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MONEYWEEK

MAKE IT, KEEP IT, SPEND IT

3 MAY 2024 | ISSUE 1206

Tartan turmoil

Mess and mediocrity in Scotland

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MoneyWeek

3 May 2024 | Issue 1206

Britain's best-selling financial magazine

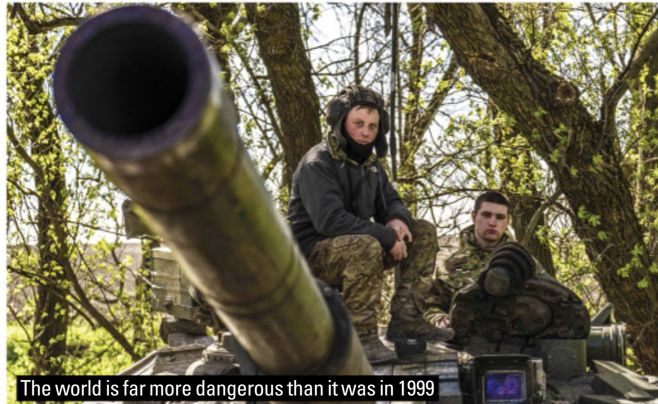
From the editor...

"The past is a foreign country; they do things differently there," said L.P. Hartley. This week 25 years ago, the Treasury announced that it would sell up to 60% of our gold reserves. It proved a spectacular example of selling low. At the "Brown bottom" (see page 24), as it came to be known, the price of the yellow metal was slowly picking itself up from historic lows. When the spree began it was below $300 an ounce, compared with today's record highs around $2,300.

The upshot, says Hargreaves Lansdown's Hal Cook, is that Britain missed out on a return of 980% in sterling terms on the gold that was ditched. The MSCI All Countries World index rose by just 500% and the FTSE 100 by 210%. Inflation has increased by 85% since 1999.

Greenspan, not gold

Selling gold seems insane from today's perspective, but in 1999 there was a pervasive feeling that it wouldn't be needed, as the world was no longer a dangerous place following the West's victory in the cold war and confidence in the monetary system was sky-high. "Who needs gold when we have Alan Greenspan," wondered The New York Times. Who indeed, the central banks of Austria, the Netherlands, Belgium, Canada, Australia and Argentina, all of whom sold gold in the late 1990s too, must have thought.



The world is far more dangerous than it was in 1999

©Getty Images

"Britain and the EU jointly comprise 21% of world GDP, down from 30% in 2006"

Several decades and massive political and economic crises later, the structural backdrop could hardly look more different. As growth in the US appears to be slowing and inflation intensifying, Google searches for "stagflation" have jumped to their highest level since the first half of 2022, when inflation was rocketing, says US investment service provider Bespoke Investment Group.

Expect the figure to rise. The World Bank warned this week that commodity prices have stopped falling, which means that "a key force for disinflation has essentially hit a wall". The upshot is that "global inflation remains undefeated".

This is especially awkward because growth isn't what it used to be. The expansion of GDP has slowed all over the world as productivity has faltered in the past two decades. Productivity has ticked up in the US recently, gaining 1.3% in 2023, but that is below the long-term US average of 2.1%, as Breakingviews points out. In the EU and Britain, productivity has flatlined in recent years, and the gap between Europe and the US in this respect has widened. This helps explain why America's GDP has risen by a factor of 3.5 since 1975, but the EU's by just 2.5. The EU and the UK jointly comprise about 21% of world GDP, says the International Monetary Fund, down from 30% in 2006; the US makes up 26%, having eclipsed the UK and EU on this measure in 2015.

There are many reasons for the gap, but one that emerged clearly from our reading this week is attitudes to risk and regulation. While Britain has swaddled itself in red tape and tax (see pages 8, 16, 17 and 23) and Europe lacks a major technology company, the US has charged ahead with artificial intelligence (see page 4). It is telling that the US federal government passed just 25 regulations on AI last year, an annual record, compared with 32 in the EU last year and 46 in 2021. While it is always worth looking beyond the latest craze (see page 15), keep some money in US tech in the hope that the robots will rescue us from stagnation. If they don't, there's always gold. Tell Gordon.

Andrew Van Sickle
editor@moneyweek.com

Cost-of-living squeeze hits concerts

Artists are struggling to make a profit from touring due to rising costs of van hire, crew, travel, accommodation, food, and more, says The Guardian. The cost-of-touring crisis has worsened since the pandemic, with grassroots music venues struggling to stay open. Artists are the biggest employers in the industry, paying for everything from insurance to rehearsal space. English Teacher (pictured), a band that has received five-star reviews, has never been directly paid from a gig in their four years of existence. They rely on their advance, which is now gone. A successful show for the group has been defined by whether they can flog enough merchandise. The band members try to pay themselves £500 a month each. It raises the question of who can afford to pursue music, as "the working class just can't afford to fork out £150 a day for van hire". Only artists who have deep pockets can afford to take the hit from touring.

Cover illustration: Howard McWilliam. Photos: Getty Images

Good week for:

US singer **Taylor Swift's** new album, *The Tortured Poets Department*, topped the UK charts with the biggest first-week sales figure in seven years, says BBC News. It sold 270,000 units. In the US, the album shifted 2.61 million units in the first week, the best one-week figure since Adele's *25* nine years ago. *Tortured Poets* has also become the first album to reach a billion plays in a week on the music streaming service Spotify.

Tennis drama *Challengers* scored $15m in its opening weekend in the US, the biggest debut for US actress and singer **Zendaya** (pictured) for an original film, says Deadline. It was also the biggest opening ever for Italian director Luca Guadagnino.

Bad week for:

Former England footballer **John Barnes** has been banned from being a company director for three-and-a-half years after his media firm failed to pay over £190,000 in taxes, says The Times. John Barnes Media Limited went into liquidation in May 2023 following an HMRC petition. The Insolvency Service found that the company had not paid any taxes between 2018 and 2020, despite earning more than £400,000.

Actor **Laurence Fox** has been ordered to pay £90,000 each in damages to Simon Blake, a former Stonewall trustee, and Crystal, a drag artist whose real name is Colin Seymour, for defamation after he referred to them as "paedophiles" on X, says The Telegraph. The High Court ruled in favour of Blake and Seymour, who sued Fox over a social-media exchange regarding Sainsbury's marking Black History Month in 2020. Fox's countersuit was dismissed. The judge said Fox's libellous remarks had caused harm and distress.

©Getty Images

Patience with moonshots wears thin

Alex Rankine
Markets editor

Wall Street's patience for the costly artificial intelligence (AI) arms race is waning, says Dealbook in The New York Times. Facebook-owner Meta recently reported its "best ever first-quarter earnings", but that wasn't enough to prevent a crushing sell-off of its shares (see also page 6). Plans to devote a massive $35bn-$40bn this year to capital expenditure, much of it invested in AI projects, spooked investors.

The Meta sell-off was about boss Mark Zuckerberg as much as it was about AI, says James Mackintosh in The Wall Street Journal. Zuckerberg has a history of big spending on unproven ideas, not least on the Metaverse flop. By contrast, Microsoft and Google-owner Alphabet have been rewarded by investors for their lavish AI investment plans because both have a clearer path to turning the technology into higher profit margins. In an era of high bond yields (see below), investors are no longer willing to fund speculative "moonshots" that vaguely promise profits at some distant future date.

The "magnificent seven" tech giants – Nvidia, Meta, Apple, Tesla, Amazon, Alphabet and Microsoft – have grown so enormous that "you could fit several European stockmarkets inside any one of them", says Katie Martin in the Financial Times. That leaves the health of the entire market increasingly dependent on a narrow group of corporate results. While the "excitement around AI-flavoured stocks" is not over, valuations are a concern. After all, even if AI does transform the world, the "ultimate beneficiaries" of the technology might pop up in neglected, unexpected places such as healthcare or banking.

©Getty Images

Zuckerberg: big spending must now deliver profits

US stocks are historically expensive, says Buttonwood in The Economist. Their cyclically adjusted price-to-earnings (Cape) ratio, a popular valuation metric that smooths out performance over the economic cycle, is "higher than it was even in the late 1920s" prior to the 1929 crash.

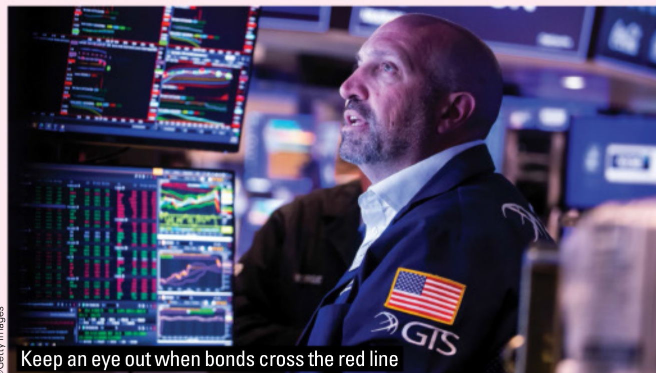
The five stages of a bubble

The bull case rests on the idea that high valuations are justified because corporate profits are set to grow strongly, "supercharged" by AI. But if those hopes disappoint, then "all the pieces are in place" for a "particularly nasty" crash. There are already signs of jitteriness. Shares in Nvidia might be up 80% so far this year, but on 19 April they crashed 10% in a single day for no apparent reason. When a sell-off begins, "mob psychology" quickly takes over.

Like grief, investment bubbles are said to go through five stages, says John Naughton in The Observer. They start with a "displacement" – in our case that was chatbot ChatGPT waking people up to AI's potential in late 2022. Then they proceed to a "boom" – the tech giants all piled in with massive AI investment plans last year. We are currently in the third stage, "euphoria", as "ostensibly rational companies" gamble "colossal amounts" on the new technology. We could be heading for "profit-taking", the fourth stage, where "canny operators" see things are getting "unhinged and start to get out". The fifth stage, "panic", lies ahead. "Nothing grows exponentially for ever."

What soaring bond yields mean for stocks

Persistent inflation and expectations that interest rates will stay high are driving a spike in bond yields. The US ten-year Treasury yield, a key benchmark for global markets, has risen from 3.9% at the start of the year to nearly 4.7% now (bond yields move inversely to prices). The yield briefly hit a 16-year high of 5% last October and may be heading back to similar levels. The UK ten-year gilt has similarly climbed from 3.5% at the start of the year to above 4.3% now.



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Keep an eye out when bonds cross the red line

Higher bond yields mean higher borrowing costs for governments and the private sector, says Jacob Sonenshine in Barron's. That tends to slow economic growth, which in turn weighs on the outlook for company profits. It can also have a more immediate impact on stockmarkets by making them less competitive relative to bonds. At current levels, the S&P 500 trades on a forward earnings yield (the inverse of the p/e ratio, it is often compared to bonds to gauge relative valuations) of about 5%. That is barely more than the 4.7% income on offer from bonds, and bonds carry a much lower risk than stocks of sudden losses.

While stock traders are "somewhat downbeat", for now they are far from panicked, says Katie Martin in the Financial Times. But bond yields spiking above 5% – arbitrary as it seems – could change the narrative decisively.

Sometimes supposed "red lines" are crossed in markets with little consequence, says market analyst Josh Brown in his blog. But the 5% threshold for bond yields may really matter. Research shows that since 1978, in any given six-month period, US stocks have climbed 4.8% on average. But for six-month periods following the ten-year Treasury spiking above 5%, stocks have dropped 5.8%. If the US ten-year Treasury yield crosses the "red line" of 5%, then a stockmarket sell-off seems highly likely.

Why you should never sell in May

British traders are traditionally advised to sell stocks in May, shift into more stable assets such as bonds, and only come back after "the... St Leger Stakes horse race in the middle of September", says the Taking Stock column in the Investors' Chronicle. The idea that gentlemen will be out of town gambling on the horses over summer "does smack a little of the...18th century". There is some "weak" data from both sides of the Atlantic suggesting that the middle of the year tends to be a softer period for markets as traders desert their desks. Historically, "the only two months in which the UK stockmarket has a better-than-even chance of falling are June (64%) and September (55%)".

Fidelity International finds that since 1986 selling in May and returning in September worked in 14 years, but failed in 23. By selling in May a £100 investment would have grown to £1,391.68 today, trailing £2,014.45 for a portfolio that stayed invested, says Fidelity's Ed Monk. "Stockmarkets have a ... record of rising in the long run," so "removing yourself from the market for four-and-a-half months of the year... reduces your chances of taking advantage of that long-term performance." It's always possible to slice the data to find time periods where the strategy has worked or not worked, says Deutsche Bank. But "we are not big believers" in market "horoscopes, and we would certainly not invest our money based on it".

Weak yen boosts equities

The Japanese yen has sunk to a 34-year low, trading as low as ¥160 to the dollar on Monday. Japan's currency has shed more than a third of its value over the past three years, says Jonathan Yerushalmy in The Guardian. The Bank of Japan (BoJ) has held interest rates "extraordinarily low", even as they rise in other countries. It finally raised them in March – the first hike in 17 years – but only to just over 0%. At a meeting last week the BoJ held rates steady, signalling that it is in no rush to hike again and precipitating "another round" of yen selling.

Currency traders have finally realised "that Japan is following a policy of benign neglect for the yen", says George Saravelos of Deutsche Bank. Speculation about rapid rate hikes was an illusion. While yen weakness does increase inflationary pressure, that is still not a pressing concern in Tokyo, since a weak currency has other advantages: it is helping exporters to stay competitive and driving a tourism boom.

The yen's new low didn't last long, says Richard Abbey on Bloomberg. In wild trading on Monday it quickly gained 3% against the US dollar, triggering suspicions that the government had intervened to stem the bleeding. While Tokyo may not mind a steady decline, it wants to avoid a destabilising currency crash.

©Getty Images

Japan's stockmarket remains good value

Exporters profit

A weak yen is good for Japan's export-focused multinationals. The local Topix index has been one of the world's top performers with a 15% gain this year. Unfortunately, the yen's slump also eats into those gains in sterling terms, with the London-listed iShares MSCI Japan Fund up by a more modest 7% for the year-to-date.

"The drip, drip, drip of weak yen news" has become "part of the Tokyo zeitgeist", says William Pesek in Nikkei Asia. Japan's sliding currency is discussed "on television, in newspapers" and "at bank branches"; it can also be seen in the exploding number of foreign tourists. The slump threatens eventually to undermine the confidence of households and foreign investors. A relentlessly weaker currency is hardly the sign of an economy roaring into recovery mode after decades of stagnation. "If Japan Inc. is primed for a boom," then why must the country rely on an "Argentina-like currency strategy"?

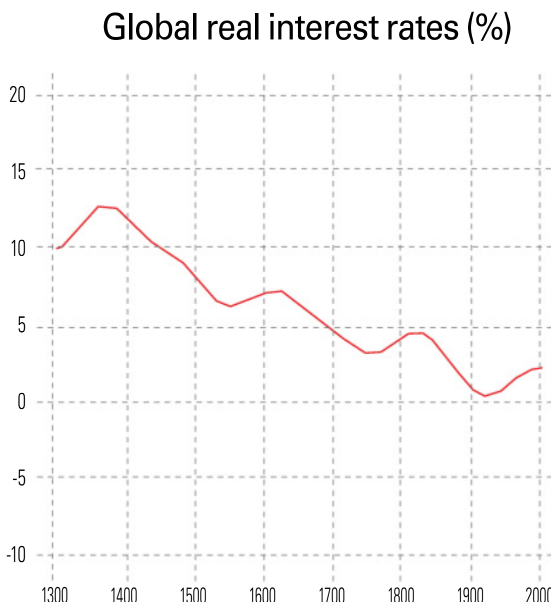
Japan's Nikkei stock index hit a record high earlier this year, but it's not too late to jump aboard, says Kate Marshall of Hargreaves Lansdown. "Japan's market still looks good value compared with other global markets and its own history," with especially appealing value among small and medium-sized firms. While "excitement" around corporate governance changes has cooled, the reforms have fostered a durable shift in "mindset", with firms increasingly run in the interests of their shareholders. That should keep providing a steady tailwind for Japanese shares.

Viewpoint

"Positive news flow... has driven up London's oversold shares... Inflation is steadily trending downwards and is expected to fall below 2% this month... Dollar strength... also fed into FTSE gains, as this means higher profits for [the FTSE 100's] big overseas earners. Share buybacks, coupled with renewed interest in the defence sector in a fractious world as well as rising commodity prices propelled the index along too... Even long-unloved banks... have come in from the cold... While the deep-rooted problems that have led to depressed valuations [remain], London at its core has steel-like strength... ultimately, a stronger British economy... [will be] needed to restore faith in UK equities. Nevertheless, the current turnaround... emphasises the key lesson that despite the negativity... pressing down on valuations, this is a market with... huge rerating potential."

Rosie Carr, Investors' Chronicle

■ The very-long-term decline in the cost of money



Interest rates look set to stay higher than they did during the 2010s, but in the very long term they tend to fall. Economists Kenneth Rogoff, Barbara Rossi and Paul Schmelzing have examined historical data starting with debt issued by medieval Italian city states. There have been big spikes, for example after the 14th-century Black Death and during the chaos unleashed by the 1557 default of France, Spain and the Netherlands. Yet on average, long-term real (inflation-adjusted) rates have fallen by almost 0.02% a year since the Middle Ages, says Gillian Tett in the Financial Times. The cause seems to be the rise of "modern capital markets" and "risk analysis", making lending more efficient and thus lowering the price of money.

A tug of war among miners

An offer for Anglo American could trigger further bids. But completing a takeover could prove an uphill struggle. Matthew Partridge reports

London-based mining giant Anglo American has become "the centre of an international tug-of-war", says Jon Yeomans in The Sunday Times. Australian rival BHP launched an "audacious" £31bn takeover bid last week. Anglo rejected the all-share offer, claiming it "significantly undervalues" the company. Despite the rejection, news of BHP's proposal has "electrified" the City and stoked speculation of a bidding war.

Anglo American was right to reject the offer, which at £25 a share was "too mean", says Nils Pratley in The Guardian. Despite its "calamitous" recent history, Anglo "should be able to get back to £30 under its own steam via self-improvement", especially given the probable recovery in the price of diamonds and platinum, currently at "cyclical lows". Indeed, even if BHP comes back with a better offer, Anglo American should still consider other options, including "breaking itself up", as there would be a "queue of potential bidders", for its "prized copper mines".

©Getty Images

Anglo American is one of the world's top-five copper producers

Going green

BHP has made it clear that it is primarily interested in Anglo American because of its role as one of the five largest producers of copper, a metal that BHP's CEO sees as "a key enabler of the green revolution", say Matt Oliver and Michael Bow in The Telegraph. Other experts agree, with the International Energy Agency predicting that annual demand for copper is likely to climb from just over 25,000 kilotons in 2022 to 35,000 by 2035 and 40,000 by 2050. In the short run, a squeeze on supplies is also likely to push prices up.

