OPINION *P22*
Bad data explains the Covid surge

ESG SPECIAL *P30*
The best ethical funds and bank accounts

PLUS
Porsche's electrifying new supercar
CARS *P42*

MoneyWeek

MAKE IT, KEEP IT, SPEND IT

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End of the road

Has demand for oil peaked already?

Page 28

BRITAIN'S BEST-SELLING FINANCIAL MAGAZINE

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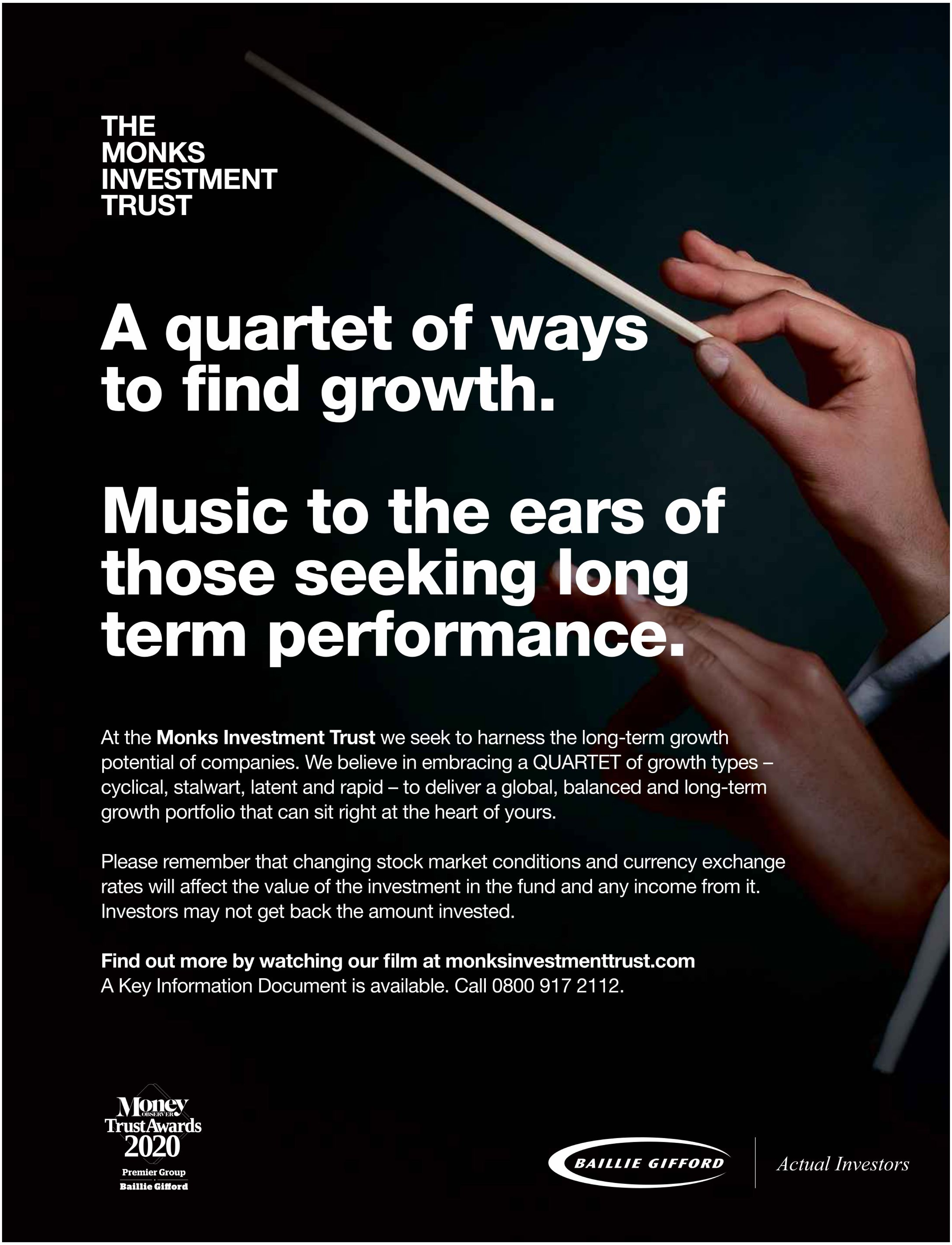
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18 September 2020 | Issue 1017

Britain's best-selling financial magazine

From the editor-in-chief...

At the very start of the pandemic, on a plane from somewhere to somewhere, I pulled a furious article out of the China Daily. The author was maddened by criticism of Chinese handling of Covid. The New York Times had accused it of "Mao Style Socialist Control"; Foreign Policy had gone for plain old "Incompetent"; and China Uncensored for "Authoritarian Crackdown". But as far as the paper was concerned, the criticism was all about the West running a xenophobic anti-China campaign "because they really want you to hate."

I kept it, then, as a reminder of just how Chinese and US relations were breaking down. But now it is also a trying reminder of how much less of the moral high ground the West is hanging on to than it was even in March. We aren't exactly welding people into apartment buildings here. But there's a nasty precedent in being told that not only must we never see more than five other people at the same time, we must report those who do to the police (see page 8). So are we doing things the right way?

Time will tell of course. But part of the answer could come from James Ferguson's analysis of the testing data (page 22). The other part might be about the damage caused by lockdowns: as James notes on our podcast this week (moneyweek.com/podcasts), maybe we should stop talking about how Covid is wrecking lives and economies and start talking about how the response to Covid is wrecking lives and economies – see page 20 for the nightmare effects of lockdown on much of Africa.

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China's lockdown: it's getting harder for us to criticise

"The response to Covid-19 is wrecking lives and economies"

The idea that we are perhaps worrying a little too much about Covid is seconded by the latest Bank of America Global Fund Manager Survey. A second wave remains the biggest worry for managers. But it is being fast caught up by concerns about global trade wars (very valid – see above!), the US election and the rising odds of a "systemic credit event". There are also two new entrants to the worry list this month – inflation and a new tech bubble (see pages 4 and 5), both things I suspect MoneyWeek readers have (quite rightly) had on their worry list for some months now. We still worry about tech valuations but we don't think the market as a whole is in bubble territory: the median price/earnings ratio of the S&P 500 is 17.5. Not cheap – but not a bubble either. Elsewhere there are opportunities aplenty (but avoid pigeons – see page 27). China is booming (for more on the market see page 4, for more on why you should worry about politics see page 20). And even after the extraordinary recovery since March, the shock of the pandemic has left some pockets of value. On page 28 we look at how to invest in the end of oil – there will be a wave of money pouring into anything remotely green post-pandemic. Want to feel good and make money at the same time? Here's your chance. If the former is less important to you than the latter, look to the end of that story: we are only at the beginning of the end of oil so perhaps you should not entirely neglect the old industry players.

Finally for the genuinely contrarian, Matthew explains why to start buying Carnival on page 24. Cruise ships are pretty filthy (they mostly burn heavy fuel oil) and about as Covid-unfriendly a business as any. But, says Matthew, Carnival's finances are pretty shipshape – and people will cruise again. They may even go back to their offices again – quite soon (see page 18). Particularly if James turns out to be right, and normalisation is nearer than we think.

Merryn Somerset Webb
editor@moneyweek.com

Loser of the week

Gary Lineker (pictured) has taken a £400,000 paycut to remain the host of *Match of the Day* for the next five years, along with an agreement "to be more careful in his use of Twitter to push political causes", says Jim Waterson in The Guardian. Lineker, who suggested earlier this year that it was time to make the BBC licence fee "voluntary", took home £1.75m last year, "well ahead of any other BBC employee". Given his links with the BBC, Lineker has also been criticised for regularly tweeting negative views on Brexit and the government. New BBC director general Tim Davie announced Lineker's new salary of £1.3m and emphasised one key point: "And before you ask, Gary knows that he has responsibilities to the BBC in terms of his use of social media." All BBC staff will shortly be bound by strict new social media guidelines.

©BBC

Cover illustration: Adam Stower. Photos: iStockphotos; Porsche

©Getty Images

Good week for:

Spanish police seized four fake Modigliani paintings this week that an auction house was trying to sell for €8m. The fakes disappeared 52 years ago and came to the attention of police during a regular screening of works of art on sale. Modigliani is deemed by experts to be among the most forged artists.

Naomi Osaka (pictured) won her third Grand Slam title this week, adding another £2.3m in prize money to her fortune, says Eleanor Crooks on PA Media. The 22-year-old is already the highest-paid tennis player in the world, and this week became the first Asian player to win three grand slam singles titles, surpassing Chinese trailblazer Li Na.

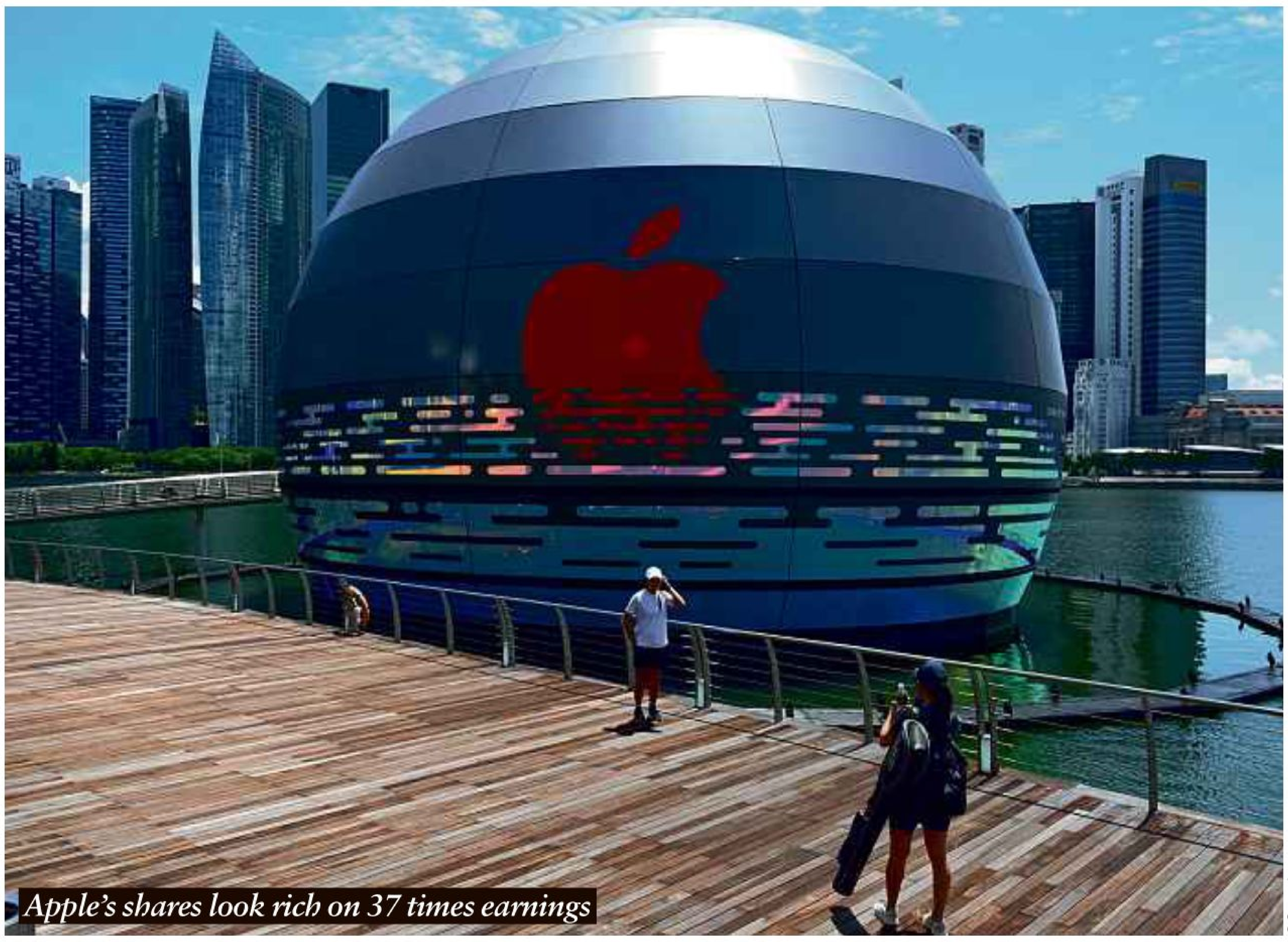
Bad week for:

The live action remake of *Mulan* opened to disappointing numbers in China, with the **Disney** remake pulling in just $23m in its first weekend, "far from the smash hit the House of Mouse hoped it would be", says Chris Edwards on Digital Spy. The film, about a fearless young woman who disguises herself as a man to battle northern invaders in China to save her ailing father from serving in the Imperial Army, recorded a user score of just 4.9/10 after more than 150,000 votes on Chinese website Douban.

A "reckless teenager" was fined £10,000 under Covid rules after police broke up a party of 50 people at his student home, says the Mail Online. **Stuart Hawk**, a 19-year-old politics student at Nottingham University, slammed the fine as "ridiculous", claiming he had only invited 25 people to the party on Friday, just days before the new government rules limiting gatherings to six people were introduced.

How options traders are driving markets

Alex Rankine
Markets editor


Apple's shares look rich on 37 times earnings

©Getty Images

Have US equities pulled off a "healthy correction"? The Nasdaq index entered official correction territory last week after falling by more than 10% from a recent high. Yet US stocks started this week in better spirits. Optimists say that occasional pullbacks of this kind are needed to keep the market on its toes and get rid of "froth". The idea is that occasional losses punish speculators who would otherwise leverage themselves up to the hilt betting on rising prices. That forces investors to remember the fundamentals and paves the way for a more durable rally.

Too much froth

The trouble is that there is still plenty of froth around, says Bloomberg. The recent mini-crash wiped $2trn off stock valuations, but trading data shows that bullish retail investors, who often buy in through apps like Robinhood, remain "unbowed". As Tom Essaye of The Sevens Report newsletter puts it, the recent pullback was "not even close to scary enough" to give people second thoughts about "buying the dip".

Ordinary investors are increasingly turning to options to play the market, say Andrew Bary and Avi Salzman in Barron's. Option volumes in single-stock equities were up 80% in August compared to a year before. Call options, which give investors the right but not the obligation to buy a stock at a particular price in the future, are proving especially popular. Starting from as little as a few dollars, they enable investors with limited funds to make leveraged bets on stock movements. Some of these instruments amount to little more than "lottery tickets". The vogue for options trading has wider consequences. As The Economist notes, such derivatives have been dubbed "weapons of mass destruction". The finance houses that sell call options expose themselves to the risk that the shares will rocket higher, so they buy some of the underlying shares themselves as a hedge. If the price rises, they need to up their hedge. The result can be a "euphoric" feedback loop, with higher prices forcing more purchases and yet higher prices. The result? More volatility in markets on the way up and the way down.

Solid fundamentals?

For all the froth, the tech stock rally is still based on sound fundamentals, says Michael Mackenzie in the Financial Times. There are few alternatives to the earnings growth on offer from tech shares. Such innovators and disruptors are far better able to adapt and prosper in a world where everyday life is changing rapidly. Comparisons with the long profits slump after the 2008 crisis are unwarranted. Analysts expect a rapid earnings recovery once the crisis is over.

But the tech giants are not growing like they used to, says James Bartholomew in The Daily Telegraph. On 37 times earnings Apple's shares look rich. It is a sign of the times that commentators increasingly talk about tech shares as a multiple of sales rather than profits. No one knows where big tech stocks go from here, but "I have no doubt that at least some of them are seriously overvalued".

China's bulls stampede as recovery gathers strength

China's recovery is gathering strength, say Finbarr Bermingham and Amanda Lee in the South China Morning Post. Industrial production continues to lead the way, rising by 5.6% in August on a year before. There are also signs of a consumer rebound: retail sales advanced by 0.5% on the year in August, the first growth recorded this year.

China is the only big economy the International Monetary Fund thinks will expand this year. The encouraging economic backdrop means the bulls are out in force. The benchmark CSI 300 stock market index has gained 12% so far this year and is up by 32% since 23 March.

The rally has brought plenty of signs of excess. Shares on the Star market, a technology-focused equivalent to America's Nasdaq, have been trading at "huge premiums" to "near-identical" stocks listed in Hong Kong, says Xie Yu in The Wall Street Journal. The fact that local investors are willing to pay up to five times as much as offshore buyers for the same assets suggests a speculative frenzy. However, regulators intervened to cool excesses over the summer, with the CSI 300 now off 3% from a mid-July high. The Star market froth makes more sense than you think, says Shuli Ren on Bloomberg. Too often foreign investors think China is "just another growing emerging market" with a rising middle class.


Foreign investors should look beyond consumer plays

©Getty Images

That prompts them to buy into consumer stocks such as Luckin Coffee (which later turned out to be a fraud). Locals, by contrast, know that nothing is as solid as a sector that has almost unconditional government backing: pricey technology firms. Chinese markets are driven by retail investors and can provide a wild ride. But authorities tend to step in if they fall too far. In a lousy year for the global economy, China's markets are a rare bright spot.

Will a stronger euro ruin the rally?

The single currency has gained 8% against the greenback this year. In response, European Central Bank (ECB) president Christine Lagarde has promised to "monitor carefully" developments in the foreign exchange market.

A rising euro creates two problems: firstly, it means lower import prices. Eurozone consumer price inflation turned negative in August, so more deflationary pressure is unwelcome. Secondly, it hits the earnings of exporters, especially significant in a bloc where exports make up about 45% of GDP and bourses are crammed full of multinationals.

Confidence in Europe's economic recovery has encouraged international investors to buy into local markets, juicing the euro's rally, says Jack Ewing in The New York Times. Ironically, that surge now risks dampening the recovery that started it. The ECB would prefer a weaker currency, but there is a tacit "non-aggression pact" between big central banks when it comes to exchange rates: actively talking down the euro would risk retaliation from Washington, sparking a self-defeating "currency war".

In any case, as Andrew Kenningham of Capital Economics points out, the current valuation is hardly eye-watering: the euro last traded at around $1.18 in 2018 and was as high as $1.38 back in 2014. The stronger euro will thus be a headwind, but it looks unlikely to sink eurozone stocks.

India is due a catch-up

"A sense of malaise" hangs over India, says Jeffrey Gettleman in The New York Times. The country is the world's second worst-hit nation by the number of reported Covid-19 cases, and a tough lockdown earlier this year wrought immense economic and social pain. The economy shrank by an astounding 23.9% in the three months to June compared to a year before. Up to 200 million people risk falling into poverty.

©Getty Images

Narendra Modi: an expert in the art of sweet-talking

Prime Minister Narendra Modi has proven an expert in the art of sweet-talking investors while failing to deliver on his promises, says Ritesh Kumar Singh in the Nikkei Asian Review. Recently his political formula has boiled down to "cash handouts" and culture wars.

New Delhi has also grown worryingly protectionist: Modi's government has raised import duties on more than 3,600 goods "in order to indulge a few business cronies at the expense of consumers". A return to the failed policies of the pre-1991 "Licence Raj" is the last thing India needs.

Stockmarket fever

The local BSE Sensex index remains down by more than 5% so far this year but has jumped by 50% since the March lows. Local investors appear to have caught stockmarket fever, says Benjamin Parkin in the Financial Times. The number of individual investors' accounts is up by 20% for the year to July. Local brokerage Zerodha "handles more daily transactions" than Robinhood, the much-discussed US stock trading app. The Indian middle class traditionally prefers gold as an investment, but with jewellery shops closed they are going digital.

Foreigners are also joining in, reports Nupur Acharya on Bloomberg. They invested a net $6bn in shares in August, even as international money managers pulled funds from neighbouring markets. Overseas buyers hope local stocks will catch up after lagging other Asian bourses this year.

If you think the US market is dependent on a few giants, just look at India, says Ishika Mookerjee, also on Bloomberg. About 43% of the BSE Sensex's gains since March have come from just one stock: energy and telecom behemoth Reliance Industries. Apple has contributed 11% of the S&P 500's post-March gains.

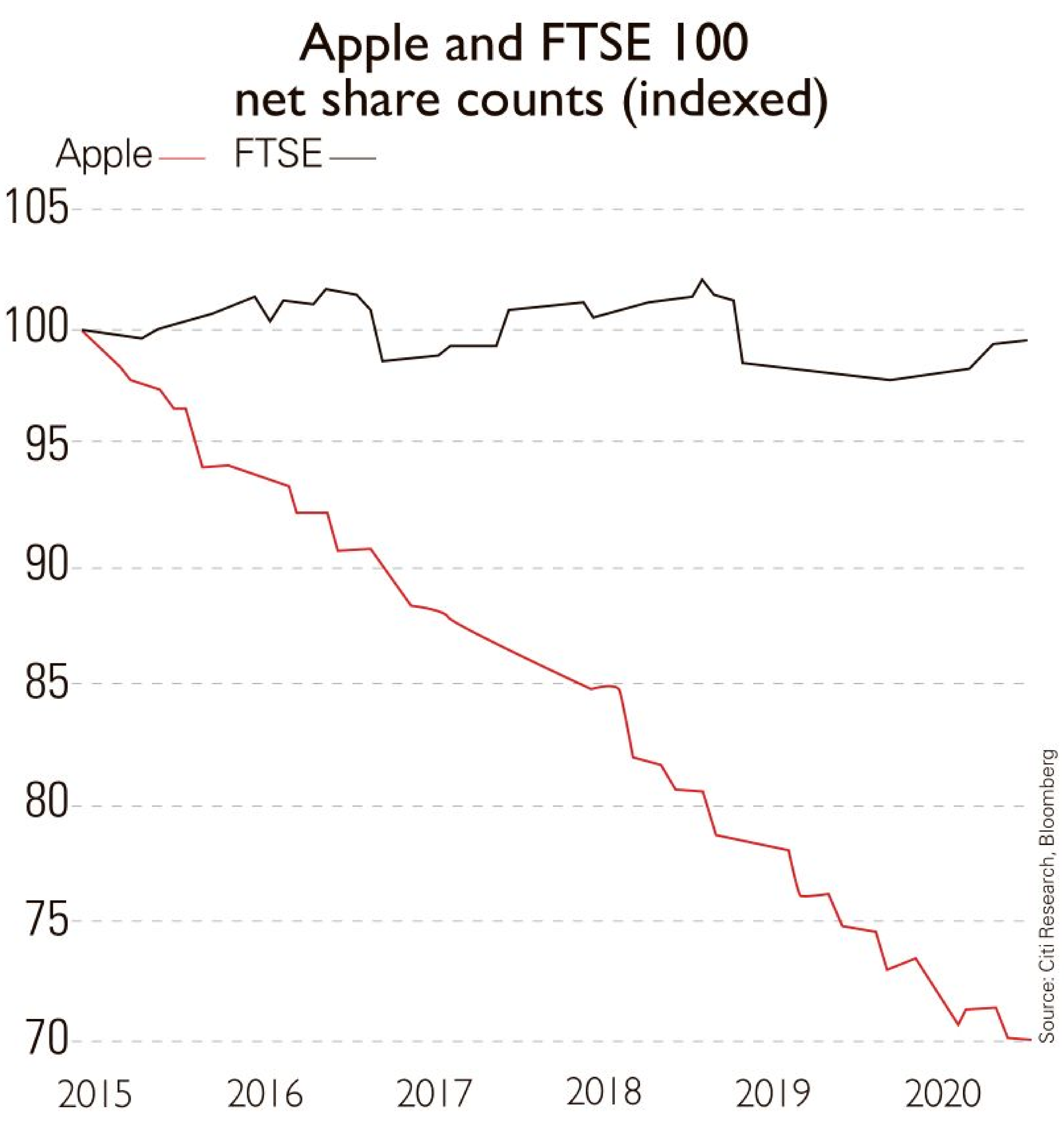
The dominance of banking and energy stocks is a headache, says Reshma Kapadia in Barron's. The tech sector is attractive. The earnings outlook is positive and local tech stocks trade on a 40% discount to US peers. The trouble is that investors who buy in through broad exchange-traded funds (ETFs) don't get much exposure to the sector. India is one of those markets where it may be worth paying for the stock-picking savvy of an actively-managed fund. MoneyWeek likes the **Aberdeen New India Investment Trust (LSE: ANII)**.

Viewpoint

"People are poor forecasters of their future selves... Years ago, psychologist Dan Ariely [told] a group of financial advisors [that] 'the craziest thing you guys do is the risk assessment questionnaire' ... [It asked] clients how they'd feel if they lost 10%, 20%, or 30% of their money... It relies on people accurately predicting how they'll feel if they lost money in the future. Which is extremely hard to do when the economy is booming. A better approach is using your past behaviour as a guide to your future behaviour... how people react to outlier events – booms, busts, stress, joy – is driven more by emotions that are stable in time than intelligence that evolves over time. How you responded to the last big loss, or the last big win... is probably a good indication of how you're likely to respond the next time it happens... people should read more history and fewer forecasts."

Morgan Housel, Collaborative Fund

Apple has been eating itself



Tech giant Apple is the world's most valuable stock, says John Authers on Bloomberg. Its market capitalisation of just over $2trn is slightly higher than the combined value of all the FTSE 100 companies. It is bigger than every stockmarket in the world apart from America, China and Japan, says index provider MSCI. One reason it has just kept climbing, however, is continual stock buybacks. The value of the equity bought back since 2015 is approaching $500bn. Since then the number of Apple shares in issue has slipped by almost 30%. The FTSE's share count, by contrast, has remained stable. "It's that much easier for Apple to keep rising if there is always someone there (Apple) to buy on the dips."

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

Three to buy

Associated British Foods
The Mail on Sunday
This FTSE-100 company appears strange, combining fast-fashion purveyor Primark with a food business. Yet lockdown illustrated the wisdom of that approach. Primark doesn't sell online and stores were closed during lockdown, but the impact was mitigated by better sales of Twinings tea and Silver Spoon sugar as consumers turned to comfort-eating and baking. This winter may bring lower sales of "sparkly dresses" for Christmas parties, but fleet-footed Primark will be able to quickly shift its clothing range into cosier, "stay at home" alternatives. *1,939p*

Royal Mail
Interactive Investor
The shares soared last week on news of a 34% jump in parcel deliveries in the five months to August compared to the same period last year. There are growing hopes that the domestic and international parcel operation could be positioned to rescue the business from plummeting letter volumes. Much now depends on whether unions can agree to a £200m cost-cutting programme. Industrial relations are rarely easy at the group, but the "sober realities" of a deep recession may bring a moment of clarity. Those with the stomach for the evident risks should buy. *226p*

Stenprop
Shares
Industrial property has been a rare bright spot in the crisis but shares in "big box" warehouse trusts are expensive. This multi-let industrial property investor, which focuses on smaller and more urban units, offers a cheaper way to play the trend. "Hardly any" more units of this type are built today, and a 92% occupancy rate attests to the strength of demand. Exposure to smaller firms is not ideal in the current climate, but it also means more diversified revenue compared to big-box providers, which often rely on a handful of major clients. On a discount to net asset value, the shares are a buy. *117p*

Three to sell

Halfords Group
Motley Fool UK
Shares in this retailer of bicycles and car parts have rocketed over the past month; with more people cycling, investors see a bright future for the shares. Yet no one can agree just how bright: analysts' forward price/earnings (p/e) ratios range from 9 to 17. The truth is that predicting future earnings is a "nonsensical" exercise in guesswork. The actual earnings record, moreover, is sobering: operating profit has declined for the last five years and averages

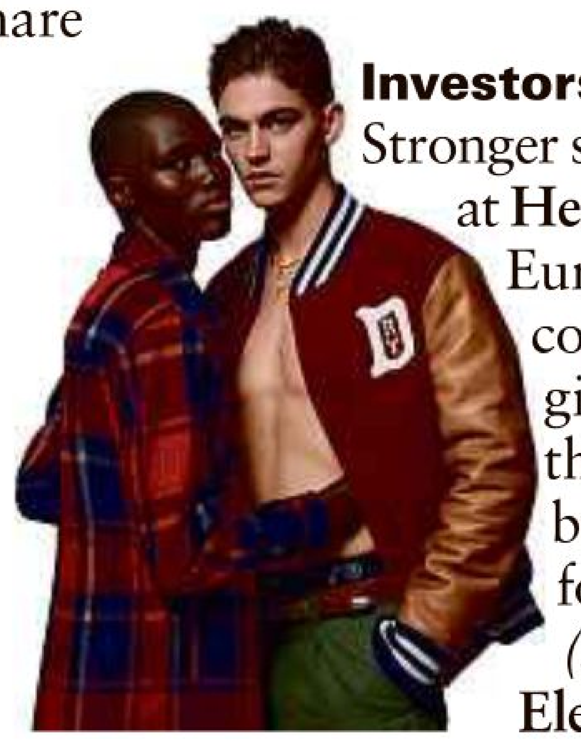
about 6.8 on a p/e basis. "I'm out". *185p*

International Personal Finance
The Sunday Times
Lockdowns have created new challenges for this doorstep subprime lender, which has a particular focus on central Europe and Mexico. The work of agents was disrupted and bad loans leapt by almost 50% in the first half. Most disquieting of all, management has warned that questions about whether it will manage to refinance a €397m bond next spring create a "material uncertainty" about the group's future as a "going concern". The upshot: while the shares are undoubtedly cheap, that is because they are a very "risky bet". Sell. *62p*

Safestore
The Times
This personal-storage specialist has enjoyed surprisingly robust demand this year, boosted by firms looking for a secure place to stockpile unused equipment. The group has 159 sites across the UK and Europe. Yet the company is starting to offer more discounts to boost business and brokers question whether sales can hold up if the economy tanks again. This is a resilient stock, but on a toppy 27 times earnings there is little margin for error. Sell. *787p*

...and the rest

The Daily Telegraph
Construction business **Morgan Sindall** stands to be a prime beneficiary of Rishi Sunak's infrastructure splurge. Buy *(1,220p)*. **Superdry's** share price is "bombed-out" but the clothing retailer boasts robust cash generation and a reputation for reasonably-priced quality, leaving it well-placed to prosper in a pandemic-scarred economy. Buy *(135p)*. These are not happy times for banks, but valuations of the likes of **OneSavings Bank** are so low that patient investors will find decent value. Hold *(297p)*.



Investors Chronicle
Stronger summer trading at **Headlam Group**, Europe's leading floor-covering specialist, gives us confidence that this cyclical business is heading for better times. Buy *(305p)*. Developer **Electronic Arts**, best known for its sports simulation games, is well-placed to benefit from the roaring video games trade *($130.13)*.

The Mail on Sunday
Shares in animal genetics specialist **Genus** recently hit a record high but should "bring home the bacon" – buy *(3,980p)*.

Shares
Odyssean Investment Trust offers investors a reasonably-priced way to obtain a "ready-made portfolio" of promising small-cap shares. Buy *(98p)*. Homeware brands owner **UP Global Sourcing** has reported strong online sales growth. Buy *(102p)*.

The Times
Luxury brand **Burberry** stands to gain from post-lockdown spending and its social-media savvy also bodes well *(1,482p)*. Talk of an "entente cordiale" between France's Accor and Buckinghamshire-based **InterContinental Hotels Group** may help propel shares in the British chain higher *(4,389p)*.

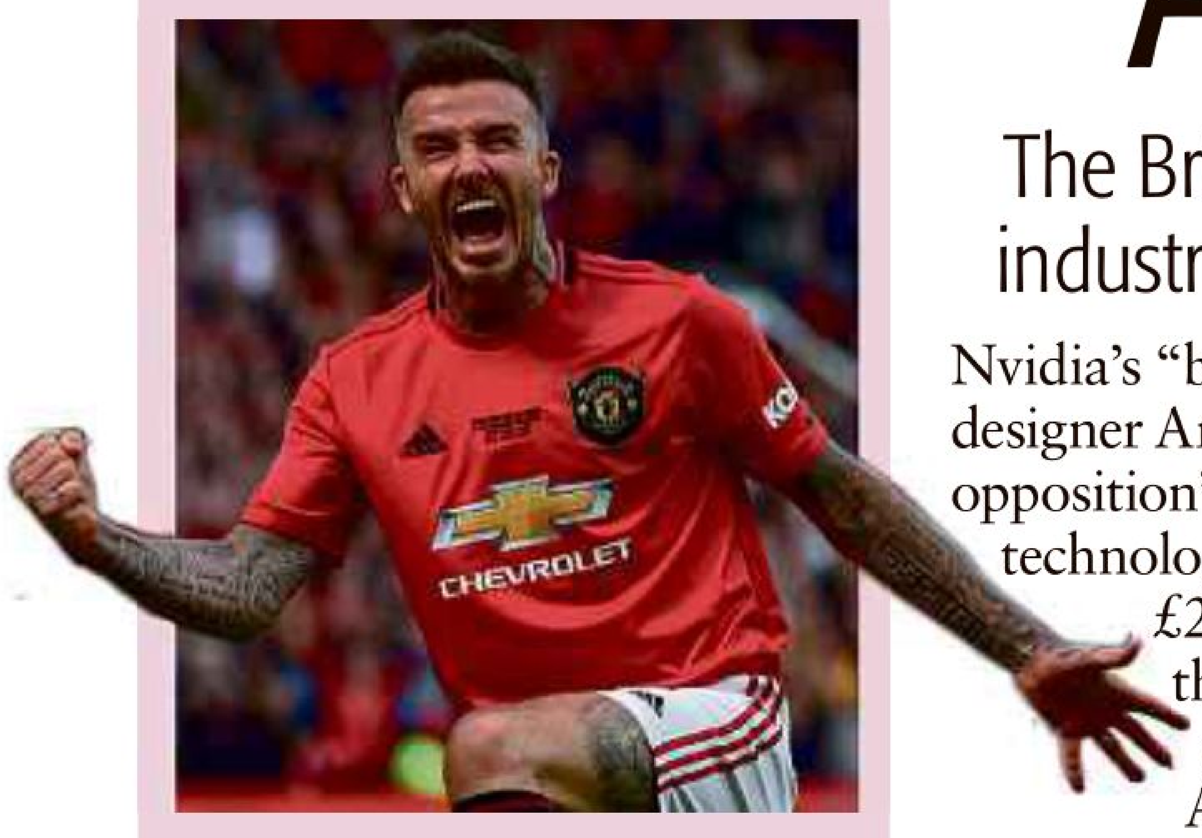
A German view

Sweden's pulp and paper manufacturer BillerudKorsnas is among the few companies that enjoyed a successful second quarter this year, says Wirtschaftswoche. It grew its bottom line by an annual 10% thanks to robust demand from the food and consumer-products industry. The group specialises in sustainable packaging made from paper and cardboard that is gradually replacing plastic; products include bottles made of paper and a plastic-free paper sack of cement that dissolves in the mixer. It has reduced costs with new contracts for raw materials and electricity, which should also help net profits for 2020 eclipse last year's figure of €98m. The stock yields almost 3%.

IPO watch

The US market has just enjoyed its busiest week for initial public offerings (IPOs) this year. A dozen flotations aimed to raise almost $7bn, with half of the proceeds stemming from three Californian tech listings: cloud software group Snowflake, videogame software company Unity and Sumo Logic, a data software platform. Companies have been bringing forward flotations thanks to the strength of the market, say Richard Henderson and Miles Kruppa in the Financial Times. Software stocks in the S&P 500 index are on 34 times earnings, compared with 26 times for the broader index, and have outperformed the S&P by 27%, boosted by the rise of remote working.

City talk



● Guild Esports, David Beckham's e-sports team, is floating in London to raise "tens of millions of pounds" and enter the "booming world of online gaming", says Mark Sweeney in The Guardian. Thanks to the pandemic e-sports have experienced a "surge of popularity", with an estimated 500 million fans tuning in to watch people compete in videogames ranging "from *Fortnite* to *Fifa* and *Counter-Strike*". Not only do some of the biggest tournaments "claim audiences bigger than events such as Wimbledon and the US Open", but the entire market is now estimated to be worth $1.4bn (£1.1bn).

● Nine months after announcing that they would merge to create the $50bn Stellantis Group, Fiat Chrysler Automobiles and Peugeot maker PSA "can finally walk down the aisle", says Lisa Jucca on Breakingviews. FCA has agreed to halve a "jumbo dividend" linked to its planned merger. This should remove any lingering deal "angst", while its shareholders will get "more savings and part of [parts maker] Faurecia". The rejig will boost the balance sheet of Stellantis Group, which is especially important given the ongoing pandemic.

● Pubgoers may be ruing the introduction of the "rule of six", which has limited get-togethers to six people, says Lex in the Financial Times. However, even before the measures came into effect, JD Wetherspoon was struggling, with last Saturday's sales down a "hefty" 22.5% compared with the same day last year. August's Eat Out to Help Out scheme deliberately excluded alcohol, which makes up around half of Wetherspoon's sales. Cuts to beer prices, meanwhile, may not placate nervous older drinkers. Wetherspoon should continue to "underperform" until the pandemic ends.

Arm gets a helping hand

The British chip designer is to be sold to a US peer in a record deal for the industry. The consequences will be far-reaching. Matthew Partridge reports

Nvidia's "blockbuster" takeover of UK chip designer Arm is already facing "growing opposition", says The Daily Telegraph. Japanese technology investor Softbank bought Arm for £24bn in 2016; it now wants to sell it to the US technology company in a record deal for the semiconductor sector.

As soon as the £30bn deal was announced, Arm's founder Hermann Hauser complained that it would deliver Britain into "American vassalage" by selling its "prime technology asset". Hauser says a sale to Nvidia would mean "the decision about who Arm is allowed to sell to will be made in the White House". The British government has pledged to investigate the deal, and China may follow suit.

Silicon Valley stardust

It's true that the deal brings "regulatory, political and client risks", including a chance that US politicians could prevent Arm exporting its products to China, says Alistair Osborne in The Times. The British government should also force Nvidia to make "hard commitments" about jobs.

However, talk about the deal being equivalent to "letting Trump get his hands on Trident" is "scaremongering". Arm may even benefit from some "Silicon Valley stardust". After all, despite the two companies being roughly the same value in 2016, when Softbank bought Arm, Nvidia's shares have since "rocketed tenfold".

If anyone should be blamed, it's the "timid" fund managers who preferred to bank "a quick 40% profit on the previous share price" and sell out to Softbank in 2016, says Nils Pratley in The Guardian. In retrospect, they would have done better to keep Arm independent and take a punt that it could "multiply in value" over a couple of decades.

Sadly, that mistake can't be undone, so it's best to let the deal go ahead, especially since Softbank now has too much debt and a "dented" reputation thanks to "ludicrous" punts on WeWork and other companies. Still, getting regulators and governments on board may "turn out to be the easy part" of the process, says Dan Gallagher in The Wall Street Journal. Arm provides the basic designs for the low-power central processor chips that form the "main brains" of smartphones and tablets.

So "nearly every company" that makes processors for mobile devices and other types of chips has a licensing relationship with Arm, including those that "either compete with Nvidia" or are planning to do so. Nvidia will therefore need to strike a "delicate balance" between "running its own chip business" and allowing Arm "a certain degree of independence". Big companies have hitherto had "little choice" but to stick with Arm, says Richard Waters in the Financial Times. But this deal could lead to a "wave of investment" in rival open-source chip architecture from companies fearful of being taken advantage of by Nvidia. Eventually, Arm's customers may switch to designing their own chip architectures to "ensure control" of their technology.

Still, even losing an Apple or a Qualcomm "may not matter much" if Nvidia can use the tie-up to "consolidate its position" in the "key market" of data servers, making itself the "technology axis" for a "booming" industry of artificial-intelligence-powered devices.

A lack of common sense at Rio

Supporters of a "kinder, gentler form of capitalism" are celebrating, says Brooke Masters in the Financial Times. Rio Tinto has decided to force out CEO Jean-Sébastien Jacques (pictured) over the destruction of a 46,000-year-old Aboriginal heritage site. After an internal probe into Rio's decision to blast the Juukan Gorge caves in May led merely to a £4m cut to the bonuses of Jacques and his two deputies, investors "reacted with fury". Last week all three announced plans to leave.

The debacle shows how recent events around the world have "injected steroids" into the environmental, social and governance (ESG) movement and "multiplied the issues that companies must consider". "ESG wonks" are already proclaiming it a "landmark moment", says Oliver Shah in The Sunday Times, but the tale tells you more about the "surprising" lack of common sense in a big company "operating at a fast pace". The company only managed to gain a "piddly" amount of iron ore from the destruction of "one of the most archaeologically significant sites in Australia".

Rio's critics may not be finished yet, says Pete Sweeney on Breakingviews. Australia's treasurer has demanded that the miner's next CEO as well as the majority of its board should be Australian. There are "strong homegrown candidates available" to replace Jacques, but it is hardly a "foregone conclusion" that every Australian executive will necessarily be more sensitive to indigenous issues, especially since the original decision "was cleared by Australian courts".

Rule by Stupid cannot last for ever

Unfair and illogical rules are putting our trust in government at stake. Emily Hohler reports

"A week may be a long time in politics, but a fortnight seems an eternity," says Ryan Bourne on Conservative Home. Two weeks ago, ministers were urging us back to work; this week the Rule of Six arrived, along with Covid marshals and a phone line to "dob in" neighbours for breaching pandemic laws. Such "authoritarian messaging" is hardly a "sustainable way to get buy-in for infectious disease control", particularly when the government's "mixed messages" are part of the problem. Without articulating the trade-off, the government appears to be trying to protect much formal market activity to boost GDP and sacrificing our social lives. The rules strike people "not so much as confusing… but stupid". It's fine to have more than six kids congregating at school, but not at a birthday party. "Wedding rehearsal meals are banned, but wedding reception dinners for up to 30 are fine." This is shaking public confidence in our leaders. If the government has made such a "pig's ear" of a "core competence", why trust it with rebalancing the economy or levelling up?

This is fine, but might not be by next week

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A dangerous state of affairs

The suspension of our liberties is even less justifiable now that we know that Covid-19 is not an "existential threat to humanity", says Philip Johnston in The Daily Telegraph. Covid-19 was removed from the High Consequence Infectious Disease (HCID) list as long ago as March because its fatality rate didn't meet the criterion for inclusion. How has the government even been allowed to "get away with this without any proper scrutiny and no vote or even debate in parliament, the supposed upholder of those very liberties"? There has been a bit of dissent – from Sir Graham Brady and Sir Desmond Swayne – but there is far too much "inertia" amongs MPs.

The new rule is not just unfair and illogical, it betrays a lack of trust in people's sense of responsibility, says Julia Hartley-Brewer in the same paper. "This is a very dangerous state of affairs. The government and the police are only able to do their jobs with the consent of the people." Many law-abiding citizens now feel that "enough is enough". As we learn more about Covid-19, it seems we "may well have thrown away our economy, our children's education, millions of jobs and many thousands of lives" to diseases that have gone untreated, to protect ourselves from a virus which has only killed 307 healthy people under the age of 60. The "vast majority" of very elderly people who contract Covid-19 will also survive. Eminent experts such as Carl Heneghan of Oxford University argue that the uptick in infections due to increased testing will not lead to thousands of deaths, and the inevitable rise in hospitalisations from respiratory disease happen every year, "with or without Covid-19".

Another prominent scientist, Peter Openshaw of Imperial College London, warns that we face another national lockdown "in short order" if people don't stick to the Rule of Six, say Lucca De Paoli and Joe Mayes in Bloomberg. In the three days through Sunday, infections jumped by 10,000, the fastest uptick since May. The reproduction rate is now above 1. The fears of the medical profession should be "taken very seriously", agrees The Independent. But the government has handled this badly. Governments in liberal democracies need to persuade voters to comply with rules they seek to impose. "Persuasion requires confidence that the restrictions are well-timed, proportionate and necessary. The government is weak on all three counts." We are no longer flying blind, and it is reasonable to expect the government to reach decisions in a rational, orderly way and then communicate them clearly. "If it can do that it will get support. If it fails, the autumn will be very difficult indeed."

Johnson: the country is with him

©Getty Images

Is Johnson right to break the law?

The controversial Internal Market Bill, which would give the government the right to override parts of the Northern Ireland protocol (part of the EU Withdrawal Agreement) in matters of state aid and customs declarations, has cleared its first Commons hurdle. Changing a binding treaty in this way is a breach of international law. However, Boris Johnson argues that it is needed as an "insurance policy" because the deal agreed with the EU to avoid a hard border with the Irish Republic "created a backdoor through which EU state aid rules would apply to the UK in perpetuity", says Camilla Cavendish in the FT. Watching this government "jeopardise its chances" of a trade deal in part over subsidies –which Johnson has never been keen on – is "bewildering".

It is a "surreal" moment", says David Allen Green, also in the FT. A government has "undermined respect for the rule of law and its own credibility as a party to all future international agreements, and the Commons has shown it will not check or balance this". Ursula von der Leyen used her flagship speech as European Commission president to point this out and warn that an agreement could only be reached on Brexit if the UK stuck to the deal.

The EU should "remove the beam in their own eyes" before "trying to remove the speck" in ours, says Bob Lyddon in The Daily Telegraph. The EU is breaking the Treaty on the Functioning of the EU (TFEU) on a "grand scale" with its €750bn Coronavirus Recovery Fund. Quite, says Daniel Hannan on Conservative Home. "Radical lawyers, Europhile politicians, unelected peers and woke actors" may be getting in a "frenzied rage" about the bill; everyone else is "more relaxed". International law is often disputed. Countries are constantly accused of treaty infractions. This is why Johnson will get his bill. "The country is with him." And the people "generally get the big calls right".

We see potential in the overlooked and underloved

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Past performance is not a reliable indicator of future returns. The value of investments can go down as well as up and you may not get back the amount you invested. Overseas investments are subject to currency fluctuations. The shares in the investment trust are listed on the London Stock Exchange and their price is affected by supply and demand.

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PAST PERFORMANCE

	Aug 15 – Aug 16	Aug 16 – Aug 17	Aug 17 – Aug 18	Aug 18 – Aug 19	Aug 19 – Aug 20
Net Asset Value	**9.9%**	**19.1%**	**8.7%**	**-4.9%**	**-18.5%**
Share Price	**1.1%**	**28.2%**	**14.0%**	**-6.9%**	**-25.4%**
FTSE All Share Total Return Index	**11.7%**	**14.3%**	**4.7%**	**0.4%**	**-12.7%**

Past performance is not a reliable indicator of future returns.
Source: Morningstar as at 31.08.2020, bid-bid, net income reinvested.
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Will Trump go quietly?

In a close election, the president may try to cling on. Matthew Partridge reports


Trump: a legitimate victory is still on the cards

Twenty years ago, the United States found itself "woefully unprepared" for a "drawn out" election aftermath that saw the result effectively decided by the Supreme Court, says Katrina vanden Heuvel in The Washington Post. This year things could end up even worse. President Donald Trump is joking about "staying in office for more than two terms" and "refusing to commit to accepting the election result", claiming that his defeat would be evidence that the system is "rigged". Meanwhile, defeated presidential candidate Hillary Clinton has publicly advised Trump's opponent Joe Biden "not to concede if the race is too close to call".

Are we heading for a violent reckoning?

