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MoneyWeek

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MoneyWeek

14 July 2023 | Issue 1164

Britain's best-selling financial magazine

From the editor...

If ignorance is bliss, the British public exists in a state of permanent ecstasy – when it comes to finance, at least. According to a new survey by Lloyds Bank, 29% of us don't understand inflation, and half of us have some money we could invest but are deterred from doing so because we are worried about losing it or aren't familiar with financial terminology: 77% of us don't know what an asset class is, while 31% aren't quite sure what shares are. One in four people thinks it would be easier to go on a first date or learn a new language than to start investing.

This is jaw-dropping stuff, and certainly helps explain why so many Z-list celebrities interviewed about their finances by the weekend papers' business sections insist that equity investing constitutes dodgy speculation (as opposed to quite reasonably profiting from the economy's expansion via corporate earnings), while overvalued property is all they need for their old age.

There's no accounting for taste

©Getty Images

"Jeremy Hunt failed to mention that small companies can grow fast but also shrink fast"

Most start-ups sink into oblivion

Widespread financial ignorance perhaps also encouraged chancellor Jeremy Hunt to say blithely that allocating 5% of our defined-contribution pension funds' cash to fast-growing unlisted companies could give us an extra £1,000 in retirement as a result of pensions being 12% larger. Few beyond the financial pages pointed out that he didn't mention the downside: small companies that grow fast also shrink fast. Around 60% of UK start-ups fail, according to Startup Genome, a consultancy.

In any case, Hunt was thinking primarily of boosting growth, not about the interest of savers. In that respect, making around £50bn available for small companies by 2030 is a start, but no more than that (see pages 15 and 18 for other ideas) in the context of our ever-dwindling productivity, which is the key to long-term growth.

Output per hour worked has slid by 0.6% over the past year, its worst showing since 2013, says David Smith in The Times. Output per worker has fallen by 0.9%. Neither gauge has recorded any expansion since pre-Covid days. In the meantime, UK pay growth remains robust. The result? Sticky inflation.

It is all the more important, then, to seek out growth and income at a reasonable price; a low valuation provides a margin of safety to offset the risk inherent in faster-growing assets. Last week we looked at accessing private companies through investment trusts.

This week Alex suggests considering emerging markets, which are cheap and full of rapid growth (see page 6). You could always combine these two themes and research the **VinaCapital Vietnam Opportunity Fund (LSE: VOF)** a closed-ended fund dabbling in stocks, private companies and property in one of Asia's most dynamic and promising economies – a market we have liked since 2005. We will take a closer look at Vietnam later this summer.

Another promising long-term growth play is the luxury-goods sector, which is benefiting from the ever-expanding purchasing power of the new middle class in emerging markets, as Matthew Partridge explains on page 20. To my mind the products are mostly over-the-top kitsch, but whatever floats your superyacht, I suppose. The big names in the sector are cashing in. They have learnt that nothing succeeds like excess.

Andrew Van Sickle
editor@moneyweek.com

Big Tech's odd couple

©Getty Images

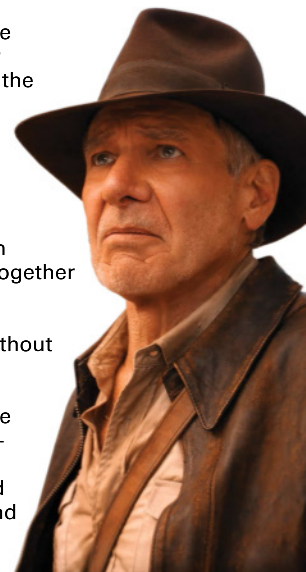
The odd relationship between Twitter's owner Elon Musk and Mark Zuckerburg (pictured), whose Meta Platforms recently launched Threads, a direct challenge to Twitter, got weirder this week. Not content with organising a cage fight with Zuckerberg, Musk tweeted they should have "a literal d**k-measuring contest" and called his rival "Zuck the cuck", a slang word for "cuckold" used in alt-right circles. Zuckerberg responded by celebrating the early success of Threads, which had signed up 100 million users in a week – the fastest-ever growth by an internet application. Musk is the gift that keeps on giving, says Clare Duffy on CNN Business. Not only has he distracted people's attention from Meta's own problems, but, as Herbert Hovenkamp of the University of Pennsylvania puts it, "Musk has done one thing after another to p*ss off his own user base". Whether or not the cage fight goes ahead, "Zuckerberg seems to have won already".

Cover illustration: Adam Stower. Photos: Getty Images; 2023 Warner Bros. Entertainment Inc

Good week for:

Hatmaker **Swaine**, the oldest luxury brand in London, is enjoying a "bumper summer", says The Times. Its £495 Destiny Poet fedora is the same as that worn by Harrison Ford (pictured) playing Indiana Jones in the new cinema release *Indiana Jones and the Dial of Destiny*. The film itself, however, panned by critics, is "on track to lose millions".

Match of the Day presenter **Gary Lineker** has topped a list of the BBC's highest-paid stars for the sixth year in a row. The former England footballer earned £1.35m in the last financial year. Yet the list does not tell the full story, as BBC News points out: "the corporation does not have to make public the salaries of stars who are paid through its commercial arm, BBC Studios, or independent production companies".



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Bad week for:

The Captain Tom Foundation, named after the late captain Tom Moore, the army veteran who raised £38m for NHS Charities Together in 2020, has stopped taking donations while an inquiry into its finances is carried out. The local Bedfordshire council has also ordered a home spa – built in the garden of the family home without proper authorisation – to be razed.

RTÉ's new director-general, Kevin Bakhurst, has suspended the **executive board** of the Irish national broadcaster, which is part-funded by a €160 annual licence fee, following a pay scandal centred around television presenter Ryan Tubridy. He was paid €345,000 more than publicly declared by RTÉ between 2017 and 2022. Tubridy is not accused of wrongdoing, but he has been taken off air indefinitely, says the Financial Times.

It's time to buy emerging markets

Alex Rankine
Markets editor

Thailand depends on tourists and has been hit by China's lacklustre recovery

©Getty Images

Emerging markets (EMs) are on course for another disappointing year. The MSCI EM index lost a fifth in 2022 in dollar terms. It regained 4.9% in the first six months of this year, but that is still well short of the 15% average rise across developed markets in the same period. On a price/earnings (p/e) ratio of 13.6 (compared with 20.3 across developed markets) EMs are undoubtedly cheap. So could we be due a rally?

A decade of disappointment

EMs' discount to developed-world stocks has not been this large since they suffered a series of currency crises in the 1990s, says John Authers on Bloomberg. "Buying EM stocks worked out brilliantly the last time they were this cheap": the new millennium ushered in a "potent" bull market fuelled by China's "voracious appetite for commodities". Yet the boom ended after the global financial crisis and since then "the story has been of unremitting underperformance".

Worse for investors seeking diversification, EMs have acted as a mere "geared play on the developed world", mirroring (and exaggerating) the direction of the US stockmarket on the way up, and the way down. EMs typically beat developed markets in "up-years" because easy money pushes investors to seek returns in riskier corners of the world, says Geoff Dennis on BQ Prime. Yet that pattern has failed to hold this year, with EMs lagging ebullient developed markets. That is partly because US interest rates are still rising, which allows US money managers to earn attractive returns at home. It is also because of China's lacklustre recovery: the country's equities account for 30% of the MSCI EM index and China is an important source of demand for other emerging economies.

The China factor has been overstated, says William Jackson for Capital Economics. Investors bet on a post-Covid shopping boom, but Chinese consumption has "low import intensity" (many goods are "made in China", after all). With the exception of a few tourism-dependent economies like Thailand, most emerging economies are encountering "relatively limited headwinds" from China's travails.

Indeed, most EMs have shown remarkable "resilience" during this global slowdown, says Ruchir Sharma in the Financial Times. "Back in the 1980s ... there were never fewer than 25 emerging nations in default... Today there are just five." Inflation is running at comparable rates to those in developed economies, the product of central banks that take inflation seriously. "The old notion that 'emerging' is another word for reckless no longer applies." With inflation coming under control, EM central banks should be able to start cutting rates sooner than developed ones, says a UBS note. That will boost stocks. US interest rates have yet to peak, but when they do that will also act as a catalyst for the asset class. "Valuations across [EM] equities... underprice improved fundamentals."

There is no guarantee that EMs "will soar over the next year", but in the long term they are "where the growth is", says James Glassman for Kiplinger. "In times of global instability, investors grow especially wary of emerging markets, which is exactly why I like them now."

Can Korea close the valuation gap?

South Korean shares account for 12% of the MSCI EM index. The local Kospi index has gained 13% so far this year. Foreign investors are piling into technology plays like Samsung and chipmaker SK Hynix amid enthusiasm for artificial-intelligence (AI) plays, say Song Jung-a and Christian Davies in the Financial Times.

Meanwhile, domestic investors have been buying up shares in local electric-vehicle battery specialists and the entertainment companies that manage Korea's popular K-pop exports. On a price-to-book (p/b) ratio of less than one, compared with two in Japan and four in the US, Korean shares are still cheap. Foreigners have long been wary of Asia's fourth-biggest economy, says The Economist. Weak shareholders' rights, "byzantine" ownership structures and repeated corporate scandals have caused a longstanding "Korea discount". Despite boasting a GDP per capita almost as high as Italy's and a $1.8trn stockmarket (the seventh-biggest globally by daily traded volumes), the country is still classified as an emerging market by index compiler MSCI. Seoul "thinks it is overdue a promotion" to the developed market index.

South Korean shares comprise 12% of the MSCI EM index

©Getty Images

The government has announced reforms to encourage more generous dividends and make it easier for foreigners to trade Korean stocks. Most significantly, "Korea has pledged to open up" its tightly controlled currency market. An upgrade would cause automatic buying of Korean assets by index funds, triggering up to $56bn of fresh inflows of overseas capital. Korea will have to wait a while yet, says Youkyung Lee on Bloomberg. MSCI again classified South Korea as an emerging market at last month's annual review. MSCI appears to be waiting until promised reforms are actually implemented.

Why we are losing Libor

Credit markets are adjusting to life without the London Interbank Offered Rate (Libor), the benchmark for lending markets since the 1980s, says Deutsche Bank. Whether you were a "business funding your expansion, an exporter protecting against... currency rate fluctuations, or a pension fund... Libor will have played a key role". At the peak, contracts worth $350trn used Libor as the main reference rate. Libor was compiled with quotes for short-term borrowing from a panel of London banks, says Joe Rennison in The New York Times. Because submissions "were not... linked to actual trading" the system was open to manipulation: "$10bn in fines was meted out across the financial industry" when accusations of rigging came to light after the 2008 crisis.

That set off a decade-long process to end the financial system's reliance on the "tarnished" benchmark. The last US dollar Libor fixing was set on 30 June. Laws have been passed so that Libor can be replaced in the US by the Secured Overnight Financing Rate (Sofr), based on actual transactions rather than quotes. In the UK a similar benchmark, the "sterling overnight index average" (SONIA), is replacing Libor. There were fears that the transition could generate turmoil in unexpected corners of the market, say John McCrank and Gertrude Chavez-Dreyfuss for Reuters. Thankfully, so far there has only been "crickets".

Will house prices fall further?

UK house prices fell at their fastest annual pace in 12 years last month, says Jemma Dempsey on the BBC. Lender Halifax reports that prices declined 2.6% in the year to June, the biggest fall since 2011. With inflation running at 8.7%, property values have lost 11.3% in real terms over the past 12 months, say Simon Lambert and Ed Magnus for This is Money.

Property values are sliding at their fastest annual pace in 12 years

©Alamy

However, a modest month-on-month decline (-0.1%) suggests a degree of resilience. Kim Kinnaird of Halifax says that the annual fall "largely reflects the impact of historically high house prices last summer – annual growth peaked at 12.5% in June 2022 – supported by the temporary stamp-duty cut".

House prices plummeted in the wake of last autumn's mini-Budget disaster, but they have actually risen by 1.5% in 2023, say Lambert and Magnus. Yet with average two-year fixed mortgage rates topping 6.6%, renewed "mayhem in the mortgage market" presages more price declines ahead.

Sustained mortgage rates above 6% would be likely to cause a 25% drop in house prices (almost 50% in real terms), say Andrew Wishart and Imogen Pattison of Capital Economics. "Two thirds of borrowers have not... refinanced since mortgage rates started to rise, so most of the effect" is yet to come. The worst hit will face 50% rises in their monthly mortgage payments, which is similar in scale to the increase experienced in the late 1980s.

However, if, as Capital Economics forecasts, the Bank of England starts to cut interest rates from summer next year, then the downside will be limited to 12% peak-to-trough (prices are already down 4%). In real terms that would still be a "20% correction", comparable to the 23% real-terms decrease between 2008 and 2010.

A puncture, not a crash

Given the scale of the rate spike, so far "the housing market has proved far more resilient than many gave it credit for," says Sam North of eToro. "The fall in house prices has resembled a slow puncture rather than a full-on crash". It is "hard to depict what is happening in the housing market as a bloodbath", agrees Ross Clark in The Spectator. Not for the first time, "predictions of deep gloom... have been followed by nothing more than stagnation". Who can blame people for betting on a market that the government has repeatedly stepped in to save "with some scheme or other" at the slightest sign of trouble?

Most fundamentally, prices are being supported by a chronic shortage of housing. Fewer than 200,000 new homes a year are being built even as net migration runs at 600,000. Britain doesn't "have the empty, unfinished housing estates that come with genuine market crashes, such as those in Spain and Ireland" post-2008. It will take much more than 5% Bank of England base rates to "unwind the great housing boom of the past 30 years".

Viewpoint

"[This year] stockmarkets... both in America and globally... have risen to within striking distance of all-time highs... Risky assets... have proved astonishingly resilient to seemingly disastrous news... Bitcoin – once an emblem of the cheap-money era... has proved indestructible. Anyone who bought it before 2021 and held on is once again sitting on a profit... Even sales of non-fungible tokens, records that represent pieces of digital media, were 70 times higher in 2022 than in 2020... the everything bubble... seems to have survived the return of inflation... asset valuations have become maddeningly hard to justify. America's stockmarket, where the earnings yield of the S&P 500 index [has fallen to] the Fed's risk-free rate, is the most audacious example... Time to bet on a correction? Tempting, but... everything bubbles can survive for an awfully long time."

Buttonwood, The Economist

■ Zimbabwean stocks leave global rivals standing

The Zimbabwean stockmarket has delivered a world-beating 800% rally this year, says Ray Ndlovu on Bloomberg. Yet the surge is not cause for celebration. Foreigners have largely abandoned the Harare bourse, which, with a market capitalisation of $1.8bn, is a minnow next to neighbouring South Africa's $1trn stockmarket. With annual inflation running at 175%, the stockmarket is one of the few places where locals can seek protection from a currency that loses value every day. The largest banknote is no longer "enough to pay for a single tomato". In a country where "the scars of hyperinflation run deep", market observers say the "furious rally" suggests locals are preparing for another bout of ruinous price rises.

BT's investors on hold

The telecoms giant is losing its CEO and could face a takeover bid. The political backdrop, moreover, is inauspicious. Matthew Partridge reports

On Monday the "telecoms sector's worst-kept secret" was made public when Philip Jansen, the CEO of BT, finally announced his departure after months of speculation, says Katie Prescott in The Times. While "rumours that he could not wait to jump ship" may have been exaggerated, "there are few companies that come with so much public pressure or that feel so much like a game of whack-a-mole". Jansen was "frequently frustrated by the constraints of the highly regulated, critical infrastructure business". He was recently forced to apologise by telecoms regulator Ofcom for saying that BT was "an unstoppable machine" whose network expansion would "end in tears" for some competitors.

Jansen "has been broken by one of the country's most cumbersome organisations", which still operates "like a forgotten government department", says Ben Marlow in The Telegraph. BT has also had to deal with the "massive cost" of the full-fibre and 5G investment programme, which has decimated free cash flow as well creating "a large debt pile that is getting more expensive to service". Throw in the "short-term outlook of income investors focused on the next financial quarter", and it's no surprise that BT's share price has fallen by a third since 2019.

The rumour mill is already speculating that Jansen's successor could be anyone from veteran Marc Allera, who runs BT's consumer division, to Olaf Swantee, the former boss of EE, says Mark Sweney in The Guardian. However, Jansen's departure and the poor recent share-price performance have "reignited the prospect of a potential takeover".

A poison pill

BT's largest shareholder, the French telecoms billionaire Patrick Drahi, has maintained he is "not interested" in buying the group. But Deutsche Telekom, which became the company's second-largest shareholder after gaining a 12% stake as part of the deal to take over EE, is said to believe that its "top tier" management can outshine BT's executives. Any potential suitor for BT might find that buying it is more difficult than it looks, says Lex in the Financial Times. The dire state of BT's pension fund may act as a "poison pill" to those circling the company. The fund's deficit has supposedly shrunk to £3bn from £4bn last summer. However, some believe that the "worst-case estimate" of what BT would owe pension-scheme trustees in a takeover could be as much as £12bn. What's more, any successor will face the same regulatory pressures.

©Getty Images

Philip Jansen's successor will face many headwinds

Even if BT doesn't face a takeover battle Jansen's "unlucky" successor "will inherit a company facing many headwinds", including "tough politics". BT's current strategy is based around "mass job layoffs" likely to prove "politically toxic", says Pierre Briançon on Breakingviews. What's more, around half BT's core network business is subject to price caps, and Labour intends to revert to a system of price rises based on costs rather than the consumer price index, which will trim revenue.

China's Ant slows to a crawl

Beijing has imposed more than $1bn in fines on technology giants Ant Group and Tencent Holdings owing to violations of consumer protection rules and anti-money laundering obligations, say Lulu Yilun Chen and Li Liu on Bloomberg. The news has boosted Chinese tech shares.

The move has been seen as "signalling an end to a crackdown on the sector that had wiped out billions in market value and derailed the world's biggest initial public offering". Not so fast, says Lex in the Financial Times. While the fines, in addition to talk of "normalised supervision", signals "that a three-year regulatory crackdown is drawing to an end", it is "much too late to put Ant and Alibaba back on a path to strong growth".

Ant's offer to buy back 7.6% of its shares values the company at only $78bn, compared with $300bn before the crackdown, while Alibaba trades at only 11 times forward earnings, "a small fraction" of global peers' valuations. This suggests that "global capital now sees Chinese regulatory risk as unpredictable and severe". Concerns about weak Chinese growth are also deterring potential investors.

Ant faces a "treacherous march ahead", says Robyn Mak on Breakingviews. It is now set to become a licensed financial holding company, which will "probably put it under the scrutiny of a recently created powerful watchdog, the National Financial Regulatory Administration". Already its "once-booming credit unit", has been "drastically curtailed", resulting in its profits falling by more than 50% last year.

And consumer confidence in China is dwindling. That "will further constrain growth for Ant, which has yet to navigate an economic downturn or a spike in defaults". Its $79bn valuation may prove optimistic as it implies a price/earnings (p/e) multiple of over 17 which is "well above" other Chinese tech firms' valuations.

A top-up for Southern Water

Asset manager Macquarie Group has decided to pump an extra £550m into Southern Water, says Hans van Leeuwen in the Asian Financial Review. Britain's debt-soaked utilities are grappling with soaring costs and mounting political pressure to revamp infrastructure. The equity investment will raise the total Macquarie-led investment in Southern Water to £1.7bn. It comes just two years after Macquarie bought a two-thirds stake in Southern.

Southern blamed above-inflation increases for energy, along with costs for the maintenance and upgrade of its network, for the top-up. It also cited higher funding costs even after "significant deleveraging". Southern recently had its debt downgraded by ratings agency Fitch, triggering a ban on paying dividends that will last until at least 2025.

Southern Water has a long history of problems, including being fined £90m in 2021 for dumping up to 21 billion litres of sewage between 2010 and 2015, says the Financial Times. But Macquarie is no stranger to controversy when it comes to water utilities in the UK. Its latest investment in Southern comes only six years after the Australian company sold its final stake in Thames Water.

The problems at Thames Water are "drawing attention" to Macquarie's stewardship of the utility, says Jonathan Bennett in The Observer. During the eleven years that a Macquerie-led consortium owned Thames, between 2006 and 2017, its debt ballooned from £3.4bn to £10.8bn, while it paid out £2.8bn in dividends. Macquerie argues that it helped Thames Water to invest more than £11bn in its network. But this high debt load has been blamed for "inadequate" investment, resulting in "regular leaks of raw sewage, polluting waterways [and] affecting farms and households. In the years after Macquerie left, the situation has worsened. Still, no matter how much people complain, Macquarie remains a "global heavyweight" in infrastructure funds, with "no obvious" competitor.

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

Four to buy

Rank Group
Shares
"Big changes are on the cards" for British gambling as the state prepares new legislation targeting problem gambling and online gaming. Rank, which operates Grosvenor Casinos and Mecca Bingo, stands to gain from the levelling of the playing field between virtual and physical casinos. The new rules may allow it to quadruple the number of gaming machines per venue and install more highly profitable bingo machines. The post-Covid recovery in gambling continues amid the slow return of overseas visitors to the UK. Shareholders may find themselves holding a royal flush. *90p*

Saga
Interactive Investor
This over-50s insurer and holiday operator has had a tough few years. Covid forced it to halt the dividend and investors' concern over the cost of living has also hurt the stock. On a forward price/earnings (p/e) ratio of 5.8, the shares are cheap, although that is partly explained by high debts taken on to pay for shiny new cruise ships. Yet those investments could prove wise. Saga has a strong reputation for customer service and its passengers will be insulated from much of the financial pain (they have typically paid off their mortgages already). *120p*

Solid State
The Mail on Sunday
Kit made by this electronics specialist is used in everything from military drones and tube trains to the robots working in Ocado's supermarket warehouses. The firm is moving into a higher gear thanks to the global trend towards automation, with sales and profits up by 48% and 50% respectively for the year to 31 March. It is muscling into the US, where green and industrial subsidies spell opportunity. *1,260p*

Whitbread
The Telegraph
Soaring demand for hotels is giving the Premier Inn-owner substantial pricing power. UK revenue per available room is up by 40% in the first quarter compared with the same period in 2019. Meanwhile, a rollout in Germany is also proving well-timed, with first-quarter sales more than doubling year on year. The "punchy" German expansion plans make the shares look "a long-term winner". *3,401p*

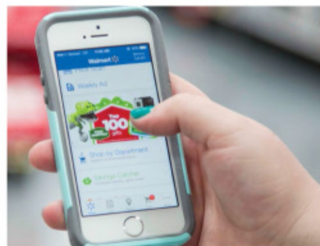
Two to sell

Currys
The Times
Shares in this electricals retailer have plunged to their lowest level in more than a decade. The firm is being "pillaged in the Nordics" as fierce competition weighs on a division comprising 40% of group sales. It is also losing market share in its home UK market. That has forced management into "cash preservation mode", scrapping the final dividend and cutting pension-scheme contributions. With the pandemic-era boom in technology spending over, the shares are best avoided. *48p*

De La Rue
Investors' Chronicle
Some analysts are tipping this banknote printer as a "small-cap recovery play". Recent

contract wins and growth potential in the authentication division are certainly positive. But that is offset by a gloomy earnings outlook – the firm made a £20m operating loss in the year to 25 March and management doesn't expect to turn a profit until the second half of 2024. De La Rue has "repeatedly disappointed shareholders over the last 12 months" and with net debt still rising, more "major problems" cannot be ruled out. *41p*

...and the rest



Barron's
Walmart, the world's largest retailer, is taking the fight to Amazon. It has doubled its global e-commerce business over the past three years, leveraging its physical presence across America to reach consumers close to home. Its size has also allowed it to bring in robots to automate distribution operations at a scale that few competitors can match, saving on labour costs. This emerging "retail tech titan" is starting to look like a winner. Buy *($158).*

Investors' Chronicle
International payments firm **Wise** is "one of the few firms actually benefiting from... interest-rate hikes", which allow it to turn a profit on dormant customer cash balances. The number of active customers increased by 34% in the year to 31 March, with two-thirds joining through word of mouth, the cheapest form of marketing. Given rising global migration, there is structural demand for its services. Buy *(613p).*

The Mail on Sunday
Online mental-health specialist **Kooth** has beaten more than 400 competitors to land a four-year deal with the state of California to provide "digital mental-health care to six million young people". This "ringing endorsement" could prove transformative as the group expands beyond existing contracts with the NHS. Keep buying *(334p).*

Shares
Shares in Dutch semiconductor equipment giant **ASML** have soared 27% this year as the artificial intelligence boom drives new demand for its unrivalled lithography machines. It is exposed to "several big technological themes", so keep buying *(€671).*

A German view

Canada's gold miner Dundee Precious Metals enjoys the cheapest production costs in the sector, says WirtschaftsWoche. It spent a mere $872 an ounce extracting gold from its two Bulgarian mines in the first quarter – 40% less than the sector's average. It earns $1,000 of cash flow from every ounce it produces in Bulgaria. Meanwhile, it owns promising reserves in Ecuador and Serbia. The latter boasts 63 grams of gold per tonne of ore; the sector's average is just over one gram. Dundee is debt-free and is sitting on cash of $473m. The market is currently valuing an ounce of its reserves at $172, compared with an industry average of $400, so the current dip in the share price is a buying opportunity.

IPO watch

Israel's Oddity Tech, an online retailer of beauty and wellness products (brands include IL MAKIAGE and SpoiledChild) is poised to float on America's Nasdaq exchange. It has priced its shares at $27-$30 each. At the top of the range the group would raise $315m and be worth $1.7bn. The group is hoping to "ride a tsunami of enthusiasm from investors for other beauty and skin-care stocks [that] have been lifted by the popularity of TikTok", according to The Information. Business is certainly booming: in the first quarter of 2023 Oddity achieved net income of $19.6m, up from $3m in the first three months of 2022, notes MarketWatch. Sales soared from $90.4m to $165.7m.

©Currys; Rank Group; Walmart

Keir Starmer: a safe pair of hands?

The Labour Party is on track to win the next election, but to what end? Emily Hohler reports

Labour has a huge lead in the polls and looks set to win the next election, but it's hard to judge whether this has more to do with the Tories' "implosion" or leader Keir Starmer's "detoxifying of Labour and turning them into a safe pair of hands", says Suzanne Moore in The Telegraph. What is certain is that Starmer "means to win" and to avoid frightening the horses – "any horse in the Red Wall, the Blue Wall, any wall, any animals at all" – lack of charisma seems to be the order of the day. The party is in a "centrist trance".

The shadow cabinet appears to be trying to "spike the Tories' guns by burying Labour's traditional tax-and-spend policies", says Caroline Wheeler in The Sunday Times. Shadow chancellor Rachel Reeves has said a Labour government would match Tory tax and spending plans and shadow health secretary Wes Streeting has refused to be specific on NHS spending. Starmer has said he does not want to increase income tax for top earners and will stick to a list of "smaller levies", such as cancelling VAT relief on private-school fees and fiddling with non-dom status. The tax burden is still predicted to "reach a post-war high of 38% of GDP by 2027-2028".

No. 1: stay boring

©Shutterstock

While it's tempting to think that "things have gone so badly they can only get better", unfortunately, this "shows a lack of imagination", says Martin Wolf in the Financial Times. "That things have gone badly is unquestionable." Average real weekly pay is the same today as it was in August 2007, before the global financial crisis hit. According to the Conference Board, GDP per employed person fell from 81% of US levels in 2007 to 68% in 2021, the "second-largest relative decline in the G7, ahead only of Italy". The average gross investment rate between 2010 and 2022 was 17.4% of GDP, the lowest in the G7, and gross national savings averaged 13.6%, again leaving us at the bottom of the pile. Inflation is running at 8.7% and interest rates are rising.

There will be no glimpse of stocking

"Put simply, Britain is both broken and broke," says Sherelle Jacobs in The Telegraph. Starmer must be "increasingly appalled by the unheroic narrowness of his options". However, he needs to do something, and it's easy to imagine his government becoming "more reckless with time", not least because a "powerful global consensus… has formed around the notion that inequality is harming growth". Bold state interventionism and "soaking the rich" will be tempting. The prospect of Starmer flashing a bit of "radical ankle" looks unlikely, says Moore. Labour has already watered down its most ambitious economic pledges, retreating from its offer of free childcare and sidestepping the issue of renationalisation at a time when 65% of the public support it. Starmer has U-turned on promises to abolish tuition fees, raise income tax for top earners, impose a levy on tech firms, end universal credit and block all new oil and gas developments in the North Sea, adds Aletha Adu in The Guardian. He has also rowed back on his flagship £28bn green prosperity fund.

The Labour Party's "sole appeal is its willingness to harness the power of the state to productive ends", but the danger is that a Labour government will be "too timid" to save Britain from its "downward spiral", says Aris Roussinos in UnHerd. As Britain allows its "wealth and resources to be looted by foreign investors" and its utilities to be "run by foreign states", the rest of the world is already "moving towards something approaching war economies". As the "global situation deteriorates, the decisions made in the next few Parliaments may be all that staves off collapse". "We might wish Labour were led by someone bolder, but for now Starmer is all there is."

Hunt: no more borrowing for pay

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Hunt tightens the purse strings

Chancellor Jeremy Hunt has ruled out extra borrowing to fund 6% public-sector pay rises for 2.5 million workers this year, ordering ministers to find £2bn-£3bn of savings from departmental spending cuts instead, says George Parker in the Financial Times. Independent pay-review bodies have recommended awards of around this level, well above the 3.5% proposed by the government: Hunt and Rishi Sunak are expected to make a final decision later this week.

The pair will also have to weigh up whether a 6% pay rise is "responsible in a high-inflation environment". Although ministers have previously warned that the private sector follows the state's lead, from March to May this year, private-sector pay growth hit a record high of 7.7%. Rejecting the recommendations would "heighten tensions" with public-sector workers, who have been "conducting a wave of strikes" in protest at last year's awards, and unions have warned that they will continue the strikes if the government does not accept the conclusions of the pay-review bodies.

Pay growth is one of the "key measures" used by the Bank of England to determine whether inflation is "becoming embedded", say Chris Price and Eir Nolsøe in The Times, and although pay still doesn't match the current 8.7% level of inflation – meaning that workers are effectively getting a pay cut in real terms – the data will fuel fears that inflation is becoming embedded in the economy through a wage-price spiral. In his Mansion House speech on Monday night, Hunt said that the government needed to make "responsible decisions" because more borrowing is "itself inflationary". And in the end, more inflation means more out of people's pay packets. Record pay growth in the UK suggests that inflation is "increasingly being driven by domestic economic factors rather than the external shocks of post-pandemic supply-chain chaos and the war in Ukraine".

Dutch PM quits over asylum

An immigration row has brought down Mark Rutte. Matthew Partridge reports

To "widespread surprise", Dutch prime minister Mark Rutte, widely regarded as a competent "scheming tactician", has announced the end of a political career that made him the second most senior national leader in the European Union and the longest-serving Dutch prime minister in history, says The Economist. He unexpectedly dissolved the government when his coalition partners rejected plans for tighter asylum rules that had been the subject of a months-long negotiation. Rutte said he will leave office after elections expected in November, and will stay on as a caretaker PM until then.

The prime minister's popularity has sunk to an all-time low

©Getty Images

A populist revolt

Part of the problem was Rutte himself – the PM was "increasingly seen as part of the problem rather than the solution to the government's political difficulties", says Eline Schaart in Politico. His "lack of openness, as well as his involvement in several controversies combined with a general loss of trust in politics", had seen his popularity sink to an all-time low. His government has also been a victim of the increasing polarisation within Holland over the immigration issue. Rutte has been under increasing pressure from the right wing of his own party to "take a tougher stance".

Rutte's coalition collapsed on his insistence on "draconian" new asylum rules, but this was far from the only flashpoint, says The Guardian. It was "already in serious trouble" after a big backlash against plans to cut livestock herds in order to meet nitrogen emissions targets.

The party continues

Those proposals "touched a nerve" in a country that is the second-biggest exporter of agricultural products by value behind the United States, and the result was the rise of the populist Farmer-Citizen party (BBB), which won the popular vote in provincial elections in March, gaining the most seats in the Dutch senate. The BBB currently leads in national polls, pushing Rutte's liberal-conservative VVD party into second place.

"He has resigned three times before. History shows that you write off 'Teflon Mark' at your peril"

There may yet be a comeback, says James Crisp in The Telegraph. Rutte has handed the Dutch king his resignation on three previous occasions, and he is likely to be mulling his next move. His party remains the largest in the Netherlands, and history shows that taking a "hard line on migration is a proven vote-winner". If the VVD "keeps its crown as the dominant political force in the Netherlands, or even shares it with the BBB", it will be in "pole position to form another coalition government". If the establishment parties form a "*cordon sanitaire*" against the new upstarts, as they did after March, Rutte may see his chance. "History has shown that you write off 'Teflon Mark' at your peril."

Turkey's U-turn on Sweden boosts Nato

Erdogan: a tactical about-face

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In a "major breakthrough" for Nato's push to strengthen its alliances, Turkey has agreed to support Sweden's bid for membership, says Bloomberg. The move is an "about-face" on Turkey's previous threat to veto Sweden's accession and comes "after months of arduous negotiations". Demands to explicitly link Swedish accession to Turkish membership of the EU were rebuffed, but Turkey won assurances on several "key demands", including Sweden's approach to supporters of Kurdish separatists, progress toward lifting defence-related sanctions, and negotiations over upgrading the customs union and on visa liberalisation. US president Joe Biden said Turkey's purchase of US F-16 fighter jets was also "in play".

Turkish president Recep Tayyip Erdogan's U-turn suggests he has calculated he could benefit from mending his sour relationships with the US and other Nato allies, say Ben Hubbard and Zolan Kanno-Youngs in The New York Times. It comes after hints that Erdogan may rethink his previous moves to occupy "a unique middle ground between Moscow and the West".

Signs of a more constructive attitude will be welcome in many capitals, but experts warn this could be more of a "tactical move" than a genuine "pivot", says the Financial Times. Turkey's dependence on Russian oil and gas imports, as well as the fact that economic ties between the two countries have deepened since Russia's invasion of Ukraine, means it is unlikely that Turkey will completely burn its bridges with Moscow. Turkey is also an "important actor" in Syria, a Russian ally, which will also keep the two countries close.

Betting on politics

US president Joe Biden's approval ratings seem to have fallen back a bit, leading to speculation that he may withdraw his bid for re-election. Despite this, punters on Smarkets think the odds of him appearing on the ballot of at least one presidential primary are 1.06 (94.3%). With £336,971 matched, they also have him as the strong favourite to win the Democratic nomination at 1.44 (69.4%), with Californian governor Gavin Newsom in second place, way out at 7.8 (12.8%).

I've previously said that either Biden or the current vice-president Kamala Harris will be the Democratic nominee, and I see no reason to change my mind, though don't bet more money if you've already taken my advice. Instead, the best betting opportunity at the moment is on Harris.

With £3,793 matched, Smarkets has her at 1.3 (76.9%) to be on the Democratic presidential ticket, either as the main candidate or as a running-mate; the odds of her not being on the ticket are at 2.16 (46.3%).

The overround – the extent to which the combined odds of all the betting outcomes are greater than 100% – is quite high, but it is still worth betting on her being on the ticket.

No vice-president has been dropped from the ticket of a president seeking re-election in nearly 50 years. Indeed, the last case of such a thing happening was in 1976, when president Gerald Ford selected Bob Dole as his running mate, a decision he later said he regretted. I don't think Biden will go down this route.

Similarly, if something prevents Biden from running again, I would expect Harris to step up and run for the nomination herself. In that case, she would almost certainly be able to exploit her time in the national spotlight to become the Democratic candidate.

Washington, DC

US inflation slows: The pace of rising consumer prices in the US slowed to 3% year on year in June from 4% in May, and to within a single percentage point of the Federal Reserve's 2% target, says Gwynn Guilford in The Wall Street Journal. Inflation, according to the consumer price index (CPI), is now rising at its slowest rate since March 2021, and well below the recent peak of 9.1% in June last year, as underlying price pressures have eased. Used-car prices and airline fares have fallen sharply, although services inflation is continuing to prove "sticky". "Core" consumer price inflation, which strips out volatile food and energy costs, fell from 5.3% in June to 4.8% last month, compared with a year earlier, and from 0.4% to 0.2% on a monthly basis.

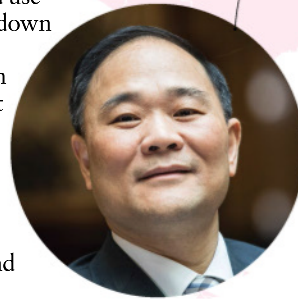
"Anyone who has ever tried to lose weight will tell you... the last inch is always the hardest to shift," says AJ Bell's Danni Hewson. Core inflation is "still too hot". That means Fed chief Jerome Powell (pictured) and his central bankers are "likely to err on the side of caution" and raise interest rates to a 22-year high at the end of July. Last month, they kept the benchmark federal funds rate in a 5%-5.25% range. "To backtrack now might do more harm than good." For those of us across the pond looking on enviously while contending with core inflation of 7.1% in the 12 months to May and mortgage rates at 15-year highs, there is a silver lining. "The pound has once again surged against the dollar and that improved purchasing power will bring down the price of imported goods." That in turn should "act as a cooling balm on our own overheated prices".

Redmond

Road clear for takeover: Microsoft, the owner of the Xbox video-games console, can own the popular *Call of Duty* franchise. And Sony's rival PlayStation console "will be just fine". That was the conclusion of a US court this week over the question that has prevented Microsoft from completing its $75bn takeover of games publisher Activision Blizzard, says Dan Gallagher in The Wall Street Journal. The Federal Trade Commission (FTC), the US competition watchdog, had sought an injunction to halt the megamerger. But the district judge correctly decided it would not be in Microsoft's interest to pull *Call of Duty* from other platforms (as Sony had feared), as the game's success relies on a wide player base, and Microsoft wouldn't be able to sell enough extra Xbox consoles to make up for the shortfall. The ruling "significantly strengthens Microsoft's hand" in Britain, where Microsoft is seeking to assuage the concerns of the FTC's British counterpart, the Competition and Markets Authority. And it's "another notable setback" for the FTC in its campaign to rein in big tech. Earlier this year, a judge rejected the FTC's request to block Meta Platform's $400m acquisition of virtual reality fitness app Within Unlimited.

Paris

Geely drives into Europe: "Some people collect cars. Chinese billionaire Eric Li Shufu (pictured), founder of Geely Auto, accumulates commercial relationships with foreign carmakers," says Lex in the Financial Times. On Tuesday, he added Renault to his list of partners, which already includes Mercedes, Lotus and Aston Martin. Geely and the French car giant have agreed to launch a joint venture to make hybrid powertrains and internal combustion engines. But the deal is about far more than car components. "It presages Geely's efforts to expand its electric vehicles [EVs] overseas." The joint venture, which will have headquarters in Britain, will target €15bn of annual sales, "not far from total Geely Auto Holdings revenues", and it will produce five million engines and transmissions a year. Geely will own half of the company via two of its subsidiaries, and Renault the rest. Saudi Aramco, the world's biggest oil and gas company, is considering a separate investment. Geely could use the sales boost. Its share price is down by a fifth in the past six months and operating margins have been falling for four years – the fallout from "a local price war… [that] has hurt sentiment". More broadly, Geely's "move into Europe… provides a vanguard for other Chinese [carmakers] keen to export China's new-found [EV] expertise overseas".



The way we live now... the meat that's meatier than meat

Breast or leg, anything is possible

©Upside Foods

"Within the past decade, cultivated [ie, laboratory-grown] meat has gone from science-fictional to hyper-expensive to market-ready, fuelled by billions of dollars of start-up spending," says Annie Lowrey in The Atlantic. Bar Crenn, for example, a Michelin-starred restaurant in San Francisco, now serves chicken raised by Californian start-up Upside Foods – raised, that is, by placing chicken cells derived from eggs in "a vat filled with a slurry of nutrients and amino acids". And it tastes, well, like chicken. But why stop there? Imagine being able to buy premium Wagyu beef as easily as cheap steak, or frozen shrimps with the sweetness of freshly caught langoustines. Imagine making a beef sandwich with prime rib or grilling duck thighs in Iberico pork fat, or how about dodo meat – or brontosaurus? Australia's Vow recently made meat from mammoth DNA and it is working on meat that is not a "faithful replica", but rather "an earthy, mushroom-esque, quail-based product unlike anything anyone has ever had before". It's time to open your mind, mouth and wallet to unicorn meat.

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Hatfield

Bargain bin: Marks & Spencer (M&S) is not happy with Ocado, says Isabella Fish in The Times. In 2019, M&S bought half of Ocado Retail, the online supermarket arm, in a deal potentially worth £750m, but now its shareholders are asking when they'll see "a proper return". Ocado was at least able to celebrate the opening on Monday of its first robotic warehouse in Asia, built for its Japanese partner Aeon. Ocado's market value is 80% off its February 2021 peak, but reports in June that Amazon was considering a bid for it have helped lift the shares by a third since then, says Karen Kwok on Breakingviews. Still, Ocado's CEO Tim Steiner "would have to be off his trolley to sell out now on the cheap". He should "orchestrate a breakup" instead. Ocado's "odd mixture" of groceries and warehouse tech makes it hard to value, but an implied forecast valuation of £7.5bn, including debt, could be too rich for Amazon. The fastest way to unlock that value would be to sell the low-margin grocery business to M&S, leaving Ocado in a stronger position should Amazon launch a bid.

Ocado should consider ditching the vans

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Seoul

Samsung stumbles: Samsung Electronics has warned that its operating profit probably fell by 96% to 600bn won (£360m) in the second quarter from a year earlier, as the chip glut continues to gouge "large losses" into the South Korean tech giant's "key business", say Joyce Lee and Heekyong Yang for Reuters. Detailed earnings figures will be released on 27 July. For the first three months of the year, Samsung had reported a "whopping" 4.6trn-won loss in its chips division owing to the falling price of memory chips used to store data on phones, computers and servers, as well as slashed inventory values.

Samsung is "having a horrible 2023 so far", says Robyn Mak on Breakingviews. Fortunately for investors, "the worst may [now] be over". Month-on-month declines in the price of memory chips look to be easing as production cuts put a floor under the market price and the rise of artificial intelligence (AI) is driving renewed demand. Meanwhile, Samsung's smartphones unit should gain a fillip from the upcoming release of its new foldable handset, which has been brought forward, while its display-panels division will get a boost from its customer Apple's next iPhones. They are due out later this year. The shares, having risen by around a quarter since the start of the year, trade on 24 times forecast earnings for the next 12 months, compared with their five-year average of 12 times. "That suggests investors are already looking towards a brighter second half of 2023."

Johannesburg

Chang reeled in: South Africa has handed over Mozambique's former finance minister Manuel Chang (pictured) to the US to face trial over the "tuna bonds" scandal. Chang, who has been in prison since 2018, was in charge of Mozambique's finances when the country guaranteed $2.2bn in loans by three newly established companies, much of it "without the knowledge or approval of the country's parliament", say Nomsa Maseko and Natasha Booty for BBC News. The money was allegedly used to buy, among other things, a large tuna factory, and in 2016, the government swapped some of the debt for a conventional, state-issued, bond. The full scale of the borrowing was revealed shortly afterwards, triggering an economic crisis. Mozambique's currency, the metical, lost a third of its value, inflation surged and foreign investors fled. Mozambique also defaulted on its sovereign debt, and $500m of the $2.2bn remains unaccounted for, says Joseph Cotterill in the Financial Times. "The fallout led to a $475m fine for Credit Suisse, the arranger of the debt, and ongoing litigation in London." Chang's extradition to the US could embarrass president Filipe Nyusi's governing Frelimo party, which had unsuccessfully tried to have Chang extradited back to Mozambique.

Singapore

Tough times for Temasek: Singapore's S$382bn (£221bn) state-owned investment company Temasek posted a total shareholder return of -5.07% for the year to the end of March – its worst showing in seven years, say David Ramli and Low De Wei on Bloomberg. Slumps in the technology, life sciences and payments sectors, brought about by geopolitical tensions, China's economic slowdown and rising interest rates, accounted for most of the S$7bn in unrealised net losses. Temasek's net portfolio value had stood at S$403bn a year earlier. Since then, it has written down its investments, including the entirety of its $275m stake in FTX after the cryptocurrency exchange collapsed last November. Temasek's losses pose a headache for the Singaporean government, which relies on its returns, along with those from GIC and the Monetary Authority of Singapore, for significant contributions to its budget, which is in deficit. Investments in Singapore continue to make up the biggest portion of Temasek's portfolio for the second year running, up one percentage point to 28%, while investments in China remain unchanged at 22%. Meanwhile, its venture arm, Vertex Venture Holdings, has raised $900m in the first fundraising round for its latest fund, the Master Fund III.

The dirty reality behind clean energy

Our ethereal digital world and the green-energy transition both still rely on digging tons of stuff out of the ground. That represents a geopolitical opportunity for China. Simon Wilson reports

What's happened?

China announced last week that it is introducing tough new restrictions on the export of two rare metals – gallium and germanium – used in the manufacture of semiconductors, electric vehicles (EVs) and fibre-optic cables. The move was seen as a warning shot to the US – and there could soon be more where that came from, according to an influential trade policy adviser, Wei Jianguo. The former government minister told the China Daily newspaper that if countries continue to pressure China – by implementing controls on semiconductor exports, for example – they should expect more such curbs, describing the new controls as a "heavy punch" that is "just a start". China controls 98% of global gallium production, according to the Financial Times, and 68% of germanium. The two metals are among dozens classified by the US as vital to its own economic and national security.

Xi exerts power for commercial as well as military advantage

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Can't they be got elsewhere?

That's possible, but it will take time, says economist Noah Smith on his Substack blog. This is a capital-intensive, low-margin business that most nations were happy to outsource to China. The new curbs are a major wake-up call that will concentrate minds and speed up the "rapid reshoring of critical supply-chain bottlenecks". A second, less well-publicised move by China is its restrictions on exports of graphite to Sweden, aimed at starving Northvolt – one of the best battery makers outside China – of a crucial input. What this shows, says Smith, is that, "unlike the US, Xi's China uses export controls not just to maintain or gain a military edge, but to gain a purely commercial edge for domestic companies". Together, these curbs will speed up the decoupling of China from the US and other Western economies – and reignite the debate about how to prepare for a world in which access to such minerals will be a principal factor in geostrategic competition.

Why will it?

Because achieving the energy transition from fossil-fuels to net zero, and securing supplies of crucial inputs in high-tech sectors, will demand far greater quantities of lithium, nickel and other minerals that the world is currently on track to produce. As Ed Conway explores in detail in his new book *Material World*, human progress in the digital age will still ultimately require getting hold of the right rocks and transforming them into tools or fuels. The book is full of illuminating examples of how apparently advanced technologies depend on pretty basic building blocks: sand (for concrete), salt (fertiliser), iron (steel), copper (electrical wires) and oil. It shows how advanced technologies come to rely on highly specialised mines, factories or laboratories – creating choke points in modern capitalism, with the potential to cause disruption, inflation and recession. Conway's point is that the digital ("ethereal") world is a comforting fiction: the real economy still depends on digging stuff out of the ground. His last example is lithium, a part of the batteries in EVs.

How much stuff is needed?

The amount of expensive metal that needs to be mined for EV batteries (including nickel, manganese, and cobalt, as well as lithium) is massive: according to Benchmark Mineral Intelligence, in the next decade alone, critical shortages will necessitate some 330 new mines, even assuming a big leap forward in recycling. That includes 59 new lithium mines, more than tripling the number in existence today. By 2040, in order to hit the Glasgow Declaration target on EVs, the analysis firm calculated last year that seven million tonnes of lithium will be needed annually. That's 17 times more than was produced in 2021. When it comes to nickel, the International Energy Agency calculates that 80 million tonnes is needed by 2040 to meet net-zero commitments. That's more nickel than has ever been mined, and is not far off the global unmined reserves of 100 million tonnes, as measured by the US Geological Survey.

"In the next decade alone, we will need 330 new mines"

What needs to happen?

There's a truism among resource economists that "new demand creates new reserves, as price signals spur exploration and innovation", says The Economist. But it would be unwise to assume that mechanism will always work, or that it will work fast enough. But in the case of nickel, there's potentially good news. The world's current biggest supplier is Indonesia, where mining firms are busily tearing down forests to get at the ore underneath – an undesirable and unsustainable state of affairs. Instead, the future may lie on the Pacific Ocean seabed. A vast area of the ocean called the Clarion-Clipperton Zone – stretching for thousands of miles west of Mexico and south of Hawaii – is dotted with trillions of potato-sized lumps of nickel, cobalt, manganese and copper. The hope is that they can be "mined" fairly easily, yielding up to 340 million tonnes of nickel – though there may still be an environmental impact.

What else can be done?

The looming minerals crunch can't be left to businesses and markets to grapple with, says ex-White House economics adviser Jennifer Harris in the FT. These issues require global solutions, co-ordinated by governments. America's recent critical minerals deals with Japan, and soon Europe, are a "promising opening". But those bilateral deals need to evolve into a "new critical minerals pact" involving exporters as well as net importers. As part of such a pact, the US and other net importers could offer long-term purchase agreements and price insurance aimed at encouraging investment in volatile markets, tariff reductions, and "concessional financing and access to technology" – all contingent on stronger labour and environmental standards. Members of the pact would co-operate, too, on innovation and recycling. All this may sound unlikely and idealistic. But in fact the "history of essential commodities, especially those pertaining to energy, is heavily arbitrated by governments". Time to crack on with it.

Three reforms to boost the City

Jeremy Hunt's tweaks to the rules don't go nearly far enough

Matthew Lynn
City columnist

Some tweaks to the rules on pensions. Removing some EU rules on broker research. And a relaxation of "prospectus" rules. In the end, chancellor Jeremy Hunt's Mansion House speech on Monday evening did not quite live up to its billing as a major loosening of the red tape holding back the City. If he wants to revive the UK's financial sector, he needed to be a lot more radical.

If there was ever a year to make big changes to the way the City works, then this was surely it. The number of quoted companies has been falling for years, but the decline has started to accelerate, and now a series of major businesses have relocated to New York to take advantage of easier rules and higher valuations. Even Paris has overtaken London as Europe's most valuable bourse (admittedly helped by the huge success of LVMH, the luxury goods empire). And rampant inflation means the Bank of England is losing credibility. It would have been a good moment to set out a vision of how the City can grow again.

That wasn't what we got. Instead, there were some useful but minor changes. EU rules on the way that investment banks are allowed to charge for research will make it easier for them to provide analysis of companies, and if there is more information, then more investment should follow. The rules on pensions will be tweaked so that more money can be put into infrastructure projects, private equity and venture capital, which will boost investment into the UK (although we will have to cross our fingers and hope that does not blow up spectacularly). And the documents you have to issue when listing new shares will be slightly reduced, which might encourage a few more new businesses to come to the market. It is a very thin set of reforms that won't make much of a difference either way.

Hunt: he's being far too modest

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It certainly does not measure up to the scale of the challenges that the City faces. The number of quoted companies has fallen by 44% over the last 20 years as most decide it is not worth the hassle of selling shares to the public. There has been a steady stream of companies relisting in New York because there is so little incentive left to remain in the UK. There is also clearly a steady drift towards European cities, and it is not realistic to expect London to remain the main financial hub for the EU for much longer. Hunt should be going much further.

First, repeal 30 years of cumbersome "corporate governance" laws. We have built up a complex series of rules that micromanage how a quoted company should be run. Everything from executives' pay to board appointments has its own set of rules. And yet there is zero evidence that any of it has made British business more profitable, more productive or more innovative. All it has done is deter companies from listing at all, and encouraged others to leave the market. We could simply scrap it all for a straightforward audit and a warning to investors to be cautious.

Let banks keep their profits

Next, repeal the windfall taxes on banks. Even better, pledge there will be no fresh taxes on the sector for at least the next five years. You can hardly build a global financial centre attracting the best talent in the world if you also insist on confiscating any money it might make. If London was the only major centre where you could rely on keeping any profits you make, at least subject to standard corporation tax, that would be a big incentive to locate here.

Finally, turn the ailing Canary Wharf into a five-year tax-free investment zone for firms and employees moving from the EU. With the City contracting, and hybrid working becoming the norm, banks and law firms don't need nearly as much office space as they used to. HSBC has already said it will leave its tower in Docklands and move to a smaller office. If we are not careful the City's eastern outpost may turn into a desolate wasteland. Poaching some firms from the EU could revive it.

The City badly needs to revive itself if it is to remain a world-leading financial centre. And the UK needs a growing banking and asset-management industry if it's economy is to have any hope of expanding again. There should be plenty of space for that. Over the last 15 years since the financial crash the industry has been so overregulated that it has been suffocated. It would take only a very minor loosening of the rules for it to start expanding again, creating jobs and wealth in the process. But the UK needs to be a lot bolder.

City talk

● Shares in airline and tour operator Jet2 dropped 10% after executive chair Philip Meeson announced his retirement, says Alistair Osborne in The Times. Some investors may fear that Meeson will sell his 18% stake, valued at around £440m. "Yet a bigger reason is that the man who built the business so successfully over 40 years is stepping down from the cockpit." Back in 1983, Meeson bought a tiny company called Channel Express, which flew flowers from the Channel Islands. Four decades later, it's Britain's biggest package holiday group, and its market value has risen from £12m when it listed in 1988 to £2.4bn. For that performance, Meeson, a former aerobatics champion, "deserves a victory roll".

● "Currys has a cyclical problem and a secular challenge," says Lex in the Financial Times. The retailer's immediate issue is that the cost-of-living crisis is hitting discretionary spending. That was the explanation for a 6% fall in full-year revenue and a 38% fall in adjusted profit before tax, leading to CEO Alex Baldock's decision to ditch the final dividend to save cash. However, the longer-term issue is a permanent shift in its market. "Consumers are increasingly buying vacuum cleaners and the like from online-only stores with rock-bottom prices Currys cannot match." Baldock has promised to add some ballast to profits by selling more warranties and credit, and it's true that credit as a proportion of sales has reached almost 18%. Yet the shares are no bargain at seven times forecast earnings. The pessimistic view is that Currys is in managed decline and thus boosting the sale of add-ons can only be a "stop-gap measure".

● Take a look at strong results from H&T and Begbies Traynor for evidence of the trouble that consumers and businesses are in, says Russ Mould of broker AJ Bell. Pawnbroker H&T "has been doing incredibly well over the past year or so". People who turn to pawnbrokers typically can't get credit from banks, so record demand for its services suggests times are hard. Corporate restructuring specialist Begbies Traynor also tends to thrive in gloomy conditions: it sees increased work in insolvencies as interest rates rise. "Many companies have reached a tipping point where they cannot generate enough cash to service borrowings and so they have no choice but to fold."

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The real lost decade

The slow recovery of the Japanese market shows turnarounds take time. UK investors should take note

Cris Sholto Heaton
Investment columnist

Landing in the UK this week after a fortnight in Japan, I can't be the first traveller to feel that you would struggle to guess which country had suffered a lost decade. There are plenty of issues with the Japanese economy: nobody should be in any doubt about its many shortcomings, such as the entrenched sexism that diminishes the contribution of half its population. But at least the government never succumbed to self-defeating austerity as an excuse to stop investing.

Take the impressive Shinkansen train network – extensive, comfortable, frequent, fairly priced and not full to bursting. It puts Britain's endless squabbling and penny-pinching over HS2 to shame. Train stations that employ both modern technology and helpful staff also contrast with the UK's latest plan to close ticket offices. You could pick many comparisons, and it's important to stress that not everything works well. Yet I think it's fair to say that Japan has retained a) a desire to invest and b) a belief that spare capacity creates a more pleasant and robust system than efficiency. Britain has taken a very different route since 2010.

A slow change in perceptions

The relevance for investors is that Japan's willingness to invest throughout the balance sheet recession (see right) left it with a good footing for recovery – put simply, things work. And over the past decade, trends in the stockmarket have been helpful: corporate governance has improved, company fundamentals have got better, valuations have (hopefully) bottomed. Official unemployment has always been low, but this disguised weaknesses in the labour market (eg, high-levels of part-time work). However, true conditions seem tighter these days, which could bode well for wage rises.

Japan has kept investing in high-speed trains

Yet recent headlines about stocks hitting their highest levels since the bubble gloss over the fact that this has been a long grind with many setbacks along the way. The Topix is up by 200% since it started rallying in late 2012 – but it was just two years ago that it convincingly broke above the level of 2007. After past disappointments, it's hard to find people who seem completely confident that this time is different.

Now contrast this with the UK. Make the bear case as harshly as you can. A market that has made little progress since 2008 and is being steadily hollowed out. Decaying infrastructure and services. Terrible governance by a gaggle of vicious clowns, soon to be replaced by a gaggle of dispiriting middle-managers (see page 10). A horrendous, dysfunctional property market. Yes, UK stocks look cheap, but markets can remain cheap for a long time unless investors find reason to change their views. Investing is about both valuations and catalysts. It's taken a long time for catalysts to (apparently) deliver in Japan. What can we point to for the UK? Right now, not much.

I wish I knew what an intangible asset was, but I'm too embarrassed to ask

An intangible asset is anything that a company owns that isn't physical. Decades ago, the majority of assets were either buildings and machinery – often referred to as plant, property and equipment (PPE) – or financial assets such as cash or securities. These are known as tangible assets. However, over time, intangibles have grown to become a greater proportion of assets for many firms. In some sectors, intangible assets may now be a far more significant part of a company's value than tangible assets, even though much of this may not be fully reflected in its accounts.

Valuable (and sellable) intangible assets include intellectual property, such as patents, copyrights and trademarked brands. Since the money that a firm spends on creating and maintaining these assets is usually classed as an expense for accounting purposes, the cumulative value of these outgoings is generally not recorded in the balance sheet (let alone any additional value created over and above the initial outlay). This differs from capital expenditure on physical assets, which will be recorded.

Often, the only time most intangibles will be measured is as goodwill in an acquisition. When one company buys another, it will typically pay a premium to the estimated fair value of its target – fair value will be an adjusted version of the value of a company's assets minus its liabilities. Goodwill is the difference between the acquired company's fair value and the price paid.

In theory, goodwill is the estimated value of intellectual property, as well as any value placed on a skilled workforce or loyal customers. The real value of these intangibles may be difficult to measure – and buyers often pay too much. So goodwill may be a bad guide to what the assets are worth. The value of goodwill must be reviewed each year and reduced if necessary. It is not increased even if the assets are now worth more.

Guru watch

Richard Koo, chief economist, Nomura Research Institute

China is facing a similar problem to post-bubble Japan and will need to act firmly to avoid the same mistakes that led to the latter's lost decade, says Richard Koo, the economist best known for his 2008 book *The Holy Grail of Macro-economics: Lessons from Japan's Great Recession*.

After Japan's bubble burst in the 1990s, households and companies focused on paying down loans and increasing savings – and they continued doing this regardless of how low interest rates became. "That's the right thing to do at the individual level," Koo tells Bloomberg. But when everybody is doing so at the same time, that acts as a drag on growth. "If someone is saving money or paying down debt, you need someone else to borrow and spend that money to keep the economy going."

The result is that an overhang of debt from an asset bubble can weigh on growth for years – a problem that Koo calls a "balance-sheet recession". To prevent the deflationary spiral seen Japan, governments need to boost public spending to offset the fall in demand caused by the private sector deleveraging, he argues. The 2008 financial crisis shows that: the US ultimately adopted fiscal stimulus and emerged from the recession relatively fast, while Europe didn't and "fell into a really serious balance-sheet recession… that lasted for almost 10 years".

In China, companies are reducing borrowing and paying down debt, so the central government needs to step in to counteract that, says Koo. Since real estate is the immediate centre of the crisis and construction is about 26% of GDP, part of the stimulus should involve taking on and finishing stalled projects. Still, data suggests that firms began to cut borrowing even before the real-estate bubble burst. So getting back to robust growth will also require identifying and tackling the issues that are making firms reluctant to invest, such as the flurry of regulatory crackdowns in recent years.

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BoE calls time on happy hour

Will Dunn
The New Statesman

Bank of England governor Andrew Bailey has rightly incurred the public's wrath, but his predecessors, Mark Carney (2013 to 2020) and Mervyn King (2003 to 2013), have "questions to answer as well", says Will Dunn. Real incomes have stood still since the 2008 financial crisis. King has been accused of failing to see the preceding asset bubble as a problem, or to realise that the US credit crunch would spread to the UK, or to regulate the banking activity that led to bailouts. The Bank also followed the US example and kept debt "unrealistically cheap" with near-zero interest rates and quantitative easing (QE). Welcoming Carney in 2013, George Osborne declared that "active monetary policy", not government, was key to stimulating the economy. For the Tories, this meant asset-owning classes avoided the "pain of austerity" as their homes soared in value. Instead of removing the "punch-bowl", Carney served up more QE, fearful of being blamed for a recession post-Brexit. The same happened during Covid. For 14 years, the "financial sedation" continued, inequality rose and mortgage holders became more leveraged. We may resent Bailey for administering cold water, but "it was his predecessors who served the cocktails".

Moscow shrugs off sanctions

Wolfgang Munchau
Unherd

As a rule, forecasts tend to be too optimistic, but the "one thing that is running better than expected is the Russian economy, with the country's GDP growth currently outperforming Germany's", says Wolfgang Munchau. Last year Russia's GDP dropped 2%; this year Moscow expects it will grow by 2%. The "aggregate effect" of the largest sanctions ever imposed has been a "minor and short-lived recession". Russia has "succeeded in realigning its economy" with the help of "massive leaks through Central Asian republics, and with the assistance of China and India". It has been helped by a war "boom" (as happened in the US and the UK during World War II) and a rise in real wages (inflation has fallen to under 5% from a peak of 14% last year). The idea behind sanctions was to make Russians worse off, so that Putin would "lose domestic support". Instead, private consumption is back at 2021 levels and the draft has led to "acute labour shortages". Russia's "biggest vulnerability" is liquidity – it expects a budget deficit of 2% this year – but Putin will not run out of money since a total oil and gas embargo is unlikely. In the light of all this, it is worth asking: do our policymakers "know what they are doing"?

A cure for Treasury Brain

Emma Duncan
The Times

The water companies' failure to invest is scandalous, but there is a similar lack of investment from transport to the NHS, says Emma Duncan. Across the OECD club of rich countries, government investment averages 3.7% of GDP; in Britain it averages 2.5%. This "gums up the economy". Poor infrastructure leads to lower productivity, chronic sickness keeps people out of the workforce, and a lack of affordable housing makes it harder for workers to move. UK government investment is also far more volatile than elsewhere because when our government is short of cash, it tends to cut capital spending. That's "daft. The need to invest for the future is greatest when the economy is weak. But politically, it's easier to cut capital than current spending" (a "disease known as 'Treasury Brain'"). It may be that "we've turned into a particularly jam-today sort of society"; or that our political system encourages parties to think no further than the next election. Failing a switch to proportional representation, our next government could create an economics ministry to counterbalance Treasury Brain and legally bind itself to an investment target "to protect it from easy cuts. Doing so would make life harder for politicians but better for the rest of us."

Metaverse was just "PR fluff"

Kate Wagner
The Nation

Last year, major architects such as Zaha Hadid Architects and the Bjarke Ingels Group, were queuing up to "build" in Mark Zuckerberg's Metaverse, says Kate Wagner. The only problem was that, despite consultancy McKinsey's claims that the Metaverse would be worth $5trn to businesses, it turned out to be worthless. The "sheer scale of the hype" emerged in an Insider article in May, which revealed that Metaverse's largest platform, Decentraland, had only 38 active daily users while its flagship product produced just $470 in global revenue. Zuckerberg put it "to bed" the same month. In a way it makes sense that "what is in reality a highly stratified capitalist enterprise" is more likely to latch onto a press release from McKinsey or Meta than trends bubbling in music or fashion. To be fair, virtual reality is a useful tool for architects to convey ideas. But it's also possible that their interest was cynical: the sector has increasingly gravitated towards attention-seeking "PR fluff". The fact is, tech "does not like architecture or the arts. It profits off them, but... is openly hostile toward the creative process", and will not stop until all of its labours are "overseen by its middlemen". The sooner architecture realises this, the better off the field will be.

Money talks

"When *Dynasty* started, I was in economy [class] with my husband, Ron [Kass], and my daughter, Katy, who was eight. We were flying back to London and somebody sneered: 'Alexis Colby in steerage! How can you do that?' At that point I said: 'Right, that's it. We're not economising any more.' I figure I deserve the lifestyle that I work for."
Actor Joan Collins (pictured), who says she still needs to work at the age of 90, quoted in The Times

"My wealth has come from a combination of living in America, some lucky genes, and compound interest."
Warren Buffett, quoted on The Motley Fool

"Some observers may liken the battle between Musk and Zuckerberg to the war between Iran and Iraq where Henry Kissinger remarked that it was unfortunate that one side had to win. In this case, however, competition may be precisely what is needed to improve social media, which like it or not is here to stay."
The Credit Strategist blog. Facebook's Mark Zuckerberg has launched a rival to Elon Musk's Twitter

"I don't know what possessed me to do *I'm a Celebrity... Get Me Out of Here!*... I was rumoured to have been the highest-paid contestant ever, but if I'd known what I'd go through I'd have charged double."
Former pop star Boy George, quoted in The Observer

"Orchestras are having to hire up to two extra staff to navigate all the new rules and bureaucracy, which now is the equivalent of organising a tour to Asia – all for a place on our doorstep."
Hanna Madalska-Gayer of the Association of British Orchestras, on the impact of leaving the European single market, quoted in The Sunday Times

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Britain's migrant Ponzi scheme

Johnson: broken promises

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edwest.co.uk

The New Conservatives, a group of Tory MPs, proposes cutting net migration from its current 606,000 to 240,000 by 2024. That may make sense politically, says Ed West: public concern over immigration tends to track migration numbers. But it's hardly "wildly radical". It is just what Boris Johnson promised in his 2019 manifesto and is some way off the "tens of thousands" promised by David Cameron. Johnson U-turned on all his migration promises.

Indeed, despite "continual promises to cut numbers", more people came to Britain over the first 12 years of Tory rule than arrived under Labour between 1997 and 2010. The Office for National Statistics forecasts another 5.6 million will arrive over the next decade, while 3.4 million leave. Yet despite these numbers, various business leaders are calling for even more. It is needed, it is argued, to boost the economy.

Does it? The "unprecedented migration" of the Blair years benefited the overall economy, at least in the short term, but it also helped create a society that was more stratified and less cohesive. It raised the cost of housing and had a negative impact on the living standards of those working in certain jobs.

The trouble is that we're now "addicted" to the short-term solution of importing people to solve short-term economic problems. That is not sustainable. The biggest underlying problem with our economy, for example, is the ageing population, which leads some commentators to claim immigration is the answer. But how much would be enough to cure the problem?

No one will say because the numbers needed to maintain the dependency ratio are almost comically astronomical. At the turn of the century, the UN calculated that maintaining the ratio would require 700 million immigrants to the EU between 1995 and 2050 – a total that would "transform the continent and almost certainly lead to social unrest". But even then, the need wouldn't subside because immigrants age and need care and pensions too. "This is not an economic policy – it's a Ponzi scheme."

Paying more British workers to work as care staff or in other roles would be "expensive and painful, and perhaps we simply cannot afford it", but deferring the pain with cheap foreign labour is "surely only going to make the withdrawal more painful" and will not necessarily lead to happier outcomes.

The result is an "understandable sense of betrayal" among Tory voters. So many opted for the Tory party for the first time in 2019 on the understanding that numbers would come down. The government "simply lied".

AI will create more jobs

ben-evans.com

There's little doubt that the rise of artificial intelligence (AI) represents a generational change in what we can do with software and what tasks can be automated, says Benedict Evans. And the change is happening rapidly, causing anxiety about the future of work. But what is forgotten at times like these is that "automation means jobs". Humanity has been automating work for 200 years, and every time there is a new wave of automation, whole classes of jobs go away, but new classes of jobs get created too. There is "frictional pain and dislocation" in that process, of course, and sometimes the new jobs go to different people. But, over time, the total number of jobs does not go down, and the end result is that we have all become more prosperous. If it becomes cheaper to use a machine to make shoes, say, then the shoes become cheaper, more people can buy shoes, they have more money to spend on other things, they discover new things they need or want, and hence new jobs get created to fulfil them. Increased efficiency needn't lead to less work either. When typewriters were introduced, the clerks who had previously laboured with their pens were in even more demand because employers could now do more with them. So "don't worry about AI". All we're doing is "moving up the scale of human capability".

The joy of an allotment

littletoller.co.uk

At the height of the Covid crisis, Oxford's allotments were full for the first time in decades, says JC Niala. Sites without waiting lists since the 1960s now had one. This is not a surprise. From the Dig for Victory campaigns of World War II to the oil-induced inflation of the 1970s, national crisis has always seen a growth in the appeal of growing your own food.

But it's not just about food. Allotments are "a different kind of place in which different values prevail", as David

Different values are also grown

©Getty Images

Crouch and Colin Ward put it in *The Allotment*. They are also an escape from the drudgery of everyday life, and an opportunity to experience connection with a community and to build your own utopia. Where else can you rent land in the city for as little as £8 a year?

If the waiting list at your local allotment is long, don't despair. Section 8 of the Allotment Act gives every citizen the legal right to demand an allotment from their local council, providing you can find five other people from different households to join you. *Vive la revolution!*

Banning roads won't save us

samdumitriu.com

The A428 connecting St Neots to Cambridge is a major bottleneck to growth in the city, says Sam Dumitriu. Cambridge has created jobs at a faster rate than homes, but commuters often hit a nine-mile stretch of single carriageway to find it jammed by traffic or accidents. A proposal to upgrade the road has been stuck since 2003 and still isn't expected to deliver until 2026.

Why? The vast majority of residents are in favour and road-building would not threaten any endangered species. But building has been held up by a campaign group that argues that building new roads increases traffic and hence carbon emissions. In Wales, campaigning isn't even necessary since new roads can only go ahead if they meet strict environmental criteria. All major road-building projects in Wales have been scrapped as a result.

The truth is that even a complete halt to road-building would not cut emissions by all that much. But the cost in terms of lost jobs is great. Speeding up the rollout of better, cleaner and cheaper electric cars, and decarbonising the grid, are better ways to reach net zero.

Bling's the thing: invest in lucrative luxury goods

A rapidly expanding global middle class and an emphasis on exclusivity are powering growth in the sector. The long-term outlook is compelling. Matthew Partridge explains how to profit

Over the past 15 years, many of us have seen our incomes squeezed by recessions, a pandemic and inflation. So you might expect the demand for luxury goods to have fallen. But the sector is thriving. Ben Laidler, global markets strategist at investment platform eToro, notes that according to consultants Bain, the value of the personal luxury-goods market – beauty products, watches, jewellery and shoes – has almost tripled from €122bn to €354bn since 2002.

The trend has been a boon for the producers of these items and their investors. Jamie Ross, portfolio manager of Henderson EuroTrust, notes that if you'd invested in luxury conglomerates such as LVMH a decade ago, you would "have received annual returns of around 25%". Fortunately, it's not too late to jump in, as the sector still has ample room for growth.

Perhaps the main reason the sector has shrugged off the financial crisis and the pandemic in the past 20 years has been "the consistent growth in both the number and level of wealth of the world's wealthiest people", says Aidan Neill, co-founder of media agency Mediabridge Global. The number of millionaires is expected to reach 87 million by 2026.

Part of this is due to the "stellar" asset market returns of the past 15 years. The upswing has disproportionately benefited the wealthy, who "are more likely to get their income from investments in equities, bonds [and] real estate... rather than from salaries", says Neill. Meanwhile eToro's Laidler estimates that global household wealth has doubled in the past ten years, from $223trn to $463trn.

Thanks to a combination of rising demand and large amounts of liquidity sloshing around the system, parts of the luxury-goods market have been among the best-performing investments in recent years, notes Neill. This has "further fuelled demand" from people seeing them as an asset class in their own right. In the past ten years, rare whisky has returned 373% and vintage cars 185%. Fine wine and vintage watches have soared by 162% and 147% respectively.

The world's rapidly expanding middle

Wealthy and ultra-wealthy consumers are not the key drivers of the luxury boom, however. Luxury-market expert Said Chaarawi, co-founder of IRD Consultancy, points out that the middle and upper-middle classes, rather than the very richest people, account for the majority of consumers of upscale goods – especially branded ones.

While the "squeezed middle" in Britain, Europe and America may not be particularly happy, it's a very different story in the emerging economies, which have seen a rapid rise in disposable income, especially in China, India and Brazil.

And while 90% of the global middle class used to live in North America or Europe, China alone now comprises a fifth of the world's middle class, says Chaarawi. He cites a 2020 report from the Brookings Institution suggesting that by the end of the decade, the Chinese middle class, defined by those who spend between $10 and $110 per day (at 2011 prices), "will be larger than that of Europe and the US combined", while India's middle class is set to surpass Europe's. The Middle East is another region that has started to play an important role in the luxury market. The upshot is that the increase in emerging-market affluence has combined with improved travel and online shopping to "open up new markets for luxury brands".

"By 2030, China's middle class is expected to eclipse that of the US and Europe combined"

The boom in luxury goods in emerging markets also reflects brands' "remarkable job of blending European and local style", says Chaarawi. Conglomerates such as LVMH, Richemont and Kering "have effectively studied Asian, Arab and Latin American cultures to create designs that maintain their European influence while at the same time honouring the trends, cultural norms and lifestyles of emerging markets". The luxury firms "have penetrated emerging markets successfully and sustainably".

From price to quality

Adapting products to suit the changing demographics of consumers is just one example of recent innovation in the sector. Prompted by the global financial crisis in 2008, many of the biggest luxury companies "delved deep into understanding their customers, their preferences, and their motivations to make purchases", says Charles-Henry Monchau, chief investment officer for Bank Syz. The result of this research was that they found these customers cared a lot more about quality than cost, even during a recession.

This in turn prompted a major change in strategy that influences the industry to this day. Instead of reducing prices, which had been the usual response to past downturns, they actually maintained prices and instead increased investment to "focus on their core strengths and heritage", says Monchau. This took many difference forms, including "creative marketing strategies" – attempts to improve consumers' brand experience to cement their loyalty, and changes in the type of products sold.

Perhaps the best known of these tactics is the use of special and limited editions of products, which has greatly increased over the past decade. These come with the added advantage that they can be sold to consumers at premium prices.

Money is also invested in stores to make the shopping experience a product in itself. Monchau highlights Ralph Lauren, which had great success with "a 22,000-square-foot store at Madison Avenue built to resemble a mansion", a move deemed particularly risky as it took place during 2010, when the wider US economy was still struggling.

Another benefit of focusing on the in-store experience "through... exhibitions, restaurants, events and even fully-branded-gyms" is that it has increasingly enabled the brands to bypass retailers who had played the role of middlemen between firms and their customers, says Giles Rothbarth, portfolio manager of the BlackRock European Dynamic Fund.

As a result, "the direct-to-consumer market has continued to grow faster than the wholesale market". All these strategies and tactics have enabled luxury-

©Alamy

Luxury groups have learnt to cash in on their brands' cachet

goods sellers to maintain or increase margins while continuing to grow – good news for shareholders.

Inelastic demand

Of course, the big question is whether these trends will continue, especially as many economists think a recession in the US and UK is still likely. Deborah Aitken and Andrea Ferdinando Leggieri of Bloomberg Intelligence accept that "as the cost-of-living crisis pressures the middle class more, discretionary spending is expected to decrease".

This will reduce sales growth for premium brands, "which are simultaneously looking to increase prices to cover rising input costs". However, this will be limited, as "the highest segment of the luxury market is price-agnostic or even attracted by more exclusive and expensive products".

Aneta Wynimko, portfolio manager at Fidelity International, broadly agrees with the view that economic conditions will have a limited impact on sales of luxury goods, even in the short run.

She admits that demand from the "aspirational US consumer" has been weakening lately as the impact of post-Covid reopening and the various stimulus packages fades away. However, while there is a chance that US consumption of luxury goods could still decline a bit more, "we are closer to the end of the adjustment than the beginning".

Even if consumers in Europe and North America do respond to "macroeconomic headwinds" by buying fewer luxury goods, Blackrock's Giles Rothbarth believes this may not necessarily lead to a fall in overall sales. This is because demand "has been boosted by Chinese buyers" as Chinese consumption recovers from the lockdowns imposed in the first part of last year. Rothbarth points out that Chinese households "accumulated significant excess savings during the crisis", which will, if experience in the US and Europe is anything to go by, bolster consumption. The reopening of Asian-European travel routes "will also help drive luxury purchases in Europe".

Outrunning global economic growth

Not only do analysts expect the luxury sector to power through the current economic turbulence, but they are also optimistic that it will keep growing in the medium to long run.

EuroTrust's Jamie Ross believes the expansion of the sector will continue to outpace global GDP. Some of the momentum will stem from the continued growth of the global "middle-class urbanised consumer". He expects this growth to be particularly strong in countries with large populations, such as China, India and Nigeria.

Ross also thinks there is ample scope for luxury-goods companies to increase revenue by persuading customers to "trade up to higher-end products". They also have room to take further advantage of their pricing power, especially since many of the highest-quality brands are either price-inelastic (demand is relatively unaffected by price rises), or in a few cases the items are "Veblen goods" – the higher the price, the greater the demand.

Continued on page 22

"Some luxury items are 'Veblen goods': the higher the price, the more demand"

Continued from page 21

Another long-term trend that will boost growth is what Lucy Coutts, investment director at JM Finn, calls the "digitisation of luxury". She says social media is playing an increasingly key role in cajoling consumers – especially millennials and Gen Zers, who are becoming the "critical growth leavers of the industry" – to buy more goods.

People are seeking to buy products that they can show off on Facebook and Instagram. The role of celebrities and influencers in helping to coax people into buying luxury products is becoming so important that companies are making big efforts to get them to play the role of "brand ambassadors".

A final source of long-term growth comes from the fact the "people are becoming interested in luxury products from a younger and younger age", says Swetha Ramachandran, investment director for luxury equities at GAM Investments. Indeed, she notes that "the average Gen-Z consumer is just 15 years old when they buy their first luxury product".

This is good news as "people who tend to buy luxury products at a young age tend to be longer-lasting customers than those who start buying when they are older". As a result, "the average customer lifetime value of the Generation Z consumer is higher than that of the generation entering a decade ago".

Big brands will be big winners

Consumers, especially younger ones, have become increasingly concerned about sustainability and disillusioned with fast fashion. As a result, the industry will become much more focused on "selling fewer but more expensive products".

The companies that produce items that "last a long time, in some cases several generations" will also be big winners. This is good news for the firms selling brands that are considered "top-tier" luxury labels – as opposed to items deemed "entry level" or merely aspirational.

Of course, creating top-quality products, either through better manufacturing techniques or through

Social media influencers are key to boosting sales

©Getty Images

market campaigns, isn't cheap. So it is no surprise that the industry has "significantly consolidated in recent years", says Ben Laidler of eToro. The global players account for the lion's share of profit growth, with the ten largest firms, including LVMH, Richemont and Hermès, comprising about 55% of global sales, 80% of sales growth, and a huge 85% of sector profits.

These giants face stiff competition, especially from "home-grown Asian brands" who will try to make headway by "piggy-backing on the strong regional growth and big local markets". Nonetheless, Laidler believes the big names are set to continue dominating the sector. This is because they have "the resources to fund increasingly high marketing expenses and manage complex multi-channel distribution". They also have the wherewithal to "consolidate up-and-coming brands".

The bottom line is that the luxury industry has a bright future, says Laidler. It will continue to do well from growth in emerging markets and younger consumers, combined with "luxury's all-weather combination of resilient demand and pricing power".

"The ten largest firms account for 55% of the sector's global sales and 85% of profits"

What to buy now

One way to invest in a broad range of luxury-goods companies, rather than picking individual shares, is through the **Amundi S&P Global Luxury UCITS ETF (Milan: GLUX)**. This aims to track the S&P Global Luxury index. The exchange-traded fund (ETF) has investments in about 80 major luxury-goods companies, mostly in the US or Europe. The five largest holdings are luxury conglomerates Richemont, LVMH, Hermès and Kering, as well as carmaker Mercedes. It has an ongoing charge of just 0.25%

Perhaps the best-known luxury conglomerate is **LVMH (Paris: MC)**, which is Europe's largest listed company. Ben Laidler of eToro is impressed by the fact that it has "75 luxury brand 'maisons' across six segments". Sales have nearly doubled between 2017 and 2022, and are expected to keep growing at roughly 12% a year. LVMH trades at 23.5 times estimated 2024 earnings. The fact that nearly half of LVMH is owned by the Arnault family helps keep the interests of managers and shareholders aligned.

An even faster-growing luxury goods company is **Hermès (Paris: RMS)**. The company is well known for its leather bags, although it also makes money from other leather goods, as well as luxury products such as diaries. Lucy Coutts, investment director at JM Finn, notes that despite its rapid sales growth of about 15% a year, it is has managed to maintain its exclusive image, producing only 12,000 of its highly-prized Birkin bags annually. The clientele are permitted to buy just one bag a year. The emphasis on exclusivity and desirability has given Hermès one of the highest operating margins in the sector, helping to support a valuation of 43.5 times 2024 earnings.

Swetha Ramachandran of GAM investments is a big fan of luxury brands owner **Richemont (Zurich: CFR)** thanks to its emphasis on branded jewellery and its "significantly improved execution in recent years". He thinks the company's brands are strong enough for it to raise prices significantly without hitting demand. Richemont has achieved double-digit sales growth and become much more efficient in deploying capital. Its return on capital employed (ROCE) has jumped from 5% to 17% over the past few years. This more than justifies a 2024 price/earnings (p/e) ratio of 20.3.

Ramachandran is also bullish on Italian fashion company **Moncler (Milan: MONC)**. The group has been able to increase both the number of stores it runs and the range of goods it sells. Originally focused on outwear for skiers and mountaineers, "it is now moving into knitwear, footwear and eyewear", making "the spirit of the mountains relevant to a younger, diverse global consumer". Sales have jumped by more than 150% over the past five years, with the company generating a ROCE of around 20%. That makes the 2024 p/e of 24 seem more than reasonable.

While most people define fashion as clothes and goods, luxury cars are also an important part of the wider sector. One company that both GAM's Ramachandran and JM Finn's Coutts like is the Italian sports car manufacturer **Ferrari (NYSE: RACE)**. Ramachandran believes that Ferrari's "value over volume strategy" will help it benefit from the "growing differentiation among luxury brands in the auto sector, not just on product but also on customer experience and community". She is particularly impressed by its progress towards electrification – the first fully electric sports car is due in 2025. The fact that Ferrari has grown sales by 50% since 2017 justifies its 2024 p/e of 40.

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How to invest in investors

Money management is lucrative, but it pays to look carefully at profitability, says Bruce Packard

Nvidia's shares have almost quadrupled since last October. The maker of H100 semiconductors has been an obvious winner from investors' excitement over artificial intelligence (AI) and large language models (LLM) such as ChatGPT. Yet the buzz is well and truly in the price, with Nvidia's shares trading on 40 times sales, which seems expensive given the most obvious use case for LLMs is cheating on GCSE coursework. Perhaps identifying some less obvious winners and losers from the AI boom could prove profitable.

It has been suggested that LLMs could help automate financial advice. In February last year, Hargreaves Lansdown (HL) announced that it would spend £175m on strategic technology investment. The group intends to offer "augmented advice" – which Hargreaves Lansdown defines as "hyper-personalised guidance at moments that matter to you". This spend may allow HL to target more of the wealth-management market, rather than just self-directed investors.

However, Peter Hargreaves, the founder who still owns 32% of the shares, has suggested that this is a waste of money. Historically, HL has done well by offering a lower-cost alternative to investors who don't see why they should pay for advice they don't need.

Many MoneyWeek readers fall into the category of self-directed investors who know that a low-cost index tracker will outperform most active fund managers, but are also confident enough to invest in a self-selected portfolio of shares with attractive valuations. Other self-directed investments might be low-cost exchange-traded funds (ETFs) or investment trusts with an interesting theme, probably trading at a substantial discount to NAV.

"Interactive Investor's profit margin under Abrdn's ownership in 2022 was 59%"

The reason Interactive Investor (II), HL and AJ Bell (AJB) are often referred to as "platforms" is that they share some of the attractive characteristics of technology companies that have relatively fixed costs but growing revenues, meaning increasing returns as the platform gains scale.

Uber connects drivers with passengers through its app, processing payments and managing ratings, but much of the real work is done by the self-employed drivers. Similarly, Airbnb and UK-listed Just Eat do not perform the physical work of owning hotels or running restaurants. HL, II and AJB provide a platform, with most of the work done by the self-directed investor choosing funds or shares based on their own research, without any need for hand-holding.

HL charges investors 0.45% a year and reports an operating margin of between 45%-65%, with management hoping to achieve the top end of that range by 2026 when investment expenditure begins to pay off. AJB, with a similar business model, charges 0.25% and reports an operating margin of between 30% and 40%.

II, now part of Abrdn, charges a flat monthly fee of £10 for Isas and £19 for a Sipp, which is more attractive to investors who have already accumulated large sums in their pensions. In the seven months of 2022 in which they were owned by Abrdn, II reported an eye-catching profit margin of 59%.

Hand-holding for the wealthy

Bespoke wealth management, conversely, as offered by the likes of Rathbones/Investec, Brewin Dolphin, St James's Place, Evelyn Partners or Lloyds Bank's joint venture with Schroders, tends to be hand-holding for wealthier but less financially sophisticated investors.

There is a place for this type of advice: imagine a 70-year-old widow, whose deceased husband handled the financial affairs for their entire married life, suddenly having to make decisions about family wealth. Alternatively, many otherwise intelligent people have a mental block when it comes to finance. The celebrity mathematician Rachel Riley, for instance, seems to equate investing in shares with speculating in cryptocurrency.

It's unclear, though, how AI would benefit wealth-management clients, who are looking for a sympathetic, well-spoken, competent human to support confidence in their decision making and tactfully prevent silly mistakes. The market for this sort of "advice" (a combination of financial coaching, needs-based selling and status symbol) is surprisingly large. Hargreaves

Hargreaves Lansdown is a buy

In May, Hargreaves Lansdown (HL) reported annual revenue growth of 28% to £188m for their third quarter (to 31 March 2023). That growth comes as HL refrains from passing on the benefit of rising interest rates to clients holding cash in their accounts, which has more than offset the impact of reduced trading volumes as the FTSE and Aim markets lag well behind the performance of their US counterparts.

It remains unclear how sustainable the windfall profits from rising interest rates are. Wise, the currency trading platform, has already said it will share the benefits with customers.

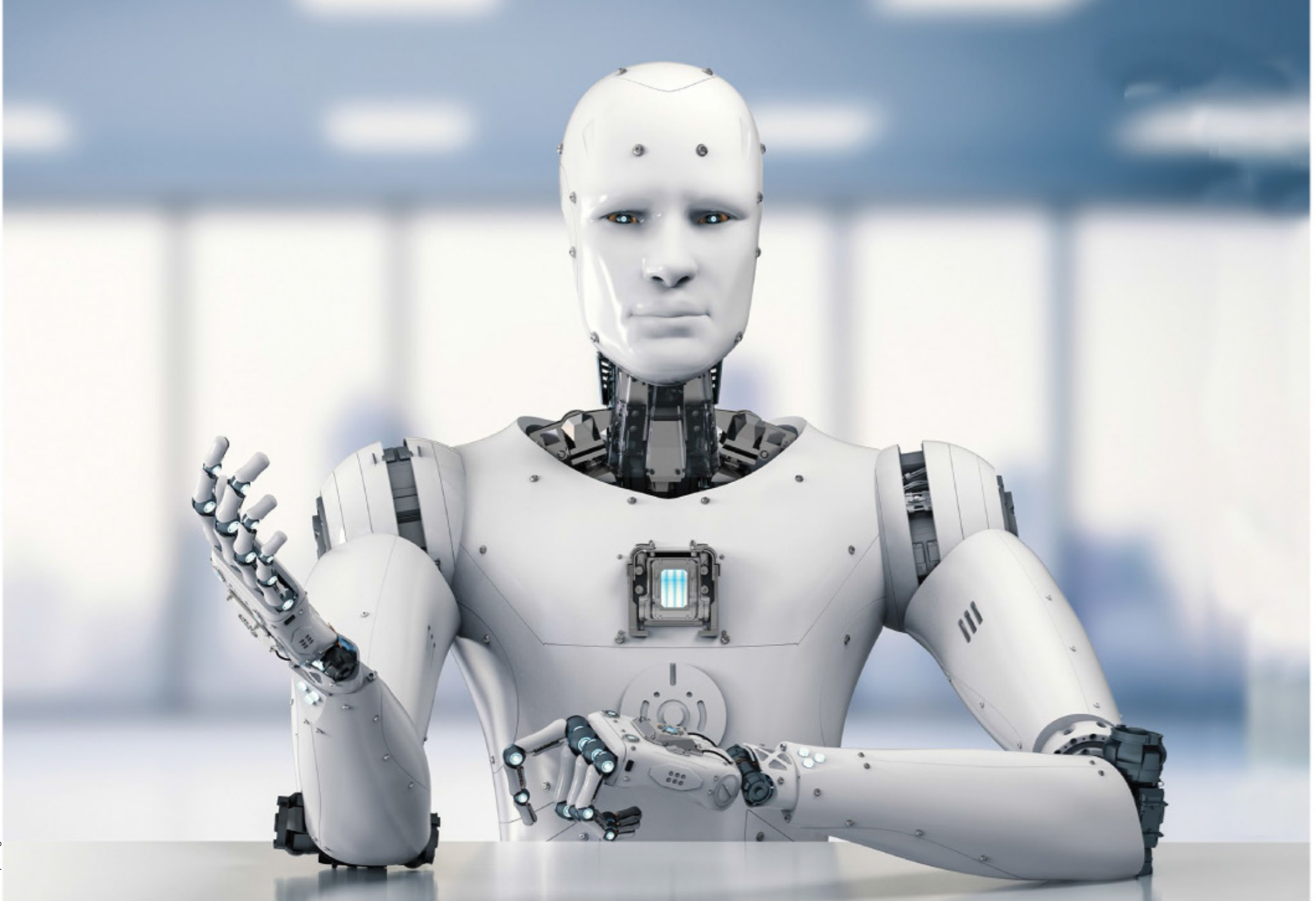
HL was founded more than 40 years ago by Peter Hargreaves and Stephen Lansdown, who still own 32% and 20% respectively of the shares capital, despite stepping back from day-to-day operations. Institutions that own the shares include Lindsell Train with a 12% stake and Baillie Gifford with 5%.

HL recently reported £132bn of assets under administration (AUA), which equates to a 42% market share of self-directed investors. Management expects the self-directed market to grow to £466bn by 2026 and also sees a broader opportunity in the wealth management area, which it expects to grow to £4trn by 2026. It points to the shift from defined-benefit to defined-contribution pensions, increasing numbers of investors and a recovery in markets as structural tailwinds. The business is investing in technology to try to capture some of this opportunity.

HL is proud of its data-driven insights, which include a "diversification nudge" to let clients know if their portfolio appears overly concentrated. It is also investing in cloud-enabled advanced analytical tools. The business has more than 1.7 million clients, implying revenue per client of £420. AJ Bell and Interactive Investor both report slightly higher revenue per client: £455 and £435 respectively.

These two direct rivals tend to attract clients with larger balances thanks to their charging structure. HL reports that client retention currently stands at above 92%, so although revenue is not contractually recurring, customer relationships tend to be sticky, as switching platforms can be an administrative headache. HL shares are down by about two-thirds since their mid-2019 peak of £24 per shares. They are on 13-times forecast earnings with a forecast dividend yield of 5.7% for the year to 30 June 2024. HL's market value is 2.8% of AUA, which is a premium to the 1.9% of AUA that AJ Bell trades at.

The upshot? I bought the shares a couple of months ago. At the current valuation, investors don't seem to believe that the new CEO or the current IT expenditure will enable HL to take market share from the more traditional wealth managers. Yet the core strategy of providing a low-cost platform to self-directed investors has shown itself to be a higher-margin business and has plenty of opportunity to grow, in my view.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Advice on investments could soon be produced by artificial intelligence

Lansdown suggests that the total market size is £3trn of funds under management.

Although wealth management services cost more, from an investors' perspective the sector is less appealing than investment platforms such as HL, II, or AJB. Wealth managers provide bespoke services such as portfolio construction, estate planning, tax planning and general financial good practice – helping older clients set up a lasting power of attorney (LPA), for instance, so that trusted relatives can look after their financial affairs if necessary.

These services are more personalised, but this comes at a cost. Rathbones charges 1.2% on customers' first £250,000, 2.5 times more than HL and five times more than AJB. Yet as wealth managers, a bespoke service is more expensive to run, Rathbones reports an operating margin of between 20%-30%. Brewin Dolphin charges even more – 1.5% on a customer's first £1m – but it has a lower profit margin at just over 20%. The typical wealth-management client has long-term savings worth well over £500,000 pounds, but the margins are lower because the cost of the service is higher.

Restaurateur Russell Norman of Polpo fame is fond of pointing out that if you own a restaurant with a Michelin star, you will lose money. If you have two Michelin stars, you will lose even more money. Domino's Pizza on the other hand generates a return on capital employed (ROCE) of close to 30% and an EBIT (operating) margin of 20%.

Consolidating wealth management

Perhaps there is scope to improve margins in wealth management. Overseas banks and financial buyers have been acquiring firms and consolidating the industry, with the hope of increasing returns from economies of scale. Private-equity group Permira, which has owned Tilney for the last decade, recently merged it with Smith & Williamson to create a wealth manager with £56bn of assets under management. This deal was facilitated by £250m of cash from Warburg Pincus, another private-equity firm. In the middle of the pandemic US financial group Raymond James bought Charles Stanley, which had £26bn of assets under management, for £280m. Then last year Canadian bank RBC paid a hefty 60% premium to acquire Brewin Dolphin, valuing it at £1.6bn – 3.8 times sales, or 3.3% of the £49bn of discretionary funds under management.

Earlier this year Rathbones responded by acquiring the Wealth and Investment (W&I) division of Investec in an all-share deal worth £840m, which will make Investec its largest shareholder with a 41% stake. The deal has created the UK's largest wealth manager with roughly £100bn of funds under management (FUM), and values the W&I division at 2.1% of FUM, or 2.5 times historic revenues. Rathbones is also rolling out a self-directed service for portfolios below £150,000, the area where AJB and HL have historically been the strongest players.

Low-cost platforms

It remains uncertain whether consolidation and technology really can help wealth managers to enjoy the attractive economics of the low-cost investment platforms. Indeed, perhaps the benefits might not go to shareholders in the form of higher margins but instead be shared with clients in the form of lower charges.

The entire financial services industry is also seeing increased regulatory scrutiny in the form of the Financial Conduct Authority's Consumer Duty, which comes in to force at the end of this month. The City regulator wants good outcomes for customers to be at the heart of financial firms' strategies, with a reasonable relationship between the price investors pay and the services they receive.

Both the regulator and wealth management executives may have misunderstood the needs of wealthy clients, who are keen to pay for a manifestly more expensive service than that available from a low-cost investment platform. The Consumer Duty could be like requiring a Michelin-starred restaurant to show its mark-up on the wine list; no doubt more transparent but making the whole experience less congenial.

On the other hand, the self-directed platforms' expenditure on AI might turn out to be the equivalent of a pizza restaurant offering customers an automated sommelier smartphone app.

"If your restaurant has a Michelin star, it will lose money; two stars, and you will lose even more"

The real trouble with Thames Water

The deluge of debt at the utility is not its fault, says Max King, who is a very happy customer

I have lived in London and been a customer of Thames Water for over 40 years. I row regularly on the Thames, cycle alongside it and walk beside it, including following the Thames Path up to Oxford. I have never swum in it or paddle-boarded on it, but I see people doing so all the time. These are activities that would have been unthinkable 40 years ago.

In a country in which moaning and complaining is a national sport, I am a very happy customer. My bills have gone up by an annualised 3% in the last decade and were higher before that. When, a couple of years ago, my usage appeared to go through the roof, workmen came round, replaced a pipe and changed the meter. Thames Water cancelled the excess charges.

The completion of the London Water Ring Main (around 50 miles of concrete tunnels distributing drinking water from treatment works to the city) made a number of London's reservoirs redundant, enabling their conversion into priceless local amenities, such as the wetlands at Barn Elms, Stoke Newington and Walthamstow. Land for housing was also released, and the closure of numerous waste water treatment centres has released more, to the benefit of Thames Water's finances and the supply of housing.

Many people think that Joseph Bazalgette's engineering solved London's sewage problem, but all it did was to pump waste water downstream where it was discharged into the Thames. Treatment was rudimentary until the 1960s and the resulting sludge was dumped on the banks of the Thames until the late 1990s. Thames Water's modern advanced digestion plant at Abbey Wood, which produces biogas, is barely ten years old. The completion of the Tideway Tunnel in 2025 will bring further improvements.

Driven into debt

Thames Water's current problems stem from its indebtedness. The antagonism of the Labour party to privatised businesses, first in opposition, then in government, made the group eager to accept bids from overseas so that it could escape the limelight.

Thames Water succumbed to German utility RWE in 2001 but five years later, it was sold on to Macquarie, the Australian finance group. Macquarie loaded the company with £9bn of debt, before selling its remaining stake to a consortium in 2017. That debt load has since increased to £14bn.

In recent years, Thames Water, along with other water companies, has struggled to reduce leakage from its pipes and stem spills into rivers. These result from storm-related overflows, dry spills caused by a lack of rain and spills caused by inadequate treatment. The Financial Times points out that inflation has lifted operating costs, that Thames "spends a greater share of revenues on new investment than peers" and that "cash transferred to investors via interest payments and dividends is similar to its listed peers".

What critics don't point out is that Thames Water, unlike Anglia, is not short of water supply so repairing leaks is a lower priority. Leakage in the Anglia region is much lower. The water regulator, Ofwat, has put water companies under pressure to finance themselves with debt in order to reduce their cost of capital.

"There are few problems that cannot be made worse by government intervention"

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The Tideway Tunnel should improve water treatment further

This enables Ofwat to prescribe a lower return of capital on new investment and thereby keep charges down. Across the country, Nimby opposition has prevented investment in new reservoirs and waste-treatment plants.

Ofwat seeks to balance keeping charges down with encouraging additional investment, which has to be paid for; water companies like to invest because that is the route to higher charges and profits. Ofwat has been too keen to keep prices down – hence recent underinvestment; its preference for debt funding over equity capital, moreover, has proved dangerous.

Now, there is a clamour for renationalisation in the media and from the usual posse of celebrities who won't accept that corporate executives should be paid more than the minimum wage or that capital requires a return. State ownership would be a disaster, even on a supposedly temporary basis. Ofwat would be emasculated, investment cut back to the levels prevalent before privatisation, environmental standards would fall precipitously and customer service would be ignored. As it now is on the railways.

A simpler fix is possible. The recently announced £750m of funding is unlikely to be enough. Ofwat, which has done a pretty good job overall in the last 34 years, should allow higher charges to pay for more investment and include a risk premium for debt in its cost-of-capital calculations.

A good slug of Thames Water's debt should be converted into equity, heavily diluting existing shareholders but also imposing significant haircuts on the providers of debt. Planning authorities should bulldoze through Nimby opposition.

The politicians should back off. To paraphrase Ronald Reagan, there are few problems that cannot be made worse by government intervention. Unfortunately, though, the British have a habit of preferring impetuously to tear up a model that is readily fixable rather than sort it out. Is it different this time?

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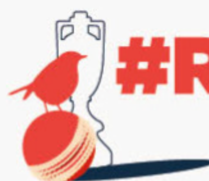

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A metal with magical powers

Gold is indestructible and has outlasted all other forms of money, says Dominic Frisby

I am going to the Edinburgh Fringe this August to do one of my comedy lectures. This one is about gold: its history, its fascination, its future. It really is the most amazing metal, not least because it is, as Spandau Ballet famously sung, indestructible. Life may be temporary, but gold is permanent.

No other substance is as durable – not diamonds, not tungsten carbide, not boron nitride. You can shape this enormously ductile metal into virtually anything. An ounce of gold can be stretched into a wire 50 miles long. You can beat it into a leaf just one atom thick. Yet there is one thing you cannot do, and that is destroy it.

You can change its form by dissolving it in certain chemical solutions or alloying it with other metals. You can even vaporise it. But the gold will always be there. It is theoretically possible to destroy gold through extreme methods such as nuclear reactions, but in practical terms, gold is indestructible. That makes it unique among natural substances: the closest thing we have on Earth to immortality.

Perhaps that is why practically every ancient culture we know of associated gold with the gods and why the Egyptians believed it had magical powers that gave you safe passage into the afterlife.

In a museum in Cairo you will find a golden tooth bridge made for a well-to-do Egyptian 4,500 years ago. It is good enough to go in someone's mouth today, (though I would give it a good scrub first). In 2021 a metal detectorist by the name of Ole Ginnerup Schytz unearthed a Viking gold hoard in a field near Jelling in Denmark. The gold was just as it was when it was buried 1,500 years earlier, if a little dirtier. Gold does not corrode, it does not tarnish, it does not break down over time.

All the gold ever mined worldwide still exists in one form or another. Some may have been lost, but none of it has been destroyed. What's more, it will always exist. Even tiny specks of gold dust are permanent.

Park that thought for a moment, as we consider how gold came into existence. No one really knows the answer to that. Divine creation is one widely held theory. Another is that gold's origins lie in supernovae and the collision of neutron stars.

Scientists think they actually witnessed gold being created in August 2017. Some 130 million light-years away, two neutron stars, each as small as a city but heavier than the sun, collided. The collision caused a colossal convulsion known as a kilonova. An enormous amount of energy was then released in the form of gravitational waves and electromagnetic radiation, including visible light, which was observed by telescopes around the world as it rippled through space and time to Earth.

Astronomers were able to measure the amount of heavy elements produced by the collision because of the multiple wavelengths and bright optical and infrared glow. Something like 16,000 Earth masses of material was hurtled into space, says Harvard astronomer Edo Berger, creating "ten times the Earth's mass in gold and platinum alone". (Gold makes up about one millionth of the Earth's mass, and most of that is still in the planet's core.)

"It makes it quite clear that a significant fraction, maybe half, maybe more, of the heavy elements in the universe are actually produced by this kind of collision," said physicist Patrick Sutton of the Laser Interferometer Gravitational-Wave Observatory in the US. High temperature and high pressure in the cores of neutron stars, argue scientists, cause atomic nuclei to capture free neutrons in a process known as "neutron capture". The resulting nuclear reactions then lead to the formation of gold. When these neutron stars eventually die, they explode as supernovae, and disperse the gold and other elements that were created into space.

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The Incas were right to see the yellow metal as the tears of the sun

"Gold was present in the dust that formed the solar system 4.5 billion years ago"

Perhaps the Incas and Aztecs were not so wrong to see gold as the tears of the sun. Our solar system was formed from the cloud of gas and dust (a so-called solar nebula) that resulted from one such stellar collision. Small, solid objects – planetesimals – then formed by accretion: the process of gravitational attraction by which small particles in space stick together. These planetesimals grew and grew, through continued accretion and collision, to form the planets.

In short, gold was present in the dust that formed the solar system four-and-a-half billion years ago. Being permanent, it is exactly the same today as it was then. Isn't that an amazing thought? That little bit of gold you may be wearing on your person is older than the Earth itself. In fact, it is older than the solar system, as old as stardust. To touch gold is as close as you might ever come to touching eternity.

A display of wealth

Yet this eternal substance is as good as useless. Unlike other metals, which we use to build things, cut things or conduct things, gold's industrial use is so limited as to be non-existent. It is a good conductor of electricity, but copper and silver are better and cheaper. It has some use in dentistry and in medical applications, such as radiation therapy and the treatment of arthritis, but such uses are minimal in the greater context.

Gold's purpose is as a store or display of wealth. It has no other significant use. It is dense, tangible value: pure money. Over the years we have used all sorts of different things as money: shells, pieces of specially printed paper, computer bits, promises. But one has outlasted them all, and that is gold.

Dominic Frisby writes the newsletter The Flying Frisby. His show on gold at the Edinburgh Fringe will take place at Panmure House, the room in which Adam Smith wrote The Wealth of Nations. https://tickets.edfringe.com/whats-on/dominic-frisby-gold

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Global diversification at a discount

AVI Global aims to exploit anomalies and inefficiencies in three undervalued niches

Rupert Hargreaves
Deputy digital editor

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AVI Global is banging the drum for Japan

After losing confidence in RIT Capital Partners, we added **AVI Global Trust (LSE: AGT)** to the MoneyWeek investment-trust portfolio in March. As we noted at the time, AVI ticks several MoneyWeek boxes: it has a value remit with a global portfolio and a large allocation to Japanese equities.

The trust focuses on three main areas for investment: investment trusts on a discount to net asset value; family-controlled holding companies; and Japanese stocks. It aims to "identify valuation anomalies" and "exploit these inefficiencies that exist in markets", says Joe Bauernfreund, the trust's investment manager and chief executive of Asset Value Investors (AVI), the management company.

The current market is the sort of environment where this approach "thrives", he says. "Careful stock selection" pays off when uncertainty prevails, although he is keen to point out that AVI Global never buys something just because it looks cheap. The trust is looking to buy at a discount, but because "there's no point hoping for the best", investments need to have either a specific catalyst that'll unlock value for investors or value creation going on.

"Catalysts are important, but the quality of the business is also important," says Bauernfreund. A firm will only make it into AGT's portfolio if it is "building underlying value" and the trust can buy "£1 when we think it will be worth £2 in two years".

Acting fast

Research is a vital part of the process. AGT keeps detailed models on 415 companies, managing a portfolio of between 40 and 50 holdings. When adding a new holding, "you have to go in with your eyes open", says Bauernfreund. So it will buy a 2% position to start, and the allocation can go up to 10% for its top holdings. The largest holding is listed private-equity fund Oakley Capital Investments at 7.9%.

When it finds a great opportunity, AGT will act quickly to take advantage, helped by its continual research process. Earlier this year, the trust built a position in Spectrum Brands Holdings after the US Department of Justice (DoJ) attempted to block the sale of its locks business to Assa Abloy. Bauernfreund and his team believed the market was "mispricing the probability of the deal passing", and they were right on the money. In early May, the DoJ relented, the stock jumped and AGT sold out. It generated a 13% return on investment in a few short months on the holding during a period when the MSCI All Countries World index (its benchmark) rose 4%.

Backing Japan

Critics might say that AGT has underperformed the MSCI All Countries World index over the past decade, but this is an unfair comparison. The benchmark has an allocation of 62% to the US and 6% to Japan, compared with AGT's 29% and 21% allocation to North American and Japanese equities. A more accurate benchmark could be the MSCI All Countries World index-ex US. On that basis, the trust has returned 119.4% compared with 78.1% for the index.

AGT's high weighting to Japanese equities is one of the reasons why we like it. The outlook for the country's equity market today is brighter than it has been for many years as Japanese companies are "actually doing something about shareholders", says Bauernfreund. There's been a "generational change" among domestic investors and managers, who've seen how the equity market has created wealth in the West. Many are influenced by the likes of Warren Buffett, whose holding company, Berkshire Hathaway, has accumulated a Japanese equity portfolio worth an estimated $15bn since 2020.

The new generation of managers is now changing to appease the new generation of investors. That's important: for the first time, "Japanese investors are now saying the same thing" as international investors. Still, Bauernfreund is careful to point out "long-term in Japan is a lot longer than what we think it is" here in the West, meaning these corporate changes will take years to play out. However, with the process already underway, he's confident Japan's awakening isn't just a short-term bounce.

Valued at a discount

It's important to reiterate that AGT isn't a pure-play Japanese fund. It offers exposure to a range of other undervalued equities as well as Japan. That's important, because while Japan looks to be making a comeback, we've been here before and past rallies have ended in disappointment.

Like most investment trusts, AGT is trading at a discount to the net value of its assets. At the beginning of July, the discount was -9.1%. When you consider the fact that most of its underlying investments are also trading at a discount to their own assets, then there's a significant double discount on offer here. For example, one of its top-five holdings is the fund Pershing Square, which in turn is trading at a 33% discount to net asset value.

The trust has £153m of debt overall, and net gearing of 4.7%. A chunk of this is yen debt designed to offset some of the risk from currency exposure (the rest is in euros and sterling, at an interest rate fixed between 2.9% and 4.2% until 2037). Berkshire has used a similar approach, although Bauernfreund is keen to note that AGT had the idea first.

With an average annual return of around 11% since 1985, and a dividend yield of 1.8%, AGT is a great way to add international diversification to a portfolio through a basket of deeply undervalued global equities. Meanwhile, for those investors who are looking for a pure-play Japanese trust, AVI Global also manages the **AVI Japan Opportunity Trust (LSE: AJOT)**, which offers investors exposure to a focused portfolio of around 25 stocks.

Mitie's mighty performance

Shares in the outsourcer, one of the sector's success stories, look cheap

Matthew Partridge
Shares editor

Outsourcing has always had a controversial reputation. While almost all companies in both the public and private sectors subcontract services such as security, maintenance and cleaning to outside firms, there has always been doubt over whether the practice delivers the promised value for money. The collapse of both Carillion and Interserve within the last five years also highlights the risks for the companies who take on others' work.

Finally, some argue that changing working patterns mean there will be less demand for facilities management. So it was perhaps not surprising that in late 2020, shares in outsourcer Mitie, which provides services ranging from commercial cleaning to large energy projects, had fallen by more than 80% from their peak.

A shrewd strategy

However, since then Mitie has become one of the big success stories in the sector, with its shares tripling. Part of this was due to the fact that the doom and gloom around the group – which had been the subject of repeated profit warnings and queries over its accounting – was overdone. However, a shrewd strategy has also helped. This has included picking up the best parts of Interserve's business cheaply, while CEO Phil Bentley has also made progress in rationalising and restructuring the various parts of the business.

"The company's sales have almost doubled over the past four years"

The headline results have certainly been strong. Revenue has nearly doubled over the past four years, while operating margins have also improved, with Mitie's return on capital employed (ROCE, a key gauge of profitability) now exceeding 15%. All this has led to a large increase in earnings per share, with the dividend, which was suspended in 2021, now 50% higher than in 2019. The company has also announced a share buyback and cut net debt. While some analysts have worried that the end of Covid-related work would damage the bottom line, sales are expected to keep growing at a solid high single-digit rate thanks to a strong order book, which currently stands at £9.7bn, roughly double current revenue. Mitie has also been expanding parts of its business, notably its telecoms support work. The hope is that this will allow the company to benefit from the expected surge in demand that will follow the effort to roll out the 5G mobile network across the UK so that the majority of the population has access to the fastest internet speeds by the end of the decade. Mitie's management hopes to bolster profits further by reducing costs. Despite all this, the stock trades at just ten times 2024 earnings.

Mitie's order book has reached £9.7bn
©Mitie

Mitie should benefit from strong market sentiment too. Not only have its shares risen by nearly two-thirds over the last year, and by nearly 30% over the last three months, but they are also trading above both their 50-day and 200-day moving averages. I'd therefore suggest that this is a good time to go long at the current price of 97p at £20 per 1p. With a stop-loss of 58p, this will give you a total downside of £980.

Trading techniques... expiring lockups

When a company is floated on the stock exchange the press like to highlight the amount that the major insiders such as the CEO become "worth" by multiplying the share price by the number of shares the managers own.

However, while technically accurate, this can be misleading since the insiders are usually not allowed to sell any of their shares before a certain period, known as a "lockup", which is typically 180 days. This is designed to align the interests of insiders with those of the other shareholders and make it harder for insiders to hype the company before dumping the overvalued shares. However, while lockups may help bolster the share price of a newly promoted company in the short run, any uplift is likely to be temporary. This is because most lockups are limited in length, leaving major investors, especially venture capital firms, free to sell many, or even all, of their shares once the lockup period expires.

For this reason, some traders argue that the best time to short a share (or the worst time to buy) is just before the lockup period expires, as there will be a surge in the number of sellers, pushing down the share price. Studies seem to support this hypothesis, although the impact is smaller than you might expect. A 2001 study by Pennsylvania State University of 1,948 lockup agreements in newly floated companies between 1988 and 1997 found that the volume of sellers did increase once the lockup period expired, with shares falling by an average of 1.5% around the expiry date.

A later study in 2015 by Wasim Ahmad of the University of Birmingham found a similar effect for shares listed on the main market of the London Stock Exchange.

How my tips have fared

Over the last four weeks two out of my seven long tips have risen, while five have declined. Builder DR Horton advanced from $115.17 to $118 and discount chain B&M Value Retail rose from 539p to 544p.

But computer-services group Computacenter dropped from 2,302p to 2,144p, brick and tile manufacturer Ibstock Brick slipped from 130p to 126p and estate agent Savills fell from 901p to 835p. Gamma Communications declined from 1,200p to 1,136p and Clarksons went down from 3,070p to 2,965p. Overall my long tips are making total net profits of £301.

Of my seven short tips, four rose and three fell. Payroll company Paycom increased from $311 to $336, electric car-charging specialist EVgo rose from $3.82 to $4.45 and ticketing firm Live Nation jumped from $85.89 to $92.42. Real-estate investment trust Digital Realty increased from $104.19 to $114, which is above the $110 at which I suggested that you should cover your position.

By contrast, satellite firm AST SpaceMobile fell from $5.87 to $4.40 and solar-energy specialist Sunrun dropped from $19.30 to $17.50. GameStop dipped from $23.97 to $23.21. Counting Digital Realty, my short tips are making a small net profit of £317. My short and long tips are making combined profits of £538. I have eight long tips (DR Horton, Gamma Communications, Savills, B&M Value, Ibstock Brick, Computacenter, Clarksons and Mitie) and six short ones (EVgo, AST SpaceMobile, Live Nation, Paycom, GameStop and Sunrun). I suggest you increase the stop-losses on DR Horton to $90 (from $88); Ibstock to 96p (from 95p) and B&M Value Retail to 300p (from 275p). I would also cut the price at which you cover Paycom to $420 (from $430).

The fintech revolution is here to stay

Online banks and payment firms have shaken up a stagnant finance sector and benefited users

David C. Stevenson
Investment columnist

The UK is ranked by most surveys as the second-biggest market in the world for fintech funding, putting it in prime position to grab a big share of the global market.

Analysts reckon fintech revenues will grow sixfold to $1.5trn by 2030. Payments and bank data are two areas ripe for disruption, and here the UK is well and truly in the lead.

The Open Banking initiative has allowed a whole new technology sub-sector to emerge, which can plug into your banking information as well as enable easier payments. Other countries are now following suit, with 74 countries in the process of rolling out next-generation real-time payment systems.

I'd also argue the growth of UK fintech has been a huge net win for UK savers and investors, as new entrants to the financial sector have shaken up the establishment, lowering costs and improving efficiency. Open Banking apps have also made it easier to save and invest, often with little to no effort required from the user (see box below).

Seizing market share

Bank charges have collapsed due to intense online competition and the online banks (or "neo banks") have been especially aggressive in passing higher interest rates on to savers. Some users might be hesitant about switching to one of these online banking providers as they lack the pedigree of the big high street players such as Lloyds and Barclays, both of which are listed and have to publish their financial statements. However, two of the large neo banks, Starling and Monzo, are bound to find their way to a stock market within the next decade.

Starling Bank is solidly profitable

©Starling Bank

Starling is already solidly profitable with record pre-tax profits of £195m for the year to 31 March 2023, a six-fold increase on the previous year's figure. Monzo also recently reported a net operating income of £214.5m in the year ending February 2023, almost double the previous year. Elsewhere, London-listed **Funding Circle (LSE: FCH)** continues to grow its book of lending to small- and medium-sized businesses. Property lending firm **LendInvest (LSE: LINV)** recently released numbers that showed a solid increase in net revenues. Just a few weeks ago, the lending platform also announced another big chunk of new capital (£500m) for its mortgage-lending platform.

Both these firms are very much at the forefront of the UK fintech charge and have chosen to focus on the UK market, but both seem to be woefully ignored by UK investors.

Then there's **Wise (LSE: WISE)**, the global payments company. Launched with the goal of cutting costs for users sending money abroad, it has been transforming itself into a global financial services group. While not a bank in the regulated sense, users can set up accounts on the platform in different currencies, and earn interest by investing in money-market funds. It has cut the costs of sending money abroad, and businesses as well as consumers can use its app for all their banking needs.

For the year to the end of March, customer cash balances on Wise's platform totalled £10.7bn and pre-tax profits rose to £146.1m. With ten million customers around the world and £104.5bn of transactions processed in the last fiscal year, it is one of the top fintechs transforming the financial sector.

Companies of the future

The UK-listed venture capital firm **Augmentum Fintech (LSE: AUGM)** has an excellent record of investing in early- to mid-stage fintech firms. It's one of the best ways to invest in the sector, alongside a strong team with a record of success. It has exited five portfolio investments since listing, all at or above carrying value.

The £170m fund has seen its shares fall sharply in value and it now trades at a 40% discount to book value, yet its net asset value recently rose 2.4%. The top ten investments in the portfolio have grown revenues at 117% year on year, while raising over $300m despite difficult market conditions.

The UK fintech sector has real strength and opportunity. Lower costs and more choices can only lead to better outcomes for users, even if investors may have a harder time picking winners.

Three top Open-Banking apps

There is a growing number of smartphone apps using Open Banking to help pinpoint ways you can save money. Open Banking is regulated by the Financial Conduct Authority and you will never be asked to share your bank login details. If you become worried about security you can remove access at any time.

● Chip calls itself a "wealth app", offering "one place for savings and investments". It uses artificial intelligence (AI) to help you "automatically build your savings without thinking about it", sweeping what it thinks you can afford to save into a savings or investment account. Chip pays 4.26% on balances up to £250,000 in instant-access savings, as well as a 90-day notice account and a prize savings account, where you can win a share of £50,000 each month. The app is free if you want a savings or investment account, but each autosave costs 45p (a recurring save costs 25p). Alternatively, you can pay £5.99 a month (or £65.05 a year) for ChipX and get the whole package.

● Plum is similar to Chip. It offers savings accounts, investments and some AI to help you build your wealth. There are four pricing plans, ranging from a free one, where you can open a savings account and trade 1,200 stocks, all the way up to a premium package at £9.99 a month.

Paying for the app gets you a better interest rate, which is currently a 2.99% easy-access rate on the free plan versus 3.82% on premium. The savings facility is provided by Investec. What's more, those on certain payment tiers can earn cashbacks when they shop with the app.

● Little Birdie allows you to see all your subscriptions in one place. It also alerts users if a regular payment is about to go up, and when a free trial is coming to an end. It frequently releases new updates so it becomes smarter at identifying subscriptions and recurring payments, while adding more brands that you can cancel directly from within the app.

The app is free to use: it makes money through advertising and commission when users switch through its services. Little Birdie claims to be able to save a household more than £500 a year by cancelling unwanted subscriptions or switching to cheaper contracts.

Self-employed must save too

People working for themselves still need a pension

David Prosser
Business columnist

The number of self-employed people in the UK is climbing again, having fallen sharply during the Covid pandemic. Data from the Office for National Statistics shows 235,000 additional Britons registered as self-employed over the year to April, taking the total to almost 4.5 million. But what does being self-employed mean for your retirement planning? With these workers no longer part of the auto-enrolment system, whereby employers offer all staff access to a pension scheme, there is growing concern that many are not making adequate provision for retirement. Less than a third of self-employed people are current saving through a pension, according to IPSE, an association representing self-employed workers.

Two basic options

How you set up your pension as a self-employed worker will depend on how you've chosen to work: as a sole trader who pays tax through the annual self-assessment system, or as a director of a limited company. For sole traders, the options are straightforward. You need to set up an individual pension plan with a provider such as an insurance company or a fund manager. This might be a stakeholder pension or a self-invested personal pension (Sipp). You need a provider with reasonable charges and a good range of investment options.

Your payments into this plan will qualify for tax relief at your highest marginal rate of income tax: 20%, 40% or 45% if you're a basic, higher or additional-rate taxpayer. Your provider will usually claim the basic-rate relief on your behalf, topping up your contributions automatically; you then need to claim the extra relief through your self-assessment tax return. The normal annual allowance on pension contributions applies to self-employed people; you'll typically be limited to paying £60,000 a year, or the value of your earnings if this is lower. For limited-company directors, meanwhile, there is a little more to think about. You will still need to set up an individual pension arrangement, but your company can contribute to this plan in addition to any personal contributions you make, typically through paying a percentage of the income you take from it. This can be highly tax-efficient. You're still entitled to tax relief on these contributions, but in addition the company does not have to pay any corporation tax on the money, which is deemed an allowable expense. It doesn't have to pay employers' national insurance contributions on the money either.

Since pension contributions made through your limited company come with tax advantages for both the business and you individually, it often makes sense to maximise these instead of making personal contributions. Just remember that the annual allowance still applies. This cap takes into account all money paid into your pension plans each year, including personal and employers' contributions. Self-employed workers often run into problems with the annual allowance as their income can be patchy and unpredictable. There may be years when you're struggling to maximise your retirement savings and others when you'd like to be able to pay in more than the cap.

In these cases, you may be able to take advantage of the carry-forward rules, which allow you to count unused annual allowance from each of the past three tax years as part of this year's annual allowance. But remember that this year's £60,000 cap is higher. In each of the past three years, the allowance was only £40,000.

There are almost 4.5 million people in Britain who run their own companies

©Getty Images

A solid basis for retirement

The state-pension system, like the NHS, is 75 years old: the National Insurance Act came into force in July 1948. Many people overlook this valuable benefit when they plan their retirement finances.

Pension experts often talk about the state pension as insufficient to sustain you through a financially comfortable retirement. This may be true, but it can still provide a very solid foundation for your income in later life. If you've qualified for the full rate, the state pension is worth £204 a week this year – the equivalent of £10,600 a year – and it's guaranteed for the rest of your life.

Calculations from Fidelity underline the value this offers. For a 65-year-old in good health, it would take £205,000 of pension savings to buy an annuity income offering a similar level of income to the state pension. And that's not even matching the "triple-lock" guarantee that the state scheme offers, which promises annual rises worth the higher of inflation, average earnings increases or 2.5%. Getting as close to the maximum state pension as you can is thus important.

You need 35 years of national-insurance contributions to get the full amount, and potentially a few more if you've ever contracted out of the state pension system via a private pension. There is a free service online where you can check the progress you're making (gov.uk/check-state-pension).

News in brief... a new NI top-up deadline

● For couples where only one partner works – or where one earns substantially less – pension planning can become troublesome. There is a good chance one partner will have all the savings. The other partner is then vulnerable later in life if the relationship breaks down, but also misses out on tax relief on pension savings. This is why many pension experts recommend working partners take advantage of rules that allow them to contribute to their non-working partner's pension. It is possible to pay up to £240 per month into a pension plan for the non-worker, with an additional £60 of tax relief available from the state.

● Thousands of members of public-sector pension schemes will soon have a decision to make. As a result of a landmark legal decision in the "McCloud" case, with judges ruling that changes made to many schemes amounted to age discrimination, their employers are preparing to offer them compensation. However, pension-scheme members will be offered several options to remedy the problem. If you're not sure which one is right for you, consider taking independent financial advice.

● The Department for Work and Pensions is still struggling to cope with huge volumes of calls from people hoping to take advantage of an opportunity to top up their national-insurance (NI) contributions for years going back to 2006 (rather than just the previous six years, as the deal usually works). Doing so could substantially boost your state pension, but the DWP has come under huge pressure from demand for the service. Remember, the deadline for topping up has now been extended to April 2025.

Is Britain's inflation rate overstated?

The latest data suggests that the official figures don't match reality. Max King explains how price rises are calculated, and what the potential error implies for consumers and the economy

In the year to May, British food inflation, as reported by the Office for National Statistics (ONS), eased from an annual pace of 19.1% to 18.4%. According to a recent report by Savills, however, total expenditure at grocery stores only increased by 10%, implying a dramatic drop in volumes. Yet food store sales volumes, which rose about 8% during the pandemic as people worked from home, are only down by 2.3% year on year.

Savills attributes the remaining gap to trading down, and there is some evidence for this in the 15.2% growth in own-label sales and the growth in market share of discounters such as Aldi and Lidl, which in the last year have seen sales growth of 24% and 23.2% respectively. Perhaps there has also been a boom in the sales of corner shops, street markets and farmers markets, which the data doesn't cover. Perhaps people are eating less or eating out more, or growing more of their own food or making more use of food banks.

The nation's shopping basket

But the unprecedented difference in the inflation number and reported sales growth is too great to be explained away by such factors. The ONS compiles the inflation data using a semi-fixed basket of items.

There are currently 743 of these and changes are made each year to the components and weightings to reflect consumers' changing patterns of expenditure. In 2023, 26 items were added and 16 removed; additions included e-bikes, frozen berries and surveillance cameras. Removals included digital compact cameras and spirit-based drinks.

The ONS seeks to adjust for changes in consumption patterns that are voluntary, but not for those driven by economic necessity. In practice, this is hard to do. If people stop drinking non-dairy milk, is it because they can't afford it or because they now regard it as an extravagance? Consequently, the ONS is slow to change the items and their weightings; at a time of inflation, its pricing information is also prone to error.

The ONS-calculated rate is only a national average. Every household's inflation rate is different due to factors such as, say, holidays taken, meals eaten out, car type (if any), mileage driven and domestic energy consumption. The latter fell by 7.4% year on year in the first quarter, despite cold weather. But it is unlikely that the ONS has adjusted for this in its weightings.

"Aldi's and Lidl's sales have jumped by 24% and 23% respectively in the past year"

As of 1 July, domestic energy prices have fallen, which will reduce inflation. Curiously, though, gas prices have fallen by nearly 30%, but electricity prices by less than 10%. If renewable energy is, as the politicians regularly tell us, the cheapest energy to produce, then why, given the increasing use of renewables, isn't the electricity price falling faster than the price of gas?

The ONS added e-bikes to its basket of goods in 2023

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The reason is the intermittency of renewable energy, which means that a gas-driven generating plant has to be kept on standby for the times when the wind doesn't blow or the sun doesn't shine. Such periods, sometimes lasting weeks, are most common in winter, when demand is highest. The problem is that the less this plant is used, the higher the cost per unit of output because the fixed costs have to be carried by a lower level of output.

Electricity prices are determined by the marginal cost of generation, which is by gas. So the shift to renewables drives up the cost to consumers as the marginal cost rises, regardless of the cost and market share of renewables.

This would make the generation of renewable electricity increasingly profitable, but the government takes away this profit with a windfall tax. High and rising electricity prices, rather than reforming the pricing system, suit the government, despite the effect on inflation, because they enable a lucrative and ever-increasing stealth tax on consumers.

The good news for consumers is that, whether inflation is overstated or they are just economising, they are, on average, better off than the ONS data suggests. The bad news is that increases to pensions, welfare payments and the minimum wage have probably been too generous. The money would have been better spent increasing work and productivity incentives through the tax system.

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The First Lady of Football

Amanda Staveley has a reputation for bringing football clubs and deep-pocketed buyers from Gulf states together. Now she's trying the same trick with golf and the Saudis. Jane Lewis reports

Long known as the "First Lady of Football" for her prowess at matching English football clubs with deep-pocketed Gulf buyers, Amanda Staveley has taken up a new sport. The financier is credited with easing the deal that has convulsed the world of golf – the tie-up between America's long-established PGA Tour and its disruptive, Saudi-funded rival: LIV Golf.

In April, Staveley's PCP Capital Partners gave a presentation to the PGA Tour titled "The Best of Both Worlds". That's one way of putting it, says The Guardian. Some PGA officials reckon that, after a punishing two-year siege that had already cost the parties $200m in lawyers' fees, they had little choice but to roll over. The alternative was being slowly gutted of talent. "My fear is if we don't get to an agreement… they will end up owning golf," one board member told a US senate committee this week, noting that LIV, which is bankrolled by Saudi's giant Public Investment Fund (PIF), "has no economic constraint". Nonetheless, opposition is mounting. The committee's chairman, senator Richard Blumenthal, was scathing about the PGA Tour's willingness to do business with "a brutal repressive regime" out to "buy influence – indeed even take over – a cherished American institution simply to cleanse its public image".

©Getty Images

"Staveley is an outsider with inside connections in a male-dominated world"

A fearless financier

Such controversies are not new to Staveley, 50 – a "fearless" financier who has forged a niche as the consummate "outsider" with "inside connections" in often male-dominated environments. Known for her "little black book of Gulf-tycoon contacts" – and for reportedly turning down a proposal from Prince Andrew – she came to prominence in 2008 as a key intermediary in the rescue deals Barclays struck with Abu Dhabi during the financial crisis, says the Mail Online, reportedly extracting a £40m fee. That year, she'd also stormed into football, orchestrating the takeover of Manchester City by the Gulf state's ruler, Sheikh Mansour. More recently Staveley reprised that role for the Saudis, masterminding the PIF's £305m takeover of Newcastle United in 2021 – and taking a 10% stake in the club herself.

"Amanda is known and trusted by her contacts in the Gulf like almost no other non-Arab," an associate told The Observer in 2009. It's partly because her connections with local potentates run deep – dating back to her earlier years as a young restaurateur working near the racing town of Newmarket. She was born into wealth – the family land near Ripon, North Yorkshire, dates back to a 16th-century grant from Cardinal Wolsey, and her father made a fortune from a theme-park business. But she was always told "to marry well" because the family wealth would go to her brother, says the Financial Times. After boarding at Queen Margaret's School in York, she studied languages at Cambridge, but dropped out to run the restaurant Stocks – a hub near Newmarket for Middle Eastern racehorse owners, notably the ruler of Dubai's Godolphin stables. Staveley built on her contacts to launch Q.ton, an internet business that ran a high-tech conference centre and, in 2005, launched her financial advisory business, PCP.

A talented bridge-builder

Staveley's talent as a dealmaker is matched only by her propensity to get into legal scrapes, says the FT. Her involvement with Barclays resulted in a lengthy skirmish after she accused the bank of "deceit". The Newcastle sale led to a tussle with former owner Mike Ashley. And she's currently in a spot of bother with a Greek shipping magnate, Victor Restis, who is demanding £37m for an alleged unpaid loan.

Critics accuse her of lacking a moral compass for working on behalf of autocratic states. Others see her as a bridge-builder, whose drive has been intensified by becoming a mother and being diagnosed with the Huntingdon's gene. "She can deal with [awkward] people... [and] complex shareholders," says Legal & General's boss, Nigel Wilson. "You come away having a strong conviction that this person is trying to deliver the right outcome."

The worst trades in history... eToys.com dotbombs

eToys.com was founded in 1997 by Toby Lenk and startup backer Bill Gross. After considering several ideas they came up with a plan for saving parents time by selling a large range of toys over the internet, which was then still in its infancy. They received initial funding of $15m from venture-capital firms Sequoia Capital, Highland Capital Partners and Idealab, shortly followed by an additional $100m in funding from private institutional investors led by Promethean Asset Management.

What was the investment?

When the company opened for business in October 1997, four out of the five items from its first order turned out to be unavailable. Even in 1998 sales were only $34.7m. By the end of March 1999, it had sold items to 365,000 customers and a few months later it took advantage of the dotcom boom to float on the stockmarket. Its shares were oversubscribed and they more than quadrupled from the initial price of $20 to a peak of $85 in the first few hours of trading, giving it a valuation of $7.7bn by the end of the day.

What happened next

Sadly, eToys failed to live up to the hype. An overambitious attempt at expansion resulted in missed Christmas orders, which badly damaged its reputation. It later spent large amounts on warehouses in order to avoid a repeat of the debacle, but a partnership between rival Toys R US and Amazon.com resulted in missed sales targets the following Christmas. Unable to raise further cash to pay off debts and fund operations due to the dotcom crash, eToys was forced to declare bankruptcy in April 2001.

Lessons for investors

Given the eventual success of online shopping, you could argue that eToys was ahead of its time. But like many of the first wave of dotcom bombs, it tried to expand too fast, selling goods below cost in an attempt to win customers. Ironically, the strong performance of the initial public offering on the first day would also play a role in its demise, as a higher initial price might have raised enough cash to build the infrastructure to deal with demand. Studies show that newly listed firms tend to lag the market after the first day.

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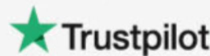

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Summer in the city

Three new hotel openings offering luxury and fun. Chris Carter reports

Roman holiday

Luxury Italian jewellery house Bulgari has returned to its home city with the opening of the Bulgari Hotel Roma, says Liam Hess for Vogue. That it would "deliver opulence at the grandest scale" was always a given. The enormous building on the Piazza Augusto Imperatore has been renovated from "top to toe", restoring the "extraordinary mosaic on the façade that [depicts] the origin myths of Rome".

Inside, "you'll know immediately that you're in Bulgari-land". The interiors are "comfortingly familiar [with] glittering mosaic details, rippled marbles, lacquered wood and crisp neutrals" and the 114 rooms and suites are "lavishly appointed".

After a day spent exploring the Vatican and the Pantheon, relax in one of the most decadent spas in the city, modelled on Rome's third-century Baths of Caracalla. It is a space at once "sumptuous and soothing". The 20-metre pool is the dramatic centrepiece, surrounded by eight arabesque marble columns, with "sparkling niches of black-and-gold housing both relaxation areas and 19th-century replicas of classical statues". *From €1,525 a night, bulgarihotels.com*

Virgin Hotels New York has a party vibe

Singapore on Thames

"When Singaporean hotel giant Pan Pacific opened its first London outpost in Liverpool Street post-pandemic… the City was largely still empty," says Rebecca Rose in the Financial Times. What a difference 18 months makes. The hotel's revolving doors were in a near-constant spin with the afternoon-tea set heading for the Orchid Lounge and after-work types to the Ginger Lily bar for cocktails. The floor-to-ceiling windows in the bedrooms look down on a "glorious mish-mash of Wren churches, anonymous office blocks and disastrous architectural mistakes – a view that is unmistakably London".

The spa, however, is "the real draw". The pool looks down on to the One Bishopsgate plaza and between laps, "I watched City workers racing to the office". *From £405, panpacific.com*

A bite of the Big Apple

Richard Branson's first New York opening is located "right in the middle of Manhattan, towering cheek-by-jowl next to the Empire State Building", says Alexandra Jones in the Evening Standard. Virgin Hotels New York is a "slice of prime real estate in NoMad" (North of Madison Square Park) and its rooms come with "spectacular views". As for the open-air pool, it is dwarfed by the skyscrapers around it. The Pool Club and the "'Shag Room' (think karaoke, crimson banquettes and a statement chandelier)" lend the hotel a "party" vibe, and yet its "sober and unfussy" bedrooms also make it ideal for business travellers.

"Still, it would be difficult to have a bad time." Everdene, the all-day dining restaurant, is "suffused with light and buzzing with activity". "And wow-ee, the food is good – whether you're in for breakfast, lunch or dinner, the fare… is fresh, unpretentious and big on flavour". *From $213, virginhotels.com/nyc*

Wine of the week: a luxurious siren of a chardonnay

2021 Journey's End, Destination Chardonnay, Stellenbosch, South Africa

£30.90, vinvm.co.uk

Matthew Jukes
Wine columnist

I love scoops! My most recent epic discovery was with Rollo Gabb, owner of Journey's End and his winemaker Mike Dawson, at his newly renovated Quo Vadis Restaurant in Soho, London. While my featured chardy has already found a footing in our market, no fewer than six other star wines passed my lips, and all of them will arrive in the next month or two on our shores.

2022 Journey's End V6 Sauvignon Blanc was a compact, pin-sharp, lightning bolt of citrus and herb notes, while 2022 Journey's End V1 Chardonnay showed uncommon breeding, resonance and restraint, redolent of a fine white Burgundy from a gentler era. 2021 Journey's End V5 Cabernet Franc has more flair than many red Loires, but is more nimble and dynamic on the palate than oceans of Right Bank clarets, and all three of these wines sell around the £16-mark! A top secret and as yet unnamed 2022 sauvignon blanc semillon blend blew my mind. The new 2018 vintage of Griffin, the dynamic, stunningly-appointed, fruit-soaked and impressively energetic syrah and the new 2018 vintage of Cape Doctor, a "Bordeaux blend" with more layers than a mille-feuille (both priced in the mid-£20s) are also on their way. We arrive at Destination – the finest Cape chardonnay I have tasted this year. This is a luxurious siren of a wine with flavour that will linger long in your memory.

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

This week: properties for around £500,000 – from a 17th-century Cotswold stone cottage in Fifield, O

Oak Cottage, Swainstone Manor, Ivybridge, Devon. A period barn conversion close to a village and the local beach. The house has exposed beams, stone walls, slate floors and a living room with a wood-burning stove. 3 beds, bath, office/bed 4, recep, breakfast kitchen, garden, parking. £475,000 Marchand Petit 01548-831163.

Low Donkleywood Cottage, Donkelywood, Falstone, Hexham, Northumberland. A period property converted from a pair of railway cottages in the Northumberland National Park. The house has beamed ceilings, open fireplaces and wood-burning stoves. 2 beds, bath, 2 receps, large garden. £450,000+ Finest Properties 01434-622234.

The Cottage, Fifield, Oxfordshire. A Grade II-listed Cotswold stone cottage dating from the early 17th century in a small village in an Area of Outstanding Natural Beauty. The cottage has exposed beams and stonework, large stone fireplaces, a wood-burning stove, window seats and a mature garden with Cotswold stone walls. 3 beds, bath, 2 receps, kitchen, garage, garden. £595,000 Butler Sherborn 01451-830731.

xfordshire, to a top-floor apartment in a period property in Chelsea, London

◀ **Waterloo Cottage, Eastbury, Hungerford, West Berkshire.** A Grade II-listed brick-and-flint cottage in a village. The house has a mature garden bordered by a river and the interiors include exposed wall and ceiling timbers and an inglenook fireplace. The country-style kitchen has terracotta-tiled floors and both the kitchen and sitting room have doors opening onto the garden. 3 beds, bath, recep, garden room, shower room, garden with seating area. £510,000 Strutt & Parker 01635-576922.

▶ **Brook Cottage, Middle Rasen, Market Rasen, Licolnshire.** An extended renovated period property with large gardens. It has beamed ceilings, herringbone brick and maple-wood floors, an inglenook fireplace and a country kitchen with an Aga. 4 beds, 2 baths, 3 receps. £495,000 Savills 01522-508908.

◀ **Sycamore Cottage, High Street, Thurleigh, Bedfordshire.** An enlarged Grade II-listed cottage in a village with a newly thatched roof and large enclosed gardens with parking areas. It retains its exposed wall and ceiling timbers, inglenook fireplaces, latch and braced doors and has a newly fitted country-style kitchen with quarry-tile floors. 3 beds, 2 baths, dressing room, 4 receps, store, barn, gardens. £450,000+ Lane & Holmes 01234-327744.

▲ **Beaufort Street, Chelsea, London SW3.** A top-floor apartment in a period conversion that retains its sash windows and wooden floors, close to the King's Road and the centre of Chelsea. The apartment is in excellent condition, but could benefit from some modernisation. It has a large reception room and comes with potential to extend the current lease of 51 years. 2 beds, bath, recep, kitchen. £500,000 Knight Frank 020-7349 4309.

▶ **Compton Road, Hilmarton, Calne, Wiltshire.** A renovated semi-detached property in the centre of a village. The established gardens include a large patio area with lighting and built-in seating. It has a period fireplace in the sitting room, a wood-burning stove in the drawing room, a garden room with French doors opening onto a terrace, and the modernised kitchen has a butler sink and wooden worktops. 3 beds, bath, 2 receps, garage, patio area. £500,000 Knight Frank 01488-682726.

The Barbie boom

A new film boosts interest in collectable dolls. Chris Carter reports

The live-action film *Barbie*, starring Margot Robbie (pictured left) as the eponymous fashion doll, is set for release on 21 July. And, as you might expect, it is a riot of pink. So much so, in fact, that when coupled with pandemic-related supply disruption, paint maker Rosco couldn't supply enough of its fluorescent pink to the film's set designers.

But aside from cornering the market in that particular hue, the film's release has provided another opportunity for those looking to turn a profit by raising interest in the collectable dolls. BonusFinder, an online gambling aggregator, analysed which Barbies have appreciated the most and from which decades, using data from BarbieDB.

Unsurprisingly, the first-ever Barbie is the most desirable. Priced at $3 in 1959 ($32 in today's money), the resale value of the Barbie #1 doll (pictured right), with its black and white striped swimsuit and bright red lipstick, is now $27,450. What is surprising is that the next two most valuable Barbies hail from half a century later, even if they are worth much less money. Dahlia Barbie, from 2006, decked out in a strapless gown, white satin gloves and a Swarovski crystal brooch, is worth $2,423. And retro-inspired Golden Gala Barbie, from 2009, today fetches $1,451. She wears a golden gown with a skirt shaped like a mermaid's tail.

Fuelled by nostalgia

Leaving aside the 1950s, which are skewed by Barbie's debut right at the end of the decade, the 29 models of Barbie released during the 1960s have an average maximum resale value of $428.97, making it the most lucrative decade for collectable Barbies today. Thereafter, values decline to $218.47 for the 1970s and $211.50 for the 1980s – decades in which Barbie dolls enjoyed a revival in popularity among children.

And those children are, of course, now all grown up, and are brimming with the nostalgia that fuels the collectable toys market. In late April, for example, a collection of Star Wars action figures went under the hammer at Vectis Auctions in Stockton-on-Tees, fetching £322,000 in total. The top lot was an Anakin Skywalker figure as seen in the 1983 sequel *Return of the Jedi*. It sold for £11,400, but several figures sold in the thousands of pounds and well above their pre-sale estimates.

Keeping dolls and figurines within their original boxes, unopened, and away from sunlight helps to preserve their values. Plastic shell covers also protect the cardboard from dust and humidity. Limited- or special-edition dolls tend to command higher resale prices, as Simon Farnworth, who runs online shop Simon's Collectibles, tells The Sun. "These dolls often feature unique designs, are collaborations with celebrities, or commemorate significant events," he says. A gold label Ziggy Stardust-themed David Bowie Barbie, which cost £50 in 2019, sells for £300 just four years later. Fashion brands Christian Dior, Versace, or Vera Wang have all collaborated at one time or another and remain popular specimens. In 2010, a one-off Barbie, created by Stefano Canturi, wearing a choker featuring a one-carat pink diamond, set an auction record when it sold for $302,500 in New York with Christie's.

Auctions

Going… In 1981, a newly engaged Lady Diana Spencer (pictured) attended one of Prince Charles's summer polo matches, wearing a red sweater with a whimsical white sheep – and solitary black sheep – motif. The media speculated endlessly over what the "black sheep sweater" symbolised. A few weeks later, the sweater's makers, Sally Muir and Joanna Osborne's knitwear label Warm & Wonderful, received a request from Buckingham Palace for a new one, because the original had been damaged. Last March, Muir and Osborne came across the damaged original in a box in the attic. It is expected to sell for up to $80,000 with Sotheby's in New York on 14 September.

©Getty Images

Gone… The white dress worn by Carrie Fisher as Princess Leia in the original *Star Wars* film in 1977 is instantly recognisable to sci-fi fans. Yet it was regarded as of no interest to anyone after filming and was "left gathering dust for around 40 years and then stuffed in a plastic bag", says the Daily Mail. It eventually turned up in a London attic. Sentiment appears to be little changed, as the dress failed to meet its seller's minimum price at the Propstore's memorabilia auction earlier this month. The Royal Mint will be hoping "the Force" isn't entirely spent, however. Last week, it revealed four new Star Wars-themed coins for sale, one of which features Princess Leia in a similar dress.

Tupac's bling leads hip-hop auction

Hip hop turns 50 years old this year. The sound that has become one of the world's biggest-selling music genres was born out of parties in the South Bronx area of New York City in the early 1970s, and is often dated very specifically to a party in August 1973 at which DJ Kool Herc invented the break-beat style of deejaying to extend the instrumental part of a song.

Auction house Sotheby's is getting into the swing this month, by teaming up with entertainment company Mass Appeal to present its third dedicated hip-hop sale on 25 July. Before then a range of genre-defining original art, historic studio equipment, trainers and jackets, flyers and posters and rare artefacts will be on public display at Sotheby's in New York, highlighting the role played by artists such as Tupac Shakur, Wu-Tang Clan and Ice-T.

Leading the auction is Tupac Shakur's iconic gold, diamond and ruby "Crown" sovereign ring (pictured above), which the rapper designed himself. In 1996, Tupac was effectively "retooling his image as he transitioned into an executive role", according to the auction house. To celebrate the beginning of a new chapter in his life, "Tupac got new bling".

The rapper had developed a fascination with Machiavelli during an earlier stint in prison, even going as far as to call himself "Makaveli". The ring Tupac designed therefore drew heavily on the idea of medieval kingship – a gold crown studded with a ruby (long a symbol of royalty) and two diamonds.

Putting on the ring was, in the words of his godmother, Yaasmyn Fula, "an act of self-coronation". The ring was engraved "Pac & Dada 1996", in reference to his recent engagement to Kidada Jones (daughter of Quincy Jones) and Tupac wore it at his last public appearance at the MTV Video Music Awards that September. He was shot dead days later in a still unsolved murder. The ring is valued at $200,000-$300,000.

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Bridge by Andrew Robson

Kamiltastic

This week's bluff revolved around the trump suit and features the charming American Michael Kamil from New Jersey.

Dealer East | Neither side vulnerable

North:
♠ 10965
♥ AJ753
♦ J4
♣ Q3

West:
♠ KJ8
♥ 642
♦ 875
♣ 9865

East:
♠ –
♥ KQ9
♦ K109632
♣ A1074

South:
♠ AQ7432
♥ 108
♦ AQ
♣ KJ2

The bidding

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

* Take-out, although marginal facing a passed partner. East has a minimum point-count and does not hold four cards in the other major.

** Tempting to make a penalty double here, with two likely Trump tricks. Had West doubled, things would have been very different.

West led a Diamond to the nine and Queen, and declarer, Kamil, saw that his only danger was West holding all three missing Trumps (if East held a Trump, then there would be at most one Trump loser, to go with a Heart and a Club). Was there any hope if West did hold those three missing Trumps? Not legitimately, but at trick two declarer tried the effect of leading a low Trump (key play).

West deliberated for a while but could not conceive that declarer would play this way if he held his actual holding. Placing his partner with the bare Ace, West eventually played low. Oops. Dummy's nine won the trick, just one Trump was lost, and the game made.

In an odd way, it would have been easier for West had he doubled Four Spades. Now that he has advertised his Trump strength, he knows that declarer may well try the ploy of leading away from his honours to put West in this dilemma. West would be far more likely to rise with the Knave. Down one.

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

Tim Moorey's Quick Crossword No.1164

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 24 July 2023. By post: send to MoneyWeek's Quick Crossword No.1164, 121-141 Westbourne Terrace, Paddington, London W2 6JR. By email: scan or photograph completed solution and coupon and email to: crossword@moneyweek.com with MoneyWeek Crossword No.1164 in the subject field.

Across clues are mildly 2 down, all other down clues are straight

ACROSS
1 Simple mug holding one litre (6)
4 I'm regrettably returning for meat that's thinly sliced (6)
8 Extremely bad lamb, say out to lunch (7)
10 Sailing-boat in small areas of water overturned (5)
11 Legal orders announced by hotel (4)
12 Like 2 Down (8)
14 Angry about new Tory team being uncaring? (13)
16 Criticize article concerning Greek temple (8)
18 Joke beginning to annoy Lady (4)
21 Heard terrible tirade after article rejected (5)
22 European ships at sea carrying a small number (7)
23 Pole has little money for perfumes (6)
24 Rush for long-term employment (6)

DOWN
1 Panache (5)
3 Leg (4)
5 Replied (8)
6 Dwelling-place (5)
9 Sweets (9)
13 Exactly at given time (2,3,3)
14 Momentum (7)
15 Greed (7)
17 Sound (5)
19 Detest (5)
20 Large island, part of Indonesia (4)

Name ....

Address ....

....

email ....

Solutions to 1162

Across 1 Cache *homophone ready=cash* **4** Rowling *(g)rowling* **8** Relearn *re + Lear + N* **9** Enact *hidden reversal* **10** Shes *(A)shes* **11** Discrete *Dis + Crete* **13** Evergreen *ever green* **17** Oriental *anagram* **19** For a *for + a* **21** Piano *p = soft, piano roll* **22** Tumbler *double definitions* **23** Sockeye *sock + eye* **24** Gusto *gust + O.*

Down 1 Caress *s inside cares* **2** College *on = leg (cricket) inside Cole (Porter)* **3** Edam *mad + e reversal* **4** Running battle *deceptive definition* **5** Wretched *w +retched* **6** Irate *(p)irate* **7** Gutter *G + utter = say* **12** Beanpole *(runner) bean + Pole* **14** Noodles *N + oodles* **15** Coupes *coup(l)es* **16** Hairdo *anagram* **18** Isaac *ISA + ac* **20** Smog *smo(kin)g.*

The winner of MoneyWeek Quick Crossword No.1162 is: Richard Moore of Bangor

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

Taylor's is one of the oldest of the founding port houses, family run and entirely 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.

Sudoku 1164

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

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

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

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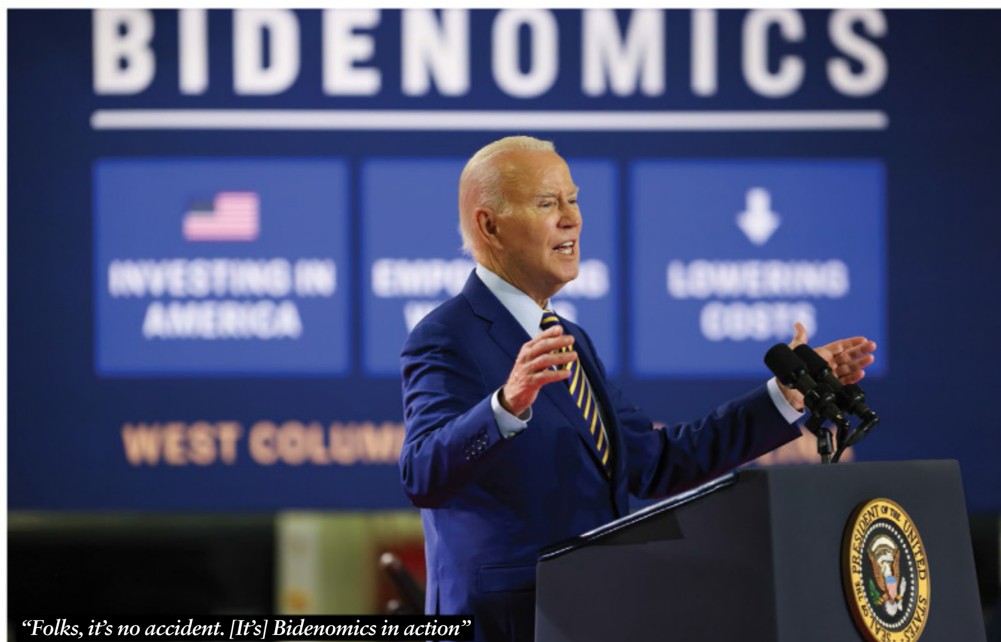
Why it pays to be gloomy

Missing a boom is often less important than not missing a crash



"Folks, it's no accident. [It's] Bidenomics in action"

©Getty Images

Bill Bonner
Columnist

The financial writers are awe-struck. This year started out as one of the worst ever for the US economy. But instead of getting worse as everyone (including us!) expected, the year is half gone, and it's still not looking half bad.

The broad stockmarket has still not recovered from its 2022 sell off. The Dow, now over 34,000, is still more than 1,000 points below the high set at the beginning of last year. But the bounce from last year's lows has been impressive. The S&P 500 is up 14% so far this year. The Nasdaq had its best-ever first half of a year as Apple hit the $3trn market-cap milestone. Nearly $5trn has been added to the value of companies in the Nasdaq 100 since the start of the year, and the index has soared almost 40%.

In the economy, too, we see pink cheeks and robust health everywhere. "Look at those industries and sectors that have been depressed," Ed Yardeni, president of Yardeni Research, told Business Insider "They're showing signs of recovering." Pent-up demand for houses has fuelled strength in the sector and for house builders. And the data look positive wherever you look. Employment, inflation, sales – it's "all good" for the US economy – or so they say.

President Joe Biden is keen to tell us what a great job he's done. "Bidenomics is working," he said in a recent speech. "Today, the US has the highest economic growth rate, leading the world economies since the pandemic. The highest in the world. [Applause.] …We created 13.4 million new jobs. More jobs in two years than any president has ever...made in four – in two. And, folks, it's no accident. That's Bidenomics in action."

Really? Is the economy really so good? Are stocks such good investments? Is there no reason for darkness and worry? We have our doubts and will outline why in future columns. For now, we won't spoil a good party by mentioning that the curtains are on fire and the police are at the door.

> *"We tend to look on the dark side. We hear corks popping, we duck to avoid the crossfire"*

But we will defend our tendency to look on the dark side. Perhaps it is a result of those many years we spent in a Baltimore ghetto. We hear corks popping; we duck to avoid the crossfire. We smell lilies; we look for the open casket.

Or maybe it is just our sorry métier. You work all your life. You save your money. You invest it. After the age of 55, the worst thing you can do is to take the "big loss". It's like a bad fall in the bathroom. Such things are almost impossible to recover from as you get older. You can still make profits. But you won't have time to compound them substantially.

So, for most readers, missing a boom is much less of a problem than not missing a crash. Missing a boom is like taking a holiday; you can get back to work later. But get hit by a crash, wiping out half your money, and you may have to downsize faster and further than you intended.

Our number-one goal here on the back page is to try to understand what is going on. Washington promises to build a better world for you. Wall Street promises to make you rich. Our job is to make sure you're not devastated when those promises don't turn out.

We don't mind being "too early". And we forgive ourselves for being wrong sometimes. But we damned sure don't want to be blindsided by a crash we didn't see coming.

For more daily updates from Bill, sign up to his Substack newsletter at: bonnerprivateresearch.substack.com

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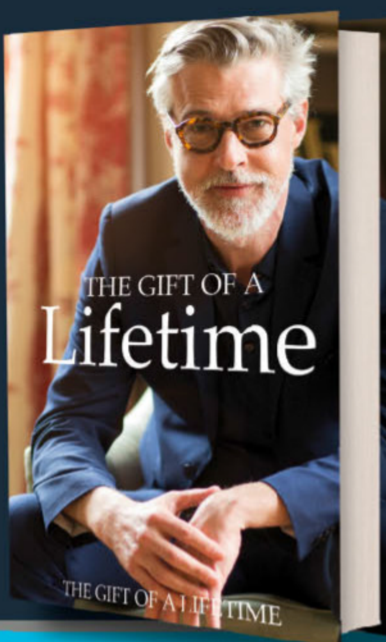

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