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MoneyWeek

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The future of manufacturing

The vast potential of 3D printing

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MoneyWeek

30 August 2019 | Issue 962

Britain's best-selling financial magazine

From the editor-in-chief...

You might be worried about the possibility of a global recession, trade war, or even Brexit. I'm worried about the Bank of Mum and Dad (BoMad). The latest report from Legal & General on the amount lent inside families to those wanting to get on the property ladder shows a huge transfer of wealth down the generations. In 2018 BoMaD lending came to £5.7bn. This year it is forecast to hit £6.3bn, with the average contribution knocking around £24,000. It isn't quite the same thing (most parents don't expect the money back), but on the numbers alone, this makes families the 11th-largest mortgage lenders in the UK.

The trend makes sense, of course: one of the reasons for rising wealth inequality in the UK (as everywhere) is that we are all living longer so wealth is trickling down more slowly than it has in the past. There's also nothing wrong with it: if you have spare cash why on earth not give it to your children to spend? As financial advisers like to say: there are no pockets in a shroud. The problem is that those who don't have spare cash are giving too – finding it by downsizing, using equity release, cashing in pensions and, worst of all, taking out more debt themselves.

The result? Twenty-six percent of those who have lent or given money say they are worried they won't have enough to live on in retirement; 15% say they have already accepted a lower standard of living; 11% say they feel less secure. In a world where the state pension age is constantly shifting out, and so the number of people in receipt of it is shifting down (by about 300,000 in the last two years), this is miserable.

Generosity is fine – but make sure you look after yourself too

> *"The best monetary present you can give your children is your own financial security"*

It also isn't very sensible. As I think I might have asked here before, will your children really thank you if, as a result of your generosity now, they have to help finance your old age later? I doubt it. Perhaps the best present you can give them is not your own delayed retirement (6% have delayed retiring to finance giving), but your own financial security? You can't control global markets or economies. You can (to a degree at least) control this.

Mind-blowing opportunities

For something else that might slightly blow your mind, turn to our cover story on page 18. There Matthew looks at how 3D printing has gone mainstream – but how 4D printing might really change our world. You might also look to Max's thoughts on investing in China on page 15. We could write a whole magazine on the risks of putting your money into non-democratic countries with iffy records of respecting property rights, but there are clearly opportunities too.

Finally to Brexit, where passions are as inflamed as ever. There is no one in this fight who isn't convinced they have right (and democracy) on their side. For more on this see our blog on moneyweek.com, where we look at how Adam Smith forecast the outrage machine.

You should also read our book reviews on page 31 (yes, we do think you should read Rod Liddle on Brexit!), look at page 8 where we explain just how this proroguing business works, and finally turn to page 4 – where we think about whether it is time to be "very positive" on the increasingly cheap UK stockmarket. Answer: if you can manage to rise above everyone else's Brexit hysteria, very probably yes.

Merryn Somerset Webb
editor@moneyweek.com

Loser of the week

Bury FC has become the first club to be expelled from the English Football League (EFL) since Maidstone United was kicked out in 1992. The club, founded in 1885 and promoted to English football's third tier in April, has been in financial difficulties for some time. The head coach issued a winding up order over unpaid wages, which was taken over by HMRC. Businessman Steve Dale bought the club for £1 in December, but the problems continued, and five months after buying the club, Dale put it up for sale, saying the financial problems were "far in excess of what we could have comprehended". The club entered into a company voluntary arrangement (a form of agreement with creditors), which was approved in July, and which Dale said meant the club's future was "secured". But with no sale completed by the EFL's deadline this week, the club was expelled.

R.I.P
BURY
F.C.
1885
?

Cover illustration: Howard McWilliam. Photos: Alamy; Getty Images; iStockphotos

Good week for:

Despite his failure to secure a major title this year, 2019 has been a huge success for golfer **Rory McIlroy** (pictured). On Sunday, he won the FedExCup for the second time, picking up £12.3m in prize money, bringing his total 2019 winnings to £19.8m. That's £1.04m per tournament played, says The Sun – £275,000 per round, £15,400 per hole and £4,000 a shot.

Adam Staples and **Lisa Grace**, a metal detectorist couple who found a hoard of silver coins in January, have been told their find could be worth up to £5m. The pair found nearly 2,600 coins dating from the time of King Harold II and William the Conqueror, and gave them to the British Museum to assess, says the Daily Mirror.

©Getty Images

Bad week for:

Almost **4,000 members of the Armed Forces pension scheme** could be liable for tax bills of up to six figures after going over the annual pension contributions allowance, reports the Financial Times. In the 2017-2018 tax year, 3,840 members breached the limit, almost four times the number in 2015-2016. "This is by no means restricted to the most senior officers," said Major General Neil Marshall, chief executive of the Forces Pension Society.

Abdul Ilyas, a 21-year-old entrepreneur, had his £40,000 convertible BMW M4 stolen last week from outside his mother's house, where he had left it while he was holidaying in Dubai. Four days later, he woke to find his £80,000 Porsche Panamera covered with offensive graffiti. "It really isn't my week," Ilyas said.

Investors batten down the hatches

Alex Rankine
Markets editor

Recessions are "a state of mind", says The Economist, and "the world's mood is troubled". If the public is confident and happy to spend then "even a big shock" may not halt an expansion. Conversely, if times are fearful, then "even a modest nudge may push an economy into a slump".

Markets have been on a downswing ever since Donald Trump upped the trade war ante on 1 August. The end of last week brought yet more escalation: Beijing announced tariffs on $75bn (£61bn)-worth of US goods. Twelve hours later Trump hit back, hiking tariffs on $250bn of Chinese imports to 30%. As John Authers notes on Bloomberg, the president appears determined to pursue an increasingly nasty trade dispute to the bitter end, even at the cost of a falling stockmarket.

The US now levies a 30% tax on $250bn of Chinese imports

©Getty Images

The impotence of central bankers

The trade impasse is sowing pessimism. The Swiss bank UBS this week recommended that investors reduce their position in equities for the first time since the 2012 eurozone crisis. Executives are "cashing in their chips", reports Matt Egan on CNN. Data from TrimTabs investment research shows that "August is on track to be the fifth month of the year in which insider selling tops $10bn". The last time that happened was 2007, right before "the last bear market in stocks".

Those pinning their hopes on the US Federal Reserve to provide relief were disappointed, says Jeremy Warner in The Daily Telegraph. Fed Chairman Jerome Powell's hotly anticipated Jackson Hole speech proved a "damp squib". The market shrugged off his promise that the Fed will "act as appropriate to maintain the expansion". In times of uncertainty – be it about the trade war in America or a no-deal Brexit in Britain – most corporations conclude that "large scale investment is simply not worth the risk". Pushing already low interest rates lower "is not going to change that mindset".

"After years of easy monetary policy, central banks are impotent" because they lack the firepower to stem the next crisis, says Reshma Kapadia in Barron's. Financial advisers report that clients are most concerned not about geopolitics, but about a looming "debt-bomb" caused by yield-hungry investors taking on foolish risks. The trouble is that no amount of easy money can solve that – indeed, it caused it.

Cold wars are bad for your portfolio

A broader problem, as Alexander Chartres of money manager Ruffer points out, is that a new cold war between the US and China is under way. Over three decades the opening of China's economy has driven global economic growth and kept inflation low. Logically, as Washington and Beijing unwind their economies and globalisation goes into reverse the resulting fallout will affect "everything in your portfolio". Data shows that investors are reacting by shifting into cash, despite the miserable interest rates on offer, say Siobhan Riding and Emma Agyemang in the Financial Times. That will give them cash to deploy if stocks fall. UK investors, for instance, need not look far to find cheap "unloved companies" (see box below).

British stocks: a happy hunting ground

Is Britain "uninvestable"? Analysts are "pretty much unanimous" in calling for investors to steer clear of UK shares until there is more political clarity around Brexit, says Bloomberg's Ksenia Galouchko. JP Morgan argues that the FTSE 100 is in a "lose-lose" situation. Markets hate no deal, of course, but even if Johnson pulls off an unlikely agreement the resulting sterling rally will see the profits of the export-heavy index take a hit.

Yet no-deal uncertainty notwithstanding, plenty of investors already spy opportunity in Britain, reports The Sunday Times. Pub group Greene King has become the latest public company to capitulate to a foreign buyer. With sterling so cheap and private-equity firms flush with cash, UK stocks are proving a happy hunting ground. Dairy Crest, Merlin Entertainments and Just Eat are among the names to have been taken over this year.

Pubs are priced to pounce on for foreign buyers

The buyouts are a sign that it is time to be "very positive" about the UK stockmarket, says Garry White in The Daily Telegraph. Robust household spending and the promise of a fiscal splurge should keep growth ticking over. Owning FTSE firms with significant overseas earnings is a hedge against further declines in sterling. Andrew Garthwaite of Credit Suisse notes that on some measures, such as dividend yield, stocks are on 20-year lows. On a cyclically adjusted price/earnings ratio of 16.6, Britain is better value than virtually all other developed markets.

Low valuations imply healthy long-term returns from here. But steel yourself for more volatility. White recommends taking "advantage of any wobbles should they present themselves" rather than going all in at once. "UK equities are cheap – but they may get cheaper before the recovery finally comes."

Market's safety net is fraying

"The stockmarket's most important safety net is in danger," says Daniel Strauss on Business Insider. During volatile periods of this ten-year bull market US firms have stepped in to buy back shares, propping up equity prices. Yet in the second quarter they have bought back stock at the slowest pace in 18 months.

Buybacks reduce the number of a company's shares on the stock exchange. That improves earnings per share and boosts the share price. Many regard buybacks as a more tax-efficient means to return capital to shareholders than a dividend. Corporate tax reform in 2017 sparked a buyback "bonanza", but the sugar rush could be coming to an end, says Jessica Menton in The Wall Street Journal. Firms in the S&P 500 bought back $166bn of their own stock during the second quarter, marking the second successive quarter of contraction. With the trade dispute creating uncertainty and US corporate earnings weakening, managers seem to be tightening their belts.

Many would cheer the demise of buybacks. As Ben Holland and Liz McCormick report in Bloomberg Businessweek, corporate tax cuts and low interest rates are meant to encourage firms to invest more in the real economy. Yet bosses prefer to use those funds to buy back their own shares and have even taken on debt to do so. A "key part of the economic machinery has broken down".

Strong dollar squeezes Asia

"For currency traders, August was no day at the beach," says Shuli Ren on Bloomberg. Trade war uncertainty means that the MSCI Emerging Markets Currency index is on course for its worst month since May 2016. China's yuan fell to a new eleven-and-a-half-year low against the US dollar. But the falls have been broad-based. Last Monday Turkey's lira briefly plunged as much as 12% against the yen in a "flash crash" that burnt Japan's amateur forex traders.

©Getty Images

China's yuan is sliding against the dollar

Greenback near record high

The flipside of emerging-market currency weakness has been continued strength in the US dollar, much to the chagrin of one Donald Trump. Trump tweeted last week to complain that the dollar is "the highest… in US history".

He's not far wrong, says Andrew Hunter of Capital Economics. The US Federal Reserve's trade-weighted index (tracking the greenback against a basket of trading partners' currencies) is close to a record high. The White House believes that China and the eurozone have been "unfairly" pushing their currencies lower, which boosts their exports and fuels America's trade deficit, which stood at $55.2bn in June. Yet there is little evidence that the strong dollar harms the US economy. Indeed, its strength has made the price increases triggered by Trump's tariffs more bearable for US consumers.

Trump's obsession with trade deficits is entirely wrong-headed, says John Mauldin in his Thoughts from the Frontline newsletter. Rather than being some sort of scorecard, the deficit means that Americans spend money on Chinese goods and Chinese people then reinvest those funds back into US assets, particularly Treasury debt. That keeps interest rates low and Americans wealthy.

A strong dollar puts pressure on emerging markets as businesses often borrow in dollars, but earn revenue in the local currency. China's falling yuan is another problem as it could make exporters elsewhere in Asia less competitive. Yet most Asian economies look well insulated against an outright crisis, says Vincent Tsui of Gavekal Research. Rising domestic savings rates mean that local buyers are ready to buy up bonds when foreigners panic and flee. That makes local financial markets more stable than in the past.

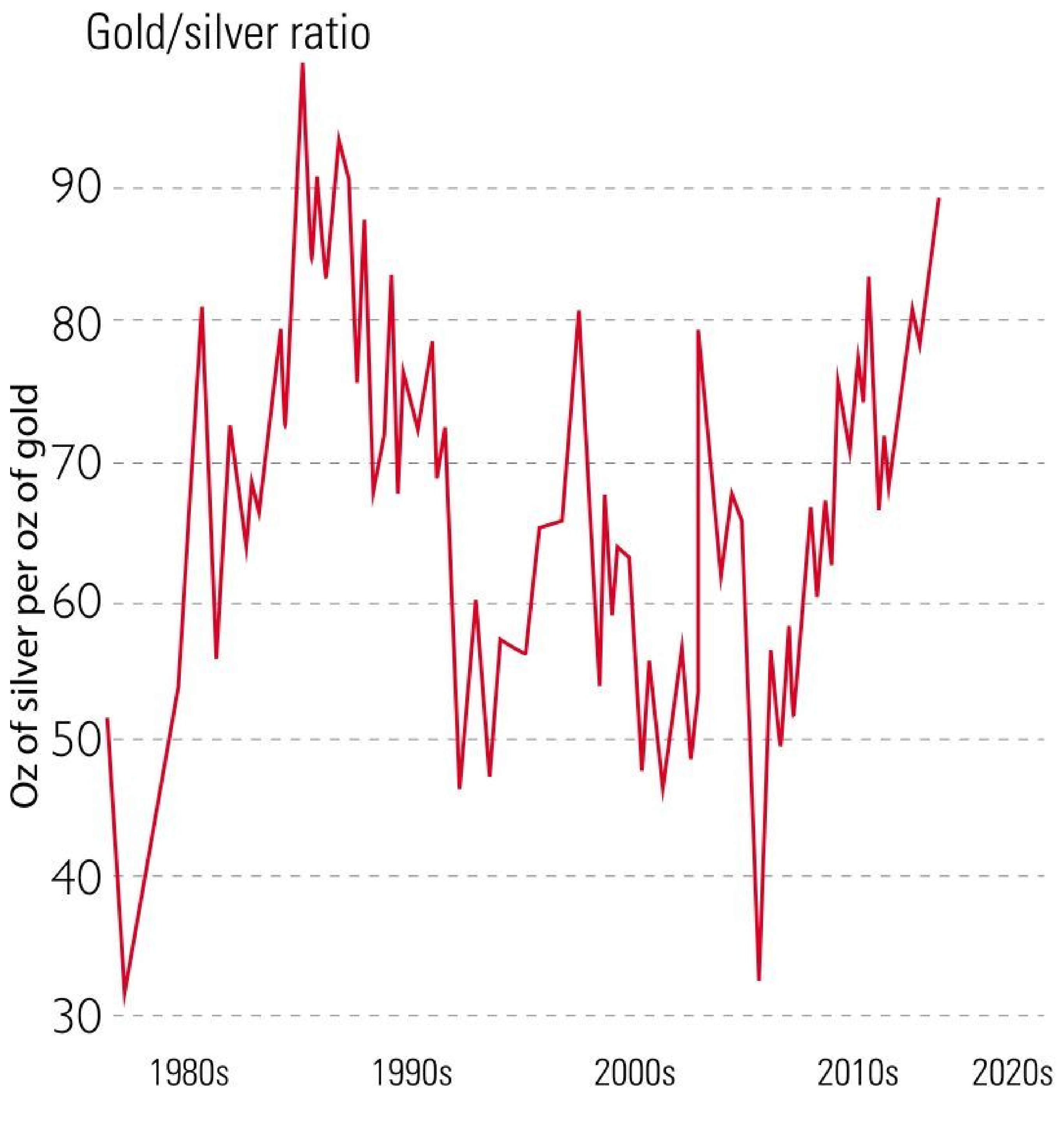
That is just as well because dollar strength looks set to continue. Dollar assets remain a trusted safe haven during periods of global fear, and there is plenty of that around at present. With US interest rates still higher than those in Europe or Japan, asset managers are likely to continue pouring funds into the United States. In the long term, however, it is worth asking whether the dollar's days as a reserve currency are numbered (see page 13).

Viewpoint

"If the EU project were a ship, it could plausibly be the RMS Titanic. How else to explain the actions of political 'leaders' who, having hit the iceberg called Brexit, decide to hit the accelerator in the same (wrong) direction? The Financial Times reported last week that Brussels was considering a €100bn sovereign wealth fund to finance 'European industrial champions' to compete with the likes of Apple… 'Europe has no such companies', says the document… This presents a risk to growth, jobs and to Europe's influence in key strategic sectors'. Putting aside the wisdom of the centrally planned growth strategy that served the USSR, China… and North Korea so well, [surely] Brussels [has] better things to do with other people's money, given the looming insolvency of… the eurozone banking sector – due to the European Central Bank's insane monetary policy."

Tim Price, Price Value Partners

■ Silver due to outshine gold



When gold rallies and is set to keep performing strongly, silver often does even better: it is also a traditional store of value, and because the silver market is smaller than its gold counterpart, it is prone to sharp ups and downs. The gold/silver ratio tracks the relative progress of the two monetary metals by dividing the silver price into the gold price, revealing how many ounces of silver it takes to buy an ounce of gold. The ratio is now suggesting that silver has some catching up to do. A few weeks ago it reached 88, the highest reading in nearly 30 years. The last time it reached a similar level, in early 2016, it slid by nearly a quarter as silver outperformed gold, notes Matt Simpson on City Index. A similar drop now would imply a decline in the ratio to below 75.

MoneyWeek's comprehensive guide to this week's share tips

Three to buy

Antofagasta
Shares
The price of copper has fallen to levels not seen since the last recession. The slump has seen shares in this Chilean copper miner fall 20% since April. But the long-term outlook for the metal, which is closely connected to global industrial demand, is auspicious as populations grow and get richer. Mining operations are always volatile, but Chile is stable, which lowers risk. With production costs falling, this is a chance to buy a "best-in-class" operator while sentiment is poor. *810p*

Berkeley Group
The Sunday Telegraph
This "canny" London-focused housebuilder is a master of the art of buying low and selling high. Between 2009 and 2012 it used the opportunity presented by the financial crisis to buy up £1bn of land. The subsequent rally allowed Berkeley to distribute a cumulative £12.34 per share through dividends and buybacks between 2011 and 2019 – a handsome return given the shares traded as low as 700p at the height of the panic. With London property now in another downturn the firm looks poised to repeat the trick. *3,969p*

Cineworld
The Sunday Times
A "dismal" line-up of films has hit cinema admissions at this £3.1bn FTSE 250 business. Sales in the first half of the year fell 11%. Yet investors should focus on the fundamentals. For all the talk of streaming, there are signs that US cinema sales are starting to stabilise. As one of life's small pleasures, cinema admissions are "traditionally recession-proof". With a new *Star Wars* blockbuster due over Christmas, "it may be time to grab a ticket". *229p*

Three to sell

AstraZeneca
Investors Chronicle
The market has taken news of disappointing trial results for a new lung cancer treatment in its stride. AstraZeneca has ploughed roughly a quarter of its revenue into research and development over the past three years to bolster its drug pipeline. The odd setback is to be expected but the recent failure only makes the current heady valuation look more dubious. The pharmaceutical giant trades at a 38% premium to peers on an enterprise-to-cash-profit basis, well above historical levels. That leaves little scope for further gains. Sell. *7,337p*

Naked Wines
The Times
This wine retailer was created in 2015 when founder Rowan Gormley reversed online operator Naked Wines into bricks-and-mortar establishment Majestic Wine. Four years later and Gormley has concluded that the "future is naked", with plans to sell off Majestic and reinvest the proceeds into Naked. Yet the share price has fallen since the merger and heavy investment has yet to translate into higher profits. With margins under considerable pressure, this is one to avoid. *263p*

Tesco
Motley Fool UK
Retail sales fell this month at their fastest rate since 2008. The gloom has already got to Tesco, with the stock down 7% in three months. Household belt-tightening is bad news for sales of electricals, while even UK grocery spending is contracting. An October no deal would see supplies disrupted, consumers heading for discounters and sterling weakness gobbling up "wafer-thin" margins. Avoid "like the plague". *212.5p*

...and the rest

Investors Chronicle
Two new acquisitions by online fast-fashion "darling" **Boohoo** promise to expand the brand's demographic reach and underpin further growth – buy *(228p)*. A sell-off at precision engineer **IMI** has gone too far. This is a quality business that has a plan to grow profits in spite of the global industrial slowdown *(955p)*. Turkish gas explorer **Valeura Energy** is a speculative buy that counts some "heavy-hitting" financial institutions among its shareholders *(163p)*.

Shares
Shares in **Ted Baker** have slumped on weaker consumer sentiment, but with a yield approaching 5% this "quintessentially British" fashion brand is "too cheap to ignore" *(912p)*. A power blackout earlier this month has thrust **National Grid** into the headlines but the market's muted reaction suggests that there is no need to panic. Expect a 5.7% dividend yield this year *(864.25p)*.

The Daily Telegraph
Investors should look past last month's profit warning at Irn-Bru maker **AG Barr**: the business has no debt and boasts a long record of dividend increases *(619p)*. **SAP's** essential business software makes it a defensive play that trades on half of the valuation of some of the US tech giants *(€106.86)*.

The Times
Student digs owner **Unite Group** is a "highly-efficient" business growing through acquisition – buy *(1,039p)*. The **London Stock Exchange Group's** acquisition of financial data business Refinitiv may turn the group into a "dominant global force" in market data provision *(68.75p)*.

A German view

Gold mines have had a stellar year so far, with the HUI index jumping by 50% since June. However, it remains 200% below its all-time high in 2011, while the increasingly shaky global economic backdrop also implies ample scope for gains with these leveraged plays on the gold price. One to consider, says Börse Online, is Canada's Barrick Gold. Its production costs are a mere $825 an ounce, which is low compared with most of its competitors and a far cry from gold's current price of $1,530. The recent takeover of Randgold Resources, meanwhile, has given Barrick access to "expertise" in Africa as well as higher-quality gold reserves than its major US rival Newmont Mining.

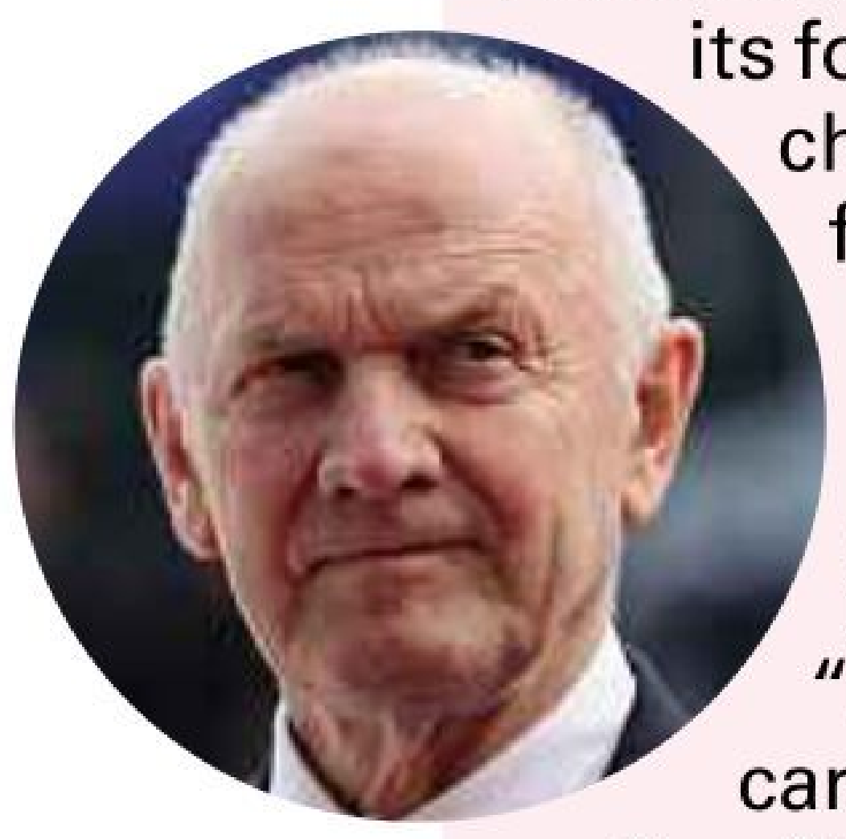
IPO watch

Investment banks have begun vying for roles in the forthcoming initial public offering (IPO) of Saudi Arabia's state-owned oil group Aramco. The company confirmed earlier this month that it still planned to go public; the flotation is now expected in 2020 and should value the company at a record $2 trillion. In the first six months of 2019 Aramco earned $46.9bn in the first six months of 2019, well ahead of the world's top six oil majors combined. Meanwhile, stock exchanges are also lobbying for Aramco's lucrative business. Officials from the London, New York and Hong Kong exchanges have reportedly visited Saudi Arabia in the past few weeks.

City talk

● Sports Direct faces the prospect of "being stuck without an auditor" after Grant Thornton stepped down following the "last-minute" discovery of a £611m tax bill before Sports Direct's "shambling" recent results, says Oliver Shah in The Sunday Times. At the same time, Deloitte, EY and KPMG have all found reasons to stay away. Of course, their reticence is understandable given that CEO Mike Ashley's behaviour over recent years means he's not "someone whose word you want to rely on". Still, while Ashley may be a "rougher" and "more unappealing" version of other dubious corporate characters, a "world where the big accountants shrug their shoulders and walk away from difficult jobs is not a safer one".

● Volkswagen's management "could be forgiven for feeling particularly ambivalent" about the legacy of Ferdinand Piech (pictured), its former CEO and chairman who died a few days ago, says Liam Proud on Breakingviews. Although Piech transformed a "failing German carmaker" into a "profitable global behemoth", he also created a culture of "autocratic governance" that "arguably contributed to Volkswagen's costly diesel-emissions crisis". Volkswagen's size means that it has a gross profit margin "lower than smaller, and perhaps nimbler, European... peers Peugeot and Renault". As a result, it trades at a 5.5 forward price/earnings multiple that is "23% below the average for global carmakers".



● America's Securities and Exchange Commission has cast another light on the "grim" hiring practices of the banks, says The Observer. The Securities and Exchange Commission has fined Deutsche Bank $16m for allegedly offering jobs to the "unqualified offspring of powerful Chinese and Russian state figures" so that "the bank could get a better foothold in future deals". In one case the son of a Russian executive "was transferred from Moscow to London, but failed to turn up to work [and] cheated in an exam".

©Getty Images

A frenzy in pharma

The record deal between Bristol-Myers Squibb and Celgene moved closer this week. The sector is rapidly consolidating. Matthew Partridge reports

Bristol-Myers Squibb has "moved a step closer" to completing the largest takeover deal in the healthcare industry, says James Dean in The Times. Celgene, its target, has agreed to sell its blockbuster psoriasis treatment, Otezla, to Amgen for $13.4bn. Celgene first put Otezla up for sale two months ago to placate US competition regulators who were concerned that its combination with Bristol-Myers Squibb "could give the new company too much power in the market for anti-inflammatory drugs". Amgen says Otezla will cost it closer to $11.2bn owing to tax benefits.

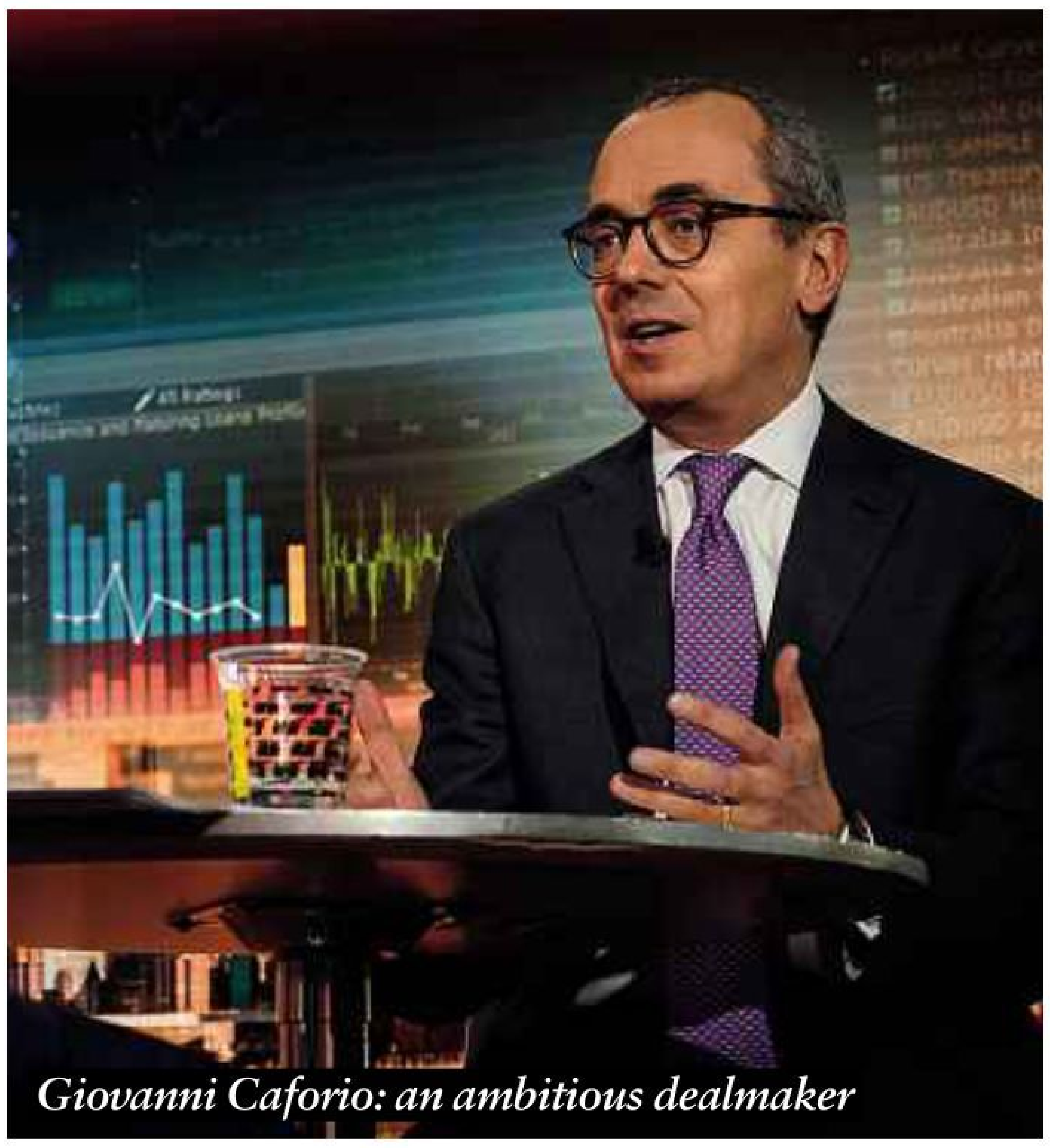
Bristol-Myers will benefit in several ways from the deal, says Richard Beales on Breakingviews. Not only will the sale "smooth" any potential antitrust problems, but the money raised will reduce leverage at the larger company and allow it to "ratchet up its share repurchases" at the same time. Moreover, Giovanni Caforio, chairman and chief executive of Bristol-Myers, "can now breathe a sigh of relief", with his "ambitious dealmaking" having passed its first test.

An overpriced pill?

The sale of the drug might not be surprising, but the price is, say Drew Armstrong and Rebecca Spalding on Bloomberg. Usually, antitrust divestitures can present a chance for acquirers to "bargain-shop", since the selling companies "need to shed the asset to achieve their larger objective".

However, this deal "may have bucked that trend" as Otezla has cost Amgen substantially more than expected. Indeed, one analyst from brokerage Jefferies said that $8bn "would be the benchmark for a cheap price", while another "put a $10bn high-end price on the drug".

It's true that Amgen is paying a lot, especially given the fact that Celgene is a "motivated seller", says Charley Grant in The Wall Street Journal. Still, even though Amgen has offered an "attractive amount" for the drug, its shareholders shouldn't feel too hard done by, since the evidence suggests that the biotech firm "isn't necessarily overpaying". The drug "carries relatively little risk" as Otezla is approved to treat three separate indications, and its key patents don't expire until 2028. Amgen expects "at least double-digit average sales growth over the next five years".


Giovanni Caforio: an ambitious dealmaker

This transaction "is the latest in an industry that has seen a staggering amount of dealmaking this year", says the Financial Times. Indeed, "more than $700bn-worth of transactions" have been agreed in the drug and healthcare sectors this year so far.

This "frenzy" has been driven by "the desire to sell non-core assets or buy innovative medicines as [pharma firms'] own drugs are close to losing patent protection". Companies are also concentrating on becoming "one of the top three players" in their category.

Opioid crisis triggers first corporate fine

Shares in Johnson & Johnson (J&J) jumped by more than 5% this week. No wonder, says Jan Hoffman on Bloomberg. An Oklahoma judge ordered the company to pay "far less" than expected in the first trial involving a state seeking compensation for the public-health crisis spawned by opioid painkillers.

The judge said J&J had created a "temporary" public nuisance by "duping" doctors into overprescribing its opioid-based medications. But the $572m payment was much lower than the $17.5bn Oklahoma had been seeking. The case has been closely monitored by around two-dozen opioid makers, distributors and retailers facing more than 2,000 similar lawsuits around the US.

Johnson's baby powder

The verdict may have given investors "some hope" that opioid litigation "won't be as destructive as some on Wall Street have feared", says Charley Grant in The Wall Street Journal. However, they should "hold the celebration" since the "cloud hanging over drug stocks won't clear up soon". Future lawsuits will be heard in different courts. The unpredictable nature of litigation means these companies "could owe nothing; a sum that bankrupts them and sends their share prices to zero; or any outcome in between".

The judgment was "important for reasons that go beyond the dollar figure attached to it", says Jay Willis for gq.com. It was based on "public nuisance...theory", the same principle behind the "massive lawsuits filed against the tobacco industry in the mid-1990s". That led to a $250bn payment – "the largest civil settlement in US history".

Betting on politics

With £604,856 already matched on Betfair, punters clearly think that a general election in Britain will happen sooner rather than later. An election this year is the favourite at odds of 1.53 (65.3%). The other options are 2020 at 3.7 (27%), with 2021 at 36 (2.7%) and 2022 at 17 (5.9%) now seen as longshots. Personally, I'm very happy that I tipped an election in either 2019, 2020 or 2021, back in August 2017.

But instead of putting any more money down on it, I suggest that you take a look at another Betfair market that has sprung up on the month that the election will be held. A total of £134,789 has been matched so far. Although you can still bet on an election taking place this month or in September, the only serious options are: October 2019, November 2019, December 2019 and 2020 or later. Of these, 2020+ is the favourite at 2.86 (34.9%), followed by November 2019 at 3.2 (31.25%), October 2019 at 3.25 (30.7%) and 15 (6.7%) on a December election.

VOTE
X
VOTE
X
VOT

My take on this is that you can rule out a December election since voters wouldn't take too kindly to an election campaign just before Christmas. And I can't see Boris Johnson surviving as prime minister until the New Year. I therefore suggest that you should bet on an election in either October or November at combined odds of 62%. In this case you should split a £10 betting unit with £5.03 on November and £4.97 on October.

Johnson suspends parliament

The PM makes a high-stakes move in the Brexit drama. Matthew Partridge reports

Boris Johnson: his hand has been forced

©Shutterstock

The prime minister, Boris Johnson, has asked the Queen to suspend parliament, reports the Financial Times. That will "curtail" the efforts of MPs hoping to pass legislation to avoid a no-deal Brexit on 31 October. MPs will return to work next week, but parliament will then be suspended until a new Queen's Speech in mid-October when the government will set out a new legislative agenda. That would probably leave enough time for a new Brexit deal to make it through the Commons, but not for opposition and backbench MPs to pass legislation, preventing them from blocking Brexit.

A high-stakes gamble

This is an "unprecedented abuse of executive power", says the New Statesman. Brexiteers once "revered" parliamentary sovereignty. Now they treat elected MPs "with the same disdain as judges, civil servants and journalists". Given that a no-deal Brexit would lead to "punitive tariffs" and mean that Britain would be likely to "suffer shortages of food, medicine and fuel", MPs should use "all means necessary" to prevent this "humiliating" fate and defy Johnson's "creeping authoritarianism".

Proroguing parliament is a "very high stakes move indeed" and one "which should make everyone on all sides of the Brexit debate nervous", says Paul Baldwin in the Daily Express. It has already triggered the expected "howls of outrage" from the Dominic Grieves and Tom Watsons of the Remain camp. But the truth is that the prime minister's hand has been "forced" by parliament. MPs "have again and again stood in the way of a democratically mandated instruction to leave the European Union" while providing "no alternative solutions, no answers".

Prorogation is likely to be strongly opposed both inside and outside parliament, says Robert Peston in The Spectator. But it is "increasingly clear" that Johnson and his adviser, Dominic Cummings, have a "huge advantage" over those in parliament who oppose a no-deal Brexit: they "have a single ruthless command structure whereas the opposition is disjointed and disunited". They are also "confident" that they have gone through all the "important constitutional niceties" in preparing to suspend parliament and "they don't believe MPs nor the courts will be able to stop or block them".

What happens next?

Don't be so sure, says Henry Zeffman in The Times. The decision to suspend parliament for an extended period came just after critics of the government seemed to have achieved "common ground" by choosing the legislative route, rather than a vote of no-confidence, to prevent a no-deal Brexit. But that is now much more difficult given the "tighter timetable" and several Conservative MPs were quick to signal that they were now open to the idea of supporting a motion of no confidence in the government, which means that opposition leader Jeremy Corbyn can be "more optimistic" about winning it. This might trigger a new election – unless a new government can be formed, presenting us with a scenario where Ken Clarke or Harriet Harman's political careers end "with a peculiar stint as prime minister".

G7 steers clear of disaster

Macron: a diplomatic masterclass

©Getty Images

The French president surprised observers by delivering "a diplomatic masterclass" at the G7 summit at Biarritz at the weekend, says Dennis MacShane in The Independent. In one of the "most relentless 72 hours of international politics seen in decades", Emmanuel Macron extracted several concessions from the leaders of the world's biggest economies. The most notable of these was the agreement that the OECD club of advanced economies should oversee "an effective global digital tax" to force digital "behemoths" to pay tax on their "mega-profits". At the same time, US president Donald Trump appeared to pull back from his threatened tax on French wine exports – a "rare reversal". There were even signs that America might soften its positions on China and Iran.

But the critical issue at stake in these summits is "whether or not the meeting advances shared interests", says Michael Fuchs in The Guardian. This year it didn't. Trump refused even to discuss the issue of climate change, and a joint statement intended to show "unity of purpose" proved impossible to pass. It might be better to cancel the summit next year and meet again "when Trump is gone".

It's true that the summit didn't achieve much, says the Financial Times. And it's "impossible to say" whether it can really help calm the "serious disturbances" in global economic and geopolitical affairs. But given the "dangerous and destabilising force" in the White House, the fact that the summit didn't collapse is a cause for "considerable relief if not raucous celebration, not least in the world's financial markets", and Macron deserves a lot of credit for his "adroit diplomacy".

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New York

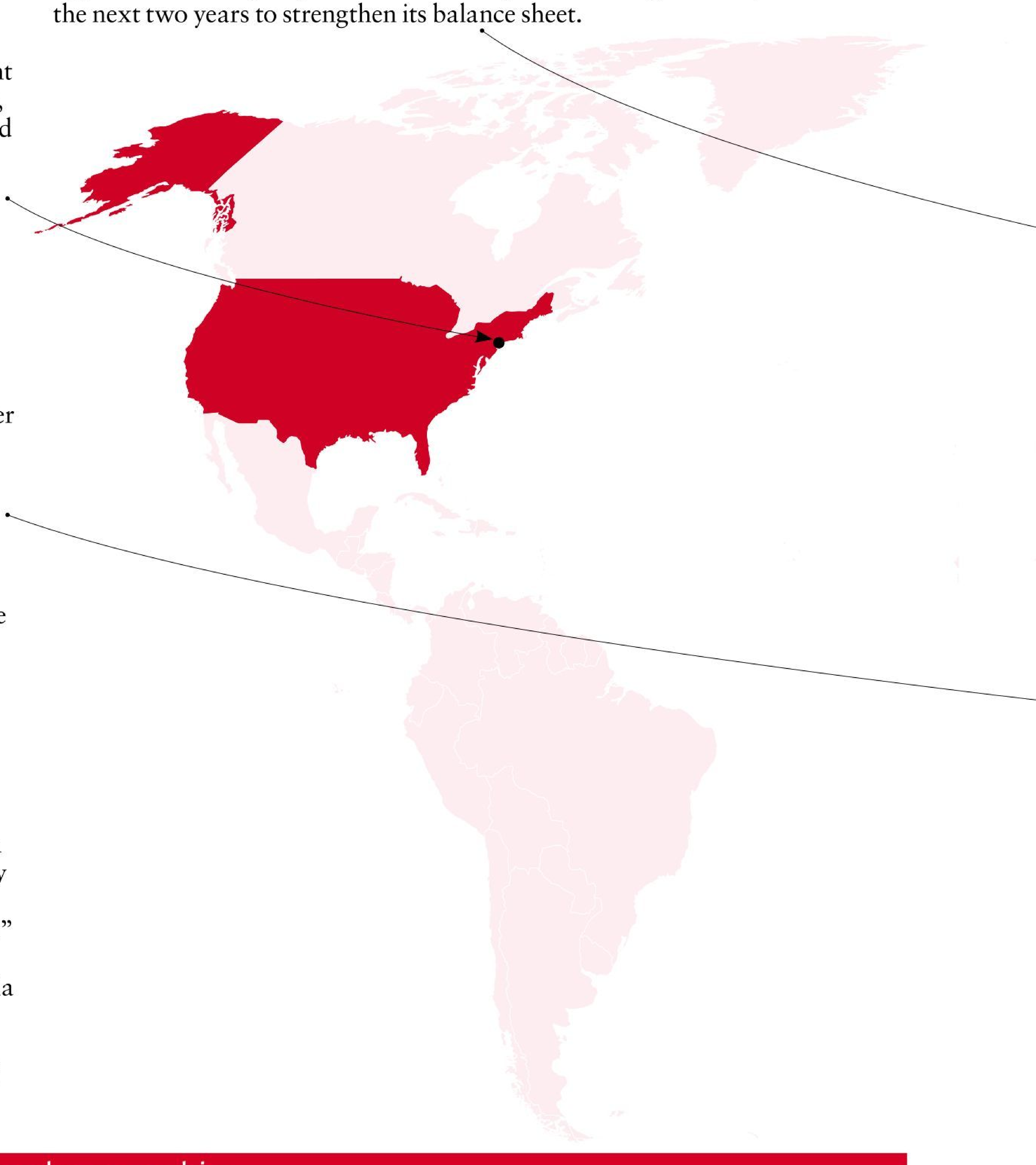
Marlboro Man returns: Altria and Philip Morris International could be getting back together 11 years after the tobacco companies originally split. The talks come after Altria intended to license from Philip Morris a product – Iqos – that gives consumers the impression of smoking tobacco, but with reduced exposure to harmful chemicals; the plan was to test demand in the US with a trial in Atlanta next month. (The product has been successful in Asia, and Altria had wanted to roll it out across America.) But the idea now is for Altria and Philip Morris to sell the product together, notes The Wall Street Journal. Altria had split from Philip Morris in 2008 to concentrate on selling its brands, including Marlboro, in the US, while Philip Morris would focus on overseas markets. However, changes in the market, such as a decline in smokers and emerging technology (Altria bought a $12.8bn stake in vaping firm Juul Labs last year), has now brought them back together. The reformed company under an all-stock "merger of equals" deal would be worth around $200bn. Details of the deal are expected within weeks. The industry has come full circle since 2000 when tobacco companies started to turn away from America for fear of litigation.

Kinshasa

Congo finally forms government: Prime Minister Illunga Illunkamba has unveiled the Democratic Republic of Congo's new government seven months after Felix Tshisekedi (pictured) took over the presidency from Joseph Kabila. Tshisekedi won the presidential election in January amid accusations by the runner-up candidate, Martin Fayulu, of a power-sharing deal between Tshisekedi and the outgoing Kabila. The Catholic Church, acting as an observer, also pointed to voting irregularities. Kabila had been in office for 18 years, and the election led to the first orderly transfer of power since Congo gained independence from Belgium in 1960. The coalition government is "dominated" by Kabila's Common Front for Congo (FCC)", says Deutsche Welle. Sele Yalaghuli, a Kabila "stalwart" and the former head of the tax authority, has been appointed as finance minister, while another Kabila loyalist, Willy Samsoni, will oversee the mining sector, says Reuters. Congo is Africa's biggest producer of copper and the world largest source of cobalt, used in rechargeable batteries.

London

BP pulls out of Alaska: London-listed oil giant BP has ended 60 years of activity in Alaska by agreeing to sell its entire business in the US state to Hilcorp Energy. The private oil and gas firm will pay $5.6bn for assets including BP's 26% stake in Prudhoe Bay, the most prolific oil field in US history. It has produced over 13 billion barrels. Around one billion barrels have yet to be tapped. Texas billionaire Jeffery Hildebrand's Hilcorp will become the second-biggest producer in Alaska behind ConocoPhillips. BP denied it had been pressured into the sale by environmental concerns. The deal is the "latest example of a supermajor retiring from the frontier oil discoveries of the late 20th century that cushioned them from Opec's ascendancy and forced them to learn to drill in some of the harshest and most forbidding corners of the globe", says Kevin Crowley on Bloomberg. Alaskan output has slumped since its heyday in the late 1980s, but BP won't be pulling out of the US entirely. "We remain very bullish on the US energy sector… and we will continue to look at further investment opportunities here," says CEO Bob Dudley. BP is seeking to raise $10bn over the next two years to strengthen its balance sheet.



The way we live now: special lanes for phone zombies

AO MOBILE PHONE LANE

Feel free to text and walk

Two 75-metre pedestrian "slow lanes" for people too busy looking at their smartphones to watch where they are going were recently painted on Hardman Boulevard in Spinningfields, central Manchester, for a day. The marketing stunt for online appliances retailer AO.com was touted as a trial to stop "phone zombies" from bumping into each other. The stunt was met with a mixture of scepticism and amusement on social media. These mobile-phone lanes may have been "a light-hearted gimmick, but the concept of phone safety for pedestrians is fast becoming a genuine topic of public concern", says Steve Robson in the Manchester Evening News. Padded lamp posts have been a feature of Brick Lane, in London's East End, since 2008, while in 2014, the Chinese city of Chongqing brought in pedestrianised "cellphone lanes" in 2014. And where China leads, increasingly the rest of the world follows, says Kevin Maher in The Times. "I am hoping that, ultimately, all such walkways will slowly curve round corners, wind their way out of the city centre and eventually lead up on to a ramp that leads into a prototype passenger ship that blasts the pedestrians out into space."

©Getty Images; Spinningfields

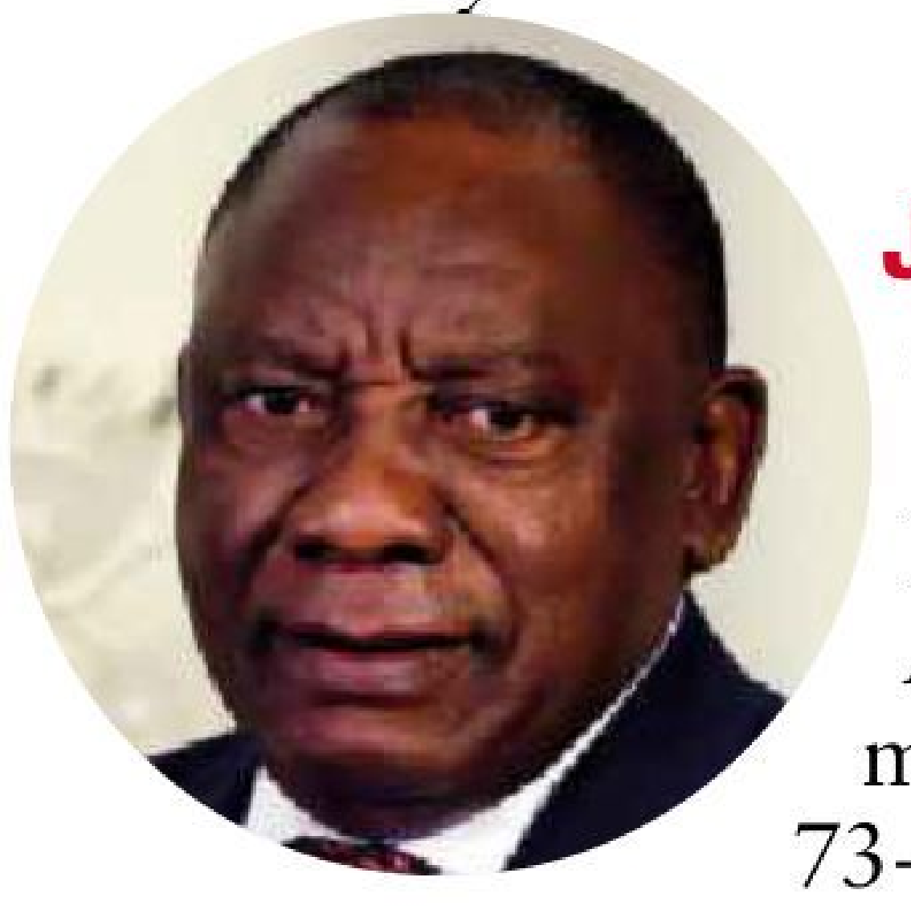
Olaf Scholz has plenty of room to borrow

Berlin

German business confidence slumps: Germany's Ifo index of corporate confidence, one of the eurozone's most closely monitored leading indicators, has slipped for a fifth consecutive month to its lowest level since November 2012. A subindex tracking sentiment in the manufacturing sector fell to its lowest level since the global crisis of 2009. The trade war between China and the US has unnerved executives in Germany's export-dependent economy, while the deterioration in the part of the survey gauging confidence in the services sector suggests that domestic demand is now also losing momentum. The economy shrank marginally in the second quarter. Some economists are calling for Berlin to ditch its commitment to running a budget surplus and embark on fiscal stimulus. Finance minister Olaf Scholz reckons Germany "could afford a hit to its finances of €50bn – about 1.4% of GDP", notes The Economist. Yet it can borrow for 30 years at negative rates. "It could probably spend double what Scholz suggests for years and still keep its debt-to-GDP ratio steady at... a prudent 60%."

Tokyo

Abe's US headache: US president Donald Trump has said he isn't looking at imposing tariffs on Japanese cars "at this time" – although he may "at a later date". In return, under the broad outline of a trade agreement (the details of which have not been released), Japan will lower its agricultural tariffs to levels agreed in the Trans-Pacific Partnership (TPP) – the regional trade pact from which Trump withdrew the US in 2017. Japan's prime minister, Shinzo Abe (pictured), will struggle to sell the deal to voters. Farmers fear a flood of cheap US beef imports. Under the TPP agreement, higher tariffs would kick in if beef imports exceeded a member's set quota over a 12-month period. The quota system had been agreed with the understanding that the US would be a part of the TPP. Now, not only do TPP nations still have their quotas, but the US will probably have its own separate, higher quota outside the TPP, says Robin Harding in the Financial Times. Worse still, there's no guarantee Trump won't threaten Japan with car tariffs; he has long complained about Japan's trade surplus. The leader of Japan Innovation, an opposition party, said it was "hard to see the merits" of the deal.



Johannesburg

CEO killed in car crash: Gavin Watson, the chief executive of facilities management firm African Global Holdings (formerly Bosasa), has died in a car accident. An investigation into "culpable homicide" (similar to manslaughter in the UK) has been opened involving a 73-year-old man that police said had been involved in the crash. Police also declared that Watson had lost control of his car, without referring to Watson by name, says Reuters. Opposition politicians have called for a "thorough and transparent" enquiry amid suspicions of "foul play", says The Guardian. Watson crashed in a different vehicle to his usual BMW. According to one "whistleblower", it is "very plausible" Watson was trying to flee the country. His company had become embroiled in long-running bribery allegations as well as a controversial 500,000 rand (£29,500) donation to the leadership campaign of President Cyril Ramaphosa (pictured) two years ago. Angelo Agrizzi, the company's former chief operating officer, admitted to an anti-corruption judicial inquiry in January that he and others had bribed politicians and bureaucrats in a bid to secure government contracts. Watson had been due to give evidence to the inquiry this week.