The problem is complicated by the ongoing pandemic, which has piled pressure on an already creaking voting system, with rules varying from state to state, says Gus Wezerek in The New York Times. Already there have been at least 200 lawsuits across 43 states concerning election procedures and the pandemic, mostly concerning postal voting and registration. Even if officials are able to avoid a complete "mess", it is likely that we won't have a clear picture of who won many races at midnight on election day, as it will take "days or even weeks" to count election ballots in some states.

The American political system has always survived "violent, contested elections" in the past and a landslide Biden victory would leave Trump with "no way to challenge the result plausibly", says The Economist. Still, it is possible that, in a close race, delays in counting ballots could lead to Trump declaring victory based on incomplete results in key states, only for that result to be later reversed in Biden's favour. With "two candidates claiming victory", and with large numbers of Trump supporters unwilling to accept defeat, the resulting "constitutional crisis" could lead to "violent discord".

It could all be academic

No matter how angry their supporters get, neither Trump nor Biden would be able to dispute the election "without the backing of state and federal party machinery", says Katrina Manson and Kadhim Shubber in the Financial Times. Republicans in particular have a vested interested in preventing a complete breakdown since US electoral law makes it clear that if no president is chosen by 20 January, Speaker of the House Nancy Pelosi, whom they dislike far more than Biden, would become acting president. The Pentagon has also thrown cold water on the idea that Trump could call on it to stay in power – Trump's top military adviser has said he will refuse any "unlawful order".

Trump seems "absolutely certain" to publicly challenge the results of this year's election, but he won't be able to meaningfully hold on to power if it's determined that he lost the election when "all is said and done", says Osita Nwanevu in The New Republic. Still, Democrat concerns that Republicans might actively work to "stymie or obstruct" the full counting of votes this time around are "well justified". Democrats have their work cut out since they will also need to guard against complacency – there is still a chance that Trump will pull a legitimate victory out of the bag, "just as he did in 2016".

Shetland islanders make a bid for freedom

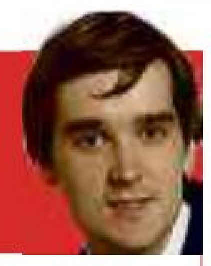

What can she say to object?

First Minister Nicola Sturgeon is pushing for another referendum on Scottish independence, but she may have been beaten to the draw, says Marc Horne in The Times. By a vote of 18 to 2, the Shetland Islands council backed a motion to begin examining options to achieve "financial and political self-determination" from Scotland. That might involve Crown Dependency status, such as that enjoyed by the Isle of Man and Jersey, or even complete independence. Supporters of the move complain about a "growing sense of frustration over cuts to funding" and moves towards "centralised decision-making in Edinburgh and London".

This is a "brilliant" move, says Paul Baldwin in the Daily Express. After all, how can the SNP possibly deny the same right it is demanding for itself? And success would be a disaster for Scotland. The islands' population is only around 20,000, but they are "right next to the bulk of the North Sea oil fields", meaning that a newly independent Shetland would control "the pot of liquid gold" that props up the entire Hibernian economy. Without that, the SNP's dream of exit from the UK would "unravel".

English politicians still treat Sturgeon as if she is too terrifying to challenge on the key questions facing an independent Scotland, and, like the EU, she is committed to holding plebiscites until she gets what she wants, says Simon Heffer in The Daily Telegraph. As a result, the SNP is heading for victory in next year's Scottish elections. So "full marks to the Shetland islanders for taking the gloves off". Now the "most powerful case possible for the Union" must be made – namely, that "Scotland is finished without it".

Betting on politics



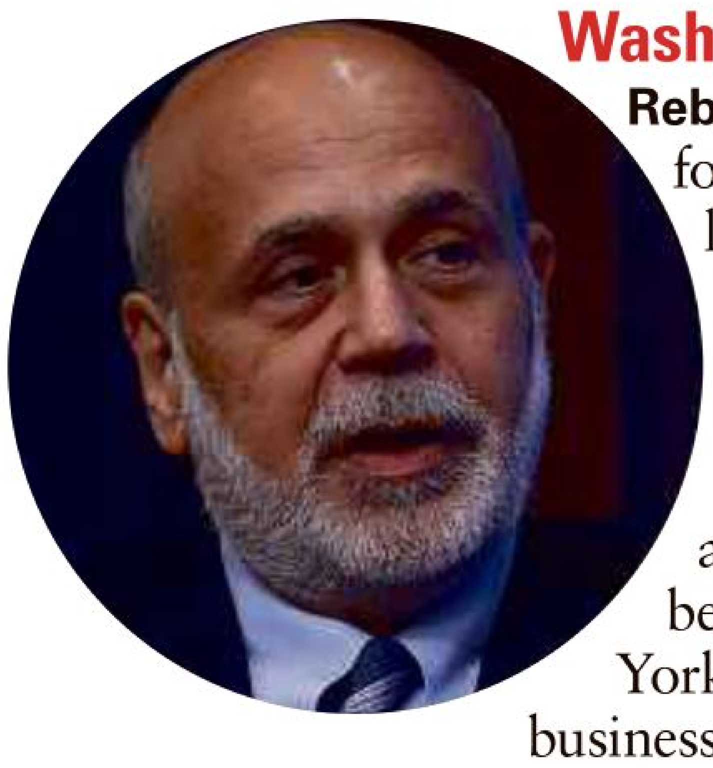
Betfair punters continue to bet heavily on November's presidential election, with £84.5m matched on Betfair so far (up from £78.7m). Surprisingly, they still seem to think that Joe Biden's advantage is relatively small, putting the odds of him winning in November at 1.87 (53.4%), while Donald Trump is at 2.2 (45.4%). This is essentially unchanged from a week ago. Sporting Index is also predicting a narrow result in the electoral college, putting Biden (pictured) at 283-289 electoral votes, compared with 249-255 for Trump.

One state that looks interesting is Maine. Unlike most states, which simply give all of their Electoral College votes to the winning candidate on a statewide basis, they also give a single vote to the winner of each of the state's two Congressional Districts.

Four years ago, a victory in Maine's second congressional district ensured that Donald Trump became the first Republican to win at least one electoral college vote from the state since 1988, and he came within 3% of winning the overall state.

While no bookmaker or betting exchange is willing to offer markets on each individual district, Paddy Power is offering 2/9 (81.9%) on the Democrats winning the overall state. If you think Trump will pull off a surprise victory, Ladbrokes is offering 3/1 (25%) on the Republicans winning. Despite the closeness of the result last time, I'd take the 2/9 on Biden as polls give him a large lead in the state of 8 to 15 percentage points, while Trump's approval ratings remain low.

Washington DC



Rebound slows: Industrial production rose for the fourth month in a row in August, "but at a much lower rate than earlier in the summer, a sign that the manufacturing recovery is slowing", says David Harrison in The Wall Street Journal. Seasonally-adjusted output rose by 0.4% month-on-month, much less than July's 3.5% and June's 6.1% rises. Production is still 7.3% below its February pre-pandemic level. New York state, however, looks in fine fettle. Its general business conditions index increased to 17 in September from 3.7 a month earlier, "dwarfing expectations", says Vince Golle on Bloomberg. (A reading above zero indicates growth.) Meanwhile, hopes of an accord between Congress and the White House on a new round of stimulus before November's presidential election are fading, says James Politi in the Financial Times. Many economists, including former Fed chair Ben Bernanke (pictured) fret that the US rebound will lose steam in later 2020 or early 2021.

London

Recovery remains V-shaped: Consumer price inflation (CPI) fell to 0.2% year-on-year in August, down from 1% the previous month. The Eat Out to Help Out scheme was the main reason for the sharp decline, according to Samuel Tombs of Pantheon Macroeconomics. He expects inflation to stay below 1% for the rest of the year. Meanwhile, the employment data has captured the shock from the pandemic for the first time, says Philip Aldrick in The Times. Unemployment rose to 4.1% in July, a two-year high. Yet employment only fell by 12,000 to 33 million, "far less than the 125,000 expected". Average earnings, excluding bonuses, have also recovered; they climbed by 0.2% in the three months to July. GDP is down by 11.7% on its February pre-Covid level, adds David Smith in The Sunday Times. It means GDP in July was 13.4% up on its second-quarter average. "If the next two monthly figures show half the increase recorded in July, third-quarter GDP would show a hefty, and record, 17% increase compared with the second quarter. Did somebody say 'V'?"

Mexico City

President picks fight with predecessors: Mexican president Andrés Manuel López Obrador (AMLO, pictured) has called for "an unprecedented referendum" into whether five of his predecessors should stand trial, says Jude Webber in the Financial Times. AMLO blames Carlos Salinas, Ernesto Zedillo, Vicente Fox, Felipe Calderón and Enrique Peña Nieto and their "neoliberal policies" for rampant corruption, social inequality, violence "and many other calamities". Analysts called the move politically motivated ahead of midterm elections next year. With majorities in both houses of Congress AMLO will get the measure through parliament, but the proposal must go to the supreme court. Lawyers claim it "violates the principle of the presumption of innocence". AMLO framed his political career "as a crusade to end endemic corruption" in Mexico, says Juan Montes in The Wall Street Journal, but anticorruption activists say he appears "more interested in using high-profile prosecutions" to ensure his re-election. AMLO's brother was recently caught on camera receiving a paper bag full of money. Meanwhile, reported acts of corruption – such as solicitation of bribes by public servants – jumped by 19% to 30,500 per 100,000 people in 2019 compared with 2017, his first year as president.

Berlin

Investors upbeat: The German government is investing €750m in research into a coronavirus vaccine at three German companies – BioNTech, CureVac, and IDT Biologika – with a vaccine expected next year. Ministers insisted that "risky shortcuts" would not be taken. The funding brings "Berlin's total bet on such research to more than €1bn", notes Bojan Pancevski in The Wall Street Journal. Meanwhile at least a million tests are being carried out every week. Investors have kept faith in an economic recovery from the crisis, "despite headwinds from stalled Brexit talks and rising new infections", says Reuters. The widely-watched Zew survey of investors' sentiment jumped to a 20-year high of 77.4 points in September. And in the wider eurozone, factories exceeded expectations in July, says Harry Robertson in City AM. Industrial production grew by 4.1% from June.

The way we live now: scattering ashes in space

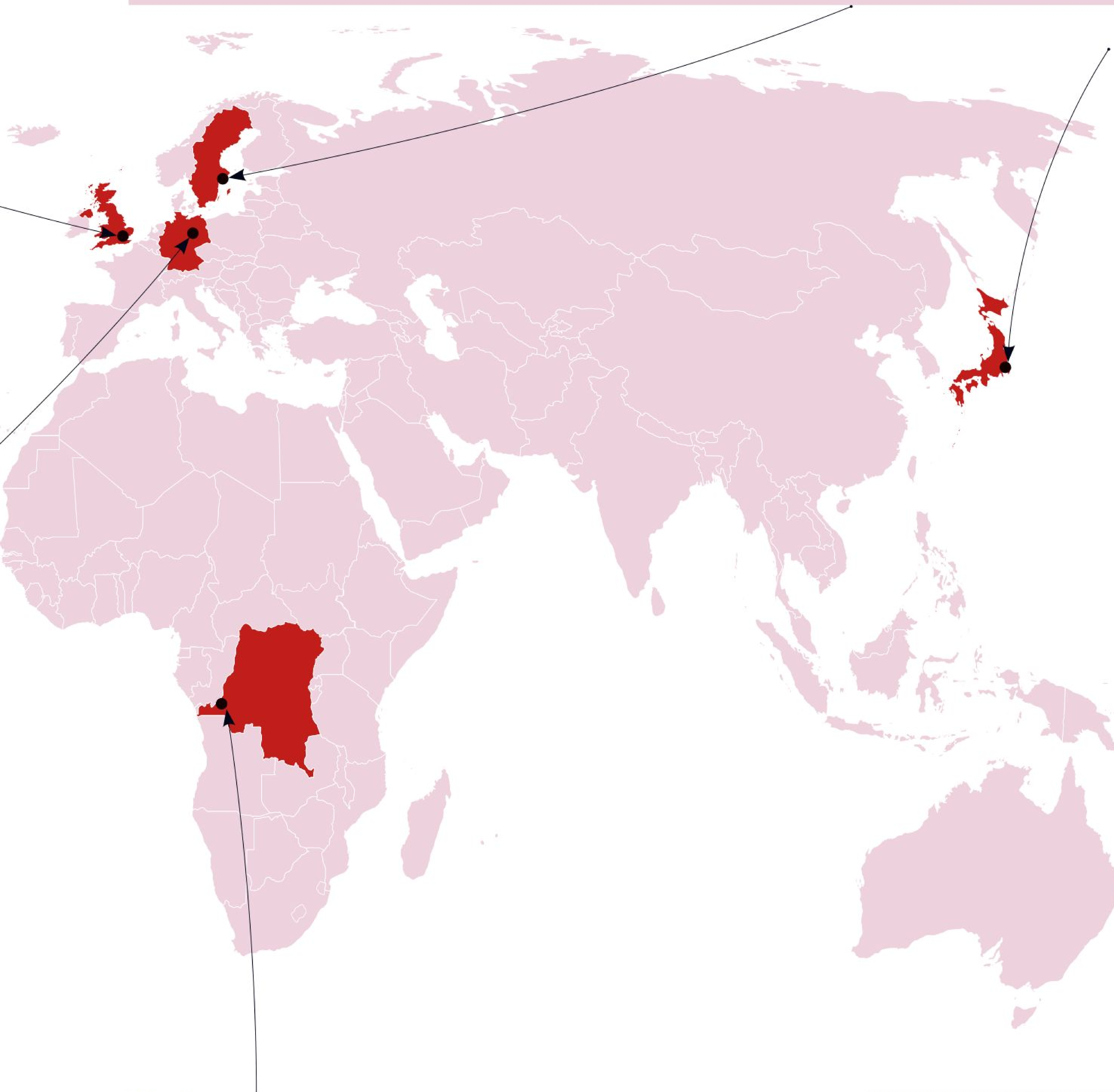
Grandad will love the outer stratosphere; he always wanted to travel

Japanese families are "avoiding the trouble and expense of burying their loved ones" by sending their ashes into the sky in "space burials" conducted with "brightly-coloured balloons", says Richard Lloyd Parry in The Times. A company in Tokyo has invented a way to insert cremated ashes into a rubber balloon that gets inflated with helium to a diameter of 8ft and is then released "into the heavens". The balloon reaches the outer edges of the stratosphere at a height of between 40km and 50km, where reduced air pressure causes the balloon to swell and burst, scattering the ashes. "The fragments of balloon, made of biodegradable rubber, fall to Earth and decompose." The company, Balloon Kobo, has carried out 300 space burials and has 100 more booked. They cost ¥240,000 (£1,760) per set of human remains – or ¥180,000 for pets. Powdering up ashes to a sufficiently fine consistency to go in the balloon costs another ¥30,000, while additional human remains can be sent in the same balloon for a "discounted rate" of ¥120,000.

Stockholm

Buy now, sell later: The latest funding round at Klarna, a Swedish payments company, raised another $650m, says Zoe Wood in The Guardian, valuing the group at $10.6bn – "a blockbuster figure that makes it the fourth-largest private fintech in the world". Klarna is an interest-free buy-now-pay-later service available at online retailers' checkouts. CEO Sebastian Siemiatkowski said the retail and finance worlds "had reached an 'inflection point'"; the shift to online retail had been "supercharged". It offers 30-day payment windows and instalment options. It is among a wave of fintech firms "seducing shoppers on tight budgets", billing itself as a "healthier, simpler and smarter alternative to credit cards". Some financial experts fear the easy-access digital loans could easily snowball into debt. Klarna has expanded to 200,000 retailers, including Asos, JD Sports and H&M in the UK. Its latest valuation is double last year's, says Karen Kwok on Breakingviews, but it is starting to look "a stretch". Competition is intensifying and Britain's Advertising Standards Authority began a probe this month into the marketing of "buy now, pay later" services. "Klarna's valuation momentum may not be all one way."

Seducing shoppers on tight budgets with "buy now, pay later" deals



Tokyo

New prime minister has big shoes to fill: Japan's new prime minister and leader of the Liberal Democratic Party (LDP), Yoshihide Suga (pictured), will have to "hit the ground running", says The New York Times. Suga took office this week in the middle of a pandemic that has "devastated" the country's economy, "effectively erasing years of growth" under his predecessor Shinzo Abe. So far, Suga has said that he will "roughly stick" to Abe's pro-growth "signature formula", Abenomics. However, if Suga, a long-standing ally of Abe and Japan's chief cabinet secretary, appears to "epitomise the status quo", in reality "he has been a catalyst for significant change". For instance, he is considered a "strong proponent" of legislation permitting an influx of foreign workers. Market watchers want to know whether there will be a snap election, says Bloomberg. Historically, the stock market has tended to rally ahead of a lower house election and share prices accelerate after the vote, provided the ruling LDP doesn't lose seats. Seen by many as a stand-in ahead of the September 2021 general election, Suga, to stay in power, needs some policy wins. Time is short.

Kinshasa

Flood kills 50 miners: At least 50 gold miners have died after a flood at an unregulated mine in the Democratic Republic of Congo (DRC), "adding to the deadly tally of recent accidents at illegal and small-scale mines around the developing world", say Nicholas Bariyo and Alistair MacDonald in The Wall Street Journal. The victims were working at the mine when water from a nearby river flooded three tunnels following "torrential rains". None managed to get out and "there is little hope of survivors". According to the World Bank, around 90% of the world's miners work in "small-scale operations or illegally by trespassing on land controlled by others, including bigger mining companies", while 20% of the world's new gold comes from these mines. Up to 2,000 illegal miners are dying every year in the DRC, the world's leading miner of cobalt. The country's central bank expects its economy to contract 1.7% in 2020; the downturn would have been worse had it not been for the success of confinement measures introduced to combat coronavirus, says Reuters. The central bank had previously pencilled in a contraction of 2.4%.

Emerging Asia

First regional contraction in 60 years: Asia's developing economies are on course to shrink this year for the first time in six decades as the coronavirus pandemic lays waste to "a crucial driver of global growth", says John Reed in the Financial Times. The Asian Development Bank predicts that the continent's emerging markets will on average show negative GDP growth of 0.7% this year, the worst figure since 1961, when regional growth contracted by 8%. Economies are set to recover in 2021 with 6.8% jump in GDP, but this could be derailed if countries lock down again due to a "prolonged pandemic... the biggest risk to the region's growth this year and in 2021". China is one of the few economies in the region bucking the trend, adds the BBC; it is expected to expand by 1.8% this year (see page 4). However, India's GDP is on course to contract by 9% in 2020, while Southeast Asia is likely to see a drop of 3.8%. Tourism-dependent island economies "have seen wrenching economic contractions": Fiji's economy is expected to shrink by 19.5%, while the Maldives will lose just over a fifth of its national income.

Universal Credit comes good

The government's benefit reforms have been plagued with disasters since their introduction in 2013. The Covid-19 crisis, however, has revealed a positive side. Simon Wilson reports

What is Universal Credit?
It's the Conservatives' flagship welfare reform, rolling up six existing forms of state welfare payments – including jobseekers' allowance, housing benefit and child tax credits – into one single monthly payment. The aim of the reform, first announced in 2011 and still not completed, is to simplify the welfare system in order to help claimants and cut fraud, and to encourage work. The basic principle of the UC system is to cut out incentives for people to stay on benefits rather than accept work, and make it easier for them to access what they are entitled to. In February, more than 2.8 million people were in receipt of UC, which is being phased in over a period of years as people's individual circumstances change.

Iain Duncan Smith's reforms are enjoying some unexpected plaudits

©Getty Images

Just how many years?
It's been a painfully slow business. UC was first introduced in 2013 and was originally supposed to be fully rolled out by April 2017, but it has been plagued by a series of technical problems and widespread concerns – across the political spectrum – over some of its unintended consequences. Championed by Iain Duncan Smith (the Tory work and pensions secretary 2010-2016), it was originally conceived as a more generous scheme than those it's replacing. However, its introduction crashed into George Osborne's austerity cuts, making it less attractive overall, and less effective at incentivising work. In addition, a succession of embarrassing failures of management and IT caused years of delays and endless examples of claimants treated harshly under the new rules. Most recently, in February this year the government delayed the full rollout by a further nine months to September 2024, adding a further £500m to the costs of transitioning claimants to the new system over the next five years.

What went wrong?
In particular, the five-week wait between claiming and receiving money proved disastrous, given that many low-earners have no savings or other resources, and are paid weekly. The areas where UC was brought in typically saw surges in the use of food banks, spikes in rent arrears and evictions. Landlords, who once saw claimants as ideal tenants, now refused to let to them. But rather than adapt the system, a 2018 report by the National Audit Office found that the Department for Work & Pensions had failed to react to the mounting evidence of hardship and systemic failure, and instead became "defensive, insensitive and dismissive". The spending watchdog concluded, witheringly, that "the larger claims for universal credit, such as boosted employment, are unlikely to be demonstrable at any point in the future. Nor for that matter will value for money."

"Within four weeks of lockdown, the number of claimants leapt by 40%"

What's happened this year?
Despite all this, the UC system – faced with a sudden and dramatic surge in demand – has held up astonishingly well. In early March, there were around 2.8 million people claiming UC, around a third of the projected total once the transition is complete. But within four weeks of lockdown that had leapt 40% to four million. By 9 July the UC system had doubled to 5.6 million claimants. The peak of the technical and staffing challenge was the night of 26 March, when Rishi Sunak announced his income support scheme for the self-employed, which helped basic-rate taxpayers, but not until June. In a normal week, the UC system handles 12,000 new claims. That night alone, it handled 136,000.

And the system didn't crash?
No, it did "remarkably well", says Rosie Kinchen in The Sunday Times. More than 90% of payments due were paid in full and on time. Most advances were paid within 72 hours. "It was like laying tarmac in front of the traffic while it was moving very fast behind us," says Neil Couling, director of UC. "The old system would just have collapsed." From March, the government boosted weekly payments by £20 and (until August) removed the stipulation that UC claimants must be seeking work – thereby encouraging take up, and arguably turning universal credit into a kind of emergency universal basic income. A survey by the Resolution Foundation shows that 46% of the new claimants were still in work, and another 12% earning while furloughed, and 27% self-employed. New claimants were typically better off (pre-pandemic) than the usual claimants and were far more likely to be private renters or homeowners.

What went right?
Agile thinking and a can-do attitude, says Kinchen. Within weeks of lockdown, the DWP reallocated 10,000 staff from other sections such as the Passport Office; they supplied 20,000 laptops so staff could work from home; and they shifted to a "don't call us, we'll call you" system of calling people back, not leaving them on hold. They also softened security checks to speed up the system (while admittedly increasing the risk of fraud). The result is that 74% of new claimants report a positive experience of UC. Compared with mounting fury over the government's inability – six months on – to organise a coherent testing system, the performance of the UC system is one of the bright spots of the pandemic.

So what happens now?
Flaws remain, but the pandemic has shown a positive side to the new system. The question is whether public appreciation will prove durable once the furlough scheme ends, which is expected to lead to a spike in unemployment, leaving many dependent on benefits for the first time. "Coming into the crisis, the UK's social-security system provided fairly low levels of income replacement, the logic being that, given the UK's fast-moving jobs market, jobseekers would be able to find work quickly, and indeed would have a strong incentive to do so," says Karl Handscomb of the Resolution Foundation. The Covid crisis has upended that assumption. If the pandemic's effects do prove deep and damaging, this Covid bright spot may turn into a running sore.


HM Government
UK TRANSITION
Is your business ready for the UK's new start?
The UK has left the EU. Check to see the changes your business may need to make.
Find out more at gov.uk/transition
UK'S NEW START
LET'S GET GOING
Check
Change
Go

Spare us these desperate measures

Struggling firms are trying to reinvent themselves. Some are going to have to get much more radical

Matthew Lynn
City columnist

Just about every company has had to tweak, adjust, or reimagine its business during lockdown. It is easier for some than others. Newspapers have pushed digital subscriptions as print sales collapse, and publishers are putting more effort into e-books as bookshops close. Supermarkets are beefing up home delivery as fewer of us venture out to their shops. Retailers have focused on online sales; restaurants and even pubs have started selling takeaways; a few hotels have been renting out rooms to home workers who need some peace and quiet away from their families or flat-mates.

The results have been mixed, at best. But most have managed to replace at least a percentage of the revenues they have lost. Using some imagination, and improvising, they have managed to create new products or new kinds of services, at lightning speed, and in many cases might well have come up with ideas that will endure. Free markets are good at adapting to change, as we have seen in real time over the last few months.

A few modest proposals

And yet, in truth, not all the new ideas are equally good. Let's take just a few examples from this month. Singapore Airlines is planning to launch "flights to nowhere". You climb onto an A350, circle around for three hours, and then land back where you started. It is designed, apparently, for people who are missing flying. In a similar vein, an Israeli airline catering company, with lots of spare manufacturing capacity, has come up with the bright idea of selling its meals for home delivery. Pret A Manger is making a big play of its new subscription service that offers way more coffee than is probably good for your heart for a fixed monthly fee (five cups a day for £20).

If only we could recreate this experience at home…

©Alamy

If this trend catches on there is no end to the possibilities. Perhaps we could have virtual airports (security guards come to your house, make you queue for hours, frisk you and then take away your water). Or online commuter trains (you stay at home and stand in a dark cupboard for three hours while a series of confusing "delays" are announced). Or perhaps a digital JD Wetherspoon experience (a bike brings round some cheap fizzy beer, then someone jogs you and you spill it down your shirt). There might be real demand for all of these.

Or perhaps not. There is not any real point in a "flight to nowhere". It was the getting somewhere that made flying worth all the bother, expense and hassle. Airline meals might have become slightly better over the years, but it is hard to imagine anyone would choose one if they weren't 30,000 feet in the sky with no other options. As for Pret coffee, even leaving aside the issue of whether anyone could possibly want five of them a day, there just isn't much point when you don't go to the office anymore. The kettle in the kitchen is a far better alternative.

Two better options than reinvention

It is easy to make fun, but there are two serious points. The first is that while some businesses can pivot, reimagine and reinvent themselves, and do so brilliantly despite the pandemic, not all of them are going to be able to do so. Airlines are simply going to be far smaller companies. There will, for the foreseeable future at least, be less business for the carriers, and for the suppliers that feed the industry. Likewise, while working from home will fade after a while – and for lots of people already has – we may well not go back to the office in the way we used to. There will be less demand for coffee shops and sandwich chains. It might be better to simply accept that – and work on running a much smaller business effectively instead.

Next, if businesses have to reinvent themselves, they need to be more radical. There may be no point trying to recreate an existing product or service for an economy in lockdown. It would be better to take the premises, staff, and cash on the balance sheet, and come up with something completely new. It might work, or it might not. But most would stand a far greater chance of success than some of the more desperate attempts at reinvention launched over the last few weeks – and would save shareholders a lot of money along the way.

Who's getting what

● **Mike Henry**, CEO of mining giant BHP Group, received $6.1m in his first six months in the role, says Reuters. Henry took over from the previous CEO, Andrew Mackenzie, on 1 January. His pay includes a $1.7m base salary, with a 10% pension contribution. BHP has said it will freeze the pay of top executives for the coming financial year.

● **Zoe Ball** (pictured), presenter of the BBC Radio 2 Breakfast Show, has seen her salary rise by nearly £1m to £1.36m, making her the second highest-paid BBC employee behind **Gary Lineker**, who was paid £1.75m, says The Times. Ball's show has lost one million listeners since she replaced Chris Evans, who earned £2.2m in his last full year, in January 2019. Other presenters to see their pay increase include **Graham Norton**, whose earnings rose from £610,000 to £725,000; *Newsnight* lead presenter **Emily Maitlis**, who took home £370,000 in 2020, up from £260,000 a year earlier; and *Question Time* anchor **Fiona Bruce**, whose pay rose from £255,000 to £450,000.

©BBC

● British Airways owner International Airlines Group (IAG) "suffered a significant shareholder revolt" last week, says the Financial Times. Just over 20% of shareholders cast their votes against the company's pay report, which includes a £883,000 bonus for outgoing chief executive **Willie Walsh**. IAG said it was "disappointed" by the outcome.

Nice work if you can get it

Leaders of education unions have topped the Public Sector Trade Union Rich List, with six senior staff sharing £1.3m between them, says Rosemary Bennett in The Times. Sally Hunt, who led the University and College Union (UCU) until last year, and was a vocal critic of vice-chancellors' pay, even leading the first lecturers' strike over pensions in 2018, was the highest paid on the list compiled by the Taxpayers' Alliance. Her final year's earnings totalled £534,805, including £400,000 in "post-employment payments". Paul Whiteman, general secretary of the National Association of Head Teachers, was second, earning £211,286. Geoff Barton, head of the Association of School and College Leaders (ASCL), earned £174,206 – almost seven times the starting salary of a teacher. The average remuneration of the top 29 public-sector union bosses was £153,935 in 2019.

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A bet on going back to normal

Markets are saying that where we work has changed – and that makes an attractive contrarian investment

Cris Sholto Heaton
Investment columnist

Not everybody wants to work like this all the time

©Alamy

Big changes in how the world runs tend to happen relatively slowly. Even wars have usually been preceded by rising tensions where the potential risks were obvious. In the same way, most of the trends that may be propelling us into a much less stable era than the last 40 years (see right) have been evident for some time. US-China disputes, inequality, money printing or climate change – these have been building for a decade or more. Covid-19 is an obvious exception to this: it has upended the world more abruptly than any event in modern history. And in doing so, it has single-handedly created one major immediate question: whether people have shifted to working from home permanently, and whether the centres of big cities – which have been huge beneficiaries of globalisation – will be hollowed out as a result.

It's all about demand

Lots of investors clearly believe this. The shares of many major companies and real-estate investment trusts (Reits) that own prime office space remain 35-45% below their pre-pandemic prices in the UK, the US and Europe. Given that the risk of interest rates rising must be almost zero for several years, there isn't much rate-related threat to their valuations – you'd expect them to trade on lower yields in future, to reflect lower yields available elsewhere. So the risk for financially solid firms is almost entirely in future demand – a bet on whether the world has changed for good.

How realistic is this? At the moment, we have more anecdote than data, but after six months, there are signs that firms are starting to find the problems in permanently working from home. JPMorgan has seen a decline in productivity, the bank's chief executive Jamie Dimon told analysts last week, and also fears that younger employees miss out on the opportunity to learn from experienced ones. It's now encouraging staff in the US to begin returning to offices. Meanwhile, surveys of employees typically suggest that people want the flexibility to work from home, but not to do so all the time. In many countries in Europe, the process of returning to the office is already more advanced than in London or New York (whose density – including crowded public transport – may delay it until there is a vaccine or treatment).

"Office Reit shares are still down by 35-45% this year"

If Covid has changed where we work for good, office owners are a weak play on recovery. If people will return much of the time, they are very cheap. I'm slowly adding **Land Securities (LSE: LAND)** and **British Land (LSE: BLND)** despite the Brexit risk, and also hold **Aroundtown (Xetra: AT1)** in Germany. But there are many other options to consider if, like me, you are inclined to take this bet: **Boston Properties (NYSE: BXP)** and **Vornado Realty Trust (NYSE: VNO)** are two that are worth a close look in the US.

I wish I knew what modern monetary theory was, but I'm too embarrassed to ask

Modern monetary theory (MMT) is an economic theory whose key implication is that governments should fund public spending by creating as much money as they need.

Conventional economics assumes that governments need to raise money either through levying taxes or by borrowing (usually through issuing bonds) before spending it. MMT instead focuses on the distinction between currency users and currency issuers. People and businesses cannot create their own currency; they must get enough money in a recognised currency, such as sterling, to pay for what they need. If they can't get enough, they will default on their obligations. Governments are currency issuers. The British government controls the supply of sterling and can ultimately create as much as it needs to pay its debts.

Hence advocates of MMT argue that treating a currency issuer like a currency user is too restrictive and forces a government to limit spending on services or investment to what it thinks it can afford, rather than what is needed to ensure full employment and the long-term health of the economy. Governments should base their decisions on what is required, and issue enough currency to pay for it.

The most common objection to MMT is that governments that create their own money without restraint to fund their spending have tended to end up fuelling runaway inflation. Examples include Weimar Germany in 1921-1923 and, more recently, Venezuela and Zimbabwe. MMT supporters claim that spending decisions can take inflation into account, and taxes can be used to mop up excess money supply.

After the global financial crisis and again during the Covid crisis, central banks have funded governments by directly buying new bonds. To a large extent, this is MMT by the back door. We can expect more of this in future, so that we should eventually find out which view is right.

Guru watch

Jim Reid, strategist, Deutsche Bank

The world is headed for a new "age of disorder", says Jim Reid, the veteran multi-asset strategist at Deutsche Bank, in the latest edition of his annual Long-Term Asset Return Study. "Economic cycles come and go, but sitting above them are the wider structural super-cycles that shape everything from economies to asset prices, politics, and our general way of life." The current super-cycle "has been gradually fraying at the edges over the last half-decade" and we are likely to look back on 2020 as its end.

There have been five super-cycles in modern times, reckon Reid and his team: the first era of globalisation (1860-1914), war and depression (1914-1945), the Bretton Woods agreement (1945-1971), the arrival of high inflation

(1970-1980) and the second age of globalisation (1980-2020). This last era was long and favourable for investors: "The best combined asset-price growth of any era in history, with equity and bond returns very strong across the board."

But the new era promises upheaval, driven by eight key themes: US-China tension, a make-or-break decade for Europe, the growing allure of money printing and modern monetary theory (see left) in response to high debt, less-stable inflation (whether deflation or high inflation), greater inequality, a growing intergenerational divide, the climate-change clash, and the impact of technology on how we live and what that means for our cities. This is likely to threaten current high global valuations. "Simply extrapolating past trends could be the biggest mistake you make."

©Deutsche Bank; Getty Images

Covid panic is a terrible mistake

Ian Birrell
Unherd

At the start of the pandemic, the predictions for Africa were "terrifying", says Ian Birrell. Without emergency action, UN experts predicted up to 1.2 billion cases and 3.3 million deaths. Little wonder that so many countries rushed to embrace strict lockdowns. Yet the impact of shutting down countries will be far worse in Africa than in the West, while the "doom-laden" warnings appear misplaced. In Malawi, one of a few countries that did not impose rigid measures, there have been 176 confirmed Covid deaths in a population of 19 million. Around 50,000 deaths were predicted. This is perhaps explained by Africa's youth (almost 20% of Britons are over 65; in Africa, the proportion is 2%). But whatever the reason, the collateral damage caused by lockdowns, where social safety nets and infrastructure are lacking, is huge. In Uganda, where borders remain closed, maternal mortality is surging while killers such as malaria and tuberculosis are going undiagnosed. It is now predicted that up to 10% of Africa's population could descend into extreme poverty. The more you look at the data, the "harder it is to avoid the conclusion" that the panicked response to the pandemic in low-income countries was a mistake.

Property rights could end poverty

Editorial
The Economist

"People in poor countries are not as poor as they seem," says The Economist. In 2000, the economist Hernando de Soto estimated that the total value of informally owned land, houses and other fixed assets was a "whopping" $9.3trn. If these small farmers and shanty-town dwellers had "clear, legal title to their property" they could use it as collateral and invest in their land or start a business without fear that one day someone might "grab it". Additionally, "where title is insecure, land is less likely to be developed". South Asian cities are growing twice as fast in area as in population thanks to sprawling slums. Since 2000, countries throughout Asia, Africa and Latin America have made progress on mapping, titling and registering land, yet despite such efforts, only 30% of today's population possess "formal titles". Establishing a system of property rights is hard: transactions can take months, land disputes abound and other laws often "undermine property rights". Reform is hard because politicians use land to enrich themselves and supporters and stronger property rights would "make such looting harder". But if capitalism is to be "for the many, not just the few", reformers must keep up the "slog".

Big Brother extends his embrace

Ross Andersen
The Atlantic

Xi Jinping's stated aim is for China to achieve artificial intelligence (AI) supremacy by 2030, says Ross Andersen. His plan is to build an "all-seeing digital system of social control, patrolled by precog algorithms that identify potential dissenters in real time". A "crude version" is already operating in "the open-air prison that is Xinjiang", where more than a million Muslim Uighurs have been "disappeared" into concentration camps. AI-powered sensors "lurk everywhere", monitoring citizens' every move. China as a whole is "an ideal setting for an experiment in total surveillance". There are more than a billion mobile phones in use, each one "chock-full" of sensors. The firm City Brain is already able to synthesise data streams from a "multitude of sensors". In time, systems may even be able to read unspoken thoughts. China's technology is now being exported to autocracies around the world. Much of the planet's imminent political trajectory may depend on "just how dangerous China's people imagine AI to be in the hands of centralised power. Until they secure their personal liberty, at some unimaginable cost, free people everywhere will have to hope against hope that the world's most intelligent machines are made elsewhere."

Lush's lash-up with the soap-dodgers

Julie Burchill
The Daily Telegraph

I've always loathed Lush, says Julie Burchill. Aside from the "olfactory assault" of its stores, its online "virtue-signalling about Black Lives Matter and Digital Detox Day" induces "the urge to regurgitate" quicker than an accidentally ingested lip balm. Like all "such useful idiots", it's also against Israel and refuses to open stores there, though it will "happily trade" in Saudi Arabia where women's rights activists are tortured. This week, after Extinction Rebellion staged protests at printing plants, Lush's founder, Mark Constantine, changed his mind about the group – which just last year was gushing its thanks for the company's financial support – and said that he would no longer donate. Such relationships are destined to be fraught. Any cause which "squeals that is it taking a 'battering' and begs for celebrity support" is going to "look limp"; any retailer wishing to support environmental issues "should consider the basic stupidity of any business seeking to limit growth and persuade people to spend on frivolities". Lush is likely to "regret becoming identified with a bunch of soap-dodging show-offs who are rapidly becoming about as popular with the public as getting shampoo in one's eyes".

Money talks

"*Game of Thrones* is wonderful. My theory is they employ all these British actors because, one, they are like me and grateful. Two, we turn up, and we know our lines. Three, we don't demand a 60ft Winnebago and PA, and four, largely we are very uncomplaining."
Diana Rigg (pictured) on HBO's hit series, quoted on Twitter

"I'm not sure money can make you happy, but a lack of money can make you unhappy."
Broadcaster Clive Tyldesley on the most important lesson he's learnt about money, quoted in The Sunday Times

"I had a café when I was ten. I opened the front garden of my parents' home, took all the furniture out and the neighbours came around and paid for cups of coffee and buns and things I'd made. Then my parents said I had to return all the money. I was very upset about that."
Chef Frances Atkins, quoted in The Sunday Telegraph

"Do not risk lives by meeting in situations where you are not spending money."
A Twitter user on the government's latest Covid-prevention advice

"We went to an Italian and splashed out on a bottle of Prosecco"
Donald Fear, who has won £1m on *Who Wants To Be A Millionaire*, reveals how he celebrated, quoted in The Mail on Sunday

"No warning can save a people determined to grow suddenly rich."
British banker and politician Lord Overstone (1796-1883), quoted on Twitter

"If I had shares in a tinsel company, I'd be thinking of selling up."
Historian Dominic Sandbrook on the odds of Covid ruining Christmas, quoted in The Sunday Times

Brands stick it to The Man

Hum: Colgate has performed a cunning "sleight of bland"

©Hum by Colgate

bloomberg.com/opinion
Toothpaste purveyor Colgate has unveiled "Hum", the smart toothbrush that "guides consumers to brush better and to build healthier habits without sacrificing fun for functionality". Hum represents a bold new departure for Colgate – although it does rather resemble what is on offer from Goby, Burst, Boka, Brüush, Gleem and Shyn, says Ben Schott. Welcome to the world of the "bland" – those now-ubiquitous brands that "claim simultaneously to be unique in product, groundbreaking in purpose and singular in delivery, while slavishly obeying an identikit formula of business model, look and feel, and tone of voice".

An anatomy of the bland

Despite "hiding in plain sight (and plain recycled packaging)", this "sleight of bland" has opened the wallets of a generation that "considers itself above marketing and created some of the buzziest companies of the age". Here's how it's done.

First, take aim at "The Man" – who has had it too good for too long at our expense – and end his domination by cutting out the middle man. Although inevitably funded by angel investment, venture capital and private equity, present yourself as a "scrappily uncorporate" underdog. Like the disciples of Brian of Nazareth, a bland must also be an individual and totally unlike all the other firms doing the exact same thing.

Next, come up with a "narrative". Rarely do blands declare that they were founded to exploit a niche and to leverage venture capital until they reach launch velocity for an initial public offering or the target of the disruption buys it out. Instead, proffer an origin story as though your company is the result of an aspirational Grail quest begun in frustration with the existing options.

Explain, too, how your bland will "empower self-fulfillment". It's not enough to say you're flogging frozen meals or mail-order specs. Instead, say you're on a mission to build a better world, and how buying your product will help the consumer craft their own voice and individuality and live up to their woke values.

And because such discerning people are allergic to marketing, make your brand as "engagingly unobtrusive" as possible, with a tone of voice crafted to sound upbeat, casual and cheeky but without tipping over into something as cringey as dad-dancing. When you've collared your victim with all this, coax them into a membership or subscription using the language of community and convenience. This will help create "long-term commitments to traditionally fleeting purchases", creating the scale necessary before you can cash in and exit the business.

A new role for the unions

capx.co
Democracy requires that all should be formally equal and able to play a part in its functioning, says John Lloyd. Yet the bulk of the population is kept out of the corridors of power because they have become the preserve of the highly educated. What is needed is not more university degrees, but organisations capable of nurturing civic virtue – a commitment to behaviour and action which serves a common social purpose. Civic virtue is, or should be, a prerequisite for the tasks of democracy.

Such organisations exist – the trade unions. People from all walks of life who possess civic instincts and are ambitious to test them in action need to be shown how to argue in groups, speak in public, and organise their campaigns and their time. Unions once fulfilled this role and were at the centre of national democratic life until they were pushed to the margins. They are now only attended to when they take damaging industrial action. It's time for them to find a new role. "As unions changed the terms of relationship between masters and workers a century and more ago, so in a society materially much richer but poor in the social esteem paid to the majority, they might challenge the massive inequalities of the time, and even reduce them."

The rise of the food bank

adamsmith.org/blog
Between 1980 and 2017, the UK's GDP rose 100%. Over the same period, the number of food banks in the UK leapt by more than 1,000%, according to economists Mark Blyth and Eric Lonergan. This calls for a celebration, says Tim Worstall. As societies get richer, we get technological development and so can do new things and solve old problems. Food banks are a new technology – a manner of organisation is indeed a technology – imported from the US in 2000. Much hunger has been eliminated as a result.

This is not the conclusion we are supposed to reach, of course. We are supposed to think that


A wonderful new technology

©Getty Images

the rising need for food banks shows that society has become worse. But state inefficiency in distributing welfare did not begin in 2000, and the days before the introduction of the food bank were hardly a hunger-free paradise.

The claim that the rise in food banks is a bad thing is an absurdity. Solving a problem, such as alleviating the pangs of poverty, is hardly proof of the problem getting worse. Who wouldn't be happy at fewer people being hungry as a result of technological change? We say "huzzah!" for the food banks.

You can't ignore reality forever

nationalreview.com
Venezuela's last oil-drilling rig has shut down, says Kevin Williamson. The country still has plenty of oil – about a fifth of the world's reserves. But oil is not actually very valuable on its own because you can't do much of anything with it. It just sits in the ground. Only oil in the context of a rich capital ecosystem – of refineries, pipelines, supertankers, etc – is valuable stuff.

Venezuelans have the oil, but not the needed productive capital, thanks to Hugo Chávez's "jackbooted... heirs". As such, they don't have petrol for their cars or gas for their kitchens. They don't even have food for their kitchens, since deliveries are also dependent on petrol, or the income that depended on selling oil to energy-hungry people around the world.

This is what a world looks like where the socialist "people over profits" ideology rules. Politicians such as Chávez "believe they can reshape the world by simply barking orders at people and institutions. But politics isn't magic, and reality is not optional. Bark all you like, but reality will bark back — and bite."

Bad data is driving fear of a second wave of Covid-19

The recent spike in Covid-19 "cases" is very different to the original outbreak, says James Ferguson of MacroStrategy Partnership. The government needs to calm down

Covid-19 cases are on the rise again, particularly amongst the young. The "rule of six" is now nationwide. Localised lockdowns are in place up north. And even martial-law-style 10pm curfews are being considered. So-called "pillar 2" cases from the wider community – where "cases" are a misnomer for "positive" test results – have doubled in the last two weeks from about 2% to roughly 4%. Is this the long-awaited second wave? And once all these infected young northerners visit their grandfathers (ill, elderly men are particularly vulnerable), will it turn into an increase in deaths too?

This seems to be what our politicians fear – hence their aggressive response. However they are making some major mistakes. One is the policy direction itself – the correct response is not a lockdown of the general population, but shielding of the vulnerable. The other is in misinterpreting the data. "Positives" are not the same as "cases" (the latter require both symptoms and a doctor's diagnosis). This leads to a dilemma because, as you can see from the chart on page 23 (which runs to 12 September), although positives have leapt sevenfold from their June-July low, deaths over the same period have fallen by two thirds.

The epidemiological rule-of-thumb is that the number of (unseen) infections will be roughly ten times the number of diagnosed cases, which in turn will be roughly ten times greater than the number of deaths. Working backwards from deaths, and taking account of the three-week period of illness, we would expect the UK to have about 2,500 diagnosed cases, of which half would be hospitalised (the government currently reports just 972 hospital patients). That would also suggest 25,000 current infections, or disease prevalence (ie, the percentage of the population who has it) of sub-0.04%. Yet the pillar 2 community-testing scheme is now finding 4% positives. In other words, the test regime seems to be finding 100 times more positives than the combined data on diagnosed cases, hospital admissions and deaths would suggest. That begs the question: how many of these are false positives?

Why false positives really matter

It might surprise you to learn that a positive medical test result does not often – or even usually – mean that an asymptomatic patient has a disease. If the false positive rate (FPR) is the same as the prevalence of the disease, then half of all positives will be false. And the lower the prevalence compared to the FPR, the more inaccurate the results will be. Even doctors don't tend to grasp the full implications of that. In 1982, a researcher called David Eddy provided physicians with a diagnostic puzzle. Women age 40, participate in routine screening for breast cancer, with a prevalence of 1%. The mammogram test has a false negative rate of 20% and an FPR of 10%. What is the probability that a woman with a positive test has breast cancer? The correct answer is just 7.5%. In each batch of 100,000 tests, 800 cases (80% of the 1,000 women who actually have breast cancer) will be picked up. But so too will 9,920 (10% FPR) of the 99,200 healthy women. So the chance of having breast cancer if you test positive is still only 7.46% (800/10,720). However, 95 out of 100 doctors gave answers in the range of 70-80%, ten times higher than the correct answer.

"A positive medical test result does not often – or even usually – mean a patient has the disease"

We're putting too much faith in these tests

Not a whole lot has changed since that study. A 2020 follow-up study by Stephen Duffy looked at two decades of UK mammography screening. For 53,883 women in their 40s who were randomly chosen to be screened annually for a decade, an estimated 26 (0.05%) breast cancer deaths were prevented. But 7,893 (14.6%) women were given at least one false positive diagnosis, and 1,857 (3.4%) got two or more. The study concludes "that lives were saved" and that early screening is a "good" thing to do. But in truth, it didn't save all that many lives. And more importantly, the study made no assessment of how many other lives were ruined when so many women were wrongly told that they had tested positive for breast cancer, and perhaps went on to have unnecessary "treatment".

Doctors and politicians obsessed only with "saving lives" in a single, specific and limited sense, can miss the wider economic, emotional and other negative consequences. They compound this error with a poor grasp of statistics. David Miles, ex-member of the Bank of England's Monetary Policy Committee, estimates that lockdown will have cost the UK about £127bn this year. To be "worth it", that would require that we have saved at least 423,000 lives, but only assuming that each had lived on average for a further decade – unlikely given that the average age of death from Covid-19 is roughly the same as UK life expectancy. And policy should also be balancing any gain in "lives saved" from Covid-19 against any increased death toll caused by lockdown, including suicide, drug and alcohol abuse and 2.1 million delayed cancer appointments.

©Getty Images

"You are now five times more likely to test positive in the community than in a hospital"

Daily new and seven-day average cases (top) and deaths (below) in the UK

Why the government is getting it so wrong

The government's assumption is that its Covid-19 RT-PCR (I won't spell out the acronym as it's technical and not relevant to my point) tests have a FPR close to zero (0.1%). That's because the lowest positive result that was recorded in late June among the Office for National Statistics (ONS) study groups, was 0.4%. This means that even if all of these were false positives, the test must still be at least 99.6% accurate. As it happens, the ONS has judged the test 99.9% accurate and left it at that. While one ONS control study of 35,000 saw prevalence of 0.08% in the June lull, the lowest prevalence estimate for that fortnight got just 50 positives from 113,000 samples (0.04%). Yet total pillar 2 tests (tests carried out in the community rather than in hospital) at that time were delivering a much higher positive rate of 2%. Using NHS data on diagnoses, hospital admissions and deaths suggests a consistently lower disease prevalence – until two weeks ago at least – of only about 0.025%. This low prevalence would imply a very high FPR to explain all the positives. Indeed, the 2% pillar 2 positive rate could be up to 99% false. For every two true positives per 10,000 tests, a 2% FPR would falsely identify another 200, meaning the chance of actually being positive if tested "positive" would be 2/202, or just 1%.

So what's going on? First, the fear of false negatives – the authorities worry that on the PCR test, this might be as high as 85%. So to boost the test sensitivity, normal protocols governing the amplification of viral swab samples were relaxed – a lot. Under amplification, a swab sample goes through several doubling cycles to multiply whatever is there until the test can identify it. But while amplification makes it easier to discover virus DNA, if you do too much of it, eventually all samples will test positive. Unfortunately, this fear of false negatives has led the government to relax protocols to the point where samples are being amplified thousands more times than is scientifically supportable.

Second, this might not matter so much if we stuck to the NHS labs that have been doing this for years and know how to spot errant results. But the huge increase in pillar 2 tests (community ones) has seen many totally inexperienced labs conscripted to the cause. You are now five times more likely to test positive if you take your test in the community, than if you take it at hospital (pillar 1). And while the government insists that only those with symptoms are supposed to take pillar 2 tests, it is more than likely that at least 90% are asymptomatic. The epidemiological rule-of-thumb is that infections represent about ten times the number of symptomatic "cases". So the political panic induced by positives now rising to 3,000 a day is not comparing like-with-like. It's really more like 300 a day by the old criteria (compared to a past peak of about 4,000 a day).

Third, the government assumes that not only will these new, inexperienced labs be able to replicate NHS lab performance, but so too will the newly-acquired PCR machines and testing kits they're using. Yet anecdotal evidence from a range of sources suggests the machines (which are apparently "not to be used for diagnostics") often came to the labs (run not by medical units, but by accountancy firm Deloitte) from universities with missing software; use artificial primers not from live virus to validate results; interpret the results using "intelligent" software from firms that won no-contest bids; have limited experience and no external quality assessment; and use supposedly "clean room" testing kits that have DNA contamination, faulty seals or other defects.

During the height of the outbreak we used to test for and find only diagnosable, symptomatic "cases". Now, widespread testing of about 450,000 people a week means we are also picking up many more of the 90% of infections that are asymptomatic. In medicine there is a well-recognised difference between idealised, "analytical" test sensitivities and "operational" real world results. It seems irresponsibly, even dangerously, naive of the government to assume that the operational FPR is still anywhere near zero, especially when community tests have been consistently 2% positive for 12 weeks, which is five times higher than the 0.4% of hospital tests and up to 100 times the 0.02% disease prevalence derived from NHS diagnosis, admissions and death data. If Operation Moonshot – ten million tests a day, costing as much as the whole NHS annual budget – is rolled out, the lunatics really will have taken over the asylum. Test subjects will, by definition, be effectively 100% asymptomatic, so mathematically-speaking just about every positive test will be false. With a prevalence of 0.02%-0.04% and an observed pillar 2 FPR of 2%, ten million tests would correctly identify only 2,000-4,000 infections on average but would also incorrectly tag 200,000 false positives a day. Your probability of being positive if tested positive in this scenario could be less than 0.1% – which will nevertheless still be very much higher than your chances of ever being released from house arrest.

Carnival will party again

The cruise ship operator is cheap and looks poised to recover strongly

Matthew Partridge
Senior writer

The first time that Covid-19 really came to people's attention was when the Diamond Princess cruise ship was quarantined in early February after an outbreak that infected 714 people and killed 14. By March most countries, including the US, had either banned or heavily restricted cruise ships.

So it's no surprise that at one stage in early April shares in **Carnival Corporation (NYSE: CCL)** had fallen by 80% from their price at the start of the year. Even though they subsequently rallied, doubling over the last five months, they are still over 60% down from their 52-week high at a time when the benchmark S&P 500 continues to make new highs.

The clouds are clearing

Still, there are several reasons to be bullish on Carnival. Loosening restrictions in several countries mean that it has resumed some limited cruises, beginning with a journey around Italian ports earlier this month by its subsidiary Costa Cruises. Carnival's management hopes that this loosening will continue as more countries become more confident that the virus can be contained through testing and social distancing. While it is almost certain that the US ban on cruise ships will be extended for at least another month when it expires in a fortnight's time, the cruise lines, including Carnival, are aggressively pushing for a limited re-opening in November.

Moreover, with nine vaccine candidates in final-stage trials, at least one could be approved by the end of the year, which, allowing time for production and rollout, means that most restrictions could be lifted by next summer. While there's always the worry that the crisis has permanently reduced people's appetite for sailing around the world, this doesn't seem to be the case, with companies reporting a few months ago that bookings for 2021 were at similar levels to past years. Magazine surveys also suggest that most people have not been deterred from going on a cruise by this year's chaos.


Bookings for cruises in 2021 have proved robust
©iStockphotos

Even if business does take a little longer to bounce back than expected, Carnival has plenty of financial leeway because it has been able to raise $12bn to bolster its balance sheet. The valuation also looks very attractive with the company trading at just four times 2019 earnings and a 25% discount to the value of its net assets, despite the fact that between 2015 and 2019 it grew sales by a third. What's more, in 2016, 2017, 2018 and 2019 it earned a double-digit return on capital invested (a key gauge of profitability), showing that it deployed its resources efficiently.

"The group's record is impressive: between 2015 and 2019 sales rose by 33%"

I therefore suggest that you go long on Carnival at the current price of $16.50 at £200 per $1. Cover your position if it falls below $10. This is a slightly looser stop-loss than normal because of the stock's volatility; it gives you a potential downside of £1,300.

Trading techniques... stocks and rights issues

The turmoil caused by the pandemic has prompted many companies to raise more money. While some have borrowed, or sought help from the government, others, notably International Consolidated Airlines Group (IAG), the owner of British Airways, has launched rights issues.

This means that a company sells additional shares to existing shareholders at a discount. In essence, a rights issue is the opposite of a share buyback (whereby a firm buys its own shares, reducing the number of shares that are outstanding).

In theory rights issues should be neutral for the share price provided companies can use the cash raised efficiently. Even if this is not the case, they could still be a sensible move if the only other options are either bankruptcy (which would see existing shareholders wiped out) or taking money on less advantageous terms. A government bailout, for instance, could come with considerable interference in operational decisions. However, in reality they are almost always seen as a sign of weakness or desperation. Studies in both the US and UK suggest that rights issues do indeed have a negative effect on short-term share prices.

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For example, a 2000 study by Myron Slovin and Marie Suska of Arizona State University, and K.W. Lai of Lingnan University, found that between 1986 and 1994, the shares of UK companies involved in rights issues fell by an average of 1.8% over the two days after the rights issue was announced.

B. Espen Eckbo of Dartmouth and Ronald W. Masulis of Vanderbilt estimated in 1995 that the average two-day impact in the US was even higher, at around 3%.

How my tips have fared

My four long tips have struggled during the past fortnight, with one increasing, one staying the same and two falling. Media group ITV rose from 58p to 65p. Equipment firm United Rentals stayed at $177.

However, energy company Royal Dutch Shell fell from 1,086p to 1,078p. Worst of all, thanks to its decision to offer a rights issue at an unexpectedly low price, airline company International Consolidated Airlines Group (IAG) fell from 206p to 135p. While the stop-losses meant that the position was closed at 140p, this still represents a loss of £990.

My short tips haven't done particularly well either. Online insurance broker eHealth went up from $63 to $75, while exercise bike manufacturer Peloton appreciated from $76 to $81.

At least electric lorry maker Nikola fell from $40 to $35, despite at one stage surging to $50 after announcing a production deal with General Motors.

Online education provider GSX Techedu climbed from $85 to $91, although since I suggested that you wait until it falls below $70 before shorting it, this shouldn't have any impact on the overall profits and losses.

Counting the losses on IAG, my long tips are making a net profit of £543, while my short tips are making profits of £867.

The upshot is an overall profit of £1,410, though the sum is exceeded by my losses on closed positions.

I now have four long tips (Carnival, Royal Dutch Shell, United Rentals and ITV) and three short tips (eHealth, Pelton and Nikola).

With the Royal Dutch Shell tip set to reach its six- month anniversary in a week's time, I am very likely to close it next time unless something dramatic happens to turn its fortunes (and share price) around.

Why growth investors should go green

A professional investor tells us where he'd put his money. This week: Luciano Diana, senior investment manager, Pictet Global Environmental Opportunities Fund

From New Delhi to Bengaluru, India is home to some of the most polluted urban centres in the world. But this year, its skies turned clear and blue for the first time in decades after the coronavirus lockdown shut factories, grounded flights and removed cars and trucks from the roads. As residents across the country breathed clean air and spotted stars at night, those in the northern state of Punjab could see the Himalayan mountain range more than 100 miles away.

The sudden halt in economic activity has drastically cut pollutant emissions and shrunk humanity's ecological footprint. But it requires a fundamental shift in our economic structures to build a more sustainable post-pandemic world.

From air pollution to climate change, tackling environmental problems will take a monumental effort. Investors, as stewards of global capital, have a crucial role to play in placing the world on a more sustainable footing.

"Lockdown turned India's skies clear and blue for the first time in decades"

New environmental equities

For investors, the opportunity to bring about change has never been greater. With governments and businesses responding to pressure to contain ecological degradation, a distinct and attractive group of environmental-equity investments has emerged.

These are companies that combine strong environmental credentials with innovative products and services designed to safeguard the world's natural resources. The environmental-product industry is one of the world's most dynamic: already a $2.5trn market, it is expected to grow by an annual 6%-7% over the next few years. The Global Environmental Opportunities Fund focuses exclusively on this sector.

Central to our strategy is a ground-breaking scientific framework called Planetary Boundaries. This is a model, developed in 2009 by scientists at the Stockholm Resilience Centre, identifying nine factors – including carbon emissions (climate change), biodiversity, fresh water and land use – crucial to maintaining the stable biosphere required for human development and prosperity.

The most promising subsectors

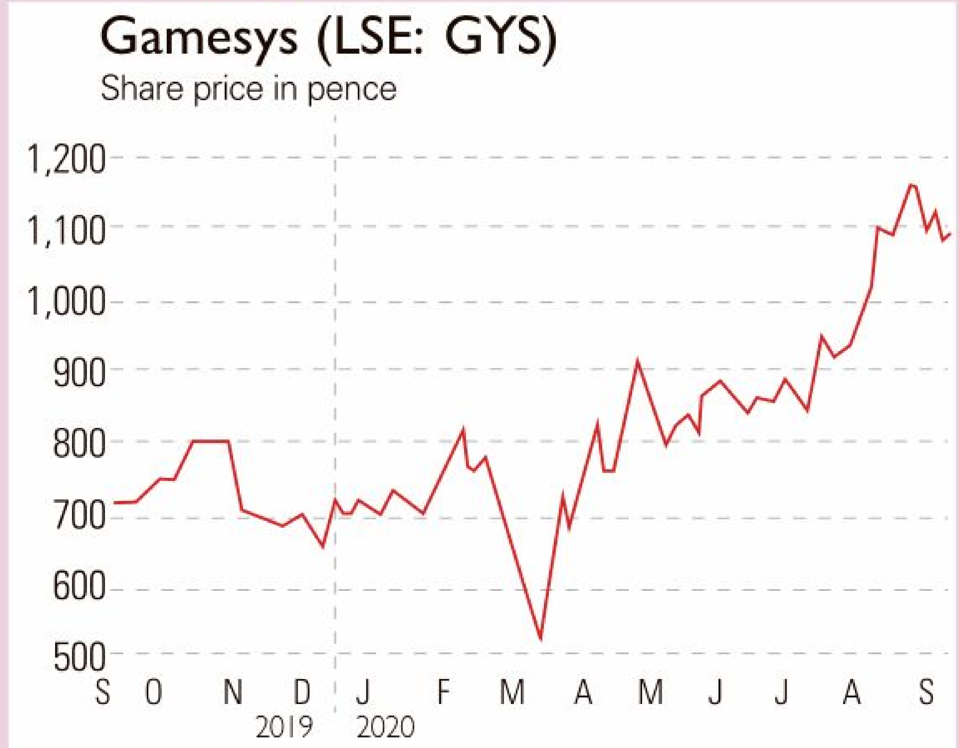
We use this framework to identify firms with the strongest environmental credentials across their entire value chain – from the extraction of raw materials to manufacturing processes, distribution and transport, product use, and disposal and recycling.

One particularly promising subsector is environmental testing. Companies that provide tools for air, water, soil and food quality measurement comprise a $5bn market growing strongly in emerging economies. Strong performers in this area include **Thermo Fisher Scientific (NYSE: TMO)**, a leading manufacturer of laboratory equipment and scientific instruments for the healthcare and environmental markets.

Using resources responsibly

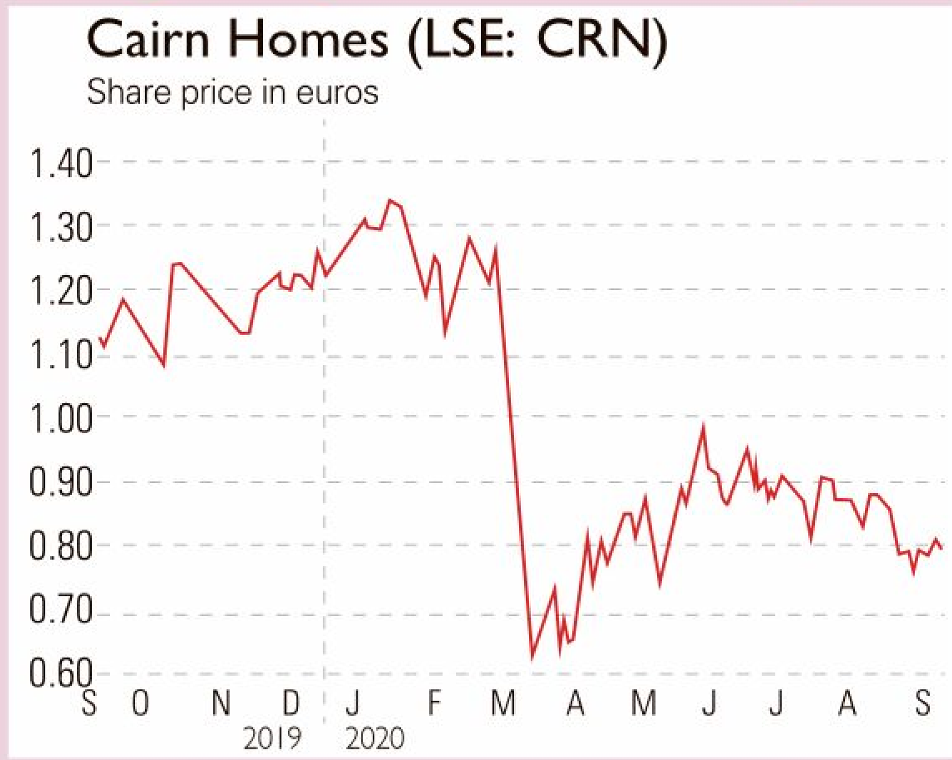
Resource efficiency is another key theme: companies operating in simulation and advanced industrial design and engineering solutions, such as **Ansys (Nasdaq: ANSS)** and **Autodesk (Nasdaq: ADSK)**, help the planet use its limited resources responsibly. Ansys is a leader in industrial-simulation and design software. Autodesk specialises in computer-aided design software, with a particular emphasis on applications for architecture and engineering.

If only you'd invested in…



Gamesys (LSE: GYS) is an online gambling company. It impressed investors with its interim results earlier this month. Cash flow was robust and there was a maiden dividend. It seems everything "is coming together nicely", says Russ Mould in The Daily Telegraph. Trading in the first half was helped by lockdowns that prompted people to spend more time with their screens. Gamesys has no shops and its online slots, casinos and bingo have seen a 14% year-on-year increase in active players per month in the year to 30 June 2020. The stock has gained 56% in the last year.

Be glad you didn't buy…



Cairn Homes (LSE: CRN) is an Irish housebuilder. It reported a slump in its first-half earnings as building activity came to a standstill in lockdown, says Shares. For the six months to June 2020, pre-tax profit plummeted to €1.2m from €21.8m in the same period last year. Cairn reopened 15 construction sites in mid-May, but respecting social-distancing measures is raising operating costs, says Giulia Bottaro on Proactive Investors. Cairn reported 207 new home sales in the six months to 30 June, down from 390 a year ago. The shares have slipped by 31% in 12 months.

The man who banished the Spam fritter

Terence Conran, who has died aged 88, introduced a country of grey houses and colourless mackintoshes to the dolce vita. He instigated a revolution in taste, says Jane Lewis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"In these dark times… it is important to celebrate someone, however flawed, who knew what the dolce vita was and wanted us to have some of it too." That, says Suzanne Moore in The Guardian, was the great gift bestowed by Sir Terence Conran, who has died aged 88. Whether designing furniture or opening restaurants, the Habitat founder "instigated a revolution in taste", viewing it as his mission to democratise design long before Ikea flooded the world with its flat-packed furniture. Starting out in the post-war years (he worked on the 1951 Festival of Britain), Conran waged war on "the grey houses, the spam fritters, the colourless mackintoshes". He brought the sensuality of "abroad" home.

"The Habitat founder saw it as his mission to democratise design long before Ikea flooded the world with its flat-pack furniture"

The importance of garlic

"Critics said he was a magpie, a plagiarist, not himself a top designer." But that missed the point, says The Observer. What Conran did, as he put it, "was to make things available". Conran's attempt to build a retail conglomerate ultimately failed; and he once claimed not to know what "entrepreneur" meant. But that understated "the skill and nerve" he deployed "tapping the consumer culture of the 1960s" with Habitat; and, indeed, his nous as a restaurateur. Conran's first venture – The Soup Kitchen, born in Charing Cross in 1953 – was inspired by his time in Paris working as a dishwasher.

Born in Kingston upon Thames in 1931, Conran's father ran a business importing a varnish resin from the Belgian Congo, says The Times. "A dreamy and solitary boy", he made his first foray into design at the age of 12 while recuperating from a burst appendix, making furniture for dolls houses. Educated at the Bryanston School in Dorset, Conran later studied at the Central School of Art and Design, before setting up his own furniture business, says The Mail on Sunday. A key mentor was his tutor, Eduardo Paolozzi, whom he later also credited with introducing him to "the importance of garlic".

Famously a young man in a hurry, Conran was already on his third wife when, in 1964, he opened Habitat on the Fulham Road in Chelsea. He financed the move by selling a £100,000 stake in his furniture company to the investment bank Morgan Grenfell. After becoming "a darling of the newspaper colour supplements", Habitat enjoyed steady growth throughout the Seventies, says The Times. By 1981, when Conran floated it in London, it had 50 stores worldwide. Aspiring to a new role as an Eighties retail baron, Conran completed the reverse takeover of the considerably bigger Mothercare Group a year later and, in 1986, merged it with BHS to create the Storehouse group. He'd overstretched himself – the conglomerate's fortunes crashed when the 1980s retail boom ended. He hung on to just one outlet, The Conran Shop.

The last days of the tsar

By then, Conran had matured into a cigar-chomping "grand old tsar" – the patriarch of a flourishing family of designers and restaurateurs. Conran always had a new project on the go, says the FT. In later decades, he opened restaurants, including Bibendum and Le Pont de la Tour, and was a prime mover behind the Design Museum. But he was happiest pottering around at home, doodling designs and contemplating life. If he had his time again, Conran said, "he would have been a gardener".

Great frauds in history… *the Pigeon King's Ponzi scheme*

Arlan Galbraith was born in 1947 in Stouffville, Ontario, in Canada. After dropping out of school he bought a farm with his brother Norman, raising pigs and cattle. By 1980 the brothers declared bankruptcy, forcing Galbraith to turn to farm work to support himself and his family. During this time he acquired a reputation in local pigeon-racing circles, a hobby that he had pursued since he was introduced to the sport as a child. In 2001 he claimed that he had created a new breed of elite pigeon and formed Pigeon King International to exploit it.

What was the scam?

Pigeon King International sold breeding pigeons to investors, particularly Mennonite farmers (because of their reluctance to go to the authorities), in return for promising to buy any offspring at a fixed price for ten years. Since a pigeon typically produces several offspring a year, they would supposedly make their money back in a very short period of time. However, although Galbraith initially claimed the pigeons would be sold on to professional breeders, and later sold as meat, they were instead re-sold to other investors, with the money used to repay the original buyers – turning it into a Ponzi scheme.

What happened next?

The scheme seemed to go well initially, but in 2007 a Mennonite farmer, worried about the impact on the wider farming community, tipped off an online vigilante, who started warning people about the scam. The authorities and many investors initially dismissed the allegations, but when the magazine Better Farming published a detailed exposé in December 2007, the negative publicity drastically reduced the flow of investors. With nowhere to store the tens of thousands of unsold pigeons, and no money to repay investors, Pigeon King declared bankruptcy in 2008. Galbraith was later convicted of fraud in 2012.

Lessons for investors

By the time Pigeon King International collapsed, it had obligations of more than C$356m (US$277m at current exchange rates) to buy back baby birds, with most investors receiving little or nothing in return. Even if you just count the money paid in, investors suffered net losses amounting to around C$20m ($15m). When investing in exotic assets, it's a good idea to check whether there is enough demand to sustain prices. It's also a good idea to be sceptical of anyone who insists on unconditional trust, as Galbraith reportedly did, as that usually means that they have something to hide.


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Is this the end of the oil era? And if so,

Oil major BP says we may already have seen "peak oil demand". What would that mean for your portfolio?

John Stepek
Executive editor

The world may already have reached "peak oil demand" – the point at which annual consumption hits a plateau and is never any higher again. That's not a hyperbolic press release from Extinction Rebellion or some other fringe environmental protest group. It's according to none other than oil major BP. In its just-published *Energy Outlook 2020* report, BP paints three scenarios for energy demand between now and 2050. Under both its "Net Zero" scenario, in which governments and individuals take aggressive measures to reduce carbon emissions, and its slightly less aggressive "Rapid" scenario, oil consumption will never again hit the peak of 100 million barrels a day seen last year, before the coronavirus spread havoc across the globe.

BP is keen to point out that it's not predicting the future – instead it's engaging in scenario planning (which sounds a bit like having your cake and eating it to us, but let's not get picky). The idea is to give some idea of just how volatile and uncertain the outlook is for energy demand over the coming decades.

That said, even on BP's "Business as Usual" scenario, we're looking at a peak in the early 2020s followed by a lengthy plateau in oil demand. And while we have to bear in mind that new chief executive Bernard Looney has staked his reputation on making BP "greener", the sheer extent of the shift in tone is striking. The 2019 outlook had "peak demand" occurring a whole decade later than the present scenarios suggest.

The offshore wind industry is growing by around 20% a year

How to invest beyond oil

Tesla is the best-known of all the "next generation" car companies. It is also very expensive and in our view, pricing in an extraordinarily bright future. That's been true for a long time – it may continue to be so. But if you're looking for exposure to Tesla and other tech stocks, then rather than bet it all on one company, we'd stick with our longstanding recommendation of **Scottish Mortgage Trust (LSE: SMT)**. The investment trust recently trimmed its exposure to the electric car giant (simply because the recent run-up had pushed its Tesla holding to its portfolio limits) but it is still a significant holding.

If you are specifically keen to bet on electric cars then one option is to go for a thematic exchange-traded fund. The **iShares Electric Vehicles and Driving Technology UCITS ETF (LSE: ECAR)** launched last year. The index on which the ETF is based is screened for environmental, social and governance (ESG) issues – so it avoids fossil fuels, tobacco, weapons and "companies involved in severe ESG controversies". The ETF's goal is to invest across the entire electric vehicle supply chain. There are 85 holdings, with the top ten including Tesla, plus chipmakers such as Nvidia and Infineon.

As Max King notes on page 32, investors in renewable infrastructure funds have enjoyed solid gains and reliable income in recent years relative to oil investors. If you think this will continue, then broker Numis highlights **Aquila European Renewables Income (LSE: AERS)** as a "key way to gain exposure to the European energy transition story".

If we're seeing a "green transport" bubble forming, there are still assets that have plenty of room to play "catch-up" with the likes of Tesla. For example, potential competition from hydrogen fuel cells appears to be sparking interest in one of the more neglected precious metals – platinum. Miners hope that demand from fuel cells might replace faltering diesel catalyst demand. Copper is also a beneficiary of electrification as it's needed in virtually all of the infrastructure – China has been buying big this year. Mining is not the first sector to pop up when most of us think about ESG investing, though there are efforts to improve on that front. In any case, if that doesn't put you off, **BlackRock World Mining (LSE: BRWM)** gives exposure to the sector.

Will electric cars arrest our demand for oil?

The idea of a world without fossil fuels – or at least, one that is moving significantly away from them – will be music to the ears of ESG investors – those who focus on a company's impact on the environment and society, as well as its corporate governance. But while growing attention among investors and consumers to ESG issues is a factor in this future demand shift (and BP's reaction to it), there's something more important going on. Today, there's an increasingly strong business case for the idea that the returns to be had from oil simply aren't worth the effort anymore.

Beyond petroleum (and the rest)

BP is certainly starting to put its money where its mouth is in a way that it didn't in the early 2000s, with the "Beyond Petroleum" branding exercise. Earlier this year, Looney announced plans to slash BP's oil production by 40%, and lift renewable investments tenfold by 2030, with the goal of becoming a "net-zero emissions" company by 2050. Now BP has bought a $1.1bn stake in two US offshore wind projects being developed by Norwegian state oil company Equinor. The offshore wind industry is growing by around 20% a year, notes the Financial Times. Looney says the deal will help BP to its goal of "rapidly scaling up our renewable energy capacity".

Yet, BP is late to the party. As Ed Cropley notes on Breakingviews, in 2000, when BP was first making noises about "going green", its market value was 100 times that of Danish wind turbine maker Vestas Wind Systems, which had been public for just two years. Today, BP is worth just two-and-a-half times as much as the wind farm group. "If only BP had really gone beyond petroleum when the going was good," as Cropley puts it.

The key is that solar and wind projects are now competitive with long-term crude oil projects in terms of return on capital employed, as the cost of solar and wind has fallen and the price of oil has dropped, say Cropley and George Hay on Breakingviews. Meanwhile, "the

, what should you invest in now?

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regulated nature of electricity provision means green projects only need to earn 3%-5% a year to generate an economic return", according to Goldman Sachs analysts. Oil, being more volatile, requires a bigger return – closer to 10% reckon Bernstein analysts – to justify the investment. In short, the fundamentals increasingly favour green projects. According to UK government figures, "by 2030, the costs of solar power should be lower than gas, while offshore wind should be roughly comparable". As a result, "Looney's pivot may increasingly become a template".

This shift has not gone unnoticed by markets. Traditionally, high oil prices have been good for renewables because a high oil price makes renewables more competitive and encourages more investment in the sector, whereas a crashing oil price should be bad news. Yet this year's oil price crash has not pulled down the renewables sector. In fact, as analyst Eoin Treacy of FullerTreacyMoney.com observes, "the correlation between renewable stocks and oil prices broke down last year". This implies that "the market has moved on from thinking of renewables solely in terms of cost competition with oil".

Several factors lie behind that. One, the assumption that the cost of carbon credits – licences to emit, effectively – will carry on rising, which seems a reasonable assumption given the political appetite. Low interest rates are helpful too in terms of encouraging investment. But another argument is simply that technology just keeps getting better. "Tesla's cars now have the best resale value of any vehicle. Five years ago, second-hand electric vehicles were worthless," notes Treacy.

What are the implications?

Of course, a peak in oil demand does not mean that we stop using oil (or other fossil fuels for that matter). But it does mean that the value of oil reserves still sitting in the ground will deteriorate significantly, hence the concern about the idea of oil majors sitting on balance sheets stuffed with "stranded assets". That lies at the heart of the "divestment" argument put forward by various ESG fund managers and campaigners. You don't need to be an ardent climate change activist to see the point – you may disagree on the timescale (see the box below for more) but it's not hard to see the direction of travel, particularly with politicians across the globe talking up "green New Deals" as a way to stimulate economies in the wake of coronavirus. So beyond a wholesale revaluation of oil producers (which we've already seen) what else does "peak oil demand" – or its proximity – imply?

The most prominent factor in the immediate term is the rise of new ways of getting around without using oil. As BP argues, the biggest factor in "the scale and pace" of any decline in oil demand is "the increasing efficiency and electrification of road transportation". In recent weeks we've seen GM, America's biggest car manufacturer, take a stake in electric truck manufacturer Nikola. The fact that several short sellers reckon that Nikola is a fraud is neither here nor there (though we certainly wouldn't recommend investing in it) – the nature of the deal is more along the lines of a PR stunt that highlights GM's electric vehicle technology. Meanwhile, next Tuesday (22 September), is "battery day" at Tesla, taking place after the company's annual meeting. This will likely be the usual mix of lots of hype and an unknowable dollop of substance from Tesla founder Elon Musk, but most analysts expect him to discuss or reveal batteries that extend the range an electric vehicle can achieve.

So if you back BP's view that oil is running out of road more rapidly than believed, then the obvious port of call is the electric vehicle revolution and all that implies (see box on page opposite). If you suspect the demise of oil has been exaggerated (even if only the timescale), then the box below has some ideas.

The most prominent factor in the immediate term is the rise of new ways of getting around without using oil

The alternative view: it's not over quite yet

The contrarian view on oil stocks is not so much that the oil era will never end – it's more that it won't end quite as quickly as markets might now be pricing in. BP currently remains an outlier among its peers – trading group Vitol for example, expects another ten years of oil demand growth before the peak, notes Rakteem Katakey on Bloomberg.

JPMorgan analysts look at the terrible performance of oil stocks in the investment bank's annual energy report. They note that energy sector valuations are at all-time lows versus the rest of the market, and that returns on S&P-listed traditional energy stocks have been negative on an annual basis since 2013 right up until 2020. That's woeful when you consider what's happened to the wider market over that period of time.

On the one hand, says Michael Cembalest of JPMorgan, this could indeed be because markets are discounting the "stranded asset" issue and the tougher future ahead for oil stocks. On the other hand, "the US supply glut may be just as good an explanation for the dreadful performance of US oil and gas stocks". The US shale oil revolution was driven by a focus on exploration and expansion over profitability, notes Cembalest. "It's hard to find a similar episode of consistently negative free cash flow in the history of US corporate finance: an entire decade of a sector foregoing profitability to focus on revenue growth."

Arguably, if the real problem is a supply glut driven by overenthusiastic shale exploration, then both oil prices and oil stock prices could rebound as producers are forced by Covid-19 and the slide in demand to cut back, and we could easily end up with a rebound in the medium term as demand rises with an improving economy.

If you see this as a more likely outcome (or as a useful hedge to offset bets on the vehicle electrification trade), then there are some oil and energy funds available. One option is the **Ninety One GSF Global Energy** fund, run by Tom Nelson. Nelson's fund has of course had a tough year but is one of the better-performing fossil fuel funds in the energy sector (which is of course currently dominated by clean energy funds). Top holdings include all the big global oil companies, including the likes of Total, Shell and Portugal's Galp Energia.

Finding an ethical tracker fund

The number of ethical exchange-traded funds is growing ever larger – what are your options?

David Stevenson
Investment columnist

Big Oil: not found in many ESG tracker funds

©BP

Ethical investing is hot right now, with ever more fund managers offering products focusing on environmental, social and governance (ESG) issues. Research by Morgan Stanley shows that 84% of millennials (today's 20 to 35-year-olds, roughly), see taking account of ESG impact as a "central goal" when it comes to investing. But it's not just the younger generation. Apparently, nine out of ten wealth managers (who typically deal with a much older age group) believe that the Covid-19 outbreak has resulted in greater investor interest in ESG investing, according to an FT/Savanta survey.

This interest isn't just limited to traditional actively-managed funds. Plenty of money is finding its way into various types of ESG exchange traded funds (ETFs). According to industry consultant ETFGI, the sector enjoyed record net inflows of \$28.53bn through to May this year, with cumulative inflows of a record \$82bn into ETFs globally. Meanwhile, data from Morningstar shows that the number of "sustainable" funds launched in the UK jumped from 98 in 2009 to 396 in 2019 – more than tripling within a decade.

Inevitably, this profusion of funds has created lots of new jargon – see below for a basic guide. But regardless of the type of fund used, ethical investors have enjoyed strong performance in recent years. Funds investing in the socially responsible investing (SRI) or ESG "leaders" of the MSCI All Country World index have beaten the parent index over the year-to-date, three and five years. That persisted even during the pandemic – 80% of global ESG ETFs listed in Europe have beaten the MSCI World index during that time, according to Morningstar.

There are intuitively sensible reasons as to why a focus on ESG issues might make sense for investors. The damaging impact of major environmental or governance scandals on share prices is clear. Big stories in recent memory include oil major BP's Gulf of Mexico disaster, and car manufacturer Volkswagen's "Dieselgate" scandal, each of which saw their share prices fall by 20%-plus in a single day. MSCI has also found that "companies with good ESG ratings tend to be more profitable, better quality and lower risk". The push to cut global carbon emissions has been a prime driver of ESG but since the pandemic many investors have also been focusing on social outcomes – "employee wellness" and accounting practices in particular, according to Deutsche Bank.

There are intuitively sensible reasons as to why a focus on ESG issues might make sense for investors.

The ESG ETFs to invest in now

So if you go down the ESG route, what are your options when it comes to funds? The key is whether you prefer passive index trackers (mostly ETFs) or actively-managed funds. Active funds can take a more focused approach, perhaps targeting only those businesses with an immediate direct impact. The danger with that approach is that fund managers take what are called "idiosyncratic risks" – potentially picking the wrong company, at the wrong price. For instance, many clean energy funds emerged in the last decade, but ended up investing in poorly managed and capitalised businesses that failed to take off. Passive funds by contrast avoid these selection issues, by quantitatively screening the whole universe of stocks and only selecting those businesses which pass a "screen" of key measures.

That said, just to confuse matters Fidelity has recently launched a range of actively-managed ESG ETFs, investing in US stocks (**LSE: FUSR**), European businesses (**LSE: FEUR**), and global equities (**LSE: FGLR**). All have ongoing charges figures (OCFs) ranging between 0.30% and 0.35%. To be included in the ETFs, companies must exhibit a positive fundamental outlook and strong sustainability credentials based on the firm's sustainable ratings.

One range of ETFs popular with many advisers are those from UBS, working with index provider MSCI. The **UBS MSCI ACWI Socially Responsible Hedged to GBP UCITS ETF (LSE: AWSG)**, for instance, provides access to large and mid-cap equities across 23 developed and 24 emerging markets that have outstanding ESG ratings while excluding companies that have negative social or environmental impacts. It also hedges the effect of foreign currency movements between developed markets and the pound. More broadly the MSCI SRI range looks to invest in the top 25% best-scoring companies across each sector (after some business exclusions).

What's in your ethical passive fund?

As with many things in the financial industry, ESG funds come with a great deal of jargon. What does it all mean?

■ **ESG-filtered funds**: these proactively screen for businesses with a high ESG rating.

■ **Sustainability or SRI funds**: these combine both a "positive" screen (businesses you want to own) alongside a "negative" screen (businesses you want to exclude). Many exclude alcohol, tobacco, gaming and weapons businesses, while other variations include fossil-fuel-free (or reduced) funds, which exclude businesses involved in fossil fuel production.

■ **Low carbon/climate change funds**: these focus specifically on businesses with a record of generating low carbon emissions.

■ **Thematics**: these are sector-based funds which invest in certain global themes such as water, forestry and clean energy.

■ **Equality-based funds**: many of these focus on encouraging global gender equality

■ **Green bonds**: these are issued by firms and organisations to finance a specific low- or zero-carbon project.

The key distinction for the purposes of most investors is probably the difference between ESG and SRI funds. The former look to screen through a wider market to maximise a return based on various ethical criteria, but profit or capital gain remains the primary objective. The latter, by contrast, look to balance financial and social outcomes, with the financial outcome (in other words, the return to the investor) frequently a secondary consideration.


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Actual Investors

How ethical is your ESG fund?

There's no doubt that environmental and other issues can have a huge impact on share prices – 2020 has proven that beyond doubt. But how can investors ensure they are backing the right ESG funds?

Max King
Investment columnist

So pervasive has concern about environmental, social and governance (ESG) issues become that it is hard to find a fund presentation without a slide on it or an annual report without a section explaining how seriously the manager takes the issue. What is less easy to find out is whether what lies behind this is just a box-ticking exercise; the use of an off-the-peg service; or some serious thought about the principles. Yet 2020 has shown how important the issue can be.

The 80% drop in the oil price earlier this year has hit oil majors BP and Shell hard, forcing them to cut their dividends. Though the oil price has now recovered to be "only" 30% down, both companies' share prices have fallen by roughly half. Meanwhile, those investors who avoided fossil fuel companies for renewable energy generators have continued to collect dividends on unchanged share prices, despite falling electricity prices and the absence of subsidies on new projects.

Meanwhile, revelations in The Sunday Times in July about terrible working conditions and illegal wages at garment factories in Leicester saw the share price of fashion retailer Boohoo halved. Until then, investors had enjoyed the benefit to the share price of high margins (perhaps as a result of the low wages), but the benefit of profit maximisation has proved illusory, even though a substantial chunk of the fall has since been recovered. This displays the potential advantages of focusing on the "S" and "G" parts of ESG – although it's also worth noting that several ESG funds were caught out on Boohoo, only selling after the revelations.

Fund managers need to think for themselves

So investors need to think for themselves – but it isn't easy. Laura Foll, a fund manager at Janus Henderson, notes that "on the system we use, [pharmaceuticals group] AstraZeneca has a worse score than [tobacco makers] BAT and Imperial because the system focuses not on what companies do, but how they do it. We need to understand the reasons behind the scores that are coming out and decide if we think they are correct."

Furthermore, coverage of smaller companies is poor and judgements highly subjective (see box below). Is nuclear energy an environmental paragon or pariah? Has online betting turned gambling into a toxic business outside regulatory control? How do you draw the line between arms manufacturers and firms, such as

©Boohoo

Boohoo caught out several ESG funds

Rolls-Royce, that operate more loosely in the defence sector? Governance is particularly tricky to judge. Foll says that, using the Henderson system, Rolls-Royce scores poorly due to the government's "golden share", on the grounds that not all shareholders have equal rights – yet this could be a positive in some cases. Non-voting shares were once common in the stockmarket but have almost disappeared; for one survivor in the investment trust sector, Hansa Trust, the non-voting shares are actually priced higher than the voting ones. In the US, the tech giants have often restricted voting rights for the public shares so that the founder shareholders could retain control, but few complain or boycott the shares.

The risks of taking the ethical stance

And of course, sometimes taking the moral high road simply won't pay off – at least, not at first. Asian investors with high ESG scruples, such as Stewart Investors, are highly wary of Chinese companies due to their reputation for poor corporate governance, but Stewart Investors's performance has suffered as a result.

There's also the risk that consensus views on ESG issues could change. The replacement of fossil fuels with renewables is an unstoppable trend – resource wealth has not generally been a source of political stability and wealth; extracting energy from the weather is surely preferable. But today's focus on carbon footprint, for example, may come to be seen as excessive.

Investment managers who are thinking deeply about ESG include Stewart Investors (Pacific Assets, Scottish Oriental and Scotgems) and Impax (Impax Environmental Markets). A number of mainly younger managers, such as Foll, go much further than simply using their company's systems and are well worth following. Unfortunately, though, private investors have to do their own ESG research to ensure their investments comply with what are often personal views. Equally though, those concerned solely about returns need to remember that ESG is having an increasing impact on share prices – regardless of their own views on the issues involved.

The 80% drop in the oil price earlier this year has hit oil majors BP and Shell hard, forcing them to cut their dividends.

No simple screening solution

As the troubles at Boohoo suggest, there is no easy, purely quantitative way to screen companies for ESG factors. As Joseph Mariathasan, a director of ESG consultants GIST, puts it: "You can't simply add together separate scores for E, S and G."

The variations between systems make this clear. For example, the GIST team notes that the ESG scores of Japanese stocks show no correlation between MSCI and FTSE. And while electric car manufacturer Tesla scores highly with MSCI, it does badly with FTSE. GIST believes it is possible to devise a reliable system, but describes its process as "E, S and some G".

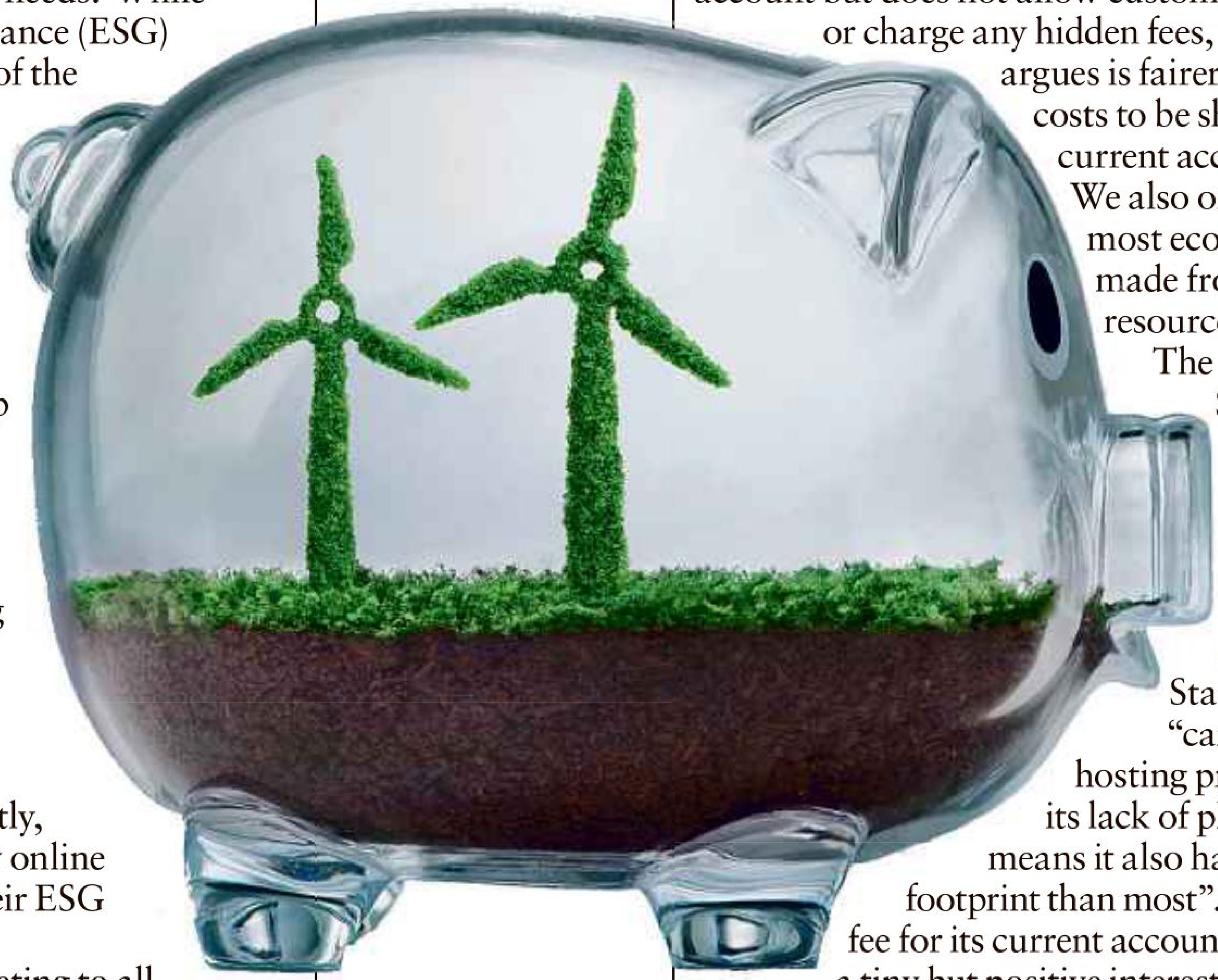
In short, as Kate Allen of the Financial Times wrote recently, "there are lies, damned lies and ESG rating methodologies". And as an investor, that means you need to be prepared to do more research yourself.

Your guide to ethical banking

There are plenty of ESG funds to choose from – but what about your day-to-day saving and spending needs? We look at the best ethical current and savings accounts

Candiece Cyrus
Personal finance writer

When it comes to ethical investing, most of us immediately think of funds and which companies we're investing our money in. But what about your run-of-the-mill, day-to-day banking needs? While an environmental, social and governance (ESG) focus is the most recent incarnation of the phenomenon, savings institutions have a long history of what might be described as social activism (for want of a better term), with mutually-owned building societies and credit unions, for example, set up to provide financial products for their members in order to develop local economies.



What makes a bank ethical?

Today, a bank or building society's ESG principles might cover anything from where it invests your money (or often more importantly, where it will refuse to invest your money), to how it pays its staff. The market for such accounts has widened recently, with industry fledglings and the new online banks in particular keen to make their ESG credentials clear.

There's an element of clever marketing to all this of course, but at the end of the day, the demand is there. "People are now looking for tangible changes they can make to contribute to a better way of living, as well as lowering their impact on the environment. Switching banks is actually one of the most powerful environmental changes you can make as an individual," argues Gareth Griffiths, head of retail banking at sector veteran Triodos Bank UK.

Ethical banks for online current accounts

Across the various websites that rate banks based on their ESG criteria, online bank Triodos regularly tops the list as the most ethical provider. Like Starling – which comes second – Triodos does not invest in the military, weapons, tar sands, fracking, mining, arctic drilling, fossil fuels or coal power.

But unlike many organisations, Triodos isn't just about avoiding companies involved in certain sectors – it actively aims to "only finance companies that focus on people, the environment or culture". In fact, it publishes details of every organisation that it lends to. So if you really want to check that your bank is lending in alignment with your own values, Triodos gives you the transparency to make sure of it.

The bank charges £3 per month for a current account but does not allow customers to go overdrawn, or charge any hidden fees, which Triodos argues is fairer. "Our model allows costs to be shared equally by all current account customers. We also offer one of the UK's most eco-friendly debit cards, made from 100% renewable resources," says Griffiths.

The aforementioned Starling is an app-based bank (in effect, you run it from your phone). According to the Curiously Conscious ethical consumer blog, Starling also uses a "carbon neutral" internet hosting provider, which given its lack of physical branches, means it also has "a smaller carbon footprint than most". There is no monthly fee for its current account, and in fact it pays a tiny but positive interest rate of 0.05%.

Branch-based ethical current accounts

If you'd prefer a provider with physical branches, a well-known brand, and a wide range of products, and you aren't too worried about explicit statements on ethical or environmental campaigning, then as Rebecca Jones puts it on a blog for the New Money website, Nationwide, Britain's biggest building society, is a good all-rounder which is accountable to its members (ie, its customers) rather than to shareholders.

Another high street option is The Co-operative Bank. The Co-op's reputation took a huge hit in the wake of the "crystal methodist" scandal involving its non-executive chairman Paul Flowers in 2013. Ethical sites also tend to feel a little squeamish about the fact that its owners are US hedge funds. However, the Co-op does have an explicit ethical screening policy that commits it to not providing banking services to the weapons manufacturing industry, for example, as well as policies on animal welfare, gambling, tax avoidance and payday lending, among several others.

Its no-monthly-fee current account pays interest (termed "Everyday Rewards") of up to £5 a month to you or to a charity of your choice, as long as you pay at least £800 a month into the account and meet other conditions, including paying out at least four direct debits from the account each month.

The best ethical savings accounts

If you're looking for the most ethical account in which to put your savings, rather than a day-to-day current account, then there are plenty of choices out there. That said, the most ethical banks do not always pay the best interest rates. For example, Charity Bank is owned by charitable foundations and only uses its savers' deposits to lend to charities and social enterprises, carrying out a social impact assessment for each loan it makes. And like Triodos, it's also entirely transparent as to who it lends to. However, it only pays interest of up to 0.35% on its Ethical 33-day Notice Account.

If you are saving less than £6,000 in total and are able to drip feed it in month by month, then you can get a rate of 1.25% with Triodos, fixed for the first year. There's a 33-day notice period, a maximum of two withdrawals a year, and you have to save at least £25 a month and a maximum of £500 a month. After the year is up, the account switches to a "Regular Savings" account, which pays just 0.05%. Triodos also offers an individual savings account (Isa) range. The 33-day notice cash Isa pays up to 0.45% while the junior cash Isa pays up to 1.5%, both of which are tax free. Meanwhile, Ecology Building Society, an ethical lender, pays a variable rate of 1.1% on its regular saver account – but only up to a maximum monthly payment of £250 – and 0.45% on its cash Isa.

But again, for those with larger sums who are willing to consider mainstream building societies rather than explicitly ethical providers, better rates are available. For example, Skipton building society currently pays 1.2% a year on any amount from £1 up to £1m (you shouldn't have more than £85,000 per person in any one bank in any case) for your first year.

Investing for a positive impact

What do we mean by impact investing and can it really deliver? Kate Fox, joint manager of Baillie Gifford's Positive Change Fund, talks to Iona Bain.

The value of an investment in the fund, and any income from it, can fall as well as rise and investors may not get back the amount invested.

How do you find a company that generates decent investment returns while also benefiting society? The secret may lie in the dual objective of Baillie Gifford's Positive Change Fund, which aims to make an annual return two per cent higher than your average global investment[1], while also contributing to an inclusive and sustainable world. Both objectives are given equal importance.

"With our positive change objective it's all about the analysing and reporting of impact, while acknowledging that there's no such thing as a perfect company," explains the fund's joint manager Kate Fox.

Take the fast-fashion companies which have transformed retail and opened up numerous investment opportunities. But Fox says making that white T-shirt you will throw away next week uses 2,700 litres of water, and the global textile industry pumps out more harmful emissions than aviation and shipping combined. "We need to change our relationship with clothes, keep them for longer, think about how we recycle and educate the consumer," Fox says, adding that the fund has no investments in the industry.

This fund thinks deeply about four themes that impact our lives: social inclusion and education; the environment and natural resources; healthcare and quality of life; and what it calls the 'base of the pyramid' (people on the bottom rung of the global wealth ladder).

"We need a process that can be applied consistently across lots of different companies," explains Fox. "Not all progress is easy to quantify – how do you put a figure on improving access to information for example? But it's important we do this well." That's because anyone buying into such a fund is committed to creating real change and proving it works is key to attracting more people into impact investing.

Baillie Gifford investment analysts have been bang on the money in predicting some of today's superstars such as Amazon and Tesla. It's their job to identify tomorrow's successful companies. The shortlisted progressive companies then go to the Positive Change Team for more scrutiny that can take months, or even years.

This thoroughness leads to some unexpected omissions, such as solar power. "Yes, it has benefits from the environmental perspective, but we haven't been able to identify a company that we think has a sufficient competitive edge and can deliver sustainable returns.

"We are looking for businesses that have the potential to double over the next five years, with significant opportunities thereafter," says Fox. The chosen few are judged on their products, their ambition for positive change and their business practices. To measure their impact annually there is a five-point analysis of the resources they use, activities and outputs, and the short-term and longer-term impacts they have on society. That last assessment is made a little easier by using the UN's Sustainable Development Goals as a common framework.

In the healthcare arena Fox highlights DexCom, which has revolutionised life for diabetics by offering continuous monitoring in place of fingerstick tests. "Diabetes is a huge and growing problem: 460 million people in the world suffer from it." For a firm to pass the test it needs to be serious about creating positive change. "It's not just about a mission statement, but about actions and structures that back it up – for instance DexCom's continuing research and development and its commitment to making its products more widely accessible."

Other examples of investing for impact include Tesla which earns its place in the fund not just by making greener cars but investing to make them cheaper, tackling the challenge of storing electricity and opening up its patents to help the industry to widen. Google and YouTube owner Alphabet is judged not only to be a "powerful equalising force" but to be "committed to improving the lives of millions of people," Fox says. But she admits that its record on tax meant that it "scored zero on business practices".

Investing ought to give us a sense of making a difference, Fox says. "When I think about my career as an investor, I have never enjoyed it more than since I've been managing Positive Change. We are not just helping people invest but channelling capital in a responsible way towards companies that are going to innovate and address global challenges to create a more sustainable world. This is what impact investing is all about."

In association with BAILLIE GIFFORD

[1] We consider the MSCI AC World Index +2% per annum over rolling five-year periods to be an appropriate target given the investment policy and the approach taken by the manager. There is no guarantee that this objective will be achieved over any time period and actual investment returns may differ from this objective, particularly over shorter time periods.

How to build an ethical pension

We examine the best options for investors who are looking for help in building a long-term portfolio of ESG investments.

David Prosser
Business columnist

Many "robo advisers" offer the chance to opt for an entirely ethical portfolio

Investment funds managed according to environmental, social and governance (ESG) factors continue to multiply. But what if you want help building a portfolio of ethical, socially responsible investment (SRI) or ESG funds – inside your individual savings account (Isa) allowance or pension, for example? The good news is there is a growing number of investment platforms offering specialist ESG portfolio services that can help you do exactly that.

A good place to start could be one of the growing number of "robo advisers" now available in the UK. These online fund platforms all operate in a similar way: you complete a questionnaire designed to assess your attitude to risk, your savings and investment goals, and your time horizons; the platform then automatically puts together a portfolio of suitable holdings for you, typically picking from a broad pool of low-cost exchange traded funds (ETFs – see page 30) and other passive vehicles, to meet your needs.

Automating your ESG exposure

Robo advisers have been around for a while, but many of them now offer the chance to opt for an entirely ethical or socially responsible portfolio, whether you're investing via an Isa, a pension wrapper or on a standalone basis.

Nutmeg, one of the UK's first robo advisers, is a good example. It offers portfolios built entirely from ETFs that offer a tilt towards ESG factors. The service costs 0.75% a year on portfolios worth up to £100,000, the same price as its conventional managed portfolios, although note that its SRI fund costs average an extra 0.31% a year against 0.19% for other funds.

Another option is Wealthsimple, which operates on a similar basis to Nutmeg, though it is less well-known in the UK. You'll need at least £5,000 to access Wealthsimple's SRI portfolios, which carry a platform charge of 0.7% a year on accounts worth up to £100,000 a year, with underlying fund charges ranging from 0.22% to 0.32%.

A good place to start could be one of the growing number of "robo advisers" now available in the UK.

There's also Tickr, which you manage from an app on your smartphone or tablet. It specialises in "impact investment", offering portfolios focused on three specific themes: climate change, disruptive technology and equality. You can focus on specific themes or opt for a combination, with the app picking funds according to your risk appetite.

Alternatively, Wealthify, the online investment platform owned by Aviva, also offers ESG portfolios. Unlike Nutmeg and Wealthsimple, it will put your money into products from a panel of actively-managed SRI funds, chosen according to your investment style. Its costs are competitive, though it offers a less tailor-made approach, with five set ESG portfolios to choose from, again depending on your attitude to risk.

The more traditional route

It may also be worth considering the traditional fund platforms. These platforms don't offer advice – robo or otherwise – and while they do sometimes feature model portfolios aimed at investors fitting different types of risk category, these don't typically include ESG-orientated options. However, most of the big platforms, including AJ Bell, Barclays, Fidelity, Hargreaves Lansdown and Interactive Investor offer useful ESG resources, including specialist information on ESG investments and in-depth analysis of ESG funds.

Finally, don't assume that online is the only route into ESG. Independent financial advisers (IFAs) are increasingly conscious of the huge demand for socially responsible finance and should be able to help you to plan your savings and investments accordingly.

The Ethical Investment Association (ethicalinvestment.org.uk) can help you to find an IFA with specialist knowledge of green and ethical investment options. But in reality, ESG is no longer a niche interest. "You shouldn't have to go to a specialist adviser – any decent investment adviser should be well-versed in ESG," argues Philippa Gee, the managing director of Philippa Gee Wealth Management.

"This is going to be even more crucial as time goes on," adds Gee. "Investors not looking for ESG funds specifically, naturally want to consider assets which look most attractive from a long-term perspective and I think ESG is going to be one of the most interesting areas in this regard."

Alternatives for the more adventurous

ESG-focused investors don't have to limit themselves to conventional funds offering exposure to shares and bonds. Innovative new entrants to the ESG world offer some interesting alternatives, although you should familiarise yourself with the specific risks involved before investing.

Abundance Investment is one good example. It's an online platform offering opportunities to invest in peer-to-peer lending to sustainable projects in areas such as renewable energy and social infrastructure. Many of these projects are eligible holdings for Isas and pensions.

Ethex is another possibility. It aims to operate as a one-stop shop for ESG-minded investors, offering access to traditional funds, ethical savings accounts and a growing number of alternative investments, including charity bonds, green bonds and debentures. Like Abundance, Ethex offers Innovative Finance Isas, the wrappers launched by the government in 2016 to support savers putting money into alternative investments.

Finally, don't overlook tax-efficient venture capital trusts (VCTs) and enterprise investment schemes (EISs) if you're looking for ESG exposure. Investment platform The Wealth Club, which focuses specifically on these sorts of tax-efficient funds, can help you to identify good options.

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MoneyWeek Wine Club introduces Six Stunning, Autumnal Wines

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I have chosen six wines this month that are ever so slightly off the beaten track. Not so far as to be odd or intentionally quirky, but far enough to challenge the palate and, hopefully, make you fall even more in love with the diversity in our wonderful world of wine. While we love to stick to our vinous grooves, it is only by experimenting that one can truly appreciate the subtleties, traditions and regional distinctiveness of some of the world's most delicious but little-known wine styles. Yapp Brothers is a vinous treasure trove of the unexpected. I have followed their wines for over three decades and I continue to marvel at the kaleidoscopic array of flavours in this elite merchant's portfolio. Here are six wines for late summer, early autumn entertaining.

Matthew Jukes Matthew

- All wines come personally recommended
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Prices shown below are per case of 12 bottles. Wines are also available in a 12 bottle mixed case (2 of each of the wines) **excellently-priced at £168.20 (saving a huge £12.00).** It's a chance for you to try them all, and it is the most popular choice with readers of *MoneyWeek*.

2019 Château La Canorgue Blanc, Luberon, France

For those new to this thriller, you will get a wondrous shock when you smell the aromas as the perfume is astounding. Musk, stone fruit, lemon oil and greengages sashay around your olfactory system while the weight and deportment of the fruit on the palate is staggering. It has the same depth as a flashy Meursault and it does the same job on your dining table, too. Made from organically grown Roussanne, Marsanne, Clairette and Bourboulenc, but with none of the oiliness that one finds on hefty Northern Rhône models this is a truly joyous wine.

CASE PRICE: £183

2018 Chinon Blanc, Jean-Maurice Raffault, Loire, France

This is the rarest of the six wines on this page, given that 98% of Chinon is red, and so this is not only a desperately rewarding wine, but it is also a fascinating curio, too. Made from organically grown Chenin Blanc, this is a bone dry wine with a brittle, crystalline chassis which is more Sauvignon-perfumed than I expected. But there is also a beguiling mid-palate weight here, too, which is a Chenin Blanc hallmark and this makes it a foodier proposition. Ideal paired with posh fish dishes, you can even turn up the spice as this wine has a steely spine and it's up for a challenge.

CASE PRICE: £167.40

2017 Willems-Willems, Riesling Trocken, Schiefer Oberemmel, Saar, Germany

Unlike everyday German Rieslings, there is something enchanting about this wine which offers a break from the norm. Delicate, gentle and rather demure at first, the slate soils introduce a stern finish which changes the game and adds unexpected drama and tension. There is a prickle of spice and white pepper, which cuts through the lovely grapefruit freshness and this means it is a wine which transforms from ballerina to ninja in the blink of an eye. So instead of genteel aperitif work, it craves sushi and sashimi with lashings of wasabi.

CASE PRICE: £183

2018 Saumur Champigny, Domaine Filliatreau, Loire, France

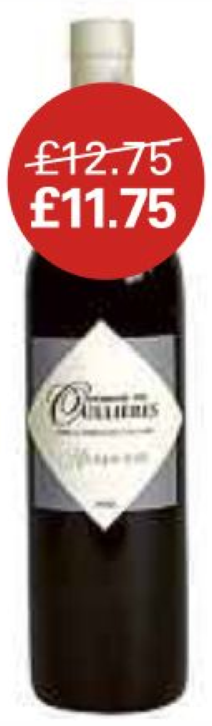
This wine is, quite simply, off the scale. I am a lifelong fan of Filliateau's reds and there are a good few bottles in my cellar, but this wine is not heading in that direction because it needs no ageing at all. It is 100% drinking now meaning this sumptuous wine can head straight for your dining room table. This is the finest, forward-drinking Cabernet Franc of the year and it is slippery, violet-scented and damson-soaked. The flavour is effortless, gliding across the palate serenely and then it finishes so clean and bright each sip comes with its personal exclamation mark!

CASE PRICE: £167.40

2017 Côtes-du-Rhône, Mon Coeur, J. L. Chave Sélection, France

You will find CdR in every single wine retailer in the country, but every so often a wine pops up that is priced like an all-so-ran, but which is made by a genius. Chave's name sends shivers down the spines of elite Rhône collectors and Yapp is the UK agent for their Hermitage wines. J. L. Chave Sélection is the négociant arm of the estate and the wines are therefore more affordable but no less elite. Drinking stunningly, this is your plush, posh, autumnal red for game and wild mushroom dishes and this flavour at fourteen quid is a preposterous steal!

CASE PRICE: £167.40



2018 Domine des Oullières, Harmonie, Coteaux d'Aix en Provence, France

I am a huge fan of the rather rare blend of Cabernet and Syrah (check out The Great Australian Red on my website). There are a few examples in France, but mixing the Rhône and Bordeaux is far from encouraged! Harmonie is a terrific example, bringing Cabernet Sauvignon, Grenache and Syrah together with wonderful results. Feisty, hearty and honest, this is a slice of Provence with all of the accompanying spice and herb detail that one could wish for. It is super value and brazenly authentic, marking a joyful renaissance for this rare style of wine.

CASE PRICE: £141

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A Christmas away from the madness

It looks like the festive season will be cancelled in this country. Run for the Caribbean, says Chris Carter

©Alamy; Preferred Hotels & Resorts; The Great House

Belle Mont Farm on St Kitts combines luxury with sustainability

Christmas is cancelled. That is, at least, what the English have been led to deduce from the government's latest ban on social gatherings of more than six people, says Greg Dickinson in The Daily Telegraph. Get caught with great auntie Mabel and uncle Bert in a group of seven and you could be slapped with a festive fine. "Merry Christmas." But all is not lost. The Caribbean offers "the holy trinity of winter sun, no quarantine on arrival (or return), and no draconian restrictions on group sizes if you choose to travel with friends or another family".

Of course, restrictions can be applied at a moment's notice and requirements vary between the islands. But if you book through a reputable tour operator, you should be eligible for a refund or to rebook at a later date depending on the policy. So, why not spend Yuletide in St Lucia? "With its lush landscapes and gorgeous coastline… [the island] is an extremely tempting proposition at any time. But the weather is best December to April – perfect for a Christmas getaway, without the need to quarantine."

A new kind of traveller

Meanwhile, the last few months have not been much fun for your hosts, either. The constraints placed on tourism caused by the lockdown "has been a disaster beyond any hurricane for the Caribbean economy", says Nina Burleigh in The New York Times. Airports, cruise-ship docks, restaurants and dive shops have all been closed for the pandemic. And yet every cloud has its silver lining. As tourism will start to recover, a new kind of traveller will emerge – "not necessarily richer in money, but more conscious, more of an explorer and less of a sybarite". Either way, this could be the end of the era of cheap tourism and mega-cruises, as the premier of the island of Nevis, Mark Brantley, tells Burleigh: "Jurisdictions are going to pivot to more tourism pitched at the luxury market, with smaller numbers of people, and arguably, a better yield."

Spoilt for choice

That said, travellers with deep pockets heading to the Caribbean are already spoilt for choice for sun-drenched hideaways. Take the Great House in Antigua (pictured left), for example. A "pleasing antidote" to the island's larger resorts, it "is centred on an exquisitely preserved 350-year-old shuttered Georgian residence within the 26-acre Mercers Creek estate in the north of the island", says Lydia Bell in The Times. Great House is "one of surprisingly few such properties in this part of the Caribbean in which you can stay" (from £429, *thegreathouseantigua.com*).

Or there is Baoase, a luxury resort on the Dutch island of Curaçao. A five-minute spin from the Unesco-protected capital, Willemstad, this "beachfront enclave" offers luxury and privacy, with butlers and in-room treatments. With its "profuse greenery and impressive landscaping", it is a "good place to cocoon oneself" (seven nights from £436pp, *baoase.com*).

> *"You get the holy trinity of winter sun, no quarantine and no draconian restrictions"*

Belle Mont Farm of Preferred Hotels & Resorts is yet another option. This "hideaway" on the fertile slopes of Mount Liamuiga on the island of St Kitts sits among 400 acres of "mostly organic farmland and tropical forest, [and] combines luxury with sustainability". The main pool has a ceviche bar and "dreamy views of Sint Eustatius and Saba islands" (from US$899, *bellemontfarm.com*).

Forgotten islands

This last one tops the list of lesser-known Caribbean destinations, Curaçao-born travel blogger Riselle Celestina tells Insider's Monica Humphries. Saba (pictured right) is "one of those islands that's quickly overlooked because it doesn't have beaches, but its underwater world is famous". St Kitts' smaller, less well-known sister is also worth a look. "I don't think people realise how much you can do on Nevis," she says. With its centuries-old sugar mills and welcoming locals, "it's a quiet little place that's really beautiful".

Dominica is another island that may not immediately spring to mind. Known as the "island of nature", it is filled with rainforests and waterfalls, perfect for diving, hiking and relaxing in hot springs. Finally, there is Île Tintamarre, visible from the island of Saint Martin. It is the ideal destination for a day trip, says Celestina. Visitors won't find any hotels or restaurants so pack a picnic. Day-trippers will be welcomed by wind, sand, "and a serene environment".

For information on which islands are open, entry requirements and quarantining, head to gov.uk/foreign-travel-advice

This week: properties for around £800,000 – from a thatched Dartmoor longhouse in Chagford, Devon, to a chat

The Glebe Cottage, St. Mabyn, Bodmin, Cornwall. A period property with no immediate neighbours set in tree-lined grounds on the outskirts of a village. It has high ceilings, period fireplaces, a modern fitted kitchen and a purpose-built studio. 4 beds, 3 baths, 2 receps, office, gardens, 1 acre. £850,000 Savills 01872-243200.

Rivers Keep, Itchen Stoke, Alresford, Hampshire. A Grade II-listed cottage in a village in the Itchen Valley. It has beamed ceilings, a large inglenook fireplace with a wood-burning stove and a triple-aspect breakfast kitchen with a door leading onto the garden. 3 beds, 2 baths, 2 receps, study, 0.24 acres. £825,000 Knight Frank 01962-677236.

Chateau, Ille-sur-tet, Pyrénées-Orientales, France. A south-facing chateau with a two-bedroom guest house and large terraced gardens that include a swimming pool with far-reaching views over the surrounding countryside towards the mountains. The chateau has wood floors, beamed ceilings and large stone period fireplaces. 4 beds, receps, studio apartment. £812,000 Hamptons International 020-3151 7275.

u with a swimming pool in Pyrénées-Orientales, France

Plas Yn Llan Farm, Llanasa, Holywell, Flintshire, Wales. A renovated, three-storey, 17th-century house in the conservation area of a small village. It is surrounded by mature gardens that include a detached, two-bedroom annexe used as a holiday rental. The house has beamed ceilings, period fireplaces with wood-burning stoves and a large kitchen with granite worktops and tri-fold doors leading onto the gardens. 5 beds, 2 baths, 3 receps, study, 1 acre. £775,000 Strutt & Parker 01244-354872.

Darling Buds Barn, Bethersden, Kent. A barn conversion with a shepherd's hut in a quiet rural area. It retains its original oak beams and timbers and has a large reception room with a double-height vaulted ceiling. 3 beds, 3 baths, kitchen, gardens, pond, paddocks, 4 acres. £800,000+ Jackson-Stops 01580-720000.

Kirkdale House, Knaresborough, North Yorkshire. A Georgian house dating from 1706 in the market and spa town of Knaresborough. The house is set in substantial, gated gardens with a block-paved and gravel driveway. It has large reception rooms, beamed ceilings, open fireplaces with wood-burning stoves and a kitchen with a Rangemaster stove. 4 beds, 2 baths, 2 receps, family room/ bed 5, garage. £800,000+ Strutt & Parker 01423-706771.

Tudor Cottage, Abbots Morton, Worcester, Worcestershire. An extended Grade II-listed cottage with Elizabethan origins on the edge of one of Worcestershire's oldest villages. It has leaded-light windows, exposed wall and ceiling timbers, an inglenook fireplace and landscaped gardens. 3 beds, 2 baths, 2 receps, study, breakfast kitchen, detached double garage, gardens, 0.48 acres. £795,000 Knight Frank 01905-746885.

Waye Cottage, Waye, Chagford, Devon. A Grade II-listed thatched Dartmoor longhouse dating from 1473 with large gardens that include a courtyard with raised vegetable beds and a renovated barn. The house has exposed beams, a sitting room divided by a Jacobean plank and muntin screen, a granite spiral staircase, two large granite fireplaces and an oak fitted kitchen with a range cooker. 3 beds, 2 baths, 2 receps, music room. £750,000 Fowlers Properties 01647-433595.

Porsche's electrifying new supercar

The sports car maker has gone on a green petrol-free diet, but it's still a laugh. Nicole Garcia Merida reports

The performance of Porsche's first electric car, the Taycan Turbo S, is "simply ballistic", says Jeremy Taylor in The Daily Telegraph. Hurtling up a Scottish glen in Sport+ mode, the £116,000 supercar also proves remarkably agile. Of course there's no "actual turbo" as the car's name suggests because the Taycan is all-electric, but Porsche "believes the long-established moniker befits the Taycan's performance credentials". The car is "a brilliant first effort" from Porsche and mighty impressive. It even offers an "Electric Sport Sound" as a £354 option if you feel you might miss the roar of petrol-fuelled engines.

This all-electric model is a big deal because, when Porsche tries something new, it "tends to succeed", says Darren Cassey for the Press Association. And as the Turbo S has been designed to be an electric vehicle from the ground up, "there's no cramming of batteries and electric motors into engine bays"; instead the powertrain has been fully integrated into the body to give a "low and sleek silhouette".

The Turbo S is also the first production vehicle from any car maker to use an 800-volt system voltage, twice the usual amount for an electric vehicle, which has benefits at the charging pump. "Porsche reckons you can add up to 60 miles of range in just five minutes", and the car can go from zero to 80% of battery capacity in 22 minutes "in ideal conditions".

A pair of electric motors deliver a top speed of 161mph and whisk you from zero to 60mph in just 2.6 seconds – a performance that has "an incredible effect on your body… Plant your foot on the accelerator from a standstill and you're violently punched back into the seat as the car launches forward." The sustained g-forces leave you feeling "light-headed and a little nauseous" at first, but it's "intoxicating" and "you can't help but laugh out loud". What's more, the car feels small and nimble on country roads and is a delight to drive.

"The key to the Taycan is its electrifying personality," says Graeme Fletcher on Driving.co.uk. Its "green" credentials do not take away from the fact that it is a "truly dynamic drive that's blisteringly quick and totally nailed-down" It's "safe to say… that the smile on your face will last long after the Taycan Turbo S has been parked".

"A pair of electric motors deliver a top speed of 161mph and whisk you from zero to 60mph in just 2.6 seconds – a performance that has an incredible effect on your body"

Wine of the week: an unnervingly serious Bojo

2019 Brouilly, La Croix des Rameaux, Jean-Claude Lapalu, Beaujolais, France
£19 per bottle in bond, laywheeler.com

Matthew Jukes
Wine columnist

I am aware that I reviewed a Côte de Brouilly only last week, but the repetition is not an oversight. I feature here the most delicious and noteworthy bottle of wine that I taste each week, regardless of style, so I am the first to admit it is a little odd to read about two elite Beaujolais in only eight days. But by the time you slap duty and VAT on the price of La Croix des Rameaux, you will end up at £25, so this is far from a regular Bojo. With stunning balance and tenderness coupled with epic cherry fruit notes, which come from ancient vines, all held together with a stern backbone of minerality and rigidity, this is an unnervingly serious wine and I urge you to taste it.

Not content with just one Lapalu to shout about, 2019 Eau Forte, Vin de France (also £19 in bond) is a wild, light, painfully pale and intriguingly gluggable *vin de soif*. Made from 100% whole bunches and with no additions of sulphur, this is a rare and genuinely delicious "natural" wine, which Lapalu releases under the lowly Vin de France classification because he is too frustrated with the AOC authorities not agreeing that a wine of this colour could indeed be a Beaujolais! A Vin de France can be any colour it likes and so Eau Forte literally wears its heart on its sleeve. Lapalu is an inspiration. Lay & Wheeler wine buyer Catherine Petrie MW has underlined her reputation as a knockout taster by tracking down these incredible wines.

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

Building profits from plastic bricks

The popularity of Lego boomed as bored workers twiddled their thumbs at home. Chris Carter reports

When a video meeting got "a little boring" for Richard Weston, the 44-year-old from Birmingham did what many of us did during lockdown, says Shan Li in The Wall Street Journal. He watched a YouTube clip on his laptop, scanned Facebook and played with his Lego sets.

Thousands of Lego-builders went even further, BBC News reported in May, "taking advantage of lockdown… to create stop-motion movies and models of real-life constructions". It's little wonder, then, that sales of the colourful plastic bricks rose by 14% in the first six months of the year, and the addiction seems to be setting well and truly in. "We've seen momentum continue into the second half, even after people started going back to work and to school," says Niels Christiansen, CEO of the Danish toymaker. (Note who appears first in that sentence – Lego's not just for kids.)

Still others have had their eye on profits. Investment-related online searches for Lego jumped by 53% during lockdown in Britain, according to research commissioned by investment platform eToro. Over time, Lego sets can make serious money on the secondary market. "Dealers around the world trade the plastic bricks like any other asset," says Adam Williams in The Daily Telegraph.

©LEGO Group

The Millennium Falcon: the Lego version may cost you £7,000

"Some buy brand-new sets and keep them in pristine condition; others scour the planet for vintage models." Over time, these sets can fetch significantly more than their original retail prices, with some going on to sell for thousands of pounds.

It's no surprise, then, that some "Afols" (adult fans of Lego, in the lingo) have turned their hobby into money-making opportunities. The original 2007 edition of the *Star Wars* Millennium Falcon, for example, was available on Amazon this summer for more than £7,000, 20 times its original value, according to self-storage firm Space Station.

But collectors should be careful, says Tim Auld in the Financial Times. When Lego released the Millennium Falcon, it was the biggest Lego set ever produced, consisting of 5,195 pieces and costing £342.49. After two years, it was discontinued. Five years later, an unopened set in a sealed case sold for $15,000, setting a record for Lego. "Admittedly, that's Las Vegas prices," Gerben van IJken, a toy expert at auction site Catawiki, tells Auld. But even elsewhere, that set would have fetched a lot of money. Then, in 2017, Lego reissued an updated version of the toy– good news for fans, "not so good for those who had squirrelled away their 2007 set unopened for a rainy day", says Auld. It may not be worth as much, but it is at least still valuable. Last Thursday, a used set in the US was sold to a buyer in Britain for almost $2,000 (including postage) on Ebay

> *"Investment-related online searches for Lego jumped by 53% during lockdown in Britain"*

The new normal is hard for celebs too

As lockdowns hammer economies, even the celebocracy are starting to feel the pinch

"It's a recession when your neighbour loses his job; it's a depression when you lose yours." So said former US president Harry Truman. What, though, do we call that peculiarly modern economic calamity whereby that most under-appreciated member of society, namely the C-list celebrity, starts to suffer significant losses? The life of a "reality TV star, model or daytime broadcaster" was once "lucrative", as Scarlett Russell points out in The Sunday Times. Club appearance fees and cash from wearing brands on the red carpet all add up, but these add-ons to the salary of the C-lister "were frozen for the months when no one could go out".

Meghan and Harry have a new income stream from Netflix

©Getty Images

> *"The days when relatively obscure stars would get maybe £2,000 for an appearance in a nightclub might never be coming back"*

Celebrity Armageddon

Even the return "to something approaching normal" is unlikely to do much to reverse this "celebrity Armageddon". Thanks to the rise of social media, many "gossip-starved readers" are getting their fix instead from Instagram feeds. There is now no point "trekking to a club you might not even get in to just to see a famous face". The days when relatively obscure stars would get "maybe £2,000 for an appearance" in a nightclub, which was the going rate just a year ago, might never be coming back.

Starved of the "whirlwind of performances, shoots, travel and fan interactions", many celebrities are resorting to desperate measures, says KJ Yossman on Wired. In the first weeks of the pandemic, thousands of stars flocked to Cameo, a website that allows fans to order bespoke messages from celebrities, for prices ranging from £8.30 for New Zealand cricketer Peter Younghusband to £41,500 for American comedian Chris D'Elia (later reduced to £1,000). The website features names such as Snoop Dogg (£622.50) and Lindsay Lohan (£257.30), as well as 94-year-old Dick van Dyke. The site was mired in controversy recently when one user paid £78 for a celeb to deliver an eviction notice.

One celebrity couple who are unlikely to be resorting to Cameo messages anytime soon are the Duke and Duchess of Sussex, Meghan Markle and Prince Harry, whose production company has signed a deal with Netflix, says Brooke Barnes in The New York Times. What exactly they will get for their involvement is unknown, but it's likely to be huge given that the streaming service is known for paying big bucks for high-profile people. The sum will in any case probably be much more than the deals in the neighbourhood of $100m that rival services were reportedly offering. Even before this agreement, the couple weren't exactly short of a bob or two, having signed a deal with the Harry Walker Agency in June for speaking engagements "with per-speech fees estimated at $1m".

The Netflix deal will come in handy, says Valentine Low in The Times. The couple have to pay an estimated $40,000 each month on the mortgage for their Santa Barbara mansion, and their security is estimated to cost £1m-£2m a year. It's also good news for Prince Charles, who will no longer have to support the couple from his own pocket, and for us too – the taxpayer will benefit from quicker repayment of the £2.4m grant that was spent on refurbishing the couple's cottage in Windsor.

Quintus Slide

Tabloid money… Paris Hilton deserves more than to be comfortably miserable

- **"Watching a preview of the new, warts-and-all documentary on Paris Hilton, I was struck by how utterly joyless her life appears to be," says Lorraine Kelly in The Sun. The hotel heiress (right) has played the "squeaky-voiced, spoiled Beverly Hills brat in order to make bucketloads of cash and has been playing the paparazzi and gossip columnists like a fiddle for decades". Good for her. She is "as sharp as a razor blade". But the act has come at the cost of a troubled youth and an exhausting schedule. Hilton says she will only be happy when she has made a billion dollars. "I don't believe her. Money alone doesn't make you happy, it just means that you can be miserable in comfort. I do hope this documentary helps Paris fight her demons and I'd love to see her genuinely content with her life."**

- Organisers planning the "Festival of Brexit" have offered £100,000 grants for successful pitches, "and I'm proposing an opening ceremony that celebrates where we are in history", says Brian Reade in the Daily Mirror. Along the lines of director Danny Boyle's 2012 Olympics opening extravaganza, "Jacob Rees-Mogg will recreate the chimney sweep roof scene from *Mary Poppins* with unemployed school leavers". Then we'll have a virtual tour round Britain's "once-proud cities", where families queue at food banks and the shops are boarded up. The big finale will see Donald Trump "descend from Air Force One on a throne, tossing out chlorinated chicken as Boris Johnson and Matt Hancock crawl towards him delivering models of NHS hospitals with dollar price tags on".

- A teapot found in Derbyshire looked like an ordinary bit of junk, says Jan Moir in the Daily Mail. It turned out to be a 250-year-old Chinese jug worth up to £100,000. The owner, who believes his grandfather brought it back from China, is thrilled. "Who wouldn't be?" Good question. "Renovating my London home some years ago, I found a Chinese teapot in a lacquer case inside a bricked-up recess. I could hardly breathe for excitement… I had fondly imagined myself as someone whose head wouldn't be turned by sudden riches." So, it was off to Christie's to get it valued. How much was it worth? £40. Early 19th century. Mass-produced. Bah. So I am glad someone else has hit the teapot jackpot… no stop it, I really am."

©Getty Images

Bridge by Andrew Robson

Who dealt?

Remembering who dealt the cards was of some significance to declarer on this week's deal.

Dealer East — Neither-side vulnerable

North
♠ K1073
♥ J9643
♦ 32
♣ 97

West
♠ Q65
♥ Q52
♦ AJ96
♣ Q106

East
♠ 9
♥ A107
♦ Q108754
♣ A53

South
♠ AJ842
♥ K8
♦ K
♣ KJ842

The bidding

South	West	North	East
			pass *
1♠	pass	2♠	pass**
4♠***	pass	pass	pass

* Might open.
** Might compete.
*** Wow. I must say I'd have been choosing between passing, and making a game try of 3♣.

West led a Club against South's 19 high-card point 4♠. East won the Ace and switched to a low Diamond, West beating declarer's King with the Ace and returning a Diamond to East's Queen. After ruffing, declarer cashed the King of Clubs and ruffed a Club. Brightening up when he saw the even split, he next had to hope East held the Ace of Hearts. All was well – a Heart to his King held the trick. The only remaining hurdle was the Queen of trumps.

Reflecting that East could not open the bidding – yet had already turned up with two Aces and the Queen of Diamonds – declarer could work out that West held the Queen of trumps. He led and passed the Knave of trumps, then crossed to dummy's King, back to his Ace (felling West's Queen) and ran winning Clubs. Ten tricks and game made.

At the other table, East opened a light 1♦ (as I may well have done), and eventually made 4♦ bid over North-South's 3♠.

For Andrew's three daily BridgeCasts, go to arbnh.com/bridgecast

Sudoku 1017

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

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.

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

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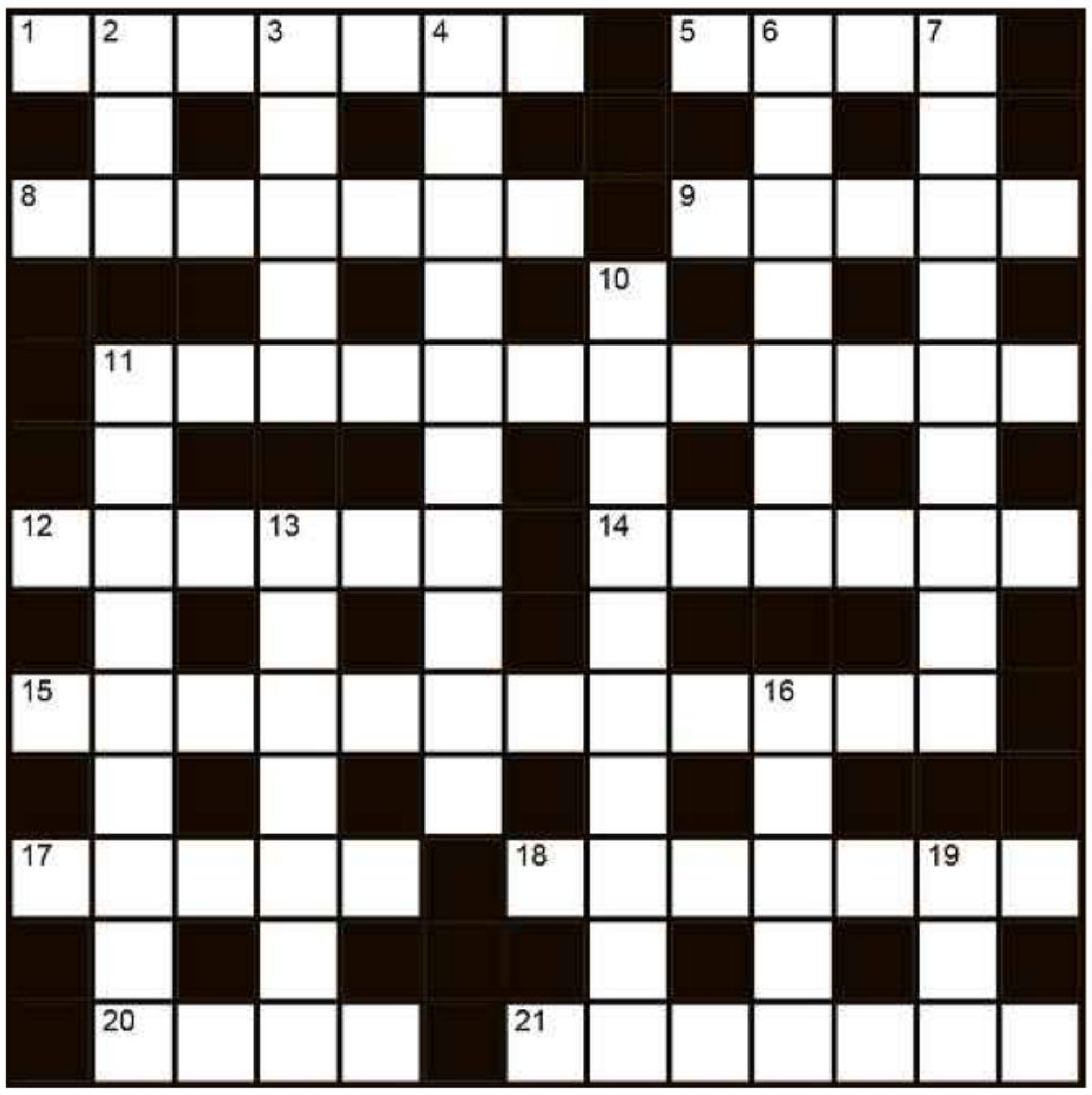
Tim Moorey's Quick Crossword No. 1017

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 28 Sept 2020. Answers to MoneyWeek's Quick Crossword No. 1017, 31-32 Alfred Place, London, WC1E 7DP.



Across clues are mildly cryptic whereas Down clues are straight

ACROSS
1 Relative walks forward (7)
5 Engage in schemes hatched (4)
8 Goes for record in pub game (7)
9 English poet cheated one's heard (5)
11 Lost cash in 'em? Possibly! (4, 8)
12 Red cards for Scottish football team (6)
14 Greek island is attached to a kin of fried pastry (6)
15 Is it confirmed in scant poo in potty? (12)
17 Australia has a singular bracing air (5)
18 Jerk ignores parts of country (7)
20 Irish troubles returning to some extent? (4)
21 A special stop to get driveway material (7)

DOWN
2 Equality of score in games (3)
3 Musical instrument (5)
4 Looking on the bright side (10)
6 Self-centredness (7)
7 Followers (7-2)
10 Torvill and Dean, say (3-7)
11 Noisy confusion (9)
13 Insurrections (7)
16 Type of whiskey (5)
19 Nothing (3)

Name ....

Address ....

....

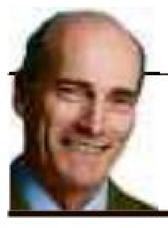
Solutions to 1015
Across 1 Sophisticated *anagram* **8** Imagine *two defs* **9** Slang *hidden* **10** Frightful *f rightful* **11** Tub *reversal* **12** Petrol *anagram* **14** Estate *cryptic def* **17** Ewe *hidden* **19** Spice rack *price anagram in sack* **21** Leave *le ave* **22** Stamina *anagram* **23** Pieces of eight *cryptic def.*
Down 1 Stiff upper lip **2** Pianist **3** Irish **4** Tee off **5** Castles **6** Toast **7** Dog's breakfast **13** Obscene **15** Amazing **16** Fiasco **18** Erase **20** Evade.

The winner of MoneyWeek Quick Crossword No. 1015 is: Rhodri Williams of Cowbridge

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

Here at the end of all things

The real source of American success has been destroyed. What comes next?



Bill Bonner
Columnist

Summer has come and gone. And another birthday, too. That makes it 72 times in our lifetime that the leaves have grown heavy with the late-summer dew. Birthdays put us in a reflective mood. We try to remember what it was like before. Have things really changed so much? Or is it just us?

Of all the things we've seen in our 72 flu seasons, the events of the recent six months are surely among the strangest. Never before has the economy been shut down to try to prevent a virus from spreading. And never before has any government tried to offset the damage by passing out so much free money.

The deep damage is to the system itself. Free enterprise depends on two things: property rights and private contracts. Conservatives used to believe that the state's job was to protect the former and enforce the latter. But if you can overthrow private, win-win contracts because the unemployment rate is over 8%, or because a virus is on the loose, what can't you do? What contract is safe? Who will want to invest, knowing that a conniving government might ruin the project by decree? The real source of America's success is a goner. The government no longer even pretends to respect its limits, and the economy is managed by the federales themselves, bureaucrats.

Lockdown is a time for reflecting on times past

©Alamy

Here, 5,000 miles away from Washington, still "quarantined" by the Argentine government, we sat on our stone veranda and recalled a wooden porch long ago. Our father was still wearing a uniform in the summer of 1948. He had been posted to Goose Bay, Labrador. Master Sergeant William Bonner asked permission of his captain to come back to Maryland to attend the birth of his son and namesake. But the answer came back in the negative. "You were there when the keel was laid; you don't need to be there for the launch," he was told.

"The government no longer even pretends to respect its limits"

There was no electricity in our house. No running water. No central heating or air-conditioning. Later we added electricity, plumbing, central heating. But we could never recover the magic of the place before modern conveniences made it more comfortable. It was so overgrown, the wisteria had worked its way in and bloomed in one of the bedrooms. The outhouse, too, was covered with vines – honeysuckle and morning glories; you could barely open the white-washed door.

Something important seems to have changed since that time. We're not sure what. We are trying to remember what it was like before Covid, Trump, the War on Terror, the fake dollar, the fake boom, before the internet and working remotely. We're remembering people long dead and a time when they wore face masks only if they were going to rob a bank. We are trying to imagine what it must have been like for our mother, sitting on that porch 72 years ago, rocking her newborn son to sleep, calmly unaware of all that was to come when the summer was over.

The bottom line

£3.5bn How much of taxpayers' money may have been paid out in wrong or fraudulent claims under the furlough scheme, according to HMRC. It estimates that between 5% and 10% of the cash may have been claimed in error or by "deliberate fraud".

£77bn The record amount of cash that was saved in the first half of 2020, according to Janus Henderson Investment Trusts. That took the total cash pile to £1.5trn, or roughly equal to the combined value of all UK residential mortgages.

\$9.1bn How much Nasa now says the development of its new giant rocket, the Space Launch System (SLS), will cost. Coupled with an extra \$2.4bn needed for ground support systems, the new mission cost represents a 33% increase since 2017, says tech website Ars Technica.

300 The price in Russian roubles (£3) of the 2021 Vladimir Putin calendar, which went on sale this month, says The Times. Unlike last year, the Russian president is pictured without other world leaders, apart from France's President Macron, who has his back to the camera.

\$12m The asking price for a restored American XP-82 Twin Mustang fighter plane of a kind that saw action in Korea in the early 1950s. The plane is essentially two single fighters joined at the wing, which allowed one pilot to take over from the other over long distances.

©Getty Images

£67,000 How much Ayaan Moosa and Mikaeel Ishaaq, two six-year-olds from east London, had raised online as of last week. The boys were selling lemonade to raise money for children in war-torn Yemen. Actress Angelina Jolie (pictured) made a generous donation and sent a note apologising for not being around to buy their lemonade.

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