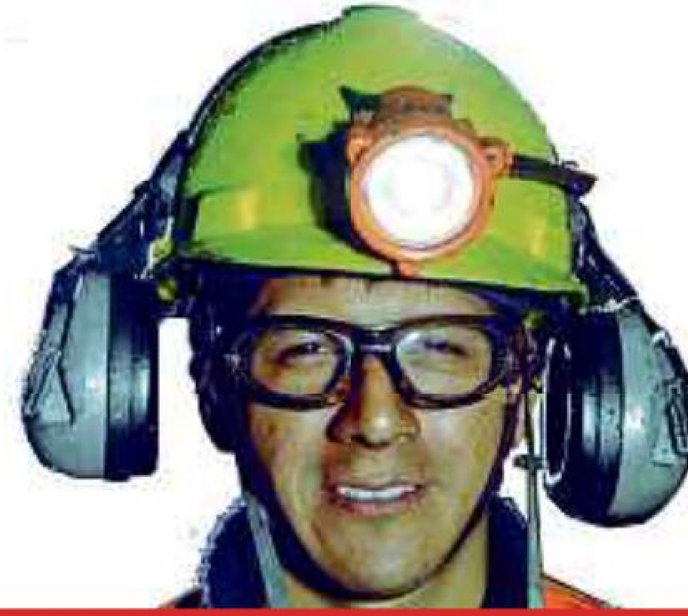
MARKETS *P5*
Negative interest rates are a bad idea

ANALYSIS *P22*
Make money from the metals boom



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TRAVEL *P31*

MONEYWEEK

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Bargain Britain

The stocks ready to rocket

Pages 5 and 20

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From the editor-in-chief...

Everyone wants the same thing out of an equity investment: the kind of long-term sustainable earnings growth that eventually turns into long-term income (see page 28 for one fund manager's ideas on this). The problem is that if everyone wants the same thing, that thing is rarely cheap. But every now and then the markets chuck us a bone in the form of a group of perfectly good stocks going cheap. Right now the UK might be such a bone.

©Getty Images

Brexit deal or no deal, some British stocks look far too cheap

"UK stocks are now trading at their biggest discount to global equities in 40 years"

UK stocks are trading at their biggest discount to global equities in 40 years (see page 5). This is partly to do with the composition of the market (lots of banks) but possibly more to do with the disappearance of international investors fed up with the confusions of Brexit. So the general expectation is that if a deal appears, the market might rise. If not, it will not. Leaving aside that there is no longer any such thing as no deal (lots of side deals have already been made) we wonder if this is really so. Perhaps what matters more than the final decision is just that one is made – that all these years of uncertainty come to an end (or at least are perceived as having come to an end). Markets like certainty (in most cases) so deal or no deal, once we know, the UK market might well rise regardless.

But whatever happens, there are UK stocks you should probably be looking at anyway. As Max King notes in our cover story this week, an awful lot of our companies have been all but destroyed by our government's rolling lockdown policies. Not all will survive. But those that do could be very interesting indeed. If post-lockdown there are fewer holiday companies than before, lack of competition will make the ones remaining not just survivors, but winners. The same goes for hospitality firms, cinemas, airlines and possibly even retailers. Which are which? See page 20 for a few clues.

Note that both Max and Cris (on page 17) are interested in the oil majors. I am too. Some investors refuse to hold them for environmental reasons. This is a mistake. They are cheap and will throw off cash for many decades. Right now, listed as they are on public markets, they are heavily scrutinised and held publicly accountable. If they stay this cheap for much longer, that might change. There's an awful lot of private cash out there that cares less about these things than you think you do – and could remove them from public markets. Don't allow a sense of do-goodery to stop you from looking at miners either. As James McKeigue points out on page 22, you can't have a green new deal (or an electric car market boom) without a good few very large copper mines.

On the subject of avoiding investments for moral reasons, see pages 4 and 18. China might not be your political cup of tea (for good reason). But it's the only major global economy likely to end this year with a higher GDP than it started it with. It is also rather more than the low-quality goods exporter too many still think of it as. Think tech powerhouse. You can't ignore this market – but you can invest in it via a fund manager who focuses on the behaviour of individual companies rather than governments. More on this in our latest podcast at Moneyweek.com.

Finally, don't forget the small stuff. Watch your domestic bills (working from home means heating at home – see page 26) and don't get fleeced on pension fees (see page 27). There's no point investing well if you waste the proceeds.

Merryn Somerset Webb
editor@moneyweek.com

Have we reached "peak" box set?

The boost **Netflix** saw from "lockdown life" has come to an end, says Anna Nicolaou in the Financial Times. The television streaming group added 2.2 million subscribers from July to the end of September, "well below the 16 million and ten million subscribers it added in the first and second quarters, respectively". Netflix warned that the global economic recovery in 2021 would likely have an impact on new subscriber numbers, which the company expect to be lower in the first half of next year compared to 2020. Netflix shares slipped by more than 6% after the "tepid results". To be fair, the company has repeatedly warned that its "coronavirus bump" was temporary, but its "rip-roaring results" had quietened sceptics. Another concern which will no doubt now re-emerge is that the streaming giant now faces increased competition from rival services such as Disney+, HBO Max and Peacock, add Joe Flint and Micah Maidenberg in The Wall Street Journal.

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

Good week for:

Kim Kardashian (pictured) settled a $6.1m lawsuit with her former bodyguard this week, whom she accused of failing to protect her during a robbery in 2016, says Jack Newman on MailOnline. Kardashian, 39, sued Pascal Duvier and his companies, Protect Security and Balali Investments Inc, for negligence after she was held at gunpoint in a Paris luxury rental apartment while robbers stole her jewellery.

A pensioner, identified only as **Mr S** by the Financial Ombudsman Service, won back his £106,000 pension after losing it to "an infamous high-risk property scheme" ten years ago, says Jessica Beard in The Daily Telegraph. The 68-year-old lost the money after investing in Harlequin Property, a failed scheme to build villas in the Caribbean. His financial adviser was ordered to reimburse him after the ombudsman ruled that it failed to emphasise the risks sufficiently.

©Getty Images

Bad week for:

James Dyson is selling his Singapore penthouse at a loss only one year after buying it, says the BBC. Dyson accepted an offer of S$62m (£35m) from US-based billionaire Leo Koguan, lower than the reported S$73.8m purchase price. Said to be Singapore's largest flat, Dyson bought it last year after announcing he was moving his company's headquarters to the country.

An increase in requests by **peer-to-peer lenders** to withdraw their funds from the platforms has led to a huge backlog, with one saver being told her request is 19,050th in the queue, says Rupert Jones in The Guardian. "Billions of pounds" are tied up in the sector as investors rush to withdraw their cash from the illiquid investments.

China's V-shaped stockmarket bounce

Alex Rankine
Markets editor

China was the first country into the Covid-19 crisis and is now the "first out", writes Larry Elliott in The Guardian. The world's second-biggest economy contracted by an annual 6.8% in the first three months of the year, but has since staged a V-shaped comeback. Official statistics show that GDP increased by 4.9% on the year in the third quarter. The International Monetary Fund (IMF) thinks China will grow by 1.9% in 2020, making it the only major economy set to expand.

The Golden Week holiday prompted consumers to open their wallets again

The debt question

Industry continues to lead the recovery, says Bloomberg. Consumption for the first three quarters is still 7% down on the same period last year and "tourism, education and travel" lag behind other sectors. Yet the latest data shows that shoppers are starting to close that gap, with retail sales growth accelerating in September. The recent Golden Week holiday encouraged many people "to open their wallets again".

Economists take China's official growth statistics with a pinch of salt, says The Economist. One camp argues that while the numbers are "overly smooth" they paint a generally accurate picture of what is going on. Sceptics argue that they are more fundamentally misleading. Yet whomever you ask, everyone agrees that the current rebound is real: to see that you only need look at China's "bustling shopping malls... and its mobbed tourist sites".

Household borrowing growth has been muted in most advanced economies this year, but not in China, says Mike Bird in The Wall Street Journal. IMF data shows that the country's household debt to GDP ratio is 31.6% higher than it was a decade ago, by far the biggest jump among the world's top ten economies. Much of that borrowing goes towards property purchases, sustaining a "nexus between banks, home buyers and real-estate developers" that helps keep activity ticking over. Yet "leaning on households again" will only deepen the economy's "financial vulnerabilities".

A rally with legs

China's CSI 300 index is up more than 15% so far this year, comfortably beating the 5% gain on the US S&P 500. With the virus under control and the economy bouncing sharply it is little surprise that Chinese shares are soaring, says Fidelity's Tom Stevenson in The Daily Telegraph. The total value of listed Chinese equities recently surpassed $10trn for the first time. Risks include a frothy property sector and a probable resumption in trade spats whoever wins the US election. But a "well-balanced portfolio" can hardly ignore the country.

As elsewhere, China's rally has been led by a "narrow wedge of tech powerhouses" while value shares have lagged, says Craig Mellow in Barron's. Bull runs in 2015 and 2017 "ended badly", but the market is no longer the Wild West. There are stricter rules on leverage and flighty retail investors are increasingly being replaced by institutional investors, who account for "70% of traded equities". This "rally could have legs". (Listen to our podcast with Pictet's Shaniel Ramjee at moneyweek.com/podcast for more on China).

US stocks don't care who's in the White House

"No stimulus, no problem," say William Watts and Sunny Oh for MarketWatch.com. This week Democrats and Republicans continued to discuss another stimulus package, but the odds of any deal before the election looked increasingly remote.

Nevertheless, bulls have decided that the American consumer can probably hold on until 2021 even without further help. Retail sales rose by 1.9% in September, the fifth straight month of gains.

Under Barack Obama the S&P 500 index jumped by 71%

That news cheered the S&P 500, which continues to trade about 3% short of its early September highs. Benefits from the $2.2trn CARES act, America's pandemic stimulus package, ebbed over the summer, but that has yet to curb the enthusiasm of American consumers. That is because many households have a financial cushion, says Nathaniel Meyersohn for CNN Business. The US personal savings rate hit the highest level since 1981 in March.

Stockmarkets appear to be positioning for a "blue wave" that will bring Democrats to power in the presidency and Congress, paving the way for more generous stimulus measures in January next year. Analysts say that a Democratic sweep would mean more regulation for energy, financial and healthcare businesses, while extra stimulus will boost construction and renewable energy shares, says Michael Mackenzie in the Financial Times. US presidential elections always create "anxiety and volatility" in markets, but long-term investors should "ignore the short-term market noise".

The economic cycle and the Federal Reserve have a much bigger impact on long-term returns than whether Democrats or Republicans are in power. The S&P 500 is up by 53% since Trump took office. Under Obama it bounced by 71% and it rose even more under Reagan.

©Getty Images

Is London's office market a bargain?

New York's commercial property is in trouble, say Julia-Ambra Verlaine and Sebastian Pellejero in The Wall Street Journal. Last month only 10% of office workers in Manhattan had returned to their desks. The pain could spread beyond New York. Wall Street "slices" property loans and packages them as commercial mortgage-backed securities. Pension funds and asset managers worldwide participate in this "half-trillion-dollar" debt market, but prices are falling. Some lower-rated US commercial mortgage bonds are trading on between "70 cents to 50 cents on the dollar".

London property is also in crisis, but these "comatose days" for offices "will not last forever", says Jim Armitage in the Evening Standard. Post-pandemic, people will probably still head go to the office at least a few days a week. "Canny private-equity groups" such as KKR are swooping on London's property companies, which trade on steep discounts to net asset value. Yet their focus is limited to firms with office exposure. The outlook for retail space is much grimmer.

London's offices are suffering from "unprecedented uncertainty" because of the rise of homeworking, says a UBS Research note. But big companies may end up reducing their requirements for space less than expected. Steep discounts to net asset value and proven management teams mean that **Derwent London (LSE: DLN)** and **Great Portland Estates (LSE: GPOR)** could interest brave investors.

Negative rates: a lousy idea

The economy is relapsing, says The Observer. The Bank of England has pumped £300bn of quantitative easing into the system this year, but as the second wave of Covid-19 gathers pace all the signs are that it is not enough. UK consumer price inflation was just 0.2% in August and banks have tightened lending criteria.

That means that it's time for negative interest rates. The Bank's governor, Andrew Bailey, says evidence from Europe shows negative rates can encourage corporations to invest rather than just stashing cash in the bank. Right now, the economy "needs all the help it can get". UK interest rates currently sit at 0.1%, with financial markets pricing in a shift into negative territory next year. The Bank of England is conducting preparatory work, with Bailey describing the policy as being in the "toolbox".

The Bank would use the rate to penalise commercial banks that deposit excess reserves with the central bank, says The Times. It wants them to lend the money instead. Banks would probably avoid passing on negative rates directly to depositors and those with mortgages should not anticipate a payday. The policy would "probably be a mistake". Lenders want their money back and in a steep downturn there are fewer creditworthy borrowers around. When the economy is weak no amount of interest-rate prodding will make the banks lend more.

©Shutterstock

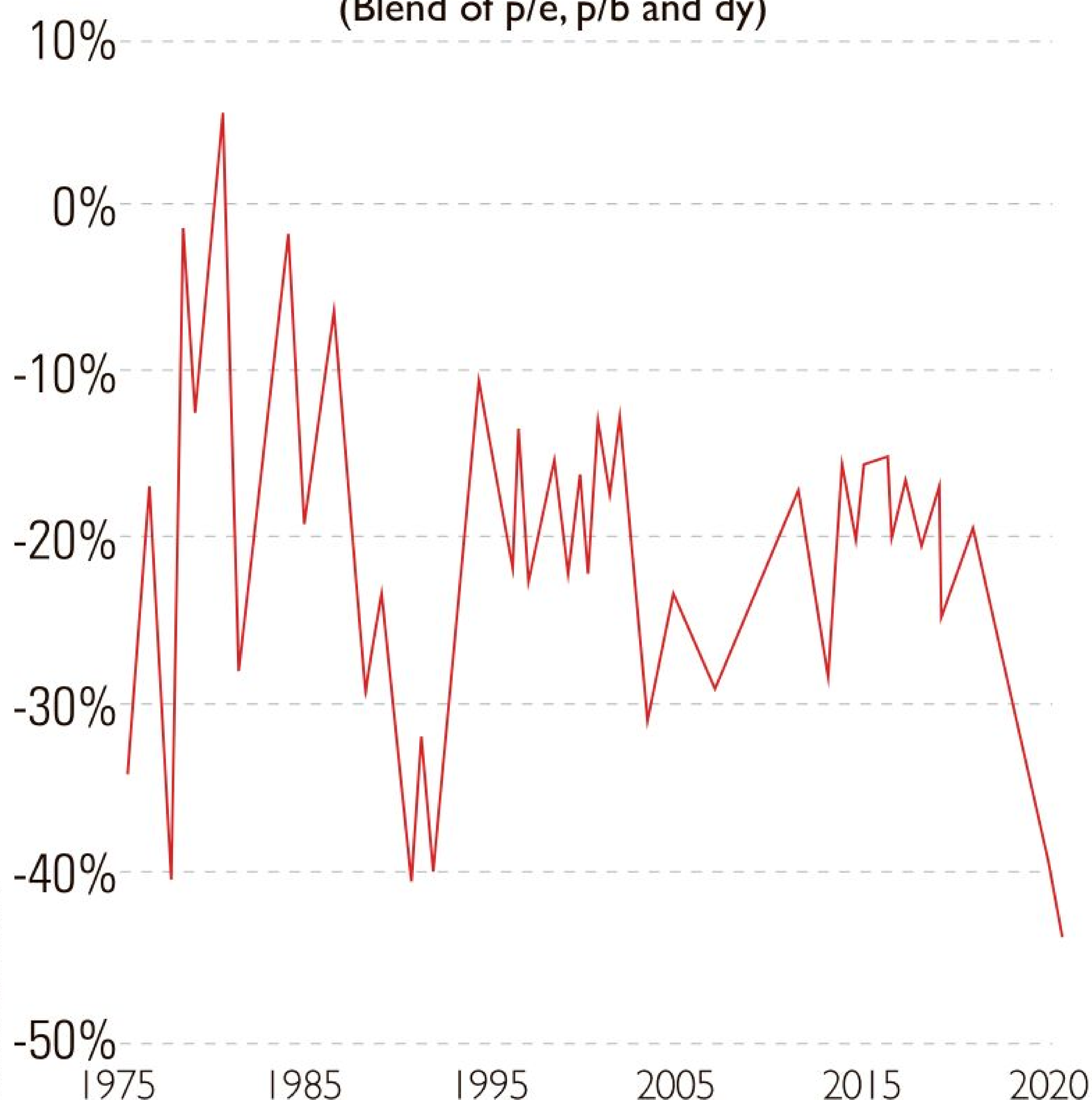
The Bank of England's governor, Andrew Bailey, should avoid pushing rates below zero

Punishing the thrifty

These are bad times to be a saver, says The Economist. America's one-year Treasury bill, a traditional way of storing cash, yields just 0.13%. "It would take more than 530 years" to double your money by reinvesting that interest. Today's savers have three options: save less and spend more; save more to compensate for lower returns; or put their cash into riskier investments, such as shares. Central bankers generally assume that lower interest rates cause the first reaction, but the data is much less clear. As is "already happening in Japan", the old increasingly "risk running out of money before they die".

Negative interest rates are a "terrible idea, smacking of desperation", says Liam Halligan in The Daily Telegraph. They are also "deeply counter-productive". Pension funds are forced into "risky, speculative investments" in a desperate hunt for yield. The experience on the continent shows that banks avoid cutting interest rates on deposits, thus weakening their balance sheets and making the whole financial system more fragile. The winners are those with a vested interest in seeing "massively bloated" stock and bond markets surge even higher. The economy is already in a "ghastly situation", we don't need to make it "even worse". (Listen to our podcast on negative interest rates at moneyweek.com/podcasts).

■ The best opportunity to buy British in 40 years



"If the UK were a middle-aged man he'd have just got divorced, lost his job and received bad news from the doctor," Fidelity's Tom Stevenson told The Sunday Times. Nevertheless, "the time to get interested in a market is when everyone is familiar with the bad news". This could prove the best buying opportunity in 40 years.

Jitters over a no-deal Brexit, the economic downturn and the shambolic response to Covid-19 have been key reasons why British stocks – tracked by the MSCI UK index – are trading at their biggest valuation discount to their global counterparts on record. The valuation gauge blends the price/earnings ratio (p/e), the price/book ratio (p/b) and the dividend yield (dy).

The discount to the MSCI World index's valuation has reached around 42%,while the historical average is 17.5, as Mark Atherton points out in The Sunday Times. The discount to the MSCI Europe ex-UK index is almost 30%. The last time the gap with the rest of the world reached similar levels was in the early 1990s when Margaret Thatcher resigned and a recession began; before that the chaos of the 1970s produced a huge gulf.

The macroeconomic backdrop isn't the only reason sentiment towards Britain has soured. The composition of the stockmarket hasn't helped either. The sectors that have done best worldwide this year are information technology and non-essential consumer goods. These make up 40% of the US market but a mere 8% of the British one.

All this bodes well for long-term investors. With the market yielding a juicy 4% and endless gloom and doom in the headlines, the bad news seems to be largely in the price. Stock that should be able to weather the Covid-19 storm could therefore recover very strongly once the fog clears (see page 20).

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

Six to buy

Britvic
The Sunday Telegraph
A new wave of lockdowns once again puts the focus on shares offering a strong market position, famous brands and solid balance sheets. Britvic, the maker of J2O and Fruit Shoot, fits the bill. It is also Pepsi's long-term UK bottling partner. Around 40% of sales come from pubs and restaurants, so revenue is down this year, but consumers have been buying more drinks in supermarkets, which has helped it dodge the worst. On 14 times forecast earnings there is scope for the shares to fizz higher in the long term. Buy. *746p*

Cake Box Holdings
Interactive Investor
This franchiser of cream-cake shops is likely to see strong demand as a "Covid winter" drives us all towards comfort foods. Recent trading updates have been encouraging, with online sales up by 74% over the three months to the end of August. New franchises are continuing to open and disruption elsewhere in the hospitality industry will give new shops the "pick of talent… Cake may be naughty but [it] is irresistibly nice." A "speculative" buy. *176p*

De La Rue
The Times
The turnaround at one of the London market's oldest listed businesses is gathering pace under a new management team. The Serious Fraud Office ended a probe into South Sudan-linked corruption in June, removing one significant risk. A £100m issue of new shares over the summer helps shore up the balance sheet and will fund investment in polymer banknote production and the authentication operation. Growing demand for polymer notes and the World Health Organisation's tobacco tax stamp scheme should ensure a steady pipeline of business. Buy. *144p*

Experian
Shares
This credit checker has a vast database of "163 million businesses and 1.3 billion consumer-credit history records". The company ticks all the quality boxes, with high cash generation, market and sector-beating margins and resilient growth, including during the pandemic. There are only two other players in this sector – Equifax and TransUnion – and tight data regulation and the time it takes to build up a database keeps new competitors out. On a forward price/earnings ratio of 37.1 the shares are far from cheap, but it is worth paying up for one of the world's "safest growth compounders". *3,069p*

Hikma Pharmaceuticals
Investors Chronicle
This multinational supplier of generic medicines is well-placed to profit from an ageing population. Chronic conditions and associated drug shortages are on the rise across the developed world, boosting demand for alternatives to pricey brand-name treatments. That should see global generic sales top $100bn by the middle of the decade, up from $70bn last year. Operating across more than 50 countries, Hikma offers diversified revenue and invests continuously in its pipeline to offer more complex and profitable treatments. Buy. *2,685p*

Inspiration Healthcare
The Mail on Sunday
This Aim-listed business supplies medical technology used in critical care to customers in 75 countries. It has a particular reputation for neonatal care and also stepped in earlier this year to help import ventilators during the first wave of the pandemic. In Britain, "virtually every hospital uses at least one of its products". Revenues should double in the current year and management is hoping to triple sales to £100m over the next five to seven years. Inspiration Healthcare recently paid out its first dividend and there should be more to come. Buy. *66p*

...and the rest

The Daily Telegraph
Ventilation specialist **Volution Group** has been on the acquisition trail in what remains a fragmented market. The pandemic has put renewed focus on the importance of good ventilation, so buy *(197p)*.

Investors Chronicle
Buoyant global markets in iron ore, copper and gold make engineer **Weir Group's** decision to refocus on the mining industry look astute. There could be long-term upside for metals as emerging economies

get going again, so keep buying the shares *(1,629p)*.

The Mail on Sunday
Disease testing specialist **EKF Diagnostics** is likely to see profits more than double this year. A maiden dividend is due in December and the long-term outlook is equally auspicious, so keep buying *(59p)*.

Shares
IP Group, which partners with British universities to bring new science businesses to life, recently sold out of an alternative-energy supplier for a tidy profit. The disposal could prove "the first of many", so buy *(83p)*. Shares in global-equity investor **Mid Wynd** have been trading near all-time highs thanks to the US tech rally, but the portfolio also offers exposure to less modish Asian growth stocks. "Keep buying" *(679p)*.

The Times
Nike's strong brand and online operation have helped it thrive through the crisis but on a price/earnings ratio of 76 the shares are even more expensive than those of big tech. Avoid *($129)*. Central European drinks seller **Stock Spirits Group** has seen sales continue to rise despite lockdown and the shares are on a big discount to the sector. Buy *(237p)*.

A German view

Japan's Shimano, the world leader in bicycle components, is about to celebrate its 100th birthday, says Wirtschaftswoche. And its future looks bright. The group supplies every second bike in the world with gears, chains and brakes; this division accounts for 80% of sales, while fishing equipment makes up the rest. Cycling is a structural growth market as governments are encouraging people to go green and improve their health, while Covid-19 will accelerate the trend because people will be increasingly reluctant to take public transport and expose themselves to germs. The same family has been running the show for a century, and the balance sheet is as solid as the management.

IPO watch

Big Hit Entertainment, the management company behind the popular South Korean boy band BTS, lived up to its name when it made its stockmarket debut in Seoul last week. The stock rocketed by 160% from the initial public offering (IPO) price to 351,000 won (£238) at the start of trading on 15 October, propelling the firm's market value to 9.6trn won ($6.5bn), says Song Jung-a in the Financial Times. Investors are hoping that the South Korean government will allow K-pop stars and other celebrities to defer their military service. The seven band members are now all multimillionaires: they were each given over 68,000 shares in the company in August.

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Fundsmith

Emerging Equities Trust

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% Total Return

12 months ending September	2020	2019	2018	2017	2016
Fundsmith Emerging Equities Trust	-1.6	-2.4	+5.6	+0.4	+16.4
AIC Global Emerging Markets Sector	-10.9	+4.3	-0.8	+13.3	+30.0

Source: Financial Express Analytics

www.feetplc.co.uk **Available through your stockbroker.**

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City talk

● Tim Martin (pictured), the founder and chairman of JD Wetherspoon, is "angry", says Ben Marlow in The Daily Telegraph. And he has every right to be. Firstly, the first wave of lockdowns and social distancing led to a "thumping" £100m loss for the year to the end of June. Even worse, just when it looked as though pub sales were bouncing back as people "burst out of their front doors desperate for a pint with friends", the government has ruined things by imposing new restrictions, including the rule of six and closures in some areas.

This also means that the £13m that Martin's company spent to "Covid-proof" their premises, has now been wasted. Martin now thinks that the outlook for the rest of the year "is even more unpredictable", a "grim" assessment that wiped 10% off Wetherspoon's shares.

● Reckitt Benckiser's CEO "may be one of the luckiest bosses around", says Carol Ryan in The Wall Street Journal. A "pandemic-led spike in demand for cleaning products" has meant that sales were 13.3% higher year-on-year in the third quarter. As a result, Reckitt will hit its pre-crisis medium-term revenue target one year ahead of schedule. However, CEO Laxman Narasimhan also deserves much credit, especially for improving Reckitt's supply chains, leading to better availability of its products on shelves.

The company's investments in e-commerce are also starting to pay off, with online sales now accounting for 12% of revenue. Partnerships with Airbnb and Major League Baseball – Reckitt is helping them improve their hygiene standards – also "point to the potential for new revenue streams". Reckitt's shares more than justify a valuation of "over 23 times next year's earnings".

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Pearson turns the page

The publishing group endured seven profit warnings in seven years under its previous boss. Can the new one steady the ship? Matthew Partridge reports

This week Andy Bird took over as CEO of education-publishing firm Pearson with shareholders "close to open revolt", says Christopher Williams in The Sunday Telegraph. One big bone of contention is his pay, with Bird in line for up to $9.4m over the next three years.

Other shareholders are "angry" with his plans to run the FTSE 100 firm remotely, splitting his time between his home in Malibu and New York, thousands of miles away from Pearson's London headquarters. As a result, Bird is under "extreme pressure" to overturn "years of disappointment" that included a run of "seven profit warnings in seven years".

Bird has a lot of work to do, with the latest figures showing that the pandemic has hit Pearson's revenue, says Simon Duke in The Times. Last week, Pearson reported that sales fell by a tenth year-on-year in the third quarter, on top of a 28% fall in the second quarter, with the result that overall revenue is down 14% in the first nine months of the year. A large part of this was due to Covid-19, with exam cancellations and lockdowns badly disrupting Pearson's qualifications and assessment business.

Selling off peripheral fripperies

Pearson's problems predate Covid-19, says The Economist. Departing boss John Fallon deserves credit for restoring focus by selling off peripheral "fripperies" as well as slashing costs and paying down debts. However, he failed to prevent its core publishing business from being "hammered" by the rise of online book trading, which made the second-hand book market "massive". Textbook rental services have also reduced the need to buy new copies.

Both of these have meant that Pearson's "beancounters" have "repeatedly underestimated" the speed at which text-book sales would decline. They fell from 21 million in 2010 to fewer than four million in 2019. Despite all this gloom, there are still a few positive signs,

Can new CEO Andy Bird turn the company into "a story worth reading"?

says James Warrington in CityAM. For example, while overall revenue is still falling, sales of digital products surged by 32% in the last quarter.

To take advantage of this, Pearson has already announced plans to unveil a "reimagined" website and offer more online courses. In the longer run, the appointment of Bird, who led Walt Disney's digital transformation, is a clear signal that the company believes that the move o nline is permanent, and will continue even after social distancing ends.

However, even if Andy Bird manages to turn Pearson "into a story worth reading", there may be further short-term turbulence ahead, says Kate Burgess in the Financial Times. If Pearson shares continue to decline, one possible casualty is its chairman, Sidney Taurel, who has been lambasted for having left Fallon "in charge for too long". He has also incurred criticism for Bird's "hulking pay package". After all, the job of chairman is to ensure there are "stringent checks" on the CEO.

Big Tech upsets political big guns

Twitter and Facebook's "unprecedented" decision last week to restrict the spread of a controversial New York Post story about Joe Biden has sparked "outrage" among Republicans, says Kari Paul in The Guardian. The move marks the first time Twitter has directly limited the spread of information from a news website. President Trump immediately responded by repeating a pledge to repeal section 230, a measure that keeps website hosts from being held responsible for content either posted or removed.

Whatever the rights and wrongs of the decision, both Twitter and Facebook, as well as other tech companies, should

"fear what comes next", says James Titcomb in The Daily Telegraph. At present disagreements between Republicans and Democrats, with Democrats wanting more content moderation and Republicans wanting less, mean that there has been "no substantial legislation passed to limit tech's biggest companies".

However, the latest furore has "brought a new energy" to Republican anger against Big Tech, which will persist "long after the election". These companies "will have a tougher ride over the next four years than the last".

It's not just US regulators that Facebook and Google have to worry about, say Kate Beioley and Javier Espinoza in the Financial Times. Andrea Coscelli, the CEO of Britain's Competition and Markets Authority (CMA) has warned that if the government refuses to regulate the tech companies, the CMA will launch its own antitrust investigation of the tech giants. Regulators in Brussels are getting tougher too.

THE 7

PLUG-IN HYBRID

Fuel economy and CO_2 results for the 7 Series Range (including PHEV); Combined mpg (l/100km) 25.9 to 156.9 (10.9 to 1.8). CO_2 emission (g/km) WLTP 248 to 41 g/km. For plug-in hybrid vehicles these figures were obtained using a combination of battery power and fuel, for battery electric vehicles after the battery had been fully charged. Plug-in hybrid and battery electric vehicles require mains electricity for charging. Figures shown are for comparability purposes. Only compare fuel consumption, CO_2 and electric range figures with other cars tested to the same technical procedures. These figures may not reflect real life driving results, which will depend upon a number of factors including the starting charge of the battery, accessories fitted (post-registration), variations in weather, driving styles and vehicle load. The CO_2 figures shown above have been determined according to the WLTP test. WLTP has been used as the applicable CO_2 figure from 1 April 2020 for first year vehicle tax (VED) and from 6 April 2020 for company car tax (BIK). The CO_2 figures were previously based on the NEDC equivalent.

Covid-19 reveals frailties in Britain

The virus seems to target not just the elderly but the politically fragile too. Emily Hohler reports

As the Covid-19 crisis rolls on, Britain has shifted to a regional tiering structure of restrictions, says Jim O'Neill in The Article. But this can only work where there is a "well-thought out plan" and if the government is willing to trust elected local officials and acknowledge that some regions face tougher challenges than others. In terms of the spat between the mayor of Greater Manchester, Andy Burnham, and No 10, the government's "preferred narrative" is clear, says The Times: a "grandstanding politician puts his own popularity ahead of public health" (Burnham said a minimum of £65m was needed to protect the poorest and was refused the final £5m). The government will also have calculated that the downsides of failing to reach a deal were "lower than those of setting a precedent for these other regions if they had upped their offer". In Manchester, however, Burnham is generally seen as "standing up for the north against a dismissive Westminster elite".

Burnham: grandstanding, or standing up for the north?

The north-south divide widens

It seems the "north-south divide" is back – all but one of the top 20 virus hotspots in England are now in the north, says Beth Rigby on Sky News. If we were "all in it together" during the first lockdown, this time we are "growing ever more apart". The message from the north is that if central government won't provide enough financial support, local communities cannot – and should not – bear the cost. Burnham was clear, back in May, that it was too early to ease lockdowns locally. Failure to find a solution with the north comes with a political cost to a Conservative government that "promised to level up this country" and improve the lives of those who voted for Boris Johnson in Labour's former "red wall" seats.

The surge of cases appears to have vindicated Burnham's earlier concerns and illustrates a wider problem, which is that the "centralising bent" of Westminster and Whitehall is unhelpful during a pandemic, says Robert Shrimsley in the Financial Times. Burnham, a former cabinet minister, contrasts the comparative success of Germany and its federal structure in handling the virus. If the pandemic has exposed frictions within England where regional leaders feel bypassed by Westminster (since 2000, nine of the great city-regions of England have a "substantial mandate", if limited powers), it has also exposed the "uneasy balance of power between its four nations".

At the start of the crisis, Johnson's government recognised the need for co-operation and the leaders of Wales, Scotland and Northern Ireland were also keen to work together while pursuing their own course and setting their own rules. However, Johnson has stoked tension by seemingly struggling to adjust to the reality that in a health crisis he "was only the prime minister of England" (for example, he forgot to mention in his 10 May televised broadcast that the easing of measures applied only to England). There is also the issue of how the whole devolution settlement works, not least that, while leaders shut down sectors of their economy, "decisions on economic support rest solely with the UK Treasury". Cabinet minister Michael Gove argues that devolution can work effectively, but "like all relationships" it requires "constant attention". "Just as the virus has been more deadly to those with underlying health issues, the crisis has honed in on the frailties in the UK's institutions, pulling at the seams of the union. The question still to be answered is whether an overhaul can deliver a leaner, fitter and still whole United Kingdom or whether Covid-19 has highlighted fundamental comorbidities in the nation's body politic."

Johnson: deadlocked

Is a no-deal Brexit back on the cards?

EU chief Brexit negotiator Michel Barnier extended an "olive branch" to Boris Johnson in the European Parliament on Wednesday, saying that a trade deal was "within reach" and acknowledging that compromises were needed by both sides to salvage the talks, says Jack Maidment in the Daily Mail. Last Friday, Johnson said that he was prepared to "embrace" no deal and that a trade deal would not be forthcoming without a "fundamental change" of approach from the EU. The two sides remain deadlocked over a number of key issues, including fishing, the so-called "level playing field" guarantees on regulations, and the governance of the agreement. The EU has set an end of October deadline for talks in order to provide enough time for the agreement to be ratified in the remaining ten weeks before the end of 2020 and the Brexit transition period, so avoiding a no deal.

If no deal were a "real threat", Remainers in Westminster wouldn't be so "alarmingly quiet", says Alexandra Phillips in The Daily Telegraph. For all the "carefully curated choreography", the Withdrawal Act, which became law on 23 January, "already did half the dirty work". The agreement ties us to European Investment Bank liabilities and "ongoing extortionate alimony payments" and "legalised the carefully set trap of a backdoor to Britain's bureaucracy via Belfast". If the UK were serious about walking away, repealing the agreement "in the context of a breakdown in talks would be the obvious approach".

It would, agrees Nigel Farage in the same paper. Britain could then embrace an Australia-style exit, which "really would represent a clean break Brexit", and start 2021 with some "basic agreements on the rights of EU citizens and on border controls". If Johnson did this, I would support him 100%. If he doesn't – "and I still believe that a deal is the most likely outcome" – many of my Brexit Party colleagues will be "prepared to re-start the fight".

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Radical protests rock Thailand

Do the pro-democracy forces stand a chance this time? Matthew Partridge reports

Confrontations between the Thai authorities and anti-government demonstrators have escalated, with the government launching a crackdown that has hit the protestors with an "arsenal of threats, diktats and detentions", says Hannah Beech in The New York Times. Water cannons have been deployed and there have been a "spate of new arrests" under a previously obscure law against endangering the royal family. Despite emergency laws banning any gathering of five or more people, large numbers continue to turn out to take part in demonstrations, including "thousands" of high-school and college students.

Thai protests are gathering momentum

Breaking taboos

The protests are primarily aimed at removing the "incompetent and authoritarian" Thai government, which is run by a "military junta that laundered itself into an elected government via a rigged system", says The Guardian. People are particularly angry at the recent collapse of the tourism sector, "on which the country is heavily dependent", due to Covid-19. As well as demanding the prime minister's resignation and the redrafting of the constitution, the protestors have also "broken new ground" by demanding reform of the monarchy. In the past, even discussing the monarchy was a "taboo" subject that carried "heavy penalties".

It's not surprising that the Thai monarchy has come under attack as no one has done more to undermine the image of Thailand than King Vajiralongkorn, says The Times. The king, who rules Thailand from Germany, has made headlines around the world for his "eccentric" behaviour – he made his poodle Fufu air chief marshal, for example. More seriously, he has also set about "amassing wealth and power", taking personal ownership of the $40bn assets of the Crown Property Bureau and raising the annual royal budget to more than $1bn while "working with the generals to keep a lid on dissent".

A doomed movement?

King Vajiralongkorn's vast wealth, which includes large stakes in several key Thai companies, is particularly galling to the Thai people given that most Thais remain extremely poor, says Mike Bird in The Wall Street Journal. Thailand's overall growth has been "quietly rapid" by international standards in recent decades, with GDP per capita rising by 85% in the ten years up to the end of 2019. Thailand has overtaken other emerging economies such as Mexico, Brazil and South Africa. But the boom has hidden a "deeply skewed" wealth distribution that has seen average real wage growth slow "sharply" to below 2% for most of the last five years.

The king's misbehaviour has made the Thai pro-democracy movement stronger than it has ever been, uniting the traditionally pro-military and pro-monarchy "urban elite" with those in rural areas, who have supported the various populist governments that have been repeatedly ousted by coups, says The Washington Post. However, it's hard to see them winning. China has shown in Hong Kong how a street protest movement can be "gradually ground down", even without direct military action. And America's silence on the matter has been seen as a "vote of confidence" in the status quo and a "green light" for more repression.

Donald Trump goes on the attack

Hunter Biden: did he do wrong?

With "little sign" of the opinion polls narrowing, President Donald Trump has stepped up his attacks on Joe Biden during campaign rallies, accusing him of being part of an "organised crime family", says David Charter in The Times. In particular, Trump accuses his rival of corruption in connection with his son Hunter's "tangled" business dealings in China and Ukraine, where Hunter was on the board of Burisma, a gas company. Trump points to emails, first published in The New York Post, that suggest Hunter arranged a meeting between Burisma executives and the then vice-president.

Most of the media has treated the allegations as "dud" and attacked the messenger or raised eyebrows about the fact that the story came from Trump partisans, says Freddy Gray in The Spectator. But all Biden and his supporters have to do is refute the allegations to make them go away. Instead, they have shown "little appetite" for disputing either the story or the authenticity of the emails. Given that most people care more about whether the allegations are true or not, rather than whether the story is "ethically sourced", any hint of a media "cover up" could be a major problem for the Biden campaign.

Nonsense, says Paul Waldman in The Washington Post. Most media outlets are ignoring the allegations because they are so "ludicrously thin". Even the reporter who broke the story had so little faith in it that he "refused to allow his name on it". These attack tactics are futile. Trump, though, seems stuck in a "bubble" that has him say "whatever ludicrous thing gets his base applauding, whether it convinces anyone not already voting for him or not".

Betting on politics

With £151.9m already matched on the winner of the US presidential election, Betfair looks set to break the £200m that was matched on the outcome of the 2016 election (£75m of which was matched after the polls closed). However, while Biden remains the strong favourite at 1.57 (63%), the odds have shifted slightly in Trump's favour, with the incumbent now at 2.76 (36.2%). Similarly, the spreads on Biden's expected number of Electoral College votes have fallen slightly to 306-312 on Sporting Index and 309-317 on Spreadex.

Having made a large number of US-related tips, I'm going instead to focus on Australian politics. After getting a high approval rating for her performance in relation to Covid-19, Gladys Berejiklian (pictured), the state premier of New South Wales, is facing intense scrutiny after failing to disclose a relationship with disgraced MP Daryl Maguire. As a result, Betfair is running a market on whether she will survive the year. With £18,177 matched, you can get 2.28 (43.8%) on her departing in 2020 and 1.51 (66.2%) on her lasting until 2021 or later.

I recommend you take the bet on her remaining in office for the next few months. Berejiklian is being investigated by the anti-corruption watchdog and recently narrowly escaped two no confidence votes. However, surveys suggest that she still has an approval rating of 68%. With the Covid-19 crisis continuing and the investigation not due to report publicly until February, she should cling on until at least the New Year.

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The clampdown on spoofing

American regulators are slapping record fines on firms that cheat the markets using techniques such as "spoofing". Even tougher action looks to be on the cards. Simon Wilson reports

What's happened?

A few weeks ago the big US bank JPMorgan Chase admitted that its then-employees fraudulently rigged precious-metals and Treasury (US government bond) markets tens of thousands of times between 2008 and 2016. As part of its settlement with the US authorities, it agreed to pay a total of $920m in fines and restitution (including $172m in "disgorgement", meaning paying back its ill-gotten gains). The bank admitted that traders based in New York, London and Singapore – working in the gold, silver and other precious metals futures markets, as well as the Treasury cash and futures markets – had engaged in the practice known as "spoofing" on thousands of occasions over the course of eight years.

©Getty Images

The latest banking drama should concentrate minds on Wall Street

What does spoofing involve?

It means quickly placing and then withdrawing buy or sell orders to trick other traders by giving them a false sense of current market demand. The idea is that you confuse the market and move the price in your favour. So if you want to sell silver, say, you could place a series of multiple smallish buy orders at different prices (a technique known as "layering", which looks less suspicious than placing one big order). This dupes other market participants into pushing prices higher, meaning you can sell your silver at a higher price before cancelling your phoney buy orders.

Is that easy to get away with?

Like many forms of market manipulation, spoofing is a pretty crude ruse that would have been relatively hard to get away with when traders worked together in a pit in an old-fashioned exchange. But it's been a growing problem since the rise of rapid-fire, computer-driven trading around 15 years ago. The dominance of algorithmic trading systems, which rapidly analyse order books to work out where the markets are heading next, makes it easier (and more tempting) for actual humans to spoof them. Indeed, many traders would (quietly) argue that spoofing is merely a modern form of bluffing – a perfectly legitimate trading tactic that levels the playing field for humans against the machines. As one JPMorgan trader put it, according to prosecutors, the tactic was "a little razzle-dazzle to juke the algos".

But it's illegal?

Yes, but it's only been specifically outlawed in the US since 2010. Spoofing can be a hard crime to prove, since the authorities have to show that the trader intended in advance to cancel their original order – it is, after all, perfectly legal to change your mind. Even so, in the past two years, many of the leading global banks have paid penalties to regulators on spoofing charges – including Deutsche, HSBC, Merrill Lynch and UBS. Just last month, two former Deutsche Bank metals traders in Chicago were convicted of the offence. But the $920m penalties handed to JPMorgan Chase are several times as large as previous examples. It represents a step change by US regulators.

Don't banks get fined all the time?

Indeed, since the global financial crisis of 2007-2008, banks worldwide have paid around $30bn in regulatory fines each year on average. That period has seen a series of banking-sector scandals relating to various forms of market manipulation and collusion, including the Libor scandal of 2012; the Forex scandal of 2014; and the Wells Fargo fake account scandal of 2016. According to an exhaustive study by the Boston Consulting Group compiled in 2017, banks had paid $321bn in fines in the previous decade, with North American banks accounting for 63% of that. A 2018 tally by Keefe, Bruyette and Woods (a US research firm) came up with a similar figure. They surveyed fines on just US banks, and put the total at $243bn. Bank of America was the top offender with $76bn of fines, and JPMorgan Chase second with $44bn.

> *"The traders are in crosshairs once trained on the likes of the Latin Kings and Gambinos"*

Do fines work as a deterrent?

Compared to the size of their balance sheets and revenues, the fines levied on banks look like a pretty manageable cost of doing business. According to research conducted by John Coffee of Columbia University's law school, who looked at a sample of the 25 biggest fines imposed on listed US companies (not all of them banks), fines don't have much of a deterrent effect on top executives, or even worry shareholders that much. Indeed, on the day the regulators' fines were announced to the market, the share price of the affected company rose significantly in almost all cases, presumably due to relief that the issue had been settled. "This is not a call for lower penalties, but for a focus on individual executives," says Coffee. "Today, when faced with a governmental investigation, corporate executives – high and low – face a choice: do they risk personal liability or do they settle with their shareholders' money? Surprise of all surprises, they would prefer to plead the corporation guilty or in a civil case to pay a large settlement to the SEC and others."

Aren't the JPMorgan traders facing jail?

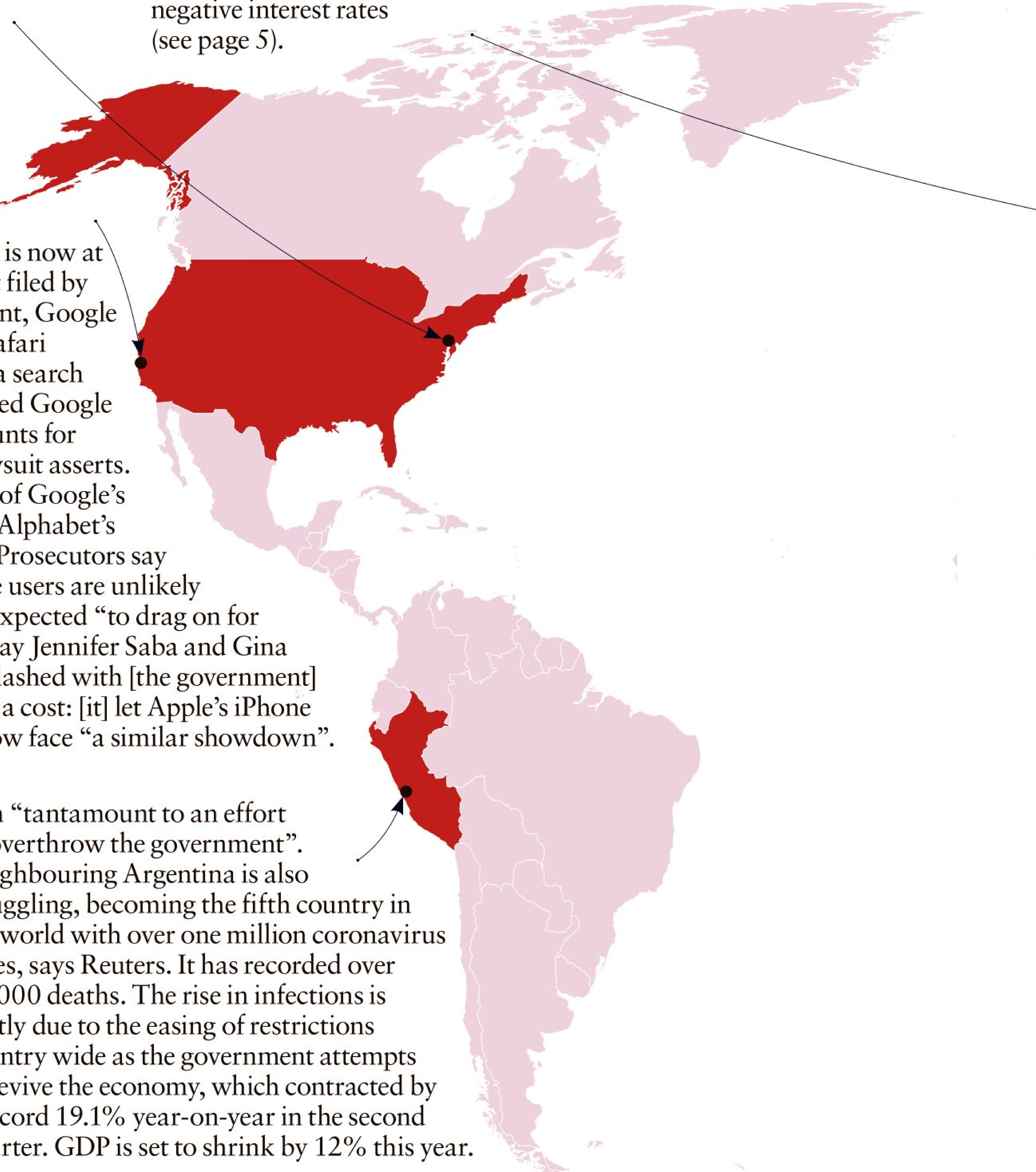
Yes – not least because US prosecutors have charged their suspects under the Racketeer Influenced and Corrupt Organisations (Rico) Act – a law targeting organised crime. These include Michael Nowak, the bank's former head of precious metals trading, and Gregg Smith, a senior gold trader; both men have pleaded not guilty to all charges. Using the Rico Act against legitimate businesses, rather than mobsters, has few precedents. But the Department of Justice has decided that the evidence from JPMorgan meets the criteria of a racketeering conspiracy – a pattern of illegality over time, with individuals working together to further the goals of the allegedly criminal enterprise. It has been decades, says Tom Schoenberg of Bloomberg, since the US government "has attempted to apply the anti-racketeering law to members of a major bank's trading desk". It places Nowak and others "in crosshairs once trained on the likes of the Latin Kings and the Gambino crime family". If that doesn't concentrate minds on Wall Street, it's hard to see what will.

Washington DC

V-shaped recovery secure: The White House and Democratic negotiators have pressed on with efforts to reach a sweeping coronavirus relief deal after a $2trn package sparked opposition from Senate Republicans, says Kristina Peterson in The Wall Street Journal. Time is running out to agree a deal before the presidential election on 3 November. The pandemic has come at a huge cost, with the budget deficit tripling to a record $3.1trn in the latest fiscal year, which ended on 30 September. At around 16.1%, the annual overspend was the largest since the end of World War II. Industrial production, meanwhile, has hit a bump in the road, data out last Friday showed. Output fell by a 0.6% month-on-month in September, "snapping four months of growth, in another sign of a slowing recovery", says David Harrison in The Wall Street Journal. Retail sales, however, paint a different picture. They jumped by 1.9% in September, having risen by 0.6% in August. Chetan Ahya of Morgan Stanley told Bloomberg that the data is another sign that "the V-shaped recovery… looks very much secure".

London

More stimulus on the way? South Yorkshire has became the latest area to fall under the government's strictest measures to control the spread of Covid-19. The announcement came on Wednesday amid a row between the government and the mayor of Greater Manchester, Labour's Andy Burnham, over the size of a relief package. Wales has entered its own self-imposed "firebreak" lockdown, to last until 9 November. There were 241 new deaths in the UK on Tuesday, the first time since June that the daily figure has risen above 200. Public-sector borrowing reached £36.1bn in September, the third-biggest monthly budget deficit since records began in 1993. A "stuttering recovery" means borrowing is "likely to grow", says Paul Dales of Capital Economics. "The budget deficit may eventually reach £390bn this year (19.6% of GDP)... But with ten-year gilt yields currently just 0.19%, the markets don't seem to care." That gives the Bank of England "the green light" to stimulate the economy further. It has been considering introducing negative interest rates (see page 5).



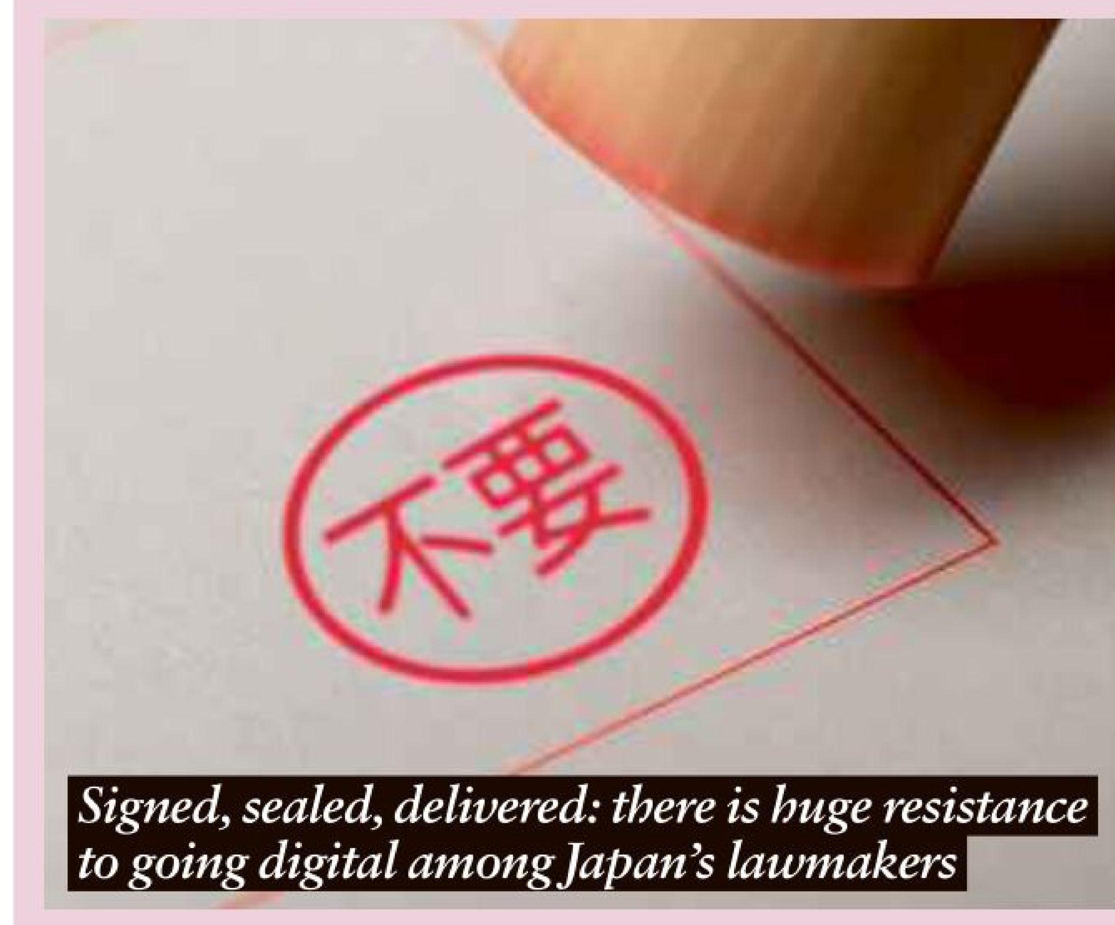
Mountain View

Google's Microsoft moment: To Google insiders, losing their highly lucrative pipeline of search traffic from Apple's iPhone would be disastrous, say Rob Copeland and Tim Higgins in The Wall Street Journal. But that scenario is now at the heart of an anti-monopoly lawsuit filed by the US Department of Justice. At present, Google is the default search engine on Apple's Safari phone browser, so when consumers enter a search term on their phone, "they are automatically fed Google search results – and related advertising". The tie-up accounts for between 15% and 20% of Apple's annual profits, the lawsuit asserts. In return, Apple-originated search traffic adds up to half of Google's search volume. "That means Google pays... one-third of Alphabet's annual profits to Apple for pole position on the iPhone." Prosecutors say this cosy arrangement undermines competition as iPhone users are unlikely consciously to switch away from Google. The lawsuit is expected "to drag on for years". Google has finally "met its Microsoft moment", say Jennifer Saba and Gina Chon on Breakingviews. "Two decades ago, Microsoft clashed with [the government] over its near-ubiquitous operating systems. It won, but at a cost: [it] let Apple's iPhone steal the lead in smartphone technology." Google may now face "a similar showdown".

Lima

Peruvian president prosecuted: Peru's president Martín Vizcarra denied fresh allegations of corruption this week after it was reported he had received a payout from a construction company that won a public-works contract when he was a regional governor, says Marco Aquino on Reuters. Prosecutors are opening a preliminary investigation into Vizcarra, who received bribes worth a total 1.3 million soles ($363,000) between 2014 and 2016, according to an ongoing broader investigation into construction firms. Vizcarra called the allegations against him "tantamount to an effort to overthrow the government". Neighbouring Argentina is also struggling, becoming the fifth country in the world with over one million coronavirus cases, says Reuters. It has recorded over 26,000 deaths. The rise in infections is partly due to the easing of restrictions country wide as the government attempts to revive the economy, which contracted by a record 19.1% year-on-year in the second quarter. GDP is set to shrink by 12% this year.

The way we live now: taking on Tokyo's traditionalists



Signed, sealed, delivered: there is huge resistance to going digital among Japan's lawmakers

"As foreign minister and later defence minister, Taro Kono shouldered Japan's biggest global challenges," says Alastair Gale in The Wall Street journal. China's military rise and an "unpredictable" US president were among them. But now the 57-year-old must "vanquish the ink stamp, the printer and the fax machine". These old technologies are slowing down growth, according to Prime Minister Yoshihide Suga, 71, who took office in September and gave Kono his latest "assignment" as minister of administrative reform. Some 25 years of email has "yet to dent" Japanese bureaucrats' penchant for paper: they ask for routine communications to take place by fax and government forms must be submitted on paper stamped with a hanko, an ink seal. If the Japanese can "put a stop" to hanko culture, the need for printouts and faxes will naturally be eliminated, said Kono at a news conference in September. His job, he added, was to "clear the road of obstructions to allow the Ferraris and Porsches of digital innovation to speed through". But a group of lawmakers recently submitted a letter, "on paper", that warned Japan's culture of using personal seals in place of signatures was at risk as a result of Kono's ambition.

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Brussels

Belgium battens down the hatches: Belgium is facing a "tsunami" of new cases of Covid-19 that threaten to overwhelm the authorities, according to Frank Vandenbroucke, the country's health minister. All bars and restaurants were closed for four weeks from Monday. Belgium was one of the worst-hit countries during Europe's first wave of the virus earlier this year. It has the third-highest number of Covid-19-related deaths per 100,000 people globally, behind Peru and San Marino, according to data from Johns Hopkins University. The Spanish government is considering imposing a national state of emergency as the number of cases there approached one million, the highest number in Europe. According to draft national budget plans, the 19-country eurozone will fall into an aggregate fiscal deficit of €976bn, equal to 8.9% of GDP this year, says the Financial Times. "This means this year's budget deficits would be almost ten times higher than last year's levels and the [European] Commission's forecasts for this year."

Belgium's health minister Frank Vandenbroucke has warned of a "tsumami" of new Covid-19 cases

Icheon-si

SK Hynix buys Intel's flash memory business: Intel has agreed a $9bn deal to sell its flash-memory manufacturing business to South Korea's SK Hynix, say Cara Lombardo and Dana Cimilluca in The Wall Street Journal. The move redirects the semiconductor giant away from "an area of historical importance that has become increasingly challenged". Due to "sagging prices", the US chip maker has been considering getting out of the flash memory sector for some time now. SK Hynix will buy most of Intel's memory business, including manufacturing operations in China. The deal will make it one of the world's largest Nand memory makers. The deal is "just what the sector needs right now", says Robyn Mak on Breakingviews. Intel is smart to jump ship from a market where it's "dwarfed" by Samsung and needs to focus on its core chip business. The move is "prudent" for Intel's boss Bob Swan, who has been dealing with "technological fumbles" and strong competitors. "Offloading the Nand unit", worth less than a tenth of first-half sales, "should help Intel refocus."

Kuala Lumpur

Goldman Sachs settles 1MDB investigation: One of Goldman Sachs' Asian subsidiaries will plead guilty and pay $2.8bn to end a multi-year bribery investigation, says The Wall Street Journal. The settlement will resolve an investigation into Goldman's work for corrupt Malaysian government fund 1MDB. Two former Goldman bankers are among the "international cast of characters" prosecutors have accused of embezzling billions of dollars from the fund. The settlement "caps one of the biggest stains in Goldman's 151-year history". In total it will cost the firm over $5bn to resolve, but the business will avoid stricter sanctions. While the Asian subsidiary is to plead guilty, the parent company won't face prosecution, "avoiding a felony mark that could have crippled its ability to do business". Goldman's CEO David Solomon (pictured), who took over in 2018, has been plagued by the scandal. Goldman has attempted to "reinvent" itself since the financial crisis, when it was at the heart of the mortgage blow-up. It has launched a retail bank, Marcus, and an institute to support small businesses.

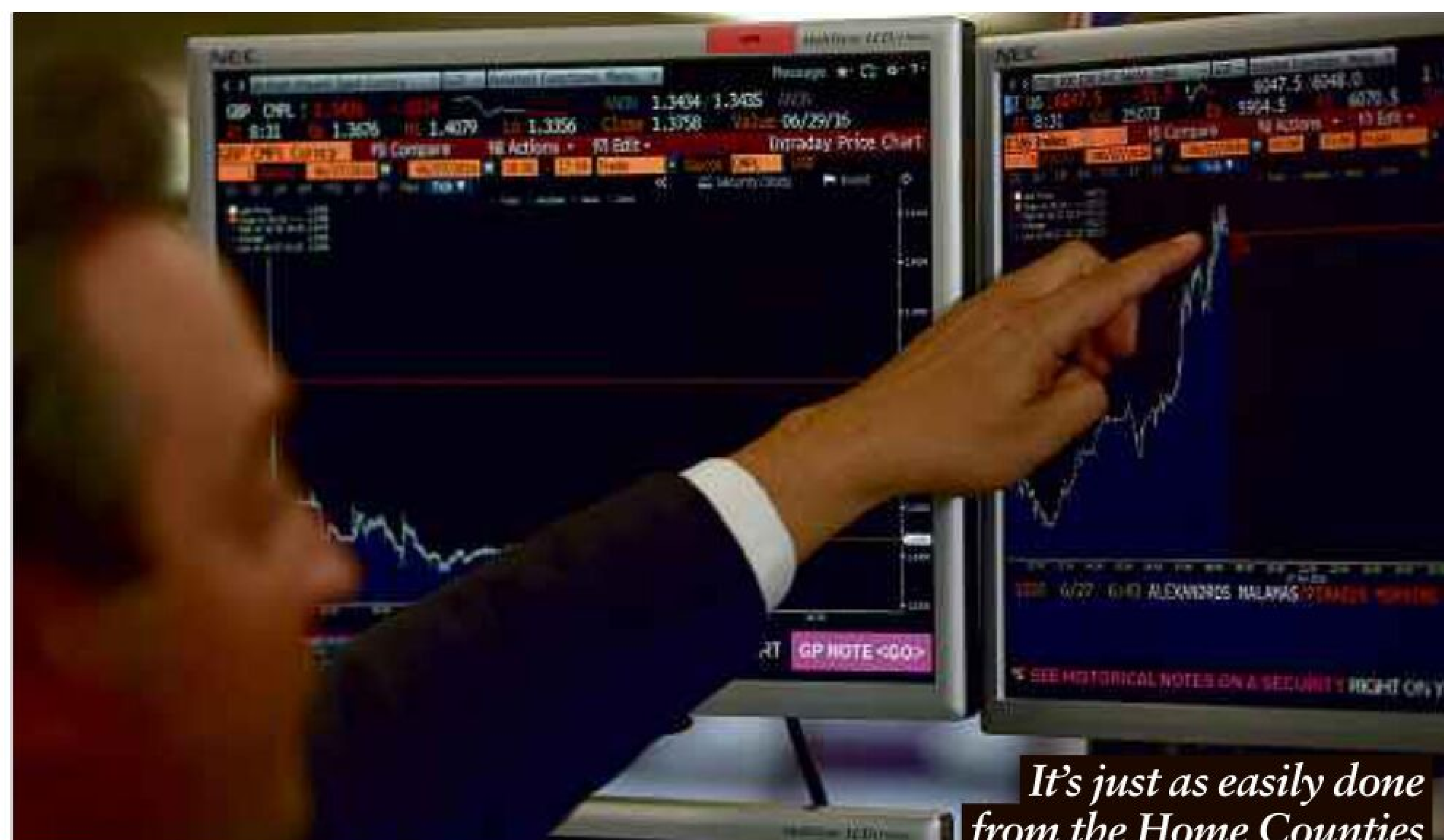
Wellington

A Labour landslide: Prime Minister Jacinda Ardern (pictured) will govern New Zealand for a second term after voters handed her a landslide general election victory at the weekend. The result was an endorsement of her "deft handling" of the pandemic and the mosque massacres in Christchurch last year, says The Guardian. Labour won a projected 64 of the 120 seats. This is the best result for Labour in 50 years and means that Ardern can "claim a majority" for the first time since proportional representation was introduced in 1996, says James Massola in The Sydney Morning Herald. Though she has been lauded for her handling of the pandemic – a draconian lockdown and border restrictions have led to just 25 Covid-19-related deaths in a population of five million – opposition parties have highlighted a string of unfulfilled election promises, including a pledge to tackle child poverty. And the strict measures will undermine future growth: the International Monetary Fund predicts that the country will be in a worse position in five years' time than other nations, largely as a result of tourists and foreign students being "frozen out".

Big Finance is back

The bankers were hammered by the financial crisis of 2008. Now they are rediscovering their swagger

Matthew Lynn
City columnist



It's just as easily done from the Home Counties

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We've got used to the idea that Big Tech has done well out of the Covid-19 crisis, with the likes of Amazon, Apple and Google soaring in value. It turns out that Big Finance is having a pretty good crisis too – and it is about to come out of its decade-long slump. Last week Goldman Sachs delivered its best third-quarter results ever, driven by rising profits on trading and asset management. JP Morgan Chase, its closest rival, delivered results way ahead of analysts' expectations, and so did Citigroup and asset-management giant BlackRock.

And it wasn't just the big beasts of Wall Street. In London Man Group reported sharply higher earnings and rising assets under management; stockbroker Hargreaves Lansdown saw rising profits as small investors in particular flock to the market. The same is true across Europe. On Tuesday this week, the Swiss giant UBS reported a near doubling of profits on strong results from its wealth-management unit. At this rate, even Deutsche Bank might post some decent figures. True, retail banking is having a tough time. But the investment banks and hedge-fund managers are doing better than ever.

How have they done it?

There are three reasons for this success. First, volatility. Flat markets don't help the big finance houses. If there is no movement no one can make any money from trading. Wild, erratic swings, by contrast, create lots of opportunities. As the virus turned into a pandemic in March, equity markets crashed by 30%, then, to the surprise of most of us, went on an epic bull run that regained most of those losses. The tech giants, and a few smaller companies such as Zoom, soared in value. Amid all that chaos, traders were able to make plenty of money.

Next, the central banks started printing money again. We were expecting the 2020s to be all about finally normalising interest rates after the crash of 2008/2009. We should have seen a steady climb into the 5%-plus range. Instead, rates have been cut again and every major central bank has cranked up the printing press and started churning out fresh billions of euros, dollars and pounds, while governments have let their deficits rip. You can debate the effectiveness of quantitative easing forever, but one thing is certain. It is great for banks and hedge funds: they are the mechanism by which money is pumped into the economy and that in turn boosts their profits.

Thirdly, there is lots of new business. We have not yet seen a wave of takeover deals as predators take advantage of the crisis to buy up competitors on the cheap. But there has been a steady stream of new listings, especially of shell companies created to raise money for acquisitions. And small traders, encouraged by apps that make trading in equities free, have flooded back into the market for the first time in several generations. The result? The financial world is as busy as it has ever been.

Bankers are happy WFH

Finally, finance can adapt very easily to a home-working, virtual economy. Sure, it takes a little bit of effort. All the Bloomberg terminals had to be packed up and shipped to a study in a large house in the Home Counties somewhere. But there are no physical products and every trade was already completed electronically. There are very few tasks an investment bank, hedge fund, or asset manager can't do perfectly well from a laptop at home. With some peace and quiet, the quality of decision making might even improve. And when work can't be done virtually, finance can often claim an exception. At the height of lockdown, some investment banks managed to get traders designated as key workers so they could come into the office (even if it is possible they weren't quite as "key" as teachers or nurses). Either way, there's been little disruption to the business.

The crash of 2008 hit Big Finance hard and in the decade since it lost its old verve and swagger. But in this crisis, finance has already staged a strong recovery. If that continues, and it well might, it will be restored to full health – and will start to look like an exciting industry again.

Help us to celebrate 20 years of MoneyWeek

The first issue of MoneyWeek came out on 4 November 2000. Back then, the iPhone didn't exist. No one had heard of shale oil – the biggest energy story looming on the horizon was the threat of "peak oil". As for bitcoin – we were all still struggling to wrap our heads around the idea of paying for purely digital goods, let alone using a purely digital currency.

Britain was thinking of joining the euro, which wasn't yet in circulation. The Bank of England interest rate was 6% – imagine trying to pay your mortgage at that rate today. Chancellor Gordon Brown was in the process of selling off half of Britain's gold reserves at an average price of about $275 an ounce – a bargain (for the buyers). Amazon's market cap was £10bn or so and falling in the midst of the dotcom crash (it's now about £1.2trn and rising, in what some argue is a tech bubble). The US was about to vote in a tightly contested presidential election (at least some things don't change).

Let's just say – a fair bit has happened over the last 20 years. In our 20th anniversary issue (out on 6 November), we will be asking: "What might change in the next 20 years?" And we want to hear from you. We're asking our readers and contributors the following five "yes" or "no" questions on investment, technology and politics to find out just how radically they think life might have changed by 2040. Email your answers to any or all of these questions – and the reasoning behind your answers – to 2040@moneyweek.com. The best answers will be published in our anniversary issue.

How will markets, technology and the economy change by 2040?

By 2040…

… will gold have hit $10,000 an ounce?

… will a human being have set foot on the moon as a tourist?

… will any country in the world have banned physical cash altogether?

… will Amazon still be one of the ten most valuable companies in the world?

… will any government have introduced and administered a universal basic income scheme for more than a year?

Dividend recovery will be slow

Companies are gradually resuming payouts, but we can expect only a modest rebound in 2021

Cris Sholto Heaton
Investment columnist

Drinks firm Diageo has kept its final dividend

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The dividend drought is easing. Companies that suspended dividends at the peak of the crisis are slowly resuming payouts. Housebuilder Bellway was the latest to do so this week, when it reported strong results showing a solid recovery in sales. Real estate investment trust British Land announced a fortnight ago that rent collection rates had risen to 69% and that it plans to restore a semi-annual dividend (previously it paid quarterly). Others, such as drinks firm Diageo, which was seen as a possible cutter, will keep payments unchanged, while defence group BAE Systems last month paid the final dividend it skipped in June as a special interim dividend.

In the short term, the cuts remain painful. Third-quarter dividends from UK firms were down 49% on the same period a year ago, according to the latest report from shareholder registrar Link. That was an improvement on the second quarter (down 57%), although since many of the restored dividends that now being announced will only be paid at the start of next year, the fourth quarter won't be significantly better. Overall, Link forecasts a drop of around 45% in dividends for the whole of 2020, but holds out the hope of some improvement in 2021.

> *"Link's best-case scenario is a 15% rise in 2021"*

A slow recovery beckons

How much hope we should have is unclear. Link reckons that the best-case scenario for the next year is a 15% rise; the worst-case is a 6% gain. In both scenarios, companies would be paying around as much as they did in 2012. FTSE 100 dividend futures – derivatives based on the value of dividends that firms declare each year – imply only a modest further rise in 2022, reinforcing the fact that part of the drop is a cut in unsustainable dividends (see right) that will not be reversed. The outlook will depend greatly on a few sectors and a few big payers, notably the banks. These normally account for almost a fifth of dividends and I'm sceptical that these will be restored fast, since the prospects of a strong economic recovery are diminishing with every round of government incompetence. Mining, and oil and gas – which are the second- and third-largest sectors – will not raise payouts much until there is a sustained increase in commodity prices.

So while many firms will offer good prospects as they resume dividends – either for income or for capital gains as other investors re-embrace them – it seems prudent to invest gradually (see below). The banks don't appeal to me much, but I'm slowly buying oil (BP and Royal Dutch Shell) and mining (BHP and Rio Tinto) as well as real estate (British Land and Land Securities), and planning to take between six months and year to build up a full position in each case.

I wish I knew what pound-cost averaging was, but I'm too embarrassed to ask

There are many concepts in investing that sound far more complicated than they are. Pound-cost averaging – also known as drip feeding – is no exception. It simply means investing a sum of money into the market at regular intervals rather than in one go. So if you have £1,200 to invest this year, you might invest £100 per month. If you have £12,000, you invest £1,000 per month.

The advantage of investing this way is that it may reduce the risk (and pain) of buying just before the market drops. If you put all your money in UK shares this month and the FTSE 100 drops steadily over the next year to end up down 30%, your portfolio is also down 30%. If you invest equal amounts monthly, you are buying at a lower price each time and reducing your average cost. Your portfolio may end the year down by around 15% rather than 30%, which may make it easier to hold your nerve and wait for the recovery.

Obviously, if markets rise rather than fall over the time that you are averaging your investments, you will make smaller profits than you would if you invested a lump sum at the start. Critics point out that most major markets have risen substantially in the last few decades, and so studies show that consistently following a pound-cost averaging strategy has not delivered the best long-term returns. (It might do better than lump-sum investing if the market declines steadily over the long term, but the best outcome in that case would be not to invest at all.)

However, the behavioural benefits of pound-cost averaging means that it can be useful, especially during a crisis. Whether it ultimately produces better returns than investing a lump sum will depend on if you begin closer to the start or end of the crisis, but a disciplined approach to investing small amounts can help overcome the inertia and fear that might stop you entering the market at all until the best of the recovery is over.

Guru watch

Robin Geffen, fund manager, Liontrust

Investors shouldn't blame all of their dividend income problems on this "very challenging year", veteran fund manager Robin Geffen tells Morningstar. "The seeds of this whole issue of dividend cuts and cancellations" were sowed many years ago, as exposure to individual "dividend risk" became too extreme.

More and more funds were "clustered in a very small group of high-yielding stocks that were basically paying dividends they couldn't afford". This included the big FTSE 100 dividend stalwarts such as the banks (Barclays, NatWest, Lloyds, HSBC) and others such as Vodafone and BP that paid "unsustainably high dividends" and "weren't reinvesting in their own future", says Geffen. When they "hit the buffers", payouts were slashed.

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The crisis shows that investors need to pay more attention to dividend cover, leverage and cash, and to focus on "dividends that can repeat and grow". Geffen has nearly 25% of his fund in tech stocks, such as Apple, Mastercard, Microsoft and Visa, which are "remarkable companies… many of them have virtually no debt… and have incredibly high dividend cover".

Of course, that high dividend cover implies that many could be paying out more than they are, and that should happen: "I believe that [firms] like Amazon and Alphabet will start paying dividends because they are generating so much cash." But it's equally important that "they're continuing to invest in their own future… making that investment in order to carry on growing at these astonishing rates".

18+

WHAT IS AVAXHOME?

AVAXHOME -

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Grab a slice of China's hot stocks

Editorial
The Economist

"Chinese firms get a frosty reception in America these days," says The Economist. Donald Trump's administration has tried to "crush" Huawei, TikTok and WeChat, and expel Chinese firms listed on the US stock exchange. As a result, some, including Ant Group, have chosen to list closer to home. Between January and September, new listings in Hong Kong raised $28bn, up two-thirds on the same period last year, while the cash raised by newcomers to the biggest mainland exchanges is 2.5 times the 2019 figure. Nonetheless, Chinese start-ups still "covet" American listings, raising nearly $9bn in US initial public offerings since January. Listing in the US is often easier than in China, with its more restrictive regulatory regime. It also allows firms to get around China's "strict currency controls" and makes sense for firms with global ambitions. It represents an "imprimateur" from sophisticated investors, and provides access to its deep and liquid capital markets. Meanwhile, shareholders "get a slice" of China's "perkiest stocks". Total returns for an index of Chinese firms listed in America have risen by nearly 50% in 12 months, double that of the S&P 500. These "red" stocks are simply "too tasty" for American investors to forgo.

Be bold and scrap the business tax

Ben Habib
City AM

No business can justifiably complain about paying tax on profits, says Ben Habib. However, business rates are a tax on the "simple act of seeking to do business". By its nature, these rates – typically around 50% of the rent – fall hardest on start-ups, small firms and struggling businesses. The tax is a "barrier to entry" and protects incumbents. Covid-19 has accelerated the move to online shopping, and high streets are "in real danger" unless we see "tax parity between digital and traditional retail". The government was therefore right to give a "business rates holiday" until March 2021. But it needs to go "much further" – further even than the CBI is suggesting, which is a freeze for two years and then a reduction to around 44p in the pound along with regular reviews. They should simply be "scrapped". After shutting down entire sectors of the economy, the return of business rates next year could be "the final nail in the coffin". Without help, an estimated 50,000 jobs are at risk in London's West End alone. That's 50,000 more Universal Credit claimants. The tax accounts for around 4% of the UK's tax revenues; getting rid of it would save businesses around £30bn. But given the alternative, the government "should be bold".

We need to build a better government

Clare Foges
The Times

For most, the emergence of Covid-19 had a scent of danger, says Clare Foges. Others "caught the whiff" of a "gravy train". Stories keep emerging of huge sums of public money spent with "seeming disregard for value, without tender or transparency, for services of dubious value or poor quality, to companies and consultants which often have close links to power". Take Ayanda Capital, a family office specialising in currency trading and private equity, which was awarded a £252m contract for safety equipment and supplied 50 million unusable masks. Or the private consultants on Covid-19-related projects, who have been paid £175m, including £560,000 for McKinsey's "vision, purpose and narrative" around the test and trace system (total cost £12bn). It is a shambles. And where are the penalties for failure? "Beyond this housekeeping is a greater challenge: addressing the government's over-reliance on the private sector to think for it, strategise for it and deliver core functions." The public sector shouldn't require armies of consultants to "keep the cogs turning". If Boris Johnson wants to "build back better", "run-down parts of government" should be on the to-do list alongside energy, housing and railways.

Buy into the Covid-19 copper boom

Neil Newman
South China Morning Post

Every major economy is "going at full pelt" to develop a Covid-19 vaccine, but there is no guarantee that we'll get one anytime soon, says Neil Newman. If the virus is as "adept at evolving" as the flu, or if people won't take a fast-tracked vaccine, we may never completely eradicate it. We may therefore find ourselves relying on "other methods" to exterminate it. Enter copper, an older remedy. "The beneficial nature of copper has been known since way before viruses and bacteria were discovered." It explains why ancient water-storage vessels were often made from copper, and why, in modern times, it is most commonly used for plumbing. Ongoing research, much of it based on work at the University of Southampton, reveals that copper destroys the bacteria and viruses that cause Legionnaires' disease, MRSA and H1N1 swine flu in "a matter of minutes". Sars-Cov-2 can hang around on glass, plastic and steel for days, but a near relative of the virus was has been shown to have been destroyed by copper "with some speed". The use of copper to battle Covid-19 is gaining traction. China is stockpiling the metal, leading to inventories in the London Metal Exchanges hitting their lowest levels since 2006. It could be an opportune time to invest.

Money talks

"The idea of studying zoology or biology intimidated me. But I was a beauty, thank God! So I went into the family business."
Model and actress Isabella Rossellini (pictured), on why she didn't go to university, quoted in The Guardian

"The idea that people are going to say to themselves: 'Darling, let's go out for a wonderful holiday or a meal tomorrow because interest rates are just 50 basis points lower than they were last week'... People are worried about the health implications of going outside. So I don't think interest rates are at all relevant to today's situation."
Former Bank of England governor Lord King arguing against negative interest rates, on the Tortoise Media podcast

"So many people who work in the theatre have been left at the bottom of the pile. Theatre is such a part of our cultural landscape, and I really resent people thinking it's this frothy, luvvie industry. It's bigger than fishing and football!"
Comedian and actress Dawn French, quoted in The Sunday Times

"I know it sounds silly, but I worry about [my money] running out."
Author Jilly Cooper, quoted in The Sunday Times. She was scarred by her bank manager telling her she had to sell her house just before her novel *Riders* appeared; it made her financially secure for the rest of her life

"The old theory was that you build up expertise by doing GCSEs, A-levels, degree, MSc, PhD and then you might rise to the top – and they might call on you to run an emergency like a pandemic – but no, because Dido will get in there instead."
Children's author Michael Rosen on the appointment of Dido Harding to run the test-and-trace system, a move widely derided as cronyism, quoted in The Guardian

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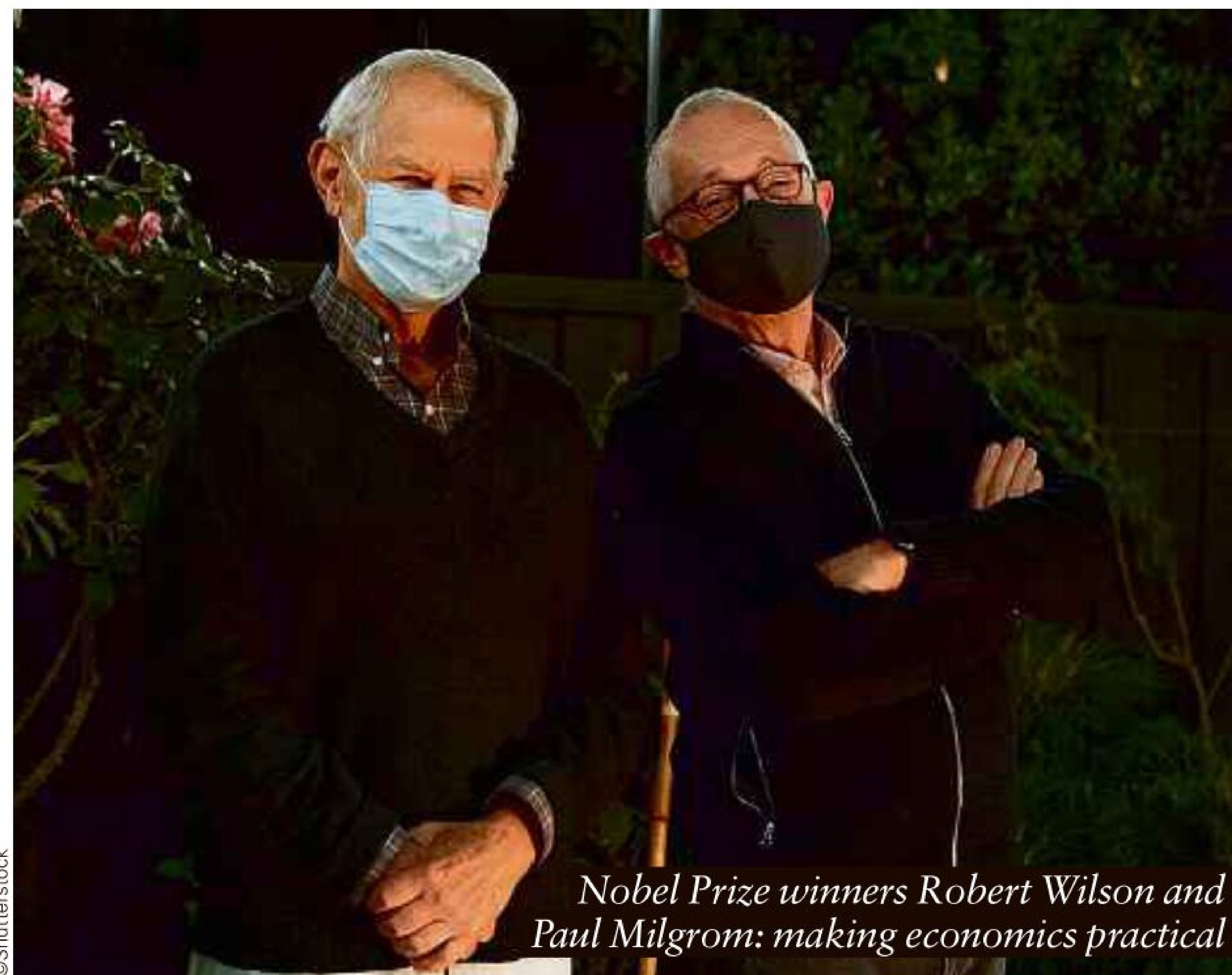
Economics as engineering


Nobel Prize winners Robert Wilson and Paul Milgrom: making economics practical

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bloomberg.com/opinion

The Nobel-prize-winning work of economists Paul Milgrom and Robert Wilson of Stanford University shows how the field is evolving, says Noah Smith. "No longer is economic theory merely a glorified way of using mathematics to tell allegories about the world – now it has… engineering applications."

Mathematical parables

Most economic theories are "mathematical parables". Although written in the form of equations, they only loosely correspond to measurable things in the real world. Milgrom and co-author Lawrence Glosten's model of trading in the financial-markets, for example, assumes interactions between informed traders (who understand how much an asset is worth) and market-makers (who know less). That's a useful way of thinking about the subject, but in the real world it's not possible to divide people up so neatly. The model, in other words, illustrates a principle, but you can't "plug numbers into it and use it to make quantitative predictions".

Auction theory, for which Milgrom and Wilson won their prize, is different. Everyone knows the rules of the game in an auction: the buyer tries to get something for the lowest price possible, as long as they pay no more than the item is worth to them. Economists can therefore use game theory to make "quantitative, precise predictions" of how people will bid. Those predictions are useful to auctioneers, who can organise things to ensure items "reliably get sold at good prices" to those who most want them.

Getting the predictions right can be tricky, but Milgrom and Wilson's work has helped figure out what to do in complex cases. One of their "most impressive achievements" was helping a US government agency come up with better ways to auction off the rights to broadcast spectrum frequencies for mobiles, for example. Their work has also been applied to electricity sales and the allocation of aeroplane landing slots. Google's whole business model depends on auctioning advertisements efficiently, using such models.

This is "a sea change for economics as a discipline". Its models are no longer simply allegories, but "exact mathematical predictors of human behaviour". Just as with physics or chemistry, "economic theories – a few of them, at least – can create useful technologies for both companies and governments". Economists, once "relegated to giving policy advice", are now in "big demand in the private sector". Instead of becoming like dentists, as John Maynard Keynes famously wished, economists may end up as engineers.

Do carbon taxes work?

iea.org.uk

Chancellor Rishi Sunak is reportedly considering introducing a UK-wide carbon tax, says Len Shackleton. That is economists' favourite idea for mitigating climate change, but would it work? It is a version of so-called Pigouvian taxes, which are designed to put a price on the negative effects of a trade that are not reflected in prices paid. The principle is straightforward. But in practice, governments have no idea what that price should be. They are in no position to set a tax at the right level. A "plausible" figure can certainly be plucked from the air: the Treasury seems to favour a level of £75 per tonne of carbon-dioxide emissions. But this is a "blunderbuss" approach. That level already exceeds the duty on petrol and diesel, for example – would those then be reduced? And the levies applied to aircraft fuel and pensioners' winter allowance, currently set at zero – would they be raised? Scrapping all such taxes and subsidies and replacing with a single carbon tax "might well be an improvement", but this is probably not what the chancellor, with one eye on the need to raise revenue, has in mind. Besides, carbon taxes have been tried. Australia had one from 2012 to 2014. An assessment by the Institute of Economic Affairs found little benefit, either in terms of emissions reductions or the country's fiscal position.

Generation Freedom

fee.org

People worry about the effect of the coronavirus crisis on children's education, but there is another impact that may have a long-lasting effect, says Emma Elliott Freire. Government diktats have hit children hard. Familiar routines have ended. Many are still doing schoolwork from home, or being forced to wear masks. For children old enough to remember it in the future, this crisis will be a defining moment. How will it shape their worldview?

The gamut of contradictory and increasingly absurd rules imposed will outrage children's deep-rooted natural sense of what is right and fair. When children walk past restaurants full of people eating but are told they can't take a picnic into a park, for example, they will see that this is simply unfair. Anyone who watches children play will see that they are very concerned with fairness for the simple reason that play must be fair to be possible at all.

This is an outrage

©Getty Images

Children are witnessing repeated violations of fair play. This could leave them with a sense of mistrust towards institutions and authorities – raising "a generation of libertarians". So that will be one positive effect, at least.

The threat of a good example

mises.org

When the world was following the example of China and putting its populations under house arrest, Sweden stood alone and went its own way, says Ryan McMaken. Despite warnings of a "bloodbath", Sweden has now experienced better outcomes than numerous countries that imposed draconian lockdowns, including Britain. The leaders of large states and international organisations are not terribly fond of this show of defiance, and hence are calling for stronger global governance.

It would, after all, be much easier for global health bureaucrats to manufacture a narrative favourable to their preferences if Sweden hadn't provided a natural experiment to test their claims. Pandemics provide the perfect rationale for demanding an end to sovereignty at the level of nation states. Tony Blair, Gordon Brown and Boris Johnson, among others, are calling for the creation of a global bureaucracy with greater heft than the World Health Organisation to deal with future diseases. The "solution" to the threat of a good example is "apparently already in the works".

The post-Covid-19 recovery plays ready to rocket

Finding stocks with the potential to rise tenfold or even further is far easier said than done. But the pandemic has produced the most promising backdrop in years, says Max King

Next's shares have risen 350-fold since the early 1990s

One of the first shares to attract my attention in the mid-1970s was a financial company called First National Finance Corporation (FNFC). The lender had been saved from bankruptcy twice by the Bank of England in the banking crisis a few years earlier and its share price was below a penny. I realised that I could buy 10,000 shares and still get change from £100, the most I could afford. Of course, I didn't. Some ten years later, the company was taken over for more than £2 a share.

Peter Lynch, the renowned manager of Fidelity's Magellan fund, coined the term "Tenbagger" in his book *One Up On Wall Street* for shares that had multiplied tenfold in value. But 100-baggers are of a different order of magnitude. They are rarely encountered and almost always involve recovery.

Apple's share price has multiplied more than 400-fold in the last 18 years, but back then it was a recovery rather than a growth story. It seemed that the Apple Mac, though widely regarded as having a superior operation system to Microsoft-powered personal computers, was losing the battle for market share. The group's share price had fallen by 75% in two years, although it was also affected by the bursting of the technology bubble.

Closer to home, Britain's most successful retailer, Next, emerged from the menswear chain J. Hepworth in the early 1980s, initially with just four shops. It was so successful that it expanded rapidly, with the other chains in the group being converted to the Next brand. Merging with the mail-order company Grattan paved the way for Next's move into mail order and hence online shopping. It was ultimately critical to Next's success.

Nonetheless, its integration, combined with Next's overexpansion and the downturn in household spending in the early 1990s, nearly brought Next to its knees. The shares fell to 17p, marking a decline of more than 95%. Today, however, the stock sells for more than £60, making it a 350-bagger.

Recovery pick or value trap?

Interestingly, its current CEO, Lord Wolfson, once told me that as a student he had telephoned his father, then chairman, with the shares at 17p to ask him whether he, with £1,000 to spare, should buy the shares. His father said that he should have done so, but asking him had made his son subject to "insider trading" rules, so he couldn't.

Few recovery shares in the 1980s and 1990s multiplied 100-fold, but there were many that still performed spectacularly, including BP, Asda, WPP and British Aerospace. Inevitably, though, we remember the winners, not those that didn't make it, which makes investing for recovery sound much easier than it is.

"Apple was in trouble in the early 2000s; the stock has since risen by a factor of 400"

Shortly before they go bust, shares can appear to be a fantastic recovery opportunity when in truth their business model is broken, their competitors have overtaken them, their market has disappeared, or their finances are shot to pieces. Overoptimistic investors are inclined to buy largely because the shares have fallen a lot or are seen as takeover prospects – and almost invariably buy too early even when the recovery opportunity is real.

Twenty years ago, recovery funds and trusts thrived and looked set for further success. But then, imperceptibly, the strategy stopped working. Change resulting from globalisation, technology or government intervention meant that companies in trouble no longer seemed to have the time or opportunity to turn their businesses round. The banks failed to mount an enduring recovery from the global financial crisis; the major energy companies have continued to spiral downwards and many retailers have headed for oblivion, taking their landlords, such as Intu, with them.

Archie Norman, who turned around Asda in the 1990s, achieved much with ITV as chairman, but its fortunes and share price have spiralled down since he left. Now he is struggling with M&S. Rupert Soames achieved success as chief executive of Aggreko, but Serco has proved to be a bigger challenge than he realised. Capita survives, but has not recovered.

The tobacco companies, BAT and Imperial, prospered by focusing on their core businesses and consolidating while the major miners are pulling their businesses round, helped by firmer metal prices. On balance, however, the successes have been few and the disappointments many.

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"Investing for recovery requires considerable patience and strong nerves"

The best opportunities in a generation

The Covid-19 crash may offer the best opportunities for a generation. Many businesses, especially those related to travel and entertainment, have suffered terribly from restrictions imposed by governments. However, if they have the financial strength to weather the storm, they also boast the best potential to recover strongly when it has passed and vaccines are available. Their market positions may even be strengthened by the removal of competitors. Intercontinental has recovered most of its fall, but **Carnival** (**LSE: CCL**), **International Consolidated Airlines Group** (**LSE: IAG**), **Rolls-Royce** (**LSE: RR**), **easyJet** (**LSE: EZJ**) and **Cineworld**(**LSE: CINE**) much less.

Rolls-Royce had operational and financial problems before the pandemic, but – like IAG – has cut costs and is raising new debt and equity finance to see it through. There can be little doubt that international air travel – and hence the demand for the purchase, maintenance and servicing of aero-engines – will bounce back. So will demand for cruising. Cineworld appears to be in even deeper trouble than the rest of the leisure sector. But cinema will return one day and if it can survive until then, the shares could prove a good bet. A lower-risk choice might be **Jet2** (**Aim: JET2**), the airline and holiday firm whose share price has soared more than tenfold since 2000 but has more than halved since its February peak. Business was booming before the pandemic and will do so again.

Other businesses have been less affected by the virus, which makes their recovery potential less exciting, but more certain. Examples include international catering group **Compass** (**LSE: CPG**), West End landlord **Shaftesbury** (**LSE: SHB**), advertising and marketing giant **WPP** (**LSE: WPP**), and **ITV** (**LSE: ITV**), heavily affected by the fall in advertising. The aerospace division of **Smiths Group** (**LSE: SMIN**) will be suffering, but not its medical arm. Diversification will help property groups **Land Securities** (**LSE: LAND**) and **British Land** (**LSE: BLND**), while the move towards working from home is likely to set back growth in the London office market by only a few years, to the benefit of **Derwent London** (**LSE: DLN**) and **Great Portland Estates** (**LSE: GPOR**). There has already been a surge of purchases of office property by overseas investors.

Some firms that struggled before the pandemic should even have been helped by it. The boost to online education ought to help **Pearson** (**LSE: PSON**) and the growth of online shopping should benefit **Royal Mail** (**LSE: RMG**). For most, the pandemic has worsened their problems, but at least it has enabled them to cut their dividends and hence conserve cash flow to cut debt or invest.

Can M&S finally turn the corner?

M&S (**LSE: MKS**) has spent £750m to acquire 50% of Ocado's home delivery network, which now offers M&S's products instead of Waitrose's. Orders are said to be encouraging, which may enable M&S to turn the corner at last. **BT** (**LSE: BT.A**) still suffers from its failure to invest sufficiently in fibre-optic cabling, but it may not be too late. Demand for oil may have peaked, but there is no reason why **BP** (**LSE: BP**) and **Shell** (**LSE: RDSB**) cannot prosper in a declining market, especially as it enables them to cut exploration expenditure. It's hard to see how the core business of UK banks can make profits with zero interest rates, but that is reflected in their share prices and won't last forever. Banks are also cutting costs by closing branches and moving their business online, while the impact of new "challenger" banks has been modest.

It would be great to find a fund to invest in recovery shares, but they have nearly all gone. Alastair Mundy, manager of Temple Bar, was the last true apostle, but he was carried off the pitch injured earlier this year. He always warned that investing for recovery was highly risky, required considerable patience, a stubborn disregard of consensus thinking and strong nerves. For a share to look "cheap" trading on a low multiple of earnings and with a high yield was a mirage; better that it looked expensive on those metrics.

Investing for recovery represents severe career risk for a professional manager. The shift to passive investing and, among active managers, to investing for growth increases the ultimate opportunity for "contrarian" investing, but also makes it a lonely strategy, suitable only for those who enjoy disagreeing with the consensus and do so instinctively. Such investors don't fit in well to the team-based approach of fund-management firms. The best contrarian decisions are impulsive; the more research and due diligence that is undertaken, the more the prospective investor will understand and sympathise with the consensus view. Such an investor would be regarded as a loose cannon in a professional firm and turfed out when the bets didn't pay off fast enough.

Investors who want to take the plunge have little choice but to buy directly, acquiring a spread of recovery bets. Some may fizzle and end up worthless, but the gains from winners could be spectacular enough to give a great overall return. Finding a 100-bagger is highly unlikely but, in time, a tenbagger should emerge, perhaps from less well-known names in the mid- or small-cap areas. Success will furnish crowing rights for years to come; failure will teach a valuable lesson. But doing nothing, as I did with FNFC, will be remembered and regretted for the rest of your life.

Make money from the metals boom in Latin America

Covid-19 has hit the region harder than any other. But the highly competitive local mining sector looks poised to profit handsomely over the next few years. James McKeigue explains

Latin America has suffered more from Covid-19 than any other region. The Financial Times points out that Peru and Ecuador have the world's highest number of excess deaths per capita, while Brazil has the second-largest total of coronavirus deaths. The botched public-health response has also exacerbated the economic impact. According to the International Monetary Fund, a combination of a 9.4% drop in 2020 GDP followed by an estimated weak recovery of 3.7% in 2021 means Latin America will have incurred greater economic damage than any other region in the world.

But there is one bright spot among the carnage. Latin American metals mining looks set to benefit from the pandemic. The economic crisis has pushed investors towards gold, helping the yellow metal reach a new record high. Meanwhile, copper prices have eclipsed pre-pandemic levels, supported by stimulus packages in the EU and China.

I last suggested MoneyWeek readers invest in Latin American mining in June 2019 and nearly all the shares I tipped then have risen strongly, with some doubling. The long-term fundamentals I highlighted back then still apply, but the pandemic looks set to give the sector a further fillip, so this is a good time to revisit it.

Profitability is on the rise

The immediate impact of coronavirus was disastrous for Latin American mines. Despite being categorised as a strategic industry by governments conscious of the need to maintain export earnings as other sources of revenue dried up, many mines, particularly in Peru, were forced to close. When they did reopen, it was with elaborate coronavirus measures – such as keeping workers in a seven-day quarantine before they were allowed to start work – that added to costs.

Analysis of 15 gold majors by S&P Global Market Intelligence found that costs increased by 2.5% in the second quarter of 2020. However, the shutdowns cut supply, which eventually led to higher metals prices that outweighed the extra costs. Other elements of the coronavirus fallout, such as lower oil prices and declining local currencies, have provided a further boost. As a result, profit margins have increased for gold and copper miners across Latin America.

Metals were also given a boost by the unprecedented stimulus unleashed by governments in response to coronavirus. In the first few months following the World Health Organisation's declaration of a pandemic in March, more than $13trn of stimulus measures were announced around the world. For the first time, emerging markets such as Chile and Colombia engaged in quantitative easing (money printing), while developed countries tried everything from wage compensation to boosting infrastructure programmes.

The first direct impact of this splurge of money printing and borrowing was that gold's value against paper currencies began to rise. In addition to gold's typical function as a safe haven during crisis, this was also a case of simple arithmetic. The yellow metal is priced in dollars, so if there is a finite amount of gold and a sudden increase in the amount of dollars then it makes sense for the paper money value of gold to increase. Indeed, analysis from the World Gold Council reveals a massive increase in demand for gold from financial products, such as gold-backed exchange-traded funds (ETFs).

"Just two countries, Peru and Chile, account for 40% of global copper output"

That helped gold climb by 34% from the start of the year to August and reach a record nominal price of $2,061. It has since cooled off to around $1,921. Buying an asset when it's near a record high is never normally a good idea, yet if you take inflation into account then gold is still well below levels it reached in 1980 and 2011. And with stimulus packages set to be extended in the UK, EU and the US, gold should receive more support in the years to come, especially as all this printed money raises the spectre of a nasty jump in inflation. That's good news for Latin America, which produces 12% of the world's gold.

Accelerating the shift towards electric cars

The region is even stronger in copper, where it produces 44% of global output. Indeed, just two countries, Peru and Chile, account for 40% of global copper production, a similar level of market domination that 13-member cartel Opec boasts with oil. Here prices will be supported by the green nature of Covid-19 stimulus packages in the EU and China. Improving infrastructure, including telecoms upgrades through 5G networks, will underpin demand for copper – as will incentives to encourage the spread of electric vehicles (EVs).

Covid-19 is therefore accelerating the shift towards EVs that was going to happen anyway. That's why US electric carmaker Tesla has been the standout stock this year, overtaking Toyota to become the world's most valuable car firm despite making a fraction of the cars. Analysts debate whether Tesla's early lead in EVs will be overhauled when the established car producers switch to electric.

But either scenario will be good for the raw materials that go into EVs. A battery-powered EV uses about 83kg of copper, compared with 23kg in an internal combustion-engine car, with hybrids such as the Prius somewhere in the middle.
But it's not just copper that should benefit. Cobalt, nickel and lithium are also heavily used in different parts of the electric car and battery.

To give us some idea of the impact EVs will have on demand for metal let's run through the numbers for nickel. Today there are between four to five million EVs on the road. By 2030 that figure is expected to have risen to between 40 and 50 million. At present the world consumes 2.34 million tonnes of nickel per year, with just 5% being used in EVs. By 2030 the growth in EVs will have added one million extra tonnes of annual demand.

Latin American mining's competitive edge

The coronavirus factors I mentioned above apply to miners around the world – so why am I so bullish on those in Latin America? The first is that Latin America, which accounts for roughly 10% of the

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In Peru there are still $57bn of stalled mega-projects in the pipeline

world's GDP and a similar share of the planet's population, produces a disproportionately large quantity of metals. In addition to its strong position in gold and copper, it currently accounts for 20% of zinc output, 51% of silver and 20% of iron ore. As for lithium, set to be another beneficiary of green stimulus, the lithium triangle of Chile, Argentina and Bolivia holds more than 50% of global reserves. The mismatch between the region's output and domestic demand makes it a natural exporter.

It is also a low-cost producer. A renewable-energy revolution in Chile means miners in the country can now access cheap, green solar power. Peruvian, Ecuadorian and Brazilian operations can access low-cost hydroelectric power. Being powered by renewable energy is especially important for miners producing metals such as copper, zinc or lithium for EVs. As EVs become more common, their environmental benefits will come under more scrutiny and manufacturers will pay a premium for metals with a low carbon footprint. The same applies with social responsibility. Mining investors sometimes complain that Latin America's myriad rules and regulations hold up new projects.

But at least that ensures that legal mining complies with global best practices. For example, much of the cobalt that Tesla or Apple currently use in their products is mined in the Democratic Republic of Congo, where child labour is rife. That doesn't happen in legal Latin American mines, giving cobalt from the region an advantage in the market place.

Latin American taxes are also surprisingly competitive. For example, Chile has a lower fiscal burden for mining companies than Australia, while Peru and Ecuador have cut taxes in recent years. Indeed, Latin American countries have climbed up the rankings of the influential Fraser Institute's Annual Survey of Mining Companies. Chile and Peru are the top-ranked in Latin America, while Brazil and Ecuador have made the most dramatic improvements in recent years. The region has steadily increased its "investment attractiveness" score in consecutive surveys, which is impressive when you consider that it has basket cases such as Venezuela and Guatemala weighing it down.

"Latin American taxes on miners are surprisingly low; Chile's levies are below Australia's"

Huge potential in mega-deposits...

In mature mining jurisdictions, say Canada, Australia or even Chile, you tend to have older deposits that have been mined for many years or even decades. Over time the grade of these deposits falls, meaning miners have to dig and process more ore to get the same amount of metal, which leads to rising costs. What's exciting about Latin America is that it is home to some of the world's latest discoveries of mega-deposits. These newly-found ore bodies have much higher grades, ensuring low-cost production when the mine comes online.

And more discoveries are on the way. The Andes copper belt has given Chile and Peru the world's first and second-largest reserves respectively. Yet political and social factors have prevented the exploitation of large stretches of the Andes in Argentina and Ecuador.

Continued on page 24

Continued from page 23

Now Ecuador has rewritten its mining code and enticed more than a dozen mining majors to set up offices there, while smaller explorers are searching for copper and gold. London-listed copper and gold developer SolGold's recent Ecuadorian discovery, Alpala, due to begin production in 2025, could become the world's largest underground silver mine, the third-largest in gold and sixth-largest in copper.

...implies vast scope for growth

And that's just one discovery. To give some idea of the potential, mining accounts for 15% of GDP in Peru and Chile, but just 1% in Argentina and Ecuador. Given that they all share the same metal-rich Andes (indeed Argentina's stretch is the largest of the lot), it seems fair to assume that there are plenty more discoveries waiting to be made in Argentina and Ecuador. Even in Peru, which has a well-established mining industry, there are $57bn-worth of stalled mega-projects – defined as deposits awaiting the green light for construction or held up by social protests or bureaucracy.

In recent years Peru has doubled its copper production to 2.5 million tonnes per year, making it the world's second-largest producer. However, if it were to exploit all of its discovered deposits it would be able to double output again to five million tonnes and keep that rate of production going for 40 years without any new discoveries. That matters because analysts predict a crunch in both copper and gold supply in the next few years – perhaps as early as 2023. According to S&P Global Market Intelligence, 2010 to 2019 was the worst decade for copper discoveries since 1990, contributing only 16 major discoveries to a total of 224 over the last 30 years. The commodity-price crunch at the start of the decade forced majors to impose financial discipline and stay away from risky greenfield projects. As a result, "the sector faces a drop-off in mine supply in a decade or so, with few major copper developments entering the project pipeline". Something similar happened in gold, where majors' gold reserves fell by 26% between 2012 and 2017. Given that it takes between 15 to 20 years to take a gold or copper deposit from discovery to production, mining companies will focus on jurisdictions such as Ecuador and Peru, which already have plentiful resources waiting to be developed.

Ecuador has rewritten its mining code and enticed big producers

©iStockphotos

"It takes between 15 and 20 years to take a gold or copper deposit from discovery to production"

The prevalence of abundant deposits, high ore grades and low energy costs mean that Latin America will make the most of the coming metals boom. EVs may take decades to become a significant demand driver for metals such as cobalt, zinc, nickel, lithium or copper, while the inflation likely to boost gold could take time to materialise. And in the intervening years the prices of these metals is sure to fall as well as rise. But Latin America's competitive advantages means that its miners will be best able to ride out the lows and benefit from the highs. We look at some of region's best miners below.

What to buy now

All of the companies I tipped in my Ecuadorian mining story in October 2019 have risen by between 50% and 100%. I will now focus on just two. The first is Canada-listed **Lundin Gold (Toronto: LUG)**, which since I wrote my piece has put its flagship Ecuadorian gold deposit into production – the country's first large-scale gold mine. Now that Lundin has an operating mine it is a less risky prospect. One remaining risk is community protests, but here the firm has gone out of its way to keep neighbours onside. It even shut down its mine during the crisis – despite the government imploring it to remain open – out of respect for local concerns that its trucks would bring the virus to their remote communities.

Up by 84% since I tipped it, Lundin has more to offer as there is plenty of exploration potential around its gigantic Fruta del Norte deposit. And as Ecuador establishes itself as a mining jurisdiction, the shares will be perceived as less risky.

SolGold (LSE: SOLG) is the only UK-listed Ecuadorian pure play. The firm's main target is 85%-owned Alpala, which will become the country's largest mine when it begins production in 2025. Despite its name, SolGold is more of a play on copper than gold. Not possessing an operating mine makes SolGold riskier than Lundin, but it also has more upside. It is the largest exploration concession-holder in Ecuador. The share price has increased by 60% since the end of September on the back of recent discoveries at other targets. The big risk is getting the financing together to build its multi-billion dollar mine. But given the shortage of quality gold and copper projects it seems likely that majors or the market will support it. Indeed, Australian majors BHP and Newcrest have already bought big stakes in the firm. Even though it has doubled since I tipped it in October 2019, at the current price of 42p you will still be getting a discount on the 45p per share that BHP paid in 2018. Elsewhere in Latin America I would advise taking stakes in a handful of miners to diversify your risk. On the safe end of the spectrum is **Fresnillo (LSE: FRES)**, the world's largest silver producer and Mexico's second-largest gold producer. It is up by 51% since I tipped it on 27 June last year. It's a well-run major with lower debt and production costs than its peers and remains a solid way to play Latin American precious metals.

A new tip is **Yamana Gold (LSE: AUY)**, which has mines in Chile, Brazil, Argentina and Canada. It has just floated in London. CEO Peter Marrone founded Yamana in 2003 and sees it as his baby. As a major shareholder he has "skin in the game" and has done an incredible job of building up an Americas-focused gold major.

At the other end of the precious-metal scale is tiny penny stock **Rio 2 (Calgary: RIO)**, which is developing a gold mine in Chile. Its CEO and major shareholder is Alex Black, a man well respected in Latin American mining for turning one of his previous tiny explorers into a billion-dollar goldminer. The stock has jumped by 107% since I tipped it. But if Black repeats his successes it will go much higher. A similar small base-metals play is Brazilian nickel and cobalt developer **Horizonte Minerals (LSE: HZM)**.

Antofagasta (LSE: ANTO), the copper giant, is up by just 9% since I tipped it. Yet the long-term rationale for owning this low-cost copper producer remains. Half of its output comes from its Los Pelambres mine, which is in the bottom quartile of production costs of copper mines globally. Peruvian miner **Buenaventura (NYSE: BVN)** was my only disappointing pick, down 24%. Being based in the world's most severe coronavirus hotspot wasn't good for a firm with nine mines dotted around the country. Now is a great buying opportunity.

The pick of the market's new funds

Appealing trusts and exchange-traded funds have emerged now that the market has calmed down

David Stevenson
Investment columnist

Now that the market has recovered from last spring's panic attack, some interesting new investment trusts and exchange-traded funds (ETFs) have emerged. Starting with the former category, there are two welcome recent additions.

The first is the **Triple Point Energy Efficiency Infrastructure Company (LSE: TEEC) trust**, which has raised £100m and will invest in a diversified portfolio of energy-efficiency assets focusing on low carbon heat distribution, social housing retrofitting, industrial energy-efficiency and distributed generation (denoting technologies that generate electricity where it will be used, such as solar panels). The fund is targeting a total return of 7%-8% per annum with a target yearly dividend yield of 5.5%.

Building on infrastructure

The energy-efficiency market is essentially an extension of the existing infrastructure market, which includes the **SDCL Energy Efficiency Trust (LSE: SEIT)**. It's good news for income-hungry cautious investors. You get a solid range of income-producing assets based around some form of infrastructure. These assets are also, hopefully, helping make the planet a cleaner, greener place. Moreover, these underlying assets shouldn't be too correlated to the wider economic cycle.

SEIT has grown rapidly in recent years and now trades at a chunky premium to net asset value (NAV). I would expect the same to happen with the Triple Point fund. The managers are well regarded and have established a decent record in this sector over the past decade.

Round Hill's portfolio includes SHEL, an American folk/pop band

©Getty Images

Another new fund is **Home Reit (LSE: HOME)**, a real-estate investment trust that raised £240m in early October to put towards homes for the homeless. The Reit will be managed by Alvarium Fund Managers, a specialist in this area.

"Infrastructure trusts are ideal for cautious investors"

According to the manager, the "accommodation assets will be let or pre-let on very long (typically 20 to 30-year) inflation-linked leases to registered charities, housing associations, community interest companies and other regulated organisations [with] a proven operating track record in providing low-cost accommodation to the homeless, and which receive housing benefit or comparable support from local or central government [to that end]."

There is an explicit income target, in this case 5.5p per ordinary share, starting from 1 September 2021, "with the potential to grow through upward-only inflation-protected long-term lease agreements". I think this fund will prove very popular and trade at a large premium to NAV too.

Investors should also keep an eye out for the November listing of the **Round Hill Music Royalty Fund**. We already have a highly successful music-royalties fund, London-listed Hipgnosis. Round Hill will provide some stiff competition as it has been operating in this market since 2010 and is in effect the seventh-largest music publishing business in the US. It has a phenomenal pipeline of 40 portfolios and is looking to raise over $350m.

Multi-asset plays

Some interesting new ETFs have emerged recently too. Perhaps the most important comes from BlackRock iShares, which has just launched three multi-asset environmental, social and governance (ESG) ETF portfolios. They boast low total expense ratios (TERs) of 0.25%. One is the **BlackRock ESG Multi-Asset Conservative Portfolio UCITS ETF (LSE: MACG)**. Then there is the **BlackRock ESG Multi-Asset Moderate Portfolio UCITS ETF (LSE: MAMG)** and the **BlackRock ESG Multi-Asset Growth Portfolio UCITS ETF (LSE: MAGG)**.

The first ETF offers a more conservative approach, with the portfolio comprising 80% bonds and 20% stocks while MAGG is the most adventurous, with 25% bonds and 75% stocks.

Note that BlackRock is clearly committed to its ESG funds. Its boss Larry Fink has even taken to writing letters to investors and businesses demanding they take more action on issues such as climate change.

I also like the look of a new ETF currently only available in Paris and on Germany's Xetra exchange. It should be accessible via most UK brokers. The **BNP Paribas Easy ECPI Global ESG Blue Economy UCITS ETF (Paris: BLUE)** consists of 50 large-caps participating in what's called the "blue economy", which comprises coastal livelihoods, energy and resources, fisheries and seafood, pollution reduction and maritime transport.

The final ETF worth bringing to your attention is the **Bitcoin Capital Active ETP (Zurich: BTCA)**. It is an actively-managed fund run by a specialist firm called Ficas, led by founder Ali Mizani Oskui, who has been trading bitcoin and other cryptocurrencies since 2013. The fund can move in and out of 15 different digital currencies and can even invest in boring old fiat money if need be.

I think this is a very appealing idea if you don't feel very clued up on digital money. If we do go ever further down the path towards vast monetary expansion, alternatives to gold might become popular but the trick will be working out which digital currency makes most sense. This ETF isn't listed yet in the UK but you should be able to access the Swiss exchange via most brokers.

Activist watch

"When it comes to activist investing during the pandemic, buy British", says Lina Saigol on MarketWatch. A new study from consulting firm Alvarez & Marsal looked at the share performance of 245 companies after they were targeted by activist investors in the six months to the end of August. It found that British companies outperformed the pan-European Stoxx Europe 600 equity benchmark by 1.5%. European companies outperformed the same index by only 0.1%, while US companies underperformed the US benchmark, the S&P 500, by 5.8%. UK targets also outperformed their European and US counterparts over a two-year period. The study comes as activists are preparing to intensify their campaigns, taking advantage of lower stock prices caused by the crisis to press for change.

Cut the cost of the cold

How to keep your winter heating bill down while working from home

Ruth Jackson-Kirby
Money columnist

"Half of the UK's workforce is likely to work primarily from home over the coming months," says Jillian Ambrose in The Guardian. This "may see their winter energy bills rise by a fifth as radiators and boilers are kept running through the day". The Energy Helpline says the average household energy bill will rise by £107 this winter as a result of people working from home five days a week. That is an overall extra £1.9bn between October and March.

That means it is more important than ever to make sure you are paying the lowest price possible for your gas and electricity. Unfortunately, simply tapping your details into a price-comparison website and opting for the cheapest energy supplier is no longer the best solution.

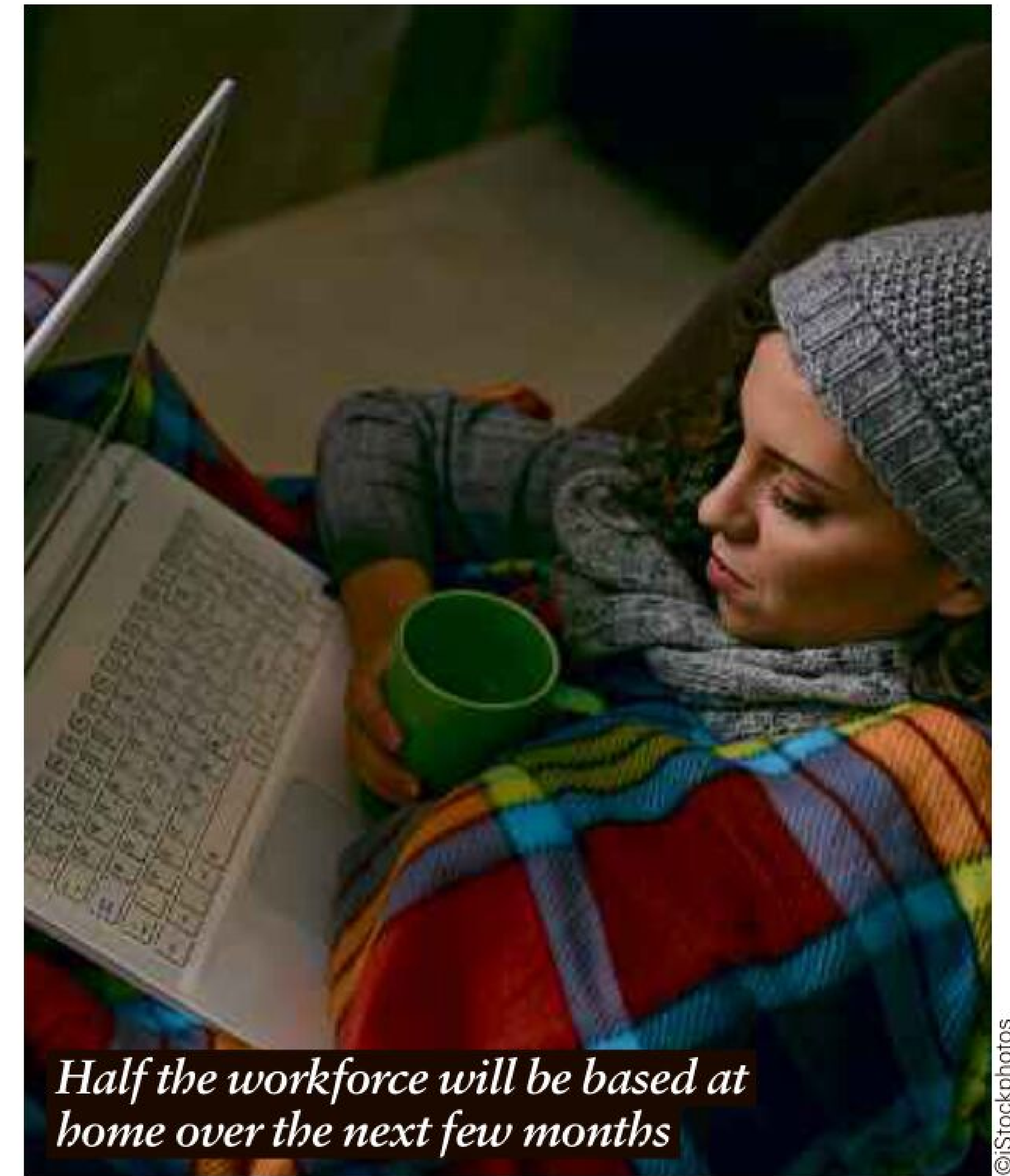
"Price-comparison sites won't necessarily show you the best energy deals"

Firstly, in 2019 24 small energy suppliers went bust. If your company goes belly-up your gas and electricity won't be cut off – Ofgem, the gas and electricity regulator, will arrange for you to be moved to another supplier – but your bills are likely to go up and you'll need to shop around for the best deal and switch again. So it pays to do some research into a company before you switch. Check how long the company has been operating for and how it performs in customers' reviews. Secondly, price-comparison sites don't necessarily show you the best deals. They always tend to show the deals they get commission from first, so make sure you click the box to show you all the results. But even then you may miss out on savings worth £270.

"Price-comparison websites, including GoCompare and MoneySuperMarket do not reveal cheaper tariffs available from a user's existing supplier," says Sam Benstead in The Daily Telegraph. "They only highlight where better deals are available from other providers."

Data from Ofgem shows that the best deals available from the Big Six energy suppliers are, on average, 24% cheaper than the average cost of their standard variable tariffs (SVT). Simply by switching to the best deal from your existing supplier's SVT could save you £270 a year. So shop around using a price-comparison website and then compare the best deals they show you with the best one your provider is offering.

If you are working from home, you can ask your employer for help with your energy bills. Government rules state that you can ask for a £6 a week allowance from your boss to help you cover the extra costs of working from home. Unfortunately, "there is no statutory obligation for employers to agree", says Ambrose. You are also entitled to tax relief on the £6 allowance. You can claim more tax relief if your costs are higher than £6 a week and you can provide bills to prove it. You can claim the relief through the government's online portal at gov.uk.



Half the workforce will be based at home over the next few months

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While you are thinking about your winter energy bills, don't be tempted to fork out for boiler cover. According to consumers' group Which, the average boiler policy costs £288 a year, but the average repair bill is £107 and the typical annual service costs £80. "If you only needed to repair your boiler once in ten years you would be more than £2,000 better off paying up front for servicing and repairs than if you took out annual cover," says David Byers in The Times.

5 Reasons to Buy Physical Gold...

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

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

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

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

5 **No counterparty risk** - When you invest in physical gold you own it outright. You are not reliant on banks or financial institutions. In contrast, you are reliant on firms for gold futures, gold certificates, or ETFs - exposing you to counterparty risk.

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Fees fleece pension savers

Your retirement fund is vulnerable to excessive charges with some providers

David Prosser
Business columnist

Pension savers could be paying tens of thousands of pounds in unnecessary charges over the course of a lifetime. New research suggests that life insurers, which have traditionally dominated the market for private pension plans, charge over the odds.

The study from Interactive Investor, the online investment platform, says pensions offered by online providers offer a better deal: a 38-year-old saver with a £100,000 pension plan today and investing £10,000 a year for the next 30 years could lose almost £100,000 owing to excess charges.

Check the type of fee

The data is based on the charges levied by pension providers for access to the same funds. Traditional life insurers fare very badly in such comparisons as they tend to have percentage-based administration fees; as the savers' funds appreciate, these become very costly. Flat fees, by contrast, are often much more affordable.

As a result, the saver above making use of Standard Life's self-invested personal pension (Sipp) would see their final pension fund value reduced by £94,800 compared with Interactive Investor's own Sipp, the platform says. At Aviva, the saver would be £43,300 worse off. At Scottish Widows the equivalent figure is £33,400.

In practice, the exact figures will vary, not least because administration costs are not the only variable. Savers will also pay dealing charges when changing the investments in their pensions and may need to take into account income-drawdown charges later in life.

Broadly, however, Interactive Investor's criticism of the life insurers that account for a large part of the pension-fund market is accurate. Percentage-based fees do penalise savers with larger funds and even leaving this structural issue aside, several insurers charge uncompetitive percentages. Savers will need to consider their own circumstances, including the size of their pension funds and how often they might trade. The price-comparison service Moneysavingexpert recently picked the platform run by stockbroker AJ Bell as the most affordable option for funds worth less than £50,000; although it charges percentage-based administration fees, these are competitive and do not work out more expensively than flat fees on smaller funds. Moneysavingexpert's pick for larger funds was Interactive Investor.

These comparisons apply only to individual pensions. Those saving through a workplace scheme will be charged differently, depending on the deal their employer has negotiated, and will also benefit from their employer's contribution.

You could lose out on thousands if you're with a life insurer

©iStockphotos

House deposits and pensions don't mix

Should first-time buyers be able to access their pension savings in order to get on the property ladder? Pension industry experts say no, despite pensions minister Guy Opperman this month floating the idea of a product allowing savers to use their pensions to help finance a deposit on a first home.

Opperman points to countries such as New Zealand and the US, where retirement savings can be used in this way in certain circumstances. The idea has superficial appeal: young savers are often frustrated that despite having several thousand pounds in their pension funds, they can't raise the money for a deposit.

However, the evidence suggests that if people do raid their pensions in this way, they rarely manage to make up for the shortfall over time. More fundamentally, enabling access to pension funds does nothing to improve housing supply – first-time buyers may simply find that prices just become ever more unaffordable.

Opperman also appears to be unaware of lifetime individual savings accounts (Lisas), the scheme introduced in April 2017. These enable savers to put money by, with an additional bonus from the government, that has to be used either for a house purchase or as pension savings. Lisas therefore combine saving for a property and for old age – but have so far proved relatively unpopular.

Too few savers are receiving independent financial advice

● Half the people who think they are taking financial advice on their pension planning aren't actually getting expert support from a regulated financial adviser.

A survey conducted by the pension provider Just found that of 1,000 people who said they had received advice in the run-up to cashing in their pensions, only 49% had consulted an independent professional.

Most of the rest had received support from their pension provider, or from Pension Wise, the government-backed service that provides information on people's options, but no advice on their individual situation.

The survey suggests that many people continue to make complicated pension-planning decisions without expert advice tailored to their personal circumstances.

To make matters worse, many people appear to think they are acting on the basis of such support, even though they are not receiving personalised and impartial advice. The data will also add to the concerns of pension experts about Pension Wise, which was launched alongside the pension freedom reforms five years ago to help ensure people understand what their options now are. The service offers only generic guidance, but many savers appear to be relying on it to make life-changing and irrevocable decisions.

Thousands of teachers may suffer a shortfall in their pensions

©Getty Images

● People retiring to the European Union from next year onwards could miss out on increases to the state pension, it has emerged. Ministers have promised that anyone living in the EU before 31 December, when the post-Brexit transitional agreement between the UK and the EU comes to an end, will automatically receive the same annual pension increases as pensioners in the UK. However, no such promises have been made to people moving to the EU thereafter.

● Thousands of teachers could be at risk of missing out in retirement because their contributions to the Teachers' Pension Scheme have not been properly recorded. Teachers are being urged to check the detail of their pension-scheme records after the Department for Education admitted that there had been problems with its administration. The scheme has over two million members.

Exceptional stocks with enormous potential

A professional investor tells us where he'd put his money. This week: Damon Ficklin, portfolio manager and analyst at Polen Capital, highlights three favourites

The best way to invest is with a portfolio of the highest-quality growth businesses that can deliver sustainable, above-average earnings growth over the long term. Such exceptional companies not only have the potential to contribute outsized returns, but are also inherently less risky, as their greater earnings stability and financial strength offer a "margin of safety" that typically results in less volatility during turbulent market environments.

Europe's software powerhouse

SAP (Frankfurt: SAP) is one of the world's leading enterprise-software providers and a trusted partner for over two-thirds of Forbes Global 2000 companies. Its systems underpin 77% of the world's transactions. The pandemic has demonstrated the resilience of the business as customers have seen how valuable SAP's products are. SAP has a powerful combination of a fast-growing cloud business and a solid core suite of solutions. The stock is attractively valued and given the high switching costs and mission-critical nature of its services we expect SAP to continue to perform strongly.

"SAP's business-software systems underpin 77% of the world's transactions"

China's digital leader

Alibaba (Hong Kong: 9988) is the backbone of e-commerce in China and is very well positioned to continue attracting customers as Chinese consumption grows. The popularity of its core commerce marketplaces – Taobao and Tmall – has allowed Alibaba to establish a dominant position where it benefits from the dual tailwinds of digital-advertising growth and increased e-commerce penetration. Unlike Amazon, Alibaba operates a third-party marketplace model, meaning it does not carry any inventory. That allows the business to expand with limited capital requirements.

All this has resulted in high operating margins and strong free cash-flow generation, which Alibaba has reinvested into areas that bolster its business, such as payments (through its stake in Ant Financial), a smart-logistics platform, food delivery, offline retail and cloud computing. Some of these newer businesses, such as AliCloud and Cainiao (logistics) are now large enough to start contributing more to overall earnings.

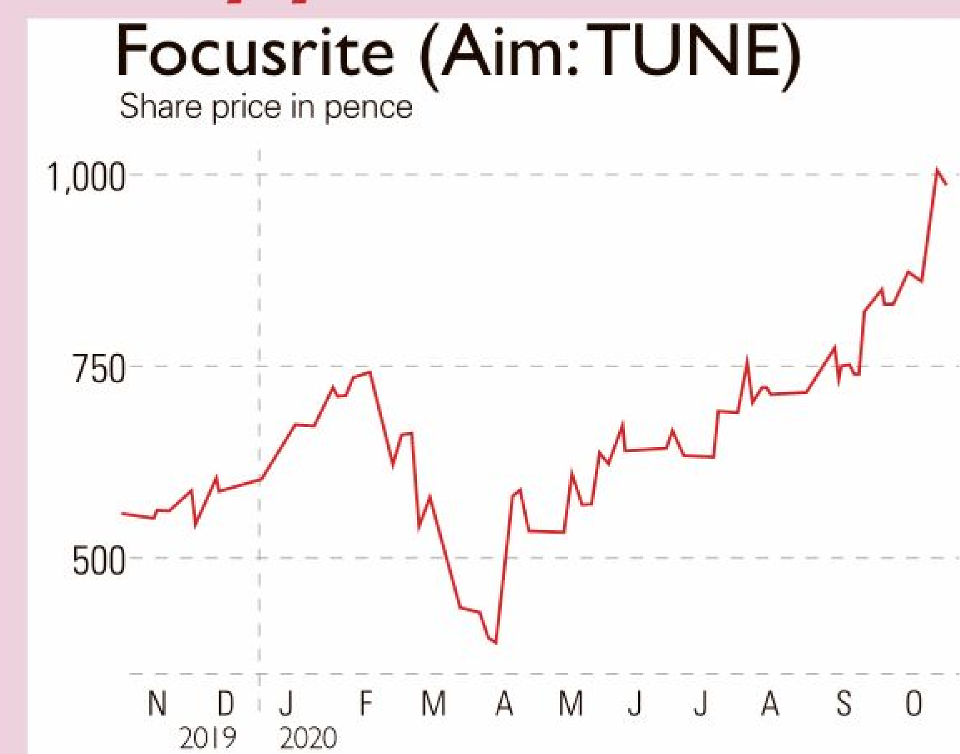
A secular tailwind for pharmaceuticals

Abbott Laboratories (NYSE: ABT) has a diversified portfolio of stable, high-quality growth businesses. The group's excellence in innovation has enabled it to lead each segment in which it operates. A key growth driver is the FreeStyle Libre device for diabetes care, which in terms of both revenue and patients is the world's leading continuous glucose monitor. Libre users are doubling each year. Key elements of its appeal are its ability to eliminate the need for finger-pricking and its pricing strategy.

Heart health continues to dominate healthcare and Abbott's innovative cardiovascular device portfolio bodes well. It is led by MitraClip, a minimally invasive treatment for mitral regurgitation (when blood leaks out of one of the heart's valves).

Lastly, Abbott's Alinity diagnostic instruments (which played a leading role in Covid-19 testing) are engineered to be faster and simpler to operate than the division's previous products. The group also benefits from the secular tailwind of a growing middle-class population in emerging markets, where Abbott makes 40% of its revenues.

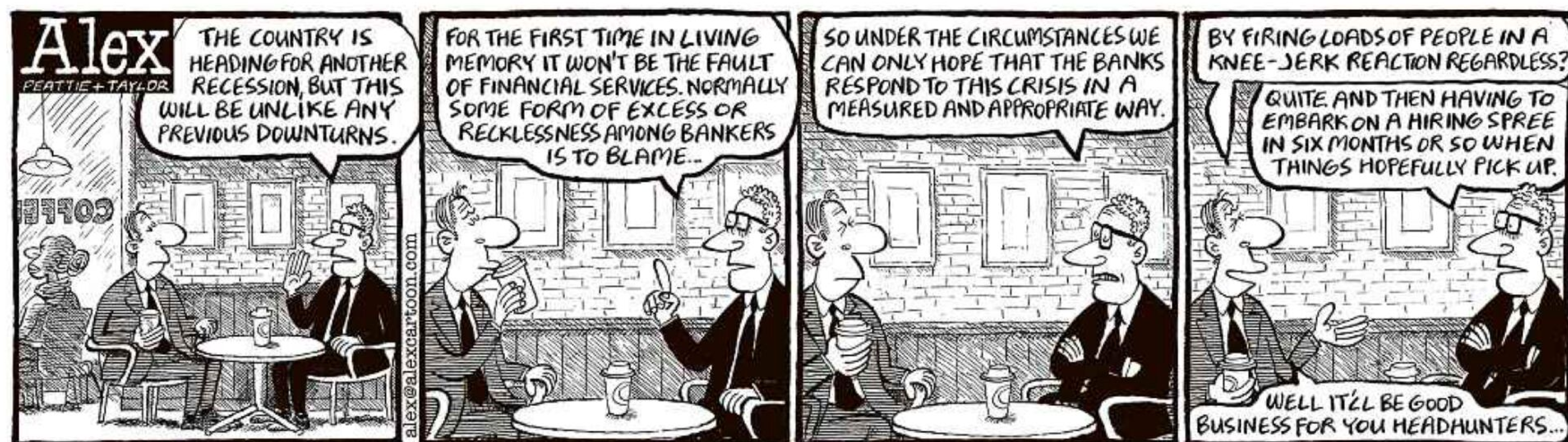
If only you'd invested in...



Focusrite (Aim: TUNE) is a music and audio products company supplying hardware and software to professional and amateur musicians. The stock jumped in mid-September after the group reported a sharp bounce in revenue and profit as home recordings during lockdown boosted demand, says James Warrington on City AM. It said it anticipated sales of £129m for the year to the end of August, up from £84.7m last year. Focusrite says demand for sound systems in clubs appears to be recovering. The stock has leapt by 80% in 12 months and by 389% over five years.

Be glad you didn't buy...

Shares in the multinational oil and gas group **BP (LSE: BP)** plunged to a 25-year low of 210p this week, down from £5 at the start of the year, says Bronte Carvalho in UK Investor. It has been a tumultuous year for oil, with prices plunging to multi-decade lows during lockdown as demand slumped. Investors are also concerned about BP's "potentially expensive and financially risky" switch to low-carbon energy. A new round of lockdowns spells trouble for the oil price. The shares are down by 57.5% from this time last year. But this could be a buying opportunity (see page 21).



The nerd who shook up the media giants

Twenty-five years ago, Craig Newmark lost his job at a brokerage and fired off an email to friends. That seeded a venture, Craigslist, that dominates the web to this day. Jane Lewis reports

In March 1995, Craig Newmark fired off an email to his friends, says Forbes. Having just been laid off from his job at discount brokerage Charles Schwab, he "used his severance package and newfound time off" to compile an electronic list of upcoming art and technology events in his recently adopted city. Originally called "San Francisco Events", the missive swiftly went viral among the city's new technorati – morphing into Craig's List and, later, Craigslist.

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A bold and radical vision

Nothing much about Newmark, now 67, smacks of glamour. Even at the peak of his notoriety, when he was dubbed "the destroyer of journalism", the former IBM engineer cut an unlikely crusading figure. Newmark is, observed a Guardian profile in 2006, "a man so nerdish he makes [Bill] Gates look like a flamboyant playboy". Yet he had "a radical and highly motivated intelligence". By then, Craigslist was already "wiping out newspapers" – gobbling up the classified adverts they needed to keep afloat – and Newmark was proclaiming himself "part of a visionary movement" bent on "slaying the old media" and replacing it with "an online army of 'citizen journalists', beholden to no proprietor or political party". In the early days of social media, that was radical stuff. The Guardian was so impressed it concluded that, in "the emerging pantheon of technology pioneers", Newmark "may even be the greatest of them all".

"Even at the peak of his notoriety, when he was dubbed 'the destroyer of journalism', Newmark cut an unlikely crusading figure"

Given that Newmark relinquished hands-on management of Craigslist 20 years ago and has yet to repeat its success in any subsequent venture, that prediction now looks wide of the mark. And yet it would be foolish to understate the quiet stranglehold his baby continues to exert on the market, says Forbes. Or, indeed, the profits that Newmark, who still owns at least 42% of Craigslist, continues to cream off the business. "One of the last true dotcom era holdovers to still dominate the web", Craigslist is "still where most Americans go to buy and sell locally online" and a veritable "cash-cow", pulling in upwards of $690m in 2016 alone.

A new venture falters

Born in Morristown, New Jersey, in 1952, Newmark dreamed of becoming a quantum physicist but drifted into computer systems, says BusinessInsider. After joining IBM, Newmark spent ten years in Detroit and six more in Florida. But his life only really "took off" in 1993 when he moved to the Bay Area as a freelance computer expert and was seduced by "the countercultural ethos".

"In an age of pre-revenue unicorns and overvalued tech companies", Craigslist – which has always made a point of eschewing flashy growth and outside investment – is "an anomaly", says Forbes. Yet the company's finances remain opaque. "It's unclear where Craigslist's profits go" and Newmark is decidedly cagey when the subject of his own wealth is brought up.

Perhaps stung by the charge of "killing journalism", Newmark now mainly devotes his life to philanthropy – much of it connected with protecting the free press; he has given millions to journalistic foundations. Still, a recent non-profit venture he backed – a tech publication called The Markup – has struggled, suffering a mass editorial exodus. Better luck next time.

Great frauds in history... *Cushnie's befuddling Ponzi scheme*

Carlton Cushnie was born in Kingston, Jamaica, in 1950 and moved to London when he was 16. After studying maths at the University of London, Cushnie started up his own computer software business. His experience led him to start up Versailles Group in 1989, a finance company supposedly acting as middleman between lenders and small firms. By 1995 Versailles had floated on the junior Aim market, and within two years it had reached the main market, later breaking into the FTSE 250. Its share price rocketed from 7p to a peak of 251p in December 1999, giving Cushnie an estimated fortune of £230m (£390m in 2019).

©Shutterstock

What was the scam?

As Cushnie later admitted, the firm made only one trade finance loan in its existence, which lost money. Instead, it was run as a Ponzi scheme, with funds from banks and private investors funnelled into a range of shell companies, which then returned some of the money back to Versailles so it could pay interest on its debt, diverting the rest into the pockets of Cushnie and finance director Fred Clough. Clough would also use the phoney transactions to give a misleading impression to shareholders that Versailles was growing rapidly.

What happened next?

An anonymous tip-off in April 1999 alerted the Department of Trade and Industry, which then began an investigation. Unable to make sense of the accounts, it appointed accountants Baker Tilly to investigate further. In December Baker Tilly wrote to the stock exchange confirming that it was unable to verify the accounts, causing Versailles' shares to be immediately suspended. Cushnie later claimed that Clough (who testified in court against his former business partner) was responsible for the day-to-day running of the company and had stolen from him, but both were convicted of fraud.

Lessons for investors

Versailles' bankruptcy wiped out £625m of market value. Banks lost around £70m from bad loans that they made to the company. One of the big red flags was the complexity of the firm's operations, which supposedly involved buying goods from one company, selling them to another, and then returning the profits, minus financing fees, to the first company. If you can't understand how a business makes it money, don't invest in it. As one journalist later said: "If the experts are befuddled, what chance, you wonder, do ordinary investors have?"

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Six Stunning Autumnal Wines
from Tanners Wine Merchants

All six wines this month share an important flavour characteristic. Now that we are fully involved with autumnal cuisine we need our whites and reds to have intensity on the palate and this doesn't necessarily mean that they have to be overtly hefty or to bully your senses. Far from it, the skill with which Robert Boutflower at Tanners has put together this sextet is to be applauded because these are wines with lift and freshness at the same time as possessing decent depth of fruit and enviable poise. Our recipes adapt to the seasons and as the nights roll in earlier we crave honest, heart-warming fare. These six wines will take you from the three whites performing aperitif duties, via lighter starters and into the main course work whereupon they pass the baton to three reds with main course and cheese on their minds!

Matthew Jukes *Matthew*

- **All wines come personally recommended**
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- **No membership needed**

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 £136 (saving £11.10 per case).** It's a chance for you to try them all, and it is the most popular choice with readers of *MoneyWeek*.

~~£11.80~~ **£11.00**

2019 Kumeu Village, Hand Harvested Pinot Gris, Kumeu, New Zealand

Kumeu River needs no introduction as it makes some of the most renowned Chardonnays in the Southern Hemisphere, but I bet you haven't tasted their smashing PG! Exuberance is hinted at throughout, from the enticing, mildly floral, stone fruit-kissed nose, via the pliable palate and the ginger spice and lemon balm finish. But the trick here is that it never gets cloying or oily because the trademark NZ freshness kicks in. Complex, foodie and a ridiculous bargain to boot, this is a thoroughly smashing wine and it builds on Kumeu's epic reputation.

CASE PRICE: £132

~~£14.50~~ **£14.00**

2019 Gavi del Comune di Gavi, La Chiara, Piemonte, Italy

I admit it, I am a blatant Gavi lover and I drink a fair few bottles out and about because they always offer great value for money. Having said this, while Gavi is not an overly expensive style of wine, you should never drop your standards either. La Chiara is a statuesque creation and while its price sits somewhere in the middle of the pack its deportment is top of the range. Classy, ever so slightly bitter and nicely-weighted with lemon pith and pear skin notes, this is a ravishingly elegant aperitif and starters wine to serve when your finest pals pop over for a sherbet.

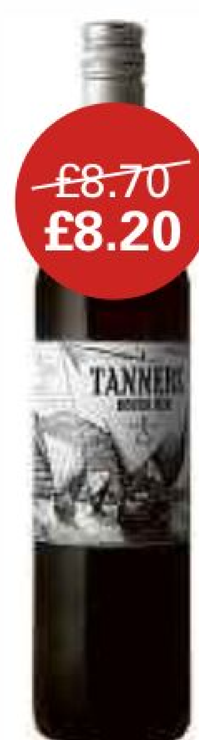
CASE PRICE: £168

~~£11.80~~ **£11.00**

2019 Cape Elevation Vineyards, Contour Path Sauvignon Blanc, Elgin, South Africa

Here is another white which seems to be wearing the wrong price tag. This is a top-flight Cape Sauvignon and yet if it were French you might not give it a second look at eleven quid. Sour citrus and sea spray notes make this a wonderfully challenging white but it avoids the tropical notes which lesser brands seem to celebrate, preferring a more adroit and noble stance. Drink it with sushi and sashimi, dim sum and all manner of crustacea and you will understand just how razor-sharp this wine can be when up against challenging grub.

CASE PRICE: £132



~~£8.70~~ **£8.20**

2017 Tanners Douro Red, Portugal

I am always excited to see this label as it never disappoints. A mere eight pounds will transport your palate immediately to the dramatic terraces of the Douro Valley, the birthplace of port, and then soothe your senses with its accuracy and charm. Made from the highly prized Portuguese grape varieties, Touriga Nacional, Touriga Franca and Tinta Roriz, and finely weighted at 13.5% alcohol, this is not a heavyweight, but a temptress of a red with a mellow, fireside demeanour soaked in comforting black and red fruit notes and dusted with liquorice and spice details.

CASE PRICE: £98.40

~~£10.95~~ **£8.45**

2016 Château Trillol, Corbières, Languedoc-Roussillon, France

Ignore the fact that this is a 48% Syrah, 40% Grenache, 12% Carignan blend for a second and pretend that this is a gentlemanly red Bordeaux who has been invited to a party whereupon he has gone wild and truly let his hair down! The estate is owned by the famous Sichel family (Bordeaux legends) accounting for the innate polish and breeding. But the feisty, earthy and gamey tones are pure Corbières and when you reflect on the wine's aftertaste the blend of grapes makes sense! It is a marvellous mix of gentility and abandon and I know that you will love the price, too!

CASE PRICE: £101.40

~~£15.80~~ **£15.00**

2015 Gouguenheim, Blue Melosa Gran Reserve, Flores del Valle, Uco Valley, Mendoza, Argentina

This is a turbo-fruited Malbec and even though the oak is plush and pungent and the fruit is almost Zinfandel-like in its exuberance, every single element of this wine is in perfect balance. It helps that the plum and mulberry flavours have had five full years to mellow and unravel. The tannins are fondant and enticing and there is a silkiness here which legions of red grapes could never achieve. Grown at altitude, the fruit intensity is balanced with remarkable freshness creating a compelling and satisfying rich, red wine.

CASE PRICE: £180

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Forgotten wonders of the world

There is plenty to see away from the main tourist trail, says Chris Carter

Last week, Japanese tourist Jesse Katayama got what most of us can only dream about – a Unesco World Heritage Site all to himself. He had bought a ticket to visit the Inca ruins of Machu Picchu in Peru in March, before Covid-19 struck, says BBC News. The site was closed before he could use it and due to travel restrictions, Katayama was stranded in the country. Seven months later, culture minister Alejandro Neyra acceded to his special request and the ruins of Machu Picchu were reopened early for him. They are expected to reopen at reduced capacity next month. Katayama was the first to visit and on that day, he had the place all to himself. Normally, the site would be swarming with tourists.

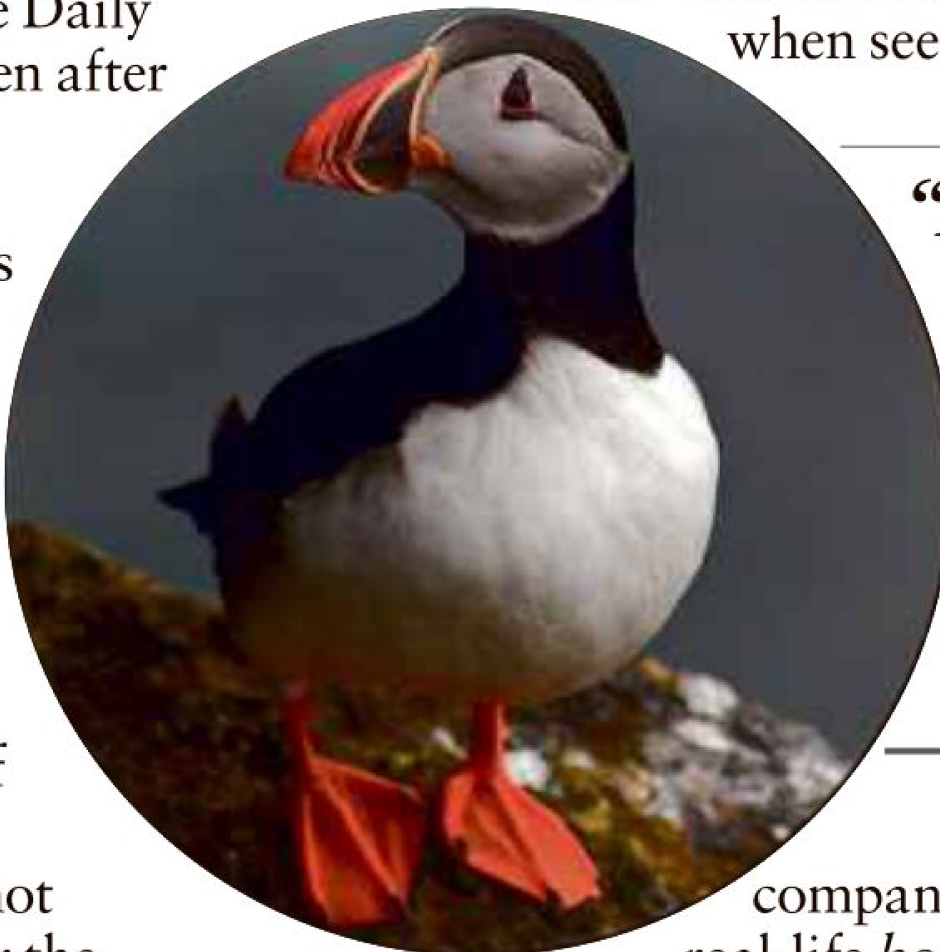
Imagine having Machu Picchu all to yourself

©iStockphotos

A marvel in Lebanon

"Anyone who has visited the Inca citadel – and has had to share it with hundreds of others, jostling for space on every photo – will appreciate that the 26-year-old has been granted a 'once in a lifetime' opportunity," says Chris Leadbeater in The Daily Telegraph. But even after the pandemic has passed, "you can repeat Katayama's experience".

As long as you are "prepared to put in the miles or venture towards the edge of the map", there are plenty of forgotten cultural wonders that do not get anywhere near the attention of Machu Picchu. Take Baalbek in Lebanon, for example. Admittedly, it is a "tricky proposition for tourists". Owing to its proximity to its neighbour, Syria, the town has slid on and off the Foreign Office's safe-to-visit list. "This is a very considerable shame." Baalbek is home to "what may well be the greatest set of Roman ruins anywhere outside Italy". The Temple of Bacchus, built in the second century BC, when the city was known as Heliopolis, is a "marvel".



Even better-known sites in the region are likely to see fewer visitors, at least for a while, once it is safe to travel again (watch for updates on gov.uk/foreign-travel-advice). And "the lost city of Petra" in Jordan, "where Indiana Jones searched for the Holy Grail", should be on anyone's bucket list, says Oliver Smith in The Times.

It is "more revealing when seen in the company of a real-life *bona fide* archaeologist", though a guided tour (organised through coxandkings.co.uk – eight nights' B&B from £2,645 per person, including flights) takes you through the "Rose City". "But instead of whips, fedoras and car chases you get erudite historical insights on Roman temples, Byzantine mosaics and Crusader castles."

"At Eshaness on Shetland, you can feel the raw power of nature pulsating from what has been described as one of the most high-energy coastlines in the world"

The Eden of ancient woodland

Closer to home, there are forgotten spots, too. "Well-heeled 'down-from-Londoners' flock to honeypot Cotswold towns and villages such as Stow-on-the-Wold and Bourton-on-the-Water, attracted by their beauty and the prospect of mingling with celebrities at Soho Farmhouse," says Marianna Hunt for Spectator Life. But "the chalk escarpment known as the Chilterns, on the other hand, is far less glitzy and tends to draw a hardier set of dedicated walkers, cyclists and birdwatchers". This area is "remarkably quiet… and you can easily wander along many of its prettiest high streets without spying a single tourist". There are plenty of hiking trails through open fields, wild flower meadows and ancient wooded valleys. "One of the best is the Ridgeway National Trail, said to be Britain's oldest road." It starts at the World Heritage Site of Avebury ("Stonehenge's lesser-known sister") and runs for 87 miles. Another option, a few miles from "the prehistoric wonders of Avebury and Silbury Hill", is the "Eden of ancient woodland", says James Canton in The Guardian. It is here, "in the wilds of Savernake Forest", near Marlborough, in Wiltshire, that it is possible to get "gloriously lost". As ever, be sure to check for local coronavirus restrictions before heading out.

Scotland's hidden gems

Of course, "when it comes to natural wonders, Scotland has us spoiled", says Susan Swarbrick in The Herald. At Eshaness on Shetland, "you can feel the raw power of nature pulsating from what has been described as one of the most high-energy coastlines in the world". The peninsula is formed from the remnants of a 400-million-year-old extinct volcano –the cliffs you see today reveal layers of lava and pyroclastic rock. Or there are the "emerald waters" of An Lochan Uaine in Glenmore Forest Park in the Cairngorms and the "mysterious" Fingal's Cave on the uninhabited Hebridean island of Staffa, to name but a few of Scotland's "lesser-visited gems".

Avebury: Stonehenge's lesser-known sister

This week: houses for around £1m – from a contemporary property in the Clyne Castle Estate in Blackpill, Swansea, t

▲ **Cedar House, Wrotham, Sevenoaks, Kent.** A 16th-century hall house on the edge of a village in an Area of Outstanding Natural Beauty. It has exposed wall and ceiling timbers, inglenook fireplaces and a modern fitted kitchen leading onto a courtyard and the garden. 5 beds, 3 baths, 3 receps, annexe. £999,950 Knight Frank 01732-744460.

▶ **The Villa, Redmile, Nottingham.** This remodelled Georgian village house in the Vale of Belvoir has been extended to include a contemporary kitchen opening onto a decked terrace and a home office to the side of the house. 4 beds, 2 baths, 3 receps, garden room, workshop, walled gardens. £1m Savills 0115-934 8109.

▶ **Gunstone House, Gunstone, Crediton, Devon.** A Grade II-listed Georgian house in a small village surrounded by open countryside. It retains its original fireplaces, shuttered sash windows and decorative cornicing, and there is a glass-roofed veranda to the front of the property with a greenhouse at either end. 6 beds, 4 baths, 3 receps, study, breakfast kitchen, stone outbuilding, gardens, 2.3 acres. £1.25m Strutt & Parker 01392-229405.

o a16th-century house in Haworth, West Yorkshire, thought to have inspired Emily Brontë's *Wuthering Heights*

Upper Castle View, Clyne Castle Estate, Blackpill, Swansea. A four-storey contemporary property in an elevated position in the private Clyne Castle Estate, between Clyne Botanical Gardens and Clyne Country Park, with access to 1.5 acres of estate grounds. It has a lift, contemporary interiors with high-tech fittings, a large roof terrace with panoramic views and a private lawn with patio areas. 5 beds, 5 baths, recep, open-plan kitchen/family room. £1.095m Fine & Country 01792-367301.

Ponden Hall, Stanbury, Haworth, West Yorkshire. This Grade II-listed country house dates from 1541 and is thought to have inspired *Wuthering Heights*. It has exposed beams, flagstone floors and open fireplaces. 8 beds, 4 baths, recep, 2-bed annexe, gardens, 4 acres. £1m+ Strutt & Parker 01423-706771.

Ashbury Road, Battersea, London SW11. This house is situated in the Shaftesbury Estate, close to Battersea Park and Lavender Hill with its popular shops and restaurants. The interiors have been modernised to include a loft conversion providing an extra en-suite double bedroom and a contemporary kitchen with doors opening onto the garden. 3 beds, 2 baths, double recep. £975,000 John D Wood & Co. 020-3151 0661.

Newmarket Road, Norwich. A Grade II-listed townhouse dating from 1823. It has a columned portico opening onto a large hallway with an elegant staircase and the reception rooms retain their original fireplaces and shuttered sash windows. The house has a rear courtyard and the gardens include a range of outbuildings and a traditional greenhouse. 6 beds, 4 baths, 2 receps, dining kitchen, old laundry, cellars, 0.41 acres. £985,000 Savills 01603-229229.

Rounceval House, Chipping Sodbury, Bristol, Gloucestershire. This Grade II-listed, mid-17th-century house is a fine example of Restoration architecture. It has open fireplaces, ornate ceiling roses and cornicing, twin bay windows with inset seating and a lower floor spa area with a recently installed Roman-style spa seating up to ten people. 7 beds, 7 baths, 3 receps, breakfast kitchen, annexe, greenhouse, walled garden. £995,000 Hamptons International 01773-691316.

McLaren's spiciest model yet

The UK carmaker's latest is a real wild ride, but it's not too hot to handle. Nicole Garcia Merida reports

The Carolina Reaper has been named the hottest chilli in the world, 200 times spicier than a jalapeno, and far too hot to use in normal cooking. Think of the McLaren 765LT as the Carolina Reaper in car form, says Adam Binnie in Car magazine. The McLaren 720S already provided more power and grip than you could ever realistically need. The new 765LT is "even hotter" – "faster, lighter and more powerful than any previous car with the LT badge". The numbers "don't really do it justice" – it is "shockingly fast" at road legal speeds and from there, "it just doesn't let up". The engine "rips through its revs" alarmingly, the power delivery is "immediate and urgent, willing you on with gearshifts that are seamless on the way up and back-thumpingly fierce on the way back down". To top it off, it "sounds furious… angry, raw and metallic regardless of engine or road speed".

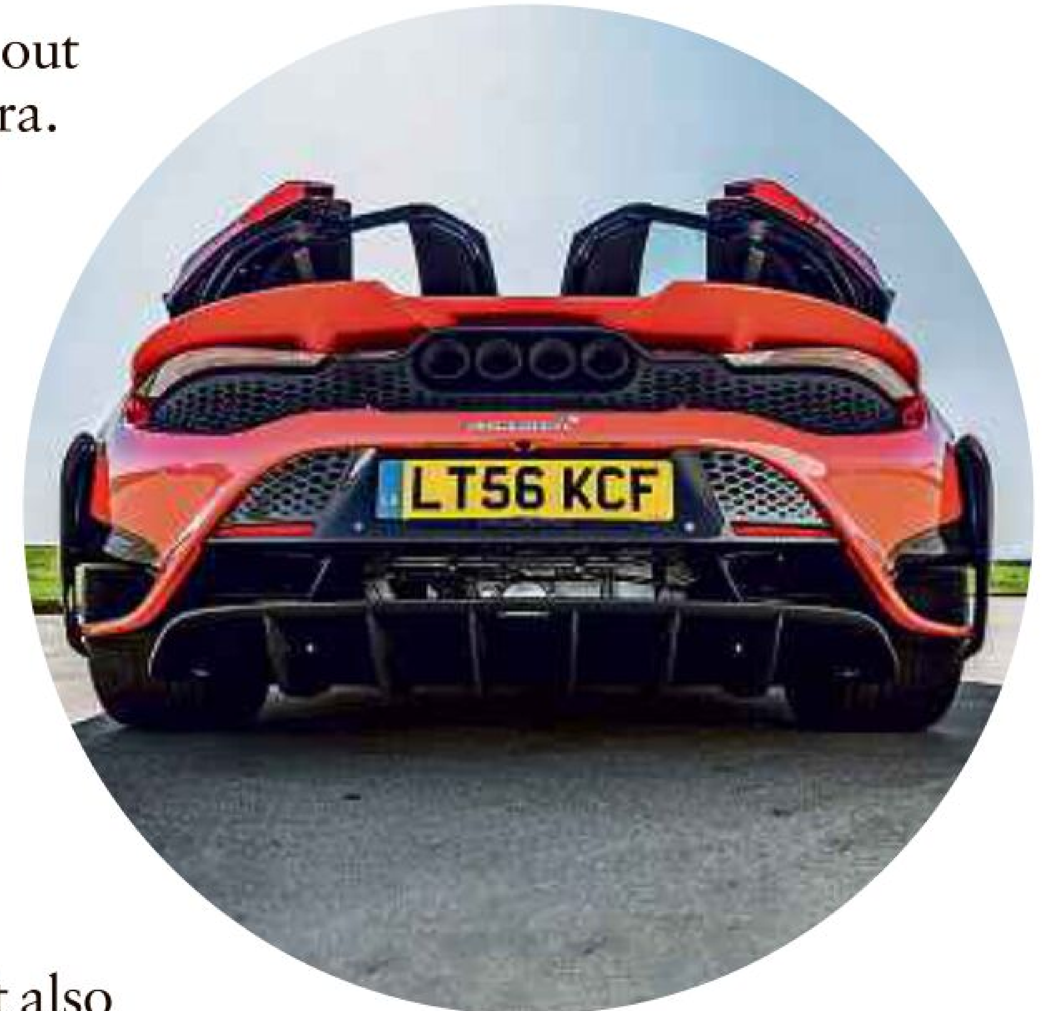
It feels like "something of an explosive celebration" of McLaren's current era, says Matt Saunders on Autocar – "a yardstick… by which we might measure just how far it has developed in its first decade of continuous car production", taking the McLaren driving experience to "spectacular" new heights. It is, depending on which options you choose, up to 80kg lighter than the car it's based on. In fact, "every external panel and functioning aerodynamic feature on this car can be made out of carbon fibre", if you're prepared to pay extra. "It's practically standing there in crêpe paper underpants." The weight saving makes it "startlingly quick", but it's also stable with powerful brakes. The result is "probably the most entertaining car that McLaren has built".

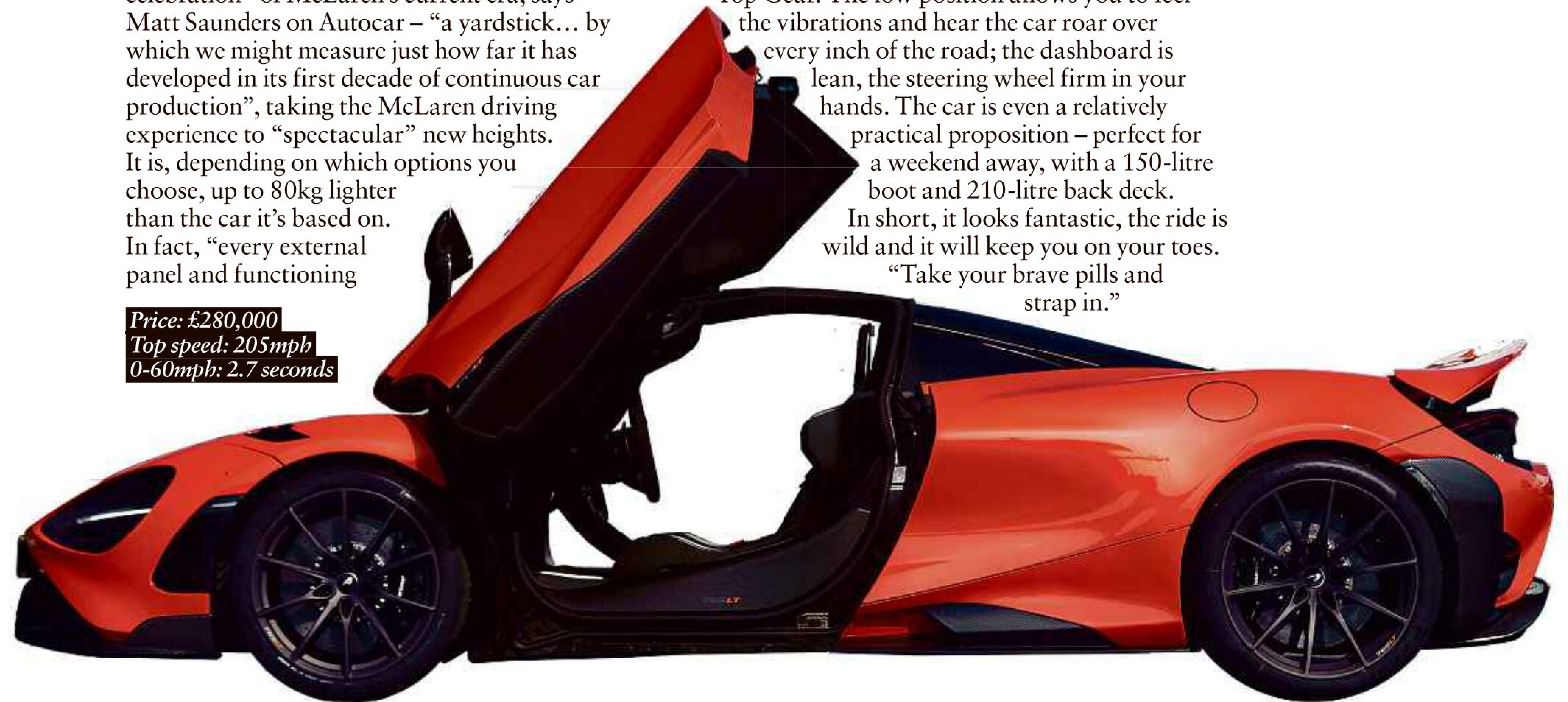
"Forget the supercar rivals, this McLaren is superbike fast"

The 4.0-litre, twin turbo V8 engine makes 756bhp, and goes from 0-62mph in 2.7 seconds, says Sean Carson on Autoexpress. "The more impressive statistic is that it will streak from 0-124mph in seven seconds dead. Forget supercar rivals, that's superbike-fast." It also brakes, steers and turns effortlessly, yet is not intimidating to drive. "The sensations it feeds back… inspire confidence." This is a serious machine "that indulges you".

The driving position is superb too, says Top Gear. The low position allows you to feel the vibrations and hear the car roar over every inch of the road; the dashboard is lean, the steering wheel firm in your hands. The car is even a relatively practical proposition – perfect for a weekend away, with a 150-litre boot and 210-litre back deck.

In short, it looks fantastic, the ride is wild and it will keep you on your toes. "Take your brave pills and strap in."





Price: £280,000
Top speed: 205mph
0-60mph: 2.7 seconds

Wine of the week: an opinionated shiraz from the Clare Valley

2014 Tim Adams, Schaefer Shiraz, Clare Valley, South Australia
£20, timadamswines.co.uk

Matthew Jukes
Wine columnist

Tim Adams and his wife Pam set up their eponymous winery in the idyllic Clare Valley in 1987. This is the year I started working in the wine business and I remember selling (and loving) an Adams & Wray shiraz, from Tim's previous wine venture. I have known "Bonecrusher Adams" (he has a mighty handshake) and his amazing wines for every day of my life in the wine trade. You might have come across Tim and Pam's iconic and affordable wines in Tesco – they have been a mainstay on its shelves. Adams's wine has been championed in the UK by mercurial wine agent Craig Smith, who has masterminded the fortunes of a good few Aussie wine heroes over the decades by placing them on all of the right wine lists.

Last year Craig and Tim set up a UK arm to sell directly to his adoring British public and two amazing wines have just been launched on this website. Schaefer Shiraz is the personification of Tim's irascible, magnetic and steadfast character, in vinous form. Inky, powerful and blessed with 12 months spent in new French oak, this is a focused and opinionated wine with the most affordable price tags I have ever seen for a wine of this build-quality.

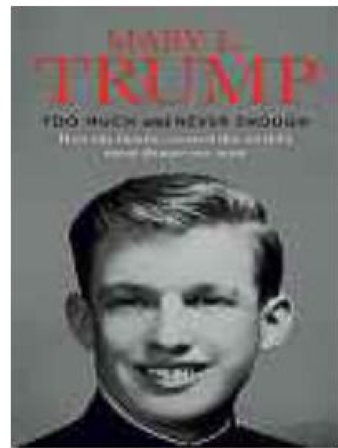
In addition, 2018 Tim Adams Skilly Ridge Riesling (£16) will remind you of Tim's magical touch with this sensational variety, too. Open, layered, violet and lime blossom scented and enchanting, this magnificent white is the perfect counterpoint to the heady, luxurious shiraz.

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

Book of the week

Too Much and Never Enough

How My Family Created the World's Most Dangerous Man
Mary L. Trump
Simon & Schuster, £20



In the last year, several of President Trump's former aides and staff have written tell-all books about their time working for him in the White House. Most were strongly negative and painted a picture of a capricious man not on speaking terms with loyalty or integrity. Mary L. Trump, Donald's niece, takes a similarly negative view of the man who is now president in *Too Much and Never Enough: How My Family Created the World's Most Dangerous Man.* Rather than yet another look at his time in office, however, this is an attempt to tell the story of his upbringing. Trump was the second son of the property developer Fred Trump and this experience shaped his later business and political career, it is argued.

According to Mary, her grandfather Fred originally intended for his eldest son Freddy, Mary's father, to inherit the family real-estate empire. Freddy's interests, however, lay in other directions. This, along with his marriage to Mary's mother, meant that his father quickly lost interest in him. Fred Snr later succeeded in bullying his eldest son into quitting his job as an airline pilot and returning to the Trump organisation in a menial role, but this ruined Freddy's marriage and turned him into an alcoholic. He eventually died at the age of just 42.

Like father, like son

With Freddy failing to make the grade, Fred Snr turned his attention to his second son, Donald. Entranced by his son's charisma, he encouraged Donald's bullying behaviour and later bankrolled his son's business ventures. He would even buy large sums in casino chips in an attempt to support his son's ill-fated forays in Atlantic City. This fostered a huge sense of entitlement in the younger son and also turned him into a congenital liar who would constantly attempt to break the rules, it is argued – something that Mary L. Trump claims has defined his presidency.

The young Donald, with father Fred. Inset: Mary L. Trump

©Alamy; Shutterstock

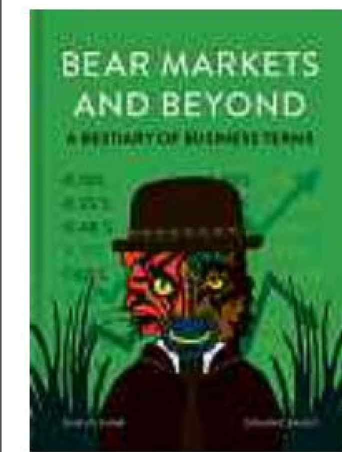
Mary's legal struggles with her uncle and aunts over her grandfather's will, as well as her distaste for the president's policies, have clearly provided the driving force for this caustic biography. Those battles meant that her contact with Donald effectively ended with the death of her grandfather in 1999 (although she does have one amusing anecdote to tell about being invited to the White House shortly after he assumed office). Still, although the book can make no claim to objectivity, the stories nevertheless ring true. They sound plausible and there are striking similarities between Trump's behaviour as a child and his behaviour as president.

This is not your traditional political biography, far from it. But there is something captivating about this portrait of the Trump family as a real-life version of the TV drama *Succession*, where back-biting and dishonesty is not only tolerated, but also encouraged as a sign of strength.

Reviewed by Matthew Partridge

Bear Markets and Beyond

A Bestiary of Business Terms
Dhruti Shah and Dominic Bailey
Pavilion Books, £9.99



Most MoneyWeek readers will be familiar with bulls and bears, but have you heard of "bunny" markets (which hop up and down) or "deer market" (where nothing much happens)? There's been a lot of talk in recent decades of "black swans", but would you know a grey swan if you saw one? In this "bestiary of business terms", Dhurti Shah and Dominic Bailey take a light-hearted look at the surprising number of animal-related terms used in business and finance.

They strike a good balance between familiar terms and those which are less well-known and explain how the terms originated. It is interesting to learn, for example, that the phrase "never look a gift horse in the mouth" originated in the practice of farmers and breeders using the condition of a horse's teeth as a guide to assessing its age and general health.

These tidbits of knowledge will not necessarily make you a better investor, but there is some implicit advice that is worth listening to. The adage "pigs get slaughtered", for example, is a useful reminder that it is a bad idea to get so blindsided by greed that you lose sight of your original investment strategy. At the very least, the definitions should amuse you and the illustrations and overall design make it an ideal gift for those who work in finance, or perhaps for those baffled by some of the more colourful jargon in the financial pages.

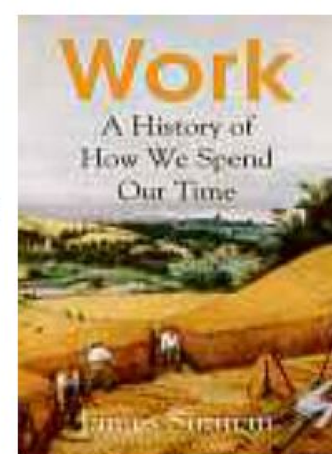
Book in the news... how agriculture condemned us to a world of work

Work

A History of How We Spend Our Time
James Suzman
Bloomsbury ,£25

The last nine months have resulted in radical changes in the way we work, with large numbers of people working from home for the first time. Still, some things haven't changed. Indeed, even though labour productivity "has increased roughly four- or fivefold" in industrialised nations since World War II, predictions of a "golden age of leisure" have failed to materialise, says Elle Hunt in The Observer. Average weekly working hours have remained constant at just under 40 a week. In *Work: A History of How We Spend Our Time*, James Suzman tries to find the origins of our "innate drive to keep ourselves occupied".

Many of our ideas about work and scarcity "have their roots planted firmly in the soils of the agricultural revolution", the author writes in the Financial Times. For more than 95% of *Homo sapiens'* history, "people enjoyed more leisure than we do now". Present-day hunter-gatherer societies, such as those in the Kalahari, to this day only work "short stints" to find and prepare their food. This leaves them "free to devote most of their time to leisure". This shows that there is "nothing inevitable" about the "way we organise work today, nor the weight we place on it".



The idea that the advent of agriculture more than 10,000 years ago condemned humans to "short, disease-ridden lives" of "backbreaking" work in the fields is intriguing, but it's also "familiar", as several other recent books have explored the same area, says James Marriott in The Times. Suzman needed to find some "new, audacious" idea about work in the centuries that followed to distinguish his book from the rest. Sadly, he writes with "less conviction and less detail" about "promising" subjects such as the rise of cities, the industrial revolution and the rise of modern management techniques. "With more time in the library and a bit of intellectual daring, this could have provided real intellectual thrills." But as it stands, this book is not quite the grand history of work that it promises to be.

Pity the rich divorcee

A difficult situation can always be made worse with lots of money

Divorce nearly always brings heartache and the legal wrangles headaches, but those involving the rich are often particularly painful, says Lucy Warwick-Ching in the Financial Times. This is partly because they are more likely to have complex financial arrangements that are difficult to unwind, partly because the rich tend to be "highly mobile, with ties to more than one country". This allows them to choose where to file for divorce – England and Wales are particularly popular as they have a reputation for being "more generous to the financially weaker party" than other jurisdictions.

Tatiana Akhmedova: there's no end in sight to the lawsuits

©Shutterstock

"In 2016 Tatiana Akhmedova was awarded £465m by the High Court... Her husband has simply refused to pay up"

An epic battle

Still, the practice of searching for the most favourable forum in which to hear the case isn't without its risks – witness the "epic" battle between Russian businessman Farkhad Akhmedov and his ex-wife Tatiana Akhmedova, says Tom Sykes on The Daily Beast. In 2016 Tatiana Akhmedova was awarded a record £465m by the High Court in the UK, around 41% of her ex-husband's "vast fortune", which he made from selling his stake in a Russian energy company in the early post-Soviet years. This award was considerably more than the £40m one-off payment, plus payments of £4m a year for life, that Farkhad Akhmedov had reportedly offered her two years previously.

Farkhad Akhmedov argued that the judgement was unfair and didn't take into account the fact that they had divorced much earlier in Russia (she claims they only separated and subsequently reconciled). He has "simply refused to pay up", relying on delays in the legal system and the problems associated with enforcing judgements around the world, to protect his assets. As a result, Tatiana Akhmedova has "been unable to get her hands on the money" and has instead found herself "bogged down and frustrated by multiple lawsuits around the world". Despite a number of legal victories, all she's managed to take possession of so far are some "minor assets", including "a second-hand helicopter".

Both sides have now collectively spent around £50m on legal bills, says Richard Spencer in The Times. Burford Capital is entitled to a third of any money that Tatiana Akhmedova is awarded, in exchange for funding her. However, there seems to be "no end in sight" to the lawsuits, with legal proceedings in "no fewer than six jurisdictions around the world", including Dubai, Britain, the Marshall Islands, Liechtenstein, Russia and the US. Perhaps the most hotly disputed of these is the fight over the family's yacht, Luna, worth £350m, and their £100m art collection, which includes works by Andy Warhol, Mark Rothko and Yves Klein.

Sadly, the battle seems to have spread to other family members, including the couple's son, Temur. Indeed, Tatian Akhmedova has sought a court order freezing her son's assets, including the multimillion-pound apartment where he lives in southwest London. Her American lawyers have also asked for his email records to be disclosed, "to see if they give clues as to where assets may have been sent". Expect a "vicious slanging match" when they appear in court next month.

Quintus Slide

Tabloid money... Ed Sheeran's near-perfect lockdown sanctuary

● "I've heard many stories over the years that have endeared me to Ed Sheeran, but the fact that he has spent tens of thousands of pounds to build his own forest on his £3.7m Suffolk estate makes me think even more of him," says Karren Brady in The Sun on Sunday. The point of the tree-planting is to make the shaggy-haired British singer's estate more sustainable. But it also makes sense in this lockdown world we now find ourselves in: imagine "having your own pub, swimming pool, hot tub, orchard, walled kitchen garden, greenhouses, an underground cinema, a gym, a recording studio, a wildlife pond and an area for goats, sheep and chickens on the estate", it "sounds... perfect". All Sheeran (pictured) needs now is a hairdresser, and he need never leave his home again.

©Getty Images

● Defenders of a plan to allow the six richest clubs in English football to make the rules claim it will stop lower league clubs going to the wall, says Brian Reade in the Daily Mirror. "Sane observers" saw it for the "naked power-grab" it was at a time "when the clubs who can cede that power are on their knees". "It's like giving a fire extinguisher to someone whose kitchen is ablaze in return for the deeds to their house." From the big-club chairmen, who want to grab a cash lifeline, to the non-elite Premier League clubs who want to hold on to every penny they currently receive regardless of clubs below going bankrupt, it's all about looking after number one. The only group that never gets a look-in are their customers, the fans.

● For too long high-tech "leviathans" such as Google and Facebook have been allowed to calculate their own tax bills, says Leo McKinstry in the Daily Express. "They dominate the marketplace, crush all competition and rake in a fortune." Yet the sums they hand over to the taxman are a small fraction of what traditional companies pay. Amazon, for example, enjoyed sales of £13.7bn in the UK last year, but paid only £14.4m in corporation tax. Last week, the online retailer held its annual Prime event, when customers are enticed with a deluge of special offers. "Yet by far the biggest Amazon bargain is the arrangement the company made with HM Revenue and Customs over its tax burden."

Bridge by Andrew Robson

Ten of Clubs scores

West led the nine of Hearts to declarer's King, and declarer faced a Club loser in addition to the Ace of Diamonds. His main chance was the Knave-ten of Diamonds dropping in three rounds, promoting dummy's nine, so at trick two he advanced the King of Diamonds.

Dealer South — North-South vulnerable

North
♠ Q103
♥ AQ2
♦ 9765
♣ A75

West
♠ 92
♥ 9873
♦ J842
♣ QJ8

East
♠ J84
♥ J1054
♦ A103
♣ 943

South
♠ AK765
♥ K6
♦ KQ
♣ K1062

The bidding

South	West	North	East
1♠	pass	2♦	pass
3♣	pass	4♠	pass
4NT*	pass	5♠**	pass
6♠	pass	pass	pass

* Roman Key Card Blackwood agreeing spades.
** Two of "five Aces" (including the King of Spades) plus the Queen of Spades.

East won the Ace of Diamonds and led back a safe Heart. Winning in dummy, declarer crossed to his Ace-King of trumps (both following – good), cashed the Queen of Diamonds (no significant card falling – bad), crossed to the Queen of trumps, cashed the third Heart throwing a Club, ruffed a Diamond (now only West could guard the suit), and led his last trump.

In order to keep his master Diamond, West had to throw a Club. But now declarer could cross to the Ace of Clubs (noting West's Knave), return to his King (noting the Queen), and score the last trick with his promoted ten. Twelve tricks, slam made, and a lovely minor-suit squeeze.

The slam could be defeated only on the Queen of Clubs opening lead, followed by a second Club from East when in with the Ace of Diamonds.

For Andrew's three daily BridgeCasts, go to andrewrobsonbridgecast.com

Sudoku 1022

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

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.

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

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Tim Moorey's Quick Crossword No. 1022

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 2 Nov 2020. Answers to MoneyWeek's Quick Crossword No. 1022, 31-32 Alfred Place, London, WC1E 7DP.

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

Across clues are mildly cryptic whereas down clues are straight

ACROSS

1 Part of it 'it an iceberg (7)
5 Guys in leather gear (5)
8 I yap roughly about Italian's burning desire (9)
9 Thanks heard for a sailor (3)
10 Hurry home for an argument (3-2)
12 First-class British orchestra managed failure (4-3)
13 Compound police overtime payment reported! (6, 7)
15 Chicken and duck in roll (7)
17 What are the odds of, eg, Viennese appearing (5)
19 US state briefly in a bad way (3)
20 Lived together, that's the custom in school (9)
22 Spades and Clubs discarded from tasty card game (5)
23 Quick! Name a town in northern England (7)

DOWN

1 Drunkard (5)
2 Hill in the South West (3)
3 Person in whose name property is invested (7)
4 Cargo vessel (9, 4)
5 Pandemonium (5)
6 Substitute (9)
7 Rum (7)
11 I agree (2, 7)
13 French explorer (7)
14 Shake (7)
16 In bad taste (5)
18 Sort of chair (5)
21 Tasteless articles (3)

Name ....

Address ....

Solutions to 1020

Across **1** Protest march *pro-Test march* **7** Thirteen *misleading definition* **8** Pea *pea(r)* **9** Courser *sounds like coarser* **12** Erect *ere Ct* **13** Canned *Anne in CD* **14** Mobile *two definition* **16** Acted *anagram* **17** Coaches *Co + aches* **20** Oar *misleading definition* **21** Raincoat *anagram* **22** Pole position *misleading definition*
Down **1** Patio **2** Osier **3** Sherry **4** Minnesota **5** Replenish **6** Heartless **9** Cock-a-hoop **10** Unnatural **11** Speed trap **15** Scrips **18** Croci **19** Eaten.

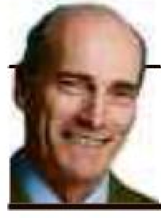
The winner of MoneyWeek Quick Crossword No. 1020 is: Jonathan Wheelhouse ofHuddersfield

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

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

Save us from the experts

Public health experts don't save lives, plumbers and bakers do. Don't lock them up



Bill Bonner
Columnist

Trump may be right, but it's not all about him

The World Health Organisation (WHO) threw a petard into the lockdown debate recently when its envoy, Dr David Nabarro, said in a video interview in The Spectator that such restrictive measures should only be a last resort. "The only time we believe a lockdown is justified is to buy you time to reorganise, regroup, rebalance your resources, protect your health workers who are exhausted, but by and large, we'd rather not do it." Nabarro said tight restrictions cause significant harm, particularly on the global economy. "Lockdowns just have one consequence that you must never, ever belittle, and that is making poor people an awful lot poorer," he said. "Look what's happened to smallholder farmers all over the world. Look what's happening to poverty levels. It seems that we may well have a doubling of world poverty by next year. We may well have at least a doubling of child malnutrition."

Hungry children? Millions of them? Trillions' worth of real output is at stake and millions – maybe billions – of lives. But America's president looked at the news and saw only his own reflection: "The World Health Organisation just admitted that I was right", he tweeted. America's most important "newspaper of record", The New York Times, could only think of a political angle: "Trump Overstates WHO's Position on Lockdowns", it said.

Meanwhile, much of the world heads for a crack-up. In the UK, GDP is said to be running about 10% below last year. In the US, in GDP alone, it looks like the lockdowns will take about $1trn out of peoples' pockets. It will hit the poorest the hardest. At the very bottom – where the World Bank says there are some 700 million people living on less than $2 per day – an economic slowdown can mark the frontier between life and death.

> *"Lockdowns make poor people an awful lot poorer"*

The quack "experts" say to lock the doors, stay at home, cover up and stay away. But it wasn't the medical experts who brought us longer lives; it was the plumbers, the farmers and the builders. It was the entrepreneurs, tinkers and business builders, not the public-health professionals. Improved living standards raised life expectancies all around the world. This from professors Maryaline Catillon and David Cutler, both of Harvard, and Thomas Getzen of Temple University: "Growth in life expectancy during the last two centuries has been attributed to environmental change, productivity growth, improved nutrition and better hygiene, rather than to advances in medical care".

Keep the plumbers and bakers at home and living standards fall. So, it is reasonable to expect, as the WHO implies, that when the economy goes down, life expectancies will, too. And we can guess what happens next: for every year of life saved for the rich geezers by shutting down the economy, there may be hundreds of years lost by the poor all over the world.

The bottom line

€134,000 The for-sale price of a tiny 6.51 sq m studio at the top of a block of flats in the sought-after fourth arrondissement in Paris, with a view over the city. The estate agent, Century 21, drew criticism in France for marketing it as an "ideal pied-à-terre or office".

€500m The value of the benefit Italy receives every year from immigrants, the Leone Moressa Foundation research institute has found. It calculated that in 2018, immigrants paid a total of €26.6bn in taxes, and received €26.1bn in state benefits.

$383m How much Democratic presidential candidate Joe Biden raised last month in campaign funding, breaking the $364.5m monthly record he set in August. His campaign team says it currently has a $432m war chest at its disposal.

C$7,500 How much (£4,400) the Foundations for Social Change, a Vancouver-based charity, gave to each of 50 recently homeless people in Canada for an experiment. Those who received the cash found stable housing 12 months faster than those who did not, reducing shelter costs by an average C$8,100 per person per year, according to preliminary results.

£7m The estimated unit price for a speedboat that can dive underwater that is being developed by Hampshire-based SubSea Craft for British special forces. The Victa submersible is to undergo sea trials early next year.

€80m How much King Mohammed VI of Morocco (pictured) has spent buying a mansion by the Eiffel Tower in Paris from Khalid bin Sultan, a former Saudi minister and member of the ruling royal family. His entourage likes others to refer to the monarch as "the king of the poor", says The Times.

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