The fact that the takeover would hand BHP "control of some of the best and biggest copper mines at a time when the world is barrelling toward a supply shortage" means that opposition from Anglo American's management isn't the only thing that could make it "unworkable", says Bloomberg. BHP will still need to win over regulators in what can be "politically charged approval processes". While some South African politicians "have already reacted negatively to the announcement", it will also raise particular "antitrust red flags" in China, which is by far the world largest consumer of copper.

"Fierce and public opposition" from regulators in Beijing has managed to stop BHP's plans in the past, most notably when it tried to buy Rio Tinto, say Chan Ka Sing and Antony Currie on Breakingviews. This time, China's opposition might not be so vehement, given that it has been developing its own copper supplies.

Furthermore, Chinese firms "have been spearheading their country's quest for energy security" by growing their presence in emerging markets such as the Democratic Republic of Congo and Indonesia. However, China is unlikely to be the only country to object to a deal. Chile and Peru "may not welcome one foreign company owning a large share of their copper mines", while the Brazilians "could play tough, too".

Meta's AI splurge rattles investors

Meta Platforms has suffered its second-worst daily loss in market value on record. Part of the reason for last week's 15% slide was that while Meta eclipsed forecasts for first-quarter profits and sales, its outlook for the second quarter disappointed, says Jack Denton in Barron's. But the main problem was that the owner of Facebook "shocked" investors with plans to "spend even more aggressively on artificial intelligence [AI]". It raised forecasts for full-year capital expenditures to between $35bn and $40bn, up from between $30bn and $37bn.

The money will go towards "ambitious AI research and product development". Meta's decision to bet on AI to this extent has undermined the "hard work the company has done to convince the market it has a tight rein on the purse strings", says Russ Mould of AJ Bell. It has also "reawakened" concerns about "a lack of discipline" from CEO and founder Mark Zuckerburg only a few years after he opted to spend large sums on the Metaverse, a punt on virtual reality that will take years to pay off (if it ever does).

What's more, even if the investment proves the correct decision, the fact that Meta feels the need to engage in "an AI arms race" is worrying. Meta's pivot to AI is clearly "not going well", says Robert Cyran on Breakingviews. Still, that doesn't mean that investors' appetite for AI in general is waning. They are more upbeat about Microsoft's capital expenditure, mostly on AI, tripling to more than $40bn this year.

The difference? Unlike Meta, Microsoft is also a "shovel merchant" in this gold rush, thanks to its Azure cloud platform, used by firms like OpenAI to train and run AI systems. Azure's sales rose by 31% in the first quarter, with the Intelligent Cloud division Microsoft's "biggest and fastest growing". It seems that for now, "investors are more keen to reward the toolmakers than the speculators".

CEO Noel Quinn quits HSBC

The decision of HSBC's CEO Noel Quinn to announce his departure is a "surprise", says AJ Bell's Russ Mould. He seemed to be "on a roll" with efforts to "simplify the group and improve returns", He had to "steady the ship after it was navigated off course by predecessor John Flint", and was then forced "to guide the bank through a pandemic that turned the world upside down".

Still, the fact that he is "getting out while the going is good", delivering the news alongside an unexpectedly large dividend, will stand him in good stead. A "queue of companies" will surely be lining up to hire "the man who fixed HSBC" as a non-executive director.

Chairman Mark Tucker has promised to name a replacement for Quinn in the second half of the year, says Ben Martin in The Times. One "frontrunner" for the job is Georges Elhedery, 50, who has been at HSBC since 2005 and was promoted to finance chief early last year.

But Nuno Matos, who runs HSBC's wealth and personal banking operations, and Barry O'Byrne, who heads HSBC's global commercial banking business, could also be successful, especially if Tucker wants Quinn's successor to have experience in Asia (they are both based in Hong Kong). Such a move could help to "placate" Ping An, the Chinese insurer that is HSBC's biggest shareholder.

Whoever succeeds Quinn will "take the reins at a challenging time", says Lex in the Financial Times. While Quinn's "Asian pivot strategy" may have "made sense" a few years ago, it also "raised investors' hopes that HSBC would deliver faster growth than its Europe-focused peers".

But China's ailing property sector means that "the prospect of a quick pay-off from the country looks increasingly remote". China's overall outlook "remains dubious" thanks to both "risks to public finances amid increasing economic uncertainty" and "heightened geopolitical tensions with the West". The stock is on a 60% premium to Asia-focused rival Standard Chartered – Quinn's successor faces a "tall order justifying that gap".

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"Drift, dither and confusion"

Scotland has turned into a laboratory for nutty policies. Can a new leader save it? Emily Hohler reports

Humza Yousaf resigned as Scottish National Party leader and Scotland's first minister on Monday, days after unilaterally terminating his government's coalition agreement with the Greens, says The Telegraph. With the UK general election looming, his "ostensible motivation" for severing the link with the Greens was to take charge of Scotland's political agenda, which has been "consumed by arguments over gender identity and climate-change targets" and focus instead on issues of more immediate concern to voters. His plan was to continue in office at the head of a minority government (the SNP has 63 Holyrood seats, just short of the 65 needed for a majority), but rely on the Greens for support. He failed to anticipate the Greens' fury, which led them to join with other opposition parties to support a no-confidence motion in his leadership. As one observer put it, in an attempt to get on the front foot, he shot himself in it.

©Getty Images
Yousaf got on the front foot, then shot it

Yousaf, who lacked the "heft of gravitas" of Alex Salmond or Nicola Sturgeon, has "played his cards ineptly, but they were not good cards to begin with", says Alex Massie in The Times. The SNP's popularity began to slide in the last months of Sturgeon's leadership. He was also "hobbled" by her decision to create a coalition government with the Greens. Although it flattered Sturgeon's idea of herself as a champion of "progressive" politics, "symbolism trumped delivery". Good intentions, such as cutting carbon emissions by 75% by 2030, were "substituted for good outcomes". Meanwhile, Scotland's public services are crumbling. One in every six Scots is on an NHS waiting list; Scottish children's test scores in the recent Pisa report were "the worst ever recorded". Yousaf has failed to grasp these realities and paid the price for 13 months of "drift, dither and confusion".

Instead, the coalition with the Greens helped Yousaf turn Scotland into a "laboratory for the nuttiest policies in the world", says Fraser Nelson in The Telegraph. Mistakes have included free bus travel for under-22s, which led to aggressive child gangs "running amok" on public transport, and "fresh disasters" such as the introduction of rent controls, which are now predictably "backfiring". The UK government ended up using its reserved constitutional powers to "refuse an independence referendum and overrule legislation on gender recognition and the deposit return scheme", adds Rory Scothorne in The Guardian. Yousaf did "very little" to come up with any kind of vision and only exacerbated the "disastrous" state of the public finances with a "populist" freezing of council tax.

The SNP has now begun the search for a new leader, says Libby Brooks in The Guardian. Once Yousaf has formally submitted his resignation to King Charles, the Holyrood parliament will elect a new first minister via a simple majority. The two candidates tipped to replace him are John Swinney and Kate Forbes, both of whom are likely to focus on the economy and public services in an attempt to stop even more voters switching to Labour, says Simeon Kerr in the Financial Times. Labour is polling ahead of the SNP for the first time in nearly a decade and could replace the SNP as the "largest representative of Scots at Westminster" after the general election. Swinney is regarded as the continuity candidate; Forbes, a social conservative, is more likely to tack "further away from the coalition's progressive policies". Sensible as Forbes is, it looks like the Greens, who won just 1.3% of the popular vote and who are the "real danger to Scotland", are going to have "the whip hand" when it comes to choosing a new leader, says Allison Pearson in The Telegraph. Then "he – almost certainly a he – will have to sign up again to those 'progressive' policies".

Georgia steers towards the Kremlin's embrace

Ivanishvili is pushing ahead with the "Russian law"
©Shutterstock

There has been much debate about what the future holds for Europe if Russia's invasion of Ukraine succeeds. We now partly know the answer, because of what is happening in Georgia, says Marc Champion in Bloomberg. Georgia, which is run by "shadow leader" Bidzina Ivanishvili from an unelected position as chairman of the ruling Georgian Dream party, is the country where Vladimir Putin first made clear, with his 2008 invasion, that he was "willing to use force" to reimpose Russian influence.

At present, Ivanishvili is trying to pass a law on foreign agents similar to one in Russia, triggering a month of unrest in Tbilisi. Dubbed the "Russian law", it is seen as a "gateway" law of "would-be autocrats" aimed at "suppressing civil society". It forces organisations that receive more than 20% of their funding from abroad to register as foreign agents. An attempt to introduce the law last March – when Russia "not coincidentally, was on the back foot in Ukraine" – also sparked protests and was dropped. Now – at a time when Ukraine is "heading for defeat" unless the West provides more weapons, says Jamie Dettmer in Politico – the government is trying again, with the bill set to pass its second of three readings later this week. The move has provoked formal criticism from the US and EU, which says the law would be "incompatible" with EU membership, favoured by 80% of Georgians.

It is curious that Ivanishvili, who says he wants Georgia to be a member of the EU, is steering the country "towards the Kremlin's embrace", says Cameron Henderson in The Times. A failing economy and mass emigration may have prompted a desire to "crack down on dissent" ahead of Georgia's October election. Similar legislation has been introduced in Kazakhstan and Kyrgyzstan in the past two years, points out Ivan Nechepurenko in The New York Times. This reflects a broader regional drift towards Moscow.

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A new row about migrants

Britain's Rwanda scheme has now upset Ireland. Matthew Partridge reports

Prime minister Rishi Sunak may have hoped that the passage of his Rwanda legislation – which allows for illegal asylum seekers to be sent off to Rwanda for processing – would mark the end of the troubles surrounding the scheme, says Nimo Omer in The Guardian. Instead, it now seems to threaten the harmony between the UK and the Republic of Ireland.

The apparent uptick in the flow of asylum seekers crossing the border from Northern Ireland to avoid being deported to Rwanda may have been "much to Sunak's delight", but it has angered Dublin, which "is pushing through emergency legislation to send back asylum seekers who arrive though the UK", despite the UK saying it will not accept them.

Irish PM Simon Harris: sending them back

©Getty Images

Capacity constraints

The Irish government believes that, whatever is said in public, the UK may have little choice but to take the asylum seekers back, says the Financial Times. The two countries signed a deal four years ago that allowed for Ireland to return asylum seekers to the UK. That treaty has been halted by an Irish High Court ruling that the Rwanda scheme meant the UK could no longer be considered a "safe third country". Dublin is preparing legislation to overrule this and has said it expects the deal to be honoured.

The problem has been made worse by the decision of the UK government to locate an increasing share of asylum seekers in Belfast, with numbers tripling since 2021, says Newton Emerson in The Irish Times. As a result, Northern Ireland is "now much closer to a capacity constraint than is realised", and many refugees end up homeless. This in turn means that even a "relatively trivial" further increase in arrivals from mainland Britain could prompt a much larger movement of "desperate" people across the border.

Laughable demands

The "hapless" UK Home Office certainly needs to explain why thousands of migrants arriving on dinghies in Dover are suddenly ending up in Belfast, says The Sun. Still, Dublin's demands that Britain take back the asylum seekers are made "laughable" by the lack of border controls between Northern Ireland and the Republic, something Ireland insisted on during Brexit. This means that any refugees returned to the UK could simply walk back south. The problem won't be solved until France agrees to take back the refugees crossing the Channel, which would "stop the small boats and the unnecessary deaths and smash the smuggling gangs forever".

Indeed, it's not as if the UK or Ireland are alone in having problems with immigration – the entire system "is broken across Europe", says The Times. It's clear that the numbers arriving from Africa, Asia and "unsavoury regimes" have "overwhelmed the well-meaning regulations on asylum seekers enacted decades ago by international bodies". The result is that "popular anger is rising" and with it the "demand for drastic measures" often put forward by populists and the far right to boost their "growing political appeal". Without concerted action, the "massive flows are not going to slow in the future".

Spain's PM adds to toxic political atmosphere

Spanish prime minister Pedro Sánchez (pictured) "inspired anxiety, bewilderment and right-wing hopes" last week when he reacted to the opening of a judicial investigation into his wife by declaring he was "considering quitting" his post, say Jason Horowitz and Rachel Chaundler in The New York Times.

But after "days of apparent reflection out of the public eye", he "walked back from the precipice" and indicated in a "defiant" speech that he will, in fact, be carrying on. Spain's public prosecutor's office had already sought to have the complaint against his wife, which was filed by the pressure group Clean Hands (Manos Limpias) and alleged influence peddling, dismissed for "lack of evidence".

Sánchez accuses Clean Hands of "leading a right-wing campaign designed to smear his partner and destroy his leftist coalition", says Mark Naylor in The Spectator. He has a point. The "flimsiness" of the evidence brought to the judge, which consisted of "a selection of media reports, one of which had already been proven false", doesn't exactly "inspire confidence in the allegations" (which Sanchez and his wife have denied). Still, Sanchez's outrage – he has threatened to tighten controls on the media in response – is a bit rich given he himself has made accusations of corruption against an opponent.

Spain's political atmosphere is "one of the most toxic in Europe", but Sánchez's theatrics are unlikely to help matters, says the FT. He has offered no proposals for raising ethical standards and his threats are a "potential slippery slope to censorship". Indeed, Sanchez's rhetoric is exactly the kind of thing Spain could do with less of.

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Betting on politics

In the wake of Humza Yousaf's resignation, bookmakers have put John Swinney as the frontrunner to take over as leader of the SNP, and by extension become the third first minister of Scotland in barely more than a year. With £4,250 matched on Betfair, Swinney is favourite at 1.45 (68.9%), with Kate Forbes at 3.1 (32.2%) and Stephen Flynn at 10.5 (9.5%). The bookies Bet 365 have Swinney at 4/9 (69.2%) and Forbes at 9/4 (30.8%).

In theory, Forbes should have a good chance to pull off an upset given that she ran Yousaf close in last March's leadership election, getting 47% after second-round votes were counted. An Ipsos poll conducted after Yousaf's departure suggests she would be more popular when it comes to Scottish voters in general, with 26% selecting her as their preferred candidate, compared with 20% for Swinney.

Still, the same polls also suggest that Swinney is the preferred candidate of those who support the SNP, as well as of those who voted for the SNP in the last Scottish election three years ago. This matters, given that the contest will be determined by a vote of the SNP's membership, rather than the wider Scottish public. Swinney should also benefit from having the backing of the wider SNP hierarchy.

My tip that you should back Swinney in the last SNP leadership election backfired badly when he didn't even stand. However, I think the recent leadership turmoil, as well as the need to salvage the coalition with the Greens, will encourage SNP members to rally around the man who was Sturgeon's deputy first minister of Scotland between 2014 and 2023. Indeed, there is already talk of Forbes being offered a senior post in return for agreeing to stand aside. I'd therefore recommend backing Swinney.

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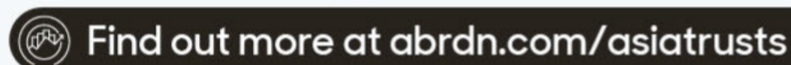

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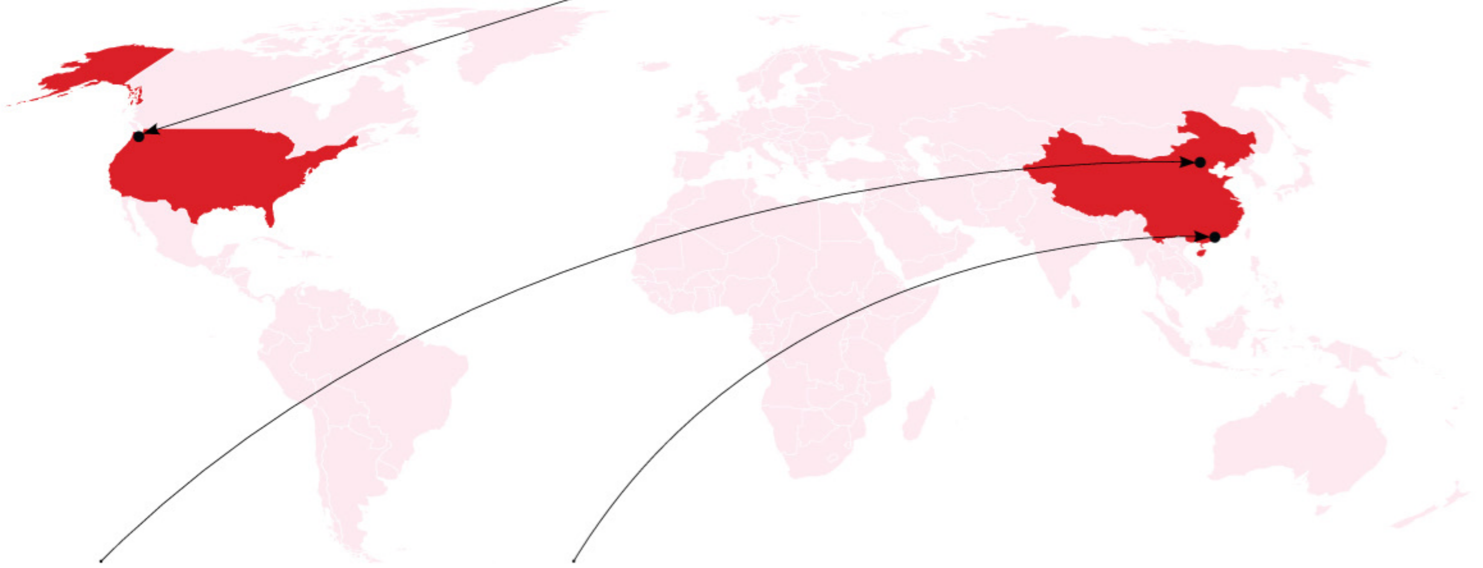
Seattle

AI boosts Amazon: Amazon's revenue surged by 13% year on year to an all-time high of $143.3bn in the first quarter of 2024. The jump was driven by increasing demand for artificial intelligence (AI), which boosted sales at Amazon Web Services, the firm's cloud-computing arm, says Sarah Needleman in The Wall Street Journal. Profit more than tripled to $10.4bn.

Sales at Amazon Web Services rose by 17% in the first quarter to $25bn, while operating profit increased by nearly 84%. The US technology giant has lagged behind rivals Microsoft and Google's parent Alphabet in the race to profit from the trend towards generative AI. But chief financial officer (CFO) Brian Olsavsky said capital expenditure will increase "meaningfully" this year compared with the $48.4bn spent in 2023, which will support cloud computing and AI investments.

Amazon had been considered an "also-ran" when it came to AI, and this is reflected in the company's valuation, which is lower than Microsoft's, says Jennifer Saba in Breakingviews. Shares in Microsoft have more than tripled in the past five years, twice Amazon's performance. Stepping up investment is Amazon's attempt to "remedy the gap" with peers, so if "investors were concerned Amazon was behind the spending curve, they shouldn't be now". Some investors may feel "disappointed" by the lack of a dividend, however, says AJ Bell's Russ Mould. Amazon's "strategic plans should lead to a significant boost in cash flow". Meta and Alphabet both recently declared their first dividends.



Beijing

Elon Musk touts Tesla: Elon Musk (pictured) has come closer to rolling out Tesla's autonomous driving technology in China. On a weekend visit to Beijing, Musk met Chinese prime minister Li Qiang and agreed a deal with Baidu to use the Chinese internet search firm's mapping and navigation system to operate its full self-driving (FSD) software, say Edward White and Peter Campbell in the Financial Times.

"This is a watershed moment for Musk as well as Beijing... While the long-term valuation story at Tesla hinges on FSD and autonomous [vehicles], a key missing piece in that puzzle is Tesla making FSD available in China," Dan Ives from investment firm Wedbush Securities told the FT. FSD costs US drivers $99 a month, and in China Tesla has approximately 1.6 million cars on the road.

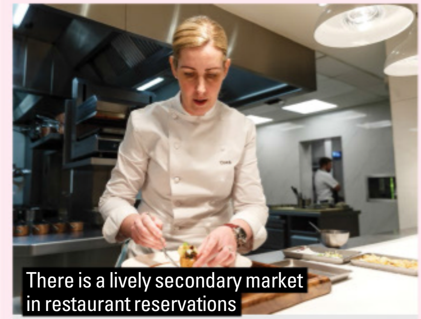
Meanwhile, allowing Tesla's self-driving technology to be used in China is seen as a strategic move by the government. China is trying to persuade foreign investors that it is still open for business, despite government crackdowns and deflation, says Bloomberg. China has been losing out to neighbouring India, where Musk recently abandoned a planned visit.

Hong Kong

L'occitane leaves the orient: Billionaire L'Occitane chairman Reinold Geiger has offered to take the Hong Kong-listed skincare group private in a deal worth up to €1.7bn, says Reuters. It values L'Occitance at €6bn. Geiger's L'Occitane Groupe, which owns 72% of the Luxembourg-based company, has offered HK$34 per share for the rest of the business. This is a 30% premium to the price in early February and "sets a high bar for other buyouts in the Asian hub to cross", says Robyn Mak on Breakingviews. L'Occitane was one of the first Western companies to list in Hong Kong in 2010 to boost exposure to the fast-growing Asian economy. But over the past decade its 87% total return has lagged behind the 125% and 318% returns of rivals, New York-listed Estée Lauder and Paris-listed L'Oréal, respectively. It suffered from the "China discount". But funding "Hong Kong's largest take-private deal in an era of high-interest rates is no small feat".

The deal will be partially funded by a debt facility from French lender Crédit Agricole and €1.6bn in financial support from US asset manager Blackstone and investment bank Goldman Sachs, which is more than 90% of the total sum. Meanwhile, other Hong Kong-listed companies considering leaving the city-state "will have a tougher time" securing funding as "lenders will be reluctant to extend loans to businesses that don't have as clear a path to a re-listing".

The way we live now



There is a lively secondary market in restaurant reservations

Alex Eisler, a student at Brown University, earns $70,000 a year using fake aliases and multiple phone numbers to make reservations at New York's hottest restaurants and then resell them on the online marketplace AppointmentTrader. He is one of a number of "scalpers who have helped to create an underground market for securing tables at some of the most sought-after spots in town", says Josie Ensor in The Times. The practice has created a bidding war among the wealthy, with some patrons paying more for reservations than for the food itself. This has led to average New Yorkers being edged out of the city's best restaurants. AppointmentTrader takes a 20%-30% cut from each sale and recorded nearly $6m in reservation sales over the past year. Taskrabbit and Same Ole Line Dudes offer similar services.

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Labour's plans to nationalise rail

If elected, the Labour party will bring the railways back into public ownership. Is that a good idea? Simon Wilson reports

The long-suffering passenger: expect more suffering

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What's the plan?

Without once using the word "renationalisation", Labour has confirmed its long-standing plan to take the whole of Britain's passenger rail network back into public ownership within a first five-year term, if elected. It's not going to do this in one big bang: it's simply going to fold each remaining train operating company into state control as their franchises expire. In some cases, it will need to use break clauses to end contracts early. The result is that companies currently running trains on the British rail network, including First Group, Transport UK (formerly Abellio) and Go-Ahead, will largely be obliged to exit the rail industry. At the same time, shadow transport secretary Louise Haigh announced some consumer-facing reforms. Labour promises automatic refunds for delays and cancellations; better integration of timetables, tickets and fares, including a "best ticket price" guarantee; digital season tickets across the network; and a new watchdog, the Passenger Standards Authority, to make sure all this happens.

Sounds radical?

For all its radical veneer, Labour is mostly building on the Tories' current policy. Both parties, for example, are committed to creating a new arms-length body called Great British Railways to run the network, staffed by rail-industry experts rather than Whitehall mandarins. Labour says its aim is to combine "the best of the private and public sector", meaning the highly profitable rolling-stock leasing companies, set up to supply new trains to operators following privatisation, will remain in place. In any case, it's hard to argue Labour's plan constitutes a radical break when the renationalisation of the railways has been going on for years.

In what sense?

After only eight years, Railtrack, the private entity that owned the tracks and stations – but not the trains – was renationalised to create Network Rail (under Labour in 2002). Since 2010, successive Tory governments have in effect renationalised large parts of the network in a series of bailouts and takeovers of failing franchises. Almost 40% of passenger mainline rail travel in Britain is already on trains directly controlled by the state. And the rest of it is under indirect government control, following emergency measures at the start of the Covid pandemic in 2020. Barely noticed amid the general chaos, the Johnson government – in exchange for emergency subsidies amounting to £23bn over the next three years – ripped up the franchising model that lay at the heart of privatisation. Today, Whitehall is already in charge of financial and operational decisions, and train companies are mere contractors working to government's timetables.

Why were the railways privatised?

The idea was to attract private investment and competition into a stagnant industry, increase accountability to customers, and boost passenger numbers. But Margaret Thatcher had never been keen, and the John Major government's rationale appears somewhat opaque in retrospect, even to those driving it. "To be honest, the principal motivation was that we had an industry that we thought was in terminal decline. And something, almost anything, had to be done about it," confides Michael Portillo, in an excellent video report by the FT's Miranda Green. Portillo dubs the model chosen "pretend capitalism": the rail network still depends on large state subsidies, but there is at least an element of competition among franchise-seekers, in the form of a "negative auction" to see who can meet acceptable service levels with the least subsidy. Meanwhile, internal Conservative party documents from the time are quite candid: the model of regional monopolies was created as "a political trick" to gain local approval, rather than to create genuine competition.

"The renationalisation of the railways has been going on for years"

So it was doomed to failure?

In the same video, Malcolm Rifkind, Major's first transport secretary, sheds light on his battles with the Treasury over what structure the privatised system should take. The Treasury ultimately got its way on separating the track from the train operators – an idea that Rifkind regarded as "irrational, bad economics and bad business sense". Sadly, Rifkind's view has ultimately proved right, says Dominic O'Connell in The Sunday Times. The architects of the sell-off chose a model that was much too complicated, and cemented in tensions and conflicts right from the start. Even under privatisation, most of the investment going into the railways is public money. We never had a fully privatised railway, and whereas private businesses might invest hundreds of millions a year, government ploughs in billions. Covid was the final nail in the coffin: the rail system cost the public purse more than £52bn between April 2020 and March 2023, according to FT analysis.

Will Labour's ideas work?

It's hard to be wildly optimistic, says John Elledge in The New Statesman. The plans don't address higher fares, or the limited capacity that makes them necessary: "doing that would take cash, whether through infrastructure investment or increased subsidy, and both history and the current state of the public sector suggests the Treasury is unlikely to oblige". Haigh says the changes will save £2.2bn a year (the £1.5bn already projected under Tory plans, plus a further £700m by eliminating "friction costs" of private firms' involvement). But she has offered no promises that this £2.2bn will be invested back into the railways, whether to cut fares, or cut the ongoing £4bn-a-year subsidy. In a tough fiscal scenario, it's quite possible that Great British Railways will lose out to the NHS, say, in the battle for resources, just like its unloved ancestor, British Rail. One thing that will change, though, says Elledge, is the transport secretary's "space to pretend that problems are someone else's fault. That may be good for the service. It may not be good for the government".

Why firms are fleeing the FTSE

Listing in London is just not very attractive, and the government's schmoozing won't change that

Matthew Lynn
City columnist

It has been yet another terrible couple of weeks for the City as a centre for equity trading. The FTSE 100 might be hitting record highs, but all it is doing is finally catching up with some of the other major indices around the world. The problem is that companies keep leaving. Anglo-American has received a takeover bid from BHP, which if accepted would mean another major FTSE-100 company exiting the market. Mike Lynch's Darktrace announced it was to be taken over by private-equity firm Thoma Bravo.

Over the last couple of months the pharma business e-therapeutics quit, with its CEO Ali Mortazavi complaining that the market was "completely broken; CRH, Ferguson and Tui have also departed. The listing in London of the Greek industrials conglomerate Mytilineos, a rare move in the other direction announced last week, hardly makes up for the losses. With companies leaving at an accelerating rate, and virtually no fresh listings, there are real fears the London equity market may disappear.

Hunt's big idea

Against that backdrop, it's not surprising chancellor Jeremy Hunt wants to find a way to halt the exodus. Hunt's big idea is to host a summit at his official country residence, schmooze many of the UK's fastest-growing companies, and try to persuade them to float on the London market. With a focus on fintech and biotech, sectors where the UK has plenty of promising start-ups are being prioritised, with the likes of Monzo and Starling Bank on the list of those invited. But given that the government is hitting all-time record lows in opinion polls, it is probably a mistake for Hunt to overestimate his persuasiveness. When he starts talking, most people switch off. Rishi Sunak's government is unlikely to survive the looming general election, and not many growing businesses will feel they need to cosy up to politicians on their way out.

When Hunt talks, we switch off

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There are two other big problems with Hunt's initiative. Firstly, the government shouldn't be trying to hustle companies into one capital structure or another. One of the reasons the equity market has declined so significantly is that there are many other ways for companies to raise capital, or to diversify their ownership base, or to allow founders to cash out all or part of their stake, without all the hassle and expense of a full-scale listing. There is a vast private-equity industry that will buy out attractive companies. There are the venture-capital houses. There are investment trusts that specialise in acquiring all or part of private businesses, and there are even the newer crowdfunding platforms. Monzo, for example, is worth more than £3bn, and has not yet listed, and Revolut is worth more than £20bn, a value that would make it a major FTSE 100 company if it was quoted. It is hard to see how those firms would have done better if they had listed their shares two or three years ago. In fact, they might have been distracted by all the legal requirements, and it might have made them more conservative or cautious.

It's just more work

Secondly, the government needs to make real reforms. The UK is one of the only countries in the world that imposes stamp duty on share trading, so we could get rid of that. We could reform the pension rules to make it easier for funds to invest more of their assets in British equities. Perhaps most importantly of all we could start stripping away some of the layers of corporate governance codes that have accumulated over the last 20 years. A listed company now has vastly more legal and reporting requirements than a private one and that adds to the cost, and restricts the ability of management to actually run the business. They have not made companies safer or better run. They just create extra work. If we got rid of them, and accepted that investors were taking a risk, the stockmarket would be a lot more attractive – and perhaps then the City would start expanding again as a hub for global equity trading.

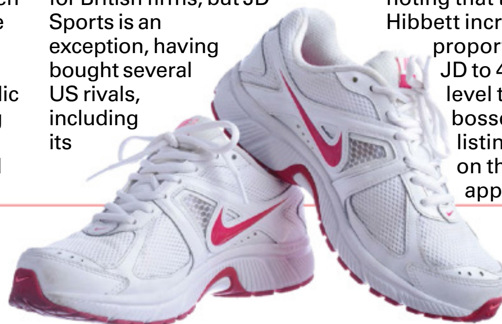
City talk

● "Another light of the London Stock Exchange firmament is going out," says Lex in the Financial Times. Darktrace, the UK's only renowned cybersecurity firm, has accepted a £4.3bn offer from US private-equity investor Thoma Bravo. At 620p a share, Darktrace is receiving a 44% premium to its three-month average share price and a 148% premium on its listing price three years ago.

But Darktrace has "long been poorly valued" and even at the offer price it is only worth 7.3 times 2024 sales. It has had a "bumpy" three years as a public company owing to accounting concerns, short-sellers, and co-founder Mike Lynch's fraud trial. This is before factoring in British stocks' discount to their global counterparts. "Perhaps it is little wonder that Darktrace did not hold out for top dollar."

● Would this country have a faster-growing equity market if "share buyback-obsessed London-listed firms spent more time working out how to be predator, not prey"? asks Alistair Osborne in The Times. US retail has been a "minefield" for British firms, but JD Sports is an exception, having bought several US rivals, including its latest purchase, Hibbett, for £878m. The deal looks reasonably priced and will expand the group's footprint in the southeast of the US. It should also deepen "relations with key suppliers Nike and Adidas".

The big question now is whether cash-generative JD, which has more than doubled sales to £10.1bn over the past five years, is ready for a "big buy". It's also worth noting that the takeover of Hibbett increases the proportion of US sales at JD to 40%, the sort of level that "can prompt bosses to explore US listings. But that's not on the agenda, apparently".



● What's really going on in the supermarket sector? Data shows that "Sainsbury's is telling the truth about winning customers from rivals, but no one else is", says Simon English in the Evening Standard. Rivals Asda and Morrisons, reorganising under private-equity ownership, are "having the rough time they completely deserve for having cashed out to people who want to count beans rather than sell them". More broadly, the industry is in solid shape. Grocer's slim profit margins can't "be regarded as price-gouging" and their attitude towards suppliers and staff has improved. Both customers and shareholders "are doing well at the same time".

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Look beyond the AI boom

The relentless discussion about AI and tech can blind investors to striking rallies in other sectors

Cris Sholto Heaton
Investment columnist

The most striking feature of today's markets is the near-total lack of interest in anything that is not artificial intelligence (AI). Tech investor Mary Meeker makes this point during her interview with Barron's (see right), noting that she is also investing in various non-AI tech opportunities as well. Yet the vast majority of her comments still involve AI and machine learning (ML).

If AI turns out to be as revolutionary as some claim, this single-mindedness may be justified. We can imagine scenarios in which it completely up-ends the world – for better or worse. Investors should be open to this. Still, some caution is wise. Certainly the volume of money flooding into the sector is not a reliable indicator of its merits.

After all, the last decade was a very good time for start-ups seeking funding. The exact numbers vary depending on the source you use, but global venture capital (VC) investment rose from roughly $50bn a year in the early 2010s to $250-$300bn more recently, with a brief spike to an annual rate of about $600bn in 2021 and early 2022.

Some of this went into useful products, but much went into apps and services that relied on a steady flow of VC money to underwrite losses while they tried to seize market share in the hope that their nonsense business models might one day turn a profit. The poor performance of so many stocks that went public in the bubble associated with special purpose acquisition companies (Spacs) shows how this turned out. An index of companies that listed via mergers with a Spac would have lost 45% in 2021 and almost 75% in 2022, according to Russell Investments.

So while AI dominates the headlines, it's useful to keep an eye on what's going on elsewhere. Checking out the top-performing exchange-traded funds (ETFs) is one way of doing so and also offers the chance to invest in any you find interesting. I'm ignoring AI, crypto and tech ETFs here. I'm also paying no attention to large gains in very idiosyncratic emerging markets (eg, Turkey and Pakistan) because they don't point to a bigger theme. And to say the obvious, the fact that these have been going up does not mean they will keep doing so. But it flags up a few thoughts.

The **HANetf Sprott Uranium Miners ETF (LSE: URNP)** is up 67% over the past year, while the **VanEck Uranium and Nuclear Technologies ETF (LSE: NUCG)** is up 58%. The wider point here is that energy security and decarbonisation are a huge challenge that may benefit nuclear power and other sectors.

VanEck Defense ETF (LSE: DFNG) is up 48%, while the **HANetf Future of Defence (LSE: NATP)**, which has been listed less than a year, has also done well. Defence is, unfortunately, going to be a priority in the years ahead (see issue 1204).

Finally, note that European banks have recently been beating US ones: the **Amundi Euro Stoxx Banks ETF (LSE: BNKE)** is up 41%. This isn't evidence of a European economic recovery – it reflects stronger profits from higher interest rates and a decision to return capital to shareholders, not a rise in lending to fund business investment that we'd rather see. But it is a reminder that there can be opportunities anywhere if they are cheap.

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

A special purpose acquisition company (Spac) is a company that lists on the stock exchange without any business of its own. Instead, its sole purpose is to raise money to buy an existing company. Spacs are also known as blank-cheque companies in the US, while in the UK, they are commonly called cash shells.

Investors can buy shares in the Spac during the initial public offering (IPO) – in the US, the offer price almost always $10 per share. They may also get other securities (warrants and rights) that allow them to buy additional shares in the Spac at a pre-determined price in the future. Once listed, the Spac generally has a fixed period of time to find a deal – in the US, two years is typical. If it doesn't, then it has to return the cash to shareholders. Under US rules, even if a Spac lines up an acquisition, then its investors can still back out if they don't like the target company. If so, they get back their $10 per share, plus interest.

Assuming the Spac finds a target company to acquire and enough shareholders are willing to go ahead, it merges with the target and typically changes its name to reflect the new business. The money raised by the Spac should be used to help fund the growth of the business, but some may also be used to allow the target company's existing shareholders to cash out part of their stake immediately.

For private companies, the benefit of joining the market by merging with a Spac is that it is less stringent in regulatory terms than the traditional process of listing via an IPO. For investors – particularly small investors – buying into a Spac may offer a chance to invest in deals and companies they would otherwise struggle to access.

Still, the rewards are skewed towards the Spac's founders (known as sponsors), who usually get 20% of the stock at a discount, or even free, and returns from Spac deals during the 2020-2021 boom were poor on average.

Guru watch

©Getty Images

Mary Meeker, founder, Bond Capital

"Typically, when new markets emerge, incumbents are caught off guard, which creates opportunity for start-ups," says Mary Meeker, the so-called "Queen of the internet" during her time as a Morgan Stanley analyst during the dotcom bubble. "The difference now with the gangbuster – and extremely capital-intensive – growth in AI is that most of the tech companies with market capitalisations in excess of $1trn are involved."

Tech giants such as Microsoft are "aggressively fighting for global market leadership in AI", Meeker tells Barron's. This may drive a mergers and acquisitions (M&A) boom as these firms, and others who are seeking to catch up with them, snap up innovators.

So Meeker's venture capital (VC) firm Bond Capital – which she founded in 2018 after leading investments in Airbnb, Snap and Uber while working at VC giant Kleiner Perkins – has been investing in start-ups that use AI and machine learning in everything from cloud computing to mining exploration. AI is compelling because of the opportunity for users to become more efficient by adopting products and services that "provide the ability to focus on higher-priority tasks versus manual and repetitive ones", she says. "We have a long way to go here, but the trends are good."

The wider economic and political environment is messy, with "profound problems" – including war and geopolitical tensions, rising debt, poor leadership, weak education, and social issues driven by social media and constant connectivity – providing plenty of reasons to worry. Yet the strength of the tech sector has carried the US market to new highs.

There are risks to this bull market – including the potential for aggressive regulation. Still, "markets climb a wall of worry", says Meeker. "America's innovation in AI, growing creativity, and momentum in defence... could surprise us on the upside."

Scholz must get real on China

Wolfgang Munchau
New Statesman

German chancellor Olaf Scholz is "clearly not happy with Brussels", says Wolfgang Munchau. During a recent visit to China, he warned the EU not to impose tariffs on Chinese electric cars; in Brussels he criticised the EU for failing to conclude free-trade deals. His traditional corporatist view ignores geopolitical tension. But firms that simply trust their governments to protect them from geopolitics are "far more likely" to expose themselves to risks. China accounts for almost 40% of Mercedes-Benz's sales; BASF is "betting the house" on China. "This is Germany's subprime mortgage crisis." Ultimately, Scholz's "softness" on China will fail due to a "lack of allies" (China-EU and -US relations are cooling). But "geopolitical hardliners" should beware of being contemptuous of economic reasoning. The "dismantling of globalisation" and creation of "adversarial trading blocs" will cost "tens of trillions of dollars" in lost productivity and investment and lead to greater inequality and a weakening of democracy itself. Unless the geopolitical approach is accompanied by a focus on investment and innovation, the risk is of losing both the commercial and geopolitical wars. Scholz may not have thought this through, but "neither have other leaders".

Britain's talent exodus

Jeremy Warner
The Telegraph

London remains the top choice for global professionals, according to Boston Consulting Group's research, and Microsoft has just invested a hefty £2.5bn in Britain. Yet if this proves that Brexit hasn't yet sparked a "mass exodus", anecdotally a different picture unfolds, with a "steady stream of departures" to the Middle East, US and Europe, says Jeremy Warner. "Once-abundant liquidity" has been draining from "low-growth Britain" and a "culture of risk aversion" has spread through the tax and regulatory system, "poisoning" our position as a "magnet for international capital, talent and wealth". This is the legacy of the 2008 financial crisis, which also led to rising taxes to repair public finances. Our economy is "more than 20% smaller than it would have been had its pre-crisis growth trajectory been maintained". There is no reason the City shouldn't thrive outside the EU, but it will "wither and die if denied access to alternative pools of international capital as compensation for loss of its European markets". At present, these are heading to Dubai, New York and the Far East. The government has taken some "tentative steps" in the right direction – lifting restrictions on bankers' bonuses, for instance – but it may be already too late.

VAT regime needs reform

Editorial
The Economist

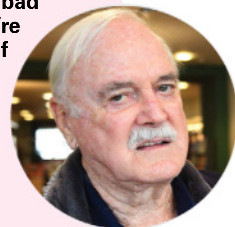
VAT is second only to income tax, raising £168bn (0.7% of GDP) last year, says The Economist. Yet the system is "full of holes", with exemptions worth more than £70bn annually. Reducing these to the rich-world average would "raise around £40bn in additional revenue". The Labour party wants to add VAT to private-school fees, which would raise £1.3bn-£1.5bn, but "such tweaking is not nearly ambitious enough". The usual rationale for VAT exemptions is fairness and pursuing social goals. Yet in reality, the rich often benefit more in cash terms – eg, on food and clothes – while IMF research finds that more than two-thirds of the savings from product-specific VAT reductions in Europe are "pocketed" by producers. Many of the ongoing campaigns for exemptions are just "cash grabs" whose "effect is to skew spending and force up other taxes". There are some special cases, such as small-business relief, but the threshold (turnover of £90,000) deters firms from expanding. "Wholesale" reform that focuses the conversation on the overall tax system is needed. If tax increases were offset by a cut to the VAT rate, it would "clean up" our tax system, encourage growth and shut up the lobbyists "clamouring for exemptions".

Diamonds are not for ever

John Gapper
Financial Times

Last week's endorsement of natural diamonds by luxury giant LVMH doesn't alter the fact that they are physically identical to laboratory-grown ones, says John Gapper in the Financial Times. Sales of both have slumped, and although this decline is often blamed on the post-pandemic drop in engagements since Covid, this isn't a "full explanation". Natural diamond prices were higher a decade ago; the price of laboratory-grown ones has fallen from 80% to 30% of the price of its real counterpart as many firms now produce them in the hope of new industrial uses. Natural-diamond "optimists" see this as an "opportunity". "Origin, craft and mystique can be valued extremely highly." Mechanical Swiss watches cost more than Apple ones. Yet there are "hurdles". Firstly, there is the issue of "murky" provenance, not helped by the G7 ban on Russian diamond imports, which affects Alrosa, the world's largest diamond mining group. Secondly, luxury products need to be marketed. De Beers benefited hugely from its postwar advertising campaign as it controlled most of the world's output. Today, diamonds are often just part of a piece of luxury jewellery. No LVMH marketing "halo" will extend to every diamond ring in Signet's stores.

Money talks



"I don't look bad for 84… if you're buying yourself a few extra years, I think it's worth it."
Actor John Cleese (pictured) on spending around £17,000 a year on stem-cell therapy to combat the effects of ageing, quoted in The Telegraph

"There's a mindset issue in terms of acceptance of mistakes and risks. You go bust in America, you get another chance. In Europe, you're dead… [Europeans] are not very ambitious. I should be careful about talking about work-life balance, but the Americans just work harder."
Nicolai Tangen, CEO of Norway's Norges Bank Investment Management, the largest sovereign wealth fund in the world, quoted in the Financial Times

"I was sitting there ready for the 'gift with purchase' that was supposed to come along with being in a popular movie, and instead, I probably didn't work for a year. I chalked it up to me being so tiny on the poster, the little guy on the cake. I thought, gosh, you guys, if you'd made me a little bigger, maybe I could have got a job."
US actor Dermot Mulroney on getting few acting opportunities following the success of 1997's *My Best Friend's Wedding*, quoted in The New York Times

"The champions of socialism call themselves progressives, but they recommend a system which is characterised by rigid observance of routine and by a resistance to every kind of improvement… They promise the blessings of the Garden of Eden, but they plan to transform the world into a gigantic post office. Every man but one a subordinate clerk in a bureau. What an alluring utopia! What a noble cause to fight!"
Economist Ludwig von Mises (1881-1973), quoted in The Spectator

©Getty Images

Red tape is still holding us back

It's time to scrutinise the scrutinisers

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capx.co

There are, says Robert Colville, only five things a government can do about anything: ban it, mandate it, tax it, subsidise it, or give a speech about it. The British state devotes far too little to the second of those than the others. Tax and spending decisions on tax and spending attract lots of attention; those on regulation, very little. Yet regulations matter hugely.

The biggest obstacles to economic growth in the UK are more often to do with regulation than tax and spending, as a new report from the Centre for Policy Studies shows. In the decade beginning in 2010, a total of £35bn a year in regulatory costs were imposed on UK firms (£57bn if you include the cost of auto-enrolment in pensions). One-off transition costs imposed an additional £40bn (£148bn including changes to pensions indexation).

Of course, these regulations brought benefits as well – "at least, the government claimed they did". But even if you include offsetting benefits, and exclude the pensions measures, you still get a net total of £6bn a year in extra costs over the decade – almost enough to cover a 2p cut in corporation tax. All the while, the government uses creative accounting to claim the regulatory burden is decreasing.

Britain actually has a good system for analysing the costs and impacts of government decisions. In practice, however, the impact assessments are "usually carried out long after the decision has actually been taken", and "rubber-stamped" with scarcely any scrutiny.

Take the financial-services regulations known as MiFID II, for example. These are widely blamed for having "ripped the heart out of independent financial analysis as a sector", with knock-on effects on markets. The government commissioned a review into how much the measures would cost. The official estimate claimed a net benefit to business of £105.20. But the actual answer was that MiFID II would result in net costs of £105.2m a year. The government mixed up its pluses and minuses and forgot to add the million. This "tells you something about how seriously the exercise was taken". Similarly, in the wake of Grenfell the government imposed new regulations on tall buildings and estimated the cost at £583,500 per building. The real figure, accounting for the value of lost space, is more like £7.3m – and all for changes the official inquiry itself said would have limited safety benefits.

Ministers must be stopped from bringing in new measures because "something must be done" without "proper, independent scrutiny of what that something is and how much it will cost".

We must invest in public goods

project-syndicate.org

The word "infrastructure" was coined by French railway engineers in the late 19th century to refer to "that complex of systems that enable a society's functioning", says Diane Coyle. Some think that should include not just electricity grids, water distribution and transport networks and the like, but also "social and cultural infrastructure", such as libraries, schools and hospitals. Either way, it's clear that Western democracies have underinvested in these critical public goods and services – just look at Germany's railways, America's bridges, or Britain's water and sewage systems, not to mention the neglected "broader social and cultural infrastructure needed to produce healthy and well-educated citizens". Investing in infrastructure often has "positive spillover or network effects" – that is, benefits multiply once use reaches a sufficient scale –and for low marginal supply cost once built. So it is essential to take the long view and invest in infrastructure. "A dim future awaits any society that allows its existing infrastructure to degrade and underinvests in new needs. Bridges and cables may seem unglamorous, but these common assets will form the basis of economic growth for years to come, and the countries investing in them are creating the conditions they need to thrive."

Work is a blessing

lawliberty.org

Full-Time: Work and the Meaning of Life, by hedge-fund manager David Bahnsen, has a lot to teach us about the "theology of work", says James Bruce. Our culture needs a better understanding of the daily grind. Even 21-year-olds turn up in Bahnsen's office and ask in interviews about "work-life balance" – a phrase that "clothes our unimpressive desires with apparent responsibility", for, let's be honest, what are they going to be doing with all that "life" part? Scrolling through their smartphone? Older people yearn for retirement, but a better goal would be for financial freedom to "do more with your time, not less".

Anything better you could be doing?

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Humans were made for work – it is "the meaning of life". Generating wealth, and goods and services for others to enjoy, gives rise to an inner feeling of satisfaction that cannot be had in other ways, even if material needs are met. Even "activity that expresses itself in genuine leisure" – that is, "not mere idleness, but a self-conscious desire to be active in ways that pleasurably engage the whole person" – is a gift you can give to family and friends. "Take your work-life balance and shove it."

The economics of publishing

elysian.press

In 2022, Penguin Random House wanted to buy Simon & Schuster, says Elle Griffin. The two publishing houses made up 37% and 11% of the market respectively, and the deal would reduce the Big Five publishing houses to a Big Four. The US government brought an anti-trust case, and the deal was blocked. In the trial, the head of every major publishing house and literary agency took the stand, giving us an "eye-opening account of the industry from the inside" (the transcripts have been compiled into a book, *The Trial*).

What we learn makes for depressing reading. The Big Five spend most of their money on book advances for celebrities such as Britney Spears and franchise authors such as James Patterson. They also sell a lot of Bibles and repeat bestsellers, such as *The Lord of the Rings* and *The Very Hungry Caterpillar*. Just these two categories "make up the entirety of the publishing industry" and "allow them to fund their vanity project": that is, publishing all the other books, which typically sell fewer than 1,000 copies and make no money at all.

A top tip for a UK turnaround

Temple Bar Investment Trust is a diversified bet on British equities and looks excellent value

Max King
Investment columnist

Shares in Marks & Spencer doubled in 2023

Since they took over the management of the **Temple Bar Investment Trust (LSE: TMPL)** in October 2020, Ian Lance and Nick Purves have generated a total return of 100% compared with 55% for the FTSE All-Share index. This is also well ahead of global indices. When the board moved the management contract, they chose to continue the previous manager's value strategy rather than join the then-fashionable pursuit of growth.

This has proved shrewd, not just because the UK market, in which Temple Bar is focused, is short of growth stocks, but also because the trust's contrarian reputation was worth preserving. "We are very much contrarians," says Lance.

Although the global pendulum has hardly swung back to value investing, the UK has proved a fertile hunting ground for recovery stocks. In the face of indifference, if not animosity, towards quoted companies by government, regulators and the general public, corporate managements have been shaken out of their torpor and complacency into improving investors' returns.

Don't buy rubbish

Lance and Purves avoid "value traps" (companies that are cheap, but show no signs of improvement) and "mindless contrarianism" – buying into companies solely on the basis of a collapse in their share prices.

"Investors love to buy what everyone else hates, but having respect for what the market is saying is key. Don't buy rubbish." They emphasise the importance of discipline in value investing as it is "tricky – people are hardwired to conform". Also, "bargains are rare, so make the most of them" and "timing is never easy, so be patient, be long-term".

In 2023, they missed the FTSE 100's top performer, Rolls-Royce, which tripled and has since risen by another 40%, but were invested in Marks & Spencer, which more than doubled. It is in the top-ten holdings at just 4% of the portfolio as they have taken profits. This may prove premature; contrarian investors are prone to selling too early, at the stage when recovery is turning into growth.

On the other hand, Centrica, another top performer in 2023, has declined by 25% from its 2023 peak, but "it's still very cheap on a multiple of four times earnings with half its market value in cash", according to Lance.

The impressive performance of International Distributions Services, held since 2020, was the result of favourable year-end pricing rather than any sustained uptrend, so it looks as though even more patience will be needed. "It has £10bn of loss-making revenue in Royal Mail, including 50%of the UK parcels market," says Lance. The trust's worst performer of 2023 was Anglo American.

Energy stocks strengthen

Three of the top four holdings (BP, Shell and Total), comprising 19% of the portfolio, are energy majors. They were held before the change of management, but added to in the pandemic "when the oil price briefly went negative". Their good performance since then will surely be enhanced by their "de-emphasising" of renewable energy in favour of their core oil and gas business.

Total is part of the 30% of the portfolio listed outside the UK. This also includes Dutch insurance group NN ("a decent well-run business that was very cheap") and car company Stellantis ("bought on an earnings multiple of two and a dividend yield of 9%; 30% of its market value is in cash").

Bullying the banks

Financials comprise 27% of the portfolio, more than half of which is accounted for by three FTSE-100 lame ducks: NatWest (formerly RBS), Aviva and Barclays. Branch closures are eroding the competitive advantage that incumbent banks have over start-ups, while more stringent capital adequacy rules limit their return on capital.

Banks have retreated from corporate lending and now focus on mortgages, which the government's Help to Buy programme has made highly competitive. In addition, every time the Financial Conduct Authority (the City regulator) needs to top up its bonus pool, it seems it looks for an excuse to raid the UK banks.

"Hundreds of companies have come together to make Aviva," boasts its website, which just shows that Aviva's history is one of merging and shrinking. As a pension-fund manager it was at the forefront of the charge out of UK equities and into government bonds – which have made no real returns over the past 20 years. Nevertheless, the share prices of all banks appear to have turned the corner.

This often signals better times ahead for companies in the doghouse, and managements appear to have the bit between their teeth. With price to book value ratios of 0.4 for Barclays and 0.6 for NatWest, investors are not expecting either to generate much in the way of return on capital.

Lance points out that NatWest has returned 43% of its market value to shareholders in dividends and share buybacks in the last two years. While Barclays has returned only 21%, it has generated 47% of its market value in earnings in the last two years, compared with 39% for NatWest.

A deep discount

But if it was easy to see the optimistic case for these (and other) shares, they wouldn't be this cheap. Temple Bar's shares trade at a 10% discount to net asset value (NAV) and yield 4%, last year's dividend having been increased by 2.7%. The trust is as good a bet as you'll get on a UK market turnaround, with the spread of investments taking away the risk of being left behind in one of those value traps. As Lance says, "if you are a good investor and pick the right stocks, you can still make money in the UK".

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It's time for investors to mine for profits in gold

Mining stocks have missed out on the long-term bull market in the yellow metal. A long-overdue upswing may now be starting, says Dominic Frisby. Here are his top picks in the sector

Gold, as I'm sure you've heard, has broken out to new highs. There are two things that excite me about this move. Firstly it came despite outflows from exchange-traded funds (ETFs). Gold ETF holdings have declined by about 25% over the last 18 months – that is a big number – and those outflows have accelerated in recent months as investors have been selling gold ETFs to buy the bitcoin ones. Secondly, there has hardly been any fanfare. It has been a so-called "stealth breakout", the best kind.

Could this mean the time has finally come for gold miners? They are supposed to give you leverage to the metal: gold goes up 20%, miners double. Except that has not been the case for 20 years. Many other ways to own gold or get exposure to the gold price, beyond buying bullion, have been invented over the last two decades.

They range from the ETFs, options and spread-bets to the gold credit card Glint and digital gold-payments system Tally. As a result, gold miners have lost their monopoly on playing gold with leverage. Why take on the individual risk of a mining company, when they have been so likely to mess up?

Even with gold rising, miners' profits might not rise nearly as much as one might hope, because the costs of mining – energy, equipment, personnel, meeting regulatory requirements, delays receiving permits – have all increased by more than gold has.

There is also the ongoing problem of incompetent operators and excessive dilution of shareholders, which has turned the sector into a perennial underachiever. The line on a chart of gold relative to the HUI, the index of unhedged gold miners, has been falling – reflecting miners underperforming spot gold – since 2004. We might have found the bottom, though.

Turning a corner?

The world's largest gold mining company, Newmont, and the only one big enough to be in America's blue-chip S&P 500 index, last week exceeded analysts' earnings forecasts by more than 50%.

Agnico Eagle Mines, the world's second-largest miner by market value (although the third-largest producer) then reported record free cash flow, record operating margins and earnings per share of $0.76, compared with forecasts of $0.60. The large caps could finally be getting their act together.

After a protracted bear market, the direction of travel seems to be upwards, albeit reluctantly. Most investors don't seem to believe it yet. After so many false dawns, I'm not sure I do. The VanEck Vectors Junior Gold Miners ETF, as good as proxy as anything for mid-cap gold mining companies, appears to be starting to creep back up after almost a decade of moving sideways; it's hardly the bonanza you would hope for with gold at record highs.

When mining stocks are rising, every boat floats. Perhaps the time has come to dip a tentative toe into the water, if you haven't already. Maybe even consider increasing your positions if, like me, you have been one of those who should have taken an early loss, but chose to hold on instead.

"Take only small positions: you can lose a lot of money if mining goes wrong"

I try to pick companies that have got something going for them beyond simply being a gold miner. Either they are likely to be taken over; own an extraordinary resource for which they are not getting proper credit, or boast competent management likely to engineer some growth and secure a rerating.

Here are three companies with the potential to shine brightly in a gold-mining bull market: a likely, imminent takeout candidate, a development play, and an emerging producer. Of all the picks, the first is the one that, for me, has the most immediate chance of fireworks: the takeout bet. Remember, take only small positions and manage risk. You can lose a lot of money if mining goes wrong.