Canberra

Labor mired in scandal: Australia's opposition Labor party has been accused of hiding a A$100,000 donation from Chinese billionaire Huang Xiangmo. The donation had been delivered to the New South Wales Labor party's headquarters in cash stuffed into a shopping bag after a party fundraising dinner in 2015, an inquiry has heard. The party then reported the amount as several smaller sums coming from separate donors, including the employees from the Chinese restaurant where the dinner had been held. A commission is investigating whether Labor deliberately tried to conceal the true identity of the donor; the law prohibits political donations from property developers. A suicide note supposedly written by a potential witness, Leo Liao of property developer Wu International, before he took his life at the weekend, appears to confirm the donation. Huang had previously been barred from Australia owing to his suspected links to Beijing. Parties in Australia have been beset by a number of high-profile cases involving donations from Chinese billionaires, prompting concern within security circles.

The Amazon in flames

Brazil's rainforest is suffering from the worst spate of fires in years. Does it matter? And how can the blazes be stopped? Alex Rankine reports

What has happened?

G7 leaders this week agreed an £18m aid package plus logistical support to help Brazil fight fires in the Amazon rainforest. The offer was rejected by Brazilian president Jair Bolsonaro, who has accused the group of a "colonialist" mentality. Facing growing international pressure, his government has instead opted to deploy 44,000 troops to combat the blazes. Brazil's space agency says there has been an 85% rise in Amazon fires compared with this time last year.

What is on fire?

Dramatic images of "an entire forest ablaze", which have been widely shared on social media, are misleading, says Jonathan Watts in The Guardian. Most fires were set by farmers on agricultural land in already deforested areas. The increase in fires between August and October every year coincides with the season when farmers begin planting soybean and corn, says The New York Times. Yet this year the fires are particularly widespread. The Global Fire Emissions Database reports that the Amazon's 2019 fire season has been the worst since at least 2012. Moreover, the intensity of the fires suggests more virgin forest than usual is being incinerated.

Who is to blame?

Many observers point the finger at Bolsonaro, who took office in January. He draws significant support from the country's farmers and is a strong proponent of opening up the vast Amazonian interior for development. His rhetoric appears to have led illegal loggers to conclude that they have little to fear from federal authorities. Yet the problems run deeper than one man. Deforestation in Brazil has been ticking up over the past five years. Bolsonaro's predecessor, Michel Temer, slashed 44% from the federal science budget, notes Zoe Sullivan in Time magazine, hamstringing the environment agency's efforts to police illegal logging and mining. This summer has also brought severe fires in neighbouring Bolivia, where left-wing leader Evo Morales has been doling out free land to peasants.

Has this happened before?

Yes. During the 1990s and 2000s as much as 10,000 square miles of the Brazilian Amazon was cut down every year. Concerted international pressure and better policing saw rates of deforestation fall 80% by 2014. The worry now, as environmental scientist Jonathan Foley tells Science News, is that these fires mark a "major backslide into the bad old days". Continuous deforestation reduces local rainfall, potentially driving the region to a "tipping point" where the Amazon could flip suddenly from being a rainforest to something closer to an arid savannah. Brazil would be the biggest loser from that as droughts would ruin local agriculture.

Shouldn't Brazilians get to decide?

Bolsonaro smells Western hypocrisy. "We preserve more [rainforest] than anyone. No country in the world has the moral right to talk about the Amazon. You destroyed your own ecosystems," he told journalists last month. In economic terms, this is known as a "positive externality" – the world is essentially asking Brazil to forego the development potential of the rainforest so that we can all breathe more easily. The solution is to make preservation pay. Britain is currently funding a £30m reforestation initiative in Brazil. Yet the Bolsonaro government's lack of commitment to the conservation efforts has prompted some countries – notably Germany and Norway – to conclude that payments to Brasília are being wasted and to cut back funding this month.

What about trade?

The EU and South American trading bloc Mercosur are currently wrapping up a massive trade deal, but the Amazon fires have emboldened greens who say the accord will stoke more deforestation. A larger market for Brazilian beef will only increase the incentives for farmers to slash and burn, says Bard Harstad in the Financial Times. Yet trade deals can also be a "carrot and stick" for conservation efforts. France and Ireland have both threatened to veto the deal unless Brazil improves protection efforts in the Amazon. That may persuade Brazil's pro-business government, and major exporters, that conservation is a matter of national interest. Twenty percent of Mercosur's exports already go to Europe, making it the second most important market for the region's producers.

"We won't save the forest until a living tree is worth more than an incinerated one"

Fire fighting in the Amazon

©Shutterstock

How else can we protect the Amazon?

Property rights. The Brazilian constitution guarantees land rights for indigenous peoples, which can act as a buffer against the loggers and miners moving in. "When indigenous land rights are secured via titles – official documentation from the state – we see significantly lower deforestation rates within just two to three years," Peter Veit of the World Resources Institute think tank tells the American edition of The Week. Yet the Bolsonaro government has stalled recognition of such land claims and, with law-enforcement budgets in remote regions being slashed, there are more opportunities for encroachment and outright theft to occur.

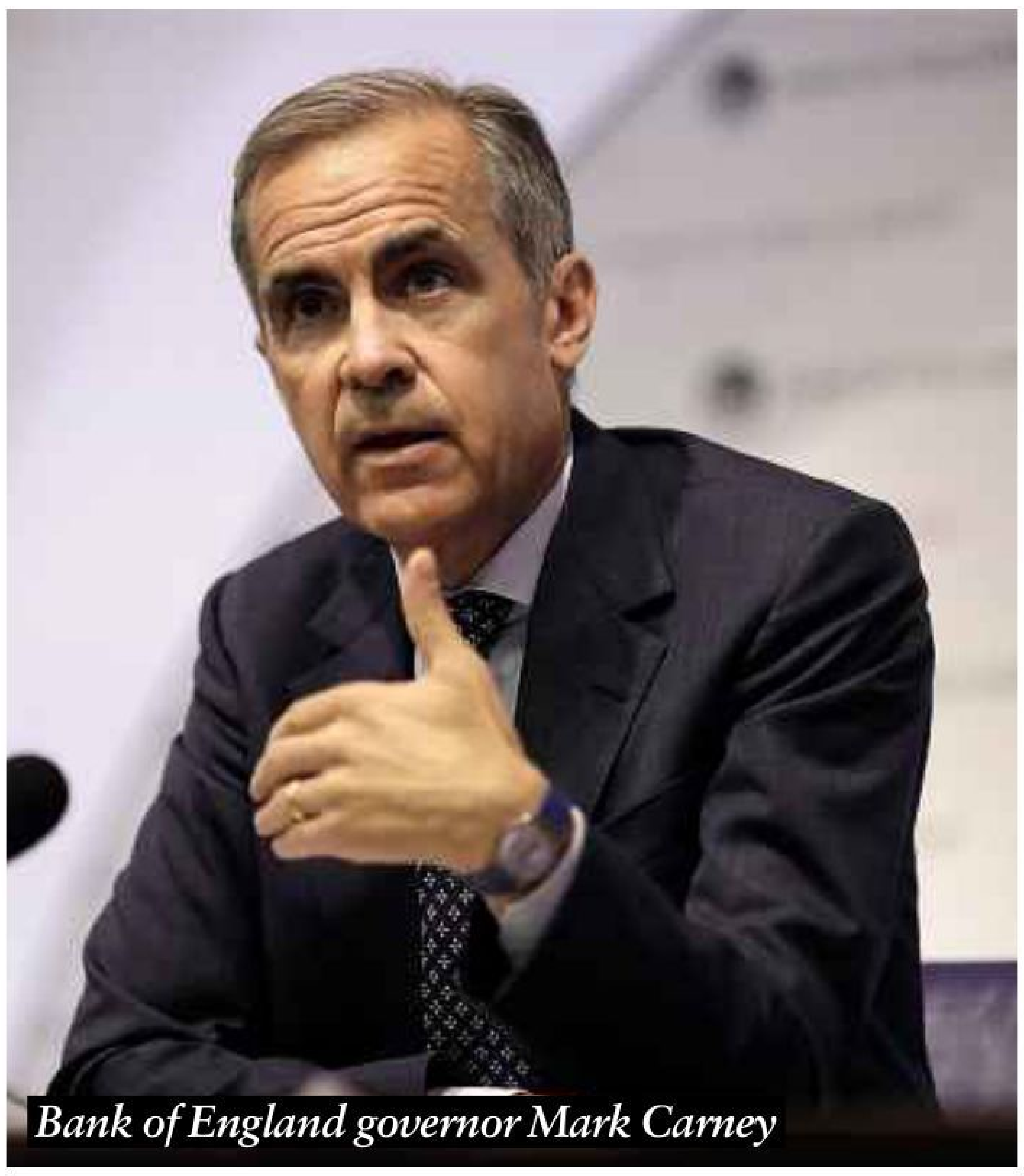
Why does it matter?

The assertion (most recently made by the French president, Emmanuel Macron) that the Amazon is "the lungs of the Earth" is incorrect – in effect it consumes as much oxygen as it produces. However, about 25% of Western drugs are thought to depend upon its rich biodiversity, and its 400 billion trees play a key role in sequestering carbon, reducing the pace of climate change. The destruction of rainforests accounts for "up to 20% of all carbon emissions", says Johan Eliasch in The Daily Telegraph. Protecting the trees is the "cheapest way of reducing carbon emissions", yet rainforests receive a fraction of the government support given to clean-energy initiatives. "We will never save the rainforest until a living tree is worth more to Brazil than an incinerated one."

The end of the dollar standard

Mark Carney says we need a new global reserve currency to replace the dollar. What does that mean for you?

John Stepek
Executive editor



Bank of England governor Mark Carney

The US dollar is the global reserve currency. We explain what that means below, but the short answer is that dollars are used in a huge range of financial and trade transactions globally. This means that everyone from central banks to companies needs a steady supply of dollars. This in turns means that changes to US monetary policy – and thus the value, or cost, of the dollar – affect not only America, but everybody. That's not necessarily a problem when times are good. But when times are tough – or when the US is raising rates at a time when everyone else is cutting – it can have damaging knock-on effects. And the most vulnerable nations, the developing markets, are the least well equipped to cope.

None of this is new. What is unusual is that at the latest get-together of global central bankers at Jackson Hole in Wyoming last week, Mark Carney, governor of the Bank of England, publicly raised the issue. The current global monetary regime, with the dollar at its heart, is unsustainable, he argued. At some point, it will end. So it would be a good idea for policymakers to start planning for that now.

The question, of course, is what could replace the dollar? The obvious candidate, noted Carney, is the Chinese renminbi (yuan). China is the rising power, just as the US was when it supplanted Britain as the dominant power after World War I. However, China's currency remains extremely immature in financial system terms. More importantly, if you just replace one reserve currency with another, then you end up with the same problem – one country's monetary policy has an outsized global impact. Carney's solution? A digital reserve currency based on a "basket" of currencies, meaning less reliance on any one country's currency. This is very similar to social-media giant Facebook's proposal for its Libra payments system. Carney, however, hints that such a currency is probably better managed by the public sector.

> *"A digital reserve currency could hasten the demise of cash"*

This is all long term, and the talk was at least partly driven by Carney's desire to be the next head of the International Monetary Fund (IMF), which would form the implicit heart of the new system (the IMF already has a type of reserve "basket" currency).

But as far as investors go, the fact that this is being discussed openly raises a few important points. Firstly, keep an eye on the US dollar exchange rate. Ironically, the stronger it gets, the closer we might be to the end of the dollar standard. Secondly, consider that if we move to an explicitly digital reserve currency, then that brings the demise of cash ever closer. Finally, the logical conclusion of both these points is that it's probably a good idea to hold on to gold – one of the oldest and most durable forms of money – if you don't own it already.

I wish I knew what a reserve currency was, but I'm too embarrassed to ask

A reserve currency refers to a currency that central banks hold in large quantities as part of their foreign currency reserves. The US dollar is the most dominant reserve currency in the world, accounting for about 62% of foreign currency reserves, with the euro far behind on 20%. Meanwhile, as Mark Carney, governor of the Bank of England, points out, a third of countries peg their currencies to the US dollar (in other words, their currencies go up and down along with the dollar), and half of global trade invoices are denominated in dollars.

The dollar's dominance has several implications. It means that the US's importance and influence stretches far beyond its raw economic clout (the US accounts for 10% of world trade and 15% of global GDP). It also means that America enjoys lower borrowing costs than it otherwise would. This has been described as America's "exorbitant privilege", a term coined by France's then-finance minister, Valéry Giscard d'Estaing, in the 1960s. On the flipside, demand for dollars means the currency is stronger than it would otherwise be, which squeezes export-dependent industries. It also means the world is effectively tied to the US economic cycle.

The dollar gradually took over from sterling as the world's dominant currency after World War I devastated much of Europe and left the US in pole economic position. The dollar's status as global reserve currency was then made official following World War II, by the Bretton Woods agreement, negotiated in 1944. The US currency maintained its position even after its link to gold was severed by President Richard Nixon in 1971.

The International Monetary Fund (IMF) has its own "reserve asset" – the Special Drawing Right (SDR). The value of the SDR is based on a basket of five currencies (the dollar, the euro, the yuan, the yen, and the pound). Some argue this may provide the basis for a future digital reserve currency (see above).

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Guru watch

Albert Edwards, global strategist, Societe Generale

Think negative bond yields are an aberration – a bubble set to burst? Think again, says Albert Edwards, global strategist at Societe Generale. "There is a lot more to come." Edwards has warned for decades now of a coming "Ice Age" in which bond yields plumb ever-deeper lows and the entire developed world moves closer to ongoing Japan-style deflation. And it looks uncomfortably as though his vision is coming to pass.

The massive rally in government bonds (which has driven yields to record lows in many countries, and into negative territory across Japan and much of Europe) "is not a bubble", he says. Instead, it is "an appropriate reaction to the market discounting the next recession hitting the global economy from all overleveraged corners of the world". And in the longer run, "given the demographic situation, inflation is likely to remain subdued".

Investors appear to hope that governments and central bankers can avert the next recession (or at least lessen its impact) by printing money or changing the way they go about implementing monetary policy (see opposite). Yet Edwards is extremely sceptical. "A global deflationary bust will wreak havoc with financial markets. Does anyone seriously believe that in the next global recession equity markets will not collapse?" Indeed, the next crash "will make 2008 look like a picnic". Of course, notes Edwards, "I could be wrong. And given my dystopian vision for the global economy, equity and corporate bond markets, I sincerely hope I am".

The £1bn plan to save the high street

Boris Johnson's government is splashing the cash on some worthy causes. But will this one work?

Matthew Lynn
City columnist

A billion here. A couple of billion there. Our new prime minister certainly knows how to spend money and has no reservations about spraying the economy with government cash. The latest recipient of his generosity is a fund to rescue the high street. The idea is a worthy one. The government has set aside £1bn that different towns can bid for a share of. The grants will be used to upgrade infrastructure, improve transport and pay for fresh planning applications. The idea is that, with some sprucing up, some better marketing, and a few more buses, we will all start spending our Saturday afternoon nipping between Boots and WH Smith on the high street before stopping at a local organic café for a latte and muffin.

Terminal decline

There is no question that something needs to be done. The traditional high street is in terminal decline. According to figures from PwC, a net 2,481 stores disappeared from the country's top 500 high streets in 2018, a 40% rise on the total in 2017. That is accelerating, with even chains such as Marks & Spencer closing stores. And that is against a backdrop of a relatively strong economy, with record levels of employment and rising retail sales. When recession arrives, there is going to be a bloodbath.

And the crisis has spread from retailers. The banks can no longer make any money from branches. The restaurant and café chains have reached saturation point and have started to close. The estate agents may soon go the way of the travel industry as property sales move online. Even the bookies are in trouble, with the clampdown on betting machines. It is hard to think of a single traditional high-street business that is not in trouble. If we don't do something about that, town centres will go into a spiral of decline, with boarded up shops creating an abandoned, drab environment that is even less vibrant for firms that remain.

Boris is getting his wallet out

©Shutterstock

Over the last decade, the retail and leisure industry has changed out of all recognition. The online giants have muscled in, wiping out whole industries and taking such a huge chunk of mainstream retail sales that what is left over for the high street is barely enough to cover costs. Local authorities have made that worse by pushing up rates and making it more and more expensive to park. Government has added to its woes by steadily increasing the minimum wage, a move that primarily hits shops and restaurants, the two mainstays of most town centres.

Four ways to reinvent town centres

The trouble is, even the PM's £1bn is not going to be nearly enough to remedy this. Yet the UK is still a crowded, busy country, with shortages of space. What we need to do is lift restrictions so that the high street can be reinvented. Here are four ideas.

First, and most importantly, we need to make it easy for shops to be redesignated as housing or offices. That power needs to be taken away from local councils, and anyone who owns a retail property should have a legal right to convert it into flats or shared working space for the fast-rising number of self-employed people. With more people living or working in converted shops and banks, the high street would be livelier and restaurants and bars busier. Next, put a legal cap on business rates, so that chains are not taxed out of business. It is absurd that small armies of bureaucrats are taxing shops into bankruptcy with exorbitant rates and then offering those same shops subsidies to stay afloat. Thirdly, borrow an idea from Donald Trump and designate any failing high street an "enterprise zone" and make any business that opens up in one free of corporation tax. It has worked in the US, drawing investment into depressed parts of even prosperous cities, and it can work here as well. Finally, how about lifting all parking restrictions for electric vehicles in any of the towns receiving extra funding?

It is easy to blame the internet for the demise of the town centre. But in truth, state intervention is one of the things that has killed it off. To rescue it, the government needs to get out of the way, not intervene all over again – because that is simply going to delay the process of finding a real solution.

Who's getting what

- England cricketer **Ben Stokes** (pictured) can look forward to some lucrative sponsorship contracts in the wake of his remarkable innings over the bank holiday weekend that saved England from defeat to Australia and kept their Ashes hopes alive. Stokes' contracts with the Indian Premier League and the English Cricket Board already earn him around £2.7m a year, says the Daily Mail, and he could be looking at up to £10m a year with endorsements.

- **Sally Balcombe**, the CEO of UK tourism quango VisitBritain, had a pay rise of 6% this year, bringing her total compensation to between £225,000 and £230,000, which includes a £17,500 bonus. Balcombe, whose quango has just 285 staff, is paid about the same as Met Police commissioner Cressida Dick, who has 42,232 staff, and more than Crown Prosecution Service director Alison Saunders, who has 5,688 staff.

- Two police forces are looking to appoint **social media officers** to oversee their forces' Twitter accounts, which will pay more than a front-line constable. Both the Dorset and Devon & Cornwall forces are offering £25,556 – over £7,000 more than a bobby on the beat's starting pay of £18,450. Even after three years, a PC gets only £25,269. "A serving officer with three years' experience should not be earning less than someone sat in a cosy office whose biggest risk is stubbing their toe getting up from their desk to make a brew," one disgruntled officer told The Sun.

©Getty Images

Nice work if you can get it

A trio of businesswomen have "banked hundreds of millions of pounds in fees" from mis-sold payment protection insurance (PPI) claims, reports The Guardian. Their companies claim PPI compensation for individuals and take a percentage of every successful claim. The youngest is Lisa O'Neill, who, at 39, owns 100% of Gladstone Brookes, which since 2009 has recovered over £1bn for customers, taking a 20% cut from each payment. The second biggest claims company, The Claims Guys, is run by Helen Dwyer and in the year to the end of April 2018 made a profit of £45m on a turnover of £115m. The Guardian suggests that Dwyer's 75% holding entitles her to at least £25m of this. Completing the trio is Joy Chorlton, who owns We Fight Any Claim, which has won £500m in payouts. None of the three appear in newspaper rich lists and "little is known about their vast fortunes".

Take your chances in China

Both the London-listed trusts focusing on the Middle Kingdom are excellent long-term bets

Max King
Investment Columnist

China is shifting towards a consumer-driven economy

According to City folklore, the Chinese word for crisis is made up of two characters, one signalling danger, the other opportunity. With the media fearing an imminent Chinese crackdown on the protesters in Hong Kong, the danger for investors is clear.

But if those fears are misguided, the current uncertainty may present an opportunity. The latter seems much the most likely, with the Chinese authorities exercising some restraint and anxious not to destabilise carefully cultivated relations with other emerging economies.

Stocks are hard to ignore

A major disruption to the Chinese economy and stockmarket looks unlikely. As Dale Nicholls, the manager of Fidelity China Special Situations Trust (FCSS), explains, "the Chinese economy may have slowed, but it is still... growing at over 6% per annum. Over time, the consequent growth in corporate earnings must be reflected in the value of investments." What's more, "though China has a mid-teens share of global GDP, until very recently it represented less than 3% of global markets, so that share will continue to grow. China is becoming much more difficult to ignore and should, in time, represent 40% of the global emerging markets index."

With £1.7bn of assets, the **Fidelity China Special Situations fund (LSE: FCSS)** is the larger of two UK-listed trusts focused on China. It was launched in 2010 with Anthony Bolton at the helm. Bolton handed over to Nicholls in 2014.

In the last five years, the investment return has been 115%, beating both its rival **JP Morgan Chinese (LSE: JMC)**, with £300m of assets, and every other emerging-markets trust. But over one and three years, JMC is well ahead, returning 4% and 64% respectively, compared with -6% and 37% for FCSS. Both trusts have large holdings in the two Chinese technology giants Alibaba and Tencent; a combined 20% for JMC and 24% for FCSS, and both have borrowings to boost investment returns of about 20% of net assets.

But just 25% of FCSS's portfolio is in firms with a market capitalisation above £10bn, compared with 73% for JMC, and 28% is in small companies with a market value below £1bn, compared with JMC's 2.4%. As Nicholls points out, small caps have underperformed the MSCI China index over the last two and a half years by a cumulative 50%. Should this reverse, FCSS can be expected to catch up.

Moving up the value chain

Despite FCSS's policy of share buybacks, its shares trade on a 10% discount to net asset value, compared with an even higher 13% for JMC, reflecting, perhaps, lingering distrust of China and the profit motive of its companies, many of which are state-controlled.

If so, this is not justified as JMC explicitly states that it focuses on "New China; companies... capitalising on the transition of the country to a more consumer-driven economy". As for FCSS, "New China opportunities remain incredibly exciting", says Catherine Yeung, investment director at Fidelity. "When we visit companies we see... automation, heaps of research and development and a lot of innovation. The government is encouraging companies to climb up the value chain rather than just be... manufacturers."

Encouraged by the success of investing in Alibaba before its flotation, Nicholls has invested 6% of the portfolio in unlisted companies with "exactly the same process" as for listed ones. This is risky, but it could pay off, as the punt on Alibaba did. Choosing between the two excellent trusts is tough. FCSS's mostly small and mid-cap strategy should succeed, as it has before, but there are also opportunities for JMC's big caps. The long-term confidence of both looks justified.

Activist watch

US firearms maker American Outdoor Brands is under fire from anti-gun activists. Nuns representing the Sisters of the Holy Names of Jesus and Mary plan to introduce a resolution requiring the firm to "identify, assess, prevent and mitigate actual and potential human rights impacts" resulting from the use of guns such as Smith & Wesson, the group's most famous brand. The firm says the motion is vague and – because it cites United Nations principles on human rights – is trying to supplant US law with international law. The issue is whether institutional investors will offer support, says The Motley Fool's Richard Dupree. Last year BlackRock, which holds 8% of the shares, voted in favour of a resolution to force the gunmaker to report on gun violence in the US and the risk it posed to the firm's propects.

©Getty Images

Short positions... Woodford's latest woes

■ **Last week brought "fresh humiliation" for Neil Woodford, says Sabah Meddings in The Sunday Times. Two of the healthcare start-ups held by Woodford's Patient Capital Trust (PCT) have become worthless. Precision Biopsy, a prostate-analysis specialist, and drug developer SciFluor Life Sciences, both of which are in the red, will no longer benefit from money from Allied Minds, the technology incubator (in which PCT holds a 26% stake). Allied Minds' decision prompted PCT to write down the two assets' value to zero; stockbroker Numis takes the same view. The news comes shortly after PCT wrote down the value of Industrial Heat, a cold fusion developer, by around 40%, and suffered another blow when the Aim-listed shares of Eddie Stobart Logistics were suspended. The latter stock is also a holding of the frozen Woodford Equity Income fund. After these setbacks, says Patrick Hosking in The Times, "Woodford's reputation can hardly sink lower".**

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■ Returns at British property funds have deteriorated in the past three years owing to write-downs of retail property assets, nervousness over Brexit and high cash balances at open-ended funds, says Siobhan Riding in the Financial Times. Funds in the direct property sector returned an annual average of 4.4% over the three years to the end of June 2019, down from 7.6% in mid-2013 to 2016. The open-ended funds were stung by redemptions after the Brexit vote, but the cash buffers they have accumulated to avoid this problem in future have diluted returns.

US buying Greenland makes sense

David Dodwell
South China Morning Post

Donald Trump's proposed acquisition of Greenland isn't quite as "ludicrous" as it seems to "most common folk", says David Dodwell. Trump, of course, harks from New York, where Manhattan was first bought from native Indians by the Dutch West India Company in 1626 for 60 guilders (the Dutch later traded it to the British for an Indonesian island). Indeed, for centuries, colonial powers horse-traded tracts of land like "chips at a roulette table". Greenland, at 2.2 million sq km, would be the world's largest island if it can ever escape the glacial ice. And as the ice melts, and the "world's superpowers begin salivating over buried mineral wealth and fecund fisheries", Greenland will become an asset needing to be managed, protected and invested in – requiring funds that a modest economy such as Denmark's is "not well placed to provide". As military and strategic stresses awaken in the region, what power does Copenhagen, or Greenland's 56,000 citizens, have to influence outcomes? So far, there is much less interest in protecting the Arctic's communities, wildlife and environment. Trump may not believe in global warming, but he has seen the "irresistible opportunity" it has unveiled. Others will, too.

India's draconian tax regime

Sadanand Dhume
The Wall Street Journal

When India embarked upon free-market reforms in the 1990s, it seemed the country was embracing wealth creation, says Sadanand Dhume. "Today things look less certain." To fund an ever-expanding list of social programmes, the prime minister, Narendra Modi, is "soaking the rich". On top of some of the highest corporate tax rates in Asia (30% on large firms), last month's budget proposed a "super-rich tax" – a 25% surcharge on the tax levied on incomes over $275,000 (£224,000), with a higher rate for those earning more. However, only 5,000 of India's 1.3 billion citizens can be categorised as "super-rich". The top 1% of India's taxpayers contribute 33% of income taxes, similar to the US and UK, but in India the top 1% accounts for just 840,000 people, or 0.06% of the population. In the US the top 1% comprises 1.4 million. The new taxes, which also apply to foreign companies structured as trusts, prompted foreign investors to withdraw more than $1bn last month. Many in India's elite may simply relocate – 23,000 have left since 2014. If Modi wants to double India's economy by 2024, he must stop harassing the rich. Lowering corporate taxes to 25% and revoking the draconian powers of tax officials would be a start.

Oz needs reform, not cheap money

Editorial
Australian Financial Review

Rattled by the global trade war, Australia's central bank, the Reserve Bank of Australia, recently reduced its benchmark interest rate to a record low of 1%, says the Australian Financial Review. It should go no further. "Ultra-loose monetary policy has been stretched beyond the limit of its usefulness." Interest rates for bank deposits can't fall below zero – "good luck to the bank that tries it" – so banks' margins are becoming increasingly squeezed, which bodes ill for lending. The global macroeconomic outlook is worrying – but now that there is scant scope for boosting demand, the best bet for a "middle-sized open economy such as Australia's" is to concentrate on supply-side reforms "to strengthen the economy from the bottom up" by making it more appealing to work, invest and save. Start with cutting taxes to bolster the incentive to work – former prime minister and Labor party leader Paul Keating is quite right to say the top rate of income tax should not be "a jot over 39%". What a shame that neither the centre-right government nor today's Labor party, which just lost an election after promising to raise the top rate to 49%, appear to be listening.

No tragedy on the commons

Ed Conway
The Times

In Sóller, Mallorca, the system for irrigating the famous local oranges remains little changed since the tenth century, says Ed Conway. Farmers, who have a weekly quota of mountain river water, have to stick a stone in the irrigation canal to send the water downstream at a precise time. The system was, strikingly, "devised, implemented and enforced entirely" by the farmers. This runs counter to the theory popularised by the economist Garrett Hardin in the 1960s that, left to their own devices, farmers will – out of greed – always overgraze their cows on a shared pasture. Today, "the principle is most often used to explain the inevitability of a climate catastrophe". Yet from Swiss alpine farmers to Indonesian fishermen, there are examples of participants collaborating to manage the commons, since long-term self-interest is best served by doing so. The key to avoid the plunder of natural resources is to compel people to engage with fellow users of the resource, as the late Nobel laureate, Elinor Ostrom, found. Ostrom also found that rules devised to manage resources were often complex and specific to a given region – hence government efforts to impose order often fail. Is it time to hand power back to the people?

Money talks

"I tried to get away with the skinniest ones so the money would pile up."
Actress Lucy Boynton (pictured), whose mother paid her 75p for every book she finished when she was a child, quoted in The Sunday Times

"I'm taking my toddler to a lot of children's shows. I want him to see how badly things can turn out if you pursue a career in the arts."
Comedian Tania Edwards in The Daily Telegraph

"We are born brave, trusting and greedy – and most of us remain greedy."
US poet Muriel Strode, quoted on Twitter

"Well, you have much more money, that's hugely life-changing… Money is so connected to freedom, autonomy, options, owning property. I just bought a house, I can get a dog, so this is the happiest thing that's ever happened to me."
Comedian Sara Pascoe on finding fame and fortune, quoted in The Observer

"A certain amount of it does, but what is more important is good health… You can have a great deal of money and ill health and be a miserable git."
Fitness expert Diana Moran on whether money makes you happy, quoted in The Sunday Telegraph

"I define wealthy as never bothering to look at your bank account — you more or less spend whatever you like without worrying."
Broadcaster Iain Dale, quoted in The Sunday Times

"A hedge fund is a compensation scheme masquerading as an asset class."
An anonymous joke, quoted on Twitter

"Compound interest is the eighth wonder of the world. He who understands it, earns it… he who doesn't, pays it."
Albert Einstein, quoted in The Times

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Put workers in the hot seat

Elizabeth Warren wants workers on boards

©Getty Images

bloomberg.com

When legendary physicist Richard Feynman was called in to help solve the mystery of why the Challenger space shuttle exploded in 1986, the first thing he did was talk to the engineers. Makes sense, says Noah Smith. The workers who built the thing might be expected to have a good idea of what would be likely to fail. And so it proved.

This story illustrates a more general principle – workers know about the day-to-day operations of the businesses they work in. They know what customers want, how they decide to make purchases, how to speed up manufacturing and prevent defects, and so on. When trouble strikes, they may have better ideas than those in the boardroom of what to do.

A productivity boost

Germany knows this. Since 1976, German firms with more than 2,000 employees must reserve half of their board seats for worker-elected representatives; those with 500 to 1,000 must set aside one-third.

This policy has been proposed in the United States by presidential candidate Elizabeth Warren and by shadow chancellor John McDonnell in Britain. It is "often touted as a way to give workers more power to demand better wages and benefits", but a number of studies show that the more likely effect is a boost to corporate productivity. A new paper confirms this.

Economists Simon Jäger, Benjamin Schoefer and Jörg Heining studied the effects of a 1994 German reform that abolished mandatory worker representation for some new smaller companies but locked it in for older ones. They found that the latter ended up investing more in buildings and machines and so on, and hence raised value added per worker. Interestingly, having workers on boards did not have much effect on wages, nor the distribution of income between workers and management or shareholders.

In other words, putting workers on boards is not likely to change how the corporate pie is divided up, but can help expand it, "acting as a counterweight to executives whose instinct is to sell or close a business or slash workers when the company hits a rough patch". It might therefore increase job security and even improve employment rates.

Another likely effect is to "give workers a greater sense of dignity and importance". In an economy increasingly dominated by large firms, "workers could benefit from a feeling that their input is valued at the highest levels". That feeling of ownership might also help solve the problem of rising political discontent.

Recycling harms the planet

aier.org

Recycling has become something of a ritual for those religiously devoted to the green cause, says Michael Munger. But does it actually make sense? This is how you tell. Take the item to be recycled in your hand and consider: will someone pay me for this? If so, it's a commodity, a valuable resource. If it contains gold or scrap metal, say, then there have always been people who will come and take it off your hands and recycle it for you. If the answer is no, then it's rubbish. Rubbish can either go to landfill or be recycled. But which of those makes the most sense depends on the resources used for each, and on whether putting it in landfill is harmful. Glass, for example, is made of sand. Landfilling it does no environmental harm and ground recycled glass is more expensive than the virgin material it is supposed to replace. So recycling it makes no sense. What about washing your plastic containers in water heated by fossil fuels and then having a huge fossil-fuel-powered lorry drive round to pick it up, then feed it into a sorting machine, made from other planetary resources and manned by people who might be better employed elsewhere? That probably makes no sense either. I'm not just saying that it's costly. I'm saying it's actually harmful. If you care about the planet, put your bottles in with the regular rubbish.

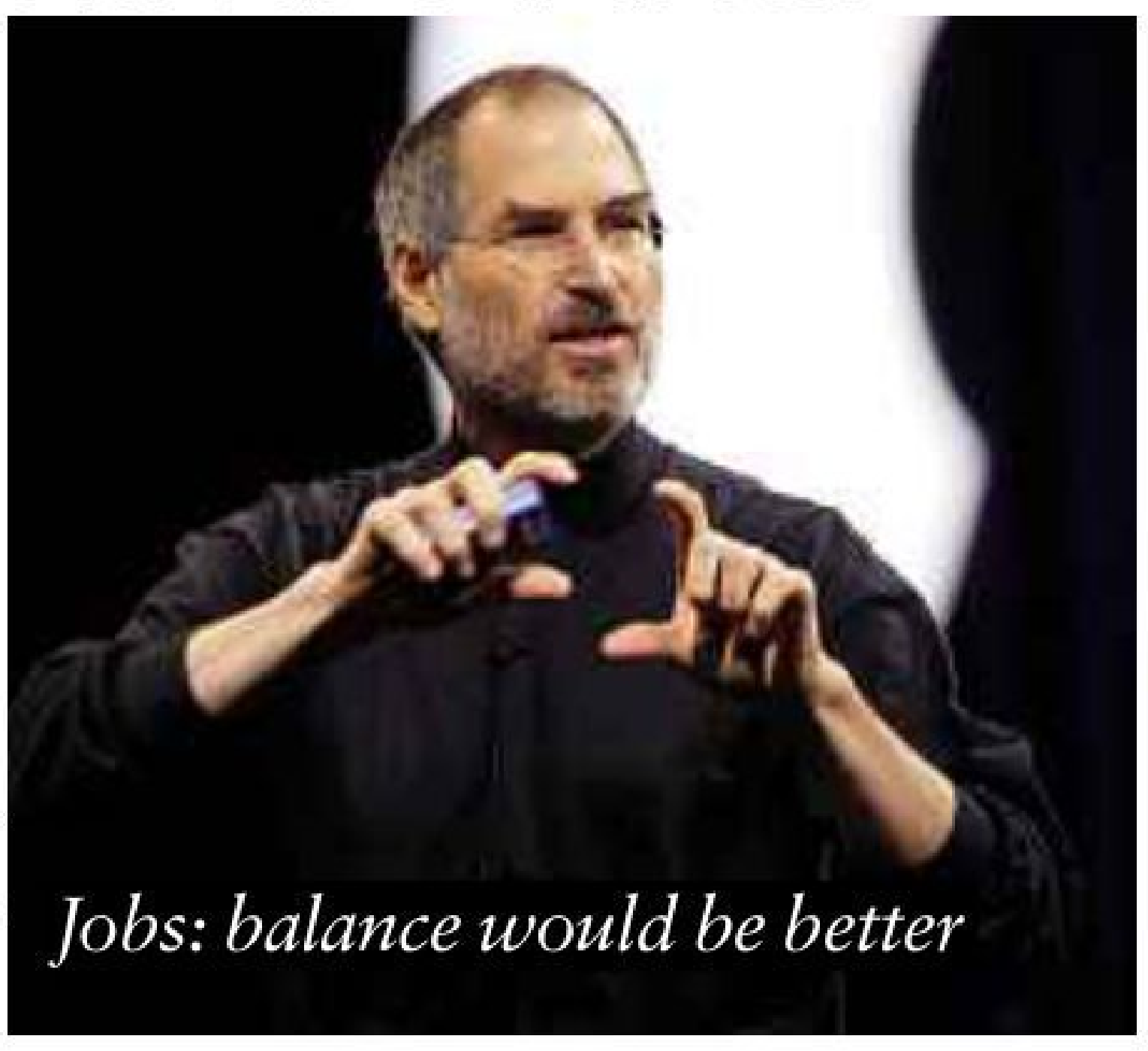
Discover your inner softie

inc.com

There's a popular myth, exemplified by Apple founder Steve Jobs, that a tough boss is a good boss. It ain't necessarily so, says John Boitnott. A 2017 review of scientific studies found no evidence that tough bosses got better results. A "softer, more balanced approach" may be better for morale and hence help grow the business. Here are three tips.

1. Stay strong. Forsaking domineering behaviour doesn't mean being a pushover. Most of us appreciate a boss who can make decisions with confidence.

2. Cultivate your softer side. Much of what is seen as toughness is really lack of respect. One of the best ways to soften up is show empathy and compassion. "Try to express genuine interest in your colleagues and employees."


Jobs: balance would be better

©Getty Images

3. Communicate. "Tough" bosses show their frustration and annoyance. Instead, just be clear what your expectations are and use constructive criticism without micromanaging. Tell employees what you expect from them, but "shy away from dictating how the task gets done. Let them exercise independence in ways appropriate to their position."

How Cornwall took back control

unherd.com

St Ives in Cornwall was fed up with rich Londoners buying second homes and holiday lets, and pushing up house prices beyond what local wages could bear, says Peter Franklin. At the last count, a quarter of the dwellings in St Ives were second homes or holiday lets. So the locals took back control.

In May 2016, voters backed a referendum to stop newly built houses in the town from being used as second homes. The result is that prices of new homes in the town are 13% below what they might have been if the previous growth rate had continued. True, the level of housebuilding in St Ives has slumped. But slowing the pace of development may be just what's needed. The housing crisis is one of affordability, and increasing the supply of houses will not necessarily bring prices down because demand (in the form of quick and easy finance) can always run ahead of supply. "Money flows faster than concrete." It is rational for St Ives to use the law to curb demand. That may be illiberal, but most liberals believe nations should control their own borders. Why not communities too?

A blueprint for the future of manufacturing

Five years ago, three-dimensional (3D) printing was a bubble that burst. But now its time has finally come – and its successor technology, 4D printing, is on the horizon, says Matthew Partridge

Investing in new technology tends to follow a set pattern. First you have a period where the technology languishes in obscurity. Next you have an explosion of interest, turning into hype. However, when it becomes clear that the technology will take longer than initially expected to develop and go mainstream, there is a collapse in interest – between 2012 and 2014 shares in companies related to 3D printing soared before falling back over the next two years.

Finally, when everyone's attention is elsewhere, the technology begins to deliver on its promises. The trick, then, is to buy after the bubble has popped and everyone is too traumatised or sceptical to jump back in. Three-dimensional (3D) printing is currently in this position.

Transforming production

The best way to understand 3D printing, and its benefits, is by contrasting it with traditional manufacturing. Until recently, "companies made things in one of two ways: either by carving and shaping blocks of raw materials, or by injecting or pouring liquid materials into a mould", says Peter Leys, executive chairman of Materialise, which has been involved with 3D printing for nearly three decades. While both processes, particularly moulding, "are very good if you want to produce large numbers of identical objects very quickly at a low cost", making even minor changes to the objects requires resetting entire production lines and creating new moulds, a time-consuming process.

By contrast, 3D printing is a sophisticated form of manufacturing using specialised equipment, known as 3D printers, to create objects from a digital design by adding together a large number of very small layers of material, some as small as 0.1 millimetres. So an object is essentially created from the bottom up, slice by slice. This means that if you want to change the way something looks, instead of setting and resetting production lines, you can just alter the digital image that is sent to the printer, "drastically cutting the time needed to produce new models", says Leys.

It can also affect the production process in other ways. For example, "because it is as easy to print 16 variations of a single design as it is to produce 16 copies of one design", it can make it much easier for firms to focus on producing copies of a product tailored to the individual customer. Objects that can now be 3D-printed range from guitars and guns to medical dummies and engine components.

"It will be far easier for companies to tailor products to their customers' specific needs"

A big boost to productivity

3D printing also improves productivity by allowing increased complexity. Traditionally complex products had to be split up into several different parts, which were then put together during the assembly process. Because this can be expensive and time-consuming, designers and engineers "are taught... to keep designs as simple as possible in order to make them easier to manufacture", says Leys, even if this involves compromising on other aspects, such as quality. However, because the 3D-printing process involves creating entire objects in one go, designers can now concentrate on quality "without having to deal with artificial constraints around complexity".

These advantages meant that when 3D printing was first developed in the late 1980s firms used it in order to help them create prototypes quickly. For a time 3D printing was known as "rapid prototyping". Even today this remains a major application for the technology, with companies sending designs on the Monday to the likes of Materialise, "which deliver the prototype the next day, to be tested on the Wednesday, revised and resent on Thursday", says Leys. This leads to the finished product "being delivered on the Friday, so that the firm can start to set up production lines for moulding".

However, while speedily producing accurate prototypes is an important function, the real breakthrough in the technology came around a decade ago when engineers began to realise that "it's more efficient to use 3D printing for the end product as well, rather than just using it to create prototypes", says Leys. This is particularly the case for products that "involve complex designs, or where an additional degree of personalisation could make them much more effective".

A vast range of applications

The advent of widespread 3D printing "is an excellent example of how a technology moves along the Gartner Hype Cycle from what we call its Innovation Trigger point toward widespread use on the Plateau of Productivity", says Pete Basiliere of research and advisory firm Gartner. Indeed, 3D printing has become so established in certain areas, such as the manufacture of hearing aids, that Gartner no longer bothers to track its use for those purposes, instead looking at other potential applications.

At present 3D printing is widely used in the medical sector, especially in the production of implants, and the aerospace industry, where it helps make engines and turbines more efficient, says Mikael Schuisky, vice president and head of research, development and operations at Sandvik, a Swedish engineering firm. However, other industries are also queuing up to incorporate 3D printing into their supply chains.

This includes everyone from railway companies and oil and gas firms, who are using it to produce parts used in drills and nozzles, to footwear makers, with Nike and Under Armour incorporating 3D-printed products (mainly plastics) into their shoes. Based on his experience at Sandvik, Schuisky expects demand for 3D printing to grow at around 20%-25% a year for the next five years before the industry starts to mature.

Hewlett Packard (HP) is also experiencing furious growth in demand for its 3D printers and printing materials. For example, its printers have enabled prosthetics firms to "revolutionise their products", and Volkswagen, GKN and BMW to "evolve automotive mass production", while Bowman International is also using its printing materials to "produce robust, cost-effective construction products", according to George Brasher, HP's UK

©Nike

Sports firms are incorporating 3D-printed plastics into shoes

managing director. In addition to helping other companies take advantage of the 3D-printing revolution, HP is incorporating it into its own production processes. It has used 3D printing to slash the cost of some key components in its own printers by as much as 95%, while reducing the weight of the parts by 90%.

DIY: 3D printing at home

Even home printing is managing to find a niche, albeit a smaller one than many people predicted five years ago. Chengxi Wang, the chief executive of 3D-printing platform MyMiniFactory, notes that the number of unique users on her firm's systems is now more than 500,000 each month, with "over one million items downloaded and 3D printed each quarter".

This is being supported by a "growing community of more than 14,000 3D designers uploading more than 700,000 of their designs to the platform". With the cheapest desktop 3D printer now available for just £300, she expects sales of desktop printers "to increase rapidly to over two million units this year". Popular items range from toy *Star Wars* figures to fan-grill covers.

Schuisky and Wang may seem optimistic, but their projections are in line with those of other analysts. The market research firm Wohlers Associates has been tracking the growth of the 3D-printing industry closely, and its latest report forecasts that total revenues will grow to nearly $16bn (£13bn) in 2020 for all products and services related to 3D printing. This should rise to $35.6bn by 2024, roughly in line with the rate of growth expected by Schuisky. Overall, it expects "many new players, hundreds of millions of dollars invested, and innovative new products designed", driven by machines that "can produce objects of much better quality and at a faster speed than they could five years ago".

4D printing: the new cutting edge

Demand for 3D printers and related technology is growing at a tremendous rate as the technology starts to enter the mainstream, with at least a decade of strong growth yet to come. However, its place on the real cutting edge of technology has been eclipsed by 4D printing, a concept attracting a large amount of attention from researchers and some corporations. The best way to describe 4D printing is to imagine that it's akin to "using 3D printing to construct multi-material objects that can subsequently transform themselves", says Professor Skylar Tibbits, the founder and director of the Self-Assembly Lab at the Massachusetts Institute of Technology (MIT).

Tibbits points out that the idea of using materials to create objects designed to evolve with their surroundings "has been around for centuries", with both winemakers and early shipbuilders "taking advantage of the fact that wood absorbs moisture when it's hot and expels it when it get cold". Unfortunately, "a lot of this knowledge was overlooked when manufacturing shifted from craft production to mass production, since it proved simpler

Continued on page 20

"The sector's sales are expected to more than double to $35.6bn in five years' time"

18+

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AVAXHOME -

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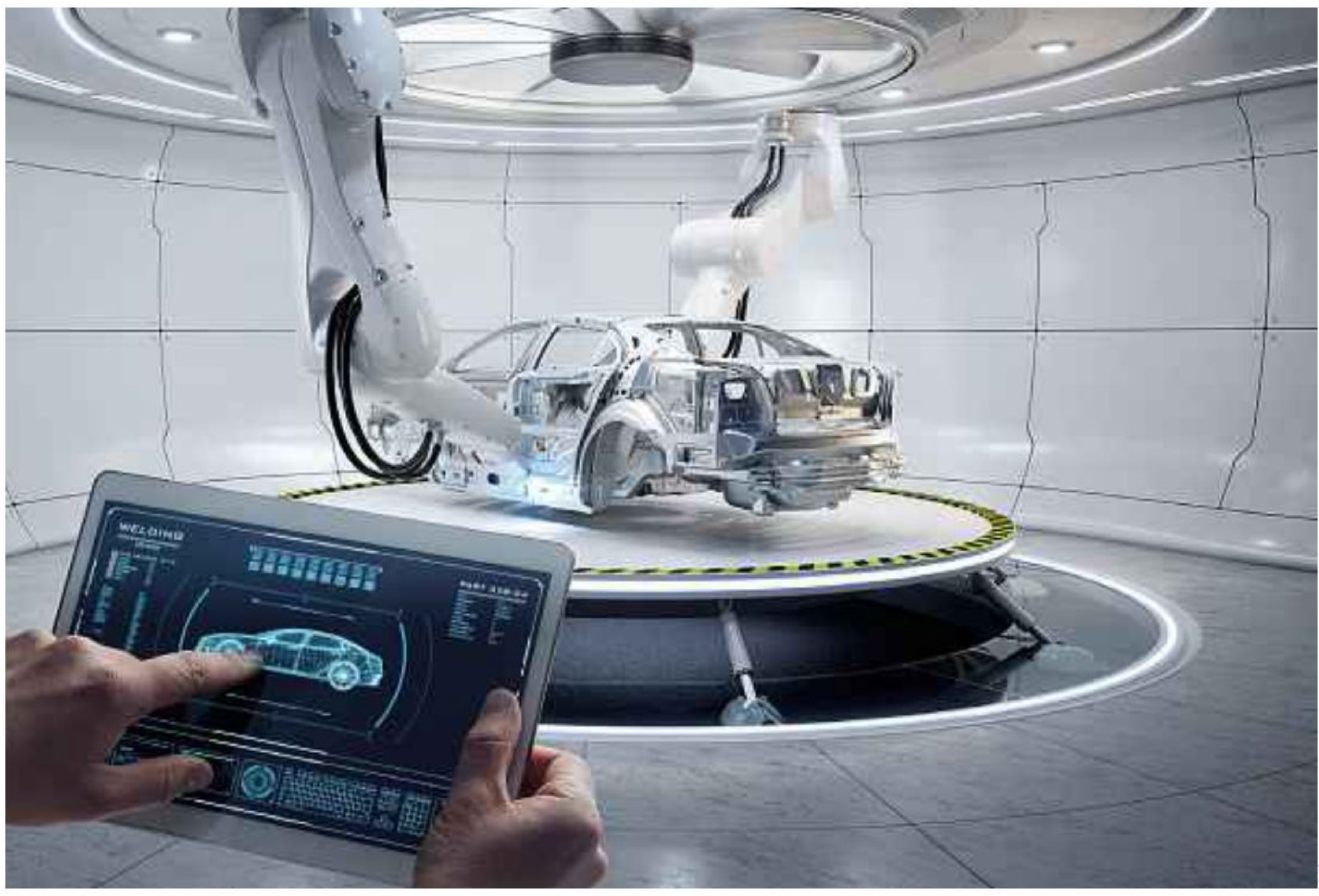
Continued from page 19

to just print one static structure". This has created a lot of inefficiencies. For example, if you want to change the amount of water flowing through water pipes, you either have to install a series of expensive pumps and valves, or "dig the system up and start from scratch".

The good news is that advances in our understanding of the way that materials operate now allow us to construct objects – beyond traditional silicon-based structures – that can be "programmed" to change in response to changes in the external environment, such as an increase in temperature or pressure, for instance.

Of course, to be effective such devices have to be engineered to a high degree of accuracy, in some cases to the nanoscale, which can be very difficult with traditional manufacturing techniques. Yet the high level of accuracy and customisation that the 3D-printing process permits makes it ideal for this purpose.



Car production is evolving rapidly with the new technology

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A boon for healthcare and the Internet of Things

Tibbits thinks that the "basic technological questions around 4D printing have now been largely resolved", so it's now just a case of shifting people's (and companies') perceptions about what is possible, and finding applications. Already, medical-device companies are starting to invest in 4D printing. Tibbits think that this is logical because if 3D printing allows devices to be customised to the current needs of the patient, then 4D printing "will allow the devices to change as the patient's needs evolve". Examples are splints, stents and orthodontic devices that can adapt to changes in a patient's body.

Firms are already starting to invest significant sums in 4D printing. A report produced this summer by Gartner noted that Airbus is now using it to improve the cooling functions of the components in the aeroplanes it manufactures. Briggs Automotive Company is also developing "a morphable wing for its supercar that can adjust to... weather conditions". Perhaps the most ambitious project is the French biotech firm Poietis's use of 4D printing involving cells to produce human tissue. Overall, Gartner predicts that "by 2023, start-up companies working to commercialise 4D printing will attract $300m in venture capital".

Tibbits reckons that the most significant role of 4D printing, and the one that has the greatest commercial potential, is in removing one of the barriers to the mass adoption of "smart" devices. Today most of them need to have additional electronic or robotic elements, to allow them to communicate with each other. Not only is this expensive, but it also makes them larger and bulkier. But if these robotic elements were replaced with special 4D-printed materials, then Tibbits thinks they could be much smaller and lighter.

When looking at 4D printing it's important to be aware that, because this is a very recent technology, it will take longer for it to reach its full commercial potential. Gartner's Basiliere cautions that "mainstream adoption of 4D printing will take more than ten years". Still, he predicts that further scientific advancements in biology, chemistry, electronics and 3D printing "will accelerate the discipline". The future is rapidly approaching.

> ***"4D-printed medical devices will adapt to changes in people's bodies"***

The stocks to buy now

Stratasys (Nasdaq: SSYS) is probably the purest play on 3D printing available and the company has been involved with the sector for the past three decades, producing award-winning 3D printers and printing systems.

This stock is not for the faint-hearted since the company has struggled to translate its technological leadership into profitability. The stock is still 80% down from its peak five years ago. Nevertheless, Stratasys is finally beginning to reap the financial rewards from years of research, and trades at only a 7% premium to its book value.

Proto Labs (NYSE: PRLB) specialises in rapidly manufacturing custom prototypes and production parts. It has facilities in eight countries, including the US and Britain. It originally focused on injection moulding, but it has become one of the major players in the 3D-printing sector over the last five years, specialising in key production methods and processes, including laser sintering (whereby powered material coalesces into a solid mass thanks to the power of a laser) and stereolithography, the conversion of liquid plastic into solid objects.

Its embrace of 3D printing has enabled it to more than double its sales over the past five years, with customers in a range of sectors from computer electronics to aerospace. All this more than justifies a forward price/earnings (p/e) ratio of 29.

The Swedish engineering company **Sandvik AB (Stockholm: SAND)** isn't a pure play on 3D printing since it concentrates mainly on metalwork. However, a significant part of its business is now focused on 3D printing and related additive technologies. Earlier this year it made headlines when it created the world's first 3D-printed diamond composite, as well as a smash-proof guitar.

Net profits have doubled over the past five years and the company has a return on capital of more than 20%. Despite this, it still trades at less than 12 times 2020 earnings. It also offers a solid dividend yield of 3.2%.

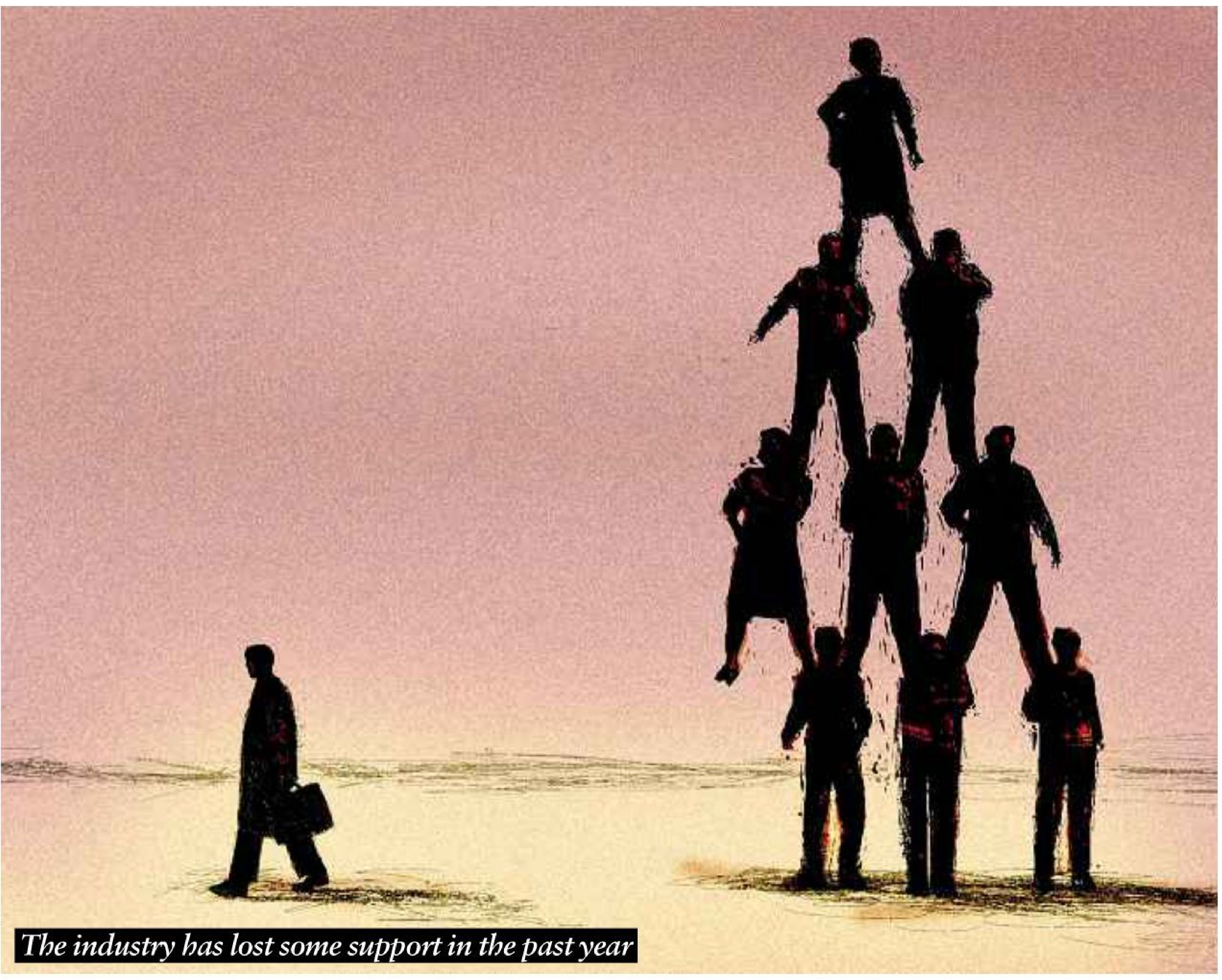
Another large company investing large amounts of money in 3D printing is **Hewlett Packard Enterprise Co (NYSE: HPE)**. Although Hewlett Packard entered the market relatively recently, it aims to grab a large share of the market for 3D printers by using its expertise with conventional ones to design 3D-models that are cheaper, better quality and more reliable than the competition. Its printers are expensive, with the most advanced model (due next year) costing $400,000. Still, they are already used by big manufacturing companies, including BMW and Volkswagen. The stock is currently cheap, trading on a 2020 p/e of 7.2, with a dividend yield of 3.6%.

While not directly involved in manufacturing itself, **Victrex (LSE: VCT)** produces polymers used in the production of everything from smartphones to medical devices. It recently developed a special polymer that is particularly suited to 3D printing and also aims to reduce the amount of material wasted during the process. Despite very solid growth of around 8% a year for the last few years, and returns on capital of more than 20%, it is still valued at only 16 times 2020 earnings. It also pays a dividend yield of 3.2%.

P2P lending hits a speed bump

The peer-to-peer sector is slowing, but it remains appealing in an era of zero interest rates

David Stevenson
Investment Columnist



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The industry has lost some support in the past year

In our yield-starved world, peer-to-peer (P2P) lending once seemed like nirvana: lend to people via an online marketplace and receive income yields well above those on offer from savings accounts. Unfortunately, over the last year or so, the shine has come off the sector, although the numbers suggest that the overall P2P marketplace is still growing. Specialist website altfi.com (of which I am executive director) recently published a state-of-the-market report (available online after registration: altfi.com/state-of-the-market), which collates various industry data sources in Europe.

A sharp slowdown in growth

The report shows that gross new lending in Britain topped £6bn for the first time in 2018, reaching £6.055bn according to specialist data provider Brismo. That represented a 20% increase on the previous year's total of £5bn, making the UK Europe's biggest online lending market – a punchy rate of growth by most standards, but after two years of 40% year-on-year expansion, 20% represents a sharp slowdown. Brismo is forecasting another year of 20% growth in loan originations for 2019, which would lift the new annual figure to £7.27bn.

Look below the surface

But these big headline numbers on lending volumes don't tell us the whole story. A key segment of the P2P lending market is consumer lending, and according to the report growth is slowing down sharply – loan volume growth was just 4.01% last year, with the rate predicted to drop to 3.8% in 2019.

The slowdown is also apparent in property lending (comprising bridging loans, longer-term mortgages and development finance). Last year growth all but ground to a halt. This is due to several factors, not least the slowing residential housing market. But the trials and tribulations of lenders such as Lendy also remind us that lending standards have been astonishingly lax in much of the sector.

In the sector comprising loans to small and medium-sized enterprises (SMEs) dominant player Funding Circle has also run into trouble. The share price has slumped and returns on its listed SME lending fund have continued to disappoint. The fund is now being wound down after reporting unexpectedly high defaults from loans to small businesses.

This all points to one increasingly obvious problem: returns from investing in P2P lending have been declining. If you had deployed money on the largest platforms – Zopa, RateSetter, Funding Circle and MarketInvoice – you'd have earned a composite net annual return of about 4.1% in the first quarter of 2019, according to the Link Asset Services (LAS) Marketplace Lending Index published in March. This net figure, calculated after losses and fees, has been falling steadily for three years, from a recent high of 6.4% in the second quarter of 2016.

"P2P returns are still well above the risk-free rate on three-year UK bonds"

These low returns and increased defaults have started to spook some investors. Stephan Findlay, chief executive of BondMason, recently announced that his company would wind down its marketplace-lending activities owing to declining returns. Findlay suggests that net returns have shrunk by about 1% a year over the past two years for a mix of reasons including competitive pressure on headline rates for some types of lending, platforms' margin requirements, and rising loan losses.

Don't give up on the sector

Yet I wouldn't get too carried away with the pessimism. It's still possible to get returns of between 4% and 5% from the major consumer-lending platforms, and there is also solid evidence that these lenders have tightened up their borrowing criteria. Their growth rates in lending volumes have perhaps declined because they are no longer chasing unprofitable borrowers. What's more, that net return of just more than 4% from the asset class needs to be put in perspective. Assuming the average duration of the index's basket of P2P loans is about three and a half years, it's also possible to compare the P2P asset class' returns with more conventional fixed-income investments. P2P returns are well above the risk-free rate on three-year UK government bonds, which stands at less than 0.5%. P2P loans also provide a higher return than baskets of investment-grade sterling corporate bonds.

A yield-starved world

Money-market accounts are also mostly yielding less than 0.75%. As for high-street savings accounts, there are very few paying more than 2% and those that do usually require a one- to three-year lock-in – although these savings accounts offer full protection from the Financial Services Compensation Scheme, which P2P investments don't.

And as we enter into a brave new world of negative interest rates we'll see the scramble for yield intensify again. Currently investors in peer-to-peer lending benefit from a 2% to 3% premium in terms of income from investing in lending. The risk – especially in consumer lending – is that this premium might be entirely eaten away by defaults shooting up in a recession. However, that recession will also result in increased interest rates being charged by lending platforms, which in turn might result in a strong rebound for investor returns. The upshot? Despite its current travails, P2P's glory days may be ahead of it.

The price of advice

Finding suitable and cost-effective professional help with your finances is hard work

Ruth Jackson-Kirby
Investment columnist

Fail to shop around when looking for financial advice and you could end up paying £4,500 more than you need to. New research by Which?, the independent consumers' organisation, has revealed that the cost of financial advice can vary by as much as 1,000%, proving that you need to compare several independent financial advisers (IFAs) before making an appointment.

Which? asked 108 advisers what they charged for a variety of scenarios. On one occasion, "a woman approaching retirement and wanting advice on drawing an income was quoted £500 for advice by the cheapest adviser – and £5,000 for the most expensive", says Kate Palmer in The Sunday Times. Advice for a young parent looking to save for their child's university education varied from £300 to £2,500.

"Shop around," says Jenny Ross, editor of Which? Money. "Look for a personal match as well as a decent price."

How detailed do you want the advice to be?

©Alamy

Trying to compare advisers is "notoriously difficult", says Palmer. Prices will vary depending on more than simply location and reputation. Your own circumstances will also be a factor: how much money are you investing and how detailed do you want the advice to be?

"These fee comparisons usually miss out on a lot of key information," Ricky Chan, director of IFS Wealth & Pensions told FT Adviser. Some services may include a review of underlying products and investment strategy, for instance, while it is not always clear whether implementation fees come on top of the advice report fees.

Of the advisers surveyed by Which?, 70% said their charges were worked out in proportion to the amount of money they were being asked to manage. Six in ten said they charged a flat fee and 6% charged by the hour. Some offered a mix of all these fees.

Is the advice restricted?

You also need to understand whether the advice you are getting covers the whole market or whether it is "restricted", in which case an adviser can only recommend specific products to you. This is usually because they work for a bank or wealth manager and can only advocate their products.

Additionally, "many advisers do not publish their fees, so you will need to speak to a few before making a decision", says Palmer. An initial meeting should be free and provides an opportunity for you to assess if the adviser offers value for money.

"Before accepting any advice, make sure you understand what is being recommended to you, and that you are happy with what's on the table before going ahead," says Ross.

You can find a list of IFAs in your area on unbiased.co.uk. You should also check the Financial Conduct Authority's (FCA) register to make sure they are authorised and regulated by them.

5 Reasons to Buy Physical Gold...

1 **Gold is a safe haven asset** - Gold is frequently used as a safe haven asset in times of economic turmoil or geopolitical uncertainty. For this reason many advisors recommend allocating around 5% - 15% of their portfolios to gold.

2 **Gold has a history of holding its value** - Unlike paper currency, gold has maintained its value through the ages. It is an ideal way of preserving wealth from one generation to another. Plus, UK bullion coins are not subject to Capital Gains Tax.

3 **Gold is a hedge** - Gold has historically had a weak correlation to movements in the financial markets and is frequently used as a hedge against inflation or to offset falling stock markets.

4 **Scarcity** - Deposits of gold are relatively scarce and new supplies of physical gold is limited. This natural scarcity and high production cost is the ultimate reason why gold holds value.

5 **No counterparty risk** - When you invest in physical gold you own it outright. You are not reliant on banks or financial institutions. In contrast, gold futures, gold certificates or ETF's all involve counterparty risk.

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*Source: Experian Hitwise based on market share of UK internet visits March 2016 - March 2017

How to find apprentices

Many small businesses are keen to take on young trainees

David Prosser
Business columnist

Almost a quarter of small companies employ an apprentice

©Getty Images

The Apprenticeship Levy should be a boon for small and medium-sized enterprises (SMEs). Introduced in 2017, the levy requires all employers with a wage bill of £3m or more to pay into a fund financing the cost of apprenticeship schemes; these firms then reclaim government vouchers that help them meet the costs of their own apprenticeship initiatives.

Firms with lower wage bills are not required to pay the levy but can still claim funding for apprentices – often as much as 95% of their costs.

Unfortunately, the levy hasn't matched expectations. Many SMEs are now reluctant to run apprenticeship schemes because accessing funds from the levy is so complicated.

Nor do the finances of the scheme stack up. According to the Association of Employment and Learning Providers, which represents apprenticeship scheme providers, one in four of its members have had to turn away SMEs looking for funding to take on apprentices.

The problem is that the sums claimed by large levy-paying employers do not leave enough to finance the ambitions of smaller non-levy-paying businesses.

The funding crunch comes at a difficult time. The Department for Education is shortly due to begin a £500,000 campaign to promote the take-up of apprenticeships by SMEs. Ministers insist they are committed to providing additional funding for apprentices, and to reforming the Apprenticeship Levy to simplify it.

That would be welcomed by SMEs. The Federation of Small Businesses has found that 24% its members already employed at least one while a similar number were keen to do so.

It's worth pointing out that many small businesses are still making great use of apprentices and benefiting from reforms to the system, with the fees charged when they take on apprentices having been halved last year. Most SMEs applying for funding from providers are succeeding.

Where to find help

For employers yet to take the plunge, the National Apprenticeship Service provides a range of support for SMEs keen to take on their first apprentice. It can guide employers towards the apprenticeship set-up or standard most suitable for their industry, and provides details of training providers that offer the education they will need to give new recruits. The service also provides advice on where to access funding.

Selecting the right training partner is crucial. These providers are responsible for delivering the training apprentices will receive and also play a vital role in advertising vacancies and recruitment. Some can also take on all the administration involved in running an apprenticeship scheme.

In the news

With small and medium-sized businesses accounting for 58% of all sales made on Amazon around the world, independent retailers are a crucial constituency for the e-commerce giant. Amazon has now launched 150 separate tools and services this year designed to help SMEs operating through its marketplaces.

The initiative represents a significant increase in support for small businesses that depend on Amazon to reach their customers. The platform is keen to rebut criticisms that it has prioritised sales of its own products ahead of those of third-party sellers.

The services on offer do provide SMEs with access to the sort of functionality that large retailers take for granted. They include fulfilment and inventory management tools to help SMEs manage their stock more effectively, a suite of analytics software to help firms identify new sales opportunities, and automatic pricing data allowing sellers to manage the sales process more efficiently. Most of the tools are available for no additional cost, but retailers do risk increasing their dependence on Amazon for their business development.

Five questions for... Amy Golding, CEO of Opus Talent Solutions

● What does your business do?
We help companies build teams in the technology and energy sectors. We focus on recruitment and training to fix the skills gap in these industries, which is critical to our future.

● What's been your greatest achievement?
Our niche focus on technology and innovation has enabled us to expand globally very quickly. We opened our first international office in 2015, and now achieve international sales of around $50m (£41m) across Asia Pacific, Europe and the US.

So 50% of our total sales now come from outside the UK. This year, we were named as one of the top ten companies with the fastest-growing international sales by The Sunday Times.

What has been your biggest challenge?
We are a privately-owned company and have expanded to $100m turnover in a decade without ever taking a penny of investment. Sustaining that organic growth at this size makes for some quite lively boardroom discussions and a constant focus on innovation.

● What are your plans for hitting your targets this year?
We want to achieve more depth of industry and breadth of client base. Depth in that we are becoming more and more focused on innovative sectors. We are investing heavily in our clean and renewable energy practice and are constantly updating our technology markets.

We are also focusing on increasing our breadth by diversifying our client base and our geographical coverage. International growth remains a big focus.

We have opened five new offices in the last four years and plan to add to our portfolio in 2020. The US and Europe remain huge growth areas for us.

● What's the one piece of advice you'd give fellow entrepreneurs?
It's easy to allow market uncertainty to become your excuse. But uncertainty can bring opportunity. Someone, somewhere, is always buying something. Opus launched in 2008, the first year of the last recession.

In order to stay alive, we always ask ourselves: "If our clients are going to buy one thing right now, what is it?" And then we make sure we work harder than anyone else to give it to them.

Top-notch companies with compelling prospects

A professional investor tells us where he'd put his money. This week: Michael Foster of the Ocean UK Equity fund highlights three favourites

We seek out the highest-quality companies with the potential to deliver attractive returns. We look at aspects such as margin sustainability, culture, research and development (R&D) budget, vision and integrity of senior personnel, debt and – critically – attitude to debt.

We believe owning quality companies, especially during periods of heightened uncertainty and volatility, pays off over the long-term. As the famous American investor Peter Lynch pointed out, "more money has been lost by investors preparing for corrections or trying to anticipate corrections than has been lost in the corrections themselves".

A finger in several tasty pies

One top-notch stock is **Halma (LSE: HLMA)**, a technology company operating in three areas: safety-critical systems (fire detection), environmental operations (water analysis) and medical equipment (ophthalmology). Its latest annual results were strong, with revenue up 13%, profit up 15%, the dividend 7% higher and debt cut by 17%.

> *"Arguably luxury group LVMH's top competitors are the counterfeiters"*

Halma operates in sectors benefiting from structural growth, medical regulation and the urbanisation of the developing world. The company spent 11% of sales, £63m, on R&D and £29m on capital expenditure (principally driving automation through the business). It is worth noting that in the last 40 years Halma has only had three chief executives.

Pulling ahead of the competition

Drinks giant **Diageo (LSE: DGE)** reported encouraging year-end results, demonstrating its strong competitive advantage. Sales grew by 5.8%, the dividend was up 5% and earnings per share (EPS) grew by 10% while free cash-flow generation was impressive. Marketing and capital expenditure are also being stepped up to support the ambitious medium-term top-line growth target of 4%-6%. Diageo's targets also include achieving dividend cover of 1.8-2.2 times earnings.

Diageo has also committed itself to various endeavours that make it all the more attractive. For instance, the "grain-to-glass" project, which emphasises the company's awareness of responsibility to consumers and overall sustainability, has resulted in a marked improvement in its carbon emissions and water efficiency.

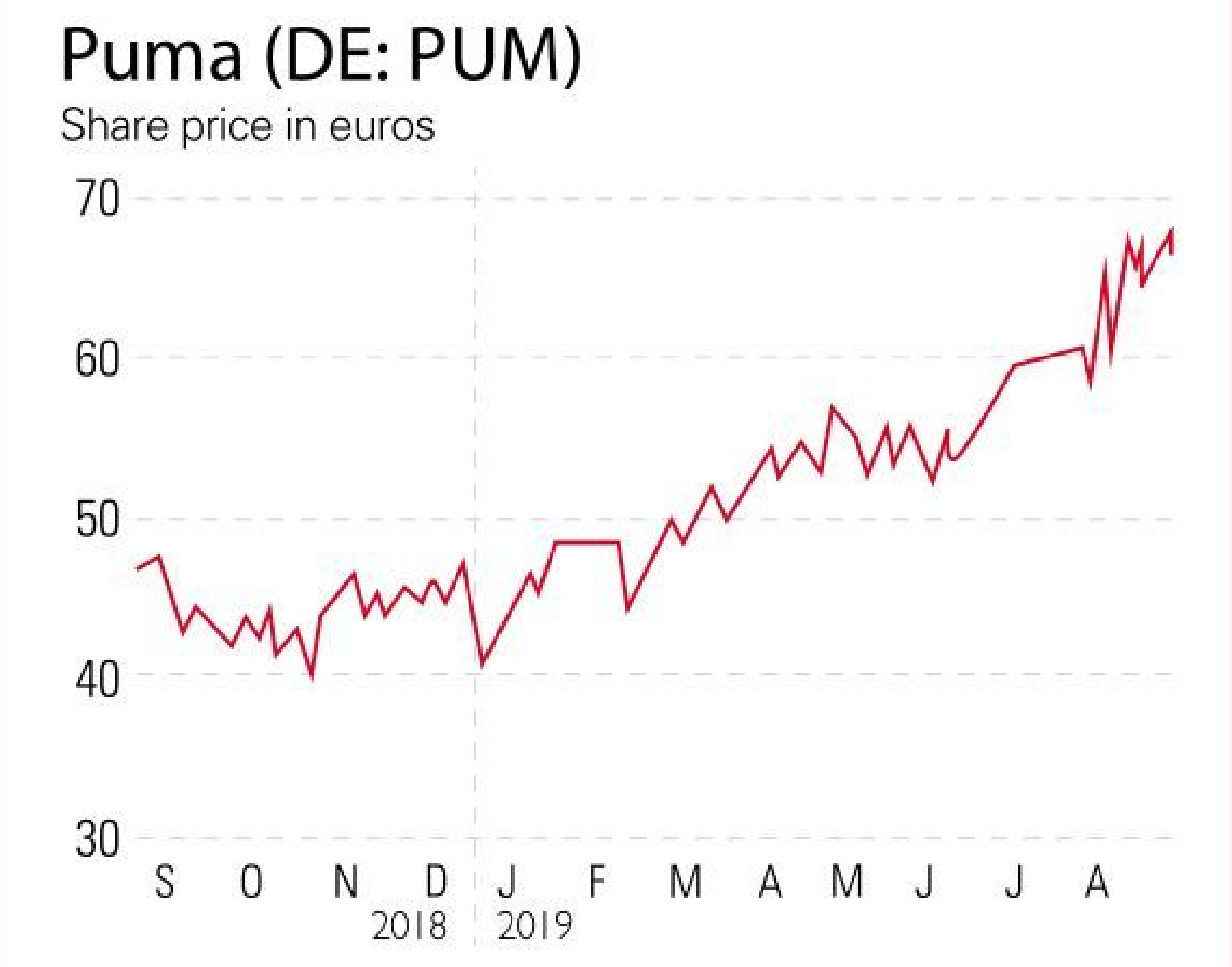
The leaders in luxury

LVMH (Paris: MC) is a global leader in the manufacturing and retailing of luxury products. There is only one manufacturer of Louis Vuitton luggage or of Dom Pérignon and Krug champagne. While there is competition from the likes of Kering, with brands such as Gucci and Yves Saint Laurent, arguably its biggest competitors are the counterfeiters.

LVMH's broad range of products gives it a strong advantage over other leading brands. It manufactures and sells wines and spirits, fashion and leather goods, perfumes, cosmetics, watches and jewellery. Its operations are geographically diverse with a third of sales in each of Asia, the Americas and Europe.

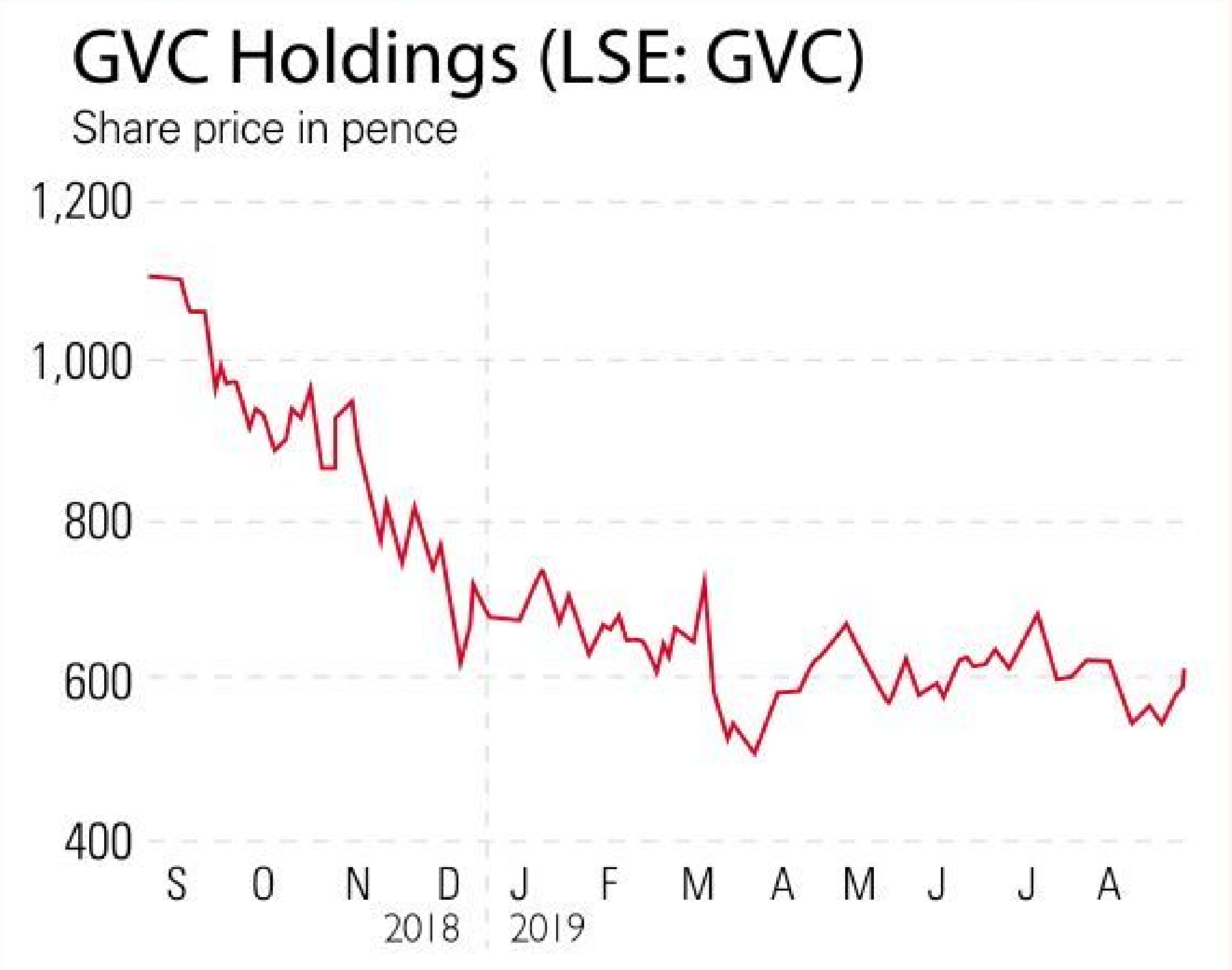
Recently the group added to its product base with the purchase of Belmond, which offers hotels, safari camps, trains and cruises. Recent interim results saw sales grow by 15% and profits from recurring operations up 14%.

If only you'd invested in...

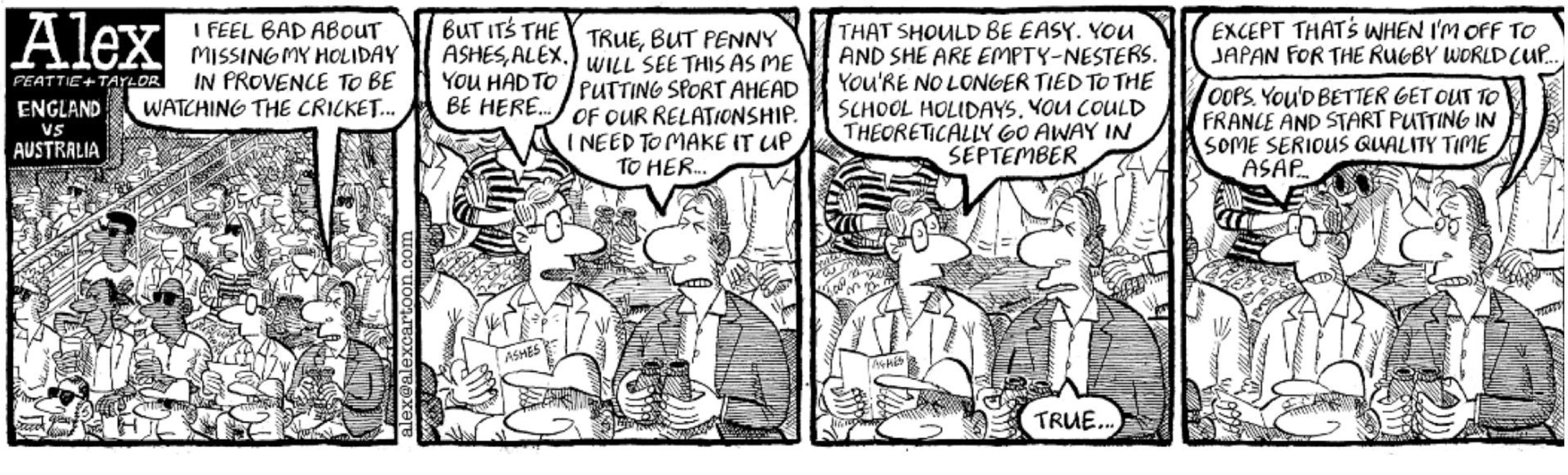


Puma (DE: PUM), the world's third-biggest sportswear manufacturer after Nike and Adidas, is "leaping ahead", says Euro am Sonntag. It has just raised its profit forecast for this year, with operating earnings now expected to grow by up to 28%. The news follows a record first quarter, when both sales and earnings notched up double-digit percentage growth. The sector's long-term prospects look compelling as emerging-market consumers grow wealthier and the health and fitness trend spreads. No wonder the shares have risen by 40% this year alone.

Be glad you didn't buy...



Shares in **GVC Holdings (LSE: GVC)** have nearly halved since last autumn. New regulations, notably those covering fixed-odds betting terminals and advertising, have hit the entire industry. Chief executive Kenny Alexander sold two-thirds of his stake in March, unnerving the market and causing a 15% slide in the stock. The company has now fallen out of the FTSE 100 index. Alexander last week tried to placate investors by buying stock, insisting he was a long-term bull. He snapped up around 800,000 shares, taking his overall holding to 1.5 million.


Alex
PEATTIE + TAYLOR
ENGLAND VS AUSTRALIA
I FEEL BAD ABOUT MISSING MY HOLIDAY IN PROVENCE TO BE WATCHING THE CRICKET...
alex@alexcartoon.com
BUT IT'S THE ASHES, ALEX. YOU HAD TO BE HERE...
TRUE, BUT PENNY WILL SEE THIS AS ME PUTTING SPORT AHEAD OF OUR RELATIONSHIP. I NEED TO MAKE IT UP TO HER...
ASHES
THAT SHOULD BE EASY. YOU AND SHE ARE EMPTY-NESTERS. YOU'RE NO LONGER TIED TO THE SCHOOL HOLIDAYS. YOU COULD THEORETICALLY GO AWAY IN SEPTEMBER
TRUE...
EXCEPT THAT'S WHEN I'M OFF TO JAPAN FOR THE RUGBY WORLD CUP...
OOPS. YOU'D BETTER GET OUT TO FRANCE AND START PUTTING IN SOME SERIOUS QUALITY TIME ASAP...

© The Telegraph 2019

Superman won't hang up his cape

Hong Kong billionaire Li Ka-shing had hinted at his desire to retire. Now, caught between the authorities in Beijing and the pro-democracy protests, he finds himself in a tricky situation. Jane Lewis reports

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nounce

Li will remain in business for a while yet

©Getty Images

"As well as savvy deal-making, keeping a tight rein on finances is a Li trademark"

When Hong Kong's richest man bumped into a group of children on their way to a dance competition last month, he decided on a whim "to buy them all a present and pay for their trip to the tournament", says The Daily Telegraph. That sort of "spontaneous gift", estimated to be worth $120,000, would have been unthinkable in his earlier life. But having built up his conglomerate, CK Asset Holdings, into one of Hong Kong's major corporate beasts, it was a mere bagatelle for the billionaire known locally as "Superman".

That certainly isn't the case with Li Ka-shing's most recent purchase – the £4.3bn buyout of pub chain Greene King. Several analysts have questioned the tycoon's willingness to pay a whopping 50% premium for the 220-year-old brewer, wondering if Li's interest lies less in the resilient UK economy per se, and more in getting as much cash as possible out of Hong Kong, says The Times. The deal adds to a "burgeoning slate of British assets" – including Superdrug, the Three phone network, and stakes in Northumbrian Water and Chelsea Harbour. The Li family has also been extending their control over British electricity infrastructure and ports.

An ambiguous display of loyalty

As one Hong Kong's leading oligarchs, Li finds himself in a tricky situation because of the protests in Hong Kong, says The Economist. Chinese media have taken to attacking the territory's tycoons "for insufficient displays of loyalty" – prompting several to show up at a pro-government rally earlier this month. Li himself responded by placing full-page ads in the local press calling for restraint. But his message – which took the form of "some enigmatic quotes from classical literature" – was "ambiguous". When Li urged readers to "love China, love Hong Kong and love yourself", it was unclear if the message was aimed at the protestors, the local government or the authorities in Beijing.

Li, at 91, clearly has an eye on protecting his dynasty – one son, Victor, was at the forefront of the Greene King deal; another, Richard, is known in Hong Kong as "Superboy". And having painstakingly built an empire from nothing, he must surely chafe at having "racked up paper losses of more than $3bn" since the end of July, says the FT. As well as savvy deal-making, keeping a tight rein on finances is a Li trademark.

That's unsurprising given his tough start in life, says The Daily Telegraph. Born in the Guangdong province in 1928, he was forced to flee to Hong Kong as a child during the second Sino-Japanese war. Once there, Li had to leave school early following his father's death and took his first job in a plastics factory at the age of 15. "The most terrible experience during my childhood was witnessing my father suffering and ultimately dying of TB," he told Forbes in 2010. "The burden of poverty and this bitter taste of helplessness…sort of branded on my heart the questions that still drive me. Is it possible to reshape one's destiny?"

Li achieved that, famously, by setting up a business "selling plastic flowers" in his early 20s, "later diversifying into wider plastics manufacturing" and then moving into real estate, shipping and retail. It proved a winning formula: earlier this year his wealth was pegged at around $29bn. Last year, Li indicated his intention to retire after "a storied career as one of the most successful businessmen in the region", says CNBC. The current troubles may have put the stoppers on that plan. The situation is far too tense and volatile for Li to consider "hanging up his cape" any time soon.

Great frauds in history… *John Sadleir*

John Sadleir, the son of a wealthy Irish farmer, was born in 1813, followed by his brother James two years later. John initially pursued a legal career, but the brothers went on to set up the Tipperary Joint Stock Bank in 1846, which was run by James. The brothers were also politically active – John entered parliament in 1847; James in 1852. John was a leading figure in the Independent Irish Party, which pledged not to serve in office. He was elected and accepted a place in a coalition government from 1852 through 1854. His decision to hold office despite being elected on a pledge not to caused outrage.

What was the scam?

The Tipperary Joint Stock Bank was successful in the beginning, but John's greed started to get the better of him and he began stealing from customers to fund private speculation in land, railway shares and later in the commodity markets. To fund his losses, which eventually totalled £1.5m (£137m in today's money), he mortgaged his property to multiple creditors, including a £247,000 (£22.7m) overdraft with the Tipperary Joint Stock Bank, which also guaranteed many of his other loans. He also began selling forged shares in the Royal Swedish Railway Company, which he was a director of, as well as arranging for the Tipperary Joint Stock Bank to issue additional shares to English investors using a fraudulent balance sheet.

What happened next?

By the start of 1856, the credibility of both Sadleir's empire and the Tipperary Joint Stock Bank were crumbling. With creditors demanding repayment, and newspapers publishing allegations of forgery, John committed suicide on Hampstead Heath on 17 February 1856. Although he left a letter absolving his brother of any blame, it quickly became obvious that James had been fully aware of what had been going on, and he decided to flee the country, spending the rest of his life in exile in Switzerland. He died in 1881.

Lessons for investors

John Sadleir's multiple deceptions eventually destroyed the Tipperary Joint Stock Bank, which quickly folded with liabilities of more than £380,000 (£32.8m) in excess of its assets. Because limited liability had not then been widely introduced, the bank's shareholders, including the 70 English shareholders who had bought shares based on the fraudulent accounts, not only lost their money, but were also liable for the bank's debt. Many were either ruined or forced into bankruptcy. Generally, the lesson to take home is that it's not a good idea to buy into a bank when the largest creditor is the brother of the managing director.

MoneyWeek
WINE CLUB

The stars of your next dinner party

It was a Saturday lunchtime when I visited Haynes Hanson and Clark's HQ in Chelsea to taste a few wines for this month's selection. I usually do all of my tastings at home at the weekends, but this retailer was open for business so I felt more like a real life punter than a wine writer as I tucked into the range. For the first time in my life, I didn't feel like spitting either. Not only were the wines all utterly delicious, but I was attacking them as I would a keen wine buyer rather than a note-taking professional. Which wines did I want to buy, on the spot, and why? The answers are below. I put myself in the mindframe of a keen, dinner-party-hosting, fairly thirsty wine amateur (not much of a stretch, you might say) when I made my choices! I am certain you will agree, so dive deep in preparation for your autumn dinner party season.

Matthew Jukes

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Prices shown below are per case of 12 bottles. Wines are also available in a mixed case, giving you two bottles of each for **just £150** — it's a chance for you to try them all, and is the most popular choice with *MoneyWeek* readers!

~~£10.25~~
£8.80

2018 Parcelles Chardonnay, Christophe Réthoré Davy, Val de Loire, France

I have been trying to think of a more accurate and rewarding sub-tenner Chardy than Parcelles and I cannot come up with one! Unoaked, bright and light thanks to its cool Loire origins, and discreetly generous in the mid-palate, this pretty wine has it all. I noticed hints of ice cool Galia melon and this will give you some idea of how slippery and refreshing it is. An all-rounder, this is an elegant, classic, 'fridge door' wine for all occasions and all punters!

CASE PRICE: £105.60 — saving £17.40

~~£10.75~~
£9.25

2017 Laroque, Cabernet Franc, Cité de Carcassonne, France

It was rather exciting to find a red partner for Parcelles, and it is a rather curious 'jigsaw' piece, given that the Chardonnay is a Loire wine and Laroque uses the Loire's star red grape Cab Franc in its make-up. The reason this wine is such a success, though, is that is doesn't come from the Loire, but from a far warmer clime, down south, near the medieval city of Carcassonne. Here the grapes ripen fully and the blackberry and herb notes are juicy and mouth-filling, while not losing any of Cab Franc's trademark, refreshing acidity. This is a stellar quality, inexpensive red hero! It is simply staggering just how accurate and rewarding a seemingly simple wine like this can be.

CASE PRICE: £111 — saving £18

~~£14.45~~
£12.50

2018 Chiroubles, Domaine de la Grosse Pierre, Beaujolais, France

I have followed this Domaine for many, many years and I knew the moment I dipped my hooter in the glass that this was a stunner. The label has changed, so I might not have spotted it on the shelf, but Jim Eustace, HH&C's vinous Darth Vader, guided me to the bottle using the 'force' and I didn't look back. Silky, succulent, indulgent Beaujolais is one of France's unique vinous gifts to the world and I drink it by the gallon. The price is laughably cheap given the complexity and expertise in this wine. You simply cannot avoid buying this Chiroubles this month! Forgive me if I use the 'force', too, to implement this order.

CASE PRICE: £150 - saving £23.40

~~£17.75~~
£15.50

2017 Lirac Blanc, Comtesse Madeleine, Château de Montfaucon, Southern Rhône

This wondrous creation is from the left field, of that there is no doubt, but it is a ravishing beauty which starts like a pitch perfect aria and builds to the full crescendo banging out a rousing chorus with unbridled gusto. Made from Marsanne, Clairette, Grenache Blanc and Picpoul, this wine packs a flavour punch which is breath-taking, despite only having 13% alcohol. With hints of exotic fruit and fennel, this is a classic Southern Rhône white wine of exceptional poise and breeding, built for sophisticated main course fish dishes.

CASE PRICE: £186 — saving £27

~~£18.60~~
£16.17

2017 Mâcon-Fuissé, Les Bruyères, Domaine Dominique Cornin, Burgundy, France

Romain Cornin makes wines with exquisite control. He cites Guillemot-Michel as an inspiration and indeed this famous Domaine makes smart wine, but Cornin's own creations are, to my mind, more precise and elegant. Les Bruyères is a biodynamically grown Chardonnay with not an ounce of too much fat or muscle. It is slender, sassy and sexy but more gamine than burlesque in its demeanour. That is not to say it lacks complexity or impact on the palate, because this is a wine that stands shoulder to shoulder with those ten or fifteen pounds more expensive from starrier appellations.

CASE PRICE: £194 — saving £29.20

~~£15.65~~
£13.50

2018 Lagrein, Kellerei Kurtatsch, Alto Adige, Italy

I ducked out of France for one wine this month and it comes from an estate whose Chardonnay and Pinot Grigio I greatly admire. It was the first time that I've tasted the Lagrein from Kurtatsch, and while I am a fan of this rare grape, many are earthy or indeed a little rustic, so I don't drink it as much as I would like. This winery is famed for its gentle touch so there is nothing agricultural about this wine. It is gossamer smooth, perfumed with fruits of the forest tones and brightly crisp on the finish, too, thanks to its enlivening acidity. It is a gem of a wine and one you will adore, particularly if you're looking to vary your wine diet beyond the acknowledged classics.

CASE PRICE: £162 — saving £25.80

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Six of the world's best train journeys

From a 51-hour ride to America's west coast to a trip taking in Lake Titicaca in Peru. Chris Carter reports

North America

A trip aboard the California Zephyr from Chicago to San Francisco will tell you a lot about American culture, says Anthony Sattin in Condé Nast Traveller. At 2,438 miles, and taking 51 hours, it's also one of the longest rides in the US. "Plenty long enough for me." It leaves at 2pm on the dot (see amtrak.com). "In the evening the Zephyr passes through the Midwest Corn Belt and crosses the Missouri River into Nebraska, and by morning the world has changed again: snow-dusted mountains crowd the horizon." At Denver, the guard recommends that "folks de-train" to see the station. The most beautiful part of the journey, however, lies between Denver and Salt Lake City. There, the train climbs into the mountains, "twists along rivers, cuts through sheer canyons and roars through the six-mile Moffat Tunnel". When the lights of San Francisco, and the Pacific beyond it, finally hove into view, a plane cut across the sky, reminding Sattin that he could have flown the distance in a fraction of the time. The train, though, is better.

Australia

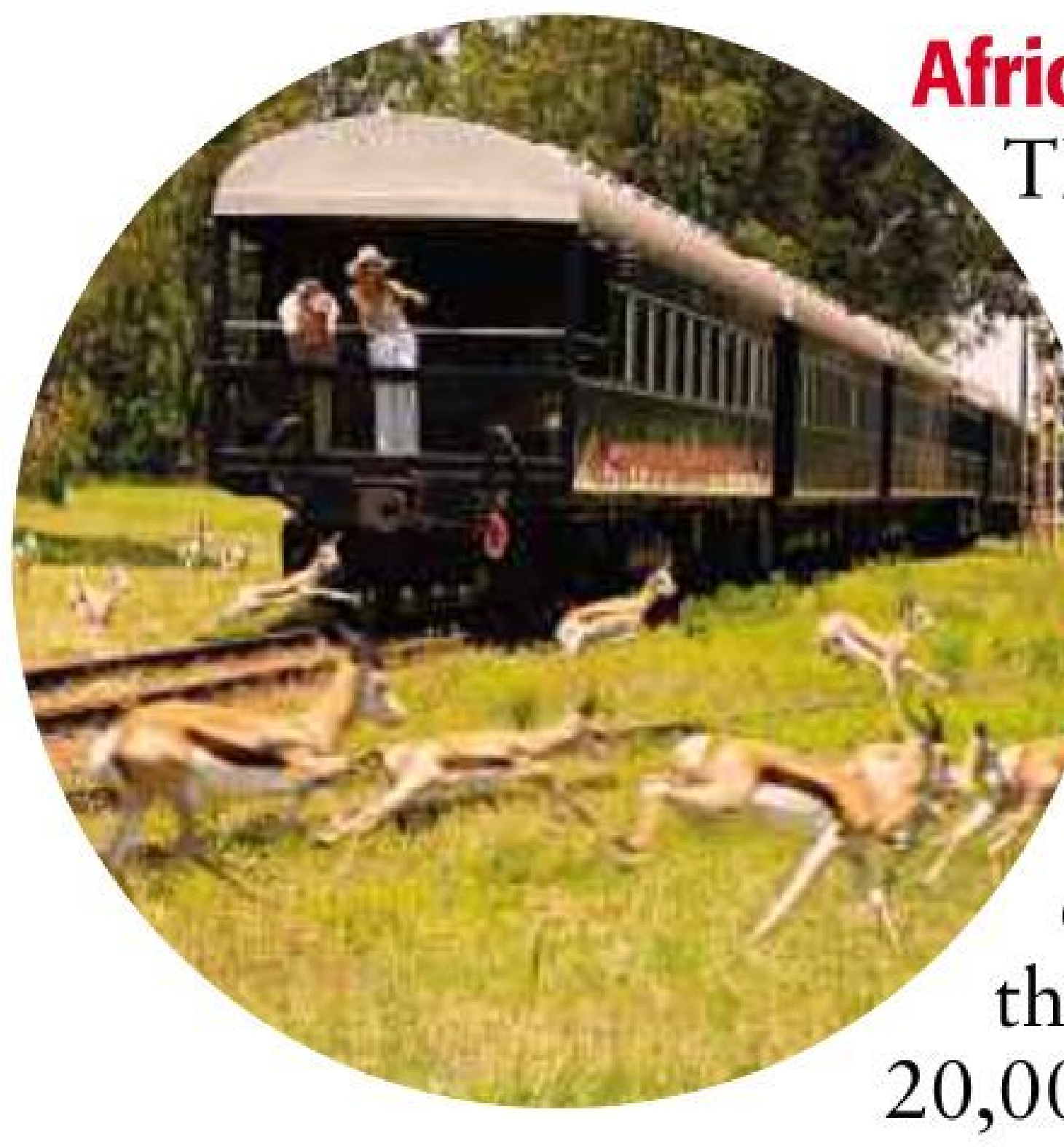
This month, Great Southern Rail marked the 90th anniversary of the Ghan (journeybeyondrail.com.au), Australia's famed south-to-north railway line (though the final northern stretch was only completed in 2003), says Michael Kerr in The Daily Telegraph. The four-day journey takes you from Adelaide, through the deserts of the Red Centre and the tropics of the Top End, to Darwin.

The line takes its full name (the Afghan Express) and emblem from the Asian cameleers who opened up the centre and north of the country from the mid-1860s to trade, using their camels to carry materials and equipment. After that, the cameleers became redundant. "So if you're planning to ride the Ghan in this anniversary year, spare a thought for those who made it."

South America

Lake Titicaca in Peru is best reached from the old Inca capital of Cuzco aboard Belmond's luxury Andean Explorer, says Hugh Thompson in Spear's. Leaving late in the morning, it climbs to the heights of the La Raya pass (see belmond.com). "It harks back to a distant age of luxury train travel, sipping pisco sours in the open observatory car as we travelled through what is still a very rural part of Peru… alpaca were grazing in the fields and the maize stubble was being burnt after the harvest."

The next day you arrive at Lake Titicaca – "a spectacular sight" at dawn, when the "quality of light over the vast expanse of high altitude water" and the low clouds passing through the stratosphere make for a wonderful sunrise. "Passengers line the quayside to watch, helped by strong cappuccinos, as the long, lean islands on the lake were silhouetted against the rising sun like emerging black submarines."



Africa

The decadent carriages of Rovos Rail take routes across South Africa, many of them weaving through nature reserves, savannah and game reserves, says Lucy Lovell in The Independent. The Durban Safari (see rovos.com) trundles from Pretoria to Durban, on the coast. It passes through the Nambiti Conservancy – set in 20,000 acres of bushveld in Kwazulu Natal. "From the open-air observation platform, eagle-eyed passengers might spot springbok, zebra and giraffes."

Europe

The journey from St Pölten to Mariazell in Austria is more than 78km long and lasts two and a half hours, says Wanderlust. This narrow-gauge service is officially split into two sections – valleys and mountains – and crosses one of the wildest regions of the Austrian Alps (see mariazellerbahn.at). The valleys section stretches from St Pölten to Frankenfels, a land of "pretty grazing meadows and gentle pathways (tickets allow you to hop on and off)", while the mountains section "climbs up through the ruggedly handsome Erlauf gorge and the peaks of Ötscher-Tormäuer Naturpark". Grab a first-class panorama carriage for widescreen views along the way from May to October. Heritage rail fans will love the 100-year-old Otscherbår train that runs from June to late September.

©Alamy; iStockphotos

Asia

The Reunification Railway runs from the capital, Hanoi, in the north of Vietnam, to the economic powerhouse of Ho Chi Minh City (formerly Saigon) in the south, says Peter Ford in the South China Morning Post. It takes 31 hours between the two (see vietnam.travel). Starting at the southern end, the train leaves Ga Saigon, the name a reminder of the country's French (*gare*) colonial history, and from the window "Vietnam's rural beauty is soon visible".

Conical straw hats bob "on the heads of workers tending rice fields alongside water buffalo and ancestral family shrines". After Nha Trang, the railway line hugs the coast. "Jagged limestone karsts jut out from the fields, splinters of the mountainous ridge that delineates much of Vietnam's western border with Cambodia and Laos, and the views of rice fields and villages continue to roll by." North of Hue, the old imperial capital, trees start to replace palms until the train reaches its northern terminus.

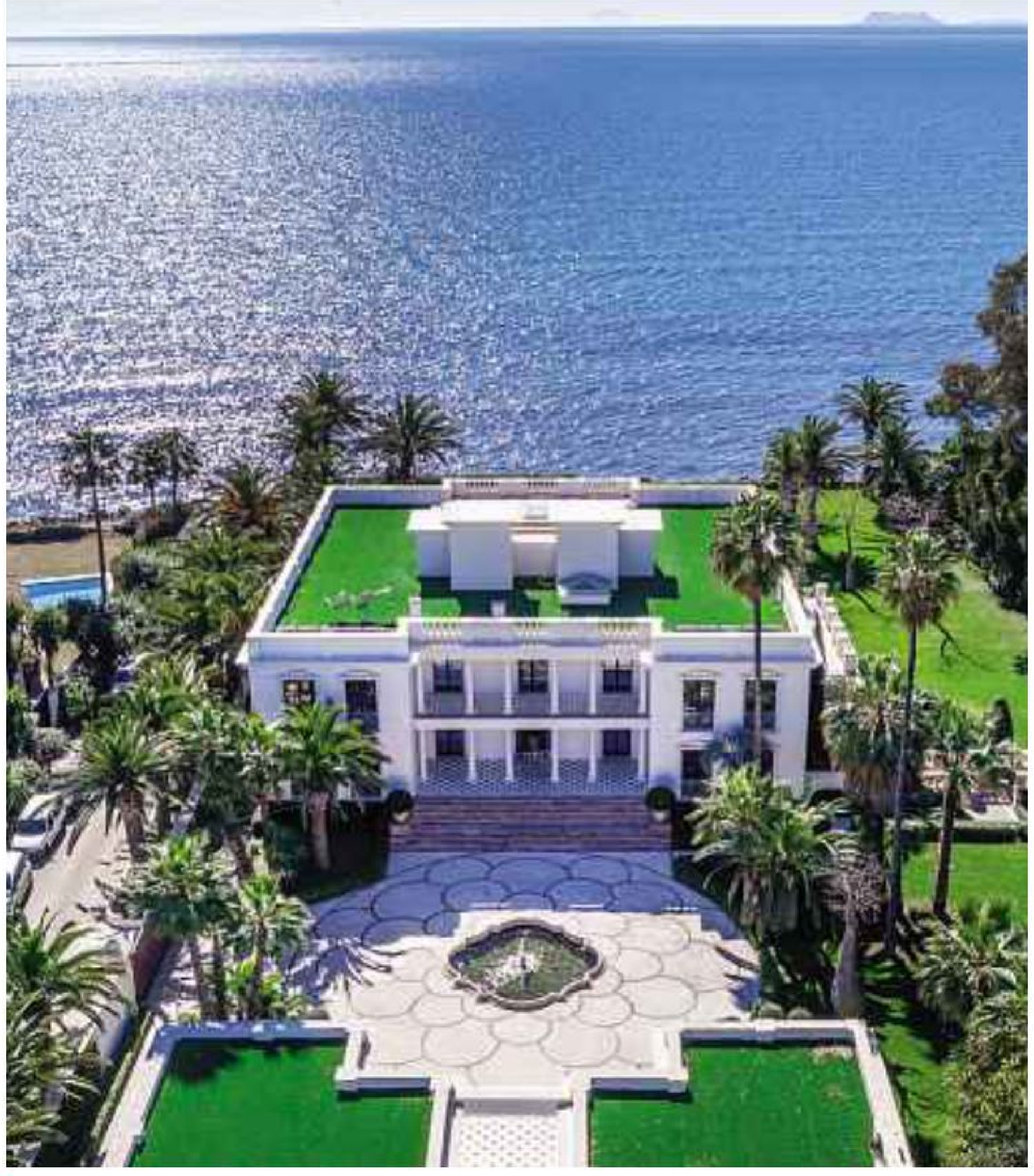
This week: properties for more than £5m – from a modern home in landscaped gardens on Lake Lugano in Switz

▲ **Selham House, Selham, near Petworth, West Sussex.** A country house built at the turn of the last century in the South Downs. It has high ceilings, period fireplaces, a staircase hall with galleried landings and landscaped gardens with pool. 3 suites, 6 beds, 5 baths, 5 receps, 3-bed annexe, 1-bed cottage, 14.8 acres. £5.5m Knight Frank 01428-770562.

▶ **Hunton Court, Hunton, Maidstone, Kent.** A Grade II-listed house dating from the 13th century. It is set in 171 acres of parkland and the interiors have ornate ceiling mouldings, grand fireplaces and parquet floors. 8 beds, 5 baths, 5 receps, outbuildings, pool, tennis court, 171 acres. £12.5m Strutt & Parker 020-7318 5166.

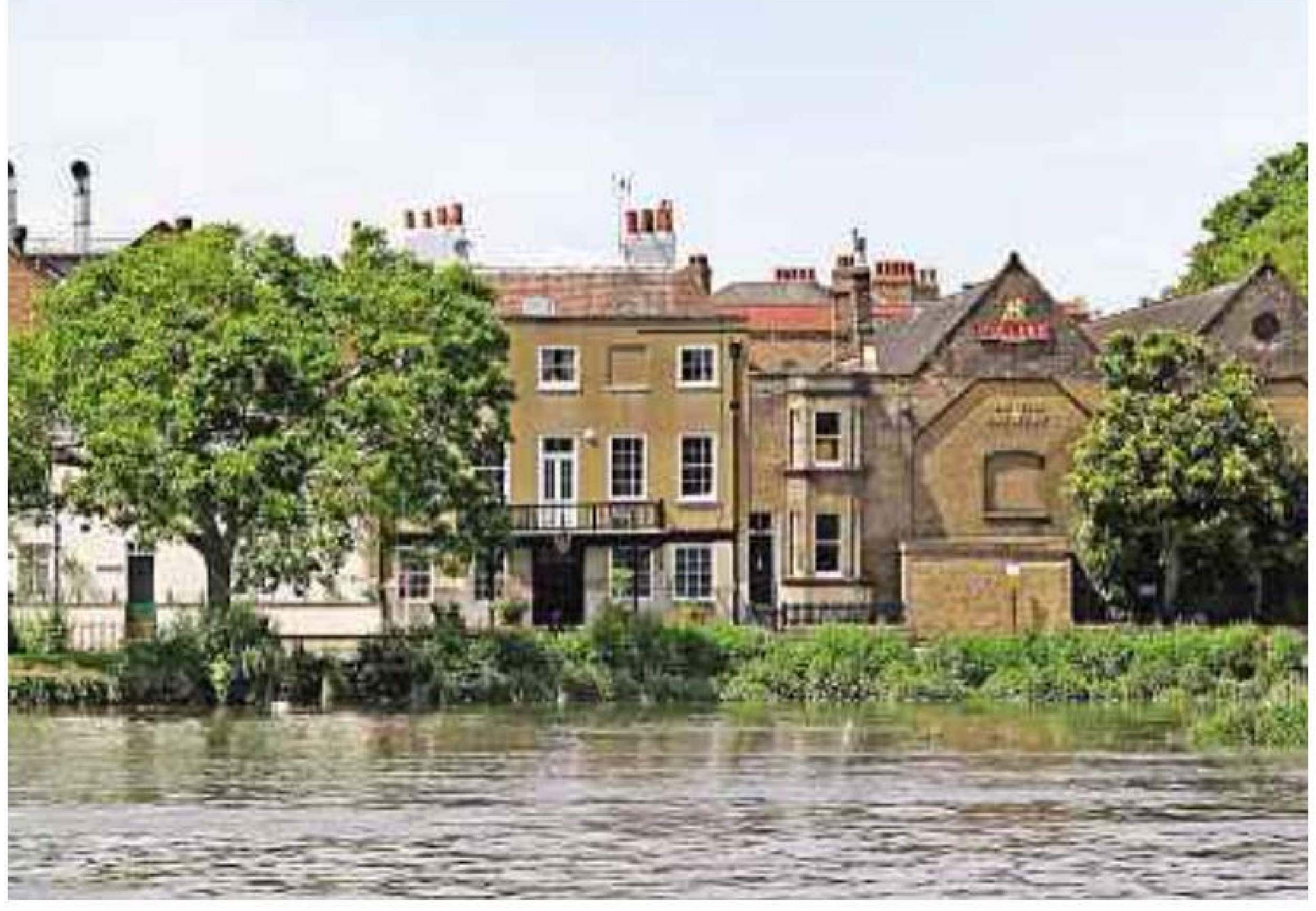
▶ **Caslano, Ticino, Lake Lugano, Switzerland.** A luxurious home built in 2002 consisting of five buildings set in landscaped gardens designed around a private lagoon stretching onto a private lakefront with a sandy beach on Lake Lugano. Main house, 2 guest houses, boat house, garage. 9 beds, 11 baths. 35,457 sq ft floor space. CHF29.9m (£25m) Christies International Real Estate +41 91 601 0440.

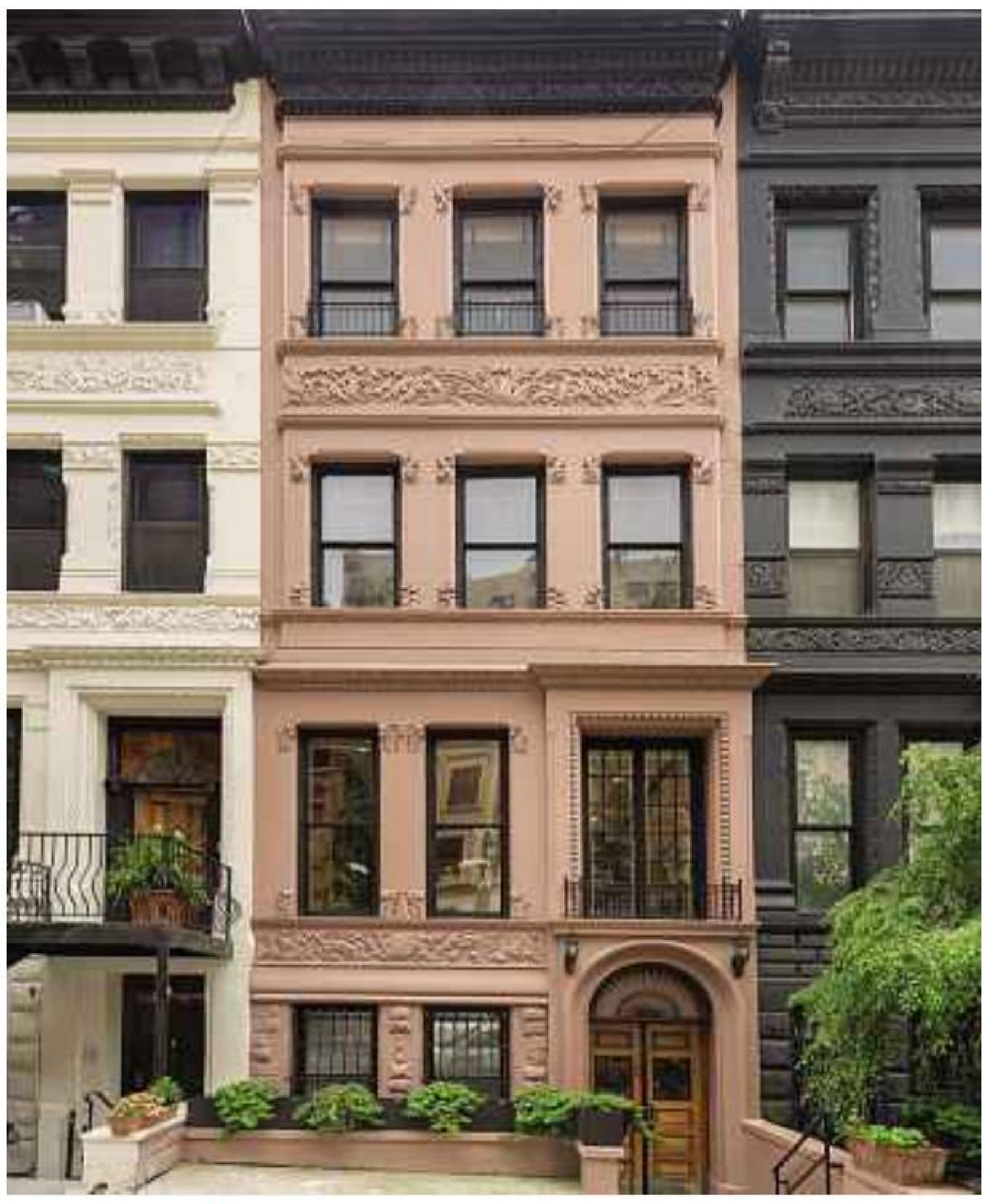
erland to a Renaissance Revival townhouse with roof terrace in Manhattan's Upper West Side

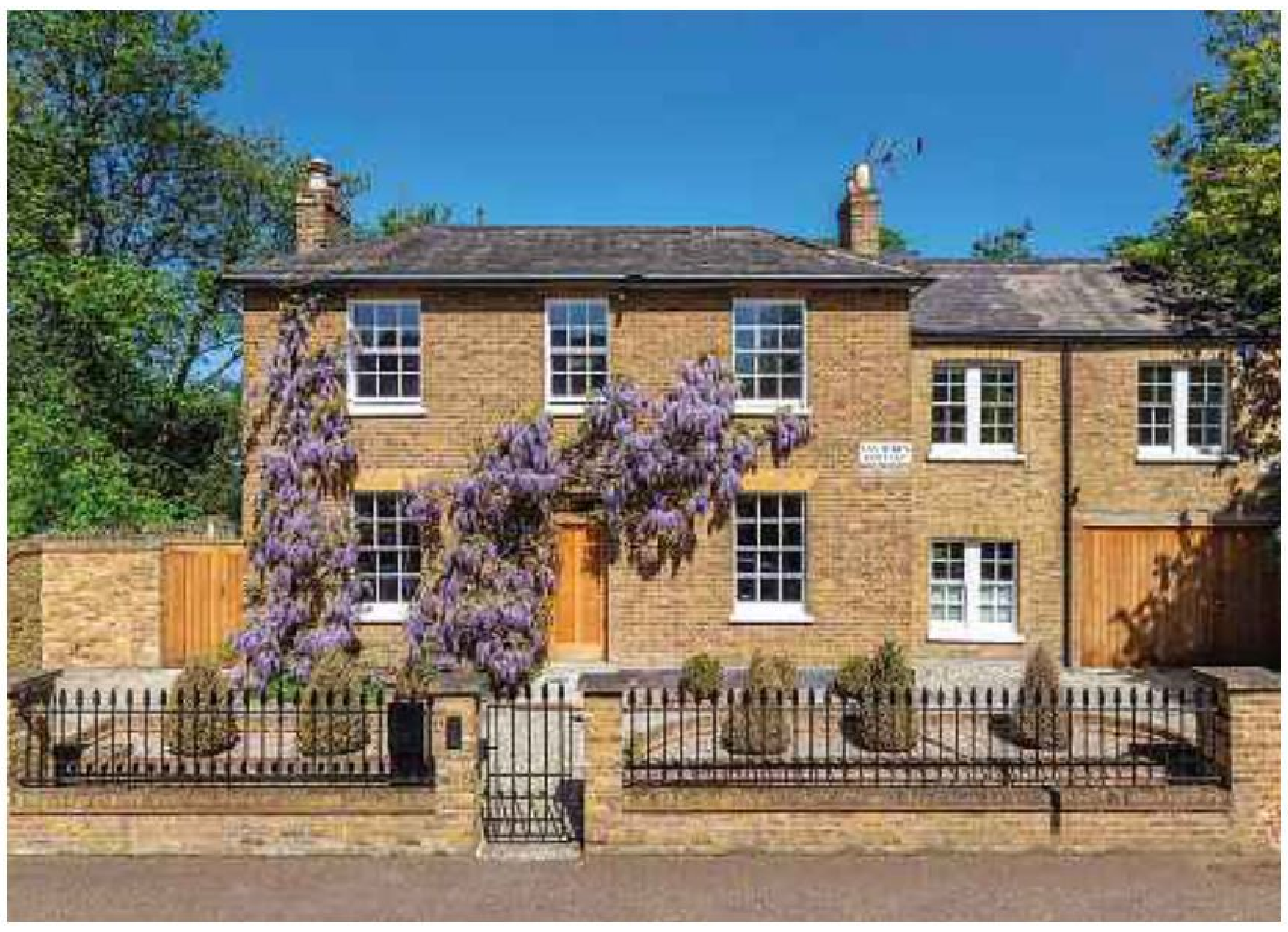


◀ **Miramar Palace, Guadalmina Baja, Marbella, Spain.** A luxury villa on the Mediterranean with gardens and grounds leading onto the beach. It has a double-height entrance hall, marble floors, a stone staircase with cast-iron balustrade, a top-floor solarium, indoor pool and Turkish bath. 8 beds, 8 baths, recep, gym, wine cellar, lift to all floors, 2-bed guest/staff house, parking, gardens, 1.3 acres. €12.5m The Spanish Estate Agent +34 951 516 905.

▶ **Red Lion House, Chiswick, London, W4.** This Grade II-listed house within the Chiswick conservation area is a converted pub, built in the early 18th century on earlier foundations, with views of the River Thames. 4 beds, 3 baths, 3 receps, balcony, riverside gardens. £7.5m River Homes 020-8996 0600.



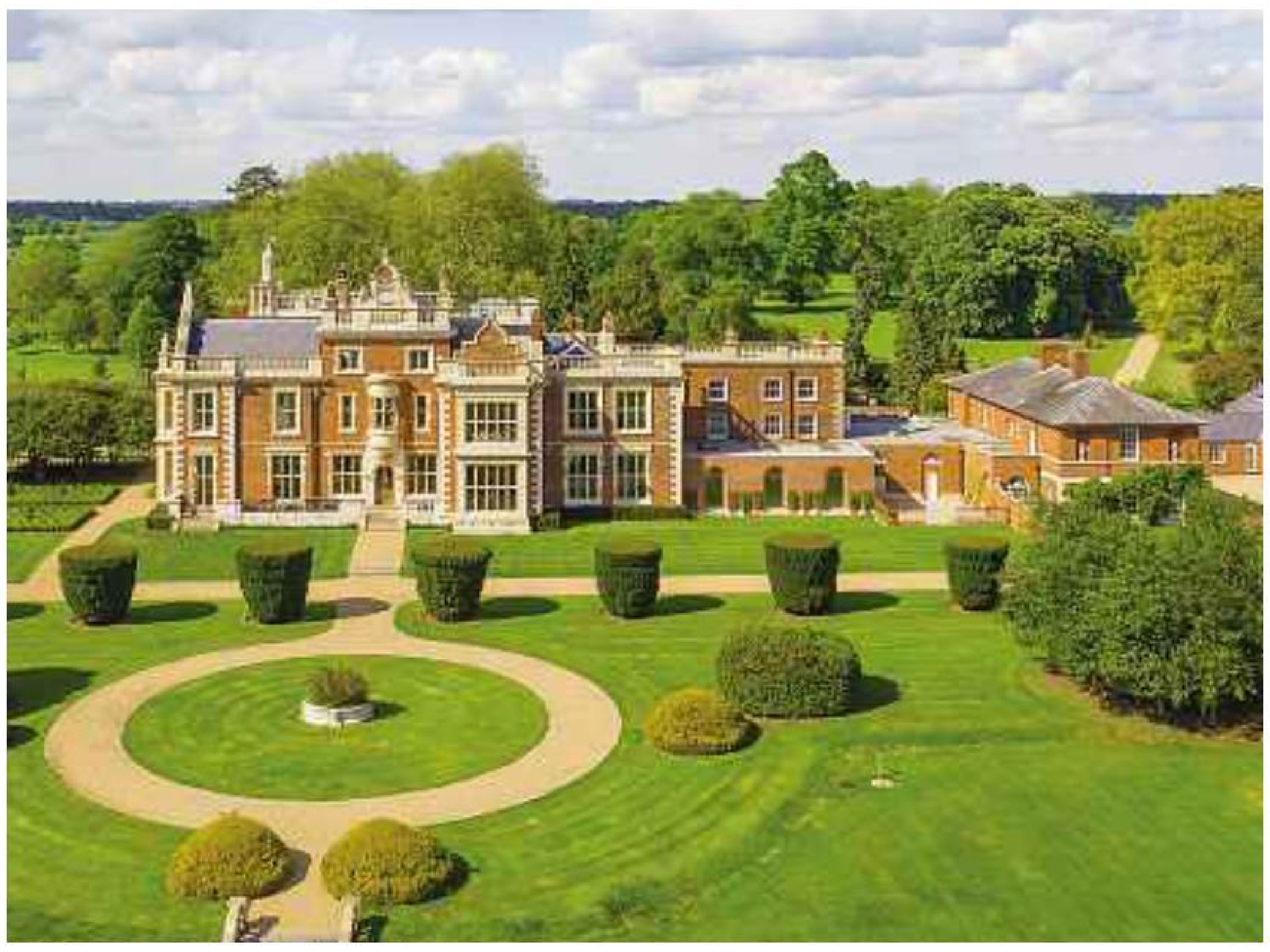




◀ **Van Buren Cottage, Queens Ride, London SW13.** A period home overlooking Barnes Common that has been modernised and extended to create 5,000 sq feet of internal space. The house retains its period sash windows and fireplace and has a modern rear extension with floor-to-ceiling sliding glass doors leading onto the walled garden. 3 suites, 3 beds, 2 baths, 2 receps, kitchen/family room, study, wine cellar, gym, garage, parking, garden. £6.5m Savills 020-8939 6900.

▲ **312 West 71st Street, New York.** A Renaissance Revival townhouse built in 1893 as one of six Victorian brownstones that are part of a historic district on a tree-lined cul-de sac on Manhattan's Upper West Side. It has a fully equipped chef's kitchen, an intricately carved staircase, oak floors, panelled walls and a roof terrace. 6 beds, 5 baths, 2 receps, library, stores. $7.995m Christies International Real Estate +1 212 974 4434.

▶ **Barrington Hall, Hatfield Broad Oak, Essex.** A Grade II*-listed Georgian hall that was begun in 1735 by John Shales Barrington, whose prominent family had lived in the area since the Norman conquest. The house has feature fireplaces, high ceilings and a grand reception hall and staircase. 3 suites, 4 beds, 4 receps, library, 2-bed apartment, indoor pool, sauna, wine cellars, 5-bed coach house, paddocks, stables, outbuildings, lake, 41.25 acres. £15m Savills 01245-293221.



Corvette guns for the Porsche 911

The new Chevy is a step up to the premier league for the American car legend. Chris Carter reports

"The Chevrolet Corvette, over its many decades, has garnered a reputation for its appeal to older men – an unfortunate stereotype for a vehicle that was pretty freakin' sweet even before its eighth generation came around," says Alanis King on Jalopnik. Reputations aren't easy to change, but the design director for the C8 told his team to be radical and "design it for the ten-year-old kid".

The result should get your pulse racing whatever age you are, but what really "sent the car-buying world into a frenzy" is the price, says Rob Stumpf on The Drive. The C8 starts at just $60,000 (£49,000). Right-hand-drive versions of the C8 are expected to arrive on UK shores shortly after the car goes on sale in the US – expect to pay something like £75,000. That may not sound all that cheap, says Pat Devereux in Top Gear magazine, but consider that the Honda NSX costs almost twice that much. If it drives as well as it looks, then this could become "the default budget mid-engineed supercar".

The 'Vette's small-block V8 engine is "a thing of compact engineering beauty", adds Devereux, and promises to "sound like a World War II aircraft on full chat". But what surprises is the levels of practicality and "spooky attention to detail" – something you might expect from a Porsche, not a Corvette. In fact, the 911 is the car that Chevrolet had its sights on when it designed the C8. "The German car has owned the practical supercar badge for decades – and still does. But the C8 plans to give it a run for its money."

The new Corvette is the quickest and most powerful naturally-aspirated model of its kind, says Ciprian Florea on Top Speed, and it's been completely overhauled from the ground up, with new technology, dual-clutch transmission and a new V8 engine. Traditionalists will be pleased to note that for all the changes, the C8 still sports the trademark Corvette cues, however: the headlamps, taillights and nose are clearly reminiscent of its predecessors. But for the first time, the sporty two-seat grand tourer of old is now a "fully fledged sports car".

"This could become the default budget mid-engined supercar"

Price: around £75,000 in the UK from 2020, right-hand drive available
Engine: 6.2-litre V8
Power: 495bhp
Torque: 470lb ft
Top speed: 194mph (estimated)

Wine of the week: the world's greatest zinfandel

2017 Once & Future, Teldeschi Frank's Block Zinfandel Dry Creek Valley, California
£47.40, Indigo Wine, 020-7733 8391, info@indigowine.com (minimum order is £200)

Matthew Jukes
Wine columnist

If you have ever enjoyed the wines from the famous Ravenswood portfolio or indeed the lusty red grape zinfandel, then pay attention. This wine is made by Joel Peterson, founder of Ravenswood back in 1976. Over the years I have written up more of Joel's zinfandels than every other zin producer on earth added together. Joel sold his brand to Constellation in 2001 and he continued consulting until 2015. He then embarked on the most audacious winemaking journey of his life, Once & Future, the only rule being that he makes every single wine himself by hand.

His knowledge of California's old vines is second to none and at a recent tasting in London I scored my old pal's wines higher than anything I have seen from over the pond in decades. All newly released 2017s, a few zins, a mataro and a stellar petite sirah all blew me away, but when I tasted Frank's Block my palate went into orbit. Only 252 cases were made from 113-year-old vines, planted on Tuscan Red Hills series soils, which are dry farmed. This is a truly great wine with fabulous black-cherry fruit, and impeccable lift and brightness, coupled with thrilling acidity on the finish. The tannins alone are sensational. I gave it 19.5/20 in my notes and this makes it the highest scoring zin of my life. Indigo is the importer and it has kindly offered to sell it to you direct before it makes its way out onto the market. Do not pass up this opportunity.

ONCE &
FUTURE
DRY CREEK VALLEY ZINFANDEL
TELDESCHI VINEYARD

Matthew Jukes is a winner of the International Wine & Spirit Competition's Communicator of the Year (matthewjukes.com)

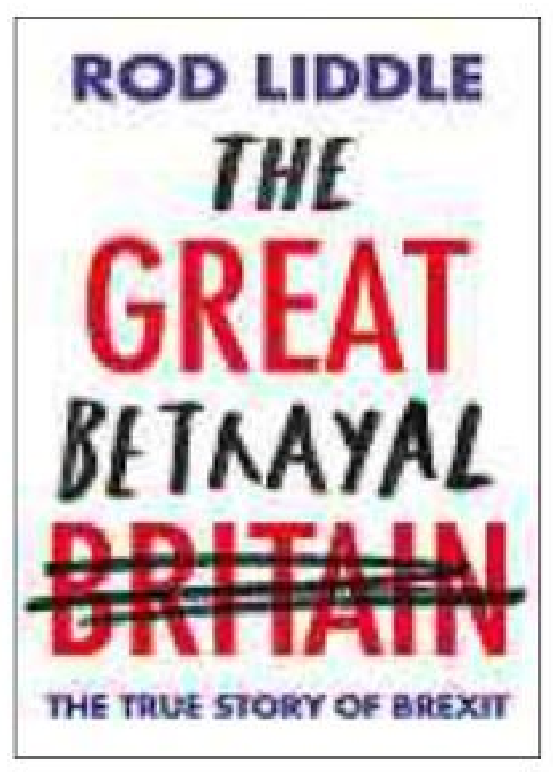
Book of the week

The Great Betrayal

The True Story of Brexit

By Rod Liddle

Constable, £14.99



On 23 June 2016 Britain narrowly voted to leave the European Union. Three years on, we're still members, and will be until at least the end of October, and possibly beyond. Journalist Rod Liddle is not surprised by the turn of events. He supported Brexit, but predicted hours after the result was announced that Britain would never actually end up leaving. In *The Great Betrayal: The True Story of Brexit*, Liddle looks at the reasons for the delay, including what he sees as the organised conspiracy to thwart the "will of the people".

In Liddle's view, this conspiracy has four main elements. The first is that many in the Remain camp have never accepted the outcome of the vote, and have worked flat-out to reverse it by any means possible. They were given a voice by the broadcast media, which was heavily biased in favour of staying in the EU. This gave MPs, who overwhelmingly voted for Remain, the cover they needed to use every trick in the parliamentary book to frustrate the passage of the necessary legislation. Finally, the EU was able to run rings around Theresa May and her advisers, many of whom opposed Brexit, at every stage of the withdrawal negotiations.

RIP
BREXIT
2016-20
"DIED OF ITS OWN CONTRADICTIONS"
THERE WAS NO PLAN B
BELIEVE IN BRITAIN

Two of the people frustrated by a conspiracy of liberals

©Getty Images

> "Liddle provides plenty of red meat for Brexiteers, but is unlikely to win anyone of the opposite side around"

No compromise

Even if you don't agree with Liddle's politics, you have to admit that he is a punchy writer and the book certainly grabs the reader's attention. Liddle is also willing to make some concessions – he admits that the BBC was reasonably fair and balanced during the referendum itself, for example, and agrees that the government has been needlessly antagonistic on the matter of EU citizens who already live in the UK. Yet, like many writers on this topic, he tends to see Brexit as a binary process, with no room for the possibility of a "soft Brexit".

Indeed, during the indicative votes six months ago MPs came close to endorsing the Norway-plus model that might have been the best hope for a compromise. This might not have been a clean enough Brexit for purists like Liddle, but then he rounds on the European Research Group of Tory MPs for opposing May's deal, which contains none of the benefits of Norway-plus, but most of the drawbacks. Perhaps this is one of the big problems with the referendum – it decided that we were going to quit the EU but left the question of how we were going to depart open.

Overall, although Liddle provides plenty of red meat for those who support his view, *The Great Betrayal* is unlikely to win anyone of the opposite side of the Brexit divide around. This doesn't make it a bad book, but it means that it isn't a great one either.

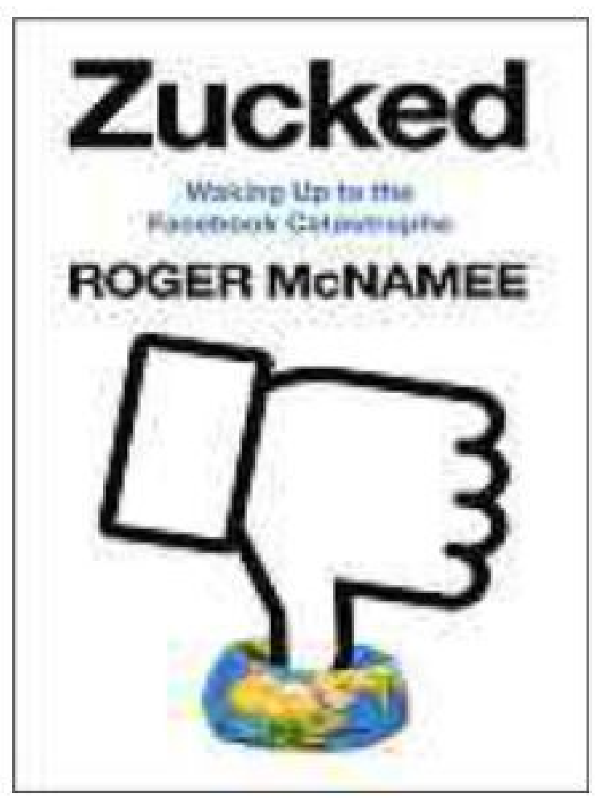
Reviewed by Matthew Partridge

Zucked

Waking Up to the Facebook Catastrophe

By Roger McNamee

HarperCollins, £16.99



It's amazing to think that only a few years ago political figures around the world were queuing up to be associated with Facebook and Twitter. Today, the pendulum has swung to the opposite extreme. With social media blamed for everything from encouraging violence to undermining democracy, Facebook boss Mark Zuckerberg and other tech tycoons have become public pariahs. Roger McNamee thinks they have only themselves to blame – Facebook and similar firms have been unwilling even to acknowledge the social problems their platforms have created, he says.

McNamee has worked in venture capital for three decades and was one of Facebook's early investors. But when his repeated warnings about Russian manipulation were ignored, he went public with his concerns, starting what became a public campaign for more regulation.

McNamee is right in calling for users to be given more control over their data, and his idea of breaking up the big tech firms to stimulate competition is also intriguing. But he goes too far when he claims that the last presidential election was "stolen" – the Trump and Leave campaigns weren't the only ones, or even the first, to make effective use of micro-targeting marketing, as McNamee concedes. He also skips over an inconvenient fact – many people seem more than willing to give up a little bit of privacy for the sake of convenience.

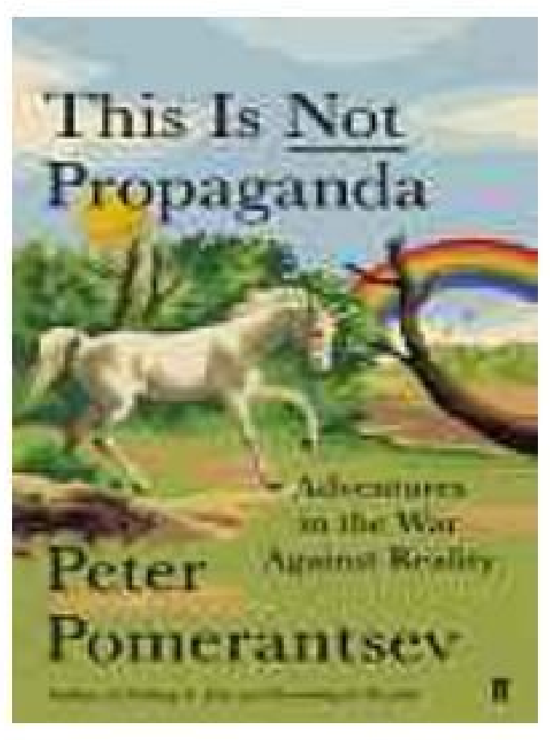
Book in the news... an unnerving take on the battle for our minds

This is Not Propaganda

Adventures in the War Against Reality

By Peter Pomerantsev

Faber & Faber, £14.99



In the past, authoritarian states concentrated on "suppressing unwelcome news and opinions"; now they "flood the zone with a million different takes", says The Economist. They no longer try to project a "monolithic ideology", preferring "shape-shifting so nobody knows what they stand for". As Peter Pomerantsev argues in this book, the digital tools used to mobilise revolutions have now been co-opted by autocrats. Repressive regimes are increasingly taking advantage of the "free-for-all of today's media environment" to not only engage in the "wholesale manipulation" of their own people, but also to undermine outside democracies.

Pomerantsev's book is "beautifully written" and reads so well that it's "virtually travel writing", says Hugo Rifkind in The Times. Indeed, there are points where his ability to write is perhaps too strong for its own good in that the beauty is doing a lot of the heavy lifting to convince you of some of his more questionable arguments. Still, the book is far more than just a collection of pretty words and is "densely argued". The author's "lived experience, his background, and most of all his restless globetrotting" mean "his conclusion has to be taken seriously".

Readers may be disappointed that "the book does not prescribe policy solutions" to the rise of digital disinformation, but that's not a major problem with the book, says Steve Bloomfield in The Guardian. After all, "before we work out what we're going to do, we need to understand the scale of the problem", which Pomerantsev sets out with the "right mix of alarm and detail". Overall, the book is a strong antidote to the "arrogance and ignorance" of those who argue that political manipulation cannot happen here.

The book is both "shocking and entertaining, as well as insightful", says Tim Smith-Laing in The Daily Telegraph. Yet there is "a sense that things are moving too fast to be usefully discussed in anything so slow as a book". It "feels akin to a nuanced essay on icebergs written from the tilting deck of the *Titanic*. It is worth reading, but you had better read it fast."

A bout of Branson bashing

The Virgin founder is the billionaire the chattering classes love to hate. But is he really such a bad egg?

Not such a naive hippy after all

©Virgin Galactic

There's nothing more annoying than people who view any discussion of money or wealth as vulgar while simultaneously spending more in a week than most people earn in a year. So I completely understand why billionaire Richard Branson is facing a backlash after he wrote a blog saying that “happiness doesn't come from stuff”. The bearded tycoon thinks that “family, friends, good health and the satisfaction that comes from making a positive difference are what really matter”.

> *“Family, friends, good health and the satisfaction that comes from making a positive difference are what really matter”*

These are beautiful words enshrining profound insight, says Lucy Mangan in The Guardian. But it is a little “Marie Antoinettish” to post that sort of thing when one is “free of every one of the daily physical privations that habitually affect one's health and one's ability to maintain family and friend relationships”. After all, it's difficult “to make a positive difference when you first have to make rent”. There's also more than a whiff of hypocrisy when the words come from a “modern-day Croesus who sued the NHS for alleged flaws in its procurement process and settled out of court for a sum many felt could be better spent”.

Indeed, many musicians have found that, when it came to haggling over record contracts, “‘stuff' in the bank clearly mattered a lot to Branson”, says Neil Davenport in Spiked. When the Sex Pistols and their manager, Malcolm McLaren, tried to negotiate with Virgin Records, Branson's record label, for example, the band “expected to strike gold”. But after sitting down with the “naïve hippy” Branson, they “were soon taken aback by how ruthless and canny he was” and ended up having to agree a deal “that was both more modest and tied the band to Virgin for a longer term”.

Two cheers for the billionaire

Branson “clearly doesn't mind talking about his charity work” and his words on climate change “will strike some as hollow”, says Simon Kelner for the i newspaper. Still, “I find myself unable to join in the knee-jerk condemnation of him”. He may be a “very rich man”, but he became wealthy by finding “a way of making money by improving consumers' choice and experience”. What's more, “he hasn't pocketed millions for failing”, but has made “his fortune by succeeding”. It's understandable that people should want to poke fun at him, but at 69 years old, he surely won't mind and “feels emboldened to take a public position on what he has probably believed privately all along”.

Those who hate rich people should be cheering Branson anyway because if he has his way there will soon be far fewer of them on the planet, says Rod Liddle in The Sunday Times. The tycoon has just unveiled the Virgin Galactic spaceport, in New Mexico, “where rich idiots will gather before being blasted off into space in one of Sir Richard's exciting rockets”, paying £200,000 “to orbit the Earth for a few hours”. But given that “passengers on Virgin West Coast pay a similar amount to orbit Milton Keynes Central for the same amount of time”, depositing the world's most loaded people on the Moon may prove to be beyond his capabilities.

Quintus Slide

Tabloid money… young royals should learn the Queen's mantra

● “Elton John's carbon offset payment for the Sussexes' private flight got me curious,” says Alexandra Shulman in The Mail on Sunday. “How much, I wondered, would it cost for me to offset my BA flight to Croatia?” The answer was £18 in economy class and £27 in business (and no discount for Ryanair). Nevertheless, it seemed “a meagre price to pay for a clean conscience”. But then came the bad news in the small print. “This trip alone apparently used up my total annual allowance of carbon emissions. So no matter how much Elton (pictured) or I donate, it's not going to let us off the hook when it comes to dealing with the carbon load already out there.” Still, it's daft to criticise those who fly in private jets – we all would given half a chance. “But it's equally daft to believe making a carbon offset donation can in any way neutralise the gas-guzzling consequences of rich people's toys.”

● “As per usual, those who wish to shut down valid criticism of the Duke and Duchess of Sussex are wilfully and wrongfully suggesting that the jibes are rooted in racism,” says Jane Moore in The Sun. It's nonsense. The reality is that “the public is wearied and irritated by the constant proselytising of a young couple who don't appear to practise what they preach”. This is what happens when the Royal Family deviate from the Queen's mantra of “never complain, never explain” and “start making political statements about how the proles should live their lives”. It's too bad that, aided by social media, “one's once loyal subjects” might develop “strident opinions of their own. Particularly when they've just contributed £2.4m for your ‘cottage' to be done up.”

● “The public health lobby will seize on anything as a tool for their scare-mongering propaganda,” says Leo McKinstry in the Daily Express. An NHS report found that 37% of kids from “affluent families” had drunk alcohol in the past year. Cue the hysteria. But the study highlights that drinking is “in dramatic decline among teenagers”. We should be “celebrating the greater responsibility among most young people rather than indulging in manufactured panic”. Today's teenagers are generally “more sober, restrained and serious about their work than previous generations. In this atmosphere of concern, smoking is about as fashionable as whale hunting.” Resources should be targeted at genuine dangers, not invented ones.

©Getty Images

Bridge by Andrew Robson

Reese versus Truscott

Terence Reese, who died in 1996, will be remembered principally for two things: his brilliant writing, and the cheating scandal of 1965. One of his principal accusers in Buenos Aires that year was Alan Truscott, soon-to-be husband of the American Dorothy Hayden, the first person to notice the unusual ways that Reese and partner Boris Schapiro were holding their cards (the number of fingers used allegedly representing the number of Hearts held). The rivalry between Truscott and Reese had gone back some years and this deal, from back in 1951, sees Reese triumph.

Dealer East Neither-side vulnerable

West		North		East
		♠ J10762 ♥ 974 ♦ J5 ♣ A42		
♠ 94 ♥ Q85 ♦ Q10743 ♣ K63	W	N S	E	♠ AQ83 ♥ 2 ♦ AK82 ♣ QJ107
		♠ K5 ♥ AKJ1063 ♦ 96 ♣ 985		

The bidding

South	**West**	**North**	**East**
			1♠*
2♥	pass	pass	double**
pass	pass***	pass	

* Modern players would choose One Club or One Diamond.

** Take-out.

*** Very risky decision to convert to penalties.

West led the nine of Spades and East, Truscott, won the Ace and returned a low Spade. Winning the King, declarer, Reese, found the excellent play of advancing the Knave of trumps at trick three. He was fairly sure West held the Queen on the auction and hoped West would duck, for fear of crashing his Queen with an honour in his partner's hand. But there were other reasons for leading the Knave, as events were to prove after West correctly played the Queen.

Declarer rose with dummy's Ace of Clubs on West's Club exit, ruffed a third Spade high, finessed dummy's seven of trumps (to gain an extra entry), ruffed a fourth Spade (high), crossed to the nine of trumps drawing West's eight, and tabled the established fifth Spade, discarding a minor-suit loser. Eight tricks and doubled part-score made into game.

For all Andrew's books and flippers – including his new hardback The Next Level – see andrewrobson.co.uk.

Sudoku 962

9			2		8			
4	6					7		2
							5	
					4		6	
	5	6	7	8	1	4	2	
	7		6					
	8							
1		2					3	5
			3		6			1

To complete MoneyWeek's Sudoku, fill in the squares in the grid so that every row and column and each of the nine 3x3 squares contain all the digits from one to nine. The answer to last week's puzzle is below.

6	5	3	1	8	7	2	9	4
1	4	2	9	5	6	3	8	7
8	7	9	4	3	2	6	5	1
2	1	6	3	7	9	8	4	5
4	9	5	2	1	8	7	3	6
7	3	8	5	6	4	1	2	9
9	2	7	6	4	3	5	1	8
5	6	4	8	2	1	9	7	3
3	8	1	7	9	5	4	6	2

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For details, call 0303-123 9999,
or visit RNIB.org.uk.

Tim Moorey's Quick Crossword No. 962

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 9 Sept 2019 . Answers to MoneyWeek's Quick Crossword No. 962, 31-32 Alfred Place, London, WC1E 7DP.

1		2		3		■	4	5		6		7
	■		■		■	8	■		■		■	
9							■	10				
	■		■		■		■		■		■	
11					■	12						
	■	■	■		■		■	■	■		■	
■	13	14						15				■
16	■		■	■	■		■		■	■	■	17
18				19			■	20		21		
	■		■		■		■		■		■	
22					■	23						
	■		■		■		■		■		■	
24						■	25					

Across clues are mildly cryptic whereas down clues are straightforward

ACROSS

1 Worry a nocturnal animal (6)
4 Expression of pity from Father Thomas (6)
9 It's a sin to order caviare (7)
10 A delightful French accent? (5)
11 Wise picker of prizes? (5)
12 Where you may cast in great heat? Regularly (7)
13 Part of London tube positioned correctly here (7, 4)
18 Sailing-boat lifted with relish (7)
20 Fruit among bananas (5)
22 Calls from parts of Yorkshire I'd forgotten (5)
23 Quiet activity in Berkshire town (7)
24 Standards in greater London area? Not plentiful (6)
25 Lashes out in trouble (6)

DOWN

1 Defeated (6)
2 Exhaust (5)
3 Distinguished (7)
5 Traditional saying (5)
6 Texan city (7)
7 Northern country (6)
8 Large public Manhattan area positioned correctly here (7, 4)
14 A Baltic country (7)
15 Erotic Brazilian dance (7)
16 Gets around (6)
17 Search online (6)
19 Gardener's flexible pipes (5)
21 Manicurist's concern (5)

Name ....

Address ....

....

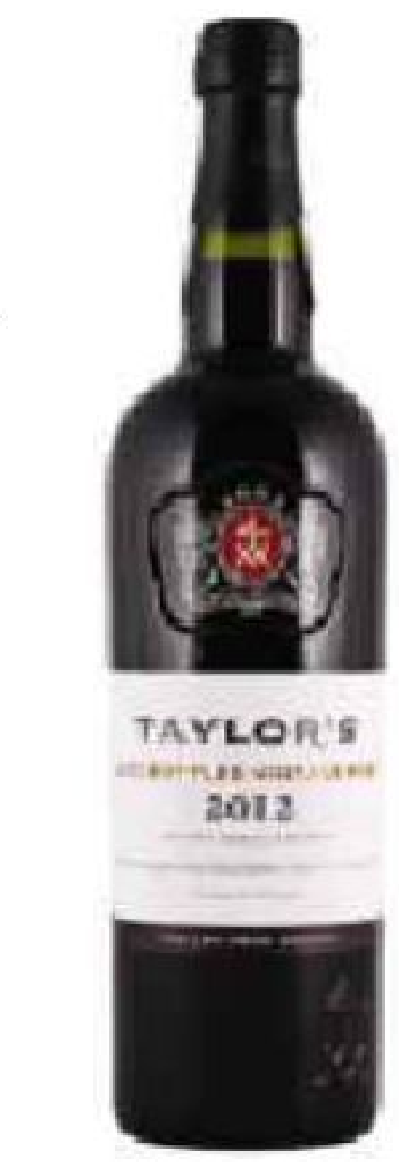
Solutions to 960

Across **1** Cutlass *cut lass* **5** Alpha *A = alpha* **8** Clint Eastwood *anagram* **9** Ski *hidden* **10** Dress down *two definitions* **12** Righto *(B)righto(n)* **13** Grease *homophone* **16** Gladstone *glad stone(d)* **18** Rot *rot(ter)* **20** Indeterminate *anagram* **22** Gorge *two definitions* **23** Legless *two definitions*.
Down **1** Cocks **2** Toiling **3** Antidotes **4** Snares **5** Art **6** Promo **7** Al dente **11** Screening **12** Rigging **14** Airfare **15** Corral **17** Adder **19** Tiers **21** Toe.

The winner of MoneyWeek Quick Crossword No. 960 is: David Martin or Buckinghamshire.

Tim Moorey is author of How To Crack Cryptic Crosswords, published by HarperCollins, and runs crossword workshops (TimMoorey.info).

Taylor's, a family firm for 325 years, is dedicated to the production of the highest quality ports. Late Bottled Vintage is matured in wood for four to six years. The ageing process produces a high-quality, immediately drinkable wine with a long, elegant finish; ruby red in colour, with a hint of morello cherries on the nose, and cassis, plums and blackberry to taste. Try it with goat's cheese or a chocolate fondant.



Curiouser and curiouser

The strange world of negative interest rates is producing some ingenious thinking

Bill Bonner
Columnist

If you lent someone your Corvette, you'd expect to be paid for it

©Getty Images

Every week, we reach new heights of weirdness. The worldwide total of debt trading at negative interest rates has risen to $17 trillion (£13.9 trillion). Nearly 15% of S&P 500 companies no longer earn enough money to cover the interest on their loans. The yield on US 30-year bonds has fallen below 2% – lower than the yield on 30-day Treasury bills. Danish banks are offering fixed-rate mortgages at zero interest over 20 years. That's right, you can now take out a fixed-rate zero-interest mortgage for 20 years. You borrow the money. You buy the house. You sell the house 20 years later and you give back the money. You would have enjoyed two decades of free housing!

But the human mind is nothing if not gullible and credulous. The weirder things get, the more people struggle to think that maybe they aren't weird at all. Joe Weisenthal, for example, argues that negative rates are perfectly normal. "If you want to hold gold and watches and sentimental things at a bank, you pay to rent a safe deposit box," the Bloomberg writer argues. "If you want to hold oil or grain to use it or sell it next year, you can pay for storage in a tank or some other facility. And if there's a surge in the supply of oil or a bumper crop of grain, and storage capacity is scarce, then you can expect to pay even more for warehousing capacity." Given there is a "glut" of savings, this explains why interest rates are so low and why demand is weak, he thinks. Nobody wants to spend money; they want to save it.

> *"The weirder things get, the more people struggle to justify them"*

But this seems hard to square with the real world where savings rates fell from 10% of national income in the last century to just 2.5% today. Meanwhile, debt levels – anti-savings – have soared. In just the last ten years, total US debt, public and private, rose by 40% – or by about $20 trillion. Think about it. Why would consumers borrow from credit cards at 15% if they had abundant savings earning only 2%? Why would students borrow at 6% to pay their tuition? Why would businesses borrow at 4% to buy their own stock? And why would world debt rise to $250 trillion while everyone is stashing cash? The story doesn't add up. But to Weisenthal, it all makes sense. "There's lots of money out there", he reasons, and "a limited capacity to store it all". So why shouldn't savers pay for "money storage services"?

If you want someone to store your Corvette, you will have to pay him for it. The warehouse renders you a service. You pay. But if you lend someone your Corvette, for him to use, it would make no sense at all for you to pay him. He should pay you. Likewise, you should pay someone to store your money. But if someone wants to use your money – such as when you deposit money in a bank or buy a corporate bond – the user should clearly pay, not the lender. There is a difference between storing and lending. Seems obvious, but these days it needs pointing out it seems.

The bottom line

€850bn The value of the war reparations Poland's populist government says it will demand from Germany during commemorations to mark 80 years since the start of World War II on Sunday, reports Die Welt. Germany says the matter was settled with the Soviets in 1953.

£1,968 The annual value of the "Union dividend" to each person in Scotland from the nation having voted in 2014 to stay in the UK, according to the annual Government Expenditure and Revenue Scotland (Gers) report. Last year, £12.6bn more was spent in Scotland than was raised there.

62 How much cheaper it is in percentage terms to pay the interest on a new mortgage rather than rent a property, says Capital Economics. The average monthly rent for a property is £859; the average monthly interest on a new mortgage is £323.

£228m The total value of goods waiting to be picked up by online shoppers from "click-and-collect" points in Britain over the past year, according to a report commissioned by Barclaycard and Decathlon. A third of the shoppers who failed to pick up their goods said the whole process was too much hassle so they waited for an automatic refund before reordering the goods for delivery.

£450m How much the fictional crime boss of the 1920s Peaky Blinders gang, Tommy Shelby, played by Cillian Murphy (pictured) in the BBC series, would be worth if he were alive today, according to "superfan" PeakyBroker, who posted a detailed break-down on Reddit. That includes £120m from his property empire of terraced houses, £40m from factories he owns and £8m from his portfolio of docking licences.

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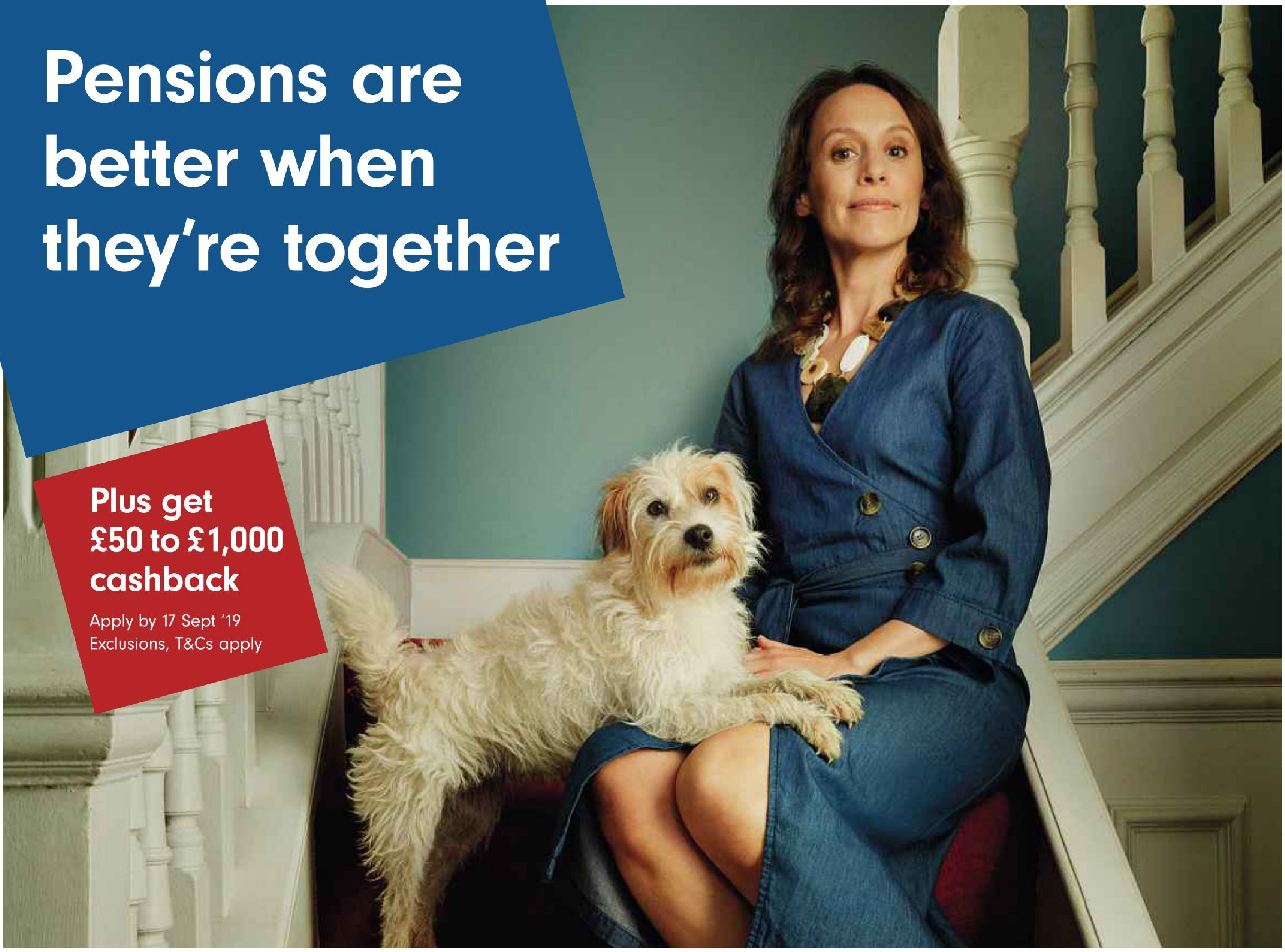

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