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MoneyWeek

MAKE IT, KEEP IT, SPEND IT

26 NOVEMBER 2021 | ISSUE 1079 | £4.50

Britain backtracks

HS2 shunted into a siding

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MoneyWeek

26 November 2021 | Issue 1079

Britain's best-selling financial magazine

From the editor-in-chief...

In 1963, a new fund was launched – the Invest in Leisure Unit Trust. Life, its managers reckoned, was on the edge of getting a whole lot better: working hours were getting shorter and "society more affluent". The result would be fast-rising spending on leisure goods and activities and "correspondingly higher profits" for companies offering them.

Lovely. I have no idea what happened to the fund (on this rare occasion Google has nothing to say), but I suspect it was a bit early. Sixty years on and the lives of leisure its backers envisioned seem to be here. In the last few years, says the Financial Times, "millions of people on both sides of the Atlantic" have left the workforce. For some it is the Great Resignation – they want a more satisfying (or easier) job. For others it is the Great Retirement – they don't want better jobs, they want no jobs. But this isn't just about those who leave wanting to do less. It is about those staying wanting to do less too – working fewer hours, mostly from home, and as and when they choose. It's also about people doing that whether employers sanction it or not.

Let the mouse jiggler take the strain

©Alamy

"It's not just those leaving work who want to do less – those in work want to do less too"

On Amazon you can buy a "mouse jiggler" which simulates mouse movements to stop your computer from going to sleep, so you can work from home, without actually, you know, working. This isn't equally effective for everyone (you can't fake an editor's letter with a mouse jiggler) but you get the idea: the paths to leisure are varied but everyone's trying to get on one.

The question then is whether they will manage long term. Not all employers are mad for home or even hybrid working. Those who get it can expect more surveillance (and everyone now knows about the jigglers). It may come with nasty long-term consequences for the ambitious anyway (see page 24 for why public hard work is more important than just hard work). Offices are less out of date than you think. And what of those who have decided to retire? Many will have come to that decision via a satisfied glance at their defined-contribution pension, which even if only adequately managed, will have soared in value in the last 18 months. But what goes up often comes down. Right now many markets – in particular the US markets that many pension funds will be heavily exposed to – are at eye-watering valuations (Bill is not impressed – see page 46). So many people who think they have enough capital to live on may soon find they do not (particularly given rising lifespans – see page 28). Perhaps in two years the Great Retirement will have become the Great Job Hunt. On the plus side, not everything is overpriced. On page 16 we look at the cheap supermarkets in the EU and at home. Bill may be right that average global valuations are silly high, but a solid retailer of essentials on a price/earnings ratio of 13? More silly low.

The same might go for the big miners now their dividends are back (see page 5). You should also turn to page 4 for cheap bets in emerging markets. A year ago China looked uninvestable. But as prices fall to reflect the risks of betting on communist-supervised capitalism, it is getting more tempting. Much the same goes for Russia. A few years ago prices were low enough to discount the full return of communism. Today they aren't quite high enough to reflect its influence over the global energy market. A life of leisure is a wonderful thing – but if you are financing from an investment portfolio, make sure it's a properly diversified one.

Merryn Somerset Webb
editor@moneyweek.com

Poor auction tactic of the week

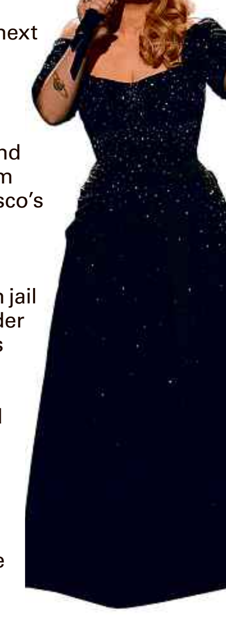
Citadel founder Ken Griffin (pictured) has bought a 1787 print of the US Constitution for $43.2m after outbidding crowdfunded cryptogroup **ConstitutionDAO**, says Bloomberg. The print, one of only 13 copies, had a pre-sale estimated value of $20m. ConstitutionDAO's plan was to buy the historical document on the behalf of donors who would then each "own" a share in the constitution. More than 17,000 online donors contributed a total of around $40m using cryptocurrency ether. Unfortunately, the group made its money-raising efforts public, thus making its maximum bid obvious to other bidders. Worse still, now that it has to return the money, the high transaction costs involved in receiving and refunding the ether could eat up as much as half of the average donation of $200. Griffin intends to give the print to be displayed to the public at the Crystal Bridges Museum of American Art in Bentonville, Arkansas.

Cover illustration: Adam Stower. Photos: ©iStockphotos

Good week for:

The owner of a painting thought to be a replica of a John Constable work could multiply their investment a hundredfold after it was verified as an original, reports The Sunday Times. The oil painting, titled *The Glebe Farm*, was produced in 1828 as a study for a larger work, and is expected to fetch a price of £3m to £5m at auction at Sotheby's next month. It was bought for $53,750 (£40,000) in Ohio last year.

A mum from Chester has saved up to £2,000 on Christmas gifts and food this year by entering more than 15,000 competitions, says The Mirror. **Geri Gregg** scoured social media, magazines and books for Christmas prizes, preferably hampers, to save her from buying a single gift. Her most expensive wins include a £200 Tesco's voucher, a Budweiser fridge and a Bosch coffee machine.



Bad week for:

Wendy Wein, 52, from Michigan was facing at least nine years in jail after admitting to attempting to hire a hitman for $5,000 to murder her ex-husband, using the fake website RentAHitman.com, says The Washington Post. The website was founded in 2005 as an internet security business, but when owner Bob Innes began receiving emails from people looking for hired killers, he started to report potential offenders to local law enforcement.

Australian TV host **Matt Doran** cost his network $1m after he botched an interview with singer Adele (pictured), says News AU. Channel 7's Doran flew from Sydney to London for the interview. But after he admitted that he hadn't yet listened to the album (having missed an email with a preview copy), Sony Music denied the network permission to air the footage.

©Getty Images; Onward Productions ITV.

Turkey heads for currency crisis

Alex Rankine
Markets editor

Turkey is heading for "a vicious cycle of inflation and depreciation", Timothy Ash of BlueBay Asset Management tells Tommy Stubbington in the Financial Times. With inflation running at 19.89% and the Turkish lira plummeting, there is talk of a new currency crisis.

The lira has lost 40% of its value so far this year. As of Tuesday it had recorded 11 successive record lows against the dollar in as many days, say Daren Butler and Nevzat Devranoglu on Reuters.

Back to 2018

The latest sell-off came after the central bank cut interest rates to 15%, the third cut since September. Interest-rate cuts reduce the attractiveness of lira-denominated assets, causing investors to sell them in favour of other currencies. At the new interest rate, savings in a Turkish bank account would earn a real return of -4.89%.

President Recep Tayyip Erdogan continues to believe that high interest rates cause inflation, despite ample evidence – not only in his own country – that the opposite is true. He has fired central bankers who didn't toe the line on easy money.

Things are starting to look a lot like 2018 again, when the lira "dropped precipitously amid a crisis in relations with the US", say Jared Malsin and Patricia Kowsmann in The Wall Street Journal.

A plunging currency is "driving up the cost of [imported] food, medicine and other essentials for average Turks". Some commentators fear a bank run. Yet despite growing signs of discontent, Erdogan appears determined to stay the course; indeed "he has intensified his calls for low interest rates".

Things got so bad in 2018 that policymakers were eventually forced to reverse course with emergency interest-rate hikes, says Craig Mellow in Barron's. That sent local stocks up by "a third in four months". Yet few are betting on a repeat this time.

Since 2018, "Erdogan has replaced professionals at the central bank with yes men". Global inflationary pressures are amplifying domestic problems, while Covid-19 continues to weigh on the important tourist sector.

Emerging markets disappoint

Trouble in one emerging market can quickly spread to others, says Shilan Shah of Capital Economics. Investors in the asset class may panic and sell indiscriminately. Yet any such "financial contagion" is likely to be "much more limited" this time than in 2018.

Turkey aside, most big emerging countries appear to have the foreign-exchange reserves they need to ride out any turmoil. What's more, non-residents' holdings of Turkish stocks and government bonds are down by two-thirds since 2018. Foreign investors won't be panicking and pulling funds from Turkey – most of them have already left.

"Canute-like efforts" to defy economic logic have led to a currency collapse

©iStockphotos

This was supposed to be a good year for emerging markets as "broad global reflation" took hold, says John Authers on Bloomberg.

Instead, the MSCI Emerging Markets index has flatlined while developed markets power ahead. Collectively, stocks in the Bric countries (Brazil, Russia, India and China) are "still below the peak set on Halloween 2007".

"The MSCI Emerging Markets index has flatlined this year despite global reflation"

During the profitable first decade of this century investors used to argue that emerging markets would grow even if the developed world sagged, a concept known as "decoupling".

Decoupling – but lagging

Since 2011 they have decoupled alright – but in a bad way: they have done much worse than the rich world. Risk-hungry investors used to bet on developing countries. "These days, they prefer developed markets, however good their risk appetite is."

Much of the underperformance this year comes from China, where a crackdown on tech firms and a property slump have weighed on stocks, says Udith Sikand of Gavekal Research.

Chinese shares account for one-third of the MSCI Emerging Markets index. If you strip out Chinese equities, the rest of the index has gained a 10% this year (although developed markets have done better).

While financial commentators focus on "Turkey's Canute-like efforts" to defy economic logic, most emerging countries are much more responsibly run and many look "undervalued".

Investors live dangerously

The rise of Asian mega-caps means that a typical emerging-market tracker now resembles an emerging Asia one, says Cherry Reynard in the Investors' Chronicle.

"About three-quarters of MSCI Emerging Markets index's capitalisation [is] made up of Asian giants China, Taiwan, South Korea and India." Just 4.5% is Brazilian shares. With Chinese growth ebbing, asset managers are starting to "reappraise their weightings" and look for opportunity elsewhere.

One asset manager tells Reynard that Russian valuations are attractive and offer exposure to higher commodity prices. Another has bought South African equities, citing "strong growth at extremely cheap valuations".

Some bets are even riskier. Sikand thinks growth could eclipse forecasts in Brazil because of strong commodity exports, but admits that a soaring fiscal deficit and a contentious election next year mean that Brazilian bargain hunters will be "living dangerously".

After such a torrid year there are bargains in emerging markets. But investors will need a hearty risk-appetite to take advantage.

Global dividends bounce back

Global dividends are very nearly back to pre-pandemic levels. Underlying payouts jumped by 22% year-on-year to hit $403.5bn in the third quarter, according to the latest Janus Henderson Global Dividend index.

The dividend index is now just 2% below where it was before Covid-19 struck. Janus Henderson projects that global payouts will hit a new record of $1.46trn for 2021 as a whole. The rebound has been driven by mining giants, which paid an "extraordinary $54.1bn of dividends" thanks to strong commodity prices. The return of bank dividends should continue to provide a tailwind.

"For 2021 as a whole, the market expects dividends per share in the FTSE All Share index to be 35% higher than in 2020 but 15% lower than in 2019," Richard Marwood of Royal London Asset Management tells FT Adviser. There should then be a "gradual recovery through 2023".

Firms are being more conservative with payouts: "The likes of Royal Dutch Shell and BP have fundamentally rebased their dividends", but that at least means that UK dividends are much more sustainable than they were pre-pandemic. The UK is "the highest-yielding region in the world at 3.3%", says David Brenchley in The Times. Income seekers should also take a look at Japan, where corporate governance reforms saw payouts jump by 25% between 2016 and 2020.

Powell's poisoned chalice

©Getty Images

Jerome Powell will lead the US central bank for another four years from February 2022

US president Joe Biden has nominated Jerome Powell for a second term in charge of the Federal Reserve, ending weeks of speculation about the future direction of the world's most important central bank. Left-wing democrats had pushed for Lael Brainard, a member of the Fed's board of governors who has taken a tough stance on financial regulation, to succeed Powell, a Republican, in the post. Biden has instead nominated Brainard to be vice chair, keeping Powell in place for another four years. Powell will face confirmation hearings in the Senate before his new term begins in February 2022.

Biden has made the right call, says Bloomberg. The Fed needs continuity as it conducts the delicate task of unwinding crisis-era monetary policy. A new boss would have raised the risk of miscommunication and market upsets. While Brainard takes a stronger line on financial regulation, the pair don't seem to have any major disagreements about monetary policy. The risk was rather that Brainard, a Democrat, would have been perceived as "partisan". The last thing the Fed needs is to get sucked into febrile party-political spats.

Powell's second term could prove a "poisoned chalice", says Desmond Lachman for The Hill. Last year he threw the kitchen sink at financial markets to stave off disaster from the pandemic. That has helped send US inflation up to 6.2%, the highest in three decades. US stocks are at valuations "experienced only once before in the past 100 years". That will put Powell in a bind next year: either he lets price rises rip – and goes down as the Fed chair who presided over the return of inflation – or he raises interest rates earlier than expected, bursting the asset-price bubble.

Fool me twice?

Meanwhile in the UK, Bank of England governor Andrew Bailey is "beginning to look beleaguered", says Martin Vander Weyer in The Spectator. He appeared to suggest interest rates would rise earlier this month, only to surprise traders when they didn't. The incident caused unnecessary market turmoil. "There's nothing wrong with ambiguity so long as markets are convinced the central bank is ahead of the game. But in this case the governor just looked lame… and the Bank's authority… correspondingly diminished".

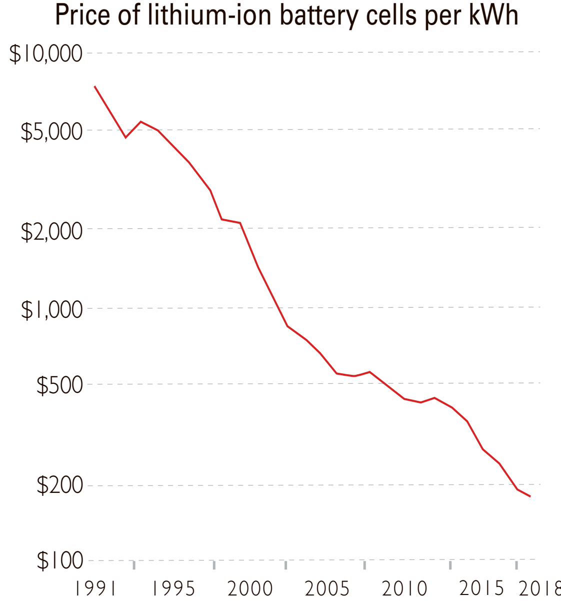
After betting wrongly on an interest rate hike in November, markets are pricing in a hike at the Bank's next meeting on 16 December. One of the reasons the Bank held interest rates at 0.1% was because it was waiting to see what impact the end of the furlough scheme would have on employment. Strong employment data since then has allayed those concerns, while news that annual UK inflation hit 4.2% in October has raised the odds of a hike. It remains to be seen whether the Monetary Policy Committee will disappoint markets a second time.

Viewpoint

"Many in the Gen Z generation [those born after 1997] are essentially clueless about how to build up wealth over their lifetimes. A disturbingly large proportion of them have wildly unrealistic expectations ... a recent survey... by MagnifyMoney [reported that] 27% of Gen Zers... hoped to retire before the age of 50... [for] a hypothetical [American] 25-year-old...earning the average salary for people that age... [that would be barely possible assuming] stock returns will exceed inflation over the next 25 years by 6% annualised... [but] today's stockmarket is wildly overvalued, making it unlikely that it will produce [anything like those returns]... [as for] retiring at age 50... the odds of running out of money in retirement increase significantly as the number of years in retirement expand... Not just Gen Zers, but all of us ... [need] a realistic financial plan."

Mark Hulbert, MarketWatch

■ The cost of storing energy is falling



One of the main challenges for integrating renewables such as solar and wind into the electricity grid is the fact that "they produce energy intermittently", says Hannah Ritchie on Our World in Data. We need a way to store energy for later use, but the cost of batteries has made that too expensive to do at scale. Thankfully, that is changing: in 1991 a one kilowatt-hour (kWh) lithium-ion battery cost $7,523 (measured in 2018 dollars). By 2018 the price had fallen to just $181. That's a 97% fall. What's more, prices are still falling: "The cost halved between 2014 and 2018." To put that in perspective, the battery for a Nissan Leaf electric car bought in 2018 cost about $7,300. Back in 1991 a similar-sized battery alone "would cost $300,000".

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

Three to buy

DX
Shares
Logistics, freight and courier group DX is a key player in the business-to-business and business-to-consumer delivery markets in the UK. The British parcel market is worth around £7bn per year and is expanding by 10% a year; DX accounts for around 1.5% of deliveries. Competition is fierce but DX has concentrated on small and medium-sized businesses and good customer service. "Curiously", its shares are trading at a quarter of their 2017 level, so this is a good time to buy in. *30p*

Learning Technologies Group
The Sunday Times
E-learning and software company Learning Technologies Group (LTG) has acquired America's GP Strategies, which has four times as many staff and generates twice the revenue; it has a strong global presence and good connections with the likes of HSBC and Microsoft. LTG now boasts a range of software and services used by companies worldwide to train, manage and hire staff, and could do very well from the move to online training alternatives as hybrid working becomes the norm. *178p*

Escape Hunt
The Mail on Sunday
Escape rooms – venues with themed rooms where groups of people try to get out by solving puzzles within an hour or so – "have earned fans from Bangkok to Birmingham". Escape Hunt, "a pioneer in the field", manages 15 venues in the UK. Lockdowns have hurt the shares, but the company has launched virtual games that can be played at home and is profiting from landlords' rush to let out locations at lower prices post-pandemic. *33p*

Three to sell

AO World
The Sunday Telegraph
AO World is a "friendly and efficient" deliverer of household appliances. It benefited from the virus as people stuck at home shopped online, "but that... spree won't be repeated every year". AO World has issued a second profit warning in two months after poor recent sales growth. It is also struggling to "crack the German market" owing to fierce competition. The firm faces "an uphill battle" against established rivals. Avoid. *132p*

Avon Protection
Shares
Protective-equipment firm Avon Protection delivered its first profit warning in August, and produced a second this month. Now it has revealed delays on orders for its body-armour business and announced a review of the division. The company "hinted at big impairments to results for the 12 months to 30 September"; revenue for its body-armour sector is expected to be "well below" the previously estimated $40m. This is the "latest in a series of setbacks" that have wiped 75% off the shares since their October 2020 record high. The board has lost credibility and the prospect of expensive acquisitions to revive growth is unappealing. Sell. *1,115p*

Ted Baker
Investors' Chronicle
Losses at "beleaguered" retailer Ted Baker have narrowed recently. The group is expecting to be net cash positive by the end of its financial year at the end of January. But its long-term performance "does not inspire great optimism". Revenue is down by over a third compared with the first half of 2019 and online sales have fallen by 14.2% year-on-year. "There is only so much that can be attributed to the pandemic." Sell. *140p*

...and the rest

Investors' Chronicle
Luxury-clothing brand **Burberry's** results for the six months to the end of September revealed that revenue was back to pre-pandemic levels. The group reinstated its half-year dividend and will resume a share-buyback programme; it has struggled with store closures throughout the pandemic, however, and could continue to do so if lockdowns resume worldwide. Hold *(1,846p)*. Pub operator **Young's** says sales in the half-year from 12 April were just 1% below 2019 levels despite ongoing Covid-19 restrictions. Hold *(1,467p)*.

The Mail on Sunday
Warehouse specialist **Urban Logistics** is growing as companies seek warehouses to stock goods amid the online-shopping boom. It lets its locations to the likes of Amazon. It has a history of generous dividends, and is moving to the main market from Aim in December, which should boost the shares further. Buy *(170p)*.

The Daily Telegraph
City of London Investment Trust has a "venerable portfolio" dating back to the 19th century. It extended its run of annual dividend increases to 55 years this year "thanks to its savvy use of dividend reserves", which allowed it to continue payouts throughout the pandemic. Hold *(388p)*.

Shares
BlackRock Smaller Companies is on an unusually wide discount of 6.5% to its net asset value (NAV) – so this is a good time to buy and tap into "the strength of the UK smaller-company universe". The trust returned 156.7% over the last five years, compared with 98% for the UK Smaller Companies sector *(2,010p)*.

