MARKETS *P5*
Gold is going from strength to strength

SHARES *P6*
The bubble in bling has burst

PLUS
Will inflation make a comeback?
FOCUS *P24*

MoneyWeek

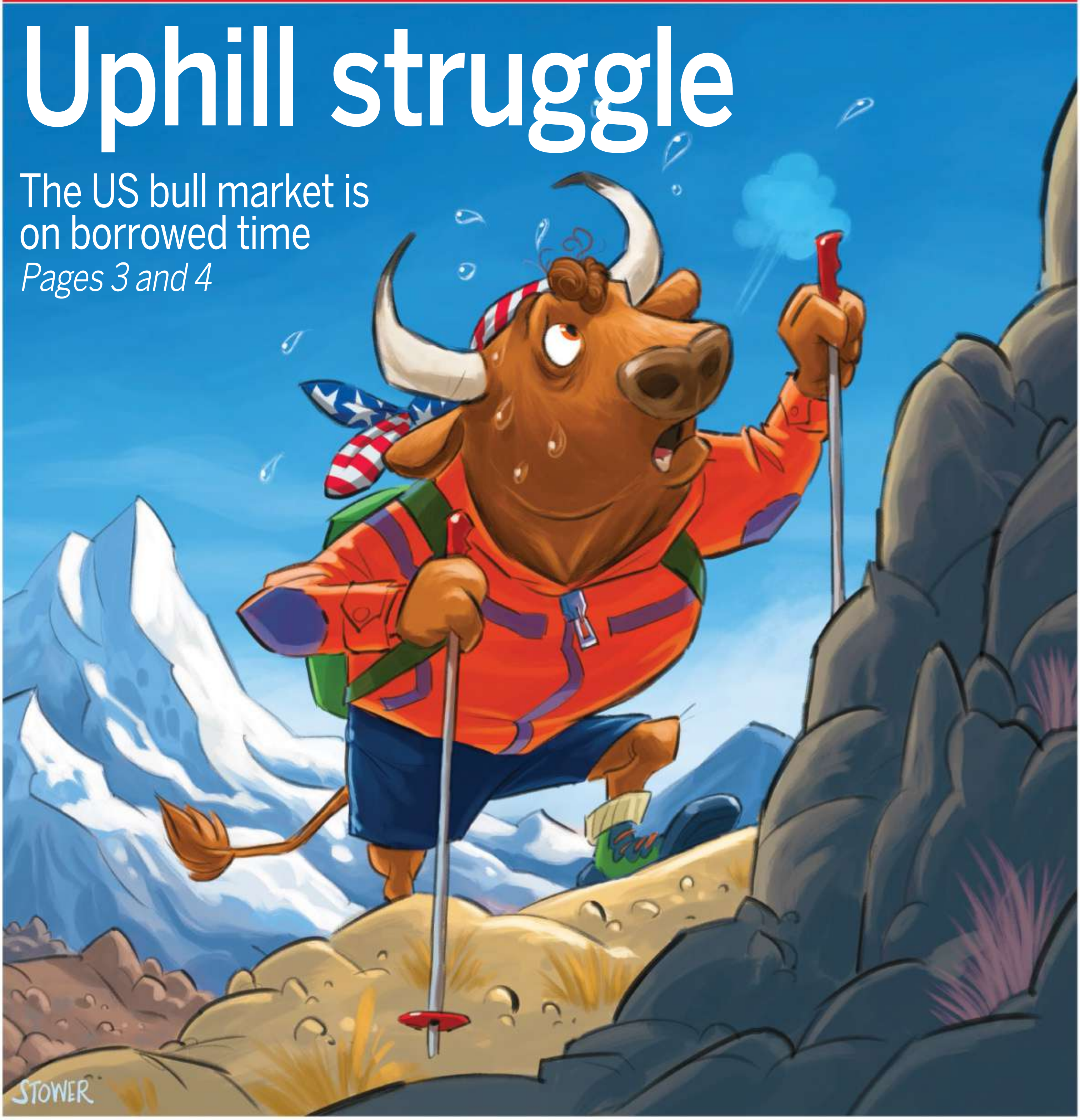
MAKE IT, KEEP IT, SPEND IT

25 OCTOBER 2024 | ISSUE 1231

Uphill struggle

The US bull market is on borrowed time

Pages 3 and 4



MoneyWeek

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Britain's best-selling financial magazine

From the editor...

"Bull markets don't die of old age; they are murdered." Upswings usually end because central banks put up interest rates and snuff them out (2022); or because bubbles burst (2000, 2008); or a crisis damages confidence and changes the economic outlook (2020, 1973).

Today, the American stockmarket has rarely looked healthier. It is on track to post gains of more than 20% for two successive years for the first time since 1997 and 1998. The S&P 500 index has risen in 37 of the past 51 weeks, which hasn't happened since 2004. But the air is getting thinner and thinner, and several potential culprits could be about to derail the rally (see page 4).

The US equity market has rarely looked healthier

©Getty Images

"Gold bull markets should not be considered red hot until silver shines"

An uphill struggle

There is far less scope now for positive economic news to boost stocks since everyone has priced in a soft landing. Valuations are in nosebleed territory: the cyclically adjusted price/earnings ratio (CAPE) has only been higher twice since the late 19th century: during the dotcom bubble, and, briefly, in 2021. The scope for robust long-term returns from here is low. As Benjamin Graham reminds us, "in the short term the market is a voting machine; in the long term it is a weighing machine".

Then there is the outlook for inflation. Core consumer prices (excluding food and energy) rose at their fastest pace in six months in September, notes Deutsche Bank, while money-supply growth in the US is at a two-year high. And "it's really hard to say that inflation is under control when rent and home prices are high and rising", says John Mauldin in his Thoughts from the Frontline newsletter.

Fears of further friction in world trade, which also promises to be inflationary, have intensified, with the latest polls suggesting Donald Trump is going to win and impose tariffs across the board. The ongoing turmoil in the Middle East could well cause another oil shock; Philip explains on page 24 what to do if that happens.

All this worry about inflation explains why the US ten-year Treasury yield has risen above 4.2% for the first time since July. Bond traders are also remembering that the next US administration, whoever runs it, will be running deficits for years to come. Annual overspends of between 7% and 9% are likely between 2026 and 2028, says Deutsche Bank. Yet in the past, the only time the US ran a deficit of 6% was in World War II and during Covid. Welcome to the new normal.

Gold is clearly factoring in all this trouble (see page 5). But its new record is likely to be followed by plenty of others. Central banks have become buyers in the past decade, while Charlie Morris notes in his Atlas Pulse newsletter that "there is plenty of gold waiting to be bought by global investors". Since the post-2013 gold crash the total amount held in gold exchange-traded funds (ETFs) has, on average, been worth 3.7% of all equity ETFs. Today the figure is 3%.

And don't forget silver, which tends to magnify gold's movements. It has just reached a 12-year high of $34 an ounce. But gold bull markets "should not be deemed red hot until silver shines". The gold price is now 80 times higher than silver's, compared with a long-term average of 65 times, so it is still cheap relative to gold. The precious metals bull market needn't fear for its life anytime soon.

Andrew Van Sickle
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Magic circle conjures up higher rates

Britain's top-ten law firms have hiked their hourly rates by nearly 40% over the past five years amid high inflation and a sharp rise in salaries to fend off competition for talent by the expansion of wealthy US firms in London, says Suzi Ring in the Financial Times. They charged clients an average £449 an hour in 2024 compared with £321 in 2019, and there was double-digit growth in average rates across the top-100 firms surveyed by accounting firm PwC. Lawyers booked more billable hours thanks to an upturn in corporate dealmaking and a busy litigation period last year. Although UK rates increased, they remain below top US firms' on average, and British law firms would find it tough to sustain the pace of growth, cautions PwC's Mark Anderson. The survey also highlighted that cybersecurity risks are the main concern for law firms, prompting increased investment in artificial-intelligence (AI) tools.

Cover illustration: Adam Stower. Photos: ©Alamy; Getty Images

Good week for:

Musicians Harry Styles (pictured), Central Cee, PinkPantheress and Raye helped to boost the sale of **British music** outside Britain by 7.6% last year to a record high of £775m, says the Financial Times. Britain has continued to "punch well above its size" in the music market, with UK artists accounting for about a tenth of global audio streams, according to trade body the British Phonographic Industry.

Simon Henderson, headmaster of Eton school, received a 40% pay rise to between £370,000 and £380,000 last year, says The Sunday Times. His pay rise dwarfs those of other private school heads and other Eton staff, who saw their salaries rise by between 2.5% and 14.5%. Public schools are set to increase fees by 20% from January when the government's VAT levy comes into effect.

©Getty Images

Bad week for:

Sanjeev Gupta, once hailed as the "saviour of steel" for rescuing struggling metal plants, is being prosecuted by Companies House for alleged failure to file accounts for 76 companies listed in Britain, says The Guardian. Gupta, who denies the charges, could be fined or disqualified as a company director by the UK's corporate registry. Meanwhile, his Gupta Family Group Alliance of companies is being investigated over the collapse of its key lender, Greensill Capital.

FC Barcelona has lost an appeal against a €500,000 fine issued by Uefa, the European football governing body, over its accounting practices in 2022, says Football España. The Court of Arbitration for Sport in Lausanne, Switzerland, upheld an earlier ruling that the Catalan club had "wilfully and consciously" misreported the sale of 10% of their future broadcasting rights for the next 25 years by €267m.

A bull market on borrowed time

Alex Rankine
Markets editor

Has the US Federal Reserve made a mistake? America's central bank slashed interest rates by 0.5 percentage points last month, an unusually dramatic move designed to pre-empt an economic slowdown. But recent data suggests that cut may have just poured fuel onto the fire.

Investors have been treated to a "string of hot data" from the world's biggest economy, says Matthew Fox for Business Insider. Jobs growth is strong and retail sales "solid". The Atlanta Fed estimates that US GDP grew at an annual pace of 3.4% in the third quarter, hardly the sign of a stalling economy. That is prompting a rethink about how fast the Fed will cut rates. The US ten-year Treasury yield, which reflects expectations about future rates, has risen from 3.6% in September to 4.2% now.

"The Fed was too dovish when it cut," says a note from Yardeni Research. Overly easy monetary policy is "raising the odds of a stockmarket melt-up". The opposite of a meltdown, a "melt-up" describes a scenario where stock prices rise sharply as investors dash into shares. On Wall Street, "the party just keeps on going", says Teresa Rivas in Barron's. The S&P 500 stock index has notched up 47 record closes this year and has now risen for six weeks straight, its best "winning streak" since the end of last year.


©Alamy
Overly easy monetary policy is likely to bring more bulls charging into the market

Pride comes before a fall

Yet sceptics say that things are "too good to last". US investors have become accustomed to "double-digit gains" every year in their equity portfolios, but they should prepare for disappointment, says Torsten Slok of Apollo Global Management. He thinks that on a current forward price/earnings (p/e) ratio of just under 22, the S&P 500 could be heading for underwhelming 3% annualised returns over the next three years, at least if history is any guide.

Goldman Sachs has also been sounding the valuation alarm, says David Crowther for Sherwood News. High valuations bring returns forward from the future, sapping the potential for further gains. Smooth out earnings over the economic cycle and you get the cyclically adjusted price/earnings (CAPE) ratio.

Since 1940 the US CAPE has averaged 22, but it now stands closer to 40. The S&P 500 has more than tripled over the last decade, but analyst David Kostin thinks that the coming one will be much worse. He predicts that the S&P will serve up an annualised "nominal total return of 3% during the next ten years", which would be a historically weak decade of performance.

Disconcertingly, the "S&P is more expensive than on the eve of the Great Crash in 1929", says John Authers on Bloomberg. That doesn't mean you should sell everything. Valuations are not a tool for market timing, since an "irrationally expensive market can always get more expensive".