A top takeover play

This is a company I alerted readers of Flying Frisby (my newsletter) to a few months ago, and it has since had a splendid run, gaining more than 50%. I think it's about to be taken out. Let me explain. Listed on both Aim in the UK and the Toronto Stock Exchange in Canada, **Condor Gold (Aim: CNR, Toronto: COG)** with a market value of £65m, has identified 2.4 million ounces of gold from some 80,000 metres of drilling at various properties in and around its La India project in Nicaragua.

La India is the firm's key asset – it will either sink or swim with the project – so this is a fairly straightforward situation to analyse. Divide those 2.4 million ounces by the firm's market capitalisation, and you have an approximate valuation of $30 per ounce (oz): cheap, but there are cheaper situations out there.

Part of the cause of that low valuation will be Aim. It's a poor exchange, whose only purpose, it so often seems, is to part investors from their money. Another reason for the low valuation is Nicaragua. The country may be attractive geologically – there is lots of gold and a solid history of mining, with gold being the biggest export – but politically, it is a dictatorship, so avoid it. Still, the biggest cause of the stock's low valuation is the rubbish overall market for junior miners.

Here is a fine example of the wealth destruction in mining today. Condor has spent more than $90m over the last 12 years developing La India, although plenty will also have gone on general and administrative (G&A) expenses, public relations, legal costs, and all the rest of it. For the $90m it has spent, it has become a struggling undervalued £60m ($75m) market-cap development play. Condor is not unique in this regard. It is common across the board in this depressed sector. What a terrible return for investors. And that's with the stock having doubled these last six months.

Average grade (the amount of metal in the ore) at La India, like the property itself, is decent: between 2.5 and three grams per tonne (g/t). The gold is extractable, as the historic mining on the property demonstrates. These will be fairly straightforward open-pit mines.

But, while everything is solid, none of this is stand-out, amazing, irresistibly good. There are any number of similarly sized and undervalued development plays out there, not least STLLR Gold, which we will come to in a moment.

©Getty Images

Gold is at new record highs; miners remain in the doldrums

The reason I am covering Condor today is that I've got a feeling its time may have come. I know both the CEO, Mark Child, and the chairman, Jim Mellon (who has featured regularly in MoneyWeek over the years) personally. Child is a good man: ex-army, affable, diplomatic, competent, reliable, word-is-my-bond type. I first met him many years ago at various mining lunches and then three years ago ran into him in, of all places, Sark in the Channel Islands, where he had just moved.

He lives in a converted lighthouse on the cliffs where my children and I were walking, and happily gave us a tour. But a little light bulb went off. There is no income or capital gains tax in Sark and I presumes that, among the reasons he had moved there, some were related to tax planning. Was he anticipating some kind of taxable event?

Something is brewing

Child owns about 2.5% of the company, with the largest shareholder being chairman Jim Mellon, who owns 25%. Jim has been chairman for a little over a year and a director for eight years. He is an extremely successful and capable businessman, a billionaire and more, who has made much of his fortune in junior resource stocks. He needs no introduction from me.

It is also of note that among Condor's long-standing shareholders is US investor James Randall Martin, who owns just shy of 4% of the company and has a record of investing in, and successfully selling on, gold-mining projects in Nicaragua. I gather he has made $100m or thereabouts this way.

The managers have made it abundantly clear that they do not have the experience or the inclination to build a mine at La India and that the project is for sale. This is explicit in the company's literature, its social media, and its presentations and has been for several years.

With feasibility studies, preliminary economic assessments and all the rest of it, the company is de-risked: "We have", it says, "a gold mine that is fully owned/permitted, construction-ready, in a major gold district, with a new [mill to grind rock], and the potential to produce 150,000 oz of gold per year". On the group's X feed, it says it has had substantial interest from two gold producers with whom it is in advanced discussions.

The acquisition of Condor has been on the cards for a long time, but Child is always quick to respond to texts and emails, as all good promoters should be, if he senses potential coverage from hacks like me. .

But I messaged him a couple of months ago to see how things were progressing and instead of the usual response, got, several days later, a very curt "I can't comment on anything at the moment". I emailed

Continued on page 22

"Condor's managers have made it abundantly clear that the project is for sale"

Continued from page 21

Jim asking if he had ten minutes to chat about Condor and got a similar two-word reply, "Can't Dominic".

For me the most obvious buyer would be Calibre Mining (Toronto: CXB), which runs two of the largest mines in Nicaragua, acquired in 2019 from B2Gold, one of them right next door. But its mill is only operating at 15% capacity, even with it trucking in ore from all over Nicaragua. Ore from Condor's La India could easily feed that processing plant, and it could start trucking tomorrow.

Just as Condor has stated all over its literature that it is for sale, Calibre has said it is expanding. Numerous acquisitions over the last few years have more than demonstrated that. It just completed one such merger, then closed a C$120m (£69.75m) financing. What's that money for?

When I saw news of the financing, I tried to call Mark Child to make some enquiries. He didn't pick up, and then messaged me to say he was on site in Nicaragua. A good sign. I messaged Jim Mellon, as before. He said he couldn't speak to me. Also a good sign. I might be putting two and two together to make five. I don't know. I can't help thinking a deal is close. My target for the stock, currently 30p, is 45p.

No vowels, but ample potential

STLLR Gold (Toronto: STLR), pronounced Stellar, has a terrible name. Apparently, some brand consultant somewhere advised management that vowels are passé. Sigh. But what's in a name? This is the largest undeveloped gold play in North America, the result of a merger between Moneta Gold and Nighthawk Gold late last year.

It has a young and charismatic CEO in Iranian-born Canadian Keyvan Salehi, a mining engineer who has been involved in the construction of four mines, two in Timmins (where STLLR's flagship asset, the Tower Gold project, is located).

He knows the district and the project well; he has tried to buy it twice in the past. He is also married to a mine builder. She is the chief operating officer of Agnico Eagle, one of the companies I hope might eventually buy STLLR.

With a market cap of some C$145m (£84m), the company's 18 million ounces are valued at about $6/oz. This is extraordinarily cheap. The average among the firm's peers is in the $30-$50 range. North of $100 is not unheard of, if those ounces are deemed mineable.

STLLR's problem is that the market does not currently believe that they are – hence the low valuation. Salehi's job is to prove they are. Let's just say Salehi can persuade the market that ten million of his ounces are mineable, and he gets a $35/oz valuation for them. Well, then the stock triples.

There are upgraded mineral resource estimates and an upgraded preliminary economic assessment coming this spring, so hopefully that will go a long way towards improving perceptions. Let's see how well they go down and then we'll know how long this is going to take. Thankfully STLLR has enough cash to get it through the next 18 months, so we shouldn't need worry too much about dilution.

Minera Alamos (Vancouver: MAI) is another long-time favourite of Flying Frisby readers. The story, briefly, with this C$130m market-cap company is this: it has three low-cost mines in development in Mexico. The aim is to bring them all into production. My view is that the management has the competence and record to execute this, and once executed you will no longer own a development play, but a mid-tier 100,000-oz producer. This will result in a rerating of the stock. But it's all taking longer than I hoped. Welcome to mining.

The first and smallest of the mines, Santana, was built for $10m and is now producing. It should now easily return its capital expenditure (capex) in free cash flow every year. It began producing last year, but suffered some delays owing to water shortages. This problem is now behind it. The gold that was not produced at Santana last year will now be produced this year with gold at higher prices. That is good.

So we come to mine number two, Cerro De Oro, in my view the company maker. Production should start some six months after the permits come through, but guess what? There are permitting delays. I spoke to CEO Doug Ramshaw, who is baffled. They should have come months ago. But he seems confident he will have the permits he needs, either shortly before or after the elections in Mexico in June. Permitting delays are common in mining, and that is what is holding the company back.

This will be a 60,000-oz per year mine with a capex of $28m at a cost below $800/oz. These costs should prove reasonably inflation-proof, Ramshaw says. He also says the funding package is largely agreed. Meanwhile, efforts are now mainly going into ramping up Santana, increasing production, and exploring nearby, while the wait for permits at Cerro De Oro goes on.

The final mine, La Fortuna, is already permitted, I'm pleased to report. It will hopefully see production about a year to 18 months after Cerro De Oro, and it will be built from the cash flow of the other two mines. Why not start this one up first as it has the permits? Ramshaw insists it has to be in the existing order.

I remain confident this one is going to work. The team is too good for it not to. But it is going to require patience. Like many of the senior Canadian brokerages, I have a target of a dollar on the stock and, in a benevolent mining market, I think it can go to two. That's a lot higher than the C$0.30 where the stock sits today.

The best bet

In the near-term, my view is that Condor has the most potential. Let's just hope my inferences are correct and they result in a deal. We'll have clues as to how STLLR is going to work out as its two big bits of news come out. Minera Alamos I really like the look of for the next two to four years, especially if you can pick it up below C$0.30 cents, but permitting has proved problematic.

At the end of the day, these are gold miners. Miners have underperformed the metal since 2004. Why should now be any different? Higher gold prices, I suppose, is the answer. But if they can find a way of disappointing, junior gold-mining companies will. Bet small. On the other hand, we are overdue a bull market, and, hopefully, these ones have the potential to rise even in flat markets because of their circumstances.

"If they can find a way to disappoint investors, junior gold-miners will"

©Getty Images

The SNP's relentless stupidity

Nationalist rule has led to mess and mediocrity, says Merryn Somerset Webb

Nobody had a good word to say about Scotland's first minister Humza Yousaf's tenure when he announced his resignation earlier this week. There was some muttering about him meaning well, but nothing on anything doing well. Largely because there is nothing. The kind would say that the last few weeks' disasters – caused by Yousaf falling out with his coalition partners, the Green Party, triggering a vote of no confidence – were not really his fault.

Nicola Sturgeon made the terrible decision to hitch the SNP's political wagon to the Greens. Most of the awful policies their influence pushed – self-ID, the hate-crime bill, rent controls, badly managed bottle recycling – were under way long before he had the misfortune to replace Nicola Sturgeon. And the events that set in motion the arrests of both Nicola Sturgeon and her husband Peter Murrell (who until recently was chief executive of the SNP, something which anywhere else would have raised eyebrows rather earlier) can hardly be laid at his door.

Nonetheless, Yousaf has held high office in the SNP administration since 2012 and been in charge of transport, health and justice. He is far from blameless. Under the SNP, the once wonderful education system has been nastily watered down: the latest PISA report (a global study of 15-year-olds' reading, mathematics and science skills) reveals a ten-year slide in standards. The NHS is in at least as much of a mess as that of the rest of the UK, which is saying something.

A&E times have soared, as have cancer waiting times. If you need an appointment with a consultant you will not get a letter telling you that you have one, but a letter telling you have entered a list for the waiting list. A tenth of the population is currently waiting. Life expectancy is falling. Scotland has the highest rate of drug deaths in Europe.

The SNP has also conducted a relentlessly stupid experiment in bumping up Scottish taxes at the middle and the high end, despite the lack of any border with England. You now pay more tax in Scotland as soon as you earn £28,850 and very little less below it. It has put in place rent controls that have propelled rents to record highs and caused builders to pause build-to-let projects. It has spent £400m on ferries that haven't yet seen water. Finally, it has made a lot of noise about climate policies and proceeded to do absolutely nothing. "There is still no comprehensive delivery strategy," says the Climate Change Committee.

Pointless performative policies

You might think that attempting to sort all this out would have kept the SNP busy enough. Sadly not. There has also been a stream of performative virtue policies: the idiocy of pushing gender ideology to the point of letting rapists into women's prisons, and a hate-crime bill that actively encourages people to dob in their neighbours at local reporting stations (which include a sex shop and a fishing lake) if they feel offended by their conversations. This has produced a huge number of complaints, many about Yousaf's speech about the number of white people in top positions in Scotland. Scotland is 96% white.

There isn't much positive to say about all this – except that the SNP has often done the rest of the world a favour by retesting bad policies so we can be sure they don't work (rent controls being the classic example). Other than that, all there is to see, says the Financial Times, is hubris, a total lack of vision and "a whiff of sleaze". While all deny wrongdoing, not many chief executives of mainstream UK political parties have been charged with embezzlement, and these headlines have surely tarnished the SNP's image.

Humza Yousaf shares the blame for Scotland's decline

"Who would want Scotland to become independent with this pile-up of politicians in charge?"

There also isn't much hope that things will improve. Yousaf says that independence for Scotland remains "frustratingly close". In one way he is right. Even now the SNP is still head-to-head with Labour and support for independence remains roughly where it was in 2014, the referendum year: 45% then, 46% now.

That's surprisingly solid, but the big question is why, after all these years of nationalist government, it isn't more so. The SNP seems to have made a bet on doing things badly being a winning strategy – let lots of things go wrong, blame it on Westminster and let the votes roll in. It hasn't worked. Who would want to leap into a world without the UK taxpayer as a backstop with this pile-up of politicians in charge?

It might have worked the other way around. Imagine if rather than focusing on distant dreams, Nicola Sturgeon and her hapless continuity candidate had focused on governing well – on making Scotland just a bit better than the rest of the UK ? Perhaps even on cutting rather than raising taxes on high earners, sending a signal that Scotland is open to enterprise.

Might that have shifted the dial? Would the Scots have been won over by competence? Either way, the fact that support for independence is stuck at 45% matters. It means that a large part of the Scottish electorate will keep voting SNP, regardless of how badly they govern or how split the next leadership election shows them to be. It also means that a large part of the SNP will continue to think a new referendum is just around the corner and think of nothing but that – and the paradise that will follow.

Scotland has a lot going for it. A substantial energy industry, a solid financial sector, a growing technology sector and some of the world's great tourist destinations. But it doesn't need independence to take advantage of them, just sensible tax policies and a competent government that can work with the huge range of powers provided by devolution. A new leader could have a few years until an election. If they were to focus on the boring but important parts of government they could make a start on rehabilitating the party – or at least not leave office quite as ridiculed as Yousaf. As Kate Forbes, who is likely to stand for the SNP's leadership, says, this time continuity won't cut it.

The "Brown bottom" in the gold market

The yellow metal began a long upswing after the UK government sold half our reserves. Adrian Ash looks back

©Getty Images

New Labour's chancellor Brown sold half our reserves at record lows

London dealers called it "appalling"; gold-mining bosses "bloody unhelpful"; and tabloid front pages "catastrophic". Central bankers in Europe were outraged. So was Parliament. The UK Treasury – run by Gordon Brown, New Labour's "iron chancellor" – had suddenly declared on Friday 7 May 1999 that the British state would sell up to 60% of our gold reserves, starting two months later. The gold price sank by 3% on the news, on the way to two-decade lows soon called "the Brown bottom" by bullion traders.

"Why so fast, and why so much?" demanded one Conservative MP. The short answer was Switzerland. Three weeks earlier, gold's fifth-largest national holder had voted to remove the franc's gold backing in law. That enabled the Swiss National Bank to start selling on to a bullion market already depressed by other Western central banks' heavy and growing sales.

But the longer answer – and the one that matters today, 25 years later – was the "end of history". That phrase, in which "end" meant "aim" rather than "finish", had been used by US political thinker Francis Fukuyama to describe the victory of Western liberal democracy over Soviet Communism in the early 1990s. Blue jeans and free markets had won. And just as the inevitable "new world order" of international peace and justice rested on US military might, so the newly global financial system had experts to run it.

"Who needs gold when we have Alan Greenspan?" asked The New York Times, just three days before the British announcement. Western stockmarkets were hitting record highs under the famously intellectual (and incomprehensible) Federal Reserve chairman. Gold had sunk after the White House, in March 1999, backed French and UK calls for the International Monetary Fund to fund Third World debt relief at the millennium by selling its gold reserves.

The US Treasury, funnily enough, didn't join the trend. Moreover, "Fiat money, in extremis, is accepted by nobody. Gold is always accepted", as Greenspan himself had said a few years before. "The traditional reasons for holding gold have included the war-chest argument," added the UK Treasury in its 7 May press release. But who in spring 1999 feared extreme events, never mind war, when our side kept winning?

The return of history

Four days later, the share price of stock-tipping website The Street doubled on its Wall Street debut. Hence "the twilight of gold" declared by Harvard professor Niall Ferguson. "Gold has a future," he said, "but mainly as jewellery in parts of the world with primitive or unstable monetary and financial systems." Well, quite – and not only as earrings and bangles.

The return of history first saw Western investors pour back into gold as the dotcom crash of spring 2000 was followed by 9/11; the US-led catastrophes it spurred in Afghanistan, Iraq and Syria; and then the Western banking crash.

Central banks' gold holdings, meanwhile, have risen back to the heaviest by weight since 1978 on the officially reported data (everyone thinks China holds more than it says). The value, as a proportion of global GDP, has risen above 2%, a level last seen over three decades ago. The rebound in global central-bank gold holdings began when the Western world's financial debt binge blew up in 2006-2012, first because European states stopped selling and then because central banks in export-orientated economies – stuffed full of dollars, euros, yen and pounds from Western consumers – found those global "reserve" currencies being actively devalued by the quantitative easing (money-printing, also known as QE) and zero interest-rate policies of central bankers in the developed world.

"No one's to create or default on, gold remains the ultimate crisis investment"

(As an aside, those policies now put Brown's gold error in the shade. Selling 395 tonnes of bullion between July 1999 and March 2002 raised £15bn less than if the UK had sold over the 33 months ending this April. But the Bank of England will now lose £100bn on its QE bond purchases according to the Office for Budget Responsibility, a cost borne by taxpayers under the Bank's deal with the Treasury.)

Beijing currently leads the charge into gold among countries, taking over from Moscow as the number-one buyer and plainly accelerating its purchases since the Kremlin's invasion of Ukraine saw its overseas and foreign-currency assets frozen by Western sanctions. Chatter about a looming BRICS currency backed by gold lacks any substantiation to date.

But the response of "the rest" to the West trying to hamper Russia's military has been to upweight gold so dramatically that the precious metal has snapped its long-term relationship against US interest rates, rising to new records even as Western investors sell and move into cash. None of the Western central banks selling gold in the late 1990s have yet reinvested. But a growing number of nations on "our side" have bought – including the Hungary, Ireland, Japan, Singapore – alongside many of the friendlier "rest", ranging from India and Mexico to Saudi Arabia and Thailand.

Moves by the West to use income from Russia's frozen assets to help finance Ukraine's defence will only accelerate this trend. So too will the West's worsening debt burden. No one's to create or default on, gold remains the ultimate crisis investment 25 years after the UK sold off more than half its reserves at the lowest inflation-adjusted values in history.

Adrian Ash, director of research at world-leading precious metals marketplace BullionVault, has been investing in and writing about gold for over two decades. His analysis is regularly quoted by Bloomberg, MarketWatch and other news outlets

A British mid cap with momentum

JTC Group's offerings range from fund administration to tax-compliance services

Rupert Hargreaves
Investment columnist

The group's private-client services division caters to the ultra-high net-worth market

©Getty Images

JTC Group (LSE: JTC) appeared on my radar screen two weeks ago when the company announced the acquisition of the First Republic Trust Company of Delaware, a subsidiary of JPMorgan Chase (JPM). JPM acquired the Trust Company as part of its rescue of First Republic Bank in May 2023. JTC offered $21m for the firm, which has $9bn of assets under administration and a dedicated team of trust professionals, all with significant expertise in the trust-administration market.

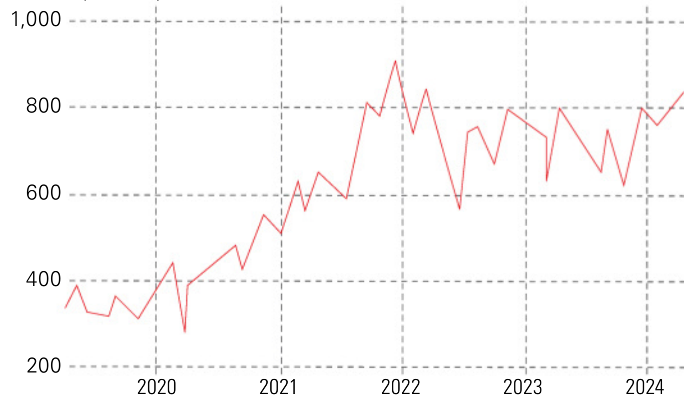
What attracted my attention to this deal was the fact that JTC, a British firm, was buying a business from a large US financial institution. Usually, it's the other way around. Recently, the flow of deals between the UK and US has been a one-way street. However, JTC's trade was one of just a handful of recent deals that have bucked the trend. So what was the company's secret?

Defensive markets

Unless you work in the world of finance, you are unlikely to have heard of JTC. The best way to explain what it does is to look at its two main divisions: institutional client services and private client services. The institutional client services arm, which generated revenue of £163.3m for the group last year, offers services such as open- and closed-ended fund administration as well as corporate and trustee-administration services.

The other arm, private client services, serves the ultra-high net-worth (UHNW) market. Bringing in revenue of £94.1m last year, the private client arm offers services such as tax compliance, UHNW private office administration, and foreign-exchange services. JTC estimates the total addressable market (TAM) for these services (private and institutional) could be as much as $12bn (£9.7bn) a year. TAM figures are always worth taking with a large pinch of salt as they are estimates, and companies tend to inflate the numbers to look better to investors. But JTC only generated £257.4m in revenue last year, implying that even if its TAM figures are wildly off target, the group still has many years of growth ahead of it. Note too that the markets JTC's two arms operate in are both relatively immune to economic cycles and interest rates.

The FTSE 250 company, worth £1.4bn, already has an impressive record. Over the past 37 years, it has grown from a start-up into a world-leading provider of professional services. It boasts an average client relationship of more than 14 years and has successfully integrated 27 acquisitions since 2010 and 15 since its initial public offering in 2018. JTC's employee ownership structure is especially interesting: 100% of long-term employees are shareholders in the business, with £350m of wealth generated for employees since 1998 via the JTC Employee Benefit Trust. A fifth of the company is owned by employees directly or via the JTC Employee Benefit Trust.



A new growth plan

JTC boasts many of the qualities I look for when evaluating businesses. It has large employee and insider ownership, a large TAM, a strong record, and above all the business operates in the sort of niche, high-recurring revenue markets that can produce extremely predictable and sustainable income streams. That's why JPM was willing to sell the trust business it inherited from First Republic to JTC. Trust administration is a low-margin business where scale matters. The ability to cross-sell is also key. JTC's existing stable of businesses will complement this acquisition nicely and allow the group to cross-sell products to improve margins.

JTC has pushed through two growth plans over the past five years. Its "Odyssey" growth plan took place from 2018 to 2020, and its "Galaxy" growth plan evolved between 2021 and 2023. Under Galaxy, revenue grew from £115m to £257.4m, and underlying earnings before interest, tax, deprecation and amortisation (EBITDA) jumped from £38.7m to £85.9m. The next growth plan is called "Cosmos", and under this plan, management wants to double revenue again to more than £500m, double EBITDA to over £170m and maintain an EBITDA margin of around 33%.

The acquisition of First Republic's trust business is the first step. Analysts at Jefferies calculate that the company paid five times 2023 earnings for the business to add $10.2m of revenue and $4.5m in net income. The deal will boost the group's revenue by 3% compared with the annual target of 15%, with 10% coming from organic growth and the rest from bolt-on acquisitions. More deals are likely. Investment banking group Jefferies has a target of £30m-£35m in additional revenue for 2025 from deals already in the pipeline. Analysts think JTC can easily fund deals to boost sales by £18m a year until 2027, although that figure could be as high as £40m. If JTC does reach this higher target, it should outperform its Cosmos revenue target.

Analysts expect earnings per share of 47p by 2025, rising to 60p by 2027. That puts the stock on a 2027 price/earnings (p/e) ratio of just under 14. Still, 2027 is a long time away. There's plenty that could go wrong over the interim period, and based on current earnings the stock looks pricy trading at 21 times 2024 earnings (it also yields 1.6%). However, I think JTC's long-term contracts, profit margins and growth record warrant a premium multiple. With an average client relationship of 14 years, that gives plenty of revenue visibility over the coming years. What's more, with staff owning 20% of the business, the team has a strong incentive to continue driving growth in the years ahead.

How to track down lost accounts

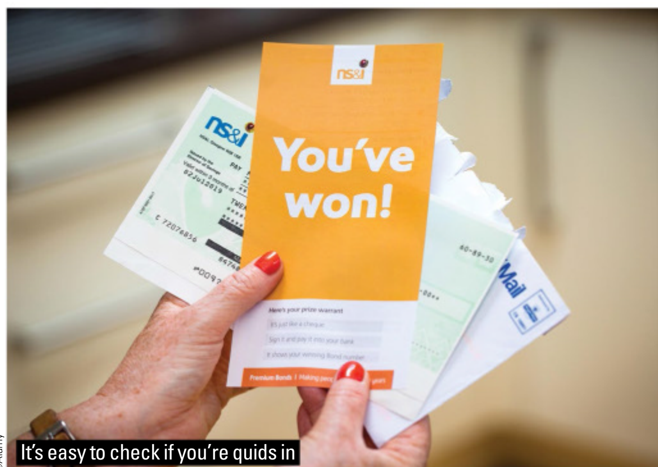
Forgotten NS&I Premium Bonds, savings accounts and pensions can be found fairly easily

Ruth Jackson-Kirby
Money columnist

It has been nearly 70 years since National Savings & Investments (NS&I) launched Premium Bonds. Bonds cost £1 each and you can buy from 25 to 50,000 of them. Your bonds are then placed in a monthly draw where you could win prizes ranging from to £25 to £1m. You don't earn any interest but the chance of becoming a millionaire has prompted almost a third of us to hold Premium Bonds. Many of us hold on to our bonds for decades. But many have been forgotten and that means there are millions of pounds of prizes going unclaimed. At present there are 2.3 million unclaimed prizes, with the oldest dating back to June 1957.

If you hold Premium Bonds, you can easily check if you are a winner. You either set up an NS&I account online and then look up your bonds (you can use the app too). Alternatively, you can use NS&I's tracing service at nsandi.com. Print off the forms and it will track down your bonds and tell you if you are owed an unclaimed prize. Make sure when you move or change your contact details that you let NS&I know, then you will always receive a notification if your bonds win a prize.

However, you may also want to consider cashing in your Premium Bonds. The prize rate was cut to 4.4% in March. That means if you are averagely lucky you should make a 4.4% return on your investment with prizes. But you could win absolutely nothing, which means your money held in Premium Bonds isn't keeping pace with inflation. With instant-access savings accounts paying up to 5.2%, a guaranteed inflation-beating return could be more attractive than the remote possibility of winning £1m.



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It's easy to check if you're quids in

Shelter from the taxman

One attraction of Premium Bonds, however, is that the prizes are paid tax-free. So, if you have used up your £20,000 annual individual savings account (Isa) allowance and are likely to exceed your personal savings allowance (£1,000 for basic-rate taxpayers, £500 for higher-rate ones) then Premium Bonds can be a great place to shelter more money from the taxman.

While you are checking to see if you are owed a Premium Bonds prize, look for other forgotten bank accounts and cash windfalls. There is believed to be around £50bn sitting in lost bank accounts, investments, pensions and insurance policies too. It's all too easy to lose track of accounts if you've moved home or job. The good news is, finding them is also quite straightforward.

There are around 4.8 million lost pension pots, with 9% of those thought to be worth £10,000 or more, according to the Centre for Economics and Business Research and PensionBee. One of the reasons for the rise in lost pensions was the introduction of auto-enrolment in 2012.

"[As] the number of pension pots each worker amasses increases so does the likelihood of losing track of them," says Becky O'Connor, director of public affairs at PensionBee. You can check if you have lost or forgotten pensions through the Pension Tracing Service (gov.uk/find-pension-contact-details). It can give you up-to-date contact details for any pensions you have lost track of.

To check if you have any savings accounts that you've forgotten about you can use My Lost Account (mylostaccount.org.uk). Enter some personal details and it will trace any lost accounts for you and start a claim for the contents on your behalf. It can take three months for the money to make its way back to you.

A one-stop shop

To hunt down lost investments, you have two options. If you are looking for unit trusts, then use The Investment Association's Unclaimed Assets Portal (theia.org/unclaimedassets) or call them on 020-7831 0898. To find forgotten investment trusts the Association of Investment Companies recommends using the My Lost Account service mentioned above.

Finally, consider registering your details with Gretel: it's a new service – launched just two years ago – aimed at doing everything for you. It will look for lost shares, investments, bank accounts and pensions. Plus, once it has your details it will continue checking for you in the future.

Pocket money... probate pricier and more protracted

- From May probate fees will rise by 10% to £300, the Ministry of Justice has announced. It is a surprising time to announce the price is going up as there has been a huge surge in complaints about the service in recent months. When someone dies the executors of their estate have to apply for a grant of probate before they can sell their assets and pass items on to their beneficiaries.

Delays mean it now takes around 16 weeks from applying for probate until you receive the grant, up from ten working days two years ago. In 2023 almost 1,500 families faced delays of a year or more, reports Charlotte Gifford in The Telegraph. The delays are due to computer problems after a new system was introduced in 2019 and staff losses, combined with a surge in deaths due to Covid.

Problems with probate are also causing difficulties for charities. They receive vital funding through gifts in wills – Cancer Research got £261m in 2023 – but this money is being held up. The delays are having a "detrimental impact" on the charity, "and our investment in life-saving research", a spokesperson told the Financial Times. It believes around £34m is currently being held up by probate problems.

- "If you were thinking of moving your current account to make some cash, you're too late," says David Brenchley in The Sunday Times. The last switching bonus offer has disappeared.

Banks including First Direct, NatWest, Santander, HSBC and Royal Bank of Scotland have recently all been offering cash bonuses of up to £200 to customers who switched their current account to them. But all of them have pulled their offers in the past few weeks. Thanks to all the bonuses, 431,701 current account switches took place in the last three months of 2023, according to Pay UK, which runs the Current Account Switch Service.

- Drivers are paying £150 more for car insurance than they were a year ago, data from the Association of British Insurers (ABI) has revealed. The typical policy in the first three months of 2024 cost £635, up from £478 in the same period last year. "Premiums shot up in 2023 as insurers battled the soaring cost of vehicle repair, replacement and theft," says Tom Haynes in The Telegraph.

A boost from borrowing

Look beyond the usual big banks when it comes to funding your firm

David Prosser
Business columnist

Britain's small companies are finally beginning to borrow again. Data from UK Finance, a trade association for the banking and financial sector, shows that banks lent £3.5bn to small and medium-sized enterprises (SMEs) during the fourth quarter of 2023, the first quarterly increase for more than a year. But while the pick-up suggests small businesses' confidence may be returning – and that banks are becoming more willing to lend – it is important to recognise that the banking sector is no longer the only source of finance.

Bank loans and overdrafts have traditionally been the mainstay of financing for small businesses, with many firms looking no further than the bank where they hold their current account when seeking to raise money. This type of finance will remain important, but it isn't always the best option. Loans and overdrafts aren't particularly flexible, and they are often expensive.

Taking on the big banks

At the very least, firms need to shop around for finance. New entrants to the small business banking market – the likes of Aldermore, OakNorth, Starling and Tide, among others – increasingly provide valuable competition to the big five banks that were once responsible for more than 90% of small-business lending.

Nor is price the only consideration. Look for simplicity and convenience too. Lenders such as Funding Circle and Iwoca now offer small businesses quick-decision loans of up to £500,000, promising to complete advances within a couple of days. This is forcing the big banks to respond – NatWest, for example, recently launched a same-day approval service for its own customers.

More broadly, though, consider other types of finance as well as a loan or overdraft. These may be better suited to the financial profile of your business, or more appropriate for your borrowing objectives.

Consider agreeing a loan with a smaller lender, or tapping the peer-to-peer market

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Invoice finance is a good example, particularly for businesses that run large books of receivables. The idea is to enable small businesses to access the value of their invoices upfront, rather than having to wait for them to be settled. The money is advanced from the invoice-finance provider, with the loan repaid once your customer pays its bill.

This can be a flexible way to arrange finance, particularly where your business is struggling with its cash flow. The size of an invoice-finance facility increases as your company's revenues increase – because there are more invoices to borrow against – rather than being fixed in size, as with a bank loan.

Demand for asset finance is also growing. The British Business Bank, the state-owned development bank, says advances rose by 7% last year, with businesses using these facilities to finance capital spending and investment. Lenders feel comfortable extending credit because they can use the asset being financed – new machinery, say – as collateral to back the loan. Many also have special deals with businesses selling assets to small businesses. They may therefore be able to offer more competitive interest rates than traditional lenders.

Another option is the peer-to-peer lending market, where a number of online platforms operate as intermediaries between firms looking to raise money and investors keen to lend. What you pay for finance on such platforms depends mainly on how many investors are prepared to compete for your loan, but deals are often competitive.

Finally, if your bank turns you down for finance, it is important to know about the Bank Referral Scheme. This arrangement, launched almost a decade ago, requires any bank that rejects an SME's application for funding to refer the firm to a platform offering information on what other forms of funding might be available. These platforms – Alternative Business Funding, Funding Options and Funding Xchange – can also be a good first port of call when you're assessing potential alternative finance options.

Enforce late-payment rights

How quickly must your customers settle your invoices? New rules just introduced in the EU mandate payment of small-business invoices within 30 days, a measure designed to tackle late payments. But while many small firms in the UK may not realise it, similar rules operate here.

In fact, British law requires your customers to pay your bills within 30 days of receiving your invoice for the goods or services provided. This is the default arrangement. It applies unless both you and your customer have agreed to different payment terms. Importantly, if your customers don't pay their bills on time, you have legally enforceable rights to take action, including to charge interest on the amount owed at statutory rates of interest.

In practice, small businesses don't always feel able to make use of the law. They may feel they have no choice but to accept less-generous payment terms from large customers, for example, or that taking too aggressive an approach to chasing invoices may cost them valuable goodwill.

However, there is support and advice available for small companies in this area – particularly when it comes to disputes with large businesses. The Small Business Commissioner, for example, may be able to help.

Petty cash... new R&D tax-credit rules

● New rules on research and development (R&D) tax credits could mean even valid claims are denied. An overhaul of the R&D tax credit system came into force on 1 April amid growing concern at the Treasury that firms were exploiting weaknesses in the old regime. Ministers insist businesses genuinely investing in innovation will still get tax support, but firms must now pre-register their intention to make a claim within six months of the end of their financial year. Those that don't could lose their right to valuable tax credits, even if their investment qualifies.

● The latest version of the government's Help to Grow scheme went live last week, offering small-business leaders access to a free course on management and leadership skills. The scheme, known as "Help to Grow: Management Essentials", offers online training, as well as access to educational resources. See helptogrow.campaign.gov.uk for more details.

● Sole traders struggling with the self-assessment tax system may find a new online tool from HM Revenue & Customs useful. HMRC has launched an interactive tool for sole traders, with particular emphasis on the transition to new rules relating to base periods; these change the way in which some small companies, including sole traders, need to file their tax returns.

Retail king keeps rolling

Next's strong business model and performance continue to impress

Matthew Partridge
Shares editor

Selling clothes is difficult at the best of times. You have to stay on top of trends while dealing with the uncertainties created by the wider economy. In the last few weeks alone both Ted Baker and Superdry have crashed, with the former going into administration and Superdry embarking on a very painful restructuring. Nevertheless, such turbulence creates opportunities for companies that can create sustained and profitable growth.

One business that has managed to prosper while others are struggling is **Next (LSE: NXT)**. Next has done well because it has made some shrewd decisions. Seven years ago, in 2017, it realised that its old model of simply opening more stores, alongside a successful website, wouldn't continue to work.

Instead, it decided that since the future of clothes shopping was moving online, it needed to focus on upgrading its website and running a smaller, but better range of stores. It also started to invest in its IT and warehouse systems, with the aim of cutting costs, becoming more efficient, and selling logistics services to third parties.

IT provides an edge

This change hasn't been a complete success, as its growth has slowed a little. Still, the strategy has enabled it to continue making money and avoid the predicament of many other firms that have found themselves lumbered with long leases on unprofitable stores.

Most importantly, the edge in IT and logistics created by Next's infrastructure investments gives it an advantage when it comes to picking up the pieces from the current high-street carnage. It has recently started snapping up brands such as Joules and FatFace, the idea being to use its "Total Platform" technology and economies of scale to sell these brands under the Next banner at a profit.

Sales have grown by 5%-6% a year since 2019

©Next Plc

Next has continued to produce a solid performance, with sales growing by around 5%-6% a year since 2019, and earnings per share increasing at a similar rate. The company also generates a high return on capital employed (ROCE, a key gauge of profitability) of more than 30%, showing that it is investing its money wisely. Viewed in this context, the fact that it is trading at 14.2 times 2026 earnings, with a dividend of 2.45%, seems more than reasonable. Another encouraging sign is that it has raised its profit forecasts several times over the past few years, with CEO Simon Wolfson now much more optimistic about this year.

"It bodes well that the group has raised its profit forecasts several times in recent years"

The outlook for the stock is encouraging from a technical point of view too. The price has appreciated by 20% over the past six months and the shares are now trading above both their 50-day and 200-day moving averages. I would therefore suggest that you go long at the current price of 9,178p at 30p per £1, with a stop-loss at 6,178p. This would give you total downside of £900.

Trading techniques... bet on the new broom

Changing the leadership of a company can be a big gamble. If a company has been in trouble, the new CEO will be under pressure to revive its fortunes, while successful leaders can be hard acts to follow. Should you bet on the new broom, or will things take a turn for the worse?

One tactic used by around half of incoming CEOs is to give a public presentation about their new strategy. While it is easy to dismiss these presentations as hot air, it seems the market does pay attention to them, at least in the short run. A study by Oxford University and King's College London suggested that they can indeed move a company's share price.

Looking at 966 appointments by US-listed companies between 2000 and 2010, the team found that the shares of companies whose new CEOs gave a presentation within the first 100 days (a quarter of them) beat the market by 5.3% within a three-day window around the presentation (the day before and two days afterwards).

What's more, the average positive impact of the presentation was greater when the CEO came from outside the company, especially if they had previously worked in a different industry.

However, the study suggests that presentations occurring later than 100 days confer few benefits. The talks that took place between 100 and 200 days after a tenure began only boosted the share price by an average of 2% in the three-day window. And a poor speech hampers the stock. Badly received presentations caused a company's share price to lag the market by an average of 9% in the three-day window.

How my tips have fared

It has been a good fortnight for my nine long tips, with seven rising and only two going down. US building-materials supplier Builders FirstSource rose from $184 to $187, kitchen-supplier Howden Joinery climbed from 877p to 888p and recruitment specialist SThree appreciated from 427p to 435p.

General Motors accelerated from $42.69 to $46.04, investment and share-trading platform IG Group increased from 736p to 745p and Rolls-Royce Holdings rose from 406p to 413p. Hollywood Bowl also produced a positive performance, increasing from 339p to 345p. My long tips are now making overall profits of £1,783, up from £1,445.

Unfortunately, my four short tips didn't do as well, with three out of four moving against me. Video-game retail chain GameStop rose from $10.17 to $11.29. Air-taxi firm Joby Aviation ascended from $4.68 to $5.19.

Shares in Trump Media & Technology Group rebounded strongly, jumping from $26.21 to $46.49. Only solar-energy company Sunrun went in my favour, the share price slipping from $10.90 to $10.72. In sum, my short tips are making a profit of £1,919, much lower than the £2,977 a fortnight ago.

My combined long and short positions are making profits of £3,702, down from £4,422 two weeks ago. I suggest that you take profits of £510 on Howden Joinery. This means I now have nine long positions: SThree, easyJet, SSP, IG Group, General Motors, Builders FirstSource, Rolls-Royce, Hollywood Bowl and Next.

I also have four open short positions. They are Sunrun, GameStop, Joby Aviation, Trump Media & Technology Group. I would increase the stop-losses on Builders FirstSource from $100 to $120 and Rolls-Royce Holdings from 250p to 260p. I would also reduce the level at which you cover your GameStop and Sunrun shorts to $14, down from $15. Finally, I think you should lower the level at which you cover Joby Aviation to $7.25 from $7.50.

How investors can profit from the fourth industrial revolution

A professional investor tells us where he'd put his money. This week: Matthew Norris, director, Real Estate Securities, Gravis Advisory Limited, picks three stocks

The digital world is developing at an extraordinary pace, reshaping the way we work, live and play. Such is the speed of change that identifying the long-term winners is particularly challenging. The potential uses for artificial intelligence (AI) alone are mind-blowing, but we still have so much to discover about its power.

We also don't know if Microsoft or Google will win the battle for supremacy when it comes to search-engines; if it will be Tesla or Waymo that develops the best autonomous vehicle; or what the next gaming evolution will be. These are exciting, but uncertain times for investors.

That is why Gravis prefers to focus on the infrastructure assets supporting this "fourth industrial revolution". Logistics warehouses supporting e-commerce; communication towers enabling 5G mobile networks; data centres housing the next-generation of AI; and fibre-networks linking everything together are all enabling the digital transformation, while offering investors steady growth and income.

Developing data centres

NEXTDC (Sydney: NXT) is an Australian data-centre operator, with a national footprint of 12 highly resilient, certified data centres and five more being planned. It provides secure, reliable high-performance infrastructure in Australia's most cloud-connected data-centre network and is poised for international expansion into Kuala Lumpur, Malaysia and Auckland, New Zealand. On the back of results for the first half of 2024, the share price rose by 13% in a single day.

The strong performance was fuelled by a total revenue increase of 30% for the half year to 31 December 2023 owing to higher power prices and the group's strategic embrace of generative AI. The robust results were accompanied by a reaffirmation of 2024's guidance, including net revenue guidance up by between 6% and 9% on 2023. It is our only holding not to pay a dividend, as it reinvests profits into the firm.

"NEXTDC's embrace of generative AI and higher power prices has boosted revenue"

SEGRO (LSE: SGRO) is a UK real estate investment trust (Reit), and a leading owner, asset manager and developer of modern warehousing and industrial property. Its portfolio includes big-box and urban warehouses located in and around cities and key transport hubs across the UK and continental Europe.

Recent results for the company were strong, with management highlighting growth in rents (the portfolio benefits from index-linked increases on more than half its leases), earnings and dividends, supported by favourable markets for occupiers and active asset management.

American Tower is a leader in communications real estate

©Getty Images

SEGRO delivered like-for-like rental growth of 6.5%, supporting a 5.7% increase in the dividend for the year to 31 December 2023. With the firm aiming to grow passing rents by more than 50% in three years, the outlook is favourable.

Closer connections

American Tower (NYSE: AMT), one of the largest global Reits, is a leading independent owner, operator and developer of multi-tenant communications real estate. It owns more than 224,000 communications sites across 25 countries and has a highly interconnected footprint of US data-centre facilities.

The company has solid fundamentals, with long-term revenue streams, secure real-estate assets and a high-quality customer base. Full-year results to 31 December 2023 indicated that total revenue had increased 4.0% to $11.14bn for the year. Technological changes, such as 5G, will create huge demand for American Towers' assets over the next few years.

©The Telegraph 2024

The billionaire radicalised by chaos

Marcos Galperin, founder of Mercado Libre, the Amazon of Latin America, is Argentina's richest man, but his country's economic woes have led him to embrace radical change. Jane Lewis reports

Argentina's richest man, Marcos Galperin, makes no bones about the country's financial woes. The economy, says the rugby-loving billionaire, is like a sports player who was once the best in the world. "Now he's obese, a drug addict, has cancer, Aids and is an alcoholic." Like many Argentines, Galperin has been "radicalised" by years of chaos, says The Economist. In 2019, he called himself "a Bill Clinton Democrat". But when the "anarcho-capitalist" Javier Milei appeared on the scene, he was a ready convert – marking the latter's election as president last November by posting a photo of doves breaking out of chains, captioned: "Free".

©Getty Images

"Galperin's company's regional dominance has little parallel in the rest of the world"

A unique kind of beast

Milei has vowed to impose "a bruising austerity campaign". That doesn't worry "the mega-star" of Latin America's technology scene, who has thrived on regional economic turmoil to build Mercado Libre – the e-commerce site he founded in 1999 – into the region's second-largest company after the Brazilian oil giant Petrobas, with a market capitalisation of some $70bn. These days the firm, and its 52-year-old boss, are based in neighbouring Uruguay, whose comparatively stable economy and lower tax burden have made it a haven for many wealthy Argentinians, says the Financial Times. Yet Argentina, as Fortune notes, remains Galperin's "spiritual" home. "I worry more about the country than I worry about the company," he says. "What we do, at the end of the day, helps the weakest people in Latin America."

Mercado Libre is often called "the Amazon" of the region – selling goods, from electronics to supermarket basics, with the promise of 24-hour delivery. "But it would be a disservice to paint Galperin as a Jeff Bezos imitator," says Fortune. In the process of constantly adapting Mercado Libre to the complex challenges of Latin America, he has invented a unique kind of beast: part ecommerce giant, part fintech, "whose regional dominance has little parallel in the rest of the world".

In 2003, Mercado Libre launched Mercado Pago: a payments system that appealed to the region's many "unbanked" customers and traders. In 2017, the group expanded into credit provision and is now pushing into mutual funds and crypto. The upshot, says Juozas Kaziukėnas of business intelligence firm Marketplace Pulse, is that "Mercado Libre is really a payments company". Towards the end of last year, fintech accounted for some 43% of revenues. And the percentage is growing.

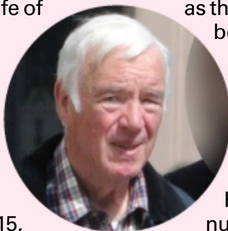
The paths not taken

Galperin was born into traditional Argentine wealth, says The Economist: a family-owned leather empire. After finishing secondary school, he was selected to play for Argentina's junior national rugby team, noted a 2010 BBC profile. But he abandoned the dream to pursue further education in the US, where he attended first the University of Pennsylvania and then Stanford Graduate School of Business.

The US, during the go-go internet boom of the 1990s, was an eye-opener, he told Fortune. He returned to Latin America convinced that an eBay-style platform would flourish there, and set up in business in the basement garage of his father's company. Thanks to Stanford, he had the contacts – eBay was an early investor. But early on, he abandoned its auction model to build a platform for "everyday shopping". Innovation was always a feature: Mercado Libre launched a marketplace connecting buyers with third-party sellers in 1999 – "a year before Amazon".

Old dreams die hard, however. "If I were born again, I would definitely go for a sports career," says Galperin, who last year bought the Miami Sharks US rugby team. Even billionaires, it seems, "ponder the path not taken".

The last of the gentlemen thieves bows out



"Befittingly of his life of secrecy," Brian Reader (pictured), known by some as the "last of the gentleman thieves" and infamous for his role in the Hatton Garden Heist of 2015, "breathed his last quiet breath" at his home in Dartford in September of 2023, aged 84, and his death was kept a secret until now, says Tatler. He was known by his friends as a committed family man who doted on his wife and children and took regular holidays to Spain or the Alps. In "certain crooked circles", however, he was better known as the "guv'nor", a gangster believed to have made more than £200m from various raids over the years, including one on Lloyds Bank in Baker Street in 1971.

The Hatton Garden Heist, the subject of numerous dramatic adaptations, netted £14m worth of gems and bullion from deposit boxes, says The Times. He was jailed for six years and three months for the theft, but was released halfway through his time on health grounds and allowed to remain free despite failing to repay the money he'd stolen, handing back only 6% of the raid's profits. The whereabouts of the rest remains a mystery.

Reader's "odyssey into thievery" began in his early youth, says Tatler, when he was abandoned by his father and took to stealing food on the docks of south London. He later worked as a butcher's assistant and a fireman for British Rail, and served in the armed forces. But by his early 20s he had "embraced a life of crime", and pulled off a number of infamous heists in the 1960s. One of his "most notorious exploits" occurred in November 1983, when a heist at the Heathrow International Trading Estate resulted in the theft of £23m worth of diamonds, cash and gold bullion. Reader served nine years for his role in the crime.

Reader's exploits caught the public imagination, but the romanticising of him annoyed the police, says The Times, who claimed he had aided and abetted the murder of an officer in 1985 (the blame fell at the feet of an accomplice, who was acquitted). But coverage of his crimes and the dramatisations continued to trade on the "lingering affection" among the public for his "old-school brand" of roguery, says The Telegraph. Whatever your view, his death marks the closing of a chapter in British history – the majority of theft now takes the form of online scams.

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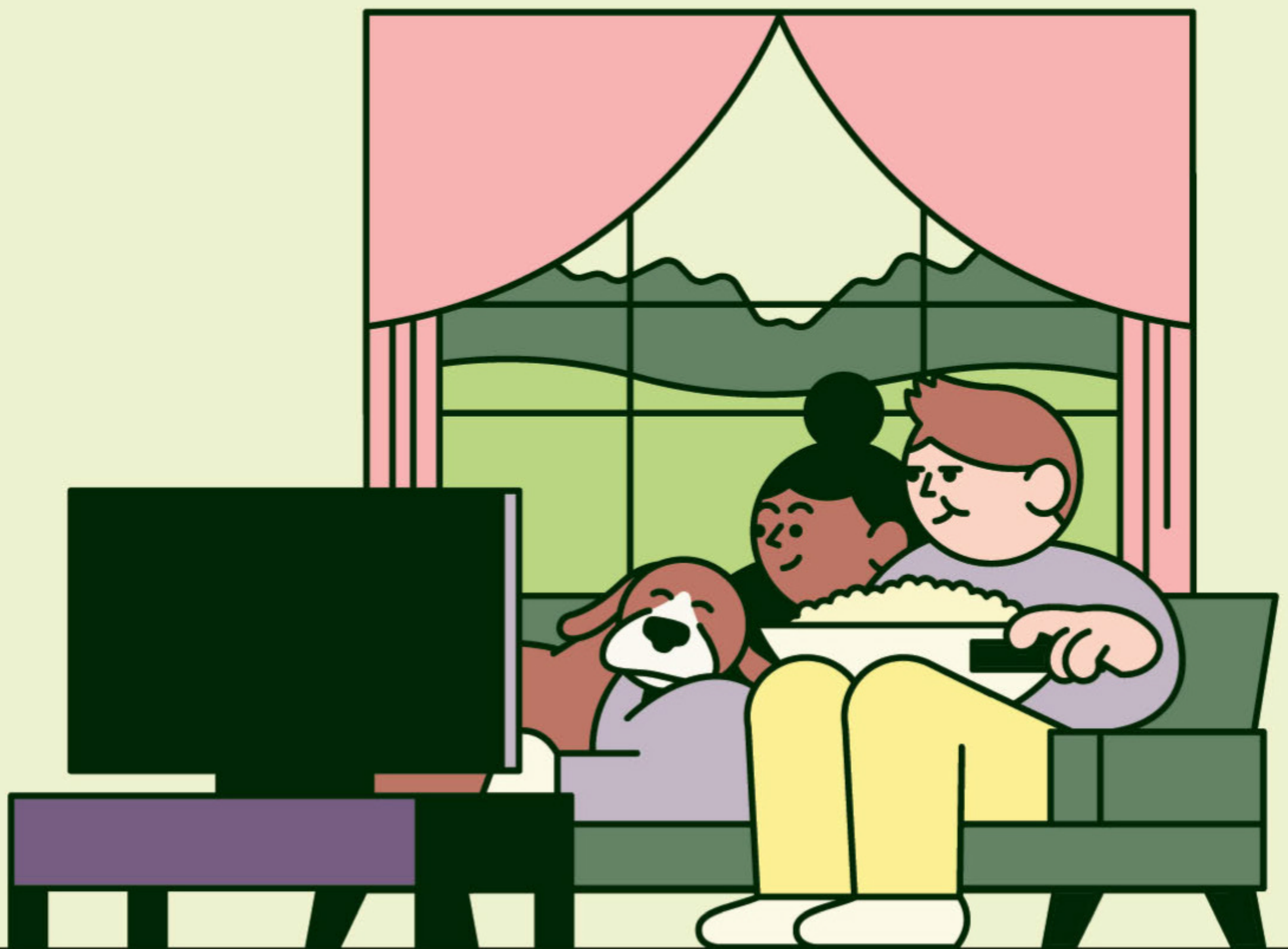

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Enjoy a day trip to Cambridge

The picturesque city is just a short hop from London, but it's worth staying for the night to experience the University Arms, a recently renovated luxury hotel, says Matthew Partridge

The University Arms: enjoy a massage in the spa while you're here

©University Arms Hotel

The historic city of Cambridge is just an hour from London by train and hence makes for a nice day out for harried Londoners. But it's worth taking more time and at least staying a night, if only to experience the University Arms.

Originally set up as a coaching inn at the end of the Georgian period, it is perfectly located for a city break, between the train station and the colleges. It is now part of the Marriott Hotels' chain, and was given a complete overhaul in 2018 by interior designer Martin Brudnizki in conjunction with the architect John Simpson, who is noted for his work on Buckingham Palace, the Royal College of Music and Peterhouse College, Cambridge. Simpson's and Brudnizki's makeover not only restored the elegant exterior, with its striking porte-cochère at the entrance, but also completely refreshed the interior, giving it the feel of a smart, but friendly gentlemen's club.

The 192 rooms and suites are simply lovely. I stayed in the Stephen Hawking suite, which has far-reaching views over Parker's Piece common – famously the place where the Cambridge Rules were first drawn up, which would go on to form the basis for the rules of modern football. Various spa treatments, including massage and aromatherapy, are also on offer at the hotel, and the hotel's own Parker's Tavern is a good choice for your evening meal.

A stroll round the colleges

No visit to Cambridge would be complete for the neophyte without a tour of one of the colleges. The guided walking tour of Trinity College is a good option. You'll hear a lot in particular about one famous college alumnus – our own King Charles. The then-prince studied there between 1967 and 1970, and the tour has some interesting gossip about him and his bodyguard. The 75-minute tour also takes in the chapel, library, and Great Hall, and the knowledgeable guides have plenty of interesting insights into the history of the college. Other famous alumni include the "mad, bad and dangerous to know" Lord Byron, and Isaac Newton, the discoverer, we learn, not only of gravity, but of the cat flap.

> *"The interiors have the feel of a smart, but friendly gentlemen's club"*

The tour of Trinity ends in the gardens next to the river, where you can hire a punt and continue to explore the city from the waters of the River Cam. You can try your hand at punting yourself by hiring a vessel, or join a chauffeured group if you're feeling less adventurous. A group punt lasts roughly an hour, and gives you great views of some of the other colleges, including St John's, Queen's and King's. The entertaining, informative tour of Trinity takes place twice a day and costs just £5.

King's College chapel, famous for its annual carol service, which is broadcast every Christmas Eve, is also open to the public, although you will need to book your visit in advance. The chapel was founded by Henry VI in 1446, and its construction would span 90 years and take in the reigns of five monarchs (Henry VI, Edward IV, Richard III, Henry VII and Henry VIII). Nearby St Mary's is also worth visiting for its tower and the panoramic views of the city.

Matthew was a guest of the University Arms. Rates start from £204 a night. For details see universityarms.com

The Parker's Tavern is an excellent option for your evening meal

Audi updates a classic

There was much to love about the A3. Now, it's just that little bit better

The Audi A3 has been the "conservative and consistent, if somewhat predictable, option in the premium family hatchback class" since it was first rolled out in 1999, say Matt Prior and Felix Page in Autocar. "Now, halfway through its fourth generation, it's been treated to a mild nip and tuck" to help it better compete with its rivals. The new A3 continues to use the "ubiquitous" MQB platform of its parent company Volkswagen Group, with enhancements to accommodate a wider spread of powertrain options that includes mild hybrid and, eventually, plug-in hybrid variants. A "wide-reaching package of visual, technological and mechanical revisions" have made the new A3 "a tangibly different proposition from the outgoing car", which was last updated as recently as 2021.

Unmistakably Audi

There are also several engines on offer, says Seth Walton for Car magazine. There's a 1.5-litre petrol 35 TFSI and a two-litre diesel 35 TDI, both producing 148bhp. The TDI editions "boast a little more" torque with 266ft lbs, compared with 184ft lbs for the petrol engines. All reach 0-62mph in 8.1 seconds. Top speed for the saloons is 144mph, 141mph for the Sportback diesels and 140mph for the Sportback petrols. Fuel economy and emissions also vary depending on the model. The diesel Sportback is the most economical at 58.9mpg and the petrol Sportback the most environmentally friendly, producing 119g/km of CO_2.

Inside, "Audi's hallmark build quality is all present and correct. The interior feels sound, well-built and worthy of a potential premium compact class-topper". Audi has taken a "gently does it" approach as far as changes go, says Matt Robinson in The Sunday Times Driving. After all, the A3 already had one of the best cabins in class. The driving position is multiway adjustable and there is ample, if not a "notably generous", amount of space in the back.

Likewise, driving is "classic Audi" – safe and reliable. The steering is "light and accurate… You steer, it goes, and no one thinks any more about it". The A3 takes corners with "a reasonable amount of aplomb, with little in the way of body roll or understeer" and it is "a very pleasant thing to amble about in". Taken together, this updated A3 remains near the top of the premium-level-hatchback pile. Audi was never going to make "sweeping, wholesale" changes to a car that was already so desirable. If it ain't broke, don't fix it.

From £32,630, Audi.co.uk

"Audi's hallmark build quality is all present and correct"

Wine of the week: a top claret to drink now

2017 Château Larrivaux, Haut-Médoc, Bordeaux, France

£18.50, hhanc.co.uk

Matthew Jukes
Wine columnist

When this esteemed issue hits your doormat, I will be in Bordeaux putting the finishing touches to my 2023 En Primeur Report. While I always taste and score all the great estates' wines, this buyer's guide to the most famous wine region in the world omits the pricing for these youthful creations. I am not privy to the release prices until they are announced in due course, and this year, there is immense pressure on the region to slash pricing following a series of unsuccessful campaigns. If you want to swerve this often confusing bunfight and load up with a couple of utterly impressive and incredibly reasonably priced Bordeaux that are drinking right now, then look no further. My featured Larrivaux is at its peak of drinking with sultry, harmonious, perfectly balanced fruit. And it is not the only wine HH&C has ruthlessly hunted down and bagged for our delectation. Here is a series of thrilling wines you should consider – note the bottle price and discounted rate for a case.

The 2019 Château Virecourt Conté (£14-£12.45) must be the finest value claret of the year, packing in robust fruit and a decent amount of élan. 2020 Château Beausejour (£14.10-£12.55; magnums £28.95-£25.75) shows just how delicious well-situated Fronsac Châteaux can perform in great vintages. The 2018 Château du Retout (£22.35-£19.85) is dense, brooding and with a good life ahead of it. The 2019 Château Domeyne (£28.70-£25.50) is a glorious St-Estèphe with profound minerality, while 2014 Clos Marsalette (£32-£28.50) is utter class.

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

This week: houses for around £500,000 – from the north wing of a Gothic manor house in Hexham, N

Crayke House, Castle Bolton, Leyburn, North Yorkshire. A Grade II-listed 17th-century cottage with a 19th-century addition. The house has exposed wooden beams, wood-panelled ceilings, log-burning stoves, and a cottage garden that includes two stone outbuildings. 2 beds, bath, 2 receps, breakfast kitchen. £480,000+ Savills 01904-617820.

Carnac-Rouffiac, Lot, France. A renovated main house with three houses used as holiday gites surrounded by landscaped gardens. The properties have beamed ceilings, exposed stone walls, fireplaces with wood-burning stoves, and together have eight bedrooms and six bathrooms. Barns, 0.8 acres. £510,000 Hamptons International 020-8618 4551.

Old Corn Mill, Maulds Meaburn, Penrith, Cumbria. A renovated 17th-century former mill with a 19th-century extension situated in open countryside next to the village green. The house has exposed beams, tiled and wood floors, and a large reception room with a vaulted beamed ceiling and a wood-burning stove. 3 beds, 2 baths, recep, reading room, dining kitchen, garage, garden. £500,000 Fine & Country 01228-583109.

orthumberland, to a flat in a period property close to London's King's Road

The North Wing, Dukes House, Hexham, Northumberland. This Grade II-listed Gothic manor house was built in 1873 and divided into three separate dwellings in the 1980s. The north wing, which is now in need of renovation, has a dual-aspect sitting room, a drawing room with a large stone inglenook fireplace, a kitchen with traditional tiled floors, and a turret accessed via a spiral staircase. 4 beds, 2 baths, 2 receps, kitchen, patio, parkland gardens. £550,000 Finest Properties 01434-622234.

Church Walk, Weybridge, Surrey. A Victorian cottage with a patio garden situated close to the River Wey and the Thames Path. The cottage has sash windows, wood floors, an open fireplace and a modern fitted kitchen. 2 beds, bath, 2 receps, kitchen, terrace, garden. £500,000 Jackson-Stops 01932-821160.

One Hope Cottage, Longborough, Gloucestershire. This south-facing Cotswold stone cottage is currently used as a fully furnished holiday let. It is situated in the centre of a popular village and has stone-mullion windows, beamed ceilings, an open-plan reception with a wood-burning stove, a contemporary fitted kitchen and a courtyard garden. Bed, bath, recep, kitchen, parking. All contents are available by separate negotiation. £475,000. Butler Sherborn 01451-530107.

Gunter Grove, Chelsea, London SW10. A lower ground-floor apartment in a period property situated on a quiet residential street between Fulham Road and the King's Road. The flat has a spacious, bright reception room, a fitted breakfast kitchen that leads onto a small walled patio garden, and a double bedroom with French doors that open onto the patio. Bed, bath, recep, kitchen, vault, patio garden. £500,000 Knight Frank 020-3978 2462.

Wayside, Throwleigh, Dartmoor, Okehampton, Devon. A Grade II-listed thatched Elizabethan cottage in a village on the northeastern edge of Dartmoor National Park. The cottage was originally the village ale house. It has beamed ceilings, wood floors, a large inglenook fireplace with a wood-burning stove, a recently refurbished kitchen, and a wood-clad garden room leading onto a patio. 3 beds, 2 baths, 2 receps, cloakroom, cottage garden. £525,000 Knight Frank 01392-848834.

A tribute to a fashion icon

Pick up a memento from an extraordinary career. Chris Carter reports

These days, it seems to be fashion designers themselves, rather than the fashions they designed, that are in the spotlight. The V&A Museum in London brought its sold-out exhibition on the life of Gabrielle "Coco" Chanel to a close last month – one that followed on from its retrospective of Christian Dior in 2019, which had also sold out. Then, as Alexander Fury points out in the Financial Times, there is the "recent flush of fashion designer biopics and [television] series [that] have focused attention like never before on the look, not of fashion, but its creators".

Westwood: a fashion revolutionary

Next up is Vivienne Westwood, who died aged 81 in 2022. Christie's in London has announced "the [live] sale of the personal wardrobe of the revolutionary British fashion designer" on 25 June, alongside an online auction which will run from 14-28 June. Before both take place, "Vivienne Westwood: The Personal Collection" will be the subject of a free public exhibition at Christie's King Street offices.

The main sale is constructed around Westwood's autumn/winter collections of 1983-1984, 1998-1999 and 2005-2006, each representing "a significant moment" in her career. The earliest, the "Witches" collection, was inspired by witchcraft and the graphic code of magic symbols used by artist Keith Haring. It features "swirling silhouettes, enormous peaked-shoulders and layered knitwear" that had been presented in Paris "to critical acclaim", says the auction house. The second, the "Dressed to Scale" collection, "played with scale to create a sense of displacement in her collections, in a technique akin to Surrealism and the ways in which a familiar scene is transmogrified". Here, the "taffeta ball gown with the span of a light aircraft is one of the more magnificent items", says Ellie Violet Bramley in The Guardian.

But it is the third, "Propaganda", collection that is Westwood's "most overtly political show", according to Christie's, "referencing her punk days as well as an essay by Aldous Huxley". There are some 200 lots in total, spanning four decades.

The sale also features a series of art prints, based on playing cards she had designed and printed on paper she had signed shortly before she died. They are expected to fetch at least £30,000, with all of the proceeds, after fees, from all of the lots going to various charities via Westwood's Vivienne Foundation.

Museums will be eager to acquire pieces, says Fury. But the sale is also likely to attract a much wider audience. "If anyone dressed in homage to her own design ideals and philosophies, it was Westwood, a woman who thought nothing of going knickerless to meet the late Queen, and whose flaming orange hair was as much a key fixture in her 80s as in her younger years," says Laura Craik in The Telegraph. "Westwood's wardrobe made her into an icon, instantly identifiable to her public." They, too, will want a momento from an extraordinary career.

Auctions

Going... John Lennon's "lost" Framus 12-string "Hootenanny" acoustic guitar is expected to set a new world price record for a Beatles guitar when it appears at Julien's Auctions' two-day sale in New York from 29 May. Lennon played the instrument on the 1965 album *Help!* and it can be seen in the film of the same name, also released that year. From then until the late 1960s, it was in the possession of Gordon Waller of pop duo Peter & Gordon, who later gave it to their road managers. After that it disappeared for around 50 years until it was found in a countryside attic. The guitar is valued at up to $800,000, but could break the $2.4m record that was set when another of Lennon's guitars sold in late 2015.

Gone... A painting by Austrian artist Gustav Klimt that "had been considered lost" for 100 years and, until January, known only from a black-and-white photograph, has sold for €30m with auction house im Kinsky in Vienna, says The Guardian. Entitled *Portrait of Fräulein Lieser* (pictured) it is not known which particular fräulein the painting depicts, but she is one of the daughters from a wealthy family of Jewish industrialists. The painting had been owned before World War II by either one of two branches of the family, but its journey during the Nazi period, the auction house says, is "unclear". Klimt had been "one of the most celebrated portraitists in Europe" when he painted it in 1917, a year before his death.

The invention of Impressionism

It's hard to imagine a time when the Impressionist works of Claude Monet, Édourd Manet and Pierre-Auguste Renoir didn't adorn the walls of the world's prestigious art galleries – along with biscuit tins and much else besides. But at the time of the movement's inception 150 years ago, Impressionism excited not admiration, but derision.

On 15 April 1874, a rag-tag of artists calling themselves the Anonymous Society of Painters, Sculptors and Engravers, etc presented their paintings, created using the latest techniques, at a show in Paris. It did not go well, says The Economist. "'Wallpaper in its embryonic state is more finished than that seascape," sneered Louis Leroy, an art critic, when describing Monet's *Impression, Sunrise*", a painting of a hazy port in Normandy. An "impression", at the time, referred to a sketch, not a carefully executed work worthy of the prestigious Salon exhibition put on by the Académie des Beaux-Arts. (Childe Hassam's *View of Broadway and Fifth Avenue*, of 1890, is pictured.)

The 31 artists who took part in the 1874 show were prepared to risk breaking with convention. They sold only four paintings as a result. Luckily for the movement, which came to embrace the insult, it met with a more receptive crowd in the US. It is fitting, then, that the major "Paris 1874: Inventing Impressionism" exhibition, currently at the Musée d'Orsay, will leave Paris for the National Gallery in Washington, DC, in September. What would surprise Leroy, were he alive today, is the Sotheby's evening sale in New York on 15 May. A painting of a haystack, *Meules à Giverny*, by Monet, is expected to sell for more than $30m.

©Getty Images; Sotheby's

Bridge by Andrew Robson

Played with finesse

Dealer South — Neither side vulnerable

North
♠ AKJ105
♥ K10732
♦ –
♣ AQ3

West
♠ Q8742
♥ J94
♦ A2
♣ 876

East
♠63
♥A
♦Q976543
♣J105

N / W ???? E / S

South
♠ 9
♥ Q865
♦ KJ108
♣ K942

The bidding

South	West	North	East
pass	pass	1♠	2♦*
Dbl**	pass	4♦***	pass
4♥§	pass	6♥§§	end

* Dubious with such a poor suit.
** Negative (ie, take-out) promising Hearts. The other option is to pass and convert partner's expected reopening double (that's probably what I'd have done).
*** Splinter bid, showing Diamond shortage, inferentially agreeing Hearts.
§ Signing off.
§§ Gives up on the grand slam.

West did well to stay off the Ace of Diamonds lead, expecting dummy to be void on the bidding. Declarer won his eight of Clubs lead with dummy's Ace, and led a low Trump (important to lead a Trump from the dummy in case of the actuality). East's Ace "beat air" and East led a second Club. Declarer won dummy's Queen, then, abandoning Trumps, cashed the Ace-King of Spades and ruffed a Spade, seeing East discard. It appears that, by failing to take the Spade finesse, declarer may have left himself with too much to do.

Not so. At trick seven, declarer made the key play of leading a low Trump and successfully finessing dummy's ten. He was now able to ruff a fourth Spade with the Queen, ruff a Diamond, cash the King of Trumps felling West's Knave, then lead over to his King of Clubs (observing the 3-3 split), and cash the promoted nine. Twelve tricks and slam made.

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

Sudoku 1206

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

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.

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

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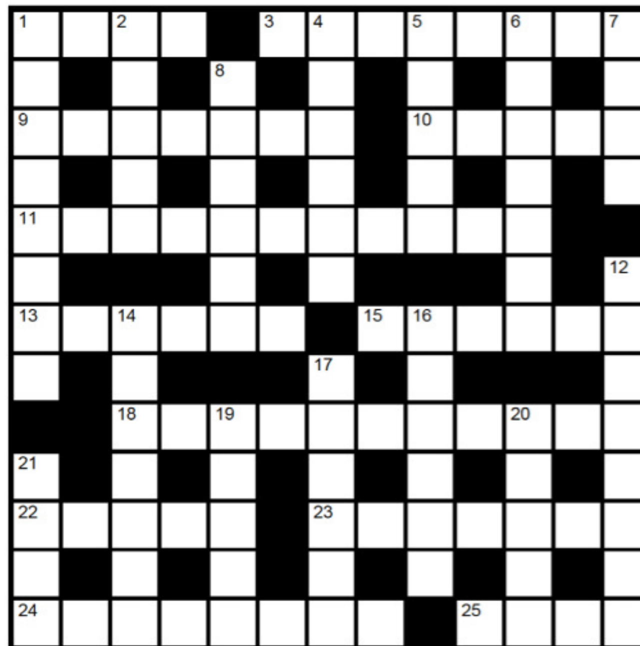
Tim Moorey's Quick Crossword No.1206

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 13 May 2024. By post: send to MoneyWeek's Quick Crossword No.1206, 121-141 Westbourne Terrace, Paddington, London W2 6JR. By email: scan or photograph completed solution and coupon and email to: crossword@moneyweek.com with MoneyWeek Crossword No.1206 in the subject field.



Across clues are cryptic while down clues are straight

ACROSS
1 Sergeant-at-arms hiding so long (2-2)
3 Plant from foreign climates (8)
9 Place for exiles in southern Spain and Portugal (7)
10 One's grabbed by silly arse in lift (5)
11 Hit rock's first for sergeant and privates (5,6)
13 Realise former partner is in southern county (6)
15 A little colour on artificial silk fabric could come from this (6)
18 Curious need for change eventually (2,3,6)
22 Scrap divided a cast (5)
23 Popular former law? Not correct (7)
24 Against work on modelling (8)
25 Endlessly excel in climb (4)

DOWN
1 Precedent setter (4,4)
2 It's a no-no (5)
4 Quits (6)
5 TV Inspector (5)
6 Parched (7)
7 Toboggan (4)
8 Fruit (6)
12 Never lost (8)
14 Support for rider's foot (7)
16 Greek island (6)
17 Leave an organisation (6)
19 Extinct creatures (5)
20 Get to (5)
21 Some portfolios lost capital (4)

Name ....

Address ....

....

email ....

Solutions to 1204
Across 7 Trade 8 Porto 9 Necessary evil 10 Hamster 12 Ideas 14 Set on 16 Severed 19 Good reception 21 Spate 22 Aerie. **Down** 1 FT-SE *initial letters* 2 Cabers *be inside cars* 3 Measles *deceptive def* 4 Spark *Muriel S* 5 Friend *r inside fiend* 6 Nominate *hidden* 11 Ale-house *deceptive def* 13 Pesetas *set inside peas* 15 Ordeal *(f) or + deal* 17 Extort *ex + tort* 18 Yemen *ye men* 20 Op-ed *(c)oped.*

The winner of MoneyWeek Quick Crossword No.1204 is: William Stewart of Leicester

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 full-flavoured cheeses or desserts made with chocolate.

Peak Peking?

The rise of China and the Global South is not over yet

It's China's time for a place in the sun

©Getty Images

Bill Bonner
Columnist

The American Senate passed the $95bn "foreign aid" package funding Ukraine, Israel and Taiwan last week and sent the legislation to president Joe Biden's desk. There was a time when "foreign aid" meant help to poor people in poor countries. Now it is essentially a payoff to the US firepower industry and the Israeli lobby. How it will affect the primary trend moving markets is our subject this week.

Real economic progress is made by voluntary exchanges of goods and services. You can get political power, as Mao put it, from the "barrel of a gun". But not economic power. Before Deng Xiaoping unleashed China's entrepreneurs, Mao's China was a hellhole. It produced roughly nothing that the world wanted to buy. Now, it is the world's leading exporter. But today US policymakers follow Mao's example, not Deng's; they try to bully, blast, tariff and sanction their way to success. Most likely, they will only exaggerate the primary trend. Asset prices will go down; most people will get poorer.

If we are right, we'll see this trend reflected in the Dow/gold ratio. The price of gold should go up. The Dow should go down (adjusted for inflation.) We'll stick with gold to preserve our wealth while prices sink. Then, when the Dow/gold ratio sinks to five, *grosso modo*, we'll switch back into stocks.

There is a belief that we've already seen "Peak China". China found a sweet spot in world commerce, they say, by putting hundreds of millions of peasants to work at pittance wages. And then, the US made a big mistake opening its markets to cheap Chinese products. But that phase has played itself out, they say. China's wages are no longer so low. And the US is closing its doors. China will play a smaller role going forward.

> *"Today US policy-makers follow Mao's example, not Deng's"*

Far be it from us to claim to know how the future will play out. But the Chinese peak may still be ahead of us. The more competitive China becomes, the harder it is for industrial players to leave it, says the Financial Times. "Both old and new industrial companies repeatedly emphasise the need to be in China for research purposes as well as to access its vast market." In recent years, China has transitioned away from being a low-cost maker of cheap household goods to becoming an "advanced producer of electronic products and green tech", says AsiaTimes. Cheap labour has been replaced by robots and artificial intelligence.

Will China's leaders err? Of course they will. Will they make the same mistakes, the same self-serving blunders, as our own elites? Of course they will. Will they not lurch into wars, depressions, and self-imposed poverty? Most likely. But will they be able to stifle the energy of millions of entrepreneurs and business people? Maybe not.

Meanwhile, the post-World War II order, with the West in charge, appears tired, old, and weak. Upstart nations pose a threat; they must be kept in their places. New technologies must be regulated and controlled. Free trade must be replaced by managed trade. Free speech must be corralled by the elites. And even the Earth's climate must not be allowed to change. Old-age benefits must be protected.

By contrast, the more dynamic societies of the "Global South" – Brazil, Indonesia, South Africa, Turkey, India and China – want a New World Order. They think it's their time for a place in the sun. And that may mean muscling the flabby retirees from the West off the beach.

For more from Bill, sign up to his Substack newsletter at bonnerprivateresearch.com

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