A German view

Copper is set for a long-term bull market, says Focus Money. Demand is rising much faster than supply; by 2030 the market could reach a deficit of 11 million tonnes, compared with 0.7 million this year. The ascendancy of electric vehicles (EVs) will be a key driver of demand: an EV requires 80kg of the red metal; a car with a traditional engine just 22kg. Motors and cables for wind turbines are also highly copper-intensive. Investors who can stomach considerable volatility can ride the boom with Canada's First Quantum Minerals. It is working on projects that could produce a total of one million tonnes of copper by 2025. The group has also been paying down debt.

IPO watch

Dubai's efforts to revitalise its stockmarket are paying off, says Nicolas Parasie on Bloomberg. Shuaa Capital, which oversees around $14bn in assets, is to float two of its portfolio companies, Stanford Marine and NCM Investment. Stanford Marine operates a fleet of offshore supply vessels for the oil and gas industry, while NCM is a Kuwait-based online trading platform. The two firms have a combined value of about $545m. The government, meanwhile, is planning initial public offerings (IPOs) for ten state-owned companies. The buzz surrounding listings has boosted local stocks. Both trading volumes and prices have spiked in recent months.

©Alamy; Escape Hunt; Ted Baker

City talk

● Shares in Pets at Home have surged after the retailer said it expected a "bumper Christmas", says Oscar Williams-Grut in the Evening Standard. The virus has created a "heap of new pet owners" set to spend huge sums pampering their "fur babies". Pets at Home is also set to reap the rewards of ensuring that it has enough goods in stock, including "dog treats and festive harnesses for cats". Electricals-retailer AO World, by contrast, is "struggling to get hold of Playstations". Retailers are in for a "K-shaped Christmas": those who can get stock are"quids in"; those who can't "face thin gruel".

● Thanks to a "surge in profits", Royal Mail's "long-suffering shareholders" are in line for a "bumper one-off payout" of £200m as well as a £200m share buyback, says Ben Marlow in The Daily Telegraph. Parcel volumes are "33% higher than they were prior to the Covid-19 crisis". Still, bear in mind that Royal Mail "has an unfortunate habit of struggling to deliver on its promises". It also faces "wage spikes for temporary workers" and "the unwinding of fuel and energy hedges at the worst possible time".

● By deciding to buy America's Vonage for $6.2bn, Swedish telecoms company Ericsson is making a "bold but puzzling move into the cloud" says Neil Unmack on Breaking Views. There are "good reasons to diversify" as "the boom in demand for 5G mobile network kit that Ericsson provides will fade once operators have upgraded their networks". Still, cost savings "are likely to be minimal", with Ericsson likely to "make just a 2% return on its investment". Investors are right to be cautious: Ericsson's stock fell by 4% on the news.

©Getty Images; iStockphotos; Zoom

Metro stuck in the mire

The bank bet big that people missed old-fashioned branches. That has proved a costly mistake. What next? Matthew Partridge reports

Last week's decision by private-equity firm Carlyle to pull out of talks over a potential takeover of Metro Bank, ahead of the 2 December deadline, has wiped nearly 20% off the shares, says the Financial Times. This is a further blow for an institution "once hailed as a challenger to the handful of lenders that dominate Britain's retail banking market". Despite the fact that the shares have "plunged 97% from their 2018 peak", leaving it with a valuation of only £200m, Carlyle evidently felt that it was still "not cheap enough to offer the kind of returns that buyout groups typically seek".

It's an open question whether Carlyle was ever serious, says Patrick Hosking in The Times. This could have been "merely an attempt to see what other approaches might be flushed out", especially since US private-equity firms seem in love with the UK at present. Still, while a "lively auction" for Metro followed by a "knockout bid" would have been "a dream short-cut to restoring some value to shareholders", CEO Dan Frumkin will have to put this vision aside and focus on turning around Metro Bank's fortunes "the hard way".

Institutional investors are losing faith

As hopes "fade" that the "struggling lender" might be bought out, institutional investors seem to be losing faith in Metro Bank, says Lucy Burton in The Daily Telegraph. Legal and General, which at one stage was its largest shareholder, and was involved in a shareholder rebellion against founder Vernon Hill in 2019, "has sold down its stake in the bank twice in recent weeks". Other big investors had already started to back away. Billionaire Steven Cohen, once a major backer, has "also reduced his investment" since an accounting scandal two years ago.

It's hard to see how Metro can recover, says Oscar Williams-Grut in the Evening Standard. While Frumkin has "made some progress in slimming down the bank and pushing into new more profitable areas" the entire business model is flawed, with the bank branches proving to be "a millstone around his neck". While Hill bet that people "missed old-fashioned branches", the pandemic "has only accelerated the shift towards online banking and... rivals are closing stores at a rate of knots". Metro is "stuck paying rent on its 78 'stores' in expensive locations" with "long leases without break clauses".

The group's stock has slumped by 97% from its 2018 peak

Metro's "calamitous recent history", as well as its "branch-dominated operation in a world shifting to digital banking", may have doomed it, says Nils Pratley in The Guardian. But the "lack of competitive bite from the small end of the banking market" ought to bother regulators, especially "if money-making opportunities for retail lenders are about to multiply with rising interest rates". While some newcomers, like Starling, Revolut and Monzo, have provided some "customer-friendly tech", none of them "can be said to have seriously inconvenienced the big five or six in the core retail market of mortgages and personal lending". It is "hard to see" how this will change.

Zoom slows down in post-Covid-19 world

Even though Zoom's third-quarter revenue and profit eclipsed expectations and it issued an "upbeat sales forecast", the shares fell by 10%, says Dina Bass on Bloomberg. It reported a "smaller-than-projected number of large customers for a second straight quarter".

This has increased "concerns about growth as more workplaces and schools open back up". Investors are now "closely monitoring" Zoom to see whether its "ubiquitous" online-meeting platform can withstand "rising competition" from companies like Microsoft and Alphabet's Google. This is all a far cry from October 2020 when Zoom was worth more than Exxon Mobil, says Danny Fortson in The Sunday Times. Today its shares have halved and it is adjusting to a world where Covid-19 "is not the paradigm-shattering force it was last year". Founder Eric Yuan has "begrudgingly agreed" to trial banner ads on the browser page that pops up at the end of a call, though for now this will be limited to non-paying users. This decision has left some analysts "befuddled".

Zoom isn't the only victim of the return to normality, says Matt Phillips in The New York Times. Shares in exercise-bike maker Peloton "dived 35% in a single trading session this month", after it "deeply cut its sales forecast" for the coming year. Shares in online-tutoring company Chegg have slid by almost 70% in 2021. Still, some believe that "nearly two years of stay-at-home life" have "so altered our behaviours" that the likes of Peloton and Zoom "will remain part of our daily routines for the foreseeable future".

Europe's Covid-19 clampdown

EU countries are seeking to stamp out a wave of infections. Britain may be spared. Emily Hohler reports

European governments are introducing tougher Covid-19 measures in the face of soaring infection rates, says The Economist. Austria went into a ten-day lockdown on Monday and has become the first Western democracy to make Covid-19 vaccinations mandatory, as of 1 February 2022. In protest, 40,000 unvaccinated Austrians took to the streets in Vienna, some carrying placards likening the chancellor Alexander Schallenberg to Josef Mengele. There have been similar protests in the Netherlands, Belgium, Denmark, Italy, Switzerland and Croatia, with "scattered violence and police use of tear gas and water cannons".

The situation in Austria is being closely watched across the continent, where infections have reached an all-time high of more than two million new cases each week, says Steven Erlanger in The New York Times. Europe is once more the epicentre of the pandemic, with more than 50% of the world's reported Covid-19 deaths this month, according to the World Health Organisation, which is warning of another 500,000 Covid-19 deaths by March. "As hospitals in central Europe fill up, anxiety grows," says The Economist. Around 65% of the EU population is fully vaccinated, but rates vary greatly between and, even within, countries. More than 88% of over-12s in Portugal are double-jabbed; in Bulgaria, the figure is less than 25%. Within Germany, regional rates vary between 80% and just over 50%, and although politicians insisted that vaccines would never be mandatory, a recent poll suggests that 70% of the public favour an Austrian-style mandate. Other countries, including Italy and France, have made them obligatory for specific groups, and the EU is currently trying to "hammer out" proposals for new Covid-19 passes that will "virtually insist on booster vaccinations for travel within the EU", says The Times.

Protests against Covid-19 curbs are sweeping Europe

©Getty Images

Although vaccines are reducing hospitalisations and deaths – an NHS respiratory consultant writing anonymously in The Guardian says Covid-19 in hospital is now "largely a disease of the unvaccinated" – they do not appear to be reducing transmission. As Paul Kingsnorth points out in his Substack newsletter, Ireland has the highest rate of vaccination at 94% of adults yet one of the highest infection rates. Additionally, many experts increasingly think "herd immunity" is now "unattainable" because the virus is so widespread, new variants are emerging and vaccinated people are experiencing "breakthrough infections".

Is the UK heading back into lockdown?

So, are tougher curbs looming in the UK? Health secretary Sajid Javid has "played down" the likelihood, highlighting our successful booster programme. There are other reasons to believe the UK is in a strong position, says Nick Triggle on the BBC. Unlike Europe, the UK's infection rates have been stable since the July peak. Restrictions were eased here earlier than on the continent, partly because the Alpha and Delta variants arrived sooner, but also because of a government decision that it was "better to have the so-called exit wave in the summer" because the spread would be mitigated by better weather. A combination of a successful vaccine rollout and natural immunity leaves a "much smaller pool of vulnerable people" for the virus to infect.

Then there are the less measurable factors, such as the public's risk management (testing, mask-wearing, not going out). Modelling found that if everyone in England had been exposed to the virus in October, England would have had the lowest hospitalisation rate in Europe (62 per 100,000). Reassuringly, the latest advice and current optimism is "based on clear statistics, experience and useful comparisons" with EU countries, says The Times. Politics "now plays little part".

Johnson: shambolic

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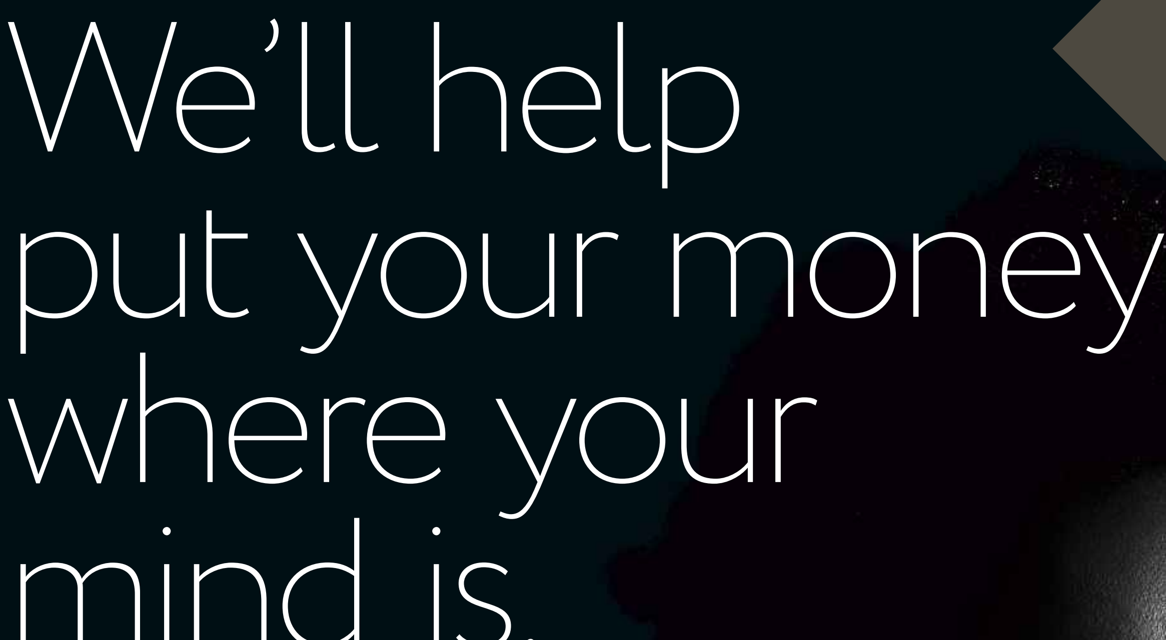
Is the end in sight for Boris Johnson?

After Boris Johnson "lost his place and woke up in Peppa Pig World" during his shambolic speech to the CBI on Monday, a Downing Street source was quoted as saying that the Cabinet needs to "demand serious changes", says Daniel Finkelstein in The Times. That's missing the point. Johnson won't change, even if No 10 is reorganised and new advisers appointed. He has "supreme confidence" in his own ability and he doesn't listen. "His flaws and his spectacular political success are indivisible." His connection with people, including those in Red Wall constituencies, is the reason he won the last election. The way he "skates over the detail and believes two contradictory things at once" is how he got Brexit done.

Once upon a time, the Peppa Pig digression "would have had his audience in stitches", says Philip Johnston in The Daily Telegraph. But perceptions can switch "almost overnight": perceived strengths suddenly become flaws. Labour is yet to "open a significant and consistent poll lead" over the Tories despite Johnson's sliding personal ratings. Johnson's "difficulty" arises when this changes. His "biggest political problem" is not referencing cartoon characters but "reneging" on "unambiguous pledges". "Whether or not the U-turns on tax, HS2, social care, Owen Paterson, the Northern Ireland Protocol, freeports and the rest were the right things to do, they were not what he said he would do and voters (and MPs) dislike broken promises more than anything else."

Dominic Raab tried to dispel rumours that letters of no confidence in Johnson have been submitted to Graham Brady (54 MPs would need to do so to trigger a no-confidence vote among Tory MPs), says Steven Swinford in The Times. Nevertheless, "when the writing is on the wall, the Conservative Party can be ruthless", says Johnston. Look what happened to Margaret Thatcher. "The end, when it comes, will be swift and brutal."



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Germany: meet the new boss

The new government already has a lot on its plate. Matthew Partridge reports

Scolz: coalition represents a "huge victory"

Following two months of intense negotiations, the German Social Democrat Olaf Scholz has forged an agreement with the liberal Free Democrats (FDP) and the Greens that will allow him to form a new government and succeed Angela Merkel as the country's new leader, says Kate Connolly in The Guardian. The deal, which will have to be ratified by each of the individual parties, followed by the German parliament, will create the "first three-way alliance on a national level in German history". The coalition agreement puts "tackling the climate emergency at the top of its agenda", with commitments to phasing out coal by 2030 and an end to combustion engines and gas power by 2040.

Strange bedfellows

The coalition is a "huge victory" for Scholz, says Guy Chazan in the Financial Times. But the agreement papers over the fact that his partners are "strange bedfellows". The Greens pledged to "raise taxes and loosen the country's strict rules on debt to pay for the increased spending"; the FDP had previously ruled out tax increases and any changes to the debt brake, Germany's constitutional restriction on new borrowing. This disagreement is important as the FDP's leader will be put in charge of the purse strings as the finance minister.

The FDP and Greens are not natural allies and it will make the resulting so-called "traffic-light" coalition tricky to manage, says Laurenz Gehrke in Politico. Still, the prospects for success look good – the talks between the three parties have been, with the exception of a disagreement over a "lack of ambition" in climate policy, "civilised and optimistic". This contrasts with the "messy and ill-fated" 2017 coalition talks between Merkel's conservatives, the Greens and the FDP. In return for accepting the "significant compromise" of FDP control of finance, the Greens will be rewarded with two major ministries, economy and environment, and foreign affairs, for their own leaders.

Storm clouds gather

One issue that threatens to "overshadow the new coalition's agenda and drive a wedge between the parties right from the start" is the response to Covid-19, says Wolfgang Münchau in The Spectator. Germany's infection rates are "exploding", leading to "overflowing" hospitals. Many state leaders are demanding compulsory vaccination, but the FDP is opposed to mandatory jabs or fresh lockdowns, which raises the spectre of the new government having to beg the opposition CDU for support to get measures through.

Geopolitical tensions are also mounting, says Bloomberg. Russia's confrontation with Ukraine, and the EU's battling with the fallout from Brexit and its eastern members give the parties "plenty of scope for bickering". Still, although many potential cabinet members are "untested", Scholz has "years of experience" as finance minister, mayor of Hamburg and an "SPD heavyweight" dating back to Gerhard Schroeder's chancellorship. Like his predecessor, he is also a "low-key pragmatist". Just as well, as the new government will have "little time to settle in" before having to deal with big issues.

West plots boycott of Beijing Olympics

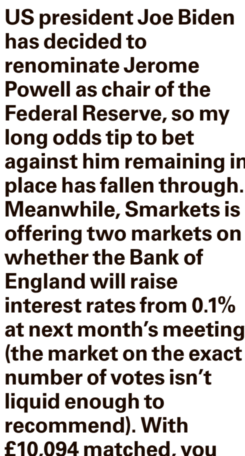
Shuai has sparked a movement

The UK government is in talks with the other five members of the "Five Eyes" security alliance over whether it should launch a "diplomatic boycott" of next year's Winter Olympics in Beijing, say Caroline Wheeler and Gabriel Pogrund in The Sunday Times. Last week, President Biden said the US might refuse to send diplomats to the games as a protest against human-rights abuses. Calls for action by other nations have increased amid growing concern over the tennis star Peng Shuai, who disappeared from public view after posting a video alleging sexual assault by a Chinese politician.

The case for a boycott is strong, but it will require a lot of co-ordination among Western nations, says Patrick Wintour in The Guardian. Beijing has shown a determination to "retaliate if it feels it has been treated unfairly", as Australia, Canada and more recently Lithuania have found out the hard way. Smaller countries will "want to know that the big players in the G7 economies are signed up", before agreeing to withdraw their diplomats.

"The broadest possible alliance of free nations" will be needed if it is to succeed as any division "would strengthen the hand of the CCP, not weaken it", says Matthew Syed in The Times. Still, doing nothing is not an option – large-scale events such as the Winter Olympics "are a means for dictators to bolster their legitimacy in the eyes of their domestic audience and distract from abuses". And it's hard to see how countries could object to a diplomatic boycott, which would still leave their athletes free to take part. At the least, it would offer Western nations "a chance to get back in the habit of acting in unison".

Betting on politics



US president Joe Biden has decided to renominate Jerome Powell as chair of the Federal Reserve, so my long odds tip to bet against him remaining in place has fallen through. Meanwhile, Smarkets is offering two markets on whether the Bank of England will raise interest rates from 0.1% at next month's meeting (the market on the exact number of votes isn't liquid enough to recommend). With £10,094 matched, you can get 1.46 (68.4%) on a rate rise and 2.76 (36.2%) on the status quo.

With inflation now well above the 2% target, you might assume the Bank would step in to act by raising rates. But although governor Andrew Bailey (pictured) has been hinting that he is thinking seriously about a hike, the Bank's outlook still remains extremely dovish – it remains convinced that any inflation is the temporary result of disruption to global supply chains. A hike remains more likely than not, but the odds on offer make a bet on no change worth taking.

Another punt worth considering is on whether there will be a recession in the UK next year. With growth expected to be at least 4% next year, boosted by easing supply-chain worries and Covid-19 becoming much less of a threat as new treatments come online, it's hard to imagine a scenario where there is two consecutive quarters of negative growth (the terms of the bet). I would therefore take the 1.27 (88.7%) on there not being a recession in 2022.

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1 Over the ten years to 30 September the US dollar NAV per share compound annual growth rate ("CAGR") was 14.8% and the public market benchmark (the FTSE All-World Total Return Index) CAGR was 12.5%. The peer group refers to the UK listed private equity fund of funds: BMO Private Equity Trust, ICG Enterprise Trust, JPEL Private Equity, Pantheon International Plc, and Standard Life Private Equity.

2 HVPE introduced an additional US dollar share price on 10 December 2018; from this date onwards, the actual US dollar share price, as reported by the London Stock Exhange, has been used. Prior to this date, the US dollar share price had been converted from the sterling share price at the prevailing exchange rate.

Washington DC

Acting tough on inflation: The US will release 50 million barrels of crude oil from its strategic reserves in a bid to tame rising petrol prices and appease motorists, says The Wall Street Journal. It is far from clear, however, whether that will be enough to cover surging demand, while some analysts question whether the White House is putting on a show of doing everything it can to temper inflation, currently running at a 31-year high of 6.2%. In joint action with Britain, South Korea, Japan, India and possibly China, up to 70 million barrels will be released in total, equivalent to little more than half of what the world consumes in a day. Meanwhile, the number of Americans registering for unemployment "plunged" by 71,000 to a seasonally adjusted 199,000 last week, the lowest level since 1969. The economy grew by an annualised 2.1% quarter-on-quarter in the three months to October, according to the latest forecast. Consumption, which accounts for around 70% of the economy, also grew by a quarterly 1.7% in that period.

London

Recovery ploughs on: Britain's economy is outpacing the continent's, says Tim Wallace in The Daily Telegraph. According to the latest estimate of the IHS Markit purchasing managers' index (PMI), demand is robust. While the composite index (made up of the services and manufacturing sectors) almost held steady in November, dropping 0.1 from 57.8 in October, a score above 50 nevertheless indicates that growth is being maintained. Services, which comprise 80% of GDP, are leading the charge, but manufacturing is accelerating too. The index remains above its third-quarter average of 56.3 and its 54.3 average from the 2010s, which will reassure wavering members of the Bank of England's Monetary Policy Committee (MPC) that the economy can withstand a modest increase in interest rates at its next meeting on 16 December, says Samuel Tombs of Pantheon Macroeconomics. The high street is also showing signs of recovery. The GfK consumer confidence survey showed a small improvement for November; retail sales ticked up again.

Caracas

Socialists strengthened: The Socialist party of Venezuelan president Nicolás Maduro (pictured) claimed a resounding victory in local and state elections this week, say Keyal Vyas and Juan Forero in The Wall Street Journal. The US-backed opposition won a third of 335 mayoral seats. Only 41% of eligible citizens voted, the lowest turnout rate for regional elections in at least 20 years. The vote was widely deemed rigged.

The Venezuelan economy is expected to grow by between 5% and 10% in 2021, its first yearly growth since 2013, says Kejal Vyas in The Wall Street Journal. This is due largely to the "scrapping of an ossified state-led economic model in exchange for an anything-goes version of capitalism" that Maduro began introducing in 2019. Basic goods have had their price controls lifted, imports are tariff-free and there is "virtually no tax enforcement on businesses and individuals". The US dollar is now the "de facto national currency".

Buenos Aires

Government loses authority: Sunday's vote in Argentina's midterm elections saw President Alberto Fernández's coalition lose its majority in Congress for the first time in almost 40 years, says The Economist. But while the defeat heralds "two difficult years" for Fernandez, the resulting loss of authority of his vice-president, Cristina Fernandez de Kirchner (pictured), may make it easier for him to renegotiate Argentina's $43bn debt to the International Monetary Fund (IMF). Any deal is likely "to have to include some reduction of the deficit", which Fernandez has opposed.

However, even if an IMF deal and a "pro-investor policy shift" to "pull the economy out of its freefall" may now be on the table, Argentina and "its inflation-weary voters have been here many times before", says Tom Rees in The Daily Telegraph. Hence the excitement generated by the rise of the far-right libertarian Liberty Advances party. Its leader, Javier Milei, the epitome of anti-establishment rebellion, won a seat in Congress. His plans for the economy are "as big and wild as his 70s rock-star hair".

The way we live now: Britons go cold on tea

Trouble is brewing for the British tea industry, says Zoe Wood in The Guardian. Last week Unilever opted to sell Brooke Bond, PG Tips and Lipton to European private-equity firm CVC Capital for €4.5bn (£3.8bn), blaming a decline in the number of traditional tea drinkers amid the ascendency of coffee and herbal-tea enthusiasts. In the year to June 2021, coffee sales were almost double tea's, rising by 10% to £1.5bn. The volume of everyday teabags sold over the same period remained unchanged. "Tea suffers from an identity problem," says John Gapper in the Financial Times. The pedestrian, processed and mixed leaves in ordinary black tea have become too domesticated to stand out alongside modern beverages. However, salvation could be found in the rituals associated with expensive tea-habits of the past. It needs to become a cultural and spiritual luxury once more. "Before Lipton's industrial intervention, 19th-century hosts used to spoon their own leaf blends into teapots and let them infuse gently for several minutes before serving their guests. Call it mindfulness."

No longer the flavour of the month

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Brussels

Clouds gather over Europe: The latest "flash" estimate of the IHS Markit composite purchasing managers' index (PMI) for the eurozone (comprising services and manufacturing) rose to 55.8 for November, up from 54.2 the previous month (above 50 indicates growth). The expansion is slowing, but it is "encouraging" that the eurozone has been able to maintain "a decent growth rate" in the face of supply-chain problems and rising prices, says Bert Colijn of Dutch bank ING. It "paints a picture of a healthy economy before new virus-related restrictions [were implemented]". These, unfortunately, will "curb" growth. Worse, the slight decline in the Ifo Business Climate Index for Germany this month suggests that the economy was struggling before restrictions were tightened, say Andrew Kenningham and Jessica Hinds of Capital Economics. "Things will be much worse in December as coronavirus restrictions are tightened further." That could knock 0.25% off eurozone GDP in these last three months of 2021. Rising consumer prices are a problem, but according to ING's Carsten Brzeski, "the gradual exit from ultra-loose monetary policy is about to start".

Tokyo

Yet another stimulus: The Japanese government is planning to issue Y22trn (£143bn) of bonds to help pay for the pandemic, an effort by prime minister Fumio Kishida (pictured) to "shore up the recovery" before the elections next year, says Bloomberg. Even without the latest stimulus, Japan's government debt-to-GDP ratio is 257%, says the International Monetary Fund. At least inflation doesn't appear to be much of a problem yet, says The Wall Street Journal. Consumer prices ended October up by just 0.1% from the year before, compared with annual inflation of 4.1% in the eurozone and 6.2% in the US over the same period. "Japanese shoppers resist paying higher prices and businesses seldom try to lift them." The country will also be trialling a new digital currency backed by bank deposits as early as this year, says Nikkei Asia. Its provisional name is DCJPY, and people can start using it when they open an account. Electronic money is already widely used in Japan in the form of train passes that double as smart cards, but DCJPY will be tested on larger-scale transactions.

Canberra

Defence deal done: Australia has signed a landmark deal with the US and the UK to acquire nuclear submarines "as part of the controversial AUKUS security pact", says Andrew Brown in the Australian Associated Press. The deal, first announced in September, will allow the countries to share information on nuclear-powered vessels. It was heavily criticised by the French government after Australia backed out of a $90bn contract with Emmanuel Macron's government to sign up to AUKUS instead. Chinese president Xi Jinping also attacked the Australian government's decision, says Bernard Lagan in The Times. Xi said these "alliances" could "threaten or undermine peace" and "called for a nuclear weapons-free zone in southeast Asia". But Beijing has been working on weapons of its own, says Demetri Sevastopulo in the Financial Times. Its hypersonic weapon tests in July included a missile that travelled at least five times the speed of sound, something no other country has demonstrated before. Military experts at the Pentagon are attempting to understand how China mastered the technology, and debating the purpose of the projectile, which was fired with no obvious target.

Wellington

New Zealand's cautious reopening: New Zealand has outlined plans for a cautious reopening nearly two years after coronavirus border restrictions were put in place, says Praveen Menon on Reuters. An outbreak of the Delta variant earlier this year "forced a shift in strategy"; Auckland began reopening gradually as vaccination rates grew. Fully vaccinated international travellers will be allowed to enter the country from 30 April after undergoing a seven-day quarantine. Vaccinated New Zealanders and Australians resident in New Zealand can travel from mid-January; those in other countries from mid-February. The country's strict pandemic restrictions, coupled with its geographic isolation, limited the spread of Covid-19 and helped its economy recover, but now the central bank is raising interest rates as it attempts to rein in rising house prices, says Sophia Rodrigues in the Financial Times. The 0.25 percentage point increase to 0.75% is the second rate rise in two months. It is forecasting it will have to increase rates to 2.6% by December 2023 to keep a lid on inflation.

Backtracking on HS2

The government has found a reverse gear on the controversial high-speed rail project. But does backing out now make sense? Simon Wilson reports

What's happened?

After years of reassurances and manifesto pledges that High Speed 2 would be built in full – including the arm from Birmingham to Yorkshire as well as the one to Manchester – the current government has backtracked. Instead of heading to Leeds, there will be a much shorter spur north-east from Birmingham to East Midlands Parkway, a new station serving the region around Leicester, Derby and Nottingham. From there, high-speed trains will slow down onto existing lines. If HS2 has always been a white elephant, quipped the Tory MP Sir Edward Leigh, then it is now "missing a leg". In addition, Northern Powerhouse Rail (NPR), the proposed high-speed link connecting Liverpool to Manchester, Leeds, Sheffield, Hull and ultimately Newcastle, has also been scrapped. In its place upgrades to existing lines and full electrification of the Midland Main Line from London to Sheffield is promised. The government styles this as its "Integrated Rail Plan".

A U-turn on the U-turn may be on the cards

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Is HS2 a white elephant?

It's certainly a very expensive way of achieving very little. England is a small country where the distances involved are short and the time savings minimal, and business travellers (the core market) can already work on trains anyway. The benefits in terms of "levelling up" Britain's economic geography have always been overstated, since evidence (from France and Spain, for example) is that the dominant hub city (here, London) benefits far more from the high-speed links than the regional city. And to date the execution has been poor. Last year's Oakervee review, which convinced Johnson to press ahead, found that the economic benefits remained unclear, and that HS2, especially the phase one construction team, lacked "the level of control and management of the construction normally associated with big projects". The National Audit Office judged that it's impossible to predict the final cost; that the latest 2040 target for completion probably won't be met; and that HS2 and the government had "not adequately managed risks to taxpayers' money".

So downsizing it is a good idea?

Shorn of its Leeds arm, HS2 "makes even less sense", says Liam Halligan in The Daily Telegraph. The reasons the project is going ahead anyway are "inertia, the lobbying power of engineering conglomerates and property developers, and broader metropolitan bias". But the really "odd" part of the government's latest plan is the scrapping of NPR. The high-speed trans-Pennine route was regarded by many voters and political leaders in the north as the centrepiece of the Conservatives' levelling-up agenda. Moreover, "countless independent studies showing that the productivity gains of NPR far outstrip those of HS2", says Halligan.

What's the government's rationale?

It's partly about money, and partly about electoral politics. To see which department – Transport or Treasury – was in overall charge of last week's Integrated Rail Plan, says Dominic O'Connell in The Times, take a look at page 24 of the document. "Commitments will be made only to progress individual schemes up to the next stage of development, subject to a review of their readiness." In other words: if the costs start to run away, and threaten to breach the overall cap of 3% of GDP on capital spending, then think again. However, the overall projected cost saving is not enormous: the government says its new plan (the "biggest transport investment programme in a century") will cost £96bn, compared with £110bn, the previous latest estimate of HS2's overall cost.

> *"The new plan will still cost £96bn, compared with the £110bn estimate for HS2"*

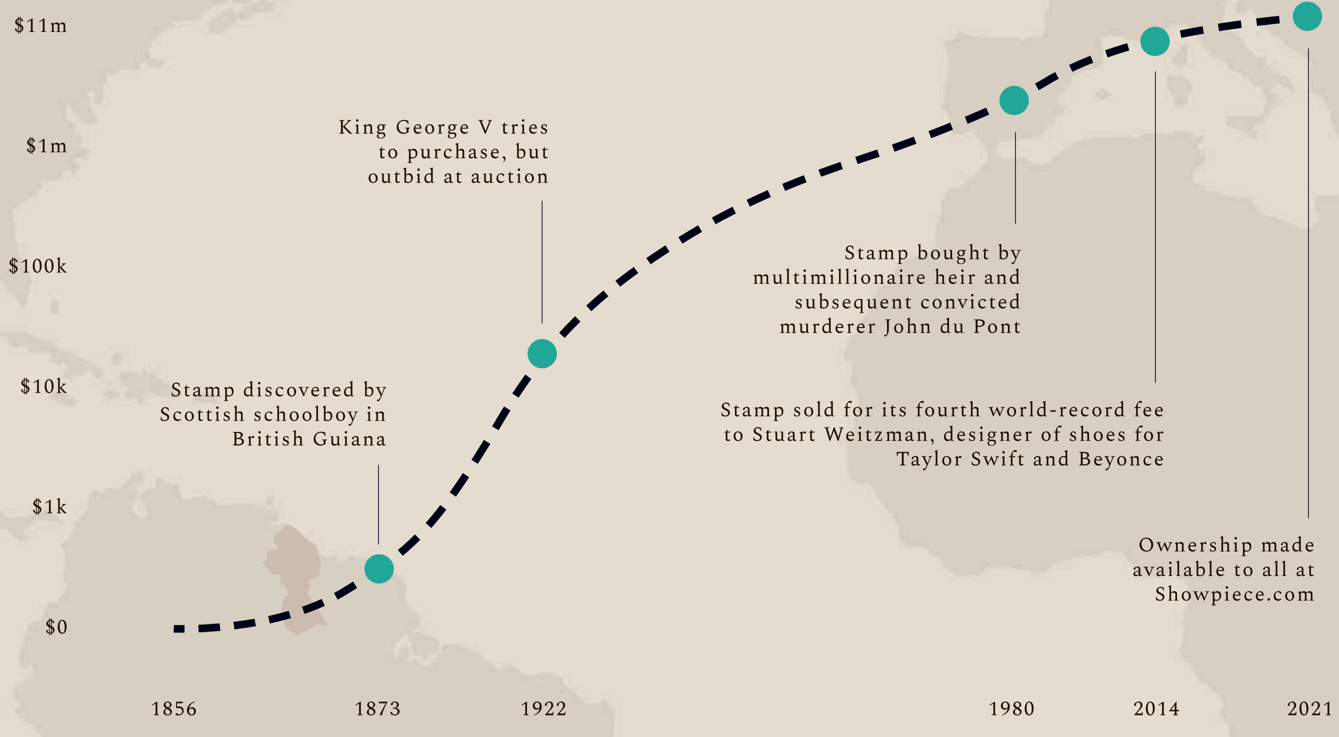
What about the politics?

The government hopes that voters in their northern "Red Wall" seats will be grateful for the absence of big construction disruption in recently won Tory seats such as Rother Valley, Bolsover and Ashfield – and also faster visible results in terms of upgrades to the lines between the East Midlands, Leeds and Manchester. On the latter, they are likely to be disappointed, says Stephen Bush in the New Statesman. For one thing, the promised benefits will still take years to materialise, meaning that the dominant narrative will remain that the Tories have "betrayed the north" by reneging on their promises. Second, due to capacity constraints, those promised improvements for local rail are unlikely to materialise without committing to a segregated service for high-speed and inter-city trains. Thus, the Tories may come to see the cancellation of the Leeds arm as a false economy and bad politics. Indeed, last week George Osborne predicted that Johnson would U-turn on his U-turn in the run-up to the next election. Labour has already committed to reinstating the full HS2 eastern route, and the whole of NPR, and the Tories will be forced to match them, reckons the Tory ex-chancellor.

So the cancellation is a mistake?

The problem is that what the government has announced is not "a proper alternative", says The Times. The crucial issue – which HS2's proponents have always been bad at explaining – is not speed but capacity. "Britain's main rail arteries, especially the east and west coast main lines, are already operating at maximum capacity, with no room for growth." HS2 had a crucial role in freeing up capacity to enable more standard-speed services and freight. Now that we've started, it makes sense for the full HS2 network to be built. But it's not about HS2, says John Ashmore on CapX. It's about the inability of the British state to complete big strategic projects in a timely manner. Crossrail is years late and over budget and our aviation capacity is "full-to-bursting". Add in the government's net-zero commitments and "the can-kicking and foot-dragging that have long characterised our infrastructure policy only looks like getting worse". All of which adds up to a country that, HS2 or not, "risks being stuck in the slow lane for years to come".

A history to appreciate



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Britain's shops should invade Europe

Our supermarkets should not sit back and wait for a bid but launch their own for the continent's chains

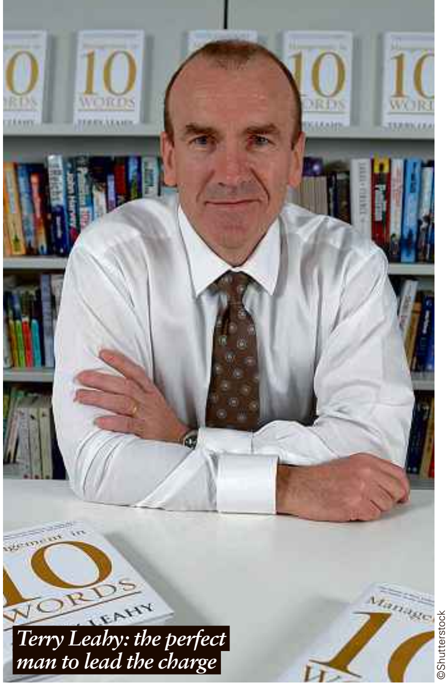
Matthew Lynn
City columnist

Even for one of the most aggressive of corporate raiders, close on $1bn is a big sum. Last week, Elliott Advisors spent that much on a stake in Ahold Delhaize, Europe's largest supermarket chain. It comes hard on the heels of the Canadian buyout firm Couche-Tard tabling a takeover offer for the French giant Carrefour, swiftly followed by the tentative takeover talks with its rival, Auchan. In the wake of the buyout of Morrisons, we already knew the British supermarket chains were in play. Now it seems the European chains are as well.

Why the supermarkets are in play

It remains to be seen whether Elliott has any success with its raid on Ahold Delhaize. One point is clear, however. When an investor such as Elliott builds a major stake in a business, it is clearly in play. Europe's chains are about to see the same kind of deal-making spree that saw Asda bought out by the Issa brothers, Morrisons by the private-equity firm CD&R, and the Czech billionaire Daniel Kretinsky building up a substantial stake in Sainsbury's.

That's no surprise. The same logic that makes Morrisons or Sainsbury's attractive applies just as much to the major European chains. Supermarkets have very strong cash flows. There is plenty of scope to improve efficiency. And home deliveries give them the potential for growth. Whether a chain is Dutch, French or British doesn't make a lot of difference to a global buyout firm. The interesting question is, will one of the British chains be brave enough to make a bid? That would be ambitious. British retailers don't have a fantastic record of expanding overseas. M&S's bids for expansion in France have failed. Tesco's international ambitions were part of an over-ambitious expansion that tipped it into a crisis a decade ago. Even so, they should still be working up a plan to have a crack at one of their major European rivals. Here's why.



Terry Leahy: the perfect man to lead the charge

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First, if the British stores are cheap, then European ones are cheaper. Carrefour trades on a p/e ratio of about 13. Ahold is on about 23, the same as Sainsbury's. All of them have relatively generous dividend yields and plenty of scope to raise payouts. For most of the last decade, investors have ignored the big grocery chains, assuming the sector was in permanent decline. All the excitement has been in technology. Yet the sector is resilient, the dominant players keep racking up profits, and the markets have placed very little value on that.

Second, greater buying power would increase their muscle. A big grocery chain is a massive logistical undertaking, involving millions of perishable products being zipped around the country every day. The bigger you are, the easier it is to secure supplies at the best possible price, and deliver value for customers and profits for shareholders. The same logic applies across countries just as much as it does within them. Aldi and Lidl have managed to make international buying power work for them –there's no reason other chains couldn't do the same.

Finally, if British supermarkets don't get bigger, they will be snapped up themselves. We've already seen Morrisons and Asda get bought out. Sainsbury's is the most likely next target and Tesco may no longer be big or successful enough to fend off a bid. It is usually better to be predator than prey. If the British chains combined with one of their European rivals they would become too big to take over, at least for now.

A major battle looms

Who could make a move for a company such as Ahold or Carrefour? Tesco has the firepower. Morrisons' new private-equity owners have plenty of money, and in Sir Terry Leahy, the former Tesco boss, the perfect person to lead a takeover. Even Sainsbury's could team up with a buyout firm to make an offer for a rival. Sure, there would be obstacles. President Macron would be apoplectic at the thought of a British chain taking over Carrefour. And after losing Shell and Unilever, the Dutch would not want to see Ahold go as well. Even so, the logic is compelling. A major corporate battle for Europe's supermarkets is looming – and the British chains should be players, not mere bystanders.

Who's getting what

● **Ole Gunnar Solskjaer** (pictured) lost his job as manager of Manchester United last Sunday, but the New York-listed football club will still be forced to pay the Norwegian a "hefty" £7.5m for ending his contract early, says The Sun. The side had handed Solskjaer a new three-year contract as recently as August. Since then, however, Man U has succumbed to five defeats in seven games. Solskjaer is also expected to be paid a full year's salary, which, together with his severance package, should put him in the top five of highest-earning Premier League managers.

● **Paul Dacre** has returned to the Daily Mail, which he edited for 26 years, in an "active role" as editor-in-chief of the parent firm's consumer magazine titles, says the Financial Times. According to the Daily Mail and General Trust's annual report last week, Dacre, who retained a largely honorary position at the paper after stepping down in 2018, is set to collect share awards in December worth around £1.8m, based on the current share price.

● **Li Shao Yu**, owner of Allied Resources Investment Holdings and buyer of embattled property developer Evergrande's 18% stake in HengTen Networks, an internet services firm, is sitting on a paper profit of HK$4.5bn (£435m) after the shares surged in the wake of the sale, says Bloomberg. Li agreed to pay HK$2.1bn on 17 November, at the discounted price of HK$1.28 a share. The stock then rallied to around HK$4, valuing her stake at HK$6.7bn.

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Nice work if you can get it

Wall Street bank JPMorgan Chase is reimbursing its Hong Kong staff $5,000 each for visits to see family abroad over the next 12 months, says the South China Morning Post. The city has strict Covid-19 restrictions and, on returning to Hong Kong, fully vaccinated staff will be required to quarantine in a hotel for up to 21 days if coming from "high risk" countries, including the US. JPMorgan CEO Jamie Dimon raised eyebrows earlier this month when he and his staff were granted an exemption from the quarantine rules on visiting Hong Kong to thank his roughly 4,000 employees in the city for their "hard work and dedication" during the pandemic. The 32-hour visit was deemed to be "in the interest of Hong Kong's economic development", a government agency said. Dimon is no fan of remote working, declaring in May that he was "done" with Zoom meetings.

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The cost of an inflation hedge

Index-linked bonds are designed to keep pace with inflation, but at these prices you are locking in a loss

Cris Sholto Heaton
Investment columnist

There aren't many markets where one can feel optimistic about getting a good long-term return, but government bonds are in a uniquely tricky position. UK ten-year government bonds (gilts) are on a yield to maturity – the annualised return if you hold the bond until it's redeemed – of 1.01%. US ten-year Treasuries yield 1.66%. Other major markets are worse: German bunds will return -0.22% (that minus sign is not a mistake).

This is far below inflation. The consumer price index (CPI) is rising at an annual rate of 4.2% in the UK and 6.2% in the US. Evidence is growing this is not transitory (see page 26) and while 4%-6% inflation might be more than we expect over ten years, it's hard to see it falling back to 1%. So the obvious question is whether inflation-linked bonds (see below) are a better choice in this climate than conventional bonds.

Desperate buyers

The problem is that the inflation-linked bond market is fairly small – it's around £3trn compared to around £100trn for the whole global bond market – and can be distorted by investors who are desperate to hedge their inflation-linked liabilities. So linkers have already become quite expensive, especially in the UK where demand from pension funds is huge.

UK ten-year inflation-linked gilts currently trade on a negative real yield of -3.2%. The gap between this and the yield on conventional bonds means that the ten-year breakeven rate – what inflation will have to average for linkers to return the same as conventional bonds – is now 4.2%. This slightly overstates how expensive they are, because UK linkers are still indexed to the retail price index (RPI), which tends to run about one percentage point higher than CPI. Hence the breakeven rate in CPI terms might be around 3.2% (although the RPI-CPI relationship is volatile, so this isn't guaranteed).

US linkers are a little cheaper. The ten-year yields -0.97%, implying a breakeven rate of 2.65%. In addition, most investors will buy linkers through a fund such as the **iShares Index-Linked Gilts ETF (LSE: INXG)** for UK bonds or the **iShares $ Tips ETF (LSE: ITPS)** for US ones. So it's notable that the duration (how sensitive a bond is to rising interest rates) is 21 for INXG but 8.2 for ITPS because the UK has issued more longer-dated bonds (lower duration is better if rates will rise).

"UK ten-year inflation-linked gilts now yield -3.2%"

US inflation has averaged 1.7%% over the past decade, so it's not a stretch to see US linkers beating conventional bonds in the next ten years. But negative yields mean you are locking in an up-front loss to reduce the risk of a bigger one. They have a role in asset allocation strategies such as our All-Weather ETF Portfolio (above) to hedge against inflation, but otherwise they don't look much more compelling than conventional bonds.

An all-weather ETF portfolio

Fund	Weight
Vanguard S&P 500 (LSE: VUSA)	10%
Vanguard FTSE Dev. Europe (LSE: VEUR)	10%
Vanguard FTSE 250 (LSE: VMID)	10%
Vanguard FTSE Japan (LSE: VJPN)	10%
iShares Core MSCI Em. Markets (LSE: EMIM)	10%
iShares Dev. Market Property Yield (LSE: IWDP)	10%
Vanguard UK Gilt (LSE: VGOV)	10%
iShares $ TIPS (LSE: ITPS)	10%
iShares Physical Gold (LSE: SGLN)	10%
Cash	10%

I wish I knew what linkers were, but I'm too embarrassed to ask

Conventional bonds have a fixed principal – also known as the face value or the par value – that the bondholder will receive when the bond matures. When inflation is high and maturity is a long way in the future, the real (inflation-adjusted) value of the principal will be much less when the bondholder gets paid than it is today. Assume that you hold a bond that will pay £100 in ten years time, but cumulative inflation over the next decade turns out to be 50%. Then the £100 you get in ten years is worth just £50 today.

Investors can take into account how high they expect inflation to be when deciding what price they are willing to pay for the bond. But inflation forecasts are not very accurate, meaning that they are exposed to substantial uncertainty about whether their investment will beat inflation. Inflation-linked bonds – often known as linkers – are intended to solve this by indexing the principal to inflation. In the example above, a linker would repay £150 in ten years time, not £100.

Any interest payments the investor receives between today and maturity will also rise with inflation. The interest rate remains the constant, but the payment is calculated based on the latest inflation-adjusted principal. So if our bond yields 1%, it would pay £1 (1% × £100) at first, but by the tenth year it would pay £1.5 (1% × £150).

Most linkers are issued by governments. The first recorded inflation-linked bond was issued in 1780 during the American War of Independence, but the idea was not widely adopted until the high-inflation era of the late 20th century. The UK was the first major market to introduce them when it created index-linked gilts in 1981, while the US launched treasury inflation protected securities (Tips) in 1997. Most large economies now issue linkers, but these two still dominate the market. The US accounted for 45% of the Bloomberg Barclays World Government Inflation-Linked Bond index in late 2021, while the UK accounted for 30%.

Guru watch

Dan Fuss, vice chair, Loomis Sayles

"The bond market is not as safe as it used to be," says Dan Fuss, the veteran US bond investor. Fuss – who retired from managing the $9bn Loomis Sayles Bond fund earlier this year at the age of 87 – began working in finance in 1958. His career has spanned the volatile 1970s, the long bond bull market that began in the early 1980s and the global financial crisis, yet today's markets are the most extreme he has seen.

"It scares me when I see what we have given up in terms of natural prudence and caution," Fuss tells the Financial Times. "We'll have to wait to see how things play out, but the reach for yield has overridden the fear factor." He reckons the Federal Reserve is unlikely to raise rates very far in the years ahead, which may limit the risks for Treasuries, but worries about the gung-ho high-yield bond market (bonds with a credit rating below investment grade, also known as junk bonds).

Crocs' bonds have proved as popular as its shoes this year

US firms have issued a record $432bn in junk bonds this year, according to Bloomberg, as they take advantage of low yields: for example, shoemaker Crocs issued a ten-year bond yielding 4.125% to fund stock buybacks, while cruise line Carnival, which paid 11.5% at the peak of the pandemic, sold bonds yielding just 6%. The average yield on US junk bonds fell below 4% for the first time in February and has risen only slightly to 4.4%. Yet investors keep buying. "Portfolio managers looking at this market are not dumb, they are aware of the risks," Fuss tells the FT. "But if you run a high-yield fund and retreat to Treasuries, you are going to underperform."

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The evolving world of ETFs

The latest exchange-traded funds offer access to themes ranging from infrastructure to smart homes

David Stevenson
Investment columnist

While money has been flooding into infrastructure and real-estate funds recently, as I noted two weeks ago, another type of listed fund is also now experiencing a fundraising boom: exchange-traded funds (ETFs). They are mostly thematic funds containing a small basket of stocks, in some cases fewer than 50. By contrast, most previous ETFs have been broader index trackers. The new ones are therefore riskier than buying a wide portfolio of companies.

Alexa is just the tip of the iceberg of home-automation innovation

©Alamy

From industrials to bitcoin

The most straightforward new ETF is **Global X's US Infrastructure Development UCITS ETF (LSE: PAVE).** It holds 99 companies set to benefit from increasing infrastructure activity in the US, driven by President Biden's $1.2trn Infrastructure Investment and Jobs Act. Top holdings include Nucor, Eaton Corp, Kansas City Southern, and Vulcan Materials. Over 70% of the stocks in the fund are in the industrials sector, while materials and mining businesses make up the second-largest category of stocks.

Rize's Digital Payments Economy UCITS ETF (LSE: PMNT) focuses on the rise of fintech-payment platforms. It tracks the Foxberry Euromonitor Digital Payments Economy USD Net Total Return index, which comprises over 60 companies developing novel payment solutions, such as Mastercard, Visa, American Express and Paypal, as well as digital-money players Coinbase Global and Voyager Digital. It's a fascinating sector, and payments processors are the hot ticket in fintech at present. Note, however, that valuations – even for the blue-chip players – are looking stretched.

HanETF's latest launch, **ETC Group Digital Assets & Blockchain Equity UCITS (LSE: KOIN)**, tracks an index with around 30 stocks involved in blockchain-based securitisation and payments, digital asset-mining companies, exchanges, non-fungible tokens (NFTs) and stablecoins. Top holdings are likely to be Marathon Digital, which focuses on asset mining (the process whereby digital assets such as bitcoin are minted and released into circulation), Coinbase (a cryptocurrency exchange), Galaxy Digital (a blockchain specialist), and Riot Blockchain.

The top five holdings will probably comprise around 50% of the fund. It is based on the Solactive ETC Group Digital Assets and Blockchain Equity index and each stock is capped at 10% of the index. Other existing ETFs within this niche (Invesco's Elwood Global Blockchain UCITS ETF, VanEck Vectors' Digital Assets Equity UCITS ETF, and the Melanion BTC Equities Universe UCITS ETF) all charge over 0.65% in fees, while the KOIN ETF charges 0.6%. It's cheaper but also more of a pure-play digital assets fund; some of the rival funds hold bigger, less focused technology outfits like Intel or chip giant TSMC.

Amazon's Alexa-inspired ETF

Most of us have probably dabbled with Amazon or Google smart-home devices, but these are just the tip of the iceberg of home-automation innovation, a fast-growing segment. **VanEck Vectors Smart Home Active UCITS ETF (LSE: CAVE)** is designed to cash in on this trend.

It differs from the ETFs mentioned so far because it is actively managed. Until now, virtually all ETFs have involved passively tracking an index. An active ETF looks and feels like a cross between an index-tracking fund and an investment trust: there is an "index" comprising a portfolio of 60 companies that generate their revenue or maintain assets in the "smart home ecosystem", but there is also an active manager (Dutch investment boutique Dasym) that selects and changes the companies in that index on a monthly basis. I expect to see a great many more of these actively managed ETFs in the next few years, blurring the boundary between ETFs and investment trusts.

Activist watch

Activist investor Elliott Management "has tightened its grip" on Clinigen Group, says Jon Yeomans in The Times. The fund manager is pushing for the supplier of specialised medical treatments to sell its pharmaceuticals division. The company disclosed its 5% stake in Clinigen in September and revealed this week that it had raised its stake to 7.6%, "leapfrogging other investors to become Clinigen's biggest shareholder". Clinigen's shares dropped over the summer after it released a profit warning. It blamed the pandemic for delays in clinical trials and disrupted oncology treatments. The shares have been "broadly flat" since then, despite a series of mergers in the healthcare sector fuelling speculation that it could become a takeover target.

Short positions... Cathie Wood's Ark runs aground

■ **Janus Henderson's CEO Dick Weil is retiring next March after 12 years with the asset manager, says Margaryta Kirakosian on CityWire. Weil played a key role in the merger of Janus Capital Group and Henderson Group, which was completed in 2017. Janus Henderson finished 2020 with $401.6bn in assets under management, up from $374bn in 2019. But it recorded redemptions of $24bn last year. Weil's exit comes as an "abrupt move" following pressure from an activist investor, says Chris Flood in the Financial Times. Nelson Peltz's hedge fund Trian has increased its holding in Janus Henderson to 15% in the last few months and called for independent new directors to be nominated to the board. Janus Henderson has yet to name a successor. The lack of a prompt replacement "will fuel speculation that Weil's departure will make a deal involving Janus Henderson and another asset manager more likely".**

■ "Investors appear to be losing patience with Ark Investment Management's genomics fund," says Emily Graffeo on Bloomberg. Cathie Wood's Ark Genomic Revolution ETF experienced $520m in outflows in November owing to plummeting returns. The fund has lost 27% year-to-date as investors turn their back on healthcare stocks, switching to cyclical stocks that will do well in an economic recovery. Wood's ETF is doing "far worse" than the biotech sector; the Nasdaq Biotechnology index is up 10.49% this year. The fund has also seen the most outflows among Ark's ETFs so far this year. Teladoc Health and Exact Sciences, the fund's two biggest holdings, have dropped by 45% and 37% respectively.

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1. As rated by Willis Towers Watson. 2. MSCI All Country World Index.

Why the UK lags on productivity

David Smith
The Times

The latest productivity figures are "a downer", says David Smith. Output per hour worked is 4.8% down on a year earlier while output per worker has fallen 1.1% since 2019. Germany, France and the US enjoy productivity levels some 17% higher than the UK. Why? A new report by the Resolution Foundation and the LSE dismisses the longstanding and seductive "long tail" theory, which holds that the key is to improve the performance of the worst performing, mostly smaller, family-owned businesses. First, the long tail is no worse than in these other countries; second, since the least productive 40% of firms account for only 12% of output, lifting their productivity 10% would only raise overall productivity by 1.2%. In contrast, lifting the productivity of the top 40% by 10% would boost overall productivity by 7.5% – a "prize worth having". The issue of regional productivity differences – which remain similar to differences in 1901, when London's productivity was around 50% more than the regions – presents an "even greater challenge", because without improvements in the regions, there can "never be a meaningful levelling-up". Awareness of this is "vital". It shows that what we need is "economy wide-solutions".

Don't resent funds buying up property

Editorial
The Economist

The institutional investors who snapped up residential property during the pandemic are "becoming the butt of resentment in rich countries" from New Zealand to Germany, says The Economist. Policymakers have been quick to respond, restricting sales and scrapping tax breaks. The fact is, however, that the share owned by professional investors is "modest": 2% in the US, less than 5% in Europe. Nevertheless, there is no doubt that the sector has become "lucrative". Wall Street firms are "piling in". Since 2018, institutional investors have built nearly 25% of Liverpool's new homes. However, "this injection of capital should be welcomed". These funds are filling a gap in the market. Demand for rentals has "never been higher". The money also comes at a "crucial time" with city centres full of empty offices that need (costly) conversions into residencies. Yes, higher interest rates or lending restrictions would "temper demand and price growth", but they "would not bring the economic benefits of letting successful cities grow". Help for buyers inflates house prices. "Relaxing planning laws can be politically poisonous." Countries "must build their way out of the crisis", which is why policymakers should "lay out the welcome mat" for big funds.

The failure of Modi's farm reforms

Andy Mukherjee
Bloomberg

Prime Minister Narendra Modi's scrapping of his farm reforms at the "altar of electoral maths" will have far-reaching effects – on agricultural productivity, the rural poor, urbanisation and more, says Andy Mukherjee. Agriculture in India "suffers from many infirmities". Holdings are "fragmented and uneconomical", crop diversification poor, public investment "paltry". As long as 43% of the workforce relies on farming to "eke out a living", the labour that "would power industrialisation won't get released". The long-running protests that met Modi's three farm laws show that a "more organisational approach" may have stood a better chance than a "blind devotion to markets". Replicating the success of Amul, a $5bn dairy cooperative, and helping producers' organisations to capture more value, might have worked better than telling farmers to sell to whoever they wished (ie, the state and a few large traders). Investment in transport, warehousing, processing and distribution is needed. "More than $100bn in annual subsidies for food, farming and village unemployment" urgently need to be replaced by a basic income, farmers' collectives and decent public infrastructure. Sadly, that won't be happening any time soon.

Britain needs more grease monkeys

Andy Palmer
Financial Times

As cars become increasingly reliant on electronics (a modern car contains around 100 million lines of code, a "top spec" aeroplane 14 million), we will need technicians to fix them, says Andy Palmer. The 2030 ban on sales of new fossil-fuel vehicles is fast approaching and, so far, the focus has been on preparing the infrastructure (eg, street charging, battery factories). Building a workforce to make and repair them is just as important. This poses challenges. The very best software engineers are often lured into top jobs in tech companies offering generous salaries and perks. Ultimately, garages will have to compete for this talent and that may mean higher repair costs for electric vehicles, at least in the short to medium term. But the UK has a "proud automotive history and it would be a travesty if that legacy doesn't continue". The industry has a vital role to play in providing "highly skilled, well-paid green jobs for future generations". According to the RAC, just 5% of more than 200,000 vehicle technicians are currently qualified to work on electric cars. Given that there are over 345,000 pure-electric cars on the road and many more hybrids, there is already a "worrying lack" of qualified workers. We need to prepare ourselves.

Money talks

"Mum made a huge number of very popular movies from the Sixties onwards and earned a great deal of money, but because she was a minor the fruits of her labour were put in a trust fund until she came of age. The Inland Revenue ransacked it on her 21st birthday and helped itself to a whopping 91 per cent. Amazingly this didn't make her bitter."
Crispian Mills on his mother, the Oscar-winning actress Hayley Mills (pictured), quoted in The Sunday Times

"We have two parliamentary groups. One thinks the MPs' £82,000 salary is the basic salary, which they can build up outside Westminster, and the other considers £82,000 all the money in the world. It is becoming a major source of friction."
A senior Conservative on the division between Red Wall Tories and the party's old guard in the sleaze row, quoted in the Daily Mail

"The concerns which fail have scattered their capital, which means they have scattered their brains also… I tell you: 'Put all your eggs in one basket and watch that basket'… It is trying to carry too many baskets that breaks most eggs in this country."
US steel magnate Andrew Carnegie's criticism of conglomerates, quoted in The Sunday Times

"Inflation is just like alcoholism. In both cases… the good effects come first. The bad effects only come later."
Economist Milton Friedman, quoted in The Wall Street Journal

"No – and I'm aware that if a male footballer was asked that question, they would probably answer yes… people who don't know much about women's football assume we [do]. But we don't."
Footballer Emily Ramsey on whether she earns crazy money, quoted in The Mail on Sunday

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How to make it to 100

wired.co.uk

Making it to 100 is not as rare as it was, says Natalie Healey. In the UK, there were 15,120 centenarians alive in 2020. But "becoming eligible for a birthday letter from the Queen is still a remarkable feat". Here are some tips to get you there.

1. Get healthy now

People who make it to 100 aren't just long-lived, they tend to have avoided serious illness until the final years of their life. Gerontologist Tom Perls' large, long-term study of centenarians shows that around 43% don't exhibit age-related diseases till their 80s; 42% are "survivors" who live with chronic diseases that don't kill them; the remaining 15% are "escapers" with no clinically demonstrable disease at 100 at all.

The old adage that "the older you get, the sicker you get" is false. It's more a case of "the older you get, the healthier you've been". Most of us could make it into our 90s, reckons Perls, simply by following a reasonably healthy lifestyle from middle age.

2. Stop senescence

As we get older, so-called senescent cells accumulate in our body. Some researchers believe they could hold the key to better ageing. Mice given drugs called senolytics selectively kill such cells and the mice survive for longer and with delayed onset of multiple conditions associated with ageing. Research is ongoing.

Another promising line of research is into insulin signalling. When you inhibit metabolic pathways that allow animals to grow bigger and reproduce when young the result in older creatures is longer life.

3. Go on a fast

Rats with severely restricted diets can live up to 33% longer than was previously thought possible. Those that eat 30% fewer calories than normal from middle age have cells resembling those of much younger animals. The evidence for humans is as yet not clear, but some insist that intermittent fasting is a great way to maintain a healthy weight.

4. Pop a pill

"It would be a whole lot simpler" just to take pills to prolong life – and they might be on the way. Immunosuppressant rapamycin appears to extend lifespan in laboratory animals, as does diabetes drug metformin. Studies of people taking the latter for type 2 diabetes found it is associated with improved health outcomes, such as fewer heart attacks and cancer diagnoses. A 2014 study found those who took metformin for diabetes lived longer on average than non-diabetic patients who did not. The US regulator has given the green light for trials looking into its use as an anti-ageing drug.

Politicising medicine is dangerous

marginalrevolution.com

"Tens of thousands of people are dead because vaccines became politicised and people chose political identity over rationality," says Alex Tabarrok. Yet instead of trying to depoliticise medicine, the American Medical Association (AMA) "has doubled down and is going full woke". The AMA's guide to the use of language "is so over the top I thought at first it was satire". Doctors are urged not to talk about poor health with those on low incomes, but instead to blame landowners and large corporations for "increasingly centralising political and financial power wielded by a few". Instead of saying "low-income people have the highest level of coronary artery disease", doctors are urged to say: "People underpaid and forced into poverty as a result of banking policies, real estate developers gentrifying neighbourhoods, and corporations weakening the power of labour movements, among others, have the highest level of coronary artery disease." As Conor Friedersdorf puts it in The Atlantic, "the medical profession won't remain more broadly trusted than left-wing activists if the two become indistinguishable". It's hard enough getting older conservative folks to heed their doctors. If they start spouting this rubbish, it will do nothing for the health of the poor and only "inflame their tempers".

Hard work is not enough

bbc.com/worklife

We're often taught at school that the recipe for success is to get your head down, keep quiet and work hard, says Kate Morgan. But that is rarely enough. Hard work, says Jeff Shannon, author of a self-help book on the subject, doesn't much matter if no one recognises you're doing it. It can be a surprise to find the business world doesn't work like that.

The way forward is to find a way to draw attention to your endeavours without waiting for something as infrequent as a yearly review. A quick email to your boss pointing out what you have done and how it will help the company or save money, for example, can help. Nobody will want to hear that kind of stuff every day, but using phrases such as "my team and I" will help make yourself look good while sharing the kudos. Frame it as a check-in or a way to keep them in the loop.

You also need to be likeable and memorable. Time spent making friends and influencing people will be time well spent. That means putting your to-do list aside and doing some socialising. This needn't be manipulative. Think of it instead as career maintenance: "If you don't take care of your career, nobody else is going to do it."

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Milton Friedman has the last laugh

wsj.com

"Milton Friedman isn't running the show anymore," declared Joe Biden in an interview in April 2020 – no doubt to signal that "market modesty" is out and big government action in. Americans will soon wish he still were, says William McGurn. Most people probably could not explain what M2 or quantitative easing is, but they "know inflation when they see it" because it hits them in their wallets. After only ten months of President Biden, Americans are facing the worst inflation in 31 years. As the University of Chicago economist explained, this amounts to a "hidden tax" as nominal rises in pay push workers into higher tax brackets even as what they have left over can buy fewer goods and services. And once let loose, inflation is difficult to contain.

Biden may be reconsidering. In a speech earlier this month, he invoked the humble pencil to illustrate the complexity of supply chains. It sounded like a "crib" from Friedman's *Free to Choose* 1980s TV series. Let us hope so. If Biden doesn't get a grip, Americans are going to wish Friedman really were still running the show.

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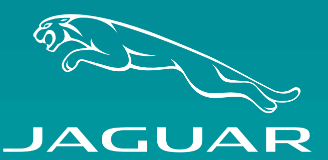

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What to buy when markets crack

Rising inflation has central bankers between a rock and a hard place. Here's how to protect your wealth, says Philip Pilkington

The debate over whether inflation is transient or not is coming to an end. Most economists and central bankers have woken up to the fact that it may stick around for longer than they first thought. Price rises and shortages now seem to be building on themselves. Even The Daily Star recently highlighted arbitrage in the eBay market for Walkers crisps under the headline "Crisps Crisis". Central banks are bracing themselves accordingly.

Team transient is on the ropes

A few months ago, the inflation debate was all about whether inflation was "transient" and due to short-term price increases driven by economic reopening; or structural and caused by deep economic disruptions caused by government responses to the pandemic. I had thought it was the former, but by September, I had changed my mind. Since then even more evidence has emerged to back the "structural" case.

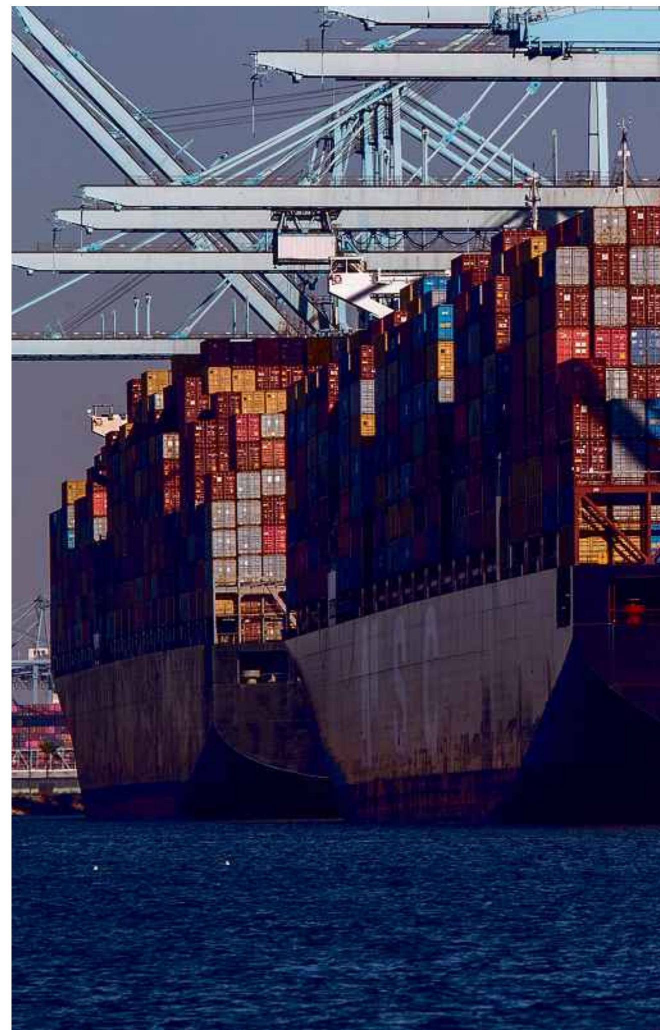
The first thing we would expect if inflation were being driven by government responses to the pandemic is that supply chains would be disrupted. That is, the smooth flow of goods through the market would be impeded by various interventions and regulations, resulting in shortages and price rises. This is exactly what we are seeing. Consider the Baltic Dry index (BDI). This tracks the prices paid for the transport of dry bulk materials across the global economy – this is the beating heart of global supply chains. The BDI first spiked in May, with the index surging by more than 400% year-on-year. This sounds extreme, but it's not unusual when the global economy enters and then exits a recession – in November 2009, as the global economy began rallying from the financial crisis, the BDI rose by more than 320%. Yet today, the BDI remains stubbornly high – up more than 150% on last year. And global supply disruptions can be clearly seen just by looking at the ships queueing to enter ports in the US.

Vaccine mandates could drive wages much higher

There are also early signs of a wage-price spiral. These occur when prices rise, and workers bid wages higher to maintain their spending power. Companies then raise prices even further to offset rising wage bills. This is how inflation becomes deeply ingrained in the economy. In the US, small businesses are now facing spiralling input costs plus record numbers of planned pay rises, reports the NFIB Small Business Association. This is no surprise given that the producer price index, which tracks the prices faced by producers (also known as "pipeline" inflation) is rising at its fastest rate since 1981, while the consumer price index rose at an annual rate of 6.2% in October, the highest since 1990.

The situation looks set to get worse. I recently asked some economist acquaintances based in the US about the impact they thought the Biden administration's vaccine mandate would have on the labour market. They guessed that only around 1% of the workforce would be affected. But when public sector workers became subject to mandates in New York at the end of last month, nearly 10% of them were still unvaccinated. As these mandates spread through the private sector, the disruption could be catastrophic. With large numbers of workers effectively "locked out" of work in certain sectors, wages are almost certain to rise.

"It is clear that inflation is going to stick around for longer than first thought"



These queues don't bode well for prices

Mr Market forgets the long cycle

After slumbering through the initial inflationary signs, markets are starting to react – and quickly. At the start of September, markets expected the US Federal Reserve to have raised the key US interest rate to 0.5% by August 2023. By the end of October, the market had pulled that forward to December 2022, with a rate of around 1% predicted for August. In short, markets are pricing in faster central bank responses almost every few days.

Yet – as anyone who has observed markets for more than a few months will know – markets have short memories. Talk of inflation is in vogue these days. But back before the pandemic, the hot topic was the fragilities that low interest rates had introduced into markets. The economic cycle had lasted a long time. In the first quarter of 2020, before the virus became an all-consuming obsession, the US economy had seen ten years of consistent growth. To put that in perspective, the previous cycle had only lasted six years. Low interest rates along with this long cycle gave financial markets ample time to load up on borrowing. Private debt-to-GDP in the US rose from its cyclical low of 204% in 2014 to 218% in 2019 – not far off its peak of 225% in 2009. There was talk of an "everything bubble", generated by the long cycle and low rates.

A generous assessment of the market's seeming forgetting of this entire period is that we had our recession in 2020. But in a proper recession, you expect to see financial markets crash, bankruptcies soar and borrowing rates crater. That's not what happened last

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> *"Do central banks raise rates and risk a financial crisis? Or just ignore inflation?"*

year. Financial markets briefly slid, but quickly rallied. Bankruptcies rose, but not to levels typically seen in recessions. Meanwhile, borrowing grew substantially; US private debt-to-GDP hit a new record high of 235%.

A central bankers' dilemma

Central bankers meanwhile seem less keen on rate hikes than markets imply. Historically speaking, this is unusual. Central bankers (in theory at least) view their main job as being to control inflation. This usually leads them to overreact to inflation, not underreact.

So why are they apparently relaxed today? Some argue that after a decade of stagnation, central banks have become fixated on the prospect of deflation and are ignoring the risk of inflation. There may be some truth to this. But it's probably more accurate to say that central bankers understand only too well what an extended period of low interest rates has done to the financial system. Any sober assessment leads to an obvious conclusion: markets have become overextended due to low borrowing costs and are now very fragile.

In short, central banks are between a rock and a hard place. A decade of unrestrained monetary easing has encouraged markets to throw one of the wildest parties in memory. But now, because of government responses to the pandemic, supply chains are collapsing and inflation ticking up. Do central banks raise rates to try to choke off inflation – but risk a financial crisis? Or do they sit tight and wait for supply disruptions to heal themselves – but risk potential spiralling inflation?

So far, they have opted for the latter, vaguely signalling that they will end the most aggressive monetary easing of the pandemic period, but remaining wary of promising too much by way of higher rates. How long can they maintain this stoic but somewhat insincere posture? Probably not long.

Wait until the yield curve inverts, then buy bonds

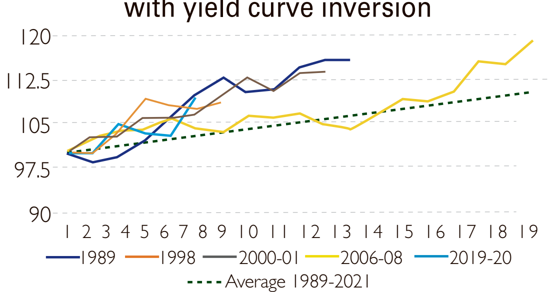
How should investors react? An environment of rising rates is best viewed as one of rising risk. As rates rise, the risk of the economy falling into recession or markets blowing a gasket rises too. If risk is rising, the answer for investors is to become more conservative. As the old investing adage has it: the best way to make money is to first ensure that you don't lose it.

Becoming more conservative in a riskier environment should not be viewed as a cop out, however. Stuffing money under the mattress might be better than aggressively borrowing it and throwing it at the most overvalued stocks – but it is still less than optimal. The ideal would be to find an asset class where investors can shelter and profit while waiting for the storms to pass. Played properly, US government debt – Treasury bonds – can do just that. That may come as a surprise. After all, Treasury bonds will initially lose value as interest rates rise – bond prices and rates move inversely. But at a certain point, rates will hit a maximum (which is probably not that high given current levels of debt). Typically, this happens around about the time that the economy and markets start to stutter. At this point, the central banks will switch toward easing.

Timing markets is usually a mug's game. But in this case, historical data shows us an unusually clear signal as to when this takes place. It is at the point at which the yield curve inverts. A yield-curve inversion takes place when interest rates on short-term bonds rise above interest rates on long-term bonds, implying that markets believe a recession is coming. Investors usually pay closest attention to the gap between the three-month Treasury bill rate and that on the ten-year bond. The chart below shows what has happened on the last five occasions that investors bought ten-year Treasuries in the first month of the yield curve inverting.

As you can see, returns on US Treasuries when bought on this signal are typically higher than they otherwise would be (dotted line). Within six months of a yield curve inversion, returns on ten-year Treasuries are usually around 10%. After a year, they are typically around 15%. To get even more dramatic effects – albeit while running more risk if the strategy does not work – an investor can buy even longer-dated Treasuries; say, 30-year bonds. Note that this strategy is far more reliable in US government bond markets than in the UK. Using US bonds also gives investors exposure to the US dollar, which usually rises in value when financial turbulence raises its ugly head. Past returns do not guarantee future returns – history is never a perfect guide. But using a yield-curve-led strategy to buy US Treasuries is logical and has paid out in previous cycles.

Philip Pilkington is a macroeconomist and investment professional. He is the author of the book The Reformation in Economics *and blogs at Fixing the Economists and on Twitter @philippilk*



Buy now: the boom in digital healthcare has only just begun

Thanks to Covid-19, policymakers and investors have become more aware of the wide array of opportunities in the sector. The good news is that we are at the start of a long-term growth trend, says Stephen Connolly

The pandemic has proved an ideal backdrop for the digital-health sector – but this has been a compelling investment theme for years. Listed companies in the industry have long been outpacing the wider stockmarket, while the amount being invested by new start-up businesses keeps shattering records.

Researchers see ample scope for further expansion. Covid-19 is likely to mark not a one-off bubble for the industry but the start of pervasive structural change. Investors should view the health-technology transformation as a multi-year investment opportunity in its infancy.

Digital-health stocks as measured by the US dollar-denominated MSCI ACWI IMI Digital Health index have returned nearly 18% a year since early 2013, significantly outperforming global stocks' 10.8%. Over three years, the figures are nearly 22% versus 17.3% respectively. Digital-health stocks have beaten the broader market in six of the past seven calendar years and are roughly even in 2021 so far.

This index is a wide reference point, tracking the performance of 263 large, medium-sized and small companies in both developed and emerging markets. They are expected to generate significant sales from new products and services focused on the key areas of telehealth, medical robots and automation in healthcare.

The sector's key growth areas

The primary trends driving investment in digital health are:

● **Telehealth**: facilitating virtual health interactions between patients and professionals. Covid-19 triggered a huge boost in patients going online for support, and this will transform how primary healthcare is delivered to patients over the long term. Research suggests that 40% of US healthcare interactions could shift to the internet, freeing up facilities for those who need them most while driving cost efficiencies.

● **Remote monitoring:** we are becoming used to the advent of wearables such as the Apple Watch. These can track the wearers' blood pressure, for instance, in real time. Expanding what can be monitored and transmitting the data directly to the relevant professionals means patients can be tracked remotely as they go about their lives rather than in a health centre, reducing costs and making available funds for investment elsewhere.

● **Mental health:** demand for mental healthcare and support is spiking post-pandemic as anxiety, loneliness and money worries all take their toll. In recent years there has been a jump in investment in using technology apps and resources for behavioural issues to help sufferers alleviate and control symptoms. This is an important advance as mental-health specialists are often unavailable.

● **Records:** health data is a growth area and getting it under manageable control is critical. Medical records, whether histories, scans or test results, should be readily available to patients and health experts across agencies and providers to speed up diagnostic responses. Information access across platforms is increasingly common in other sectors from financial services to retail, and the aim is to replicate this.

● **Diagnostics:** remote diagnosis is a huge advantage when it comes to health, as it constitutes an early-warning system that helps target resources and save lives. Whether it's a case of detecting the earliest signs of a disease, a potentially adverse chain of biological events or simply notifying that an individual is vaccinated to third parties such as airlines, this is a transformative subsector of digital health.

Meanwhile, more and more venture-capital money is pouring into innovative health-technology start-ups: 2021 is on track to be another record year, with around $51bn already raised for global health-tech start-ups so far. Research from consultants McKinsey describes digital health as a $350bn industry in 2019, and growing by at least 8% a year.

Expansion in some areas, such as digital prescriptions (consulting a specialist and receiving a prescription online) or the automation of health data, is expected to reach 15%. Forecasts of this kind are exciting investors, as are some recent multibillion-dollar deals such as the $18.5bn purchase in 2020 by US virtual-doctor group Teladoc of Livongo, a specialist in chronic-disease management.

A bet on the future of technology

Despite this promising backdrop, digital health is sometimes overshadowed by hot growth sectors such as financial technology, movie streaming or fast-food delivery. But the sector's potential is huge, and it is just as effective a play on futuristic themes such as the Internet of Things, which will connect us with medical devices through smart wearables.

Then there is the cloud (for storing and making accessible all our health records and data); artificial intelligence (for aiding and accelerating research and development, and improving how we diagnose and predict disease); and Big Data and the blockchain (for processing and making sense of all the data).

Moreover, while Covid-19 has accelerated health digitisation, the broader push for innovation, investment and planning is being driven by governments and international agencies.

In 2005, the World Health Assembly, which governs the World Health Organisation, was urging member countries to look into long-term planning for what were then more commonly called eHealth services.

This has been a recurrent theme in international forums. With populations growing and ageing, policymakers know that information technology is crucial to advances in healthcare.

Meanwhile, progress in areas such as online meeting facilities or 5G-mobile networks, which will allow faster online access for all manner of devices and tools, are another tailwind for the sector. The same applies to the trend towards environmental, social and governance (ESG) investing, a key subsector of which is social-impact investing.

The scope for generating outsized improvements for society will appeal to investors who want their money to help effect change in ways charitable donations typically cannot achieve.

The potential in telehealth

A key subsector attracting investors is telehealth. This is a digital response to the healthcare industry's problem throughout the pandemic of how to deal with patients while minimising their physical presence in medical practices to keep them and staff safe. The internet is bridging the gap, connecting

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Consumers are becoming increasingly happy with remote consultations

those in need with medical practitioners online in virtual health-centres.

Industry research for telehealth varies, with some forecasts for growth reaching 25% or even 35% annually for five years, making for a $200bn-$400bn industry. McKinsey estimates $250bn of US healthcare spend could go virtual – a near 100-fold leap from the $3bn annual sales for US telehealth before Covid-19.

Public and private healthcare providers, including the NHS, Cigna, UnitedHealth and Doctor on Demand have been investing in the field. Businesses involved have been able to attract new investment and are delivering growth supportive of the upbeat outlook.

Of course, dealing with patients remotely is far from new, as telephone consultations have been an enduring, albeit small, part of medical interaction for years. With Covid-19, however, the number of remote medical encounters last year in the US, for example, soared to nearly 50% of the total, compared with 10% the year before, according to McKinsey.

As the pandemic ebbs, patients will want and need to see GPs in person again, but others will prefer to stay with the quick online consultations and immediate prescriptions that many have been initially forced to try.

Recently, 40% of US consumers said they'd keep using telehealth, up from 11% who used it before Covid-19, says McKinsey; 58% of medical staff now view telehealth more favourably than before the virus arrived.

We have also seen that in addition to patients consulting a professional online, they can now also gain access to more digital information than was previously possible.

Health agencies have put more material online for patients to peruse while also targeting individual patients with information specifically for them, such as the reasons for a particular age group to take a flu vaccination at a certain time of year.

Data in the cloud

Another shift accelerated by Covid-19 is the transformation in the storing and processing of patient data, as well as in general medical administration. Central to this is migrating healthcare data to the cloud – the data storage capacity available across the internet for groups and individuals to store and access information relating to their health.

The move pre-dates the pandemic as the cloud is already recognised as an advance that reduces the cost of building technology infrastructure and makes working practices more efficient, provided data safety and security can be assured.

The virus has underline the importance of the shift. Telehealth, for instance, means that doctors might be seeing patients from far away, which won't work if all

Continued on page 30

"Remote medical appointments made up 50% of the total in the US last year"

Continued from page 29

your records are available only on the computers in your local health centre.

Similarly, health scans can be taken at one centre, overseen by your GP and the results accessible by specialist medical teams in different facilities or even countries for diagnosis. Even something straightforward such as being able to access vaccination statuses across multiple agencies or third parties requires cloud functionality.

And as a final example of digitisation, big advances will come from the so-called Internet of Things as people and their devices become increasingly connected via advances in 5G-network technology.

One intriguing area is "smart hospitals", where medical devices including wearables (watches and wristbands) can monitor patients at home, doctors can diagnose reliably online and surgeries can be carried out remotely.

Your surgeon will be a robot

Remote surgery sounds as though it is still years away – but it is happening today. Early last year surgeons in China successfully trialled removing an animal's liver on an operating table that was 30 miles away, according to the South China Morning Post newspaper. The surgeon operated two robotic arms remotely across the 5G network.

More recently, again in China, a physician was reported to have conducted the first 5G brain procedure on a Parkinson's disease sufferer 1,500 miles away by remotely controlling a robot.

The concept has been around for years but the advent of 5G is the breakthrough: 5G makes these medical advances possible because of the network's low latency rate (the delay between sending and receiving information). As data takes time to move over a network, the lower the latency rate the faster things happen. With 5G, the latency rate is almost instantaneous, which makes these breakthrough operations possible. It is called telepresence – the moves made by the surgeon were carried out immediately elsewhere, making him digitally present.

A great leap forward

The pandemic's acceleration of technology adoption has shown us a more efficient healthcare system. The digisation bandwagon looks unstoppable because it addresses the policy and funding challenges governments worldwide are struggling with as populations grow and the need for healthcare rises in tandem.

The advent of 5G networks will facilitate remote surgery

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Over time, digital health will become even more beneficial as technology inevitably advances. As we have seen, there is no shortage of investment capital for innovative businesses backed by scientific need and evidence. With health services expected to struggle in the face of treatment backlogs and growing user volumes for years, demand for improvement is unrelenting.

So too, always in the background, is the need to get costs down and treat patients faster and more efficiently in order to increase medical access. Digital health can support this well beyond Covid-19. Below we look at several companies active in the sector that investors could profit from.

Stephen Connolly heads a family investment office, and has worked in investment banking and asset management for nearly 30 years (sc@plainmoney.co.uk).

"Surgeons in China have removed an animal's liver from 30 miles away"

What to buy now

A leader in the shift to virtual health services is **Teladoc Health (NYSE: TDOC)**. Worth around $17.5bn, this global business can bring patients and medical practitioners together anywhere. It is a long-term play as it keeps investing to grow its business.

The shares have been volatile. For instance, having soared to unjustified heights, they then slumped by 50% early this year as investors wrongly fretted that vaccines would reduce demand for telehealth. In fact, as we have seen, it is a growth area that's here to stay, making the shares worth a look at these relatively low levels.

Rather less volatile but with a strong and growing presence in telehealth is **Cigna (NYSE: CI)**. It is a US-based health insurer with a market capitalisation of $70bn and covers health plans, benefits management and drug dispensing. It recently bought private business MDLive, which allows people to talk to health experts remotely. It can leverage this business across its wide network of customers through thousands of healthcare plans, providing an attractively enhanced service likely to become especially popular among busy, time-pressed workers and their families. The stock looks conservatively priced with a strong balance sheet and auspicious dividend prospects.

Another interesting theme is medical-device technology and in this context **Intuitive Surgical (Nasdaq: ISRG)** ticks many boxes. It designs, develops, builds and markets proprietary products centred on surgery. Technology is rapidly improving operating procedures across the board and such advances are in demand as they improve treatments, reduce costs and help cut waiting lists. With a market value of more than $120bn, the group's strong growth outlook is reflected in the share price, but long-term shareholders should be rewarded.

With health technology so diverse, investing through a fund could make sense. One to look at is the $600m **Global X Telemedicine & Digital Health UCITS ETF (LSE: EDOC)**, available in sterling. It invests in 40 companies, tracking the Solactive Telemedicine & Digital Health index – a broad spread of stocks, active in areas including online medical interactions, health-records management and processing, and artificial intelligence.

It was only created in July last year so is very new but has returned about 16% so far. Top holdings include DexCom (Nasdaq: DXCM), which develops technology to help people manage diabetes; Omnicell (Nasdaq: OMCL), which automates all the tedious administrative work around pharmacy dispensing so staff can focus on patients; and healthcare and insurance multinational UnitedHealth (NYSE: UNH). The ongoing charge is 0.68%.

MoneyWeek WINE CLUB

A Stunning Autumnal Selection

I know I bang on about value for money each month, but there is no reason for throwing good money at dreary wine, and while you might expect the elite merchants in our Club only to sell pricey bottles, this is simply not the case. This month, I have found six exquisite examples from Lea & Sandeman, which tip the scales at an average price of under £15 per bottle, and given their provenance and the winemaking genius behind these wines, this is an extraordinary feat of wine sourcing and fair pricing. Fill your boots.

Matthew Jukes

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Prices shown below are per case of 12 bottles. Wines are also available in a 12 bottle mixed case (2 of each of the wines) **excellently-priced at £172 (saving £24.70 per case).** It's a chance for you to try them all, and it is the most popular choice with readers of *MoneyWeek*.

~~£15.50~~ £13.50

2020 Apremont, Sous le Roc, Domaine Fabien Trosset, Savoie, France

Imagine standing in the Savoie hills, glass of white wine in hand, chilled by the mountain breeze. The aroma of wildflowers is both on the breeze and in the glass. Its surroundings perfectly represent the pellucid liquid with its green-tinged fruit notes and bracing acidity of the rare Jacquère grape. It's a hell of a lot more interesting and unique than a commonplace Savvie B. Embrace this elite aperitif as it transports your palate to the foothills of the Alps.

CASE PRICE: £162

~~£15.50~~ £13.50

2020 Lugana, Felugan, La Feliciana, Veneto, Italy

I have always been a Lugana fan but am guilty of perhaps lazily going for the wines of the excellent and affordable Cà dei Frati. But La Feliciana has changed the paradigm. This sensational wine is not just affordable; it is a steal. Bristling with energetic acidity and blushingly beautiful pear and green apple fruit, this is a revelation, and it will perform both elite aperitif duties and all starters requirements, too, such is its depth of flavour.

CASE PRICE: £162

~~£12.95~~ £11.25

2019 Château Beaumont les Pierrières, Blaye Côtes de Bordeaux Blanc, France

M. Filliatreau, the owner of Château Beaumont, hit on a brilliant idea to bolster the panache and richness of his white wine. Each year, he ferments the early-picked Semillon and Sauvignon Blanc grapes in new barrels destined for his red wines. This ingenious idea makes a plush, lustrous and showy wine and a ridiculous bargain to boot. With unbelievable flavour, it can step up to main course fish and chicken dishes too!

CASE PRICE: £135

~~£19.95~~ £17.50

2019 Anjou Rouge, Sur la Butte, Château de Plaisance, Loire, France

Here we go! I have followed this wine for a good few years now, and in 'lighter' vintages, it sings a haunting and thoroughly mesmerising song, while in 'more concentrated' harvests, like 2019, it performs mini-miracles in the glass. Think Grand Cru Saint-Emilion depth of blackberry fruit meets pristine Loire Cab Franc freshness, and you are somewhere close to the majesty and excitement in this unassuming wine. Polished, sleek on the palate and one to watch.

CASE PRICE: £210

~~£15.50~~ £13.50

2020 Le Petit Roy, Domaine Jean Royer, France

French expressions often have more potency than English ones when describing certain wines. Le Petit Roy is a feu d'artifice (firework) with so much wonder it takes the breath away. It is a baby-Châteauneuf-du-Pape of sorts, but this ubiquitous expression loads it with weight and bulk, which it simply doesn't possess. This is a dark, swarthy and spicy wine stuffed with boysenberry and mulberry tones, but it is fresh, energetic, virile and swaggering on the palate and it will floor you with its charm.

CASE PRICE: £162

~~£18.95~~ £16.75

2020 Tim Smith Wines, Bugalugs Grenache, Barossa Valley, South Australia

I am a massive fan of this wine's sibling, Bugalugs Shiraz because it summons up the true identity of the variety, the skill of its winemaker and its historic wine region, while keeping the price at a manageable level. The same goes for this extraordinary Grenache. Made from ancient vines and harnessing 7% of 150-year-old Mourvèdre vines to add spice, this is a hedonistic, super-smooth, raspberry-themed brew that is already into its stride.

CASE PRICE: £201

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Should you overpay?

People are keen to cut their mortgages, but is that the best option?

Alex Rankine
Markets editor

Homeowners are racing to get rid of their mortgages. With easy-access savings rates running at just 0.6%-0.7%, households are instead using their lockdown savings pile to overpay the mortgage. "An average of £1.81bn of mortgage debt was overpaid each month from January to August", says Imogen Tew in The Sunday Times. That is up by a quarter on last year and puts 2021 on course to be a record year for overpayment. Santander says a third of its customers have "made a lump sum overpayment on their loan this year". Overpaying clears the mortgage debt more quickly and reduces the amount of interest you are charged. That can add up to big savings.

Take a borrower with a £200,000, 25-year mortgage at a 2.5% interest rate, says Stephen Maunder in Which. A £50 a month overpayment would see the mortgage cleared 22 months early, saving the borrower £5,368 over the term of the mortgage. Overpay £200 a month and the mortgage would be cleared nearly six years early, with an interest saving of £17,358. Not all households will be able to sustain such regular outgoings, but more "ad-hoc overpayments" made as and when you have cash to spare can also make a difference.

Most fixed and tracker deals set limits on how much you can overpay, typically about 10% of the remaining balance, says Dan Base for money.co.uk. It's important not to exceed those limits, lest you be hit with early-repayment charges. Get in touch with your lender before overpaying to check what their rules are. Also consider when the interest on your loan is calculated (this can be daily, monthly, quarterly or annually depending on the mortgage). "Money put towards your mortgage is only counted after interest is calculated" so time payments to make sure they are actually reducing your interest bill.

Is it worth it?

Don't make mortgage overpayments at the expense of an emergency fund. The general rule is to have readily accessible cash equivalent to three to six months of living expenses to finance emergencies such as a broken boiler, or in case you lose your job. You don't want to be forced to borrow new funds if disaster strikes.

Using extra income to clear high-interest debts such as credit cards is also a higher priority than paying down much cheaper mortgage debt. Once that is taken care of, the next question is whether there are any better uses for extra cash. Topping up a pension is one option, as these have historically produced higher long-term returns than overpaying a mortgage is likely to – and investing via a pension means you can profit from tax relief and, if it is an occupational pension, a monthly employers' contribution that matches yours.

Becoming debt-free sooner looks appealing

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That implies locking money up for years, however, and there is no guarantee that markets will continue to produce healthy returns. If you find yourself with large cash balances you can't or don't want to invest, then offset mortgages may be worth a look when you next remortgage. These flexible mortgages allow you to use cash savings to reduce how much interest you pay on the loan. If you have a £250,000 loan and £20,000 in the linked bank account you will only be charged interest on £230,000. They don't offer the most competitive interest rates, but offset mortgages do combine some of the benefits of mortgage overpayment with the ready liquidity of a savings account.

Winning the race for new recruits

Smaller companies can't offer huge cash incentives, but they can still compete effectively for labour

David Prosser
Business columnist

How can small businesses compete in a labour market where so many sectors are struggling to recruit staff? Some large employers are tackling the crisis by throwing money at it, but at small firms spare cash is in short supply.

Still, small businesses do have certain advantages when it comes to recruitment and retention. Firstly, small can be beautiful: people, especially younger generations, increasingly want meaningful roles. It is much easier for small businesses to ensure all staff feel part of the company, with an important part to play, than for larger ones, where employees often feel like tiny cogs. And secondly, smaller employers have much more opportunity to be flexible and nimble.

The key for small firms is to play to these strengths. Can you use your flexibility to streamline recruitment processes so that people are interviewed and offered jobs quickly? Can you offer more flexible types of contract – part-time working, for example, or job shares? And, importantly, can you be flexible on how and where people work? Employees are increasingly keen to work from home and to arrange their hours to suit them. This may be easier in smaller businesses that don't have to manage a very large workforce.

Many sectors are struggling to recruit staff

©Alamy

Be imaginative about how you recruit. Traditional advertising can still work, but consider other channels, such as social media. Build links with local schools and colleges, as well as the government's employment services. Drive word-of-mouth recruitment too. Can you get your staff involved in finding new candidates?

Casting the net more widely may also help. Focus on the personal strengths you're looking for from employees, rather than their qualifications or experience. Technical knowledge, after all, can be taught. This might help you access a broader range of candidates – staff returning to the workplace after a period of caring, say, or people with disabilities, ex-offenders or refugees.

Your firm's culture is also vital. Can you offer valuable learning and development opportunities, as well as career development options? Do staff feel their wellbeing is a priority? Is your workplace diverse and inclusive? Don't answer these questions yourself: staff surveys and independent audits can be an excellent way to find out how people feel about working for you. Then you can make positive changes if required.

Getting this right means you'll find it easier to retain staff, while happy employees can become ambassadors for your company. They may play that role informally, talking about your business as a good place to work, but also in more formal ways; for instance, getting good ratings on the growing number of websites where staff rank their workplaces can be a useful recruitment tool.

As for pay and benefits, be as competitive as your finances allow – and understand exactly what rivals are paying for staff you might recruit. If you can match that, great, but don't be afraid to sell the other attractions of working for your business, which may be more important to many candidates. And if you're struggling with headline rates of pay, there may be other benefits you can explore: everything from discount schemes with local retailers to more generous holiday terms, all of which might help sweeten the deal.

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Three safe bets on the growing iGaming sector

A professional investor tells us where he'd put his money. This week: Aaron Fischer, creator of the Fischer Sports Betting and iGaming UCITS ETF

We have a bullish view on the global sports betting and iGaming (online gambling) industries. We are most excited by the US market, where Goldman Sachs expects revenues to increase 23-fold from $2.3bn in 2020 to $53bn in 2033 – a compound annual growth rate of 27%. The key growth drivers are pent-up demand and an easing regulatory environment, which now allows individual US states to decide whether to legalise sports betting and/or iGaming. Morgan Stanley expects the number of states offering sports betting to increase from seven in 2018 to 39 in 2024.

There is now also greater social acceptance of betting on sports. Technological improvements have led to better product offerings, such as the wider availability of "in-play" betting (placing a bet during a live event), and a better overall user experience, such as live-sports streaming directly within sports-betting apps.

A cash cow

What makes this industry particularly interesting is not just its rapid revenue growth, but its strong conversion-to-earnings and free cash flow. High earnings before interest, taxes, depreciation and amortisation (Ebitda) margins of 30%-35% will be driven by marketing and brand building, maximising customers' engagement through various channels and platforms, and by technological efficiencies.

Due to low capital expenditures, free cash flow and return on invested capital are very high. There are many ways to play this theme, including large firms serving consumers directly and "picks and shovels" plays providing the goods, services or technologies needed to make the final product.

DraftKings (Nasdaq: DKNG) has become the market leader in digital gaming, having started out in daily fantasy sports, where players compete against others by creating a team under a budget and earn points based on the real-world performance of the players. The company made strategic acquisitions and invested heavily in technology and acquiring customers.

It is targeting long-term market shares of between 20% and 30% in sports betting and 15% and 20% in iGaming, implying annual sales of between $5bn and $7bn and Ebitda of $1.7bn, compared with an expected Ebitda loss this year of $400m, estimates Goldman Sachs. The bank's price target is $77, implying upside of 71%.

BetMGM's market-leading joint venture

MGM Resorts International (NYSE: MGM) and **Entain (LSE: ENT)** have a joint venture called BetMGM. It boasts the leading market share in iGaming, one of the most profitable product categories.

BetMGM combines Entain's technology with its wide customer base, top brands and bricks-and-mortar casinos of MGM Resorts. Thanks to start-up costs, it incurred losses of $100m in the third quarter of 2021, but the group is targeting long-term annual sales of $6bn.

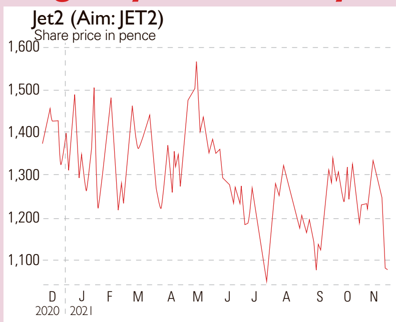
"Pent-up demand and easing regulations are driving growth"

Evolution Gaming (Stockholm: EVO) is a Swedish firm specialising in "live casino" offerings, using live dealers to provide a more casino-like experience. Its products plug into B2C (business-to-consumer) platforms, so it is a B2B (business-to-business) supplier, with Ebitda margins of 70%. It is one of the most profitable firms in the industry, and Ebitda is expected to reach $1.5bn in 2023.

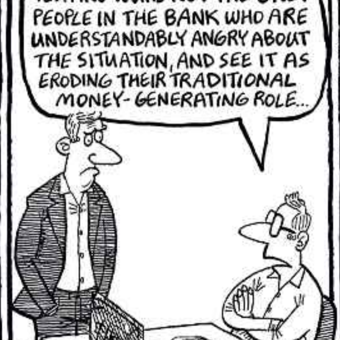
If only you'd invested in...

Self-storage group **Lok'nStore's (Aim: LOK)** annual results for the financial year to the end of July revealed a healthy rise in cash flow, facilitating the tenth successive annual increase in the dividend. The self-storage sector was relatively unharmed by the pandemic, says Investors' Chronicle. Demand grew as people renovated and moved homes, and hospitality businesses stored their offerings as they closed or downsized. Growth prospects remain auspicious owing to a lack of self-storage supply in the UK. Lok'nStore also has a strong pipeline of new sites. The stock has gained 69% in a year.

Be glad you didn't buy...



Budget carrier **Jet2's (AIM: JET2)** share price has slipped sharply following the announcement that it expects further losses for the six months to March 2022, the second half of its financial year. Rivals have continued to wage an "airline-fare war", says Bloomberg. Carriers such as Ryanair and Wizz Air are keeping prices low as they try to grow their market share after the pandemic. Jet2's average flight prices fell by 25% in the six months to the end of September as it tried to keep up. Rising prices for staff, fuel and carbon offsets are also hurting margins. The shares have slid by 22% in 12 months.



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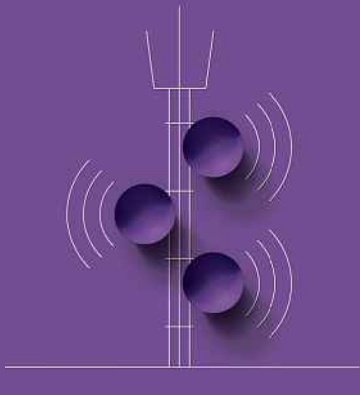
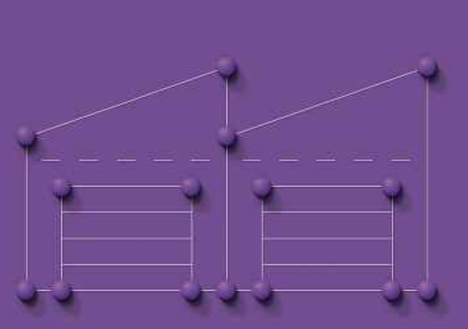
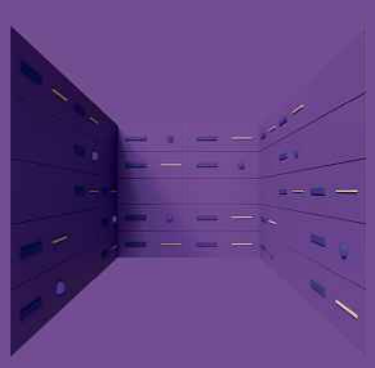
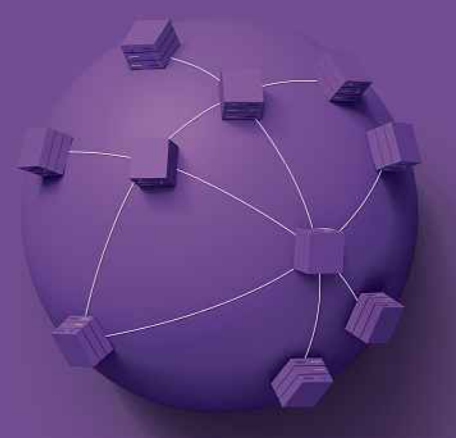
INVESTING IN COMPANIES



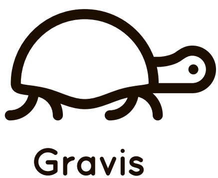




THAT OWN THE PHYSICAL ASSETS



VITAL TO THE DIGITAL WORLD



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The Locker King seeks to conquer Britain

Polish entrepreneur Rafal Brzoska's company almost drowned in debt before being rescued and refocusing on its big idea – automated postal boxes. He is relishing a scrap with Amazon to corner the market, says Jane Lewis

Poland's prime minister once joked that Rafal Brzoska is "a dangerous guy", says Bloomberg. The entrepreneur known locally as "the Locker King" is certainly a changemaker. Having revolutionised parcel delivery in Poland with its automated lockers, his company, InPost, is now planning rapid expansion across Europe – with a particular focus on the UK. In the process Brzoska, 44, aims "to steal Amazon's parcel crown", says The Times. One gets the impression that the pugnacious Pole is relishing the prospect of a fight.

A simple but effective idea

Brzoska's idea is simple. "I took something as simple as a PO box… and automated it," he says. But the result is both more efficient and greener than door-step parcel delivery. The concept has proved a hit in Poland where InPost's smart lockers – which allow customers to open boxes by digital keypads or via an app on their phone – have become "the default delivery method". The aim is to place the lockers within "slipper distance" (say, 350 metres) of shoppers' homes, to prevent an unappealing trek. But the logistical advantage of banking them together is clear. "The average parcel home-delivery driver will maybe deliver 70-80 parcels during a daily shift," says Brzoska. "Ours will do 1,000 parcels a day."

To his admirers, Brzoska epitomises the "crafty spirit" and "sheer bullheadedness" upon which Poles pride themselves, says USA Today. He has long been "a poster child" for the nation's startup scene. Still a child when the country's Communist regime fell, he was swept up in the ensuing "disorienting mix of optimism and tumult" as a teenager. In 1993, his parents gave him cash to invest in the Warsaw Stock Exchange; two weeks later, the fledgling bourse nose-dived. "I lost 90% of my family's money," recalls Brzoska. But within years, he had rebuilt the nest egg.

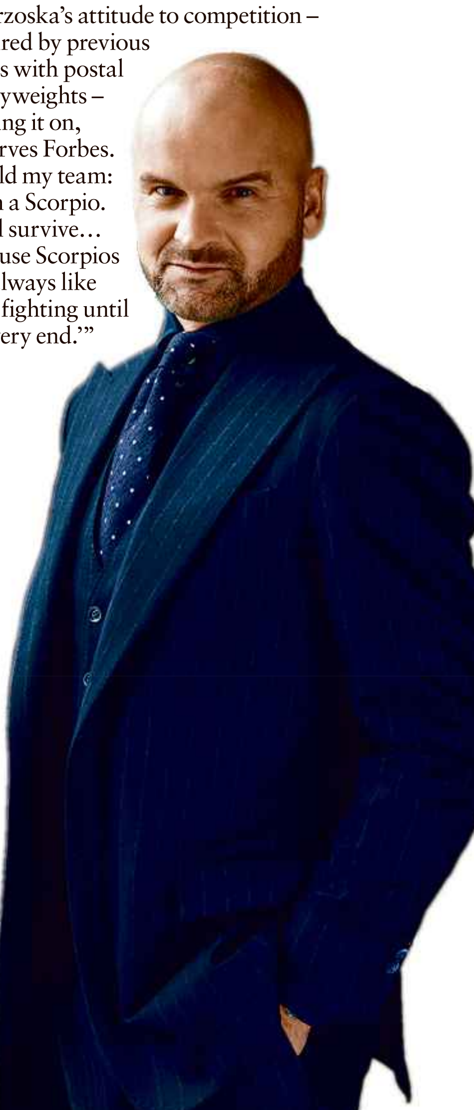
During his third year at Krakow University of Economics in 1999, Brzoska ploughed $6,000 of his own money into a bulk mail business (known as Integer) that later evolved into InPost. The company flourished so quickly that he was soon taking on Poland's state postal service, offering cheaper delivery of phone and electric bills. In 2006, he floated the company; by 2012, it had grabbed a 35% share of Poland's letter business and had become the fastest-growing private postal operator in Europe. Yet, within four years, "the walls were closing in on Brzoska", says Forbes. Overstretched, "he had $65m in debt and was frantically trying to find new investors while staving off the repo man".

A typical Scorpio

The white knight that turned up – the US private-equity group Advent – was more interested in InPost's new locker venture than its dying postal business, and the revitalised company has never looked back. Refloated in January on Amsterdam's Euronext exchange, it was valued at €8bn, raising Brzoska's private fortune to around $1.1bn, says The Times. The race is now on to conquer Britain, where Amazon has already installed boxes in around 5,000 locations. InPost is initially targeting denser city areas such as London, Manchester and Birmingham. The company has signed deals with Tesco, Lidl and Morrisons, to promote "twin-tripping" (shop and pick up your parcel) and with TfL for installations at London Tube stations.

Brzoska's attitude to competition – inspired by previous fights with postal heavyweights – is bring it on, observes Forbes. "I told my team: 'I am a Scorpio. I will survive… because Scorpios are always like this, fighting until the very end.'"

"Brzoska epitomises the crafty spirit and bullheadedness upon which Poles pride themselves"



Great frauds in history… *Old Patch's forged bills*

Charles Price was born in Monmouth Street in London around 1730. In later life he was apprenticed to a clothes-maker before being dismissed for theft and fleeing to Holland, where he worked for a merchant. He became engaged to his boss's daughter, which was no barrier to his robbing the merchant too before returning to England. Price then became involved in a variety of scams – persuading the actor Charles Foote to invest £500 in a fictitious brewery, for example, and doing some smuggling – assuming a variety of identities for his frauds, once passing as an old man with an eye-patch (thus acquiring the nickname "Old Patch"). He specialised in forging Bank of England banknotes and lottery tickets.

How did his schemes work?

Many of his scams involved getting people to give him genuine money in exchange for forged notes. He would, for example, use large-denomination notes to buy an expensive (but nominally less valuable) item, so that he could take the item and pocket a large amount of change. Perhaps his most audacious scam was to persuade a merchant to help him recover £500 he was supposedly owed. When the merchant confronted the "debtor" (Price in disguise), the merchant was offered a £1,000 banknote in exchange for a £500 cheque. Price cashed the cheque before the forgery was discovered.

How was he found out?

By disguising himself, and getting unwitting servants to make many of the purchases on his behalf, Price managed to evade detection for several years, leading the Bank of England (which was losing money through his purchase of lottery tickets with forged notes) to offer a hefty reward for his apprehension. Price pushed his luck once too often and in 1786 he was arrested after the authorities managed to trace the origin of one of his forged notes to a pawnbroker he had used. Facing almost certain execution, he took his own life while imprisoned at Newgate.

Lessons for investors

It's estimated that throughout his career Price swindled and stole around £200,000, the equivalent of £30m in today's money. The rise of the cashless society, and the fact that the after-inflation value of the largest banknote has dramatically declined, means that forged notes are much less of a problem than they used to be. Old Patch today would no doubt send you a text message.

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A modern-day pilgrimage to Canterbury

Those who follow in the footsteps of Chaucer's travellers will find plenty to amuse, says Matthew Partridge

Geoffrey Chaucer's *The Canterbury Tales*, which tells the story of a group of pilgrims making their way from London to Canterbury, was written more than 600 years ago. Pilgrimage is not as popular as it once was, but modern-day pilgrims to Canterbury will still find plenty to uplift them in one of Kent's most charming cities.

Your first stop should be Canterbury Cathedral. Founded in 597, when St Augustine made his journey to bring Christianity to England, then rebuilt between 1070 and 1077, it became a major site for religious pilgrimage when St Thomas Becket was murdered there in 1170. Becket's shrine and relics were destroyed when Henry VIII broke with Rome, but an altar has been installed in the spot where he died. As well as its spiritual and historical significance, there is plenty to admire in the soaring Gothic architecture – pre-booking is required.

©iStockphotos; Matthew Partridge

Canterbury Cathedral: a time-honoured site of pilgrimage

Other notable buildings in the city include the ruins of St Augustine's Abbey, which was dissolved in 1538, as well as the nearby Church of St Martin's, the oldest parish church in England, built two decades before St Augustine's arrival. Although Anglican, St Dunstan's holds the reburied remains of the Catholic martyr St Thomas More. Canterbury's Catholic church, St Thomas of Canterbury, is also a striking example of 19th-century Gothic Revival and contains relics from St Thomas Becket.

Watering holes

Even the most devout pilgrims would stop for refreshment and entertainment, and Canterbury still provides plenty of both. There is a large number of rustic pubs (the City Fish Bar has won fully justified awards for its fish and chips). The Marlowe Theatre, named after the Elizabethan poet, playwright and suspected spy, also hosts everything from musicals to stand-up comedy. But if you want to experience something a bit different, then head to the microbrewery at The Foundry. It's worth visiting for the incredible range of beers alone, but you should also book the 90-minute tour run by distiller and co-owner Jon Mills. As well as letting you sample a wide range of drinks, Jon takes you through the process of how his pub produces everything from lager brewed from New Zealand hops through to its own moonshine. The best is perhaps the Japanese Jin (gin) made from the fruit grown on Okinawa Island – said to be the secret ingredient behind the islanders' incredibly long life expectancy.

> *"The Foundry microbrewery has an incredible range of beers"*

Where to stay

You can't get a more central location than with the luxury hotel ABode Canterbury, situated on the High Street a short ten-minute walk from Canterbury East train station and just a few steps from the cathedral and the theatre. So it's ideal for those of us who like to cram as much into their visit as possible and you can spend the maximum amount of time experiencing the city rather than having to worry about taxis or finding your way around the area.

The location isn't the only thing that's convenient. Whether you like to travel light or have a tendency to bring everything but the kitchen sink, you'll appreciate the spacious rooms, with large beds and well-appointed bathrooms. Indeed, the best rooms come with a range of elegant touches, such as solid-oak floors and lounge areas. As well as the sense of heritage, which is reflected in the décor and the photographs of the city that hang on the walls, the hotel also comes with the facilities that the modern business traveller expects, including an on-site gym.

As good as the rooms are, ABode Canterbury's restaurant is really special. Perhaps the highlight of my stay was the three-course dinner, washed down with a silky red wine, with cooking of a quality that matched the elegant presentation of the food, and a menu offering vegetable, fish and meat options for both the starter and the main course. There is also a large number of morning dishes, from porridge for the abstemious, to an excellent full English breakfast (which I selected). As well as the main restaurant, the hotel also has a champagne bar.

The combination of great food and attentive service from the staff means that the hotel is a favourite for meetings, conferences and weddings, with various special packages on offer. It also "delivers strong value for money", as The Daily Telegraph points out, "particularly in a city surprisingly lacking in good hotels".

Rooms from £90 a night, abodecanterbury.co.uk

The ruins at St Augustine's Abbey are well worth a visit

This week: properties for around £2m - from a coastal estate with more than 60 acres on Loch Fyne in Argyll and

The Clock House, Coesfaen, Barmouth, Gwynedd. A Grade II-listed Victorian Gothic house with a clock tower and a central section believed to date from medieval times. It sits above the Mawddach Estuary close to Snowdonia National Park. 6 beds, 4 baths, 4 receps, veranda, gardens, terrace. £2.15m Strutt & Parker 07919-128326.

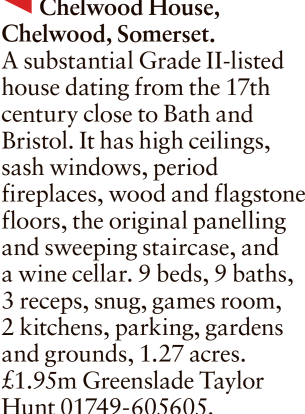
Poulton Manor, Poulton, Cirencester, Gloucestershire. A Grade I-listed Cotswold stone house dating from the late 17th century. The gardens and grounds have separate cottages and a coach house with a workshop studio. 6 beds, 2 baths, 3 receps, walled kitchen garden, 2 acres. £2.25m. Butler Sherborn 01285-883740.

Castleton Estate, Lochgilphead, Argyll & Bute. A coastal estate on Loch Fyne with woodland, a boathouse, a pier and an island with planning consent to build a house. The main house dates from the early 18th century and has a billiards room with oak panelling, period fireplaces, lattice windows and French doors overlooking the loch. 9 beds, 6 baths, 5 receps, pool, walled garden, tennis court, 67.74 acres. £1.95m+ Knight Frank 01311-222 9600.

Bute to a Grade I-listed Cotswolds stone house with a walled kitchen garden in Cirencester

◀ **Ivy House, Cambridge.** An early 18th-century property that retains original features such as exposed wall timbers, timber and brick floors, wooden panelling, and fireplaces. The gardens surround the property to all sides and have mature trees, a water feature and a separate studio used as a home office with shower room and separate toilet. 4 beds, dressing room, 2 baths, 3 receps, conservatory, kitchen, breakfast room, utility, cloakroom, garage, 1.51 acres. £1.95m Savills 01223-347 000.

▶ **Poors Farm, Marshside, Canterbury, Kent.** A Grade II-listed, 16th-century house set in large gardens and grounds with a lake and paddocks. The gardens feature a heated pool, bar, sauna, steam room, shower block and covered Jacuzzi. 4 beds, 3 baths, 3 receps, 2 acres. £2m Fine & Country 01227-479317.



◀ **Chelwood House, Chelwood, Somerset.** A substantial Grade II-listed house dating from the 17th century close to Bath and Bristol. It has high ceilings, sash windows, period fireplaces, wood and flagstone floors, the original panelling and sweeping staircase, and a wine cellar. 9 beds, 9 baths, 3 receps, snug, games room, 2 kitchens, parking, gardens and grounds, 1.27 acres. £1.95m Greenslade Taylor Hunt 01749-605605.

▲ **Brushfield Street, London E1.** A Grade II-listed house dating from the 1770s in Spitalfields Market. There is a ground-floor shop or studio space and residential space above with hardwood floors, fireplaces with Victorian stoves, built in storage and modernist kitchen and bathroom fittings. 3 beds, 3 baths, 2 receps, kitchen, office, cellar, roof terrace.£2.05m Inigo 020-3687 3071.

▶ **Whitelands, Gregories Road, Beaconsfield, Buckinghamshire.** A Grade II-listed modernist property built in 1934 and designed by the renowned architect Stanley Hamp. It is set in landscaped gardens and has an orangery. The property has wood floors, an elegant staircase with stone steps, arched windows, modern fitted kitchens and bathrooms, and modern additions with glass ceilings. 4 beds, 2 baths, 2 receps, study, double garage, gardens, 0.45 acres. £2m Hamptons 01494-677744.

Ferrari's extraordinary new supercar

The Italian stallion's latest offering is exciting and a harbinger of the brand's future. Chris Carter reports

Like the 812 Superfast it's based on, Ferrari's new 812 Competizione boasts a 6.5-litre V12 engine. That engine, however, has been cranked up to produce "the most powerful purely petrol-powered road car engine Ferrari has ever made", says Adam Towler for Evo. The rods are made from titanium, making them 40% lighter, and the pistons have been coated in a low-friction, diamond-like coating (DLC) compound. The cylinder head has been heavily revised to permit a higher rev limit and there's a completely new intake system. That all adds up to an engine that revs to 9,500rpm, producing 819bhp – 30bhp more than an "ordinary" Superfast. The only sacrifice is a slight reduction in torque, from 530lb ft to 510lb ft. The dual-clutch, seven-speed gearbox has also been recalibrated for faster shifts between gears, and while the car is 38kg lighter than the standard 812, its reworked body produces more downforce that sticks you to the tarmac. Changes to the Ferrari's aerodynamics make the Competizione look "shorter, wider and more menacing than the regular Superfast".

For all that, driving it "doesn't scare one silly", says Matt Prior for Autocar. While sitting behind the wheel is "tremendously exciting" – anything that "slams into a 9,500rpm limiter with this verve could be nothing else" – the Competizione is a "much more complete, rounded car" than you might imagine. It's agile, too, with the huge front tyres and active rear steering acting to disguise the weight. Even with this amount of power and speed at your finger tips, the Competizione remains responsive and earns your trust.

> *"This is the most powerful petrol-powered car Ferrari has ever made"*

A triumphant send-off

It's a triumphant send-off for Ferrari's goosebump-generating engine, says Alexander Stoklosa on Motortrend. Following the release of the F12 tdf in 2015 and the 812 Superfast two years later, Ferrari is unlikely to make any more naturally aspirated, non-hybrid V12s. Worse still, the Competizione's limited run is already sold out, not withstanding the £446,970 price tag before optional extras. (You can still buy a regular 812 Superfast from around £250,000.) So, if you can't get your hands on one, why bother reviewing it? Because it is "too intoxicating to not share, and because it is a rolling preview of clever advancements from [Ferrari's home in] Maranello that in all likelihood will make their way into other Ferraris someday, including those that are electrified, mid-engine, and all-wheel drive", says Stoklosa. "And won't those be something?"

Wine of the week: two simply perfect pinotages

2018 Beeslaar, Pinotage, Stellenbosch, South Africa

£38, The Wine Society, 01438-741177, thewinesociety.com

Matthew Jukes
Wine columnist

Abrie Beeslaar made this magnificent wine from 25-year-old bush vines, and it was fermented in concrete tanks with regular punch-downs to gain as much extraction from the powerful pinotage skins as possible. It was then aged for 21 months in 40% new French oak barriques. There is nothing particularly unusual about this recipe, so why is this the most attractive pinotage I have ever tasted? It is extraordinarily expressive with silky black fruit and a hugely decadent mid-palate that runs on for minutes and then segues into a stunning, savoury, spicy, earthy finish. There is no pelt, burning rubber or pox of any kind – it is clean, fresh and structured and has more layers than a millefeuille.

All too often, South Africa's most important local grape has a certain sort of funkiness which turns me off completely. Beeslaar has nothing but pristine, gloriously appointed, velvety fruit – it is shaped like a super Tuscan, built like a Cape(d) crusader and I know everyone who feels like me about this tricky grape will go nuts about this wine. Well done, Abrie – you are a veritable magician.

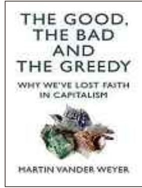
If you would like to dip your toe into the pinotage grape at a lower price point, may I direct you to the 2020 Radford Dale, Vinum Pinotage (£11.50, The Wine Society) – another squeaky-clean red with exquisite, deep, dark fruit and lashings of cocoa. Jo Locke MW, The Wine Society's South African buyer, has done the impossible and found not one but two perfect pinotages this year!

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

Book of the week

The Good, the Bad and the Greedy

Why We've Lost Faith in Capitalism
Martin Vander Weyer
Biteback Publishing, £20



Free-market capitalism isn't exactly flavour of the month at present, with companies being blamed for destroying the planet, exploiting their workforce and damaging society. But, as journalist and former banker Martin Vander Weyer points out, the private sector has brought unprecedented technological innovation, not only keeping us entertained during the pandemic, but also developing the vaccines that have held out the promise of a return to normality. In *The Good, the Bad and the Greedy*, Vander Weyer looks at the reasons for the disillusionment as well as how the private sector as a whole can get its act together.

Vander Weyer argues that business is not completely to blame for its own problems, as British culture has always disdained the idea of business and making money. The behaviour of business leaders has, however, only reinforced these attitudes, especially in finance, where the Big Bang reforms of the Thatcher era enriched a small number of top performers, but failed to deliver the promised "shareholder democracy". The spate of scandals in recent years,

Business too could do with a shot in the arm

©Getty Images

> *"Thatcher's Big Bang reforms enriched a small number of top performers, but failed to deliver shareholder democracy"*

involving everything from Libor-fixing to mis-sold financial products, shows that despite promises that the City would clean up its act after the crisis, it is as dominated by greed and selfishness as ever.

Private passions

The various models that seek to overturn the status quo, however, have even greater flaws, says Vander Weyer. Government intervention is, like the various attempts to counter tax evasion, unlikely to be effective and may even be counterproductive. Social enterprises, such as John Lewis and the Co-op, are ill-suited to the demands of modern capitalism. And while corporate social responsibility and philanthropy have their uses, they are often more a form of public relations or a way of getting shareholders to bankroll the private passions of executives.

Vander Weyer does a good job exposing the flaws in the status quo and the proposed alternatives, and he is an engaging and entertaining writer. His book, though, sadly fails to provide much in the way of practical measures that could improve the standing of business. The best the author can come up with is a hope that business will realise public opinion has turned against it, and voluntarily rein in its worst excesses. He is hopeful that the pandemic has already shifted boardroom priorities towards a greater appreciation of the firm as a network of human relationships. It is easy to scoff at the notion. Let us hope his optimism is not misplaced.

Reviewed by Matthew Partridge

Crooks 1926

COLAB Theatre,
colabtheatre.co.uk

Immersive theatre, where the audience is expected to take part in proceedings, has experienced a surge in popularity ever since theatres re-opened back in May. As the name suggests, *Crooks 1926*, produced by Charlotte Potter and directed by Bertie Watkins, puts you at the heart of an East End "business enterprise" on the wrong side of the law. Assuming the role of either a striking dockworker or railwayman, you are invited to help assist the McDonald gang as they try to come up with enough money to satisfy demands for a payment of £10,000.

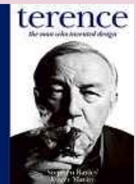
The debt must be repaid on pain of death and so you turn your hand to crime – rigging a horse race and defrauding a clueless aristocrat. There is also a series of staged set-pieces centred on a gang of gypsy enforcers sent down from Birmingham by the McDonald's rivals, a scenario that should be familiar to fans of the TV show *Peaky Blinders*. The evening culminates in a final showdown, involving both the audience and the entire cast of characters.

The production team has clearly put a lot of care and attention into recreating the seedy atmosphere of the East End of the 1920s. The actors (Angus Woodward, Simon Pothecary, Shea Wojtus, Esme Cooper, Danny Romeo and Peter Dewhurst) play their roles convincingly while working hard to make sure that the audience is at the centre of the action. If you are looking for something a bit different from the norm, it's hard to think of a more original or entertaining way to spend an evening – just please don't try to employ the "skills" you learn in the real world.

Book in the news... a brilliant, infuriating cult leader

Terence
The Man Who Invented Design

Stephen Bayley and Roger Mavity
Constable, £25



Whether working as a furniture manufacturer, retailer, restaurateur, educator or patron, the late Terence Conran certainly had a taste for doing things on a grand scale, says Margarette Driscoll in the Daily Mail. Conran is best remembered for his role in helping London throw off the "dreary shackles" of the post-war years by founding the home furnishings chain Habitat. He later created a business empire encompassing BHS, Heal's and Mothercare. When this "ambitious attempt to take over the high street ultimately failed", he went on to create a string of glamorous restaurants instead. *Terence: The Man Who Invented Design*, by Stephen Bayley and Roger Mavity, is intended to be a "frank" account of the tycoon from the perspective of former employees.

Conran's "restlessness for the next big thing" fuelled both his initial rise and later fall, and the story is an "interesting" one, says Anthony Quinn in The Guardian. The authors, however, particularly Bayley, who wrote most of the book's chapters, are unable to resist "retrospective one-upmanship" and indulge in constant score-settling. As a result, the "repetitious narrative", which "tells us as much about Bayley's personality as it does his subject's", ends up becoming "quite a grind". Indeed, you get the sense that "a good editor could have made this book half the length and twice as entertaining".

The authors admit this "two-man chorus of rage" is "far from a standard biography" and we learn nothing of Conran's ancestry and little of his parents, says John Walsh in The Sunday Times. Still, Bayley tells Conran's story "with his customary polycultural panache" and Mavity is good at "conveying the experience of being in a room with Conran the Barbarian", as "he swings a punch at an irritating colleague or bawls out an underling". Both authors are able to identify "Conran's salient features, good and bad", revealing him to be a "brilliant, infuriating cult leader".

Boom times for Mary Poppins

It's never been a better time to be a nanny in Britain. But the cost of high salaries is high expectations

Britain is in the middle of a national nanny shortage, says Anna Tyzack in The Daily Telegraph. Thanks to a combination of Brexit and the pandemic, the number of foreign nannies travelling to the UK has fallen to almost zero. Many European nannies returned home to be with their families at the start of the pandemic, only to miss applying for pre-settled status in the UK, thus losing their right to work here. Meanwhile, those from Australia and New Zealand "simply haven't been able to get on a plane".

An increasingly rare and sought-after species

©Getty Images

"The average nanny has seen their pay rise by 20% – the most experienced now command a whopping £100,000 a year"

The problem has been fuelled by the "demise of the au pair", notes Tyzack. This arrangement, where families offered those between 18 and 26 board and "weekly pocket money" in exchange for childcare, was a "lifeline" for families unable (or unwilling) to pay for a full-time nanny. But the end of freedom of movement within the EU has meant that au pairs that comply with immigration rules are now a "rare species". Even those that are available are increasingly expensive – the "pocket money" demanded has increased from £130 per week to £350, not to mention "added incentives such as gym memberships, Net-a-Porter vouchers and driving lessons".

The well-heeled nanny

The shortage has given rise to turf warfare, with desperate mums "increasingly willing to court their friends' nannies", says Claire Toureille in the Daily Mail. One woman wooed her friend's nanny by becoming "her shoulder to cry on". In many cases envious parents are simply showering potential steals with "gifts and promises of an extravagant lifestyle in the hope that they'll jump ship and look after their children instead". Perks could include "£70,000 annual salaries, regular spa treatments, luxury cars and holidays abroad"; one family even threw in the "lure of an all-expenses paid Chelsea flat into the deal".

The average nanny has seen their pay rise by 20% – the most experienced now command "a whopping £100,000 a year". Parents are even "wooing their children's schoolteachers". But working for a wealthy family does, of course, "come with its own challenges" – you can expect "limited time off, inflexible hours and high expectations". A "mass exodus from teaching to nannying for the super rich" is therefore unlikely. Still, those ditching the classroom for the nursery can still end up earning considerably more than the average teacher's salary, which for London is between £26,948 and £50,935.

It's not just nannies that are enjoying the shift in power, says Helen Kirwan-Taylor in The Times. The pandemic exodus to the countryside has boosted demand for household staff in country houses by up to 400%; at the same time, recruitment agencies are receiving 50% fewer applications from candidates for every job, leaving many clients "stranded". But we shouldn't feel too sorry for those upstairs. Until a few years ago, it was common for clients to treat even skilled tradespeople worse than "European lorry drivers". The fact that the "worm has turned" may teach those "not prepared to make their own beds" some humility.

Quintus Slide

Tabloid money… who can blame the rich for snapping up private jets?

● Spare a thought for the world's super rich, says Jane Fryer in the Daily Mail. They are facing a shortage of private jets – even the second-hand models once owned by dodgy Russians or singer Taylor Swift (pictured). The erratic return of commercial flights and the extraordinary boom in the wealth of the rich during the pandemic are to blame. But really, who could blame them? Few would blink at snapping up a £45m Gulfstream if the waiting time were not now over a year – or even longer if, like Swift, you want to customise your plane. No masks, no crying babies, no plastic plane-food, no queues for the loo. Instead, you have your own "cosy home from home with feather beds, Italian marble bathroom, gym, priceless artworks, ornate fireplace complete with fake fire and even a hand-stitched leather roulette table to perk up all those dreary flying hours".

● There is something "notably hysterical", even by the standards of our age of "synthetic outrage", in the left's indignation over the government's decision not to proceed with an HS2 rail extension from Birmingham to Leeds, and to curtail a high-speed line between Manchester and Leeds, says Patrick O'Flynn in the Daily Express. "A Labour Party that was trounced in its long-neglected 'Red Wall' heartlands at the last election is seeking to breathe life into a caricature of the Conservatives as posh southerners who couldn't care a fig about life north of Watford Gap services." What rot. The new plans provide more improvements for the region, despite, at an estimated £96bn, still coming in at half the price of the previous grandiose plan.

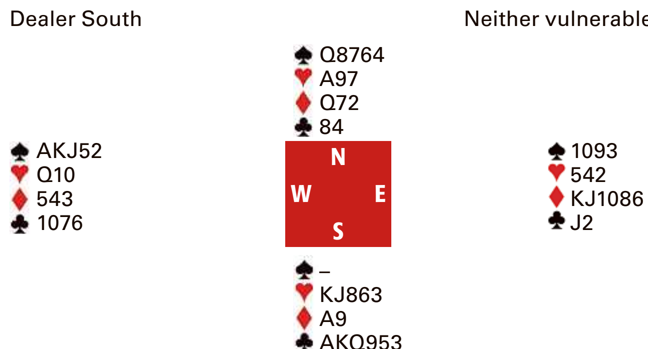
● Sugar-daddy fraud is the new con in town, says Karren Brady in The Sun on Sunday. One young woman – "Mary", a "sugar baby" – met "Duncan" on matchmaking site, Seeking Arrangement. He offered her a £2,000 monthly allowance, shopping trips, holidays and unlimited access to "his" credit card in exchange for three or four meetings a month. Long story short, Duncan spent £2,000 on the card he had set up in her name and conned her into transferring £2,000 of her money to him. It is a cautionary tale about fraudulent sugar daddies. But also of "the dangers of expecting older men to give you an allowance and take you shopping in return for your 'company'. Isn't it better to just get a job? There's no such thing as easy money in my experience."

©Getty Images

Bridge by Andrew Robson

West's missed chance

West led the Ace of Spades against your Six Hearts. You ruff and lead a Heart to the ten and Ace. You return the nine of Hearts and must decide whether or not to finesse.



The bidding

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

* Sensible choice. Three Notrumps looks fraught, as partner is virtually marked with a void Spade.

** One high Heart opposite, and the slam rates to have decent play.

Assuming Clubs are three-two – as you realistically must – a slam is guaranteed provided Hearts are also three-two. Rise with the King (key play) and, assuming the Queen has not fallen (in a three-two split), simply run winning Clubs, discarding Diamonds from dummy. You can subsequently ruff your losing Diamond with dummy's remaining Heart, not minding when the defence take their master Queen of trumps.

In fact, West's Queen of Hearts drops under the King, but it makes no real difference. You draw a third Heart (actually, cash two top Clubs first, in case the defender with four Clubs has the third Heart, enabling you to ruff a Club in dummy), but now lose a Diamond at the end. Slam made.

What if West had false-carded with the Queen of Hearts on the first round? With Hearts seemingly four-one, might you not have been tempted to run dummy's nine on the next trick? Should you do so, and lose to West's ten, you would now be unable to make your slam, having to use up dummy's last Heart to draw East's, and so lose a Diamond at the end.

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

Sudoku 1079

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

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.

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

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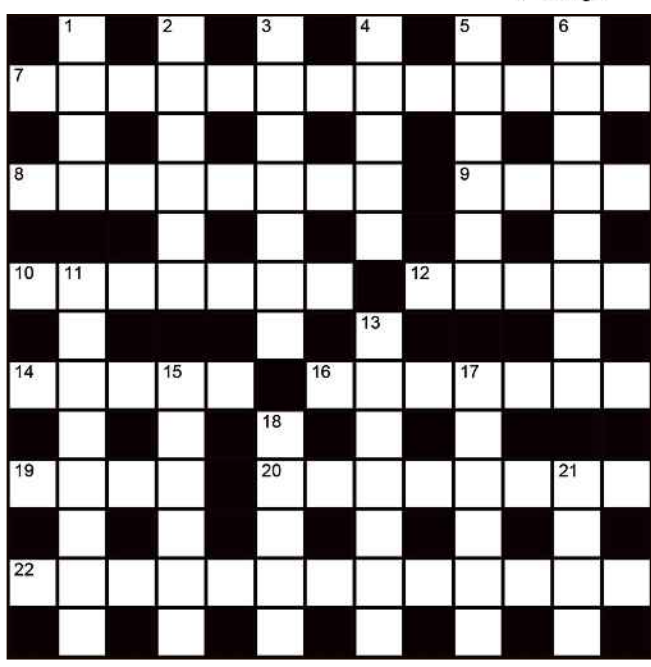
Tim Moorey's Quick Crossword No. 1079

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 6 December 2021. Answers to MoneyWeek's Quick Crossword No. 1079, 31-32 Alfred Place, London, WC1E 7DP.

TAYLOR'S PORT



Across clues are mildly cryptic whereas down clues are straight

ACROSS
- **7** I already know start of London timetable is adrift (4,2,5,2)
- **8** Wicked act making the king late (8)
- **9** French department's offering a great deal (4)
- **10** Dicky Arbiter's snack (7)
- **12** Old car not starting causes rage (5)
- **14** Serving in blue and orange by the sound of it (5)
- **16** Fall back asleep possibly after short run (7)
- **19** Fish with a tail (4)
- **20** Shy about getting weary (8)
- **22** Audacious Met endeavours abandoned (13)

DOWN
- **1** Gala (4)
- **2** Flatfish (6)
- **3** Shortage (7)
- **4** Norwegian dramatist (5)
- **5** European capital (6)
- **6** Lethargic (8)
- **11** Gigantic snake of the boa family (8)
- **13** Bring back to original state (7)
- **15** Flowering shrub related to rhododendron (6)
- **17** Straddling (6)
- **18** Sort of soup (5)
- **21** Unfeeling (4)

Name ....

Address ....

Solutions to 1077

Across **1** Element *deceptive definition* **5** Share *sounds like Cher* **8** Laundress *LA undress* **9** Moo *mood less d* **10** Tanga *a gnat reversed* **12** At issue *a tissue*,**13** Anaesthetic *anagram* **15** Scholar *ch inside solar* **17** Cream *scream less s* **19** Awl *sounds like all* **20** About turn *a B outturn* **22** Oasis *O + as is* **23** Nascent *n+ascent*

Down **1** Eilat **2** Eau **3** End-game **4** The Matterhorn **5** Sushi **6** Armistice **7** Elope **11** Nine-holes **14** Excites **15** Shako **16** Leads **18** Monet **21** Use

The winner of MoneyWeek Quick Crossword No.1077 is:
Mark Furse of Glasgow

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.

Highway to the danger zone

Once again, it's time to raise the black-and-blue crash flag in solemn salute

Bill Bonner
Columnist

When it comes to fraud and fantasy, it's hard to remember a stretch of time so densely packed. In recent weeks, US stocks hit new all-time highs, with the Dow trading above 36,400 and the Wilshire 5000 over 48,900. A new record for the stocks-to-GDP ratio, too, was hit – at more than 200%. Elon Musk ran a Twitter poll to determine whether or not he should sell $7bn of his own stock, which caused the company's value to go down by as much as $235bn. It was as if the entire annual GDP of Portugal had been erased.

Meanwhile, a potential Tesla competitor, Rivian, went public. The company has hardly any sales. And it has no profits – in the very-competitive market for pick-ups, it probably never will. Still, that didn't stop the gamblers. They acted as if the profits were already in the bag and drove the share price up to about $130, giving the company a projected market value above $110bn. That's a lot of money for a company that lost $2bn from the beginning of 2020 through June 2021 and that produced fewer than 350 vehicles in September-October.

Meanwhile, the total value of the crypto market punched through the $3trn ceiling. Unlike Rivian, which might someday make a profit and pay a dividend, crypto is a whole new asset class. It is no industry. There is no product. No sales. No profits. No company picnics or swag.

But the really big news remains the inflation rate. The US Federal Reserve had said inflation was transitory. But now, here it is, getting worse, month after month. And so the Fed admitted that inflation might be with us for a while, but still insisted that the "factors" behind it are transitory. Meanwhile, attention was diverted from the real cause (too much government spending, too much money printing) onto "supply chain disruptions", "price gouging" and market "manipulations".

> *"When it comes to fraud, it's hard to remember a time so densely packed"*

Given all this, and more, it is perhaps no surprise to learn that our Doom index, created to sound the alarm ahead of crises, has nudged up to eight, putting us back into "crash alert" territory. The index tracks 12 key indicators to gauge when there's stress in the economy and markets are overheating. For example, the long-term average for the cyclically adjusted p/e ratio is 17. We award a Doom point when the ratio is above 24. At the end of the third quarter, it was 37.63. The Buffett indicator, which compares the market capitalisation of all stocks to GDP, and which Warren Buffett says is probably the best single measure to watch, bestows a further Doom point when the ratio tops one. It is now 2.13.

In short, it's time to pull the old, tattered, black-and-blue crash flag out of storage, run it up the pole and salute solemnly. We put our head down and wait to see what will happen next.

The Doom index

Index level (0–12), 1998–2020; ■ Danger zone

© Source: Rogue Economics, Doom index

The bottom line

$34.9m How much artist Frida Kahlo's self-portrait *Diego y yo* (*Diego and Me*, 1949), portraying her husband Diego Rivera as a "third eye", fetched at auction with Sotheby's in New York. It beat the $9.8m record set by Rivera in 2018 for a Latin American work.

£2,847 The fine incurred after *Stately Timber*, an adventure novel by Rupert Hughes, borrowed from Dunfermline Public Libraries' Central Library on 6 November 1948, was returned 73 years late by the borrower's daughter. The fee was waived.

$31.75m The asking price for an eight-bedroom, Tuscan-style villa with views of Florida's Biscayne Bay that went on sale last week. The current owner of the home, bought from pop singer Madonna, is a German shepherd named Gunther VI. German countess Karlotta Liebenstein left her fortune to her dog, Gunther III, when she died in 1992.

£132m The value of Atol-backed holiday vouchers, issued by travel firms for cancelled trips during the pandemic, that the Civil Aviation Authority is urging customers to redeem. Customer protection against the firms going bust is set to end on 30 September 2022.

€103,000 How much an Italian white truffle, weighing 830g, fetched at an auction in northern Italy. It was bought by Michelin-starred Italian chef Umberto Bombana, who runs restaurant Otto e Mezzo in Hong Kong.

£1m How much singer Sophie Ellis-Bextor (pictured) raised for the BBC's Children In Need charity fundraiser by staging a 24-hour dance marathon. She began dancing at 9.24am on Tuesday 16 November, and received moral support along the way from fellow celebrities Natalie Imbruglia, Tamzin Outhwaite, Gemma Collins and Michael Ball.

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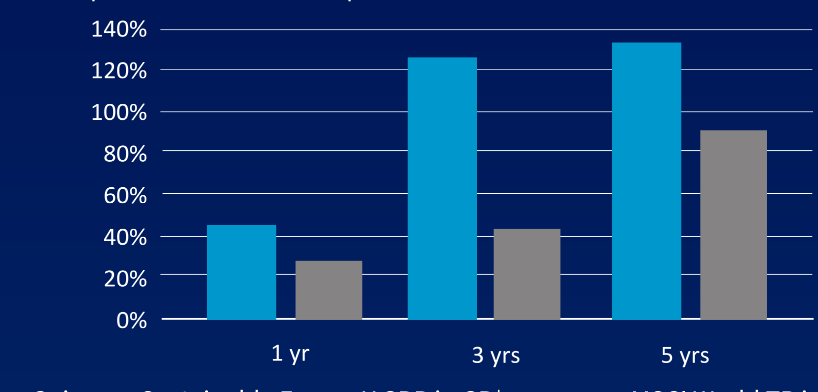
(Y class, 0.68% Ongoing Charges Figure (OCF), % Total return in GBP to 30.09.2021)
Past performance does not predict future returns. Source: Financial Express



	Sep' 21	Sep' 20	Sep'19	Sep' 18	Sep' 17
Fund	43.4%	42.6%	11.0%	-1.4%	4.9%
Index	23.5%	5.2%	7.8%	14.4%	14.4%

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