Many on Wall Street are feeling bullish about the next 12 months. But over "periods of a decade or more", starting valuations are a decent predictor of returns. The current valuation signal from US stocks is clear: "over ten years, it suggests they'll lag other countries' stocks, and won't do very well compared with bonds".

Improved prospects for income investors

British investors love their dividend payments, but the best payout growth of late hasn't come from the FTSE 100, says Julian Hofmann in the Investors' Chronicle. Data from Octopus Investments shows that total cash dividends paid by FTSE 100 companies are still almost 12% below 2019 levels (Covid triggered large cuts in UK dividends in 2020).

By contrast, ex-FTSE 100 firms are on course to pay out 9.2% more than pre-Covid levels. Aim is "the standout performer", notching up an almost 45% payout rise. Income investors often perceive the FTSE 100 as more dependable than small caps, but the top-ten FTSE payers account for 56% of total dividends, leaving income reliant on the fortunes of a small cluster of firms. Payouts are at least on a firmer footing than in the past, says Russ Mould of AJ Bell. Between 2014 and 2020, FTSE 100 earnings cover (profit divided by dividend payouts) "never once covered payouts by a factor of two or more". Cover now stands at 2.07. FTSE 100 dividends are forecast to reach an aggregate £78.6bn this year and £83.9bn in 2025, still short of 2018's record of £85.2bn.


©Getty Images
British investors keen on dividends should look beyond the blue chips

FTSE 100 firms have also announced £49.9bn in share buybacks this year, close to last year's level.

Globally, dividend payouts hit a record $606.1bn in the second quarter, according to the Janus Henderson Global Dividend index. Banks have been enjoying "strong margins and limited credit impairments", enabling them to pay generous dividends, says Jane Shoemake of Janus Henderson. Meanwhile, technology firms are increasingly shifting from growth to income mode, with Meta, Alphabet and Alibaba the new kids on the dividend block. For income investors, that is "a really positive signal that will boost global dividend growth by 1.1% this year".

Chip investors get whiplash

Has the chip cycle turned again? Semiconductor companies have spent the past two years cashing in on the artificial intelligence (AI) boom. The PHLX semiconductor index, which tracks the industry's leading lights, has rallied 140% since a low in late 2022. But the index is down 12% since July this year.

Last week, $50bn was wiped off shares in ASML, the firm that enjoys a near monopoly in cutting-edge "extreme ultraviolet lithography" machines, says Ryan Browne for CNBC. The Dutch equipment maker had issued disappointing sales forecasts. The news dragged down other chip stocks, including AMD and Broadcom. Market star Nvidia also wavered before rallying back.

The chip market is becoming increasingly "uneven", says Dan Gallagher for The Wall Street Journal. While demand from AI data centres booms, the wider chip industry is contending with "slowing PC demand, uneven smartphone sales" and a "sluggish" car market. While the likes of Nvidia and Taiwan's TSMC roar ahead, this "rising tide doesn't lift all boats".

Investors getting "whiplash" are learning a lesson, says Richard Waters in the Financial Times. "Whatever the long term secular shifts" driving increased semiconductor usage, this remains a "highly cyclical" business. For now, demand for AI chips remains robust, but any "crack" in big tech's bullish confidence in future consumer demand for its AI products "would be devastating".

A good year for goldbugs

For goldbugs, this year has been a case of "heads, I win. Tails, I also win", says Katie Martin in the Financial Times. Whether inflation is falling or the dollar strengthening, investors just keep finding new reasons to load up on the yellow metal.

Gold has risen almost a third in 2024, outpacing major stock indices. Prices hit a record $2,740/oz (£2,113/oz) this week as investors look for protection against the twin threats of war in the Middle East and the US presidential election. Uncertainty is the key word at the moment, Ricardo Evangelista of ActivTrades tells Reuters. "I wouldn't be surprised to see… $2,800 being touched at some point." There's no strong market consensus on which candidate is going to win the US presidency, Jim Wyckoff of Kitco Metals tells Max Zahn for ABC. "That causes uncertainty, and uncertainty usually triggers safe-haven demand for gold."

Another key support for gold has been buying by some central banks. "Central banks worldwide purchased more than 1,000 tons of gold during each of the last two years," with China a leading buyer. For countries unhappy with the dollar-based global financial system, gold is regarded as the natural alternative.

Unlike US Treasury bonds, gold's appeal rests on its lack of counterparty risk, says Tom Stevenson in The Telegraph. No one can default on a gold bar. As J.P. Morgan famously put it: "Gold is money. Everything else is credit."

©Getty Images

Central banks have been grabbing handfuls

Falling interest rates have also fuelled the metal's rise. Gold's biggest weakness is that it pays no income. When interest rates are 5% "you are giving up quite a lot to hold gold in your portfolio", but that becomes less of an issue as rates fall. Still, with such a momentum-driven asset, there is always a risk that the "pendulum swings back".

This year's gold rally has been so relentless that a big "pullback in prices is not out of the question", agrees David Oxley of Capital Economics. Sell-off triggers could be anything that reduces appetite for safe havens – a sustained Chinese recovery, for example, a Kamala Harris election victory or a calming of Middle East tensions. That said, on a longer view the gold price enjoys several bullish drivers. Monetary policy will ease globally over the next 18 months or so and central-bank purchases look set to continue. The US dollar, which tends to be inversely correlated to gold, also looks to be due a fall.

Silver looks cheap

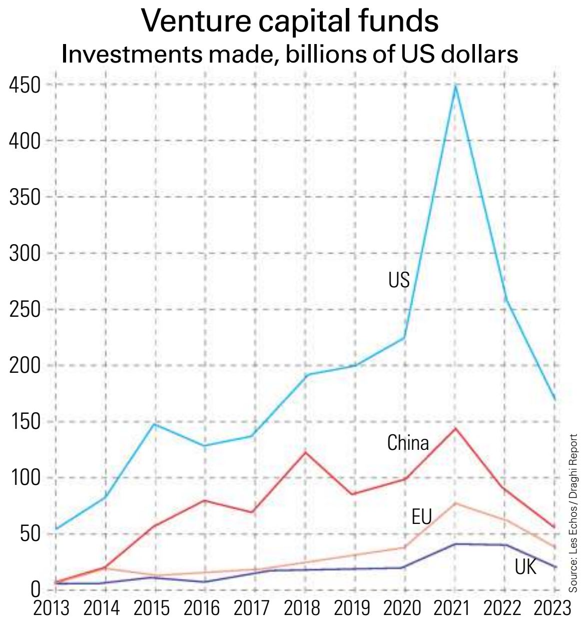
Silver, meanwhile, has reached $34.39/oz, a 12-year high. The metal is still trading 30% below the $48/oz peak it achieved in 2011, notes Russ Mould of AJ Bell. Gold currently trades at nearly 80 times the price of silver, compared with a long-term average of nearer 65 times. On this metric, at least, silver thus appears relatively "cheap". It may yet "catch the eye of contrarians".

Viewpoint

"By failing to mention pollsters' abysmal track records, the media presents a wildly distorted view of future election results. Who answers phone calls from unknown people and spends 20 minutes answering questions? I suspect they are not a representative pool of US voters. Since 1980, turnout in presidential elections has ranged from 50% to 67% of the voting-age population, which pales in comparison to most other Western democracies. Who gets up off the couch and casts their vote? The answer is a giant unknown. A third to half of eligible voters don't bother. This is also why a 2%-3% margin of error is laughably wrong – it's much closer to a 6%-8% margin of error. The polling misled people in 2016 (Trump won), they didn't get 2020 quite right (Biden won by a much larger-than-expected margin), and they wildly blew the midterm elections in 2022. Why do people assume it will be anything different this time?"

Barry Ritholtz, The Big Picture

Why Europe's start-ups fail to take off



Europe has as many start-ups as the US, but they have a much tougher time growing, says Vincent Collen in Les Echos. A major culprit is the region's relative dearth of venture capital (VC), which invests in high-risk start-ups. Most start-ups fail, but the most innovative will grow to become tomorrow's billion-dollar companies. A report from former European Central Bank boss Mario Draghi notes that the EU's share of funds raised by VC is just 5%, with the UK at 3%. By contrast, China accounts for 40% and a majority (52%) is in the US. The VC funding gap, which is caused by failures to fully integrate the continent's capital markets, leaves European companies disproportionately reliant on risk-averse debt investors to finance new investment instead.

The bling bubble bursts

Luxury-goods companies have run into trouble, and the odds of a rapid recovery have receded. What next? Matthew Partridge reports

Shares in luxury-goods firms have slumped after LVMH, which owns Moët & Chandon and Dior, reported an unexpectedly steep decline in third-quarter sales, says Joanna Partridge in The Guardian. Revenue in the "bellwether" fashion and leather goods division fell by 5%, which LVMH blamed on an "uncertain economic and geopolitical environment", especially in Asia. The news unsettled investors in Hermès, Burberry and LVMH's smaller rival Kering (the owner of Gucci).

Chinese shoppers have cut back amid the ongoing real-estate crisis, wiping "the equivalent of $60,000 off the net worth of Chinese households", says Carol Ryan in The Wall Street Journal. This is bad news, as China has been a key growth driver for luxury over the past two decades, with the country now accounting for a third of global luxury sales, compared with just 1% in 2000. While there are still hopes that the Chinese government's stimulus plans will boost the economy, details about the size of any stimulus remain "scant", and it will bolster sales of consumers' staples rather than high-end products.


Investors may be in for further disappointments from the luxury sector

©Getty Images

A bad omen

The markets are still underestimating the extent to which LVMH's "horrible" figures point to a "much sharper slowdown than feared", says Lex in the Financial Times. It is by no means obvious that "when the macro drag eventually clears, the luxury sector will seamlessly return to rapid growth... successive price rises" may have "turned some customers off", especially given the shift towards "quiet luxury". As a result, investors should expect "further disappointments" from the luxury sector, with LVMH in the firing line as the group "is in the midst of a creative and managerial transition".

Yet even if the formerly "mighty" LVMH hasn't escaped the "bursting of the bling bubble", there is some hope for the group, says Bloomberg's Andrea Felsted. When times are tough, "consumers typically gravitate to the names they know best". What's more, shaking up its portfolio with new designers at its Celine fashion house, Fendi womenswear and Givenchy isn't a sign of weakness. It "shows the company is not content to rest on its considerable laurels". LVMH could also take advantage if "rivals are less able to compete", and there may be "opportunities" to employ its "strong balance sheet" to invest in areas where it still has "white space".

The fact that the pain "may get worse still" for the sector creates an opening for the "stronger... players", says Yawen Chen on Breakingviews. "[Cash]-rich giants" such as LVMH and Hermès can boost their positions "by spending more on advertising and marketing than their rivals while also stripping out costs". And larger firms can still "scoop up bargains", by entering into partnerships, or even buying outright, those smaller firms, such as Kering, Burberry and Salvatore Ferragamo, that have seen their shares do even worse than those of their larger peers in the past 12 months.

Nestlé has squeezed its customers

Food giant Nestlé has been left "counting the cost" of pushing up prices of its most popular brands beyond the reach of "increasingly squeezed customers", says Sian Bradley in The Times. It has been forced to cut its sales guidance again.

Underlying sales increased by an unexpectedly weak 2% in the first nine months of this year, which means that it now expects sales to rise by only 2% over the full year, "the lowest rate since the turn of the century". Experts have blamed the malaise on Nestlé's decision "not to ease up quickly enough on price increases" as inflation has cooled, as many of its competitors did. Nestlé's poor numbers explain why former CEO Mark Schneider was ousted in August, says Aimee Donnellan for Breakingviews. It's not just the poor sales figures. The company's profitability "is also under pressure", with margins weakening.

While this could be fixed by a "hefty spend on sales and marketing", possibly funded by selling some of its 20% stake in the beauty giant L'Oréal, the company also faces the medium and long-term challenge that its portfolio "is full of foods that may go out of fashion" amid growing concern over rising rates of obesity.

The "tumbling targets" follow trouble with IT last year and an "uncomfortable regulatory investigation" in France over allegations related to the purification of bottled mineral water, says Miles Costello in The Telegraph. As a result, Nestlé's shares are down 14% in a year and close to their cheapest valuation in ten years at 18.4 times forward earnings.

But the group still has some "distinct competitive advantages", including the "distribution clout created by its scale", buying power with suppliers, and "diverse household-name brands that underpin pricing power". Even concerns about health need to be seen in the context of the firm's "increasing emphasis on health and nutrition". The "ingredients exist for success".

Another hit for Netflix

Netflix's shares soared 11% to a record peak after the streaming company added more than five million customers in the third quarter and surpassed Wall Street's forecasts on every key financial metric, says Lucas Shaw on Bloomberg. Sales for the quarter grew 15% year on year, while earnings increased 41% .

The company also predicted that sales next year will rise between 11% and 13% thanks to "a mix of new members and price increases". Overall, Netflix's stock has risen more than fourfold since the spring of 2022, with the firm adding more than 60 million customers thanks to a "crackdown" on password sharing and the introduction of a lower-priced subscription with advertising.

Tightening the use of passwords has certainly boosted subscriber growth. The streaming service is also "investing heavily" in live sporting events, says Lex in the Financial Times, in the belief that such live-streamed content can provide an "appointment to view" for subscribers and "differentiate it from rival streamers".

Yet analysts are raising the question of "when that effect will tail off". While subscriber growth in the quarter "outpaced expectations", it was far lower than in the same quarter last year, and Netflix has said that it will stop reporting subscriber numbers next year as it seeks to "shift investors' focus to revenues and profits".

It's virtually impossible for Netflix to repeat the breakneck growth in its share price that has seen it deliver average returns of 36% a year for the last two decades, better than the S&P 500, Alphabet and even Apple, says Jennifer Saba for Breakingviews.

Netflix is also behind YouTube "when it comes to attracting marketing dollars", a problem given that the boost from cracking down on password sharing will inevitably "run out of steam". But it's hard to deny that it is "miles ahead of its competition", with many rival streaming services "struggling to do more than just break even".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MoneyWeek's comprehensive guide to this week's share tips

Five to buy

Intertek
The Telegraph
Intertek's shares have returned 26% since April 2023, outperforming the FTSE 100. The prospect of a short-term economic slowdown could undermine the stock, but the provider of testing and inspection services stands to benefit in the long run from lower interest rates in the US, its biggest market. Half-year sales and operating profit both increased. Intertek offers a "favourable long-term risk/reward opportunity". *5,105p*

IMI
The Times
IMI makes valves to regulate the flow of steam, gases, and fluids. Around 60% of sales are generated from its automation business, with 45% from high-margin aftermarket services. IMI boasts an 18.7% operating profit margin, an 89% cash-conversion rate, and geographically diverse sales. Although the shares are cyclical and have struggled recently, first-half organic revenue grew 5%. The stock is still on a discount to rival Rotork. *1,800p*

4imprint
Shares
The recent sell-off in 4imprint's shares is a good opportunity to buy into a "high-growth, cash-generative business at an attractive price". The manufacturer of personalised merchandise could gain from robust US corporate earnings and improving business confidence following interest-rate cuts. Despite tough market conditions, 4imprint increased first-half revenue and market share. It hiked the interim dividend, and the strong balance sheet provides scope for further rises. Competition from major firms such as Amazon is a risk, but 4imprint could be bought by a big firm or attract private-equity investors. *5,280p*

Good Energy Group
This is Money
Good Energy Group generates electricity from wind and solar farms and small-scale suppliers such as farmers in order to provide "super-green" electricity to 100,000 environmentally conscious consumers. The company has diversified operations and is keen to expand its services by administering bills and installing solar panels, heat pumps and storage batteries. The company is "well managed, growing fast, and financially strong". *264p*

On the Beach
Investors' Chronicle
Package holiday provider On the Beach (OTB) posted a record total transaction value of £1.2bn for the year, thanks to unexpectedly strong post-Covid demand for travel. Although profits haven't fully recovered to pre-pandemic levels, OTB is eyeing the premium and long-haul holiday market to improve profitability and potentially double its revenue base. OTB has an asset-light business model, no outstanding debt, and a strong balance sheet that supports future dividend payouts. *153p*

One to sell

N Brown
Investors' Chronicle
N Brown's half-year margins grew thanks to lower costs and better stock discipline. But the clothing retailer, whose

brands include JD Williams, Simply Be, and Jacamo, saw sales fall owing to subdued household spending. Although headway is being made with its transformation plan, which includes a new mobile-first JD website and information-management system, demand remains lacklustre, with lower order numbers and active customers in recent months. The stock has slid 75% in five years. Brown's enterprise value-cash profit ratio is higher than the five-year average. "Sell." *40p*

...and the rest

Investors' Chronicle
Last year was challenging for housebuilders such as **Bellway**, which saw a 30% reduction in home completions, but the company has a strong order book for 2025. Investors should note that the firm has moved into a net debt position, so it may now become reliant on debt to grow, while Bellway has already set aside £655m for cladding provisions. Still, Bellway has a "strong" balance sheet, is buying more land, and opening new sales outlets. With Bellway "well placed" to take advantage of Labour's planning reforms, "we switch our recommendation cautiously" to buy. *(3,213p).*

The Telegraph
Shares in **Judges Scientific** have underperformed the FTSE AIM All-Share index since July 2023, falling 2%. Half-year revenue fell 1%, pre-tax profit declined 16%, and organic order intake slumped 4% as demand fell amid tough market conditions. Yet the designer and producer of scientific instruments is expected to benefit from an improving operating environment as interest rates fall, while it has a knack for buying companies cheaply. The interim dividend rose by 10%. The shares are expensive, but "offer long-term potential". Hold *(9,000p).*

The Times
The world's second-largest miner, **Rio Tinto**, has acquired Arcadium Lithium for $6.7bn to expand into the growing lithium market and capitalise on the demand for battery materials amid the energy transition. Like all miners, Rio comes with a "healthy dose of risk", but it has diversified its portfolio towards copper and aluminium, and boasts high returns on its assets. "Lithium is a long-term bet," but a 6% yield "means investors can expect to be paid for their patience." Buy *(5,083p).*

An American view

Despite a sharp slide in the shares earlier this year following mixed quarterly results and the exit of its CEO, Expedia Group "could be an investor's ticket to paradise", says Barron's. News that ride-hailing app Uber is looking to buy the online travel agent "only makes the case stronger". Demand for travel is high, and new CEO Ariane Gorin is focused on improving market share, efficiency, and sales. There are concerns about hotels being resistant to sharing profits, but on the other hand Expedia and rival Booking have a "near duopoly", controlling 42% of global bookings. Expedia's more streamlined platform has led to increased free cash flow. The stock "looks like a bargain".

IPO watch

One of China's biggest condiment manufacturers, Foshan Haitian Flavouring & Food, is contemplating a second listing in Hong Kong that could raise around $1.5bn, says Bloomberg. The soy-sauce maker's Shanghai-listed shares have surged 20% this year, valuing Foshan at around $35bn. Foshan would be following other Chinese firms that have pursued second flotations in Hong Kong, such as appliance maker Midea, which raised $4bn last month. Large listings are beginning to return to Hong Kong thanks to stimulus measures by Beijing. Around $7.3bn has been raised so far this year, more than double the $3.5bn in the same period last year.

HS2 – back from the dead?

The government is rethinking what to do about Britain's farcical train project. Emily Hohler reports

Transport secretary Louise Haigh has admitted that the costs of HS2 continue to spiral as she announced plans to "get the project back under control" with another independent review, say Jim Pickard and Gill Plimmer in the Financial Times. The original cost of the Y-shaped rail line, intended to link London to Manchester and Leeds, had "ballooned" from £37.5bn in 2009 to more than £70bn by the time Boris Johnson axed the eastern leg in 2021, says The Sunday Times. When Rishi Sunak severed the western line in 2023, some cost estimates had jumped to £100bn.

Even after having "shed most of its sections", one estimate puts completion costs at £67bn, which will leave us with a 135-mile-long line dubbed the "Acton to Aston shuttle", says Christian Wolmar in The Spectator. Starting five miles from central London, it will terminate a mile from Birmingham New Street station, "necessitating a tram ride". Since it will be more expensive and won't save any time, few people will use it. Additionally, it is unlikely to open until at least 2033 instead of the mid-2020s.

Haigh wants to know "what the hell has gone wrong", says Nils Pratley in The Guardian. The "most significant chunk" of cost overruns relates to the 2018 decision to award cost-plus contracts, where the contractor is paid a "percentage of the total value of the work". As Sir Jon Thompson, who was appointed chair of HS2 Ltd in early 2023, points out, this places 99% of the financial risk with the government ("extraordinary") and incentivises budget overruns. The one-sided contracts came about after Carillion went bust in 2018 and ministers were desperate for contractors to bid for the work. With the chances of recouping cash for completed work slim, penalties will apply to future work.

©Getty Images

Haigh: now at the wheel of the world's slowest-ever trains

Humiliating scandal

The Institution of Civil Engineers blames the "absence of a guiding mind", says The Times. HS2 has "had to navigate" six prime ministers, eight chancellors and nine transport secretaries. HS2 Ltd itself has "churned through five chief executives and seven chairmen". Whistle-blowers were allegedly "ignored or sacked". "Several wrong decisions" were made at the outset, adds Wolmar: building the fastest railway in the world in a small country; building it to an incompatible European gauge, and not using proven, cheaper building techniques.

Nor are these problems unique to HS2, says The Sunday Times. It is "emblematic" of our "inability to complete big infrastructure projects" and provides an "object lesson in why Britain struggles to escape its doom loop of anaemic growth". Defence procurement is also "infamously sloppy"and progress on nuclear has stalled, with extra billions having to be set aside for Sizewell C.

Can anything be salvaged from the mess? Reviving the section between Birmingham and Manchester makes sense. It would be the cheapest section to build and the most beneficial in terms of transport links, says Wolmar. A consortium of contractors has put forward a proposal for "HS2-light", involving private-sector investment, but it would still cost billions, and Haigh, who is "delighting" in the "renationalisation" of the railways, may not be keen.

The Department for Transport has said it won't be "resurrecting" the plan to connect the West Midlands with Manchester, say Gabriel Pound and Caroline Wheeler in The Sunday Times. Ministers are, however, "actively considering" extending the line to London's Euston, as originally planned. That a group of "Pollyanna-ish politicians, low-grade civil servants and profiteering contractors" should have been allowed to "humiliate Britain" is a scandal, says The Sunday Times. "It cannot be allowed to happen again."

Putin: "cock-a-hoop"

©Getty Images

Putin seeks to dethrone King Dollar

Vladimir Putin will have been "cock-a-hoop" posing for photographs with world leaders including Narendra Modi and Xi Jinping as Russia hosts the 16th Brics summit this week, says The Economist.

The rapidly expanding club, which Egypt, Ethiopia, Iran, Saudi Arabia and the UAE all joined this year, now covers more than 40% of the world population and accounts for more than 25% of global GDP.

Having been increasingly isolated from the West after its 2022 invasion of Ukraine, Russia wants to show the world that it still has friends and is "doing quite well", says Dewey Sim in the South China Morning Post.

The aim of the alliance is to "challenge the economic and political monopoly of the West", says Sarah Shamim on Al Jazeera. To this end, Brics partners are keen to reduce dependence on the US dollar and the international Swift system for financial transactions that Russian banks were excluded from in 2022.

For Putin, a new scheme is "an urgent practical priority as well as a geopolitical strategy", since Russia's foreign-exchange markets now "almost exclusively trade yuan", leaving it with insufficient funds to pay for imports. Last month, Russia's foreign minister Sergei Lavrov said that a Brics payments system (the "Brics Bridge"), due to be built within a year, would end dependence on "those that decided to weaponise the dollar and the euro".

It's a "tall order" for Moscow, says Sim. Reaching consensus will be hard given the differing political systems, geopolitical interests and economic development of Brics members.

The summit is mainly of "symbolic and psychological significance", says American University's Amitav Acharya: Russia is "mired" in a war and incapable of leadership, and there are rivalries within the group. As a result, "no substantive progress" will be made.


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Moldova's lukewarm 'Yes'

Levels of support for EU accession are microscopic. Matthew Partridge reports


Sandu: needs more support from Moldovans

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A referendum in Moldova intended to put an end "to decades of swerving between East and West" has instead left the country in a "mire of uncertainty" following a "microscopic win" for pro-EU voters, says Andrew Higgins in The New York Times. Polls had suggested a comfortable victory for plans to amend the constitution to "lock in alignment with Europe rather than Russia". The actual narrow result only highlighted the "deep divisions" found in many formerly Soviet lands. In the presidential election held at the same time, Moldova's "firmly pro-Western president", Maia Sandu, finished "far ahead" of rival candidates, but failed to get enough support to avoid a run-off vote.

Disaster for the European project

The result is a "disaster" for Europhiles and the wider European project, says Wolfgang Münchau in The New Statesman. The expected large majority for a Yes vote failed to materialise, and was only not defeated thanks to the relatively high number of expats voting. As the vote was not a direct endorsement of EU membership, but merely a first stage in a long process towards it, it's clear that, even if she is re-elected, Sandu will need more support from Moldovans to pursue her dream of EU membership. She will, in particular, need support from the 14% of Moldovans who speak Russian as their first language and whose opposition made the result so close.

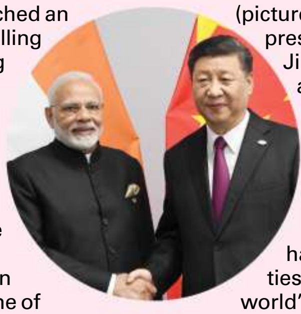
The "Russification" that Moldova went through during its 40-year occupation by the Soviet Union played a part in the closeness of the result, says Paula Erizanu in The Guardian. But the biggest factor was the "malign foreign influence" of Putin and his cronies. Sandu claims that "criminal gangs" tried to buy up to 300,000 votes – about 20% of the final turnout. Others say that "only" 130,000 votes were targeted, but it's generally agreed that "huge amounts of cash" have flooded into the country in an attempt to bolster the anti-EU side. National and international observers, the EU and the US have all condemned Russian interference.

Torn between the EU and Russia

That a slim majority of Moldovans still rejected Putin's attempts to "bribe and lie his way to victory" and "drag the country back into his orbit" nevertheless signals Moldova's commitment to a "democratic future", says The Times. The result will also "give heart" to Ukraine, which itself seeks a future inside the EU. Putin, though, will almost certainly try to recoup the $100m he has reportedly lost on the referendum campaign by doubling down on attempts to defeat Sandu in the run-off against Alexandr Stoianoglo.

Even if Sandu wins next month, her government faces a stiff challenge in next year's parliamentary elections, says the Financial Times. So Europe and the US "should step up economic support, combat Russian espionage and propaganda, and accelerate Moldova's path to EU membership". For their part, Sandu and her allies need to pursue domestic reforms, particularly on the rule of law, that are a prerequisite for joining the EU. The EU and US also need to keep an eye on Georgia, which is similarly torn between the EU and Russia.

Tensions ease between India and China



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India and China reached an agreement on patrolling arrangements along their disputed border, raising hopes of an "easing of tensions", say John Reed and Edward White in the Financial Times.

The border area in the Himalayas is "one of Asia's most tense arenas of geopolitical conflict". Clashes between the two sides in 2020 left at least 24 troops, mostly Indians, dead, with both sides later deploying at least 50,000 more troops each to the area. Since then the government of prime minister Narendra Modi (pictured with Chinese president, Xi Jinping) has taken a hard line on the issue, making de-escalation a condition of resuming normal relations.

The dispute has "bedevilled" ties between the world's two most populous nations, and resulted in India banning certain Chinese products, restricting Chinese investment and curbing some imports over the past four years, says Sudhi Ranjan Sen on Bloomberg. But it remains to be seen "how much of a thaw will come". Both countries remain in "strategic competition". Modi has been cosying up to the US, which wants India to be part of a coalition to thwart China. Still, both have an interest in improved relations. China is one of India's largest trading partners and Indian manufacturing needs Chinese components and raw materials.

The days when Chinese firms could "breezily enter" India and "snap up large stakes" in its firms are not coming back, however, says Shritama Bose on Breakingviews. Chinese investment will be subject to "close scrutiny" and only welcome where a "strong local partner" is a majority owner, or in a sector of "strategic importance".

Betting on politics

Most projections put him only narrowly ahead in the electoral college, but Donald Trump's momentum in the betting markets continues. With £95.9m matched on Betfair, the former president is now at 1.63 (61.3%) to win, with Kamala Harris at 2.6 (38.5%). This is the highest level Trump has been in the betting markets since the days following Joe Biden's decision to stand down as Democratic nominee in late July.

I still stick with my position that Harris should be the favourite to emerge victorious. Trump may have outperformed the polls in 2016 and 2020 in some key states, but the Republicans actually underperformed at the polls in 2022. What's more, Trump himself did slightly worse than many projected in the primaries (though he won them comfortably).

Throw in the fact that surveys suggest that the Democrats are far more enthusiastic, and I think Harris should still pull it off – and there could always be a last-minute surprise in her favour. I could be wrong (just as I was in 2016) so the usual disclaimers apply.

Turning to the Senate race, at the moment the Republicans have 49 seats. They will almost certainly pick up one seat in West Virginia and probably another in Montana. After that it gets much tougher, and they also face two tough contests in Texas and Nebraska. I suggest that, with £2,020 matched, you take Betfair's 1.34 (74.6%) on them to get between 49 and 52 seats.

The battle for Arizona's Senate seat is a case in point. The polls indicate Trump has a good chance of carrying the state, but the Republican candidate Kari Lake is a polarising figure, unpopular with many moderates and independents. She has consistently trailed Ruben Gallego in the polls. With £1,294 matched on Betfair, I'd take the 1.25 (80%) on the Democrats.

Invest in the world's hottest asset

Decant Index, allows collectors and investors the ability to buy, sell and trade spirits and wine.

The Knight Frank Luxury Investment Index is the benchmark index for assessing the performance of alternative investments. For the past 10 years, bottles of rare whisky have topped the list with a price change of 280%, nearly double the performance of the S&P 500 and fine wine, the closest comparator in the alternatives space.

Meanwhile, according to the Whisky Cask Market Report, whisky casks have generated an average return of 12.4% per annum over the past five years, with popular distilleries delivering even greater advances.

According to The Scotch Whisky Association (SWA), global export figures for 2022, termed a "bumper" year, saw a slight decrease as global markets recovered from the pandemic. However, there remains cause for optimism. Compared to 2019, Scotch Whisky exports experienced a substantial 14% increase in value and a 3% growth in volume.

The whisky market has made a remarkable comeback in recent decades, with distilleries starting up worldwide. Today, the global whisky market is worth close to $70bn and forecast to hit $125bn by 2032, according to KPMG. Countries such as Japan and India are joining traditional products such as Scotch and Irish Whisk(e)y.

The growing global interest in whisky has sparked a gold rush. A KPMG survey of 200 high-net-worth individuals and investment advisors found that whisky was the most desired alternative investment class, with two-thirds of respondents favouring Scotch Whisky.

The survey also found a preference for buying whisky by the cask or blended portfolios of casks rather than individual bottles.

Tax benefits

Individuals cited tax efficiency for the preference of casks over individual bottles. In the UK, alcohol duty must be paid on alcohol when it is bottled and leaves "bond." The amount of duty paid varies from product to product, but for the average bottle of Scotch Whisky, a little over £10 is paid in alcohol duty. Storing the whisky in casks in so-called bonded warehouses gets around this issue. What's more, any profits earned from the sale of a cask are generally capital gains exempt because the product is classified as what's known as a "wasting asset."

There are plenty of benefits to including whisky in your portfolio. However, investing in the market with a trusted partner makes sense. Investing in whisky, particularly whisky casks, takes a lot of work. Unless you've got millions of pounds in assets and your own bonded warehouse, it's going to be a struggle to acquire a diverse portfolio to achieve the tax and capital growth benefits.

Marketplace like no other

The technology the company have built is made to revolutionise the industry of both wine and whisky collecting and investing, the marketplace offers a comprehensive dashboard for your collection, enabling you to view your entire collection in one place. Regardless of whether you have purchased through their platform, you will be able to store your collection data here. The marketplace provides a secure way to trade wine and spirits securely with authenticity guaranteed and fully insured.

Decant index is available for collectors or investors to purchase one bottle of spirit or wine or multiple casks of Whisky or Rum, their marketplace lists over 1,000 products from more than 100 different producers.

The company are more than just tech business, they have invested heavily in their Mayfair office, creating a contemporary House Lounge Bar and a separate tasting suite designed for client events. Their office is available to all their private clients and is often the meeting place for private client team and their clients.

Decant Index, offers each collector a dedicated private client director to help support their needs.

Decant Index, part of Decant Group, has a number of businesses within the alcohol sector, one of which is a dedicated storage facility in Scotland, this storage facility is a dedicated bonded warehouse where clients are able to store casks.

When the purchase is completed, the casks are stored at their secure HMRC government-bonded warehouse, fully insured (subject to policy exclusions, terms and conditions) and tax-free. All documentation is held within the online portal. Investors can then sit on the investment and wait for it to mature as long as they wish - three years is the minimum requirement for whisky to be called Scotch Whisky.

Decant Index handles the buying and storing process and can help with the selling process. When it is time to sell, investors can choose from one of several options: selling through the platform to other partners and collectors, independent bottlers, or going to auction. If none of those options work out, investors can always sell directly back to Decant Index as a dedicated stockist for a fast turnaround.

To learn more about Decant index, download their free app at **https://decantindex.com/**

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Abuja

Shell sale thwarted: The Nigerian Upstream Petroleum Regulatory Commission (NUPRC) has blocked the $1.3bn sale of Shell's onshore oil production unit in the Niger Dela to local consortium, Renaissance Africa Energy, says Aanu Adeoye in the Financial Times. At the same time, US rival ExxonMobil finally won approval for a long-delayed sale of its assets in the same region, highlighting the challenges of divesting in Nigeria. The Shell deal was rejected because it did "not scale [the] regulatory test", according to NUPRC's CEO Gbenga Komolafe, dealing a blow to the Anglo-Dutch company's plans to exit the swamplands of the Niger Delta after 68 years in the region. Italy's Eni, Norway's Equinor, and China's Addax have all announced sales of onshore Nigerian assets due to declining returns, oil theft, violence and environmental damage, as well as the prospect of better returns in offshore fields. Nigeria's president Bola Tinubu, who doubles as the oil minister, approves deals on advice from the NUPRC. Former president Muhammadu Buhari approved ExxonMobil's $1.3bn sale of its onshore assets to Seplat Energy in 2022 before reversing course days later, citing the need for more regulatory scrutiny.

Burbank

Mouse House seeks big cheese: Disney named former Morgan Stanley boss James Gorman (pictured) as its new chairman ahead of selecting a new CEO in early 2026, says Alex Sherman on CNBC. Gorman, who joined the entertainment giant's board less than a year ago and leads the succession planning committee, will take over from Nike's executive chairman Mark Parker, who is stepping down after nine years to focus on the sportswear giant. Disney initially planned to name a successor to CEO Bob Iger next year, but it has pushed back the date to conduct thorough due diligence on potential candidates. Jimmy Pitaro, chairman of Disney-owned sports broadcaster ESPN; Disney Experiences chairman Josh D'Amaro; and Disney Entertainment co-chairs Dana Walden and Alan Bergman have all been interviewed for the top job. Iger's handpicked successor from his first stint as boss, Bob Chapek, was dismissed after just three years in November 2022. Iger returned to stabilise the company and make its streaming platforms financially viable. With Iger having postponed his retirement five times and his contract ending in December 2026, mismanaged succession planning spurred activist investor Nelson Peltz to campaign unsuccessfully for a board seat earlier this year. But Gorman is a "steady pair of hands" and "deserves credit for managing a smooth leadership transition" at Morgan Stanley, says Jennifer Saba on Breakingviews. "The danger," in light of the "languishing" share price, is that "Iger sticks around even longer." It's now up to Gorman to find Disney "a suitable big cheese".

Brasília

On the hook: The biggest mass lawsuit in English legal history has begun in London, says Alistair Gray in the FT. Mining giant BHP is facing a multibillion-pound claim brought on behalf of around 620,000 alleged victims of one of Brazil's worst environmental disasters. If they win, compensation could reach £36bn. In 2015, the Fundão Dam, which was managed by Brazilian firm Samarco (a joint venture between BHP and Brazilian miner Vale) was breached, releasing around 50 million cubic metres of toxic waste, which engulfed the town of Bento Rodrigues within minutes, killing 19 people. BHP argues the proceedings unnecessarily duplicate negotiations in Brazil. Last Friday, BHP, Vale and Samarco outlined a potential settlement worth 132 billion reais (£18bn) with Brazilian authorities.

But this deal "simply defers when and how" the miners would "take the financial hit", says Antony Currie on Breakingviews. Three-quarters of the damages could be paid out over 20 years, allowing Samarco to "fully recover". Samarco would then pay the money out of the profits it would have handed to its owners. That would also minimise disruption to BHP and Vale. But while "it's right and proper for companies to try to protect their shareholders", BHP's tactics would leave victims "uncompensated for too long". That would leave "a bad taste".

The way we live now... B-movie monsters are rampaging... again

Classic Hollywood film monsters, such as Nosferatu, Wolf Man, and Frankenstein, are being remade by renowned filmmakers such as Robert Eggers, Leigh Whannell, and Guillermo del Toro, says Keiran Southern in The Sunday Times. These monsters, which have traditionally appeared in "shlocky B-movies", are being used as powerful storytelling devices in prestige films, ripe for Oscars glory. It's no wonder del Toro has spent his career exploring the meaning of monsters, notably with *The Shape of Water*, given the commercial potential of the genre. Initially unsuccessful *Godzilla Minus One*, for example, made more than $115m at the global box office last year on a budget of $15m.

Their resurgence may be a response to global crises, providing a way for audiences to confront their anxieties. German expressionists, responding to World War I, are credited with pioneering film horror, while US scary films included "much more gore" in the wake of the Vietnam War. "These stories at their core are about monstrous human experiences, or things that preoccupy the human mind," says Andrew Stasiulis of DePaul University. "Horror as a genre only works because we as humans face very real fears every single day."

Godzilla is back with a vengeance

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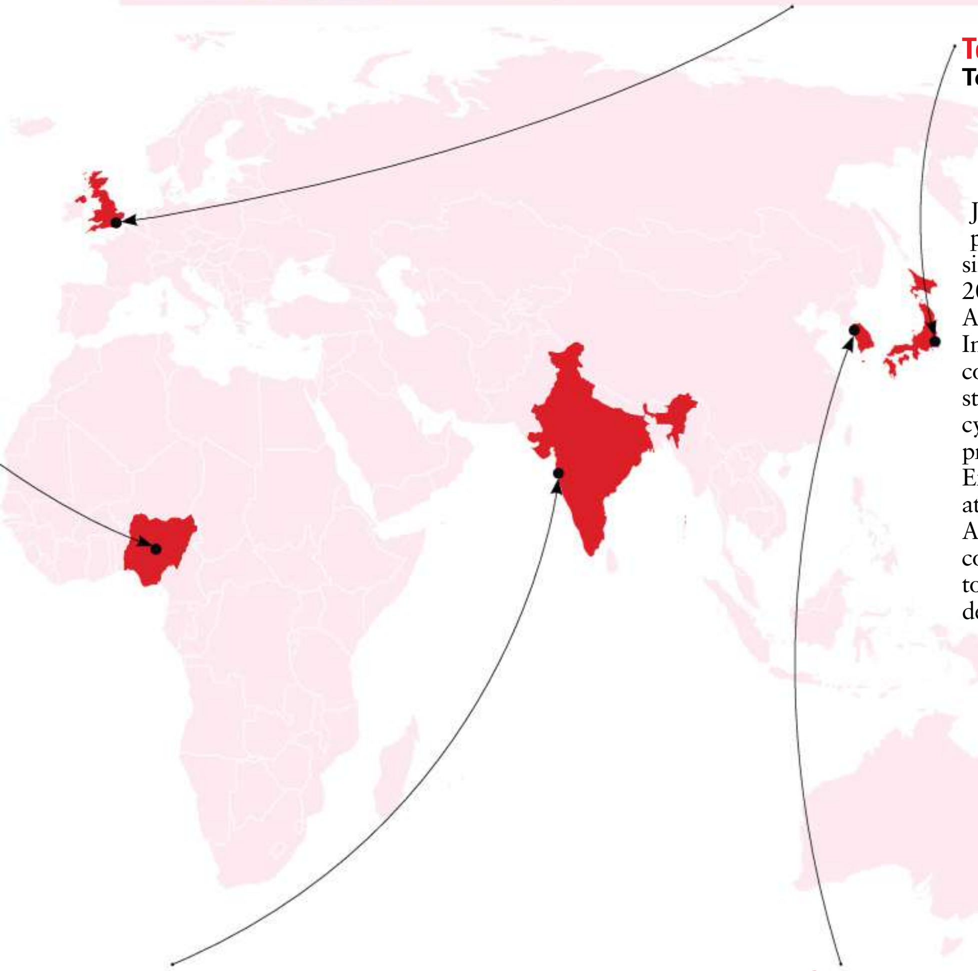
Elhedery: tidying up at HSBC

London

Elhedery makes his mark: George Elhedery, the new boss at Asia-focused bank HSBC, is embarking on a decluttering exercise, says Lex in the Financial Times. From 1 January, HSBC's UK and Hong Kong businesses are to become standalone units, while two more units will comprise "corporate and institutional banking" and "international wealth and premier banking". Within these units, businesses will be divided between "Eastern" (Asia-Pacific and the Middle East) and "Western" (Britain, Europe and the Americas) sections. At the moment, HSBC is made up of three units – commercial banking; global banking and markets; and wealth and personal banking. The 18-member executive committee will also be slimmed down into a 12-member "operating committee" and chief risk officer Pam Kaur has been promoted into the chief financial officer role made vacant by Elhedery. Investors have shrugged, but "there's virtue in simplicity". "Unshackling" HSBC's two home markets of the UK and Hong Kong may make them "sprightlier" and "crunching together" investment banking and commercial lending may "reduce some overlap". "What results, though, is still somewhat ungainly." Splitting the UK from Hong Kong "shows their lack of synergies… and looks odd for a global bank". Potential cost-cutting also bodes ill for the bank's 214,000 employees. Still, a new CEO needs to make an entrance. Elhedery's next challenge is "to be clearer about where [HSBC] is going".



Tokyo

Tokyo Metro zooms off: Rapid transit system Tokyo Metro's shares surged on their trading debut following Japan's largest initial public offering (IPO) since SoftBank listed in 2018, say Mitsuru Obe and Akane Okutsu on Nikkei Asia. Investors were attracted to the company's ability to pay regular dividends and stable revenue base that is resilient to economic cycles. The stock closed 45% higher than the IPO price of ¥1,200 per share on the Tokyo Stock Exchange's Prime segment, valuing the company at around ¥1trn (£5bn). Tokyo Metro's president Akiyoshi Yamamura (pictured) declined to comment when asked if the IPO price had been set too low. No fresh capital was raised. Rather, the delayed IPO, originally planned for the summer, was an opportunity for the government to offload half of its 53% holding in the 104-year-old underground operator in order to pay back the debt it took on to rebuild parts of Japan following the tsunami disaster in 2011. Tokyo Metro now plans to diversify its operations into property development and retail. It may struggle to do that, says Kazuaki Nagata in The Japan Times. Its stations are underground, Tokyo's population is expected to peak in a decade and remote working is on the rise.

Mumbai

IPO stalls: Shares in Hyundai Motor India (HMI) fell 7.1% on their market debut in India after raising Rs278.6bn (£2.6bn) in the country's biggest initial public offering (IPO) this year, says Soumyajit Saha on Nikkei Asia. The decline mirrors the 7% slump in the Nifty Auto index, which monitors the stockmarket performance of large carmakers in India, over the past week, reflecting a slowdown in the industry. Car sales to dealers fell 1.8% in the three months to September from a year earlier – the first decline in ten quarters. The sector has suffered from a "lack of major launches" and high royalty payments to HMI's parent company, South Korea's Hyundai, would weigh on its earnings growth, noted analysts at Emkay Global. Nonetheless, the IPO "gives the impression of being a seminal moment" in India's equity culture and could be a "trendsetter", says Andy Mukherjee on Bloomberg. Share sales by Colgate, Unilever, Cadbury, and Reliance Industries broadened India's capital market in the 1970s after New Delhi forced multinationals to cut stakes in local units. Today, Hyundai's parent decided to sell 17.5% of its India unit "not because anyone twisted its arm", but to take advantage of "sizzling" valuations. India's investor base has grown in "leaps and bounds".

Seoul

Korean drama: If there was ever doubt as to why South Korea needs to clean up the rules around entrenched family-run conglomerates, the fallout between Korea Zinc and Young Poong is a shining example, says Robyn Mak on Breakingviews. Five decades ago, the Choi family informally agreed with the Changs that it would manage $12bn Korea Zinc, the country's biggest zinc smelter, while the Changs would manage Young Poong, an affiliate metals producer. "That understanding has now fallen apart." Korea Zinc's boss Yun Choi (pictured) has bet the company's fortunes on risky ventures, such as battery materials. Those bets appear to be paying off, while loss-making Young Poong has been mired in a safety-related scandal. But Young Poong is Korea Zinc's biggest shareholder with a 33% stake and it teamed up with private equity fund MBK Partners to buy another 14.6% from minority shareholders with a view to ousting Choi. So Korea Zinc bought back enough shares to deter minority shareholders from selling and Young Poong could only buy an extra 5.3%. The result: stalemate.

A game-changer for the space race

SpaceX's stunning achievement is a big boost for the space-business sector. Simon Wilson reports

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SpaceX's Starship: the next giant leap for mankind?

What's happened?

Earlier this month SpaceX achieved a major, thrilling milestone in its mission to create a fully reusable rocket system, which can be recovered and turned around rapidly for another launch without the need for refurbishment. In a world first, at the company's Starbase in Boca Chica, Texas, SpaceX sent the world's largest and most powerful ever rocket up into space, and within a few minutes returned its "Super Heavy Booster" to the launch site – two giant metallic arms swinging closed to catch it. The technological feat is stunning, the culmination of years of work. As it reapproached Earth, the giant booster (232 feet long, or 70.7 metres) was travelling so fast it glowed hot from the friction. But then its engines briefly fired up again, slowing the rocket down and guiding it into the vast, chopstick-like contraption SpaceX boss Elon Musk calls his "Mechazilla".

What happened to the Starship?

The Starship itself (50 feet long, 29.5 feet in diameter) orbited the Earth, reaching an altitude of 131 miles, and made a controlled re-entry and splashdown in the Indian Ocean just 65 minutes after launch. SpaceX engineers used the flight to test new hardware, including a 12,000-hour replacement and upgrade of the craft's heatshield, which had shed tiles and melted during a previous test. But the great significance of the launch was not the Starship's particular mission. It's that developing a fully reusable rocket potentially brings SpaceX's long-term goal of making humans a multi-planetary species – by creating settlements on Mars – a crucial step closer.

What are the implications?

SpaceX's founding mission was "to revolutionise space technology, with the ultimate goal of enabling people to live on other planets". It is "undoubtedly doing the first of those", says The Economist – and with the latest success "it is better placed to accomplish the second". Already, SpaceX's current Falcon rockets have slashed the cost of space flight – and launching satellites – by roughly 90% in a decade, partly because their lower stages can be recovered and flown again, after weeks of refurbishment. The difference with the new Starship system is that it's vastly bigger: its maximum projected payload is 150 tonnes, compared with the Falcon 9's 22 tonnes. Second, both halves of the rocket can be used again and the aim is to cut return time from weeks to hours, and slash the price from $70m a launch with Falcon to $10m with Starship. The aim is of more than one launch a day and building 1,000 Starships a year.

Pie in the sky?

Possibly, though Musk has a habit of defying doubters, even if it takes him longer than first envisaged. But even if SpaceX doesn't come close to its goal, Starship's combination of "vast size and bargain-basement price could provide a big boost to the economics of space in general – and of Starlink in particular". Starlink is SpaceX's revolutionary and booming business that brings internet access via satellite to underserved parts of the world – revenues are estimated at $6.6bn this year, up from $1.2bn in 2022. Other firms in the sector (Hughes, SES, Viasat) rely on small numbers of satellites in high orbit, increasing the risks of congestion, loss of signal and high latency. Starlink, by contrast, relies on large numbers of satellites in low orbit (around 500 km up) – some 6,400 have launched since 2019. The low orbit slashes transmission delays, and improves connectivity, but means far more satellites need to be sent up, and replaced far more frequently. That's where the reusable Starship comes in: it makes a massive expansion of Starlink conceivable – and with it, potentially gigantic revenues – roughly $100bn a year by 2040, reckons Morgan Stanley, assuming 32 million Earthling subscribers.

"The UK has attracted 17% of global private investment, second only to the US"

How's Nasa getting on?

While SpaceX works on a version of Starship that can travel to Mars, US space agency Nasa is focused much closer to home – on repeating the trick it first pulled off 55 years ago of sending astronauts to the moon. But there's a basic problem with Nasa's Artemis programme, says Michael Bloomberg on Bloomberg, which is that "the mission is more political than scientific". There is little that humans can do on the moon that robots cannot – and Artemis is more about demonstrating US space supremacy than actually advancing our understanding of anything. It's also wildly expensive ($100bn to date), extremely complex, and diverting funding and attention from more important things. As Artemis consumes its budget, Nasa has cancelled or postponed promising scientific programmes including the Veritas mission to Venus, the Viper lunar rover, and the NEO Surveyor telescope, intended to scan the solar system for hazardous asteroids. American taxpayers and politicians should be asking: "What on Earth are we doing?"

What about the UK?

Compared with the exciting developments in the US, the UK's fledgling space industry, worth about £19bn last year, is "struggling to leave the launchpad", says Naomi Ackerman in The Times. But there's plenty of optimism about the future. Some 175 new space-related companies were registered in the UK last year, taking the total to 1,765, whose annual growth outpaced the wider economy by 5%, according to the UK Space Agency. Moreover, the UK attracted 17% of the $46bn in private capital invested in the global space sector between 2015 and last year, according to consultancy Strategy&. That's second only to the US. British firms are investing in satellite and terminal development, software and other services, and the UK is attracting rocket-building start-ups from across Europe. Even so, it's a mixed picture, says Ackerman. Many firms have yet to generate revenues or are struggling to raise capital. But SpaceX's success has the potential to boost the whole sector, argues Mark Boggett, manager of the £120m Seraphim Space investment trust. "It really is game-changing," Boggett told Citywire. "SpaceX is the workhorse to enable all of our companies."

The City must wake up to a new threat

Financial hubs in the Gulf are on the rise and they're coming to eat London's lunch

Matthew Lynn
City columnist

They rely purely on oil and gas. They don't have much in the way of a domestic economy, nor do they have the depth of technical skills to compete in highly sophisticated service industries. Yet commerce hubs in the Gulf, such as in Bahrain, are emerging as genuine finance centres on their own terms. Most of the major European financial centres think they are competing purely with one another. But those in the Gulf could in time pose a real threat to Paris, Frankfurt and, of course, the City of London too.

On a visit to Bahrain earlier this month I was struck by how quickly the island kingdom is developing as a finance centre. "Financial services are already the largest sector of the economy, overtaking oil and gas in 2020," Khalid Ebrahim Humaidan, the governor of the central bank, told me. One of the country's advantages, he believes, is that both monetary policy and regulation are combined in the central bank, allowing it to maintain flexibility and ensure stability while promoting growth.

"We have been working to make the country far more innovative, and to encourage start-ups, especially in financial services," says Abdulla bin Adel Fakhro, the minister for trade and commerce. Likewise, the Development Board is pressing ahead with developing its finance industry, with its own fintech hub, and lots of emphasis on digital banking and cryptocurrencies.

Four big trends

True, Bahrain is not a huge place. The total population is only 1.5 million people, and only half of those are Bahraini. It ranks 76th in the GFCI global ranking of finance centres. Even so, it has more than 400 financial institutions operating on the island, finance accounts for 16% of GDP, and, along with its better-known neighbour, Dubai, it's not just a domestic finance centre, but one that is also doing business with the rest of the world. Bahrain has four big trends on its side.

Bahrain is emerging as a genuine financial centre on its own terms

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First, flexible regulations. As Humaidan, from the central bank, points out, the island is working hard to make sure its regulatory environment favours innovation and investment. Fintech and crypto are just as important as traditional banking, insurance and trade finance, and growing all the time. That is not just a coincidence. Start-ups have been actively encouraged, and not just tolerated as they are in most European finance centres.

"Bahrain has been encouraging start-ups in financial services"

Second, huge investment in modern infrastructure. Bahrain has only recently opened a glittering new airport and, of course, the facilities in Dubai, Qatar and Abu Dhabi are just as good. The region's airlines have modern fleets and quick connections to the rest of the world. It is an easy place to operate a business.

Third, low or zero taxes, especially on capital and wealth, combined with strong economic growth. Bahrain levies no income tax, or capital-gains tax, and although it will introduce a corporation tax, mostly to comply with the OECD's new global minimum rate, that will only apply to domestically generated profits. The same is true of most of the Gulf states. Meanwhile, their economies continue to thrive. Even with a relatively low oil price, and little prospect of higher prices any time soon – there is too much shale oil in the world, and even if they do rely on subsidies, renewables are growing fast – Bahrain will expand by more than 3% this year, and the whole of the United Arab Emirates by 3.4%. As taxes rise across Europe, especially in both France and the UK, those zero rates are going to become more and more attractive over time.

Finally, an increasingly skilled workforce. Most of the Gulf states have high levels of education, and the more liberal ones have brought plenty of women into high-level positions. They have turned into a magnet for young talent from all around the world, not least because the tax regimes, alongside the quality of life, are more attractive than the countries from which the immigrants come.

Sure, there are plenty of challenges. The region is politically unstable and will remain so as long as Israel is at war with its neighbours. The huge number of expatriates and foreign workers may not always be available to keep the economy running. Oil and gas may not be as crucial to the Gulf economies as they once were, but they remain the foundation on which the region's prosperity was built, and as the rest of the world switches to renewable energy its value will keep on falling. The next two decades may easily prove a lot tougher than the past two. Even so, the region is still racking up some of the fastest growth rates in the world, and with every year that passes more and more of that growth is coming from manufacturing, tourism and, perhaps most of all, finance.

The flight from taxes

We think of places such as Bahrain or Dubai as purely regional financial hubs. They have a niche handling all the wealth that the oil and gas industry generates, but not much else. We certainly don't think of them as having the experience or expertise to compete on their own terms. And yet that view is surely becoming very dated. Europe is suffocated by high taxes and cumbersome regulations. Unlike New York, or Singapore, or Shanghai, the Gulf is in virtually the same time zone, and it is only five or six hours by aeroplane from most European capitals. There are a growing number of highly skilled expatriates, fleeing endlessly rising taxes in their own countries.

It may not be long before start-ups decide to base themselves in the region, or companies choose to list their shares in one of the Gulf states. Add it all up and one point is clear. Emerging finance centres such as Bahrain are turning into a threat to complacent European finance hubs, and especially London – a threat that the City should start taking seriously.

No real margin for error

Bond yields are ticking up even as interest rates fall, but they still don't offer much protection against inflation

Cris Sholto Heaton
Investment columnist

Short-term interest rates are going down – the only questions are how much central banks cut, and how fast. Longer-term rates are another matter. Yields on US ten-year Treasuries are up by half a percentage point to 4.2% over the past month; UK ten-year gilts are up by a quarter point at the same level. That's unusual: the only time in recent history that ten-year Treasuries have risen by that much immediately after the US Federal Reserve began cutting was during the 1995 soft landing. Markets clearly do not believe we will return to the ultra-low rates of the past decade.

This seems reasonable. Since 1962, the average (median) yield on the ten-year Treasury has been 5.6% and average inflation over the same period has been 3.09%. As a crude estimate of the real (inflation-adjusted) yields that investors might have been expecting (not what they got, which requires hindsight), the average difference between the two at each point was 2%. If you figure that inflation will match the Fed's target of 2%, then a 4.2% yield will give you an after-inflation return in line with the long-term average. If we consider inflation and yields only since 1990, when they've been consistently lower than in the 1970s and 1980s, the median difference was about 1.5%. The gap for the UK has been a bit higher: over 3% since the 1960s, but 2% since 1990. So overall bonds look priced for roughly fair value, if that's the outcome we get.

Time to worry about deficits?

Whether inflation will run at 2% is the big question. If it's significantly higher, we'd expect investors to demand higher real yields (not just higher nominal yields). If it's lower, we'd expect the opposite. Last week, we mentioned reasons why inflation could settle higher without being out of control, from fiscal policy to global trade to geopolitics. The latter is unpredictable, but the former seems clear. The US runs a large deficit and that won't change regardless of who wins the election. The UK is also heading in a direction of higher public spending. This is one plausible explanation for why yields are ticking up despite rate cuts: investors are worried about structurally larger deficits and higher inflation.

In theory, long-term interest rates should be higher than short-term rates to reflect the risks that an investor takes in lending money for a longer period, so it may seem odd that ten-year yields are fairly close to both five-year yields (US: 4.05%, UK: 4.04%) and 30-year yields (US: 4.52%, UK 4.75%). In practice, the typical term premium for holding longer-term bonds has been surprisingly modest. For the US, since 1977 when the 30-year bond was introduced, the average spread between the 30-year and the ten-year has been 0.28 percentage points, and 0.34 percentage points between the ten-year and the five-year.

True, spreads have been very volatile (see chart) and sometimes gone even lower. Still, when starting from these yields, there isn't much cushion if inflation beats expectations. Buying 30-year bonds now will be the right call if inflation turns out much lower, but on the balance of risks, shorter-term bonds look like better value.

US Treasury yield spreads
Percentage points

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

A yield curve is a graph that shows how the yields on a group of related bonds vary according to their maturity. Investors normally focus on the yield curve for bonds such as US Treasuries or UK gilts. These governments have a vast number of outstanding bonds, with remaining maturities ranging from months to many decades in the future, and so their bonds provide a key benchmark for pricing other bonds and loans of different maturities. But yield curves are also used to compare yields versus maturities for bonds issued by a group of borrowers that have similar credit ratings, or even a single large company.

Yield curves move up and down, and shift in shape, in response to demand for bonds of different maturities. A normal yield curve slopes up from left to right – ie, longer-dated bonds yield more than shorter-term ones. That's because investors expect to be compensated for risks such as inflation or default over the period of the loan, and uncertainty about these risks increases with longer-maturity loans. Hence they demand higher yields to lend for longer to reflect this uncertainty.

If the yield curve starts to flatten – the gap (or spread) between yields on short-term bonds and long-term ones narrows – then it may suggest that investors think inflation will fall, so they don't need as high a yield from longer-term bonds to compensate for inflation risk. Alternatively, it may imply that interest rates are set to rise in the short term, but will stop rising further as growth slows.

A flat yield curve may give way to an inverted one. This means that investors expect short-term interest rates in the future to be lower than they are today and so they are happy to lock in today's yields on longer-term bonds. That in turn suggests they expect inflation to fall enough that the central bank can cut interest rates – or the economy to slow so much that it will be forced to cut in the hope of boosting demand and renewing growth.

Guru watch

Ray Dalio, founder, Bridgewater Associates

China needs to implement a "beautiful deleveraging" strategy alongside recent stimulus measures to prevent a debt crisis, says Ray Dalio, the founder of hedge fund Bridgewater. Mishandling the country's debt burden could lead to an economic and psychological malaise similar to the one Japan experienced from the 1990s until the middle of the past decade.

The solution must involve a balanced combination of debt restructuring alongside boosting the money supply and debt monetisation (having the central bank buy up government debt). Restructuring is deflationary while money creation will be inflationary and the two will help offset each other.

"Doing a deleveraging in this way not only reduces debts without triggering either unacceptable deflation or unacceptable inflation, but it also allows viable businesses to get back to business unencumbered by their old debts," writes Dalio on LinkedIn. "It eliminates the 'pushing on a string' problem of having scared people, companies, and other entities holding cash in safe banks and government debt assets."

"It does this by making cash a poorly performing asset class relative to the major alternative asset classes that are doing well because of the reflation."

In September, the Chinese government announced a number of measures to boost its struggling economy and property sector, such as lowering borrowing costs and allowing banks to increase lending. But it needs to go further in tackling its debt overhang now, not least because it faces a number of challenges including an ageing population and overindebted local governments, Dalio told a China conference in Singapore, reports CNBC.

"That's the real interesting question... in terms of how it's approaching its debt issue. They have the capacity to do that, and I believe they have the willingness to do that."

Survival of the fittest funds

The investment-trust sector is consolidating; for the small, illiquid players the future looks bleak

Rupert Hargreaves
Investment columnist

This year is shaping up to be a landmark one for the investment-trust sector. It entered 2024 in turmoil. Trusts were trading at the widest average discount to net asset value (NAV) since 2009, and managers were fighting the City regulator's heavy-handed application of cost-disclosure rules. These made trusts seem far more expensive than other actively managed funds.

While there are many advantages to owning an investment trust over an actively managed fund, not least trusts' closed-ended nature making them suitable for holding illiquid assets, they will always be lumped with the actively managed sector and compared with passives.

Active management will always be more expensive than passively managed funds, and there will always be more risk involved in picking stocks. For the past decade, moreover, there has been a growing shift from active funds to passive funds. Around 92% of the money invested by UK investors over the past decade has been placed in passively managed index-tracking vehicles.

The good news is that these cost-disclosure rules have been reformed. The changes are already having an impact on the sector. RIT Capital Partners, which disclosed an annual cost of 3.8% under the previous rules, has republished its fact sheet with the cost revised to zero. Following the changes, Fidelity International has reinstated trading in the fund on its platform. It had previously removed the trust, citing the Financial Conduct Authority's value for money requirement under the consumer duty rules.

Aquila European Renewables is set to wind down

©Getty Images

Too little, too late?

Unfortunately, even with these changes, investment trusts, especially smaller ones, are likely to keep struggling. This year is going to be a record-breaking one for trust mergers, with a near double-digit number of deals signed. Only seven mergers were agreed in the four years between 2016 and 2020. The largest deal was the £5bn merger of Alliance Trust and Witan Investment Trust, where the smaller Witan chose to merge with its larger rival following the retirement of its CEO Andrew Bell. The fact that Witan's board chose to merge the fund rather than continue as a stand-alone entity is telling. Witan's board said the combination was in the best interests of shareholders and allowed "the continuation of our multi-manager approach at lower fees and in a larger, more liquid vehicle".

If Witan, worth £1.6bn before the merger, was worried about size and liquidity, what does that say about the landscape for smaller sub-£1bn trusts in general? It is getting harder and harder for them to survive. Baillie Gifford's Keystone Positive Change is winding down. Aquila European Renewables plans to do the same now that a discontinuation vote has passed, and so has Residential Secure Income.

The £101m company followed in the footsteps of other real-estate investment trusts (Reits): Abrdn Property Income, which decided on the wind-down route after shareholders refused to back a merger with Custodian Property Income Reit; and Ediston Property Investment Company, which sold its whole portfolio to US-based Realty Income.

These trusts traded at persistent discounts, with no clear long-term objective for realising value. As it remains out of favour, the sector is likely to keep consolidating and returning cash to investors. Investors are still willing to back actively managed funds and investment trusts, but the numbers do not seem large enough to enable the smaller trusts to survive.

The question is, who's going to be brave enough to buy illiquid, sub-scale trusts trading at a discount, especially if they've underperformed? That's something investors should ask when looking at their fund holdings. Even if something looks cheap, there will never be an opportunity to unlock the value without someone on the opposite side of the trade.

Activist watch

Air Products and Chemicals's (APC) decision to invest $15bn in clean hydrogen projects, because it hopes demand will outstrip supply, has weighed on the US industrial gas firm and "attracted two pushy investors", says Robert Cyran on Breakingviews. US hedge funds D.E. Shaw and Mantle Ridge are urging APC to curb spending, restructure its board, present a succession plan for its octogenarian CEO Seifi Ghasemi, and overhaul its strategy. Mantle Ridge, with a $1bn stake in APC, has also teamed up with former managers at rival firm Linde to shake up APC. APC is pausing investments until it finds more buyers for its green hydrogen, which governments are promoting because it could decarbonise sectors such as steel and shipping.

Short positions... Scottish Mortgage's record buyback

■ **Scottish Mortgage Investment Trust (SMIT) has purchased a record £1bn of its shares since announcing its buyback programme seven months ago, says Citywire. In March, SMIT launched the buyback of 8.3% of its shareholder capital to prop up its weak share price after US activist hedge fund Elliott Associates revealed it had a 5% position in the trust. This was the largest-ever buyback for an investment trust. Shares in Baillie Gifford's flagship fund, which invests in high-growth companies such as Nvidia and Tesla, have struggled in recent years and are down 44% from their November 2021 peak after high interest rates cooled investors' appetite for high-growth businesses. The shares are trading at a 12% discount to their net asset value (NAV), suggesting that further buybacks are a possibility. London-listed investment trusts suffered a record overall outflow of £9.9bn in the first nine months of 2024, more than double the £4.2bn withdrawn last year.**

■ Digital 9 Infrastructure (DGI9) has appointed InfraRed Capital to oversee the winding down of the debt-laden trust and the sale of its remaining assets. In March, shareholders of DGI9, which gave British retail investors access to digital infrastructure that is key to the artificial-intelligence (AI) boom, such as data centres, voted to wind down the trust. In September, the trust wrote down its net asset value (NAV) by 43% and was trading at a 58.9% discount to its NAV. DGI9's shares tanked as investors grew worried about its high levels of debt and capital expenditure, increasing interest rates, the exit of the fund managers, and last year's cancellation of the dividend, says The Telegraph. In March, DGI9 sold "its best asset", a stake in Icelandic data-centre operator Verne Global, to repay debts.

Get out of the fiscal doom loop

Wolfgang Munchau
The New Statesman

As our government ponders higher employer national insurance, it should consider the probable fate of the unpopular Olaf Scholz, whose austerity measures could cost him next year's German election, says Wolfgang Munchau. Indeed, "the one-term government is austerity's single biggest trophy". Scholz won in 2021 on a modernisation ticket and, although he started well with a "big investment programme" thanks to an unused pot set aside for Covid recovery, last November Germany's constitutional court decided that the "heist" was unconstitutional, leading to a raft of "panicked" austerity measures. "The tragedy about fiscal rules is that the left invented them" in an effort to "atone" for the profligacy of left-wing governments in the 1970s. Germany's SPD co-invented the constitutional debt brake in 2009. Gordon Brown came up with our fiscal rules in 1997. Both are straitjackets. The way out of the "fiscal doom loop" is to "front-load your agenda with strategic economic reforms" to boost productivity. Cutting investment means less growth, lower revenues, higher deficits – and more austerity. It "may be too late for Scholz, but it is not yet too late for Starmer… The left needs to be more clever about fiscal policy."

Mines are greener than biofuel

David Fickling
Bloomberg

Last year, the felling of rainforests resulted in greenhouse emissions equivalent to 3.7 billion tons of carbon dioxide, according to the Forest Declaration Assessment. The "biggest culprit" was Indonesia, says David Fickling. In the public mind, nickel mining is responsible. Nickel is needed for electric vehicle (EV) batteries and it's true that remote islands are being cleared and polluted by ore-processing byproducts and coal-fired power plants. Yet palm oil is the bigger threat. In the same period in which nickel mines have spread over 76,000 hectares, oil-palm plantations grew by 12.75 million hectares. The new president, Prabowo Subianto, has promised to raise the proportion of biofuel in diesel from 35% to 50% next year to reduce dependency on imported crude. This will require about an extra two million hectares of land. Indonesian vehicles have been by far the biggest driver of palm-oil growth for decades. A better solution would be to accelerate the shift to EVs. This means accepting that Indonesia, which produces 50% of the world's nickel, will need to mine more of it, but since a hectare of rainforest can provide metal for 1,000 EVs and generate around 200 times as much revenue as the same area planted with palm, it makes more sense.

Starmer bows to Big Tech

Chris Stokel-Walker
The Guardian

In a seeming attempt to "placate AI [artificial intelligence] companies", the UK government is due to consult on a scheme that will allow AI firms to "scrape content from individuals and organisations unless they explicitly opt out", says Chris Stokel-Walker. Data is needed to train AI systems. By one estimate ChatGPT will run out of training data by 2026. Without that data, "the AI revolution may stall". This has led to a rush to sign licensing deals for content, but Big Tech's loathing of this kind of "friction" means that we are being nudged towards an opt-out approach, where "everything we type, post and share is destined to become AI training data" by default unless we refuse. X (Twitter) and Meta (Facebook) are already altering their terms and conditions. Yet most content creators don't want their work to be used to train AI. There is a reason for copyright laws. The government, however, is under pressure from Big Tech, who are suggesting that it is a requirement for them to invest in the UK and "share the spoils" of innovation. With all that money "washing around… it's unsurprising Keir Starmer doesn't want to miss out". But OpenAI (valued at $150bn) and its ilk have more than enough cash to pay for data. They should stump up.

Epochal change is coming

Daron Acemoglu
The New York Times

The US economy currently looks pretty healthy, but "three epochal changes" are "barrelling" towards us – an ageing population, the rise of AI and the rewiring of the global economy – and Americans "are not prepared", says Daron Acemoglu. If handled correctly, we could see "much higher productivity, wages and opportunities". If mismanaged, they could "make good, well-paying jobs scarcer and the economy less dynamic". Firstly, ageing. We should follow the example of Japan and South Korea, which have kept their economies going by introducing new technology to take over the tasks younger people performed and training workers to complement automation. Similarly with AI: we need a national strategy so that AI doesn't simply automate work and sideline workers, but creates new jobs and competencies. We could encourage training with tax credits or subsidies. In terms of the reshaping of globalisation, the future is unclear, but it could be a combination of trade restrictions and industrial policies designed to keep investment and jobs in the US. Again, this needs to be planned for, not least by training the workforce appropriately. These issues are critical to our future, and are "not getting the attention they deserve".

Money talks

"Women of my generation are the luckiest there's probably ever been. We got everything, didn't we? Milk, cod liver oil, rock'n'roll, the pill, no tuition fees. I was paid for by Hull Council. Even my lodgings were contributed to. What a world we had then. In retrospect, prime minister Harold Macmillan was right when he said: 'We've never had it so good.'"
Actor Maureen Lipman (pictured), 78, quoted in The Observer

"I want my children to have all the things I couldn't afford. Then I want to move in with them."
US comedian Phyllis Diller, quoted in Parade

"Politicians and diapers have one thing in common. They should both be changed regularly and for the same reason."
Portuguese writer Eça de Queirós, quoted in Gentleman's Journal

"I will be very attentive to your proposals for additional savings to deal with a deficit that I found when I arrived."
France's new prime minister Michel Barnier in response to unsolicited advice from his predecessor Gabriel Attal

"My father was a doctor who did not believe in money. He came from extreme poverty and was the first of his family to even finish high school, let alone go to university. He became a doctor to help people who need it most. He moved back to the community where he came from and gave away his services for free. He was a kind of saint."
US author Barbara Kingsolver, quoted in The Times

"I don't think that even Lord Alli is buying any of that nonsense."
Tory leader Rishi Sunak at Prime Minister's Questions after Keir Starmer repeated the claim that Labour had inherited a £22bn black hole in the public finances, quoted in The Mail on Sunday

Why Britain is stagnating


There's still no sign of Leeds' "supertram"

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edwest.co.uk

By the end of World War II, Britain had been the wealthiest country in Europe for a century and was still the second wealthiest on earth after the US, says Ed West. We began to fall behind after the war, but after decades of relative stagnation GDP per capita converged with the US, Germany and France in the 1980s and our relative wealth peaked in the early Tony Blair years. If our growth had continued along the trend set in the years 1979 to 2008, average income today would be £41,800 – it's actually just £33,500.

It's time Britons woke up to just how poor their country is. Many regions are "near outliers in western Europe on poverty", and the "few foreign visitors who go outside the historic heritage cities are shocked by how run down our towns are".

How did we fall so low? Some blame a lack of strategy and state spending. But state investment would face the same barriers and high costs that existing infrastructure projects face. The real reason, as Ben Southwood, Samuel Hughes and Sam Bowman argue in their essay "Foundations" (available at ukfoundations.co), is that the British system makes it hard to invest, and expensive and legally difficult to build. A Leeds "supertram" was given the go-ahead in 1993, and there is still no sign of it, to give just one of many notorious examples.

Even before Russia's war with Ukraine, the industrial price of energy had tripled in under 20 years. Per capita electricity-generation in Britain is just two-thirds that of France and a third of the US, putting us closer to developing countries such as Brazil and South Africa than to other G7 states. Transport projects are absurdly expensive. Productivity growth has stagnated. No wonder annual real wages for the median full-time worker are 6.9% lower than in 2008. On current trends, Poland will be richer than the UK by the end of the decade.

Britain's economy lacks the infrastructure to enable people to move house and access prosperous areas. "Agglomeration" is the key because no individual by themselves can create much value. Countries become rich when its people are able to move to the most dynamic areas. But in Britain today, only the richest can afford to do so, literally leaving the poorest behind. Our "deep and worrying" social problems have their roots in this economic malaise. Yet what we must do to reverse all this is simple, say the essay authors. We just need to remove the barriers to investment, such as restrictive planning rules. With the foundations in place, "growth and dynamism will follow. We have done this before. We can do it again."

The film industry will find a way

cuttingroomtales.wordpress.com

Veterans of the British film and TV industry have said this year is the worst they can remember, says Guy Ducker. "No one's working." Last year, 74% of British film crews were out of work. This year, 88% are concerned about their financial security. Why so grim? A "perfect storm" of factors have contributed. High interest rates have raised the cost of borrowing and made films a less attractive investment. The cost-of-living crisis has kept audiences and advertising revenue away and raised the cost of production. Crews are demanding higher salaries. Broadcasters' budgets have collapsed. Films going straight to streaming services – rather than first to cinemas and DVD release and so on – make less money. The streamers too are reining in spending and lucrative Hollywood franchises are on their last legs. Yet for all that, there are "rays of sunlight". A new UK tax credit will support independent films with small budgets, for example. The return of physical media such as Blu-rays could raise revenues. But above all, there's the fact that the country is brimming with film-making talent and ideas, and audiences have not gone away. The "laws of evolution" will ensure that the industry continues to tell stories on screen. "In the words of *Jurassic Park*'s Dr Ian Malcolm: 'Life finds a way.'"

Make a career from a calling

blogs.lse.ac.uk/businessreview

The idea has taken hold that you can live a more meaningful life if you follow your "calling" and make that your day job, say Kirsten Robertson, Brenda Lautsch and David Hannah. That may be true for some, but putting the advice into practice is not straightforward.

Consider precisely what you feel called to do. If to play music, for example, would you be happy in any job connected with that, or would only going it alone as a performer do it for you? If the latter, you will find it much harder to make a living and hence may need to supplement your income with other jobs. Then consider


Don't give up the day job

©Getty Images

labour-market demand for your work and how important financial stability is to you. If it is important, pursue your calling part-time for now – this will "keep the spark alive" till circumstances are conducive.

The young are increasingly being encouraged to "pursue their passions" and so there's a good chance that new workers will be doing additional jobs. Employers that support this with flexible working may find that they end up with more productive and loyal employees than if they push them to focus entirely on the day job.

What we can learn from Japan

unherd.com

The "nanny state" is alive and well under the new government, says Christopher Harding. From October 2025, TV ads for junk food will be banned before a watershed and online ones banned entirely. Measures are on the way to stop children buying high-caffeine drinks and smoking. The NHS is poised to enter workplaces to check our weight and blood pressure.

The idea is to reduce the strain on the NHS and society. More than a quarter of the population is obese; in Japan, the figure is less than 5%. What could we learn from Japan? Eat a better, more wholesome diet, for starters. School children learn about nutrition in depth and healthy lunches are provided. Governments have long "crafted attitudes" to physical health, with the aim of producing fit soldiers and workers. The bigger picture is that the job of the state has long been seen as to manage the public, not pander to it. British governments probably can't go that far, but the idea may yet take root that "physical health is a communal... good". Workplace health checks might become part of our "road to recovery".

A fantastic family firm going cheap

James Halstead will rebound from a weak patch, while tax changes would be a buying opportunity, says Jamie Ward

Good companies listed on Aim are typically expensive. This is because many shareholders own the shares to lower their inheritance-tax (IHT) bill rather than to make a return and are less bothered by valuation. However, one of the most popular stocks in IHT portfolios now looks unusually cheap. **James Halstead (Aim: JHD)** has performed poorly over the last couple of years due to supply-chains disruptions.

Fifty years ago the company faced a similar challenge, but went on to perform very well for the next five decades. Does today present a similar opportunity for patient investors, or do the rumoured changes to business property relief (BPR) on Aim-listed companies mean that this apparent cheapness is justified?

James Halstead is a multigenerational family business based in Manchester. It was founded in 1915 by James Halstead and is today run by Mark Halstead as executive chairman, the fourth generation of the family. Initially the business was a textiles company creating rubberised waterproof fabrics used in rainwear – a particularly important industry in a city as notoriously wet as Manchester. Sometime in the 1930s, the sons of the founder began to pivot the business towards the nascent industry of polymer-based flooring. For a long time, the company also retained interests in waterproof clothing, owning Belstaff, the British producer of waxed jackets, since 1948 until it sold the brand in 2004.

A painful fall from grace

The shares reached an all-time high in early 2022 at a price just over 300p. Since then, they have fallen to a level below 200p now, with a peak to trough performance of almost -50% at the worst point. Having operated well through the Covid pandemic, the company began experiencing problems as higher inflation and supply-chain difficulties took hold in 2022. These were caused in part by the Russian invasion of Ukraine, which was responsible for a spike in the oil price. These issues were exacerbated by difficulties receiving deliveries of raw materials and sending deliveries of completed products because of bottlenecks in global supply chains.

At the same time, parts of the world that had been considered safe for shipping, such as the Suez Canal, became less so. This has two effects. It increases the distance (and hence time) to ship goods since the most direct route is not always available. Additionally, the cost per mile tends to be higher because the additional miles that the global freight fleet is forced to undergo has the effect of reducing global capacity for shipping cargo. The overall effect is that it is harder to ship since there is less availability and when shipping capacity is secured, it is done so at a higher price.

Lessons from the past

James Halstead has a very long history of making money for investors. However, it has not been without its problems in its 109-year history. In the early 1970s, the company was overly indebted and vulnerable to nasty surprises. Then in October 1973, oil producers in the Middle East placed an embargo on exports to countries that had supported Israel during the Yom Kippur War, including the UK. This led to a spike in the oil price, a key component in the company's cost base, potentially threatening its survival. Drastic measures had to be taken.

Polymer flooring isn't glamorous, but it's been very profitable

Geoffrey Halstead, the grandson of the founder, was installed as the chief executive in 1974 and set about putting the business on a firmer footing. The dividend was cut and the balance sheet repaired to the point of always holding a large amount of cash. So today, far from being vulnerable to shocks, it is in a position to benefit when difficulties arise, since the company is at a relative advantage to weaker competitors. Since then, the dividend has been raised every year with next year marking the 50th consecutive rise. This puts James Halstead in an elite group of businesses globally that have managed a half century of rising payouts.

Such was the scope of the turnaround enacted by Geoffrey Halstead, who passed away in August at the age of 94, that today the firm is arguably one of the least-risky businesses listed in the UK from a balance sheet perspective. It has consistently generated high levels of returns on capital. It rarely has any debt at all, and the net cash on the balance sheet is usually more than a year's profits. It also has a management team that has proved to be shrewd, using its financial strength to make astute investments at times when its competitors are struggling. This final point is particularly important, since the best investments are often made at the worst times. By maintaining such a strong balance sheet, James Halstead is better able to exploit these investment opportunities.

> *"Today, the company is arguably one of the least-risky businesses listed in the UK"*

Well-placed to take advantage

Geopolitical factors such as the oil shock and Covid have the potential to affect most businesses and so James Halstead is not unique in going through a difficult patch. What is notable is that the share price is much weaker than it was, while the general stockmarket is in good health. It is probably true that James Halstead was more affected than some other business because of its sensitivity to oil and shipping. However, the extent of the decline in the share price would imply that the firm is in trouble. It is not.

©Alamy

"Stocks such as James Halstead are in high demand for IHT portfolios"

The difficulties with input costs and shipping since 2022 certainly have echoes of the 1973-1974 oil crisis. However, precisely because James Halstead's balance sheet was strengthened so much in the wake of that crisis, to protect from future shocks, it is in a completely different position today.

In a simple scenario where a balance sheet is merely adequate, a company can muddle through a period of difficulty. For James Halstead, the balance sheet is far stronger than needed and it is in a position to exploit opportunities that its competitors can't. We have seen it do this before. Take the global financial crisis of 2008. During this time, when other businesses were going bankrupt, James Halstead was able to purchase additional warehouse space at incredibly attractive prices. "Buy when there's blood in the streets, even if the blood is your own," goes the old adage attributed to Nathan Mayer Rothschