed hedge funds.

By lunchtime in New York yesterday, GameStop was down 79 per cent from the start of the week, while the price of silver was off 11 per cent from its week high. Hedge funds were back in command, with little pressure to cover their shorts. Many retail investors had become victims instead of predators. The rest of the market went back to what it was doing before, seeking one record high after another.

> The insurgents exposed supervisory gaps. The authorities were caught asleep at the wheel — again

It exposed the structural disadvantages to the retail investors' strategy. It reminded me of two sayings I learned early as an investment manager: "You have no friends on Wall Street" and "If you cannot identify the weak hand, it's you, and you shouldn't be in this game."

Even so, it would be short-sighted to believe markets have fully recovered from this event and remain immune to further disruption. It illuminated several realities which, if not acted upon, could well assert themselves far more dramatically.

*It revealed the persistent asymmetry between the establishment and the "little guys" who carry considerable personal and national debt and are rightly worried about their economic future.*

Their concerns are unlikely to get material relief anytime soon. Their sense of marginalisation and alienation will grow.

*It exposed a number of regulatory and supervisory gaps.*

The authorities were caught asleep at the wheel — again. They now need to resolve a series of difficult and, in some cases, competing issues that range from investor protection to market collusion.

*It uncovered systemic risk.*

Judging from the billions of dollars raised by Robinhood, the system came close to an accident that could have triggered a disruptive de-grossing — simultaneous deleveraging of balance sheets. Moreover, it played out amid excessive risk-taking and a broad disconnect between finance and the real economy. Ramming that home, the market's reaction to having avoided an accident has been to take on even more risk overall.

This uprising was akin to too many grassroots political movements that promote greater inclusion and participation. It failed to maintain momentum, and growing counter-pressures frustrated the aim of disrupting the established order and democratising finance more.

What have not been crushed are underlying forces that propelled the uprising. In its aftermath, markets have reverted to their old behaviours rather than internalised its lessons. This leaves open the possibility of more disruptions to come.

*The writer is president of Queens' College, Cambridge and adviser to Allianz and Gramercy*

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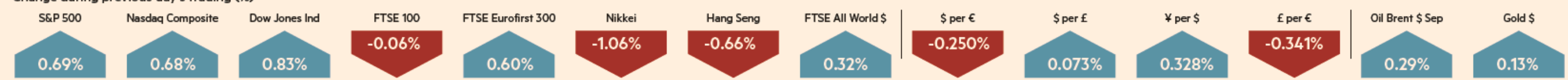
# MARKET DATA

## WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)



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

### AMERICAS

| Index | Location | Jan 05 | Feb 04 | Day | Month | Year |
|---|---|---|---|---|---|---|
| S&P 500 | New York | 3,748.14 | 3,856.47 | 0.69% | 4.21% | 16.95% |
| S&P/TSX COMP | Toronto | 17,828.11 | 18,050.79 | 0.75% | 2.97% | 3.06% |
| Nasdaq Composite | New York | 12,818.96 | 13,702.76 | 0.68% | 7.91% | 44.73% |
| IPC | Mexico City | 44,908.12 | 44,180.37 | 0.51% | -1.15% | -1.91% |
| Dow Jones Industrial | New York | 30,391.60 | 30,980.03 | 0.83% | 2.51% | 7.55% |
| Bovespa | São Paulo | 119,376.21 | 119,684.34 | -0.03% | 0.68% | 3.55% |

### EUROPE

| Index | Location | Jan 05 | Feb 04 | Day | Month | Year |
|---|---|---|---|---|---|---|
| FTSE 100 | London | 6,841.86 | 6,503.72 | -0.06% | -1.08% | -12.62% |
| Xetra Dax | Frankfurt | 13,891.97 | 14,060.29 | 0.91% | 2.89% | NaN% |
| FTSE Eurofirst 300 | Europe | 1,567.83 | 1,576.65 | 0.60% | 1.80% | -3.54% |
| Ibex 35 | Madrid | 8,350.30 | 8,122.60 | 1.37% | 0.29% | -15.06% |
| CAC 40 | Paris | 5,630.60 | 5,608.54 | 0.82% | 0.35% | -5.50% |
| FTSE MIB | Milan | 22,734.32 | 22,900.55 | 1.65% | 2.62% | -3.96% |

### ASIA

| Index | Location | Jan 05 | Feb 04 | Day | Month | Year |
|---|---|---|---|---|---|---|
| Nikkei 225 | Tokyo | 27,158.63 | 28,341.95 | -1.06% | 3.34% | 23.46% |
| Kospi | Seoul | 2,968.21 | 3,087.55 | -1.35% | 7.45% | 45.72% |
| Hang Seng | Hong Kong | 27,692.30 | 29,113.50 | -0.66% | 6.87% | 10.41% |
| FTSE Straits Times | Singapore | 2,863.01 | 2,905.58 | -0.75% | 2.09% | -6.84% |
| Shanghai Composite | Shanghai | 3,550.88 | 3,501.86 | -0.44% | 0.83% | 27.50% |
| BSE Sensex | Mumbai | 48,437.78 | 50,614.29 | 0.71% | 6.00% | 26.94% |

| Country | Index | Latest | Previous |
|---|---|---|---|
| Chile | S&P/CLX IGPA Gen | 22228.09 | 22245.16 |
| China | FTSE A200 | 14572.63 | 14547.87 |
| | FTSE B35 | 9000.71 | 8988.96 |
| | Shanghai A | 3670.82 | 3687.01 |
| | Shanghai B | 237.70 | 239.18 |
| | Shanghai Comp | 3501.86 | 3517.31 |
| | Shenzhen A | 2462.65 | 2491.50 |
| | Shenzhen B | 1078.09 | 1076.11 |
| Colombia | COLCAP | 1368.49 | 1383.59 |
| Croatia | CROBEX | 2013.05 | 2011.29 |
| Greece | Athens Gen | 760.78 | 764.33 |
| | FTSE/ASE 20 | 1815.05 | 1823.25 |
| Hong Kong | Hang Seng | 29113.50 | 29307.46 |
| | HS China Enterprise | 11563.50 | 11651.84 |
| | HSCC Red Chip | 3981.90 | 4032.30 |
| Hungary | Bux | 44226.34 | 44016.29 |
| India | BSE Sensex | 50614.29 | 50255.75 |
| | Nifty 500 | 12285.85 | 12174.05 |
| Indonesia | Jakarta Comp | 6107.22 | 6077.75 |
| Ireland | ISEQ Overall | 7358.02 | 7337.61 |
| Israel | Tel Aviv 125 | 1655.43 | 1660.29 |
| Lithuania | OMX Vilnius | 856.72 | 856.49 |
| Luxembourg | LuxX | 1333.30 | 1339.98 |
| Malaysia | FTSE Bursa KLCI | 1584.90 | 1582.99 |
| Mexico | IPC | 44180.37 | 43957.07 |
| Morocco | MASI | 11751.10 | 11709.26 |
| Netherlands | AEX | 654.38 | 654.89 |
| | AEX All Share | 953.56 | 954.98 |
| New Zealand | NZX 50 | 12992.14 | 13091.21 |
| Nigeria | SE All Share | 42000.01 | 42043.79 |
| Norway | Oslo All Share | 1017.37 | 1006.88 |
| Pakistan | KSE 100 | 46905.79 | 46933.63 |
| South Africa | FTSE/JSE All Share | 63786.21 | 63010.61 |
| | FTSE/JSE Res 20 | 60380.14 | 59967.36 |
| | FTSE/JSE Top 40 | 58493.74 | 57828.55 |
| South Korea | Kospi | 3087.55 | 3129.68 |
| | Kospi 200 | 418.31 | 425.21 |
| Spain | IBEX 35 | 8122.60 | 8012.80 |
| Sri Lanka | CSE All Share | 8244.50 | 8005.32 |
| Sweden | OMX Stockholm 30 | 2006.33 | 1997.65 |
| | OMX Stockholm AS | 815.76 | 813.77 |
| Switzerland | SMI Index | 10860.95 | 10775.68 |
| | DJ Transport | 12674.79 | 12527.57 |
| | DJ Utilities | 865.93 | 860.30 |
| | Nasdaq 100 | 13466.86 | 13402.37 |
| | Nasdaq Cmp | 13702.76 | 13610.54 |
| | NYSE Comp | 14946.66 | 14397.20 |
| | S&P 500 | 3856.47 | 3830.17 |
| | Wilshire 5000 | 41060.59 | 40728.54 |
| Venezuela | IBC | 1937007.50 | 1887222.50 |
| Vietnam | VNI | 1112.19 | 1111.29 |
| | FTSE World ($) | 774.32 | 771.59 |
| | FTSEurofirst 100 (Eur) | 4022.78 | 3995.23 |
| | FTSEurofirst 80 (Eur) | 4994.19 | 4945.33 |
| | MSCI ACWI Fr ($) | 662.97 | 660.97 |
| | MSCI All World ($) | 2737.93 | 2731.95 |
| | MSCI Europe (Eur) | 1640.03 | 1635.55 |
| | MSCI Pacific ($) | 3169.78 | 3133.86 |
| | S&P Euro (Eur) | 1695.08 | 1680.74 |
| | S&P Europe 350 (Eur) | 1626.28 | 1616.16 |
| | S&P Global 1200 ($) | 3047.63 | 3037.75 |
| | Stoxx 50 (Eur) | 3172.38 | 3158.28 |

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

## STOCK MARKET: BIGGEST MOVERS

### AMERICA

| ACTIVE STOCKS | stock traded m's | close price | Day's change |
|---|---|---|---|
| Amazon.com | 64.7 | 3316.46 | 3.93 |
| Apple | 52.0 | 136.06 | 2.12 |
| Qualcomm | 42.0 | 147.76 | -14.54 |
| Paypal Holdings | 38.6 | 264.86 | 12.96 |
| Microsoft | 24.2 | 240.98 | -2.02 |
| Alphabet | 21.9 | 2043.78 | -15.10 |
| Facebook | 18.0 | 265.38 | -1.27 |
| Alphabet | 17.5 | 2050.77 | -19.30 |
| Boeing | 14.3 | 211.62 | 4.23 |
| Visa | 12.3 | 208.01 | 6.65 |

| BIGGEST MOVERS | Close price | Day's change | Day's chng% |
|---|---|---|---|
| **Ups** | | | |
| Align Technology | 621.03 | 74.85 | 13.70 |
| L Brands | 48.30 | 4.34 | 9.87 |
| Snap-on | 192.80 | 15.48 | 8.73 |
| Alliance Data Systems | 80.54 | 5.37 | 7.14 |
| Kohl's | 49.89 | 3.24 | 6.95 |
| **Downs** | | | |
| Qualcomm | 147.76 | -14.54 | -8.96 |
| Int Paper Co | 46.59 | -4.03 | -7.96 |
| Air Products & Chemicals | 259.24 | -17.36 | -6.28 |
| Cognizant Technology Solutions | 74.52 | -4.82 | -6.08 |
| Qorvo | 166.25 | -9.70 | -5.51 |

Based on the constituents of the S&P500

### LONDON

| ACTIVE STOCKS | stock traded m's | close price | Day's change |
|---|---|---|---|
| Unilever | 244.2 | 4067.00 | -269.00 |
| Glaxosmithkline | 204.1 | 1285.00 | 3.00 |
| Bp | 154.6 | 254.95 | -3.35 |
| Astrazeneca | 132.7 | 7383.00 | 83.00 |
| Lloyds Banking | 131.4 | 36.11 | 1.93 |
| Vodafone | 126.4 | 135.82 | 0.96 |
| Royal Dutch Shell | 94.9 | 1246.00 | -26.40 |
| British American Tobacco | 90.4 | 2676.50 | -19.50 |
| Rio Tinto | 85.2 | 5648.00 | 11.00 |
| Prudential | 81.1 | 1228.00 | 20.00 |

| BIGGEST MOVERS | Close price | Day's change | Day's chng% |
|---|---|---|---|
| **Ups** | | | |
| Capital & Counties Properties | 147.00 | 9.50 | 6.91 |
| Lloyds Banking | 36.11 | 1.93 | 5.65 |
| Natwest | 163.85 | 8.60 | 5.54 |
| National Express | 283.40 | 13.00 | 4.81 |
| Carnival | 1326.50 | 56.50 | 4.45 |
| **Downs** | | | |
| Unilever | 4067.00 | -269.00 | -6.20 |
| Hochschild Mining | 215.00 | -8.80 | -3.93 |
| Rank | 133.60 | -5.40 | -3.88 |
| Fdm (holdings) | 1040.00 | -36.00 | -3.35 |
| Fresnillo | 1000.00 | -34.00 | -3.29 |

Based on the constituents of the FTSE 350 index

### EURO MARKETS

| ACTIVE STOCKS | stock traded m's | close price | Day's change |
|---|---|---|---|
| Unilever | 491.3 | 52.91 | -3.21 |
| Daimler Ag Na O.n. | 477.3 | 65.90 | 1.34 |
| Intesa Sanpaolo | 405.2 | 2.01 | 0.06 |
| Bayer Ag Na O.n. | 388.2 | 54.26 | 2.74 |
| Asml Holding | 318.7 | 459.55 | 2.40 |
| Siemens Ag Na O.n. | 314.6 | 136.16 | 0.16 |
| Sap Se O.n. | 291.0 | 110.28 | 1.52 |
| Total | 284.1 | 34.94 | -0.20 |
| Royal Dutch Shella | 272.7 | 15.11 | -0.24 |
| Unicredit | 270.6 | 8.28 | 0.21 |

| BIGGEST MOVERS | Close price | Day's change | Day's chng% |
|---|---|---|---|
| **Ups** | | | |
| Bbva | 4.32 | 0.30 | 7.50 |
| Dassault Systemes | 180.30 | 10.30 | 6.06 |
| Santander | 2.69 | 0.14 | 5.32 |
| Bayer Ag Na O.n. | 54.26 | 2.74 | 5.32 |
| Accor | 30.51 | 1.29 | 4.41 |
| **Downs** | | | |
| Unilever | 52.91 | -3.21 | -5.72 |
| A.p. M__ller - M__rsk B A/s | 1761.57 | -63.20 | -3.46 |
| Ses | 6.93 | -0.23 | -3.18 |
| A.p. M__ller - M__rsk A A/s | 1625.76 | -44.38 | -2.66 |
| Red Ele. | 15.46 | -0.41 | -2.55 |

Based on the constituents of the FTSEurofirst 300 Eurozone index

### TOKYO

| ACTIVE STOCKS | stock traded m's | close price | Day's change |
|---|---|---|---|
| Sony | 2071.5 | 11650.00 | 1015.00 |
| Softbank . | 1113.4 | 8776.00 | 64.00 |
| M3,. | 531.0 | 8633.00 | -349.00 |
| Kao | 527.3 | 7232.00 | -645.00 |
| Toyota Motor | 391.8 | 7759.00 | -23.00 |
| Fast Retailing Co., | 345.3 | 91020.00 | -1180.00 |
| Tokyo Electron | 329.1 | 39770.00 | -1060.00 |
| Hitachi, | 309.6 | 4776.00 | 215.00 |
| Mitsubishi Ufj Fin,. | 301.2 | 500.90 | 2.90 |
| Tokyo Electric Power ,orporated | 291.4 | 400.00 | 16.00 |

| BIGGEST MOVERS | Close price | Day's change | Day's chng% |
|---|---|---|---|
| **Ups** | | | |
| Sony | 11650.00 | 1015.00 | 9.54 |
| Alps Alpine Co., | 1437.00 | 68.00 | 4.97 |
| Hitachi, | 4776.00 | 215.00 | 4.71 |
| Kawasaki Kisen Kaisha, | 1973.00 | 83.00 | 4.39 |
| Konica Minolta Holdings, . | 500.00 | 21.00 | 4.38 |
| **Downs** | | | |
| Kao | 7232.00 | -645.00 | -8.19 |
| Z Holdings | 662.90 | -45.10 | -6.37 |
| Kikkoman | 6940.00 | -450.00 | -6.09 |
| Advantest | 8300.00 | -340.00 | -3.94 |
| Recruit Hldgs Co Ltd | 4705.00 | -191.00 | -3.90 |

Based on the constituents of the Nikkei 225 index

## UK MARKET WINNERS AND LOSERS

| FTSE 100 | Feb 04 price(p) | %Chg week | %Chg ytd |
|---|---|---|---|
| **Winners** | | | |
| Natwest | 163.85 | 9.3 | - |
| Whitbread | 3120.00 | 8.9 | - |
| London Stock Exchange | 9398.00 | 8.4 | - |
| Intercontinental Hotels | 4985.00 | 8.0 | - |
| Lloyds Banking | 36.11 | 7.9 | - |
| Smiths | 1513.00 | 7.3 | - |
| Vodafone | 135.82 | 7.3 | 11.9 |
| Jd Sports Fashion | 833.00 | 7.0 | - |
| Barclays | 145.78 | 6.7 | -3.6 |
| Experian | 2720.00 | 6.0 | - |
| Ashtead | 3934.00 | 6.0 | - |
| 3i | 1190.00 | 5.6 | - |
| **Losers** | | | |
| Pearson | 737.00 | -7.9 | - |
| Bp | 254.95 | -7.8 | - |
| Glaxosmithkline | 1285.00 | -7.4 | - |
| Sainsbury (j) | 234.80 | -6.5 | - |
| Unilever | 4067.00 | -5.9 | - |
| Imperial Brands | 1429.50 | -5.9 | - |
| Hargreaves Lansdown | 1641.00 | -5.7 | - |
| Hikma Pharmaceuticals | 2319.00 | -5.3 | - |
| British Land | 442.70 | -4.7 | - |
| Royal Dutch Shell | 1309.20 | -4.2 | - |
| Royal Dutch Shell | 1246.00 | -4.1 | - |
| Astrazeneca | 7383.00 | -3.5 | - |

| FTSE 250 | Feb 04 price(p) | %Chg week | %Chg ytd |
|---|---|---|---|
| **Winners** | | | |
| Virgin Money Uk | 153.95 | 15.7 | 13.0 |
| National Express | 283.40 | 13.2 | - |
| Genus | 5355.00 | 13.0 | - |
| Mitchells & Butlers | 324.50 | 11.1 | - |
| Kaz Minerals | 799.00 | 10.4 | - |
| Wetherspoon ( J.d.) | 1261.00 | 9.9 | 12.9 |
| Kainos | 1322.00 | 9.1 | - |
| Ip | 101.80 | 8.8 | - |
| Frasers | 465.00 | 8.7 | - |
| Rank | 133.60 | 8.6 | -5.4 |
| Plus500 Ltd | 1439.00 | 8.6 | - |
| Carnival | 1326.50 | 8.5 | - |
| **Losers** | | | |
| Tp Icap | 202.00 | -8.3 | - |
| Bmo Commercial Property Trust | 73.40 | -8.0 | -7.9 |
| Tui Ag | 337.60 | -6.3 | - |
| Petrofac | 114.70 | -5.8 | - |
| Marks And Spencer | 138.90 | -5.6 | - |
| Games Workshop | 10000.00 | -4.8 | - |
| Petropavlovsk | 27.70 | -4.5 | - |
| Hammerson | 22.36 | -4.0 | - |
| Spirent Communications | 231.50 | -3.3 | - |
| Centamin | 112.40 | -3.0 | - |
| Centrica | 51.44 | -2.9 | 12.3 |
| Moneysupermarket.com | 260.40 | -2.8 | -1.0 |

| FTSE SmallCap | Feb 04 price(p) | %Chg week | %Chg ytd |
|---|---|---|---|
| **Winners** | | | |
| Restaurant | 83.95 | 30.7 | - |
| Marston's | 96.55 | 29.1 | - |
| Pharos Energy | 20.90 | 19.4 | - |
| Reach | 217.00 | 13.6 | 54.3 |
| Volution | 320.00 | 12.3 | - |
| Metro Bank | 133.95 | 11.9 | 1.5 |
| Pendragon | 14.80 | 11.3 | 17.3 |
| Menzies(john) | 230.00 | 10.6 | - |
| Redde Northgate | 273.00 | 10.1 | - |
| Foxtons | 56.60 | 9.7 | 8.8 |
| Rps | 83.00 | 9.1 | - |
| Premier Oil | 20.41 | 9.0 | 2.5 |
| **Losers** | | | |
| Baillie Gifford Eur Growth Trust | 142.00 | -89.6 | 0.3 |
| Capital & Regional | 57.80 | -11.1 | - |
| Kenmare Resources | 373.00 | -6.3 | 19.2 |
| Speedy Hire | 63.20 | -6.2 | - |
| Card Factory | 34.00 | -5.6 | - |
| Helical | 363.50 | -5.3 | - |
| Schroder Eur Real Estate Investment Trust | 91.50 | -5.2 | - |
| Rm | 207.50 | -4.6 | -1.4 |
| Hollywood Bowl | 188.00 | -4.1 | - |
| Porvair | 528.00 | -4.0 | - |
| Mckay Securities | 193.25 | -3.9 | -5.0 |
| Spire Healthcare | 158.00 | -3.7 | - |

| Industry Sectors | Feb 04 price(p) | %Chg week | %Chg ytd |
|---|---|---|---|
| **Winners** | | | |
| Automobiles & Parts | 4850.12 | 7.8 | 5.1 |
| Mobile Telecommunications | 3101.32 | 7.3 | 12.2 |
| Travel & Leisure | 8277.13 | 4.3 | 2.0 |
| Support Services | 10222.43 | 4.3 | 3.2 |
| General Financial | 12511.36 | 3.9 | 3.2 |
| Oil Equipment & Services | 5293.73 | 3.5 | -5.3 |
| Banks | 2551.12 | 3.0 | 2.0 |
| Food Producers | 7084.18 | 2.9 | 0.6 |
| Industrial Transportation | 3280.52 | 2.8 | 14.6 |
| General Industrials | 6711.52 | 2.6 | 1.1 |
| Equity Investment Instruments | 13134.68 | 2.5 | 2.3 |
| Construction & Materials | 7001.72 | 1.9 | 1.4 |
| **Losers** | | | |
| Oil & Gas Producers | 4523.37 | -5.2 | 0.1 |
| Personal Goods | 34648.30 | -5.2 | -6.6 |
| Pharmaceuticals & Biotech. | 15655.81 | -4.7 | -0.9 |
| Fixed Line Telecommunication | 1515.77 | -3.1 | -5.8 |
| Tobacco | 28133.54 | -3.1 | -2.4 |
| Index - Technology Hardware & Equipment | 1825.89 | -2.5 | -11.6 |
| Mining | 22324.95 | -1.1 | 2.7 |
| Real Estate Investment Trusts | 2690.74 | -0.7 | -2.0 |
| Electricity | 8779.01 | -0.3 | -1.0 |
| Food & Drug Retailers | 4747.83 | -0.2 | 10.1 |
| Electronic & Electrical Equip. | 10349.72 | 0.1 | 3.8 |
| Gas Water & Multiutilities | 4830.59 | 0.1 | 1.4 |

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

## CURRENCIES

| Feb 4 | Currency | DOLLAR Closing Mid | DOLLAR Day's Change | EURO Closing Mid | EURO Day's Change | POUND Closing Mid | POUND Day's Change |
|---|---|---|---|---|---|---|---|
| Argentina | Argentine Peso | 87.9054 | 0.1021 | 105.2974 | -0.1759 | 120.0516 | 0.2442 |
| Australia | Australian Dollar | 1.3161 | 0.0029 | 1.5764 | -0.0009 | 1.7973 | 0.0056 |
| Bahrain | Bahrainin Dinar | 0.3771 | - | 0.4516 | -0.0013 | 0.5149 | 0.0004 |
| Bolivia | Bolivian Boliviano | 6.9100 | - | 8.2771 | -0.0235 | 9.4369 | 0.0082 |
| Brazil | Brazilian Real | 5.4219 | 0.0569 | 6.4946 | 0.0499 | 7.4046 | 0.0841 |
| Canada | Canadian Dollar | 1.2838 | 0.0050 | 1.5377 | 0.0017 | 1.7532 | 0.0084 |
| Chile | Chilean Peso | 738.5200 | 6.1050 | 884.6352 | 4.8258 | 1008.5903 | 9.2111 |
| China | Chinese Yuan | 6.4634 | 0.0074 | 7.7422 | -0.0131 | 8.8270 | 0.0178 |
| Colombia | Colombian Peso | 3565.7600 | 45.8600 | 4271.2409 | 42.9790 | 4869.7275 | 66.8288 |
| Costa Rica | Costa Rican Colon | 612.5100 | -0.7000 | 733.6943 | -2.9209 | 836.4995 | -0.2247 |
| Czech Republic | Czech Koruna | 21.6137 | 0.0562 | 25.8899 | -0.0059 | 29.5176 | 0.1024 |
| Denmark | Danish Krone | 6.2083 | 0.0168 | 7.4365 | -0.0009 | 8.4786 | 0.0303 |
| Egypt | Egyptian Pound | 15.6682 | -0.0183 | 18.7681 | -0.0752 | 21.3979 | -0.0063 |
| Hong Kong | Hong Kong Dollar | 7.7525 | 0.0009 | 9.2863 | -0.0252 | 10.5875 | 0.0105 |
| Hungary | Hungarian Forint | 297.2827 | 1.6947 | 356.0996 | 1.0262 | 405.9963 | 2.6670 |
| India | Indian Rupee | 72.9613 | 0.0012 | 87.3965 | -0.2463 | 99.6425 | 0.0887 |
| Indonesia | Indonesian Rupiah | 14020.0000 | 15.0000 | 16793.8521 | -29.5809 | 19147.0011 | 37.1750 |
| Israel | Israeli Shekel | 3.2914 | -0.0096 | 3.9426 | -0.0227 | 4.4950 | -0.0092 |
| Japan | Japanese Yen | 105.4200 | 0.3450 | 126.2772 | 0.0564 | 143.9712 | 0.5965 |
| ..One Month | | 105.4200 | 0.3450 | 126.2773 | 0.0565 | 143.9711 | 0.5964 |
| ..Three Month | | 105.4199 | 0.3448 | 126.2773 | 0.0567 | 143.9711 | 0.5963 |
| ..One Year | | 105.4195 | 0.3440 | 126.2777 | 0.0574 | 143.9711 | 0.5961 |
| Kenya | Kenyan Shilling | 109.8000 | -0.1000 | 131.5238 | -0.4930 | 149.9529 | -0.0055 |
| Kuwait | Kuwaiti Dinar | 0.3030 | - | 0.3629 | -0.0010 | 0.4138 | 0.0004 |
| Malaysia | Malaysian Ringgit | 4.0585 | 0.0075 | 4.8615 | -0.0048 | 5.5427 | 0.0151 |
| Mexico | Mexican Peso | 20.4710 | 0.2510 | 24.5212 | 0.2320 | 27.9571 | 0.3669 |
| New Zealand | New Zealand Dollar | 1.3969 | 0.0067 | 1.6733 | 0.0033 | 1.9078 | 0.0108 |
| Nigeria | Nigerian Naira | 394.7500 | - | 472.8508 | -1.3405 | 539.1066 | 0.4708 |
| Norway | Norwegian Krone | 8.6441 | 0.0418 | 10.3543 | 0.0209 | 11.8051 | 0.0673 |
| Pakistan | Pakistani Rupee | 159.9500 | -0.2000 | 191.5959 | -0.7834 | 218.4423 | -0.0821 |
| Peru | Peruvian Nuevo Sol | 3.6414 | 0.0035 | 4.3618 | -0.0081 | 4.9730 | 0.0092 |
| Philippines | Philippine Peso | 48.0775 | 0.0585 | 57.5896 | -0.0930 | 65.6590 | 0.1372 |
| Poland | Polish Zloty | 3.7587 | 0.0254 | 4.5023 | 0.0177 | 5.1332 | 0.0391 |
| Romania | Romanian Leu | 4.0698 | 0.0119 | 4.8750 | 0.0005 | 5.5581 | 0.0212 |
| Russia | Russian Ruble | 75.7050 | -0.3263 | 90.6831 | -0.6490 | 103.3896 | -0.3549 |
| Saudi Arabia | Saudi Riyal | 3.7510 | -0.0001 | 4.4931 | -0.0129 | 5.1227 | 0.0043 |
| Singapore | Singapore Dollar | 1.3376 | 0.0036 | 1.6022 | -0.0003 | 1.8267 | 0.0064 |
| South Africa | South African Rand | 15.0925 | 0.1113 | 18.0785 | 0.0824 | 20.6117 | 0.1698 |
| South Korea | South Korean Won | 1118.4000 | 3.8000 | 1339.6741 | 0.7670 | 1527.3891 | 6.5189 |
| Sweden | Swedish Krona | 8.4595 | 0.0426 | 10.1333 | 0.0224 | 11.5531 | 0.0681 |
| Switzerland | Swiss Franc | 0.9032 | 0.0037 | 1.0820 | 0.0014 | 1.2336 | 0.0061 |
| Taiwan | New Taiwan Dollar | 27.9465 | -0.0005 | 33.4757 | -0.0955 | 38.1663 | 0.0326 |
| Thailand | Thai Baht | 30.0550 | 0.0100 | 36.0013 | -0.0900 | 41.0458 | 0.0495 |
| Tunisia | Tunisian Dinar | 2.7288 | 0.0050 | 3.2686 | -0.0032 | 3.7266 | 0.0101 |
| Turkey | Turkish Lira | 7.1413 | -0.0187 | 8.5541 | -0.0468 | 9.7527 | -0.0171 |
| United Arab Emirates | UAE Dirham | 3.6732 | - | 4.3999 | -0.0125 | 5.0164 | 0.0044 |
| United Kingdom | Pound Sterling | 0.7322 | -0.0006 | 0.8771 | -0.0033 | - | - |
| ..One Month | | 0.7322 | -0.0006 | 0.8771 | -0.0033 | - | - |
| ..Three Month | | 0.7323 | -0.0006 | 0.8770 | -0.0033 | - | - |
| ..One Year | | 0.7325 | -0.0007 | 0.8765 | -0.0033 | - | - |
| United States | United States Dollar | - | - | 1.1978 | -0.0034 | 1.3657 | 0.0012 |
| ..One Month | | - | - | 1.1978 | -0.1666 | 1.3657 | 0.0012 |
| ..Three Month | | - | - | 1.1976 | -0.1667 | 1.3657 | 0.0012 |
| ..One Year | | - | - | 1.1968 | -0.1666 | 1.3659 | 0.0011 |
| Venezuela | Venezuelan Bolivar Fuerte | - | - | - | - | - | - |
| Vietnam | Vietnamese Dong | 23024.5000 | 3.0000 | 27579.8921 | -74.5928 | 31444.3655 | 31.5095 |
| European Union | Euro | 0.8348 | 0.0024 | - | - | 1.1401 | 0.0042 |
| ..One Month | | 0.8348 | 0.0024 | - | - | 1.1401 | 0.0042 |
| ..Three Month | | 0.8346 | 0.0024 | - | - | 1.1400 | 0.0042 |
| ..One Year | | 0.8338 | 0.0024 | - | - | 1.1395 | 0.0042 |

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

## FTSE ACTUARIES SHARE INDICES

UK SERIES www.ft.com/equities

Produced in conjunction with the Institute and Faculty of Actuaries

| | £ Strlg Feb 04 | Day's chge% | Euro Index | £ Strlg Feb 03 | £ Strlg Feb 02 | Year ago | Div yield% | Cover | P/E ratio | X/D adj | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 (100) | 6503.72 | -0.06 | 5781.09 | 6507.82 | 6516.65 | 7482.48 | 3.53 | 1.42 | 19.93 | 2.35 | 6218.22 |
| FTSE 250 (250) | 20809.30 | 0.27 | 18497.17 | 20752.44 | 20690.21 | 21520.00 | 2.01 | 1.27 | 39.15 | 24.49 | 16537.32 |
| FTSE 250 ex Inv Co (183) | 21306.35 | 0.28 | 18939.00 | 21246.76 | 21182.08 | 22781.98 | 1.92 | 1.04 | 50.09 | 22.96 | 17269.09 |
| FTSE 350 (350) | 3728.45 | 0.00 | 3314.18 | 3728.52 | 3730.63 | 4209.30 | 3.25 | 1.41 | 21.88 | 1.90 | 7105.27 |
| FTSE 350 ex Investment Trusts (281) | 3623.42 | -0.02 | 3220.82 | 3624.16 | 3627.21 | 4151.69 | 3.33 | 1.27 | 23.70 | 1.70 | 3563.27 |
| FTSE 350 Higher Yield (145) | 2935.51 | 0.04 | 2609.35 | 2934.43 | 2930.22 | 3572.40 | 4.67 | 1.27 | 16.90 | 1.64 | 6152.49 |

## FT 30 INDEX

| | Feb 03 | Feb 02 | Feb 01 | Jan 29 | Jan 28 | Yr Ago | High | Low |
|---|---|---|---|---|---|---|---|---|
| FT 30 | 2521.50 | 2523.90 | 2496.00 | 2463.00 | 2504.40 | 0.00 | 3314.70 | 1337.80 |
| FT 30 Div Yield | - | - | - | - | - | 0.00 | 3.93 | 2.74 |
| P/E Ratio net | - | - | - | - | - | 0.00 | 19.44 | 14.26 |

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

**FT 30 hourly changes**

| 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2523.9 | 2541 | 2536.3 | 2520.8 | 2399.1 | 2395.8 | 2394.3 | 2414 | 2426.7 | 2439.2 | 2366.1 |

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

## FX: EFFECTIVE INDICES

## FTSE SECTORS: LEADERS & LAGGARDS

Year to date percentage changes

| | | | | | |
|---|---|---|---|---|---|
| Industrial Transport | 10.46 | Telecommunications | 0.98 | Industrials | -2.16 |
| Food & Drug Retailer | 8.84 | General Retailers | 0.84 | Tobacco | -2.32 |
| Industrial Metals & Chemicals | 4.11 | FTSE SmallCap Index | 0.24 | Real Est Invest & Se | -2.82 |
| Chemicals | 3.48 | Consumer Services | 0.10 | Financials | -2.88 |
| Oil & Gas Producers | 3.45 | Gas Water & Multi | -0.10 | Consumer Goods | -2.93 |
| Mobile Telecomms | 3.30 | NON FINANCIALS Index | -0.15 | Personal Goods | -3.37 |
| Oil & Gas | 3.27 | Media | -0.34 | Banks | -3.54 |

## FTSE 100 SUMMARY

| FTSE 100 | Closing Price | Day's Change | FTSE 100 | Closing Price | Day's Change |
|---|---|---|---|---|---|
| 3I Group PLC | 1190 | 21.00 | Land Securities Group PLC | 615.20 | -2.80 |
| Admiral Group PLC | 2959 | 18.00 | Legal & General Group PLC | 256.80 | 4.80 |
| Anglo American PLC | 2416 | -24.50 | Lloyds Banking Group PLC | 36.11 | 1.93 |
| Antofagasta PLC | 1450 | 3.50 | London Stock Exchange Group PLC | 9398 | 148.00 |
| Ashtead Group PLC | 3934 | 110.00 | M&G PLC | 187.40 | 0.40 |
| Associated British Foods PLC | 2266 | 19.00 | Melrose Industries PLC | 176.65 | 2.45 |

## FTSE GLOBAL EQUITY INDEX SERIES

## UK STOCK MARKET TRADING DATA

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

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

## UK COMPANY RESULTS

## UK RECENT EQUITY ISSUES

# MARKET DATA

## FT500: THE WORLD'S LARGEST COMPANIES

## FT 500: TOP 20

| | Close price | Prev price | Day change | Day change % | Week change | Week change % | Month change % |
|---|---|---|---|---|---|---|---|
| SBI NewA | 355.10 | 335.95 | 19.15 | 5.70 | 79.45 | 28.8 | 29.15 |
| ICICI Bk | 628.30 | 622.35 | 5.95 | 0.96 | 105.95 | 20.3 | 17.43 |
| L Brands | 48.30 | 43.96 | 4.34 | 9.87 | 6.87 | 16.6 | 22.20 |
| Daimler | 65.90 | 64.56 | 1.34 | 2.08 | 8.31 | 14.4 | 14.43 |
| Ericsson | 111.85 | 109.80 | 2.05 | 1.87 | 13.65 | 13.9 | 12.37 |
| Sony | 11650.00 | 10635.00 | 1015.00 | 9.54 | 1380.00 | 13.4 | 12.93 |
| L&T | 1529.80 | 1528.55 | 1.25 | 0.08 | 169.95 | 12.5 | 18.81 |
| Denso | 6709.00 | 6601.00 | 108.00 | 1.64 | 725.00 | 12.1 | 9.46 |
| HDFC Bk | 1579.10 | 1574.80 | 4.30 | 0.27 | 169.50 | 12.0 | 9.94 |
| Kweichow | 2320.85 | 2189.91 | 130.94 | 5.98 | 231.85 | 11.1 | 16.16 |
| SunPhrmInds | 631.50 | 629.20 | 2.30 | 0.37 | 61.70 | 10.8 | 6.61 |
| Alphabet | 2043.78 | 2058.88 | -15.10 | -0.73 | 190.58 | 10.3 | 18.35 |
| HsngDevFin | 2707.75 | 2703.55 | 4.20 | 0.16 | 240.75 | 9.8 | 5.83 |
| BBVA | 4.32 | 4.02 | 0.30 | 7.50 | 0.38 | 9.5 | 5.86 |
| IntSPaolo | 2.01 | 1.95 | 0.06 | 2.94 | 0.17 | 9.5 | 5.42 |
| Natwest Group | 163.85 | 155.25 | 8.60 | 5.54 | 14.00 | 9.3 | -98.97 |
| Airbus Grpe | 93.10 | 89.81 | 3.29 | 3.66 | 7.95 | 9.3 | 3.57 |
| ITC | 229.95 | 216.75 | 13.20 | 6.09 | 19.30 | 9.2 | 10.02 |
| Chubb | 160.59 | 155.32 | 5.27 | 3.39 | 13.46 | 9.1 | 7.19 |
| HyundMobis | 358000.00 | 347500.00 | 10500.00 | 3.02 | 29500.00 | 9.0 | 40.12 |

Based on the FT Global 500 companies in local currency

## FT 500: BOTTOM 20

| | Close price | Prev price | Day change | Day change % | Week change | Week change % | Month change % |
|---|---|---|---|---|---|---|---|
| Fresenius Med | 56.98 | 57.30 | -0.32 | -0.56 | -11.88 | -17.3 | -17.25 |
| Hunng Pwr | 2.47 | 2.50 | -0.03 | -1.20 | -0.41 | -14.2 | -13.07 |
| Hngzh HikVDT | 60.78 | 59.90 | 0.88 | 1.47 | -8.30 | -12.0 | 25.29 |
| Murata Mfg | 9600.00 | 9857.00 | -257.00 | -2.61 | -1225.00 | -11.3 | 3.19 |
| ShenwanHong | 0.06 | 0.06 | 0.00 | 3.64 | -0.01 | -9.5 | -12.31 |
| Fresenius SE | 34.57 | 34.59 | -0.02 | -0.06 | -3.21 | -8.5 | -8.50 |
| VertexPharm | 212.06 | 211.00 | 1.06 | 0.50 | -17.98 | -7.8 | -7.39 |
| BP | 254.95 | 258.30 | -3.35 | -1.30 | -21.55 | -7.8 | -98.99 |
| Gree Elec Apl | 0.14 | 0.14 | -0.01 | -4.93 | -0.01 | -7.5 | 27.36 |
| ChMrchSecs | 23.37 | 23.97 | -0.60 | -2.50 | -1.90 | -7.5 | 0.13 |
| Franklin | 25.67 | 25.86 | -0.20 | -0.75 | -2.07 | -7.4 | 5.46 |
| CSR | 3.26 | 3.28 | -0.02 | -0.61 | -0.26 | -7.4 | 22.85 |
| GlaxoSmh | 1285.00 | 1282.00 | 3.00 | 0.23 | -102.20 | -7.4 | -99.06 |
| SaicMtr | 21.66 | 22.15 | -0.49 | -2.21 | -1.71 | -7.3 | -11.37 |
| HonHaiPrc | 114.00 | 114.50 | -0.50 | -0.44 | -9.00 | -7.3 | 23.91 |
| Chna Utd Coms | 4.03 | 4.13 | -0.10 | -2.42 | -0.29 | -6.7 | -9.64 |
| ChUncHK | 4.30 | 4.46 | -0.16 | -3.59 | -0.30 | -6.5 | -4.27 |
| Pwr Cons Corp | 3.62 | 3.72 | -0.10 | -2.69 | -0.25 | -6.5 | -6.70 |
| ShnEtsuCh | 18005.00 | 18395.00 | -390.00 | -2.12 | -1225.00 | -6.4 | -0.06 |
| CNNC Intl | 4.72 | 4.95 | -0.23 | -4.65 | -0.31 | -6.2 | -4.07 |

Based on the FT Global 500 companies in local currency

## INTEREST RATES: OFFICIAL

## INTEREST RATES: MARKET

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| US$ Libor | 0.08288 | 0.002 | -0.001 | -0.002 | 0.11325 | 0.19513 | 0.22375 | 0.30600 |
| Euro Libor | -0.58829 | -0.002 | 0.002 | 0.000 | -0.58086 | -0.55814 | -0.53971 | -0.50986 |
| £ Libor | 0.03750 | 0.000 | -0.001 | 0.000 | 0.02788 | 0.04025 | 0.04913 | 0.09188 |
| Swiss Fr Libor | | | | 0.002 | -0.79760 | -0.75780 | -0.72080 | -0.61140 |
| Yen Libor | | | | 0.004 | -0.05283 | -0.09100 | -0.05700 | 0.04200 |
| Euro Euribor | | | | -0.005 | -0.56800 | -0.54500 | -0.52100 | -0.50700 |
| Sterling CDs | | | | - | - | - | - | |
| US$ CDs | | | | - | - | - | - | |
| Euro CDs | | | | - | - | - | - | |

| Feb 04 | Short term | | 7 Days notice | | One month | | Three month | | Six month | | One year | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Euro | -0.74 | -0.44 | -0.72 | -0.42 | -0.70 | -0.40 | -0.65 | -0.35 | -0.67 | -0.37 | -0.67 | -0.37 |
| Sterling | | | 0.45 | 0.55 | 0.70 | 0.80 | 0.78 | 0.88 | 0.82 | 0.97 | 0.89 | 1.04 |
| Swiss Franc | - | - | - | - | - | - | - | - | - | - | - | - |
| Canadian Dollar | - | - | - | - | - | - | - | - | - | - | - | - |
| US Dollar | 0.12 | 0.32 | 0.03 | 0.23 | 0.05 | 0.25 | 0.12 | 0.32 | 0.15 | 0.35 | 0.21 | 0.41 |
| Japanese Yen | -0.15 | 0.00 | -0.15 | 0.00 | -0.20 | 0.00 | -0.20 | 0.10 | -0.20 | 0.10 | -0.15 | 0.15 |

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

## COMMODITIES

www.ft.com/commodities

| Energy | | Price* | Change | Agricultural & Cattle Futures | | Price* | Change |
|---|---|---|---|---|---|---|---|
| Crude Oil† | Feb | 56.00 | 0.16 | Corn♦ | Mar | 554.50 | 2.75 |
| Brent Crude Oil‡ | | 58.70 | 0.16 | Wheat♦ | Mar | 645.50 | -2.25 |
| RBOB Gasoline† | Feb | 1.65 | 0.00 | Soybeans♦ | Mar | 1372.25 | 1.25 |
| Heating Oil† | | - | - | Soybeans Meal♦ | Mar | 434.30 | -0.60 |
| Natural Gas† | Feb | 2.81 | 0.03 | Cocoa (ICE Liffe)⊕ | Mar | 1733.00 | 7.00 |
| Ethanol♦ | | - | - | Cocoa (ICE US)♥ | Mar | 2554.00 | 27.00 |
| Uranium† | | - | - | Coffee(Robusta)⊕ | Mar | 1344.00 | 18.00 |
| Carbon Emissions‡ | | - | - | Coffee (Arabica)♥ | Mar | 122.55 | -1.55 |
| Diesel† | | - | - | White Sugar⊕ | | 464.50 | 2.10 |
| **Base Metals (♠ LME 3 Months)** | | | | Sugar 11♥ | | 15.90 | -0.14 |
| Aluminium | | 1994.50 | 18.00 | Cotton♥ | Mar | 82.02 | 1.02 |
| Aluminium Alloy | | 1920.00 | 60.00 | Orange Juice♥ | Mar | 109.20 | 1.00 |
| Copper | | 7819.50 | -28.50 | Palm Oil♣ | | - | - |
| Lead | | 2034.00 | 8.50 | Live Cattle♣ | Feb | 115.45 | -0.55 |
| Nickel | | 17610.00 | 10.00 | Feeder Cattle♣ | Mar | 134.88 | - |
| Tin | | 22985.00 | 35.00 | Lean Hogs♣ | Feb | 72.60 | 0.93 |
| Zinc | | 2631.00 | -2.00 | | | | |
| **Precious Metals (PM London Fix)** | | | | | | **% Chg Month** | **% Chg Year** |
| Gold | | 1835.45 | 2.35 | | Feb 03 | | |
| Silver (US cents) | | 2680.00 | -52.50 | S&P GSCI Spt | 445.85 | 9.26 | 17.23 |
| Platinum | | 1103.00 | 1.00 | DJ UBS Spot | 81.64 | 3.80 | 10.16 |
| Palladium | | 2260.00 | 2.00 | TR/CC CRB TR | 190.47 | 7.13 | 7.01 |
| **Bulk Commodities** | | | | M Lynch MLCX Ex. Rtn | 231.14 | -9.84 | -33.05 |
| Iron Ore | | 158.05 | 6.00 | UBS Bberg CMCI TR | 13.20 | 4.85 | -4.74 |
| GlobalCOAL RB Index | | 81.00 | 0.00 | LEBA EUA Carbon | 37.40 | 7.44 | 30.72 |
| Baltic Dry Index | | 1327.00 | 0.00 | LEBA CER Carbon | 0.29 | 0.00 | 52.63 |
| | | | | LEBA UK Power | 315.00 | -64.20 | -74.80 |

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

## BOND INDICES

| | | | | | | |
|---|---|---|---|---|---|---|
| Overall( £) | 372.17 | -0.18 | -0.50 | -1.95 | -1.95 | 2.71 |
| Overall(€) | 252.41 | -0.02 | -0.16 | -0.61 | -0.61 | 1.49 |
| Treasuries ($) | 259.28 | -0.19 | -0.08 | -1.17 | -0.08 | -1.17 |
| **FTSE** | | | | | | |
| Sterling Corporate (£) | - | - | - | - | - | - |
| Euro Corporate (€) | 104.47 | -0.05 | - | - | 0.54 | -1.73 |
| Euro Emerging Mkts (€) | 715.18 | -6.55 | - | - | 6.73 | 17.77 |
| Eurozone Govt Bond | 110.04 | -0.19 | - | - | -0.34 | -0.64 |

| CREDIT INDICES | Index | Day's change | Week's change | Month's change | Series high | Series low |
|---|---|---|---|---|---|---|
| **Markit iTraxx** | | | | | | |
| Crossover 5Y | 243.89 | -5.04 | -23.61 | - | 277.03 | 242.64 |
| Europe 5Y | 47.96 | -0.95 | -3.81 | -1.08 | 66.97 | 45.31 |
| Japan 5Y | 50.38 | -0.08 | -2.15 | -1.56 | 70.43 | 50.38 |
| Senior Financials 5Y | 57.81 | -1.40 | -4.86 | -1.39 | 86.20 | 54.75 |
| **Markit CDX** | | | | | | |
| Emerging Markets 5Y | 161.70 | -4.09 | -12.97 | 6.54 | 245.71 | 150.45 |
| Nth Amer High Yld 5Y | 296.90 | -4.85 | -23.47 | -5.22 | 421.26 | 290.61 |
| Nth Amer Inv Grade 5Y | 52.67 | -0.24 | -2.70 | 0.99 | 65.62 | 49.59 |

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

## BONDS: INDEX-LINKED

| | Price Feb 03 | Yield Feb 03 | Yield Prev | Month return | Value stock | Market | No of stocks |
|---|---|---|---|---|---|---|---|
| Can 4.25%' 26 | 133.30 | -1.252 | -1.252 | 0.64 | 5.08 | 79151.81 | 7 |
| Fr 1.10%' 22 | 105.15 | -2.306 | -2.280 | 0.14 | 19.85 | 255271.36 | 16 |
| Swe 0.25%' 22 | 110.85 | -1.472 | -1.457 | 0.73 | 26.51 | 207958.15 | 7 |
| UK 1.875%' 22 | 109.87 | -3.409 | -3.379 | 0.12 | 15.74 | 782133.98 | 28 |
| UK 2.50%' 24 | 356.80 | -3.913 | -3.899 | 0.08 | 6.82 | 782133.98 | 28 |
| UK 2.00%' 35 | 298.51 | -2.869 | -2.871 | -0.25 | 9.08 | 782133.98 | 28 |
| US 0.625%' 23 | 105.97 | -2.023 | -2.018 | 0.07 | 47.03 | 1651804.33 | 43 |
| US 3.625%' 28 | 138.40 | -1.426 | -1.418 | 0.07 | 16.78 | 1651804.33 | 43 |

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

## BONDS: TEN YEAR GOVT SPREADS

| | Bid Yield | Spread vs Bund | Spread vs T-Bonds | | Bid Yield | Spread vs Bund | Spread vs T-Bonds |
|---|---|---|---|---|---|---|---|
| Australia | 1.27 | - | 0.22 | Netherlands | -0.63 | - | - |
| Austria | - | - | - | New Zealand | 1.34 | - | 0.29 |
| Canada | 0.86 | - | -0.19 | Norway | 1.16 | - | 0.11 |
| Denmark | -1.56 | - | -2.61 | Portugal | -0.35 | - | - |
| Finland | -0.30 | - | -1.35 | Spain | -1.06 | - | -2.11 |
| Germany | - | - | - | Sweden | -1.66 | - | -2.71 |
| Ireland | -0.27 | - | -1.32 | Switzerland | -0.46 | - | -1.51 |
| Italy | -0.46 | - | -1.51 | United Kingdom | - | - | - |
| Japan | 0.19 | - | -0.86 | United States | 1.05 | - | 0.00 |

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

## BONDS: HIGH YIELD & EMERGING MARKET

| | Red date | Coupon | S* | M* | F* | Bid price | Bid yield | Day's chge yield | Mth's chge yield | Spread vs US |
|---|---|---|---|---|---|---|---|---|---|---|
| Poland | 04/26 | 3.25 | - | A2 | A- | 112.22 | 0.83 | 0.00 | 0.07 | 0.49 |
| Mexico | 05/26 | 11.50 | - | Baa1 | BBB- | 149.00 | 1.74 | 0.31 | -0.27 | 1.40 |
| Turkey | 10/26 | 4.88 | - | B2 | BB- | 101.75 | 4.52 | 0.00 | -0.14 | 4.18 |
| Turkey | 03/27 | 6.00 | - | Ba2 | BB+ | 101.26 | 5.82 | 0.00 | 0.17 | 3.07 |
| Peru | 08/27 | 4.13 | BBB+ | A3 | BBB+ | 103.50 | 3.66 | 0.01 | -0.02 | 0.80 |
| Russia | 06/28 | 12.75 | - | Ba1 | BBB | 169.13 | 2.46 | 0.03 | 0.12 | - |
| Brazil | 02/47 | 5.63 | - | Ba2 | BB- | 112.38 | 4.79 | 0.05 | 0.41 | - |
| **Emerging Euro** | | | | | | | | | | |
| Brazil | 04/21 | 2.88 | BB- | Ba2 | BB- | 103.09 | 0.05 | 0.01 | -0.09 | -1.19 |
| Mexico | 04/23 | 2.75 | BBB+ | A3 | BBB+ | 107.76 | 0.76 | 0.00 | -0.07 | -1.56 |
| Mexico | 04/23 | 2.75 | - | Baa1 | BBB- | 106.51 | -0.19 | 0.00 | -0.27 | -0.29 |
| Bulgaria | 03/28 | 3.00 | BBB- | Baa2 | BBB | 117.04 | 1.00 | 0.02 | -0.15 | -1.42 |

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

## VOLATILITY INDICES

| | Feb 04 | Day Chng | Prev | 52 wk high | 52 wk low |
|---|---|---|---|---|---|
| VIX | 22.43 | -0.48 | 22.91 | 85.42 | 13.38 |
| VXD | 20.06 | -1.24 | 21.30 | 71.05 | 7.84 |
| VXN | 27.47 | -1.56 | 29.03 | 84.67 | 17.85 |
| VDAX | 23.28 | -1.24 | 24.52 | 93.30 | - |

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

## BONDS: BENCHMARK GOVERNMENT

| | Red Date | Coupon | Bid Price | Bid Yield | Day chg yield | Wk chg yield | Month chg yld | Year chg yld |
|---|---|---|---|---|---|---|---|---|
| Australia | 11/22 | 2.25 | 103.87 | 0.08 | 0.00 | 0.01 | 0.02 | -0.51 |
| | 05/32 | 1.25 | 99.83 | 1.27 | 0.02 | 0.08 | 0.18 | 0.25 |
| Austria | - | - | - | - | - | - | - | - |
| | 02/47 | 1.50 | 133.33 | 0.19 | 0.02 | 0.10 | 0.15 | -0.15 |
| Belgium | 09/22 | 1.00 | 102.54 | -0.60 | 0.01 | 0.01 | 0.05 | -0.03 |
| Canada | 11/22 | 2.00 | 103.30 | 0.14 | 0.00 | -0.01 | 0.00 | -1.27 |
| | 06/30 | 1.25 | 103.49 | 0.86 | 0.03 | 0.07 | 0.19 | -0.40 |
| Denmark | 11/22 | 0.25 | 101.46 | -0.57 | 0.01 | 0.04 | 0.05 | 0.13 |

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

## BONDS: GLOBAL INVESTMENT GRADE

| | Red date | Coupon | S* | M* | F* | Bid price | Bid yield | Day's chge yield | Mth's chge yield | Spread vs US |
|---|---|---|---|---|---|---|---|---|---|---|
| Electricite de France (EDF) | 04/30 | 4.63 | A- | A3 | A- | 137.45 | 0.82 | -0.01 | 0.10 | - |
| The Goldman Sachs Group, Inc. | 02/31 | 3.00 | BBB+ | A3 | A | 124.42 | 0.68 | 0.00 | -0.11 | - |
| The Goldman Sachs Group, Inc. | 02/31 | 3.00 | BBB+ | A3 | A | 121.70 | 0.93 | 0.00 | 0.02 | - |
| Finland | 04/31 | 0.75 | AA+ | Aa1 | AA+ | 111.08 | -0.27 | 0.00 | -0.05 | -0.87 |
| **Yen** | | | | | | | | | | |
| Mexico | 06/26 | 1.09 | - | Baa1 | BBB- | 98.17 | 1.45 | 0.01 | -0.10 | 1.11 |
| **£ Sterling** | | | | | | | | | | |
| innogy Fin B.V. | 06/30 | 6.25 | BBB | Baa2 | A- | 128.68 | 3.20 | 0.00 | -0.01 | 0.40 |
| innogy Fin B.V. | 06/30 | 6.25 | BBB | Baa2 | A- | 137.45 | 2.19 | -0.03 | 0.02 | - |

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

## GILTS: UK CASH MARKET

| Feb 04 | Price £ | Red Yield | Change in Yield Day | Week | Month | Year | 52 Week High | Low | Amnt £m |
|---|---|---|---|---|---|---|---|---|---|
| | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - |
| Tr 8pc '21 | 102.71 | -0.08 | -38.46 | 100.00 | 100.00 | -113.56 | 102.75 | 100.21 | 24.59 |
| Tr 4pc '22 | 104.38 | -0.04 | -55.56 | 100.00 | 100.00 | -109.30 | 107.79 | 104.38 | 38.77 |
| Tr 5pc '25 | 120.26 | 0.04 | -300.00 | 100.00 | 100.00 | -90.24 | 124.55 | 120.26 | 35.84 |
| Tr 1.25pc '27 | 106.71 | 0.20 | 42.86 | 25.00 | 25.00 | -53.49 | 109.23 | 104.27 | 39.34 |
| Tr 4.25pc '32 | 140.75 | 0.54 | 14.89 | 14.89 | 14.89 | -21.74 | 148.26 | 137.91 | 38.71 |
| Tr 4.25pc '36 | 149.92 | 0.74 | 10.45 | 10.45 | 10.45 | -15.91 | 160.46 | 145.56 | 30.41 |
| Tr 4.5pc '42 | 170.18 | 0.94 | 8.05 | 10.59 | 10.59 | -8.74 | 186.37 | 162.65 | 27.21 |
| Tr 3.75pc '52 | 174.64 | 0.99 | 8.79 | 11.24 | 11.24 | -3.88 | 198.36 | 165.69 | 24.10 |
| Tr 4pc '60 | 199.83 | 0.94 | 9.30 | 9.30 | 9.30 | -4.08 | 231.12 | 188.65 | 24.12 |

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

## GILTS: UK FTSE ACTUARIES INDICES

| Price Indices Fixed Coupon | Feb 04 | Day's chg % | Total Return | Return 1 month | Return 1 year | Yield |
|---|---|---|---|---|---|---|
| 1 Up to 5 Years | 89.15 | -0.14 | 2483.68 | -0.35 | 0.86 | 0.03 |
| 2 5 - 10 Years | 184.47 | -0.47 | 3779.02 | -1.56 | 1.54 | 0.32 |
| 3 10 - 15 Years | 220.90 | -0.74 | 4823.70 | -2.68 | 1.90 | 0.63 |
| 4 5 - 15 Years | 192.51 | -0.55 | 4034.46 | -1.86 | 1.68 | 0.43 |

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# Creativity – the key to recovery

*Peter Bazalgette, the ITV chairman about to become chair of the RCA, believes the UK should focus on higher education and its creative industries post-Covid. He talks to James Pickford*

Britain's universities will be an essential pillar in the UK's recovery from the Covid-19 pandemic, says Sir Peter Bazalgette. Bringing together researchers and designers in universities with companies eager to commercialise their ideas is "the most important thing this government will do", says Bazalgette, one of the most prominent figures in the UK's creative industries.

Higher education institutions have faced huge pressures on their finances and operations during the pandemic and the disruption of Brexit. But Bazalgette says the ideas seeded in their design studios and engineering labs will be vital in the recovery.

"Our higher education sector is a jewel in the crown of Britain, whether judged by research, spinouts or student applications. Linking them to industry to make exciting things happen is the most important thing the government will do post-Brexit and post-Covid," he says.

Championing the academic sphere might seem out of place for a man once accused of "dumbing down" culture by introducing UK viewers to reality TV with shows such as *Big Brother*.

But since his days as a hands-on TV executive, Bazalgette has gone on to occupy some of the biggest jobs in media and culture, including chairmanship of Arts Council England and latterly of the broadcaster ITV. Whitehall and the government have sought his views on policy for the creative industries, and in 2017 he authored a book arguing the case for culture beyond its growing economic value.

He is now moving on to a significant role in higher education, as chair of the council of the Royal College of Art, the illustrious alma mater of some of Britain's biggest names in art and design, including James Dyson, David Adjaye, Tracey Emin and Thomas Heatherwick. He is set to join the board in October before taking over in 2022 as chair from Gail Rebuck, former chief executive of publisher Random House.

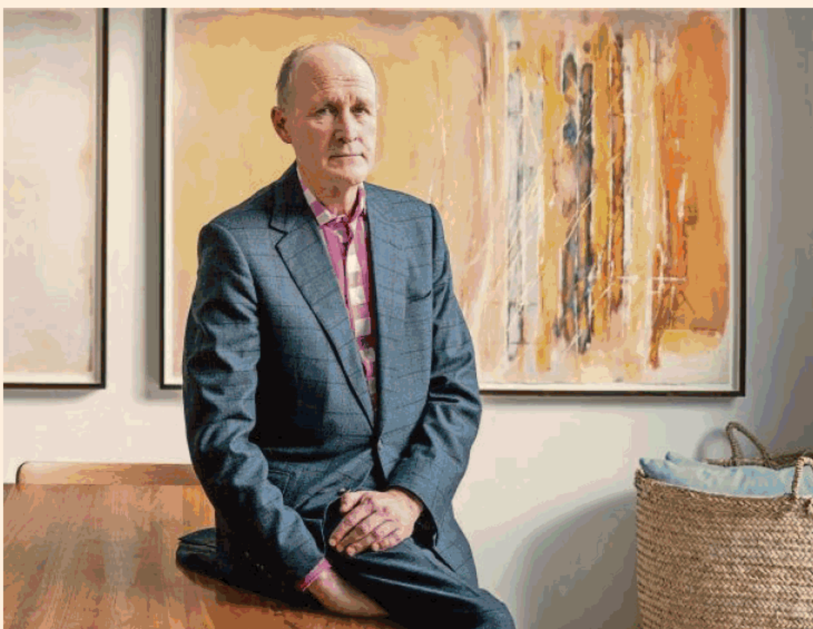
A postgraduate art and design university with three campus sites in London, the RCA is undergoing what it calls a "transformation" of its approach to research and teaching. A £108m building by Herzog & de Meuron, architects of Tate Modern, is being completed in Battersea. It is expanding its science and engineering offering with teaching on nanotechnology and robotics, computer science and AI.

In encouraging engineers and scientists to mingle with artists and designers, the RCA wants to create a "crucible" of ideas to fuel innovation. "The RCA sits at the sweet spot for the creative industries," says Bazalgette.

Another motivation for a position in an arts and design university is the platform it gives him to contribute from afar to conversations he is sure are taking place in the Treasury about the shape of a future recovery.

"If you are taking a five-year view, what are the sectors you need to get behind? Where can you get the growth in high-value jobs? Creative industries is obviously the answer . . . And the added bonus you get from the sector firing on all cylinders is that it's also about your culture, your identity and your national conversation, which you can't say for the boot and shoe manufacturers."

Speaking on a video call from his home in London's Notting Hill, Bazalgette — widely known as "Baz" — says it is the first time in 12 months he has put on a suit, in readiness for portrait photographs to be taken by the FT. After a brief encounter with Covid-19 in October, his recovery appears complete, his conversation fluent — but his tone hardens when it comes to areas that vex him.



Above: Peter Bazalgette.
Left: computer rendering of the Royal College of Art's new building in Battersea, south London
Charlie Bibby/FT

As chairman of ITV — a role that comes to an end in May 2022 — he has been grappling with the fast-changing pressures on the commercial broadcasting model both from streaming alternatives and the loss of advertising revenue to companies such as Google and Facebook.

He says liberal democracies urgently need to regulate the activities of the half-dozen dominant tech companies and force them to take greater responsibility. "Their sins are legion and Teddy Roosevelt would have known what to do about it — he'd have broken them up immediately. It's the biggest challenge not only to business but to civil society."

His tone is more circumspect on the problems besetting universities — the RCA among them. Students have demanded fee cuts and extra financial support after teaching went online and they lost the part-time work that typically made ends meet — a headache for arts and engineering courses that are often intensely practical in nature. The RCA reconfigured its courses so that international students — it draws on 70 countries — could attend for intensive two-week stretches before the latest lockdown forced a return to remote learning.

He sympathises with students facing a much-diminished experience but says the RCA's measures to continue with courses have proved their value. "Last summer, like many universities, the RCA was waiting to find out whether students who had enrolled would turn up. In their case, they had very few dropouts."

As leader of a 2017 government-commissioned review into the future of the creative industries, Bazalgette is waiting "with bated breath" for ministers to emerge from Covid and Brexit to decide how it takes forward his recommendations.

He gives an example of the initiatives he would like to see: government support for a new generation of TV studios across the country, in cities from Birmingham to Belfast — not just in London and the south-east. "Virtual production" is the talk of an industry looking for ways to speed production with no loss of quality or artistic control. It uses powerful video game technology and vast LED screens to place actors directly in live virtual sets, doing away with green screens and the need for CGI in post-production.

> 'If you are taking a five-year view, where can you get the growth in high-value jobs?'

His hope is that higher education institutions set up labs for computer scientists to make further advances in this technology but work with TV and film industry on its commercial use. "It drives the industry forwards," he says.

When he arrives at the RCA he will be rubbing shoulders with Jony Ive, the British-American former design star at Apple, who became the university's chancellor in 2017. While the designer plays an "inspirational" role for students and staff at the university, as well as helping its fundraising efforts, Bazalgette's role is to oversee governance and further the strategy set by the vice-chancellor, Paul Thompson.

Did he know Ive before he took the job? He explains that he has only met him once, in 2012, when Ive was standing in front of him in the queue to be knighted at Buckingham Palace. Betraying his design enthusiasm, he claims to have been more "overawed" to meet the man behind the iPhone than by the pomp of his palace investiture. Kneeling at the cushion as the sword descended, he recalls his main thought at the time: "Wow — that was Jony Ive."


FT FINANCIAL TIMES

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# Tough talk that stands the test of time

*Four vivid monologues by Peter Barnes have been revived and filmed in a rare outing for the playwright. Sarah Hemming reports*

They could have been written yesterday," says director Philip Franks of Peter Barnes' monologues, *Barnes' People*. In fact they were written between 30 and 40 years ago and, when first performed on BBC Radio 3, drew actors of the calibre of Judi Dench, Peggy Ashcroft, Alan Rickman and John Gielgud.

Now a new quartet of actors has picked up the baton. Jemma Redgrave, Adrian Scarborough, Matthew Kelly and Jon Culshaw have taken on four of the English playwright's monologues in a set of short films shot on the stage of the Theatre Royal Windsor.

"These were the ones that stood out as speaking most directly to us at the moment," says Franks, who directs three of the solos. "Especially the oldest one, *Rosa* (1981), from a geriatrician who has reached the end of her tether at the callousness and cruelty surrounding the care home system."

In the four films, we meet Dr Rosa Hamilton on the verge of a life-changing decision (*Rosa*), an elderly man talking to a grave in a churchyard (*Losing Myself*) and a ventriloquist conversing with the many voices in his head (*Billy & Me*). And, in *A True Born Englishman* (never previously publicly performed), we encounter Leslie Bray, a footman to the royal family giving a magazine interview. For Franks, each of these characters has a story to tell.

"It's like meeting the ancient mariner," he says. "They buttonhole you and you cannot look away. There's that vividness and that sense of life. Even though the pieces are often about despair and losing control and sliding into an abyss. They have such vigour."

On paper they sound similar to Alan Bennett's masterly *Talking Heads*, which have also been beautifully revived during lockdown. Franks says Barnes' monologues share qualities with Bennett's works — unafraid to confront darkness, for instance — but that they have their own style.

"The Alan Bennett ones are brilliant, but they all have a twist in the tale," he says. "Some revelation, often quite shocking, develops during the story. These don't have that twistiness. Also they don't have a multiple time scheme — these are told in the now and they are really, really urgent. So they all have that storytelling, grabbing you by the throat thing that allies them with Barnes' playwriting."

Jemma Redgrave appears in 'Rosa'

It's a rare outing for Barnes' work. Although Jamie Lloyd revived his 1968 comedy, *The Ruling Class*, in 2015 (with James McAvoy playing a crazed 14th-century earl), his work has largely fallen out of fashion. Even during his day Barnes (who died in 2004) swam against the tide. His stage works were passionate, funny, carnivalesque and angry, peppered with near-the-knuckle, sometimes controversial, black comedy and teeming with characters.

In his obituary of Barnes, director Terry Hands, who staged Barnes' work at the RSC, wrote that while many other playwrights were composing pared-down dramas "[Barnes] was writing great sprawling epics with casts of 45, and more locations than a travel guide. He wrote with the wild exuberance of an Elizabethan delighting in language and inventing words when he could not find the ones he wanted."

Franks fell in love with Barnes' plays as a student. The playwright's expansiveness and irreverent humour appealed to him. "He can handle a fart gag next to a soliloquy about death." But they probably cost revivals, he suggests.

"I think there's a group of writers who were feted in their day and who have been similarly marginalised: Peter Barnes, Edward Bond, Howard Barker and John Arden. You can define why in three words: politics, philosophy and economics. Economics because they wrote on a massive scale, so it became harder and harder to do them. Politics because they are all vocally anti-authoritarian. And philosophy because they deal with things that a lot of people really don't like: violence, sexuality, the nature of humanity itself, value systems, political structures."

Indeed Barnes claimed that *A True Born Englishman* was banned by the BBC, which the broadcaster denied. So, with its premiere, can we expect scurrilous intrigue?

"It's not remotely scandalous about the royal family," says Franks. "It's not really about the royal family at all: it's about the British tendency towards servility. [Bray] speaks glowingly and proudly about how the English make better servants than anybody else. So, unlike the other pieces, it's a monologue of profound self-deception. He thinks that he is telling this journalist how wonderful his life is and as it goes on, you realise what a very, very tiny life he is leading.

"They are tough," he adds. "They're funny, they're witty and they're engaging — but they're tough. I'm absolutely fed up to the back teeth with stories of analgesic inspiration. We don't need it. We need to think about what's happening . . . Wear a flak jacket and have a drink at your elbow! But you're in for a treat."

*Available to stream February 18-July 31 originaltheatreonline.com*

Matthew Kelly plays a man talking to a grave in a churchyard in 'Losing Myself'
James Findlay

# The race to attract battery production

After Brexit carmakers with a UK presence are focusing on both fixing the supply chain, to increase their vehicles' local content and avoid tariffs, and the switch to large-scale assembly of electric vehicles.

*By Peter Campbell and Kana Inagaki*

New cars at Nissan's plant in Sunderland, in December. The battery pack inside a Jaguar I-Pace, below, weighs nearly a tonne once packaged for transport
Bloomberg

From Tokyo to Paris to Detroit, the headquarters of leading carmakers let out a collective sigh of relief when Britain signed its last-minute deal with the EU on Christmas Eve.

The dreaded prospect of tariffs, which would have crippled the industry and jeopardised Britain's fragile smattering of auto plants, had been avoided.

"From an auto industry point of view it's the best deal that we could wish for," says Johan van Zyl, European chief executive of Toyota, the world's largest carmaker, which has two UK plants. "It was a very good Christmas present."

But in the silence following the sound of champagne corks, the realisation has dawned across the UK that the real work — of gradually replacing traditional engine plants with battery factories — is only just beginning.

While one existential threat was swerved, another one was waiting just behind it. With carmakers expecting to shift completely away from petrol and diesel over the next two decades as emissions rules tighten, countries with vibrant auto sectors are scrambling to attract the growing battery-making industry needed to protect their existing factories.

The Brexit deal has skirted the "cliff edge" of tariffs, but it leaves the UK plants facing higher costs at exactly the time they need to become more competitive to attract work for new models, including electric vehicles.

The need under Brexit to revamp supply chains to comply with local content rules, the requirement for fresh export certificates and the uncertainties of delayed parts imports are just some of the other barriers now facing manufacturers with UK sites.

> 'We have got to go out and promote [the idea that] the UK auto industry remains a good place to invest'

"I suppose shooting yourself in the foot is better than shooting yourself in the head," says Ian Henry, who runs the forecasting and data group AutoAnalysis. "There's no gain from this, just a reduced loss."

### Extra costs

Ever since the opening of Nissan's Sunderland site in 1986 triggered a wave of investment, Britain's mass-market car industry has been built on the cornerstone of European access.

"Build in Britain, sell in Europe" was the sales pitch trotted out by trade envoys who travelled the world drumming up business. Last year, four out of five UK-made cars were exported, with the majority going to the EU.

While cars shipped across the channel will avoid tariffs if they contain enough parts from the UK and Europe, the "non-tariff" barriers are likely to pour sand into the once-pristine gearbox of the industry's "just in time" delivery model.

The changes have spawned snaking queues at ports as lorry drivers fumble to produce the right paperwork, while carmakers including Jaguar Land Rover and Nissan have been forced to rely on expensive air freight to ensure parts arrive at their plants on time.

"I would not characterise this as teething difficulties, because it is now the system," says Mike Hawes, chief executive of the Society of Motor Manufacturers and Traders, the industry's trade body.

While the estimated additional cost of about 2 per cent pales next to the 10 per cent tariffs vehicles would have faced under a no-deal Brexit, it all weighs down the competitiveness of Britain's plants, making it harder for them to win future work the next time a new model is launched.

"We do have to overcome some of those costs," says Mr Hawes. "We have got to go out and promote [the idea that] the UK auto industry remains a good place to invest."

Investment in new projects, which typically runs at about £2.5bn annually, fell as low as £590m in the years after the 2016 Brexit vote. Planned models were pulled, and Ford and Honda announced plant closures, though stressed they were not influenced by the impending Brexit.

Last year saw the new investment figure rise to £3.3bn, according to SMMT calculations, helped in part by an ambitious plan from start-up Britishvolt to build a £2.6bn battery gigafactory at Blyth in north-east England.

Projects such as this are critical to sustaining the future of the UK's plants. While carmakers are used to shipping parts for traditional cars across the world, the emergence of battery vehicles bolsters the argument for localised production.

"Ideally you want your battery plant very close to your manufacturing plant, because of the weight," says Andy Palmer, Aston Martin's former chief executive who launched Nissan's electric Leaf car when at the Japanese carmaker. Batteries for the electric Jaguar I-Pace, which is made in Austria, weigh close to a tonne once packaged for transport, while even batteries for a Nissan Leaf weigh about 300kg each.

To secure plants therefore, the UK needs to attract gigafactories. "It's existential," says Mr Palmer, who points out all manufacturers will be seeking to set up plants and supply chains for electric cars. "Everywhere else in the world is trying to attract battery production, and everywhere else is offering incentives. If the UK doesn't, the UK loses. It's one country against another."

### Content concern

While the race for battery production continues, carmakers themselves are considering their next decisions on UK sites. The Brexit agreement brokered between the UK and the EU grants hybrids and electric vehicles a crucial grace period of six years so carmakers can rejig their supply chains in the face of rising global pressures to meet carbon neutrality targets.

While several UK-built hybrid and electric models today avoid EU tariffs, they will need to increase the amount bought from local suppliers in order to avoid penalties by 2027.

"If you raise the bar of local content for electrified vehicles, that means that if I want to avoid tariffs, I have to increase local content to sell the car, which means I have to invest in the UK for electric components, which means I have to sell those cars in the UK at the end of the day," Carlos Tavares, chief executive of Vauxhall's owner Stellantis, told the FT last month.

The company — formed by the merger of PSA and Fiat Chrysler — will decide within weeks whether to invest further in its Ellesmere Port plant in north-west England, he said.

The UK government's decision to phase out the sale of new petrol-only cars by 2030 means the company must decide whether to make battery models at the site. "The questions are therefore what is going to be the affordability of UK-manufactured EVs, and how many of them can I sell if they are less affordable, and what is going to be the size of the UK market," Mr Tavares said.

Many of the answers ultimately "depend on the UK government's willingness to protect some kind of auto industry in their country", he added.

### Sensitive decisions

For carmakers from Japan — the country with the largest investments in the UK automotive industry — the Brexit deal comes at a critical moment, as a global push for carbon neutrality forces a shift towards electric vehicles that will require a fundamental rethink of how their supply chains are built around key markets worldwide.

> 'Ideally you want your battery plant very close to your manufacturing plant, because of the weight'

In the 1980s, Margaret Thatcher's promises of a gateway to Europe convinced Toyota, Nissan and Honda to open their plants in the UK as a route to achieving their global ambitions. But investment decisions by more than 300 Japanese manufacturers operating in the UK will be far more complex than simply expanding their European footprint.

With Europe competing against China to become a big market for gasoline-electric hybrids and electric vehicles, Japanese manufacturers will need to strengthen their European supply chains for batteries and other components for hybrid systems and reduce their reliance on factories in Japan.

The decisions will be politically sensitive, with Japanese manufacturers already alarmed by the speed of electrification worldwide. The country's automotive parts industry will be hit hard by the shift to electric vehicles, which uses fewer components than petrol cars. Even if Japanese carmakers are to build these vehicles closer to Europe, they would still want to keep core technologies and jobs at home. "Japan has historically exported to overseas products that are manufactured at domestic plants, and we would like to maintain some elements of this," said energy minister Hiroshi Kajiyama.

The shifting of supply chains will need to be made before the grace period given to hybrids and electric vehicles expire in six years, and Japanese manufacturers face tougher rules to use local components for their cars.

Parts coming into the UK from Japan are not counted as "local" under the UK-EU deal, unlike parts that are imported from the EU.

Mr van Zyl at Toyota says 95 per cent of the cars made at its Derbyshire site avoid tariffs because they are hybrid models with significant Japanese componentry. Hybrids currently face a lower threshold for local parts, which will begin rising in 2024 until 2027, when they will be treated the way that petrol models are today.

Toyota is paying a small sum in tariffs on the few non-hybrid models it exports to the EU, Mr van Zyl adds, but at least the company can now see the targets it needs to hit by 2027. "Now that we know the rules, that is what we need to plan towards and achieve that, we can plan accordingly," he says. "That makes it more palatable for the industry, we have time to achieve it."

### Big decisions needed

Still, Japanese officials and auto executives privately admit that the actual window is tight. Each model is typically manufactured for seven years, with investment decisions about the next iteration taken several years in advance.

"There are actually only two or three years left, since decisions for post-2026 investments need to be made by around 2023," says one government official.

Honda, which is due to shut its Swindon plant in south-west England in the summer as part of a global winnowing of facilities, is already paying tariffs on the Civic cars it exports to the EU.

**£5.83bn**
Value of publicly announced pledges of investment in UK carmaking in 2013

**£589m**
Value of publicly announced pledges of investment in UK carmaking in 2018

**£3.23bn**
Value of publicly announced pledges of investment in UK carmaking in 2020 (SMMT figures)

Nissan has already responded to the changes by announcing it will move production of the 62kWh battery used by the long-range edition of its electric Leaf car from the US to the UK. This avoids the model facing tariffs under the local content rules.

The fact that Nissan already has a battery factory close to its Sunderland site is a key advantage as it plans for the future, company executives believe.

"We have a state-of-the-art plant which has already been making EV cars for the last 10 years," Nissan's chief operating officer Ashwani Gupta told the FT. "There is no reason it will not be sustainable if we have competitive localisation of the car and battery."

Sunderland, the UK's largest plant, became a Brexit lightning rod, with Nissan saying its export model would be "jeopardised" by tariffs.

Following the deal, Mr Gupta said none of Nissan's models made at the site — aside from the long-range Leaf — face tariff penalties. Nissan got "everything they wanted" from the deal, according to a person close to the business. "The albatross is finally gone."

Nissan has an advantage when selling in the UK over rivals that import, some of whom have already raised prices. But the carmaker is uniquely positioned in the UK. The Sunderland plant is its single most critical manufacturing base in Europe, especially as the Japanese carmaker streamlines its operations and relies more heavily on its alliance partner Renault to lead functions on the continent. "Now that the Sunderland issue has been cleared, Nissan can focus on putting its European operations back on track," says one person close to the company's board.

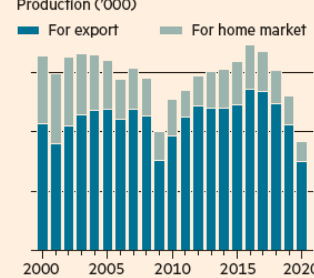
Toyota, in contrast, has other options in mainland Europe, where it operates five vehicle plants. As the group weighs its post-2026 options, people close to the company say a critical part of the equation will be how it can maximise the benefits from both the EU-Japan trade deal and the UK-Japan trade deal. This week, Britain also formally applied to join the Trans-Pacific Partnership.

These pacts should allow Japan's largest carmaker to maintain its two plants in the UK particularly, these people said, as sales of hybrids and EVs in Europe grow. But the company is expected to be cautious in expanding investment in the UK, considering the additional costs related to border checks and other Brexit-related paperwork.

"The tariffs are important but other additional costs cannot be underestimated," says one of the people close to Toyota. "It won't be acceptable to shareholders for the company not to consider shifting production to the EU from a competitiveness viewpoint."

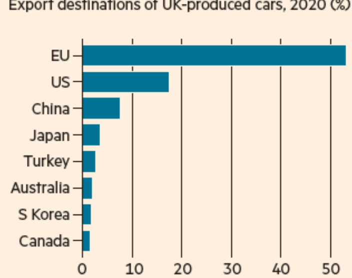
*Additional reporting by Robin Harding*

**UK car production fell 29 per cent last year**
Production ('000)




Source: SMMT

**The EU accounts for over half of UK car exports**
Export destinations of UK-produced cars, 2020 (%)

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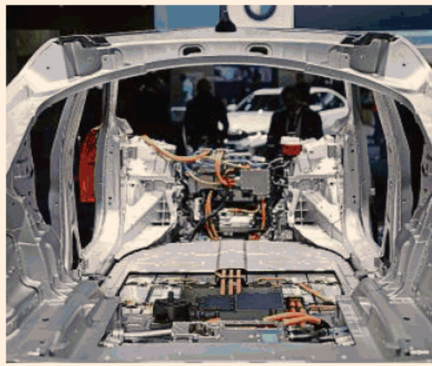

FINANCIAL TIMES
'Without fear and without favour'
FRIDAY 5 FEBRUARY 2021

# Amazon's Bezos is leaving a strong legacy

*But the entrepreneur's successor as CEO faces challenges ahead*

Jeff Bezos's decision to step aside as chief executive of Amazon focuses attention on his past achievements and the lessons for other entrepreneurial businesses. It also highlights the challenges facing his successor.

The foundation of Mr Bezos's success was to persuade shareholders to buy into his long-range management approach — and to stay bought in. That vision was laid out transparently in his letter to shareholders in Amazon's 1997 annual report, reprinted every year since. There, he said the group would make investment decisions "in light of long-term market leadership considerations rather than short-term profitability considerations or short-term Wall Street reactions".

Many chief executives envy the leeway this has given Mr Bezos to reinvest in the business. Amazon would not have grown to be worth $1.7tn without that mutual understanding.

"Invention" has been "the root of [Amazon's] success", Mr Bezos reminded "fellow Amazonians" in the message announcing his transition to executive chair. The group's role in advancing ecommerce, cloud computing, and the production of new devices such as the voice-activated Echo are the most obvious innovations.

Less visible, but similarly transformational, has been Mr Bezos's insistence on strong culture. In one episode from the 1990s, recounted in Brad Stone's 2013 book *The Everything Store*, Mr Bezos told his staff excessive communication was "a sign of dysfunction", because it demonstrated people were not "working together in a close, organic way". He has stuck with this intuition that people should solve the problems closest to them, rather than deferring to top-down advice. Other companies have followed.

Finally, the succession planning looks a model. Andy Jassy, who oversees Amazon Web Services, now the group's most profitable division, will become chief executive. It is a mark of the smooth change that it does not appear to have unsettled or surprised anyone.

Seamless succession is not unknown among US technology companies. Apple's installation of Tim Cook in place of the ailing Steve Jobs was ultimately successful. Microsoft managed to transfer leadership from Bill Gates to Steve Ballmer and from Mr Ballmer to Satya Nadella without undue fuss. Still, younger tech founders whose first instinct is to dig in at their creations could learn from the Amazon example.

The handover may not make much practical difference. Mr Bezos was already performing a more strategic role. If necessary, "executive chair" is fungible enough to let him to revert to executing more and chairing less.

The powerful culture he leads should also help Amazon maintain a steady course. Brad Stone describes a "Bezosian force-field", fuelled by the founder's single-mindedness and impatience, keeping the customer's needs at the forefront of every decision. Even when Mr Bezos is concentrating on his other ventures, the force-field will not dissipate.

Mr Jassy inherits the new job at a moment of success, on the back of a wave of lockdown shopping and internet surfing. But it is also a moment of potential unpopularity. Mr Bezos has sometimes pursued his focus on users at the expense of Amazonians' working conditions. Tax authorities and watchdogs will redouble scrutiny as Amazon emerges stronger from the pandemic. Pressure to curb Big Tech's power is unlikely to diminish.

That it will be Mr Jassy, not Mr Bezos, who occupies the hot seat for the next challenging phase of Amazon's development illustrates another of the founder's signature traits: good timing.

# Cumbria mine tarnishes UK's green credentials

*Government's approach is inconsistent with its ambitious rhetoric*

Plans for a small coal mine in Cumbria are becoming a symbol of the UK government's inability to match ambitious words on climate change with action. Boris Johnson has pledged to put the environment at the heart of his efforts to "build back better" after the pandemic. Last year's 10-point plan for a green industrial revolution may have lacked some near-term targets but it was an important policy intervention at a critical moment. The window of opportunity to achieve net zero emissions by 2050 and holding temperature increases to safe levels is rapidly closing.

The decision to allow the country's first new deep coal mine for decades is entirely at odds with this agenda. It also risks undermining Britain's international standing as host of the UN COP26 climate summit. The government's advisory body on global warming, the Climate Change Committee, has already warned the mine leaves a "negative impression" on the UK's climate priorities. Now James Hansen, a former Nasa scientist and one of the world's foremost experts on climate change, has weighed in on the debate. In a letter addressed to Mr Johnson, Mr Hansen warned that allowing the colliery to go ahead will lead to "ignominy and humiliation" for the UK.

It is time for ministers to get involved. Robert Jenrick, the communities minister, could have challenged the decision by Cumbria county council to approve the Copeland colliery, but decided against. Mr Jenrick has defended the move, saying he would not block it as it was a "local" issue. Yet this is not how other large energy infrastructure assets are treated. Nuclear power plants and onshore wind farms are all approved at national level. The same approach should apply in this case. Tackling climate change is a national, as well as a global challenge.

Ministers will need to consider strong public support for the mine. Although unemployment in Cumbria is relatively low, local Conservative MPs have argued that the company's promise to create 500 jobs would benefit a relatively isolated area where employment has been dominated by the Sellafield nuclear site. They also point out that the new mine will not produce thermal coal for electricity but coking coal which is used to make steel. It will therefore displace some imports and reduce carbon emissions overall. There is some merit in both of these arguments. Nevertheless, it is worth putting the mine's annual production in context. It will extract about 2.7m tonnes of metallurgical coal, to be shipped to UK and European plants. Although not insignificant, it is a small percentage of the 60m tonnes of coal that are currently imported annually by these plants from the US, Canada, Russia and Australia.

Steelmaking remains an important industry for the UK but if the government is committed to its climate agenda, the priority must be to channel investment into ways to produce the metal in an environmentally friendly way. The use of renewable or green hydrogen in steelmaking is not yet a commercial reality but the rapid pace of change in technologies should not be underestimated. The debate over the Cumbria mine is, in many ways, emblematic of a fundamental tension between the government's green goals and the increasing autarky in some of Mr Johnson's policies. The prime minister would do well to emulate Joe Biden's approach. It is early days but the US president has focused on embedding climate policy across his administration. If Mr Johnson wants to show true global leadership on climate, he needs to ensure Britain's actions match his rhetoric.

# Letters

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## Measuring climate change is audit's vital task

Your leader "Time to clean up climate reporting standards" (The FT View, February 3) recognises the value audit can bring to an important societal issue. Auditors have a critical role in ensuring companies appropriately reflect the impact of any external issues in their financial reporting, with Brexit and the pandemic currently front of mind.

However, it's increasingly clear that climate change will have the biggest impact on many companies' business models.

But this is only the beginning. Climate strategies are evolving at pace. Companies are assessing the impact of climate risk on their businesses. It is inevitable that management will make changes to future investment decisions to protect the business and take advantage of opportunities. This will need to be transparently reflected in their audited financial statements. Only then can investors meaningfully allocate capital to drive positive and lasting change.

We are seeing promising signs of this new reality in our discussions with boards and investors, but much more needs to be done — particularly to evolve high-level commitments into specific planned actions and to develop a common international approach to measurement. Real change will require all parties in the corporate reporting ecosystem to work together, including companies critically assessing how their business models and strategies will be affected, and auditors checking, verifying and challenging their assessment.

**Hemione Hudson**
*Head of Audit, PwC UK*
*London WC2, UK*

## McKinsey issues a Moscow mea culpa

Henry Foy's column ("McKinsey's call for political neutrality only serves Putin", Opinion, January 28) criticises the internal communication issued by McKinsey's Moscow office for stating that employees should not participate in protests.

We fully agree with that criticism. Our Moscow office's communication fundamentally misrepresented our policies and values. It was wrong and should never have been sent.

Within 24 hours, the office issued corrections internally and externally. These corrections explained that McKinsey employees are free, in their personal capacity, to exercise their freedom of expression, including taking part in civic and political activities. This applies in Russia as it does to all countries where we operate.

Subsequently, our global managing partner addressed the issue and reinforced the policy in his weekly "Ask Me Anything" with all global employees.

It is incumbent on McKinsey to assure our policies are properly and accurately communicated to our teams and beyond. We regret this serious mistake.

**Ramiro Prudencio**
*Partner, Global Director of Communications*
*McKinsey & Company, London WC1, UK*

## Hungary's unfortunate habit needs to stop

Andreas Stefanovszky ("Central Europe's allergies took root in Soviet period", Letters, February 1) argues that "central Europe" sees President Joe Biden as a potential threat because he might attempt to export "US liberal ideology" to a region allegedly allergic to "ideological interference".

Over the past decade or so, many Hungarians of the Fidesz persuasion have developed an unfortunate habit of claiming in front of an international audience that they somehow speak on behalf of central Europe.

I reckon they do it to lend greater legitimacy to their political views.

In reality, different people in different central European countries espouse very different perspectives. It is clear that the ideas of Hungary's conservative prime minister Viktor Orban by no means represent central Europe or central European Christian Democratic parties.

I thus humbly propose that next time Mr Stefanovszky speaks, he speaks for himself alone.

**Jan Jires**
*Zamberk, Czech Republic*

## Singing from same hymn sheet on Sino-US ties

Martin Wolf ("Containing China is not a feasible option", Opinion, February 3) says my recent book *The World Turned Upside Down* takes a zero-sum view of the US-China relationship. He also doubts that the free world can maintain technological leadership, military deterrence and the continuance of an effective rules-based, liberal international order.

When he gives his own prescription for dealing with Beijing however, he begins to sound a bit zero sum himself. He speaks of the need for the free world to maintain technological autonomy, revitalise technological infrastructure and defend freedom of speech against all enemies.

He also calls for the free world not to allow China to pick off and bully smaller countries. I think we are really on the same wavelength.

**Clyde Prestowitz**
*Potomac, MD, US*

## Two lords a-leaping amid the clash of geopolitics

I wanted to doff my hat to the letters section of the FT. It is increasingly where people go to see the clash of ideas on geopolitics.

The counterpoint views of Lords Patten and Mandelson on China (Letters, January 27; January 26) perfectly illustrate this. Do we stick with our traditional "trade first" approach to China? How do we deal with China's new aggression, either internally (Xinjiang) or externally in relation to Taiwan, the South China Sea or intellectual property? Please keep the battle lines drawn.

**Louis Greig**
*London W11, UK*

## A musical challenge for the American president

Did I hear an echo of Aaron Copland in President Joe Biden's inaugural address (Report, January 30)? The American composer wrote in 1942 that "it was the common man, after all, who was doing all the . . . work . . . He deserves a fanfare". Mr Biden presented his own version of "Fanfare for the Common Man", weaving together the different instruments and the orchestral score, to support his themes.

The address carried a strong brass and bass drum, nullifying the dangerous cacophony of the failed coup d'état. It repeated the melody in major and minor keys, always insisting on the leitmotif that "the American story depends not on any one of us, not on some of us, but on all of us".

Mr Biden's cabinet pick struck a similarly tuneful note, each appointment achieving a harmony like musicians in an ensemble, some with the unmistakable mark of brilliance.

The 40 executive orders signed in his first seven days developed his composition's themes: social justice and equity, race and gender, immigration and human rights, poverty and inequality, multilateralism, environment and the clear and present danger of Covid-19.

It has been impressive, and listening to the music, one wants more.

Of course we all know that four years is a long time and Mr Biden, like Copland, will need to transform the Fanfare into the fourth movement of his Symphony Number 3.

It will be difficult, but he knows the orchestral score, the instruments and most of the members of the orchestra. Let's hope the audience (or most of it) will appreciate it.

**Elcior Santana**
*Adjunct Professor, School of Foreign Service, Georgetown University, Washington, DC, US*

## London is a loser in Scots' view of independence

I read with interest your article "Scots warned independence to cost more than Brexit" (Report, February 3). However, viewed from Scotland, in the wake of Brexit and a Scottish vote for independence, it is London not Edinburgh that will be the capital of a diminished country with a shrinking economy.

Did the survey by the London School of Economics' Centre for Economic Performance not look at the effect of these two events on the rump of the UK? If not, why not?

**Jackie Kemp**
*Edinburgh, Scotland, UK*

## The oil industry is its own worst enemy

The growing pressure upon financial institutions, most recently the Bank of England, to suspend all involvement in the international oil industry seems inexorable (Report, FT.com, January 25).

This appears to reflect the fashionable belief that the international oil business is an inherent evil to be consigned to industrial history as quickly as possible; that adherence to carbon emission targets requires it to be starved of capital; and that the current global productive capacity of the oil industry is adequate to meet all current and future hydrocarbon demand.

These beliefs are shallow, dangerously uninformed and misguided. There will continue be a worldwide, possibly increasing, demand for oil and gas supply for years to come. Against a background of inevitable reserve depletion, that demand will only be met (as it always has been) by continuous, long-term capital investment and technological advance. That investment will come predominantly from private sector oil companies.

Even the oil companies themselves are running increasingly nervous of being associated with future investment in exploration and development. They are being harried by an unlikely alliance of the very effective environmental lobby, the appetites of stock and capital markets and their own well-meaning, equally gun-shy institutional shareholders.

The oil business, taken as a whole, is extremely sophisticated. But in matters of public information and education it is frequently its own worst enemy.

Without sustained capital programming there will inevitably develop a serious decline in global productive capacity and the loss of the technical capability to reverse the trend. At some point, in the absence of a collapse of worldwide oil and gas demand (very unlikely), this must lead to an uncontrollable long-lasting surge in the market price of oil, and an enduring knock-on impact on every sector of the world economy.

**David Montagu-Smith**
*London SW1, UK*

## Racing mecca is no place for suffragette's statue

Given the recent controversy over public sculpture ("Wollstonecraft row shows our confusion about public art", Opinion, November 14) I want to object as a resident of Epsom, to the proposal to erect a statue to Emily Davison, in Epsom marketplace.

Davison was the suffragette who died when she threw herself in front of the king's horse during the 1913 Derby.

If sane, this woman was a fanatic who deliberately endangered the lives of jockeys and also caused a horse to be put down. The end does not justify the means.

Shame on the councillors of Epsom and Ewell. Is this the example they wish to give to the current generation?

**John Parsloe**
*Epsom, Surrey, UK*

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# *Venezuelans in Lebanon wonder which country is worse*

## Midde East Notebook

*by Chloe Cornish*

Maria Issa misses Venezuela so much that the mother of two is even nostalgic about the time that her family was robbed at knifepoint there. The masked men "didn't treat us bad, they just told us 'we're hungry'", she recalls from her new home in northern Lebanon. One burglar even "brought me water", adds the Lebanese-Venezuelan who, in the space of a few years, escaped one national disaster only to end up in another that is perhaps even worse.

When Ms Issa left Venezuela in 2018, the South American nation was engulfed in a combined multiple economic, political and humanitarian crisis. The 35-year-old hoped for better opportunity in her parents' home country, and had no inkling that Lebanon's economy was also about to implode. Two and a half years later, though, Ms Issa and her family are among those self-repatriated Lebanese who wonder if they made the right choice. "Lebanon is now worse than Venezuela," she reckons. "I want to go back home."

There is a long history of migration from Lebanon to Latin America. It forms part of a huge diaspora forged since the 19th century by entrepreneurial Lebanese seeking their fortunes abroad. Carlos Slim, the Mexican telecoms mogul, is of Lebanese descent, as is Shakira, the Colombian pop star, and Michel Temer, Brazil's former president. Lebanon's population is round 7m, with around 1.5m of them Syrian and Palestinian refugees. Following the outbreak of civil war in 1975, even more Lebanese emigrated. Among the wilder estimates, as many as 13m came to live abroad, among them Ms Issa's parents, who moved in 1985 to then oil-rich Venezuela to join her grandparents.

Ms Issa was born soon after, before Hugo Chávez came to power, and eventually married a Venezuelan. They had two daughters, now aged three and six, and lived "a normal life" in a comfortable four-room house they owned. Mango and avocado trees grew outside. But then Venezuela's multiple crises deepened in the 2010s, prompting some 5m people to flee. Many Lebanese Venezuelans, like Ms Issa, began a reverse migration.

It is a common story among the expats who have long been the lifeblood of Lebanon's economy. They would typically send hard currency to Lebanese banks, buy houses and invest in businesses, often with the intention of coming home one day. But in 2016, the flow of overseas money started to ebb. Three years later, Lebanon's economy blew up.

"There are people that brought all their money from Venezuela to Lebanon," said Sarah Waizani, a Lebanese Venezuelan events manager and graphic designer who returned 14 years ago. Those people included her parents: "They lost half of their money . . . they put it in the bank account here. And now what happened? They're losing again."

For Lebanese Venezuelans seeking to escape Venezuela's disaster, Lebanon's freefall is sickeningly familiar. Both economies have been savaged by civil strife and hyperinflation. Almost half of Lebanon's population is estimated to live in poverty now, and over 70 per cent of Venezuela's. "It's like OK whatever," grimaces Ms Waizani, who used to fundraise for impoverished families in Venezuela but now finds her position reversed.

In another blow of double bad luck, the pandemic conspired with the economic crisis to kill off Ms Issa's small Lebanese-Venezuelan eatery. Business loans and unpaid rent have left her $5,000 in debt. "We're broke, completely," she says.

It's a tough call which country is in a worse state. Many of the 12,000 Lebanese Venezuelans thought to be registered in Lebanon have already left, or want to. They know Venezuela has among the world's highest homicide rates. But friends who have returned say there are ways to make a living. "You have to decide between security and economy," says Ms Waizani. "We are really suffering," adds Ms Issa, who wants to leave — when she can afford the plane tickets.

Are there any lessons here about how to survive ruin and heartbreak in two once-rich countries? Perhaps the importance of humility and humour. Ms Issa now makes cakes without eggs or butter, a technique brought over from scarcity-ridden Venezuela. "I've learned a lot of things," she laughs.

*chloe.cornish@ft.com*

# Opinion

## Tories must choose between Johnson and the Union

POLITICS
Philip Stephens

Boris Johnson's ruling Conservatives have an important choice to make. The prime minister's party can give itself a modest shot at persuading Scotland to remain within the Union of Great Britain and Northern Ireland. Or it can stick with Mr Johnson as leader.

The prime minister's latest visit to Scotland underscored the challenge. Nicola Sturgeon's Scottish National party had a field day. Ms Sturgeon first feigned outrage, charging that the trip breached Covid-19 restrictions on all but essential travel. She then held up his presence as proof of the political chasm between Westminster and Edinburgh.

Mr Johnson is unpopular in Scotland. A recent poll gave him a minus 42 per cent rating against a positive 36 per cent for Ms Sturgeon. The UK's vaccine success apart, Mr Johnson's response to the pandemic has been bluster and costly hesitation. The SNP leader has also struggled but has looked calm and decisive throughout.

Behind the clash of temperaments lies a more visceral collision. The prime minister speaks for a reactionary strand of English Toryism. As first minister, Ms Sturgeon embraces the European-style centrism that sits comfortably in the Edinburgh parliament. Mr Johnson is also Brexit's lead author — and this has taken Scotland out of the EU against the wishes of 62 per cent of Scots who voted in the 2016 referendum.

Polls predict the SNP will win a landslide victory in this May's elections to the Edinburgh parliament. With it will come a mandate for an independence referendum. A procession of surveys since the Brexit vote point to a majority in favour of separation.

Mr Johnson insists that the 2014 plebiscite rejecting separation settled the matter for a generation. But Brexit rendered it null and void. Six years ago a vote for the UK Union was also a vote for the EU. Brexit has forced a choice between Mr Johnson's England and engagement in Europe.

The prime minister has rarely shown any affection for the Union. His bearing resembles that of a colonial master. He has called the devolution of power to Edinburgh a "disaster".

The reason? Scots have had the impertinence to back the SNP instead of deferring to Westminster. Mr Johnson likewise brushed aside warnings that Brexit would drive separation, and subsequently denied the Scottish government a say in negotiations with the EU27.

> He is viewed by the Scottish National party as its not-so-secret weapon in the fight for independence

Scotland's future is not settled. Infighting within the SNP about how hard to force the pace on a referendum, and a bitter feud between Ms Sturgeon and her predecessor Alex Salmond, show the nationalists have their own weaknesses. Unbiased economic analysis suggests that Scotland would pay a heavy price for break-up. An imaginative UK prime minister could change the terms of debate by widening the options for Scottish voters by devolving more power in a federal constitutional settlement.

Given the outcome of the Brexit referendum, however, Mr Johnson should know better than anyone that arguments about economics fare badly against the emotional pull of identity politics. And he shows no inclination to consider the constitutional changes needed to alter the debate. Instead, he has used Brexit to tighten control from Westminster.

His answer to the SNP's demand for a second referendum is that he will refuse. But a big win for Ms Sturgeon at the May elections would render this stance politically unsustainable, and might anyway lead nationalists to conduct their own, unofficial poll. To the extent that Mr Johnson might succeed in delaying a second vote, it would be at the expense of adding substance to nationalist grievances.

It is too late for Mr Johnson to reinvent himself. Senior figures in the SNP call him their not-so-secret weapon. Even cabinet colleagues can be heard privately to admit that in character and temperament Ms Sturgeon could not want for a more helpful opponent. In a tight referendum contest — and the polls still point to a relatively close-run race — the prime minister slips perfectly into the SNP narrative of a Scotland trapped in English vassalage.

Many Conservatives may not much care. One poll, in 2019, recorded that over three-quarters of those English Tories backing Brexit gave greater weight to leaving the EU than to the preservation of the UK Union. Mr Johnson also echoes a view commonplace in his party that Scotland is an ungrateful drain on England's finances.

But the party should be clear about the choice. It can join Mr Johnson on the road to little England, or it can fight to save the Union. There is no third way.

*philip.stephens@ft.com*

## GDP may be imperfect but don't write it off yet

ECONOMICS
Chris Giles

When running for president in 1968, Robert Kennedy took aim at US economic statistics. Gross national product, he said, counted pollution, cigarette advertising, locks on doors and the destruction of forests among a long list of social evils. It failed to measure important things in society such as the joy of poetry or the strength of marriages. "It measures everything . . . except that which makes life worthwhile and it can tell everything about America except why we are proud we are Americans," he said.

Though little noticed at the time, this short section of his campaign speech has now become the battle cry of many diverse campaign groups.

Some claim that GNP, or gross domestic product — the equivalent within a country's borders — measure the wrong things because they put a value on the goods and services produced and purchased in an economy. This week's Dasgupta Review of the economics of biodiversity said GDP is "wholly unsuitable . . . for identifying sustainable development". Others claim that as this data stands at the pinnacle of economic statistics, it gets too much weight by government and society. As the saying goes, "what is measured, counts".

Many argue both criticisms apply. Put aside the impossibility of finding an agreed single measure of societal progress, the question is whether these twin critiques hold water.

> The past decade tells us that the measure is a reasonable indicator of society's values

Jobs matter and wages matter. Multiply the two together and the result accounts for most of GDP. That total is also the amount of money available for governments to tax and pay for other things that matter, such as Covid-19 vaccines and care for the elderly.

Of course, everyone will have personal views on the relative value of journalists, tax lawyers or sex workers, but the beauty of GDP is that it just adds up their incomes, allowing people to argue whether the result is either morally right or wrong. It does not take an explicit view.

The past decade tells us that the measure is a reasonable indicator of society's values. Imagine if a group of economists landed on earth at the start of 2020 and had to evaluate the world's happiness using GDP. They would have noticed a slowdown in growth since 2008, and that China's GDP overtook that of the US in 2014. They would have diagnosed general discontent and strife between the world's two economic superpowers. They would have been correct.

The coronavirus crisis also taught us that we value information about jobs, incomes and profits so much that when GDP statistics are dangerously out of date, we will put huge efforts into finding real-time proxies to tell us about our living standards.

But is GDP too important? Contrary to Mr Kennedy's assertions, the evidence suggests we still care about the environment, crime, identity and morality. In fact, when GDP goes head to head with these other issues, it tends to lose.

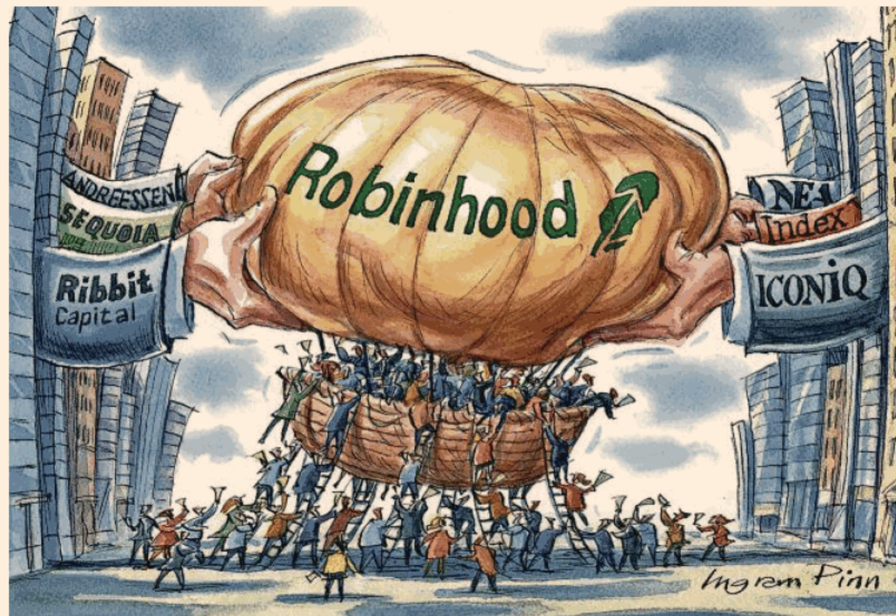
Often this is welcome. If Joe Biden fulfils his campaign pledge to set a net-zero carbon emissions target for the US by 2050, 80 per cent of the world's economy will have set such a target. Net zero comes with a short-term GDP cost. When the vast majority of the world agrees voluntarily to take the hit, GDP is not the dominant force.

Less positively, bad arguments have tended to trounce GDP concerns of late. Mr Biden's decision to strengthen his government's "Buy American" provisions, his predecessor's trade wars, the UK's Brexit obsessions and Scottish nationalists' fervour for independence all come with a large cost to GDP. But they have won or are winning domestic political debates.

Allegations that GDP is a terrible measure that is too important to decision makers are trotted out so often, they tend to get a free pass. But the evidence is flimsy, at best.

*chris.giles@ft.com*

## Robinhood's merry band of investors




FINANCE
Gillian Tett

Who are the final winners from the Robinhood saga? If you ask Reddit-reading retail investors, they might mutter angrily about Wall Street banks and hedge funds such as Citadel.

Fair enough. Some hedge funds, such as Melvin Capital, were damaged by last week's market mayhem. But other established traders profited handsomely, such as market makers.

However, I suspect that if you review events in a year's time, there may well be a set of bigger winners: the consortium that has pumped $3.4bn into Robinhood to shore up the broker.

This financial lifeline, which appeared as fast as the rise and fall of GameStop shares, was led by Ribbit, a little-known Silicon Valley venture capital firm that seeded Robinhood, along with better-known VC giants such as Sequoia and Andreessen Horowitz.

The consortium also included Iconiq Capital, a discrete family office that reportedly manages the wealth of tech titans such as Mark Zuckerberg, Reid Hoffman and Chris Larsen. Moreover, the group cut a deal that could turn its original investment into tens of billions of future equity, if a public offering occurs (one was planned for this year).

Although this deal received relatively scant public attention, it is striking for two reasons.

First, the $3.4bn infusion shows that the smart inside money in Silicon Valley sees a vibrant future — and rising value — for Robinhood, whatever may happen at Washington's looming regulatory debate and hearings.

That prospect may horrify financial traditionalists, who hate how Robinhood presents investing as something akin to a video game. It may also upset those politicians who fear the app is simply the latest tool that enables Wall Street to fleece the public. Whatever the case, the funding round is a warning to these established players that the idea behind the app is unlikely to disappear.

The second important point is that the saga demonstrates the muscle of private pools of capital generally, and of family offices in particular. Tracking the latter is notoriously hard: the family office sector is so obsessively secretive that reliable statistics are sparse. The decade-old Iconiq Capital, for example, long lacked a website (its current, cursory one shows that it commands a formidable $54bn of assets.

Even so, in 2019, financial consultants Campden Wealth declared there were 7,300 single family offices in the world, 38 per cent more than in 2017, controlling almost $6tn. This may well eclipse the hedge fund sector, which is thought to control $5tn, according to the US office for financial reporting — although there may be some double counting here, as family offices give mandates to hedge funds.

As notable as scale, though, is the shift in investment style. The family offices that first emerged in places such as Switzerland to manage European old wealth were as staid as their clients. But their newish counterparts, such as Iconiq, serve 21st century tycoons who made their money more recently by embracing risk, long-term horizons and rapid decision-making.

Such features are increasingly embedded in investing styles too, since family offices now make direct investments into ventures, often *alongside* the VC funds they used to contract to do that. A recent Campden survey of 130 family offices found that 10 per cent of their assets sit in VCs, mostly via direct investments. Average internal rates of return were 14 per cent last year, and 17 per cent for direct deals.

> Discrete family offices that fund the broker may well emerge as the Reddit rebellion's biggest winners

The returns for groups such as Iconiq are almost certainly far higher. The group has backed ventures such as Snowflake, Airbnb and Zoom, as well as fast-growing sectors such as data centres. Making a virtue of being a multi- and not a single family office, it also prides itself on both its ability to leverage financial firepower as well as its clients' collective brains and networks.

This family office trend will probably worry anyone concerned about income inequality, or the disparities between the investment returns delivered by mass-market pension funds versus the smart ultra-rich money that backs groups such as Iconiq. As the celebrated economist Thomas Piketty argued, invested wealth begets more wealth.

However, while such disparities seem distasteful, if not immoral, the presence of such pools of capital can also be beneficial — at least from a narrow, if amoral, capital markets perspective. Public markets are currently dominated by passive herd-following investment funds and active investors with a short-term focus such as Robinhood-style day traders.

Family offices, by contrast, provide patient, risk-seeking capital. This, as their managers stress, enables them to fund the type of innovation and corporate activity that the world needs to create growth. Their speedy decision-making skills and deep pockets also mean that they can, on occasion, stabilise markets, *pace* last week's events.

This will almost certainly not appease the rebellious Reddit-reading investment crowd. In a more perfect world, it would also be mass-market pension funds that provided such patient capital and, crucially, reaped its fat returns.

Meanwhile, in the current world, the irony is inescapable. Robinhood's marketing pitch is to democratise finance by giving punters easy access to public markets. Yet that is not where the lucrative action is.

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## We are entering the era of e-globalisation

TECHNOLOGY
John Thornhill

Romania was once a benighted corner of communism, a country of power cuts, queues and near-empty shops stocked only with "jars of pickled indescribables", to quote a colleague who was there at the time.

That makes it all the more striking that this week UiPath, a Bucharest-born, venture capital-backed software company that promises to make global capitalist corporations hum more efficiently, raised further funding in New York at a nosebleed $35bn valuation.

Rather than being an outlier, UiPath may yet be a trailblazer for a new wave of software companies that can emerge from anywhere and sell to anyone. It is now taken as read that the world has entered an era of deglobalisation as national tensions rise and global supply chains fragment. But in parts of the digital world, at least, the exact opposite is true: we are seeing the rapid acceleration of e-globalisation.

Thanks to the ubiquity of cheap computing, the diffusion of software engineering skills and the spread of venture capital, companies like UiPath may become increasingly common. Great software is no longer just being written in San Francisco, Seattle, Shenzhen and Bangalore but in Lagos, Dhaka, Lima and Istanbul. Software companies have the ability to go global overnight and face far fewer obstacles in the digital world.

The Covid-19 pandemic, which has upturned so many aspects of business, is only likely to accelerate the trend as the world moves further online. This week, in a briefing with journalists, Microsoft noted that a lot of technology spending was being dragged forward as a result of the coronavirus crisis. Previously, the company had been anticipating that global technology spending would double over the course of this decade to 10 per cent of gross domestic product by 2030. It now expects that target to be hit by 2025.

It used to be the case that many of the world's most ambitious software developers would flock to the west coast of the US if they wanted to make it. But, as Nat Friedman, chief executive of the code-sharing website GitHub, puts it, they are now moving to the cloud, where they can access powerful computing services from anywhere in the world.

> Ambitious developers who used to flock to the US west coast are now moving to the cloud

As the head of an online community of more than 56m software engineers, Mr Friedman has a good vantage point to see where the best talent is emerging. In the US, he says the developer community shrank by 10 per cent in the Bay Area around San Francisco last year, while expanding quickly in Houston and Miami. But GitHub's strongest areas of growth have come elsewhere, in countries including Nigeria, Bangladesh, Turkey, Egypt and Colombia. "The cloud has created a global opportunity," he says.

UiPath is a good example of how a software company offering a unique service can attract international venture capital and reach global scale. The company's strength is in robotic process automation software that helps companies and governments automate routine processes, such as filling appointment slots in hospitals, running credit checks or processing insurance claims. Daniel Dines, UiPath's co-founder known as the "bot billionaire", summarises the company's business as "automation as an application".

At least initially, such software companies can sell their services online. As a customer you often do not even know where they are based, says Reshma Sohoni, managing partner of Seedcamp, one of the earliest venture capital investors in the Romanian company. "You can build software businesses from anywhere. Our companies are joyfully flabbergasted that they can sell remotely," she says. "UiPath was trailblazing in that it went global very fast."

UiPath has moved its corporate headquarters to New York to be closer to its biggest customers, but it has kept its research and development centre in Romania. For the moment, it is a market leader in the fastest-growing segment of the enterprise software sector, according to Gartner, the technology research company. But as it becomes bigger, the competition will only stiffen.

UiPath is on track to launch a public listing in New York later this year that may enable it to vault into the top league of global software companies. Alternatively, the company may be bought by a US giant, just as Microsoft swallowed Skype and Salesforce acquired Slack. Or robotic process automation itself may be absorbed into these US companies' broader product suites and the technology disappear as a standalone service.

Building a global software company is one kind of challenge. Remaining one is quite another.

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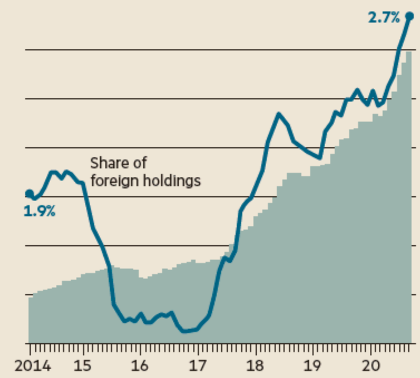
## Chinese bonds: default setting

Domestic and overseas buyers of Chinese bonds have reason to be fearful. Debt has exploded in both onshore and offshore markets and defaults are rising. Refinancing many of the bonds that mature this year is likely to be difficult.

### Foreign holdings of Chinese bonds have grown

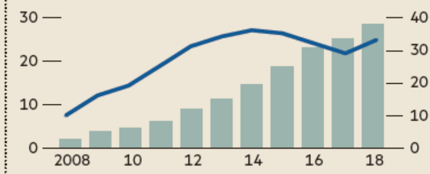
Value of domestic bonds held by overseas entities (Rmb tn)




FT graphic Sources: Bloomberg; Refinitiv; Schroders Asian fixed income as of Nov 2019

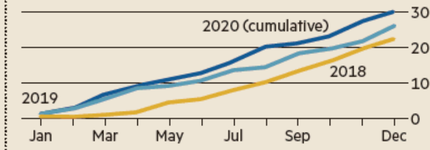
### Debt has fuelled China's spending

Rmb tn ▪ — Credit bonds as % of bond market balance




### Chinese bond defaults hit record high in 2020

$bn




Note: Data include both onshore and offshore defaults in dollar terms. Currency conversion as of Jan 6 2021

China's $4tn corporate bond market is ticking ominously. Last year set a new record for defaults. This year the figure is likely to be higher still. Beijing wants to reform the market, reducing leverage at the same time. This perilous situation is set to worsen before it gets better.

After years of debt-driven corporate spending, defaults on Chinese offshore bonds are surging. The figure of $2.7bn recorded in January is about one-third of last year's total. The biggest contributor was a $2bn default by semiconductor company Tsinghua Unigroup.

The stakes are high for foreign investors. Dollar bond issuance has swelled as Chinese companies rushed to secure offshore funding. More than $100bn-worth of bonds will mature in the offshore market this year.

Foreign holdings of onshore bonds are at a record high too. Total defaults reached a record of nearly $30bn last year. Expect the number to hit new peaks this year. More than Rmb7tn ($1.1tn)-worth of onshore bonds are set to mature. Nearly one-fifth of these belong to companies with weakened balance sheets, according to rating agency Fitch.

The debt maturity cliff is looming at a time when Chinese companies and state-linked issuers are finding refinancings tougher to get away.

Defaults were once a rarity in Chinese bond markets due to bailouts that allowed delinquent companies to keep on borrowing. The defaults of several state-run companies last year are a red flag. Bonds once seen as carrying implicit guarantees from local governments may have lost these backstops.

Beijing has restarted deleveraging plans stalled by the pandemic and the blow it dealt to economic growth. The People's Bank of China has been signalling monetary policy may not be as accommodating as expected. It withdrew liquidity from the banking system last week.

Debt maturity cliffs have a habit of proving surmountable. China is adept at avoiding wholesale credit crises. But markets are still shaping up for an unprecedented surge in defaults. Buckle up bondholders. You could be in for a bumpy ride.

## McKinsey: A/B testing

In business school, many McKinsey consultants undoubtedly would have read the classic 1975 paper "On the Folly of Rewarding 'A' While Hoping for 'B'". Steven Kerr, the paper's business executive author, described the ways organisations can trip themselves up when their incentive systems are unwittingly constructed to violate their values. Universities, for example, say they value teaching skills, yet base promotions on research output.

When it comes to management consulting, McKinsey and its peers profess to thoughtfully help CEOs to increase long-term value for all stakeholders. But in the cut-throat hallways of professional services firms, the only way up is to generate as much revenue as quickly as possible.

Yesterday, the vaunted boardroom whisperer McKinsey shared its updated values. Circumstances were unpleasant. The consultancy has agreed to a total $574m settlement with virtually every US state and several territories. They had pursued McKinsey for its role in helping Purdue Pharma and others peddle the opioids that fuelled a national addiction crisis. Emails and other documents revealed a discussion on the possible destruction of documents. McKinsey has not admitted wrongdoing.

The consultancy said it had updated its code of conduct and redefined how it would accept clients and mandates. The proof of reform is a willingness to embrace principles when they reduce the bottom line.

Professional advisers have long avoided culpability for the bad behaviour of those they advise. This is partly because of formal detachment. In the case of lawyers, there is social value to even the guilty and notorious receiving the best possible counsel. But as banks, law firms and consultants are known to draw upon the "best and brightest" there is also a temptation to blindly worship these human gods and dismiss their frailties.

In the past year, scandals involving Wirecard, 1MDB and others have implicated several high-status firms. Yet the likes of Goldman Sachs still dominate league tables and can apparently write modest cheques to resolve their troubles. It may be that prospective clients need to start punishing firms whose alleged conduct has been poor. If values are not enough for the likes of McKinsey to make better choices, then a pain in the P&L may be necessary.

## Deutsche Bank: the in-betweener

Christian Sewing, Deutsche Bank's chief executive, once expressed hope that his institution would become boring after years of crisis management. After a 20 per cent rebound in its share price last year, the flashing lights and klaxons have been turned off at the Frankfurt HQ. Deutsche's full-year results yesterday were in keeping with this calmer mood.

Even so, after years of cost-cutting, one might have hoped for a bigger earnings bounce to accompany the 4 per cent rise in net revenues. Most brokers seem caught between stale "sell" guidance and a nagging worry that the raging bull market will keep going in 2021. Investment banking delivered the net revenue lift last year. Deutsche's in-betweener status got a shrug from markets on the day.

Deutsche Bank promises that its cost to income ratio will drop an eye-catching 18 percentage points to 70 per cent in 2022, as it shrinks. Some of this improvement will be via other sources — a bit from better net revenues, more from capital releases. The latter will come from unwinding set-for-sale positions from its Capital Release Unit and post-pandemic releases from last year's credit provisioning.

A taster of the latter came in a Covid-related provision release. Though small, given the billions fireproofing the balance sheet, the €20m was noteworthy. Firstly, it was a positive number for the first time. Deutsche's view on the economic impact of the virus has improved. Then again, rival Commerzbank has guided analysts to expect another Covid provision in next week's results. One explanation for this discrepancy is that Commerzbank has more small and medium-sized corporate clients, as well as more unsecured consumer lending.

That small Deutsche capital release hints that the smoke is clearing for its industry. But the relative performance of bank shares against European markets since November suggests otherwise. These politicised stocks remain unattractive.

## Unilever: squeeze in

The grip is tightening. Operating margins at Unilever, home of squeezy-bottle goods such as Domestos bleach and Hellmann's mayonnaise, shrank 60 basis points last year to 18.5 per cent on an underlying basis.

Covid-19 costs account for the bulk of this: personal protective equipment, extra transport, cover for sick staff and the like. A smaller dent came via the product mix as homebound consumers shifted to lower-margin products. Case in point — ice cream. Lockdown means more people eat Ben & Jerry's at home, instead of at restaurants where Unilever is able to skim off an extra 10 percentage points or so of margin.

The London-listed group, currently in the throes of restructuring and winning back jaded investors, notes this effect will wash through in the current year — when the comparator leaves behind the impact of Covid-19. Still, US rival Procter & Gamble lifted its margins in the second quarter, boosted by productivity cost savings.

Unilever investors can expect some of the same. It will spend €1bn this year and next on restructuring charges and reckons on seeing twice that in savings over a three-year period. The roll call of targets is familiar. Some could say the company is behind the curve. Unilever plans on digitising and standardising processes, including data and analytics. Gains should also follow from a unified corporate structure and planned disposal of its tea business. Unilever also remains a keen acquirer, snapping up €6.3bn of assets last year.

Against that, risks of further margin compression remain. Extra pandemic costs will not disappear until the virus does. Residual frugality will remain even longer, implying lower-margin trading and more competitive pricing. The reshaping of supply chains and transport costs stands to take a toll. Higher commodity costs, which eroded margins in the group's food business in the second half, will probably persist. Shoppers may be spending more on soap and bleach, but it is too soon to add this staple to investor portfolios.

## Kaz Minerals: infra dig

Even in sedate and transparent industries, investors have reason to be wary when directors offer to take a company private. The departures from the London Stock Exchange of mining companies Vedanta and ENRC were mired in controversy. Now it is the turn of Kazakh copper producer Kaz Minerals to be scrutinised.

Chairman Oleg Novachuk and billionaire metals tycoon Vladimir Kim have increased their offer for shares they do not already own. The share price rose 3 per cent yesterday to 17p above the latest 780p bid. That is a sign that at least some shareholders intend to hold out for more.

The revised offer is 52 per cent higher than the undisturbed price last October and 22 per cent higher than the original offer. But copper prices have risen by about 15 per cent since then. Shareholder RWC, with a 3 per cent stake, argues that the offer undervalues the company. It forecasts that the company will generate $5.5bn of ebitda over the next three years. That would be a tenth more than enough to cover the offer price. The projection is contested by the bidders.

Vocal opponents are estimated to hold at least 13 per cent of the shares, says Liberum. When the deal was posited as a scheme of arrangement, that might have been enough to block it. But in December the deal was revamped as an offer. Now bidders only need to secure an extra 25 per cent of votes to meet the 75 per cent threshold for delisting the company.

Their trump card is Baimskaya, a vast undeveloped Russian copper mine acquired in 2018. It is potentially very lucrative, but also risky. Mr Novachuk argues that short-termist fund managers do not have the stomach for a project expected to consume more than $8bn of cash over eight years, with no prospect of dividends. It must all be a bit galling for shareholders whose holdings cratered when the Baimskaya deal was announced in 2018.

But, given the risks, some investors may prefer to cash in now.

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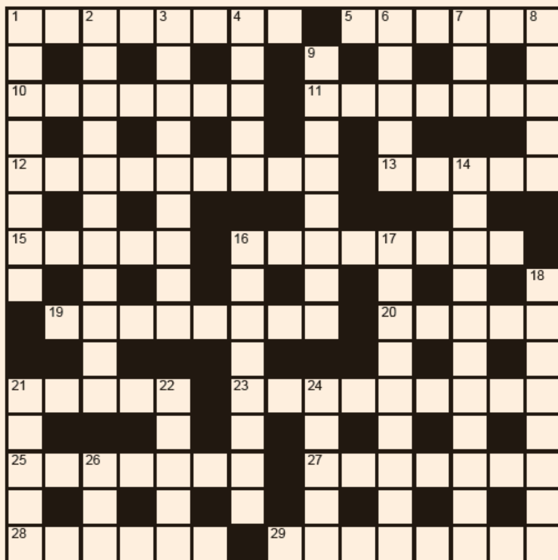
## CROSSWORD

No 16,702 Set by WANDERER



**C, H & R each stand for their same word throughout**

**ACROSS**

1 Cheyenne, one in Great Britain backing H (3,5)
5 RC has maiden coming first? That could be lucky! (6)
10 Last letter a doctor's given to simple-sounding banker (7)
11 Symbol of strength after not finishing HR, H's first loss in 3 (3,4)
12 Chicken with variable and over-the-top energy (9)
13 Extremely irate jockey after losing by a head? Duck! (5)
15, 16 Doctor daring to learn periodically about an HR (5,8)
19, 20 State of grass on UK HR or US one (8,5)
21 Maybe R after HR? (5)
23 New RH briefly needs time in stalls in US (9)
25 Coffee maker's ace, except it's gone wrong before (7)
27 Rattling noises from catarrh on chill's appearance (7)
28 Party repeatedly with old woman in African capital (6)
29 Allowed to go after HR trophy? It's in the blood! (8)

**DOWN**

1 Unreal amounts of bushy hair: one feature of beehives on former politicians, say (8)
2 One taking body images of third Greek character at R, cycling round in the morning (5,6)
3 Went too far? Wanderer had got mounted twice in public (7,2)
4, 16 Santa Anita Handicap's lost sadly, one ending up a tad short (5,8)
6 RH version of King Lear (5)
7 See 26
8 More affected by somewhat short wee romance (5)
9, 24 Seasonal number from UK city girl? (8,5)
14 Grave, say? Grave as grave could be! (11)
16 See 4
17 Outsiders, including English mount perhaps (3,3,3)
18 Unknown male over in half-distance is one with forceful personality? (8)
21 Young reporter supported by boss, as 2 is in 8 (5)
22 RC visited during sleep, somnambulistically (5)
24 See 9
26, 7 First of runners and riders raced around RC (6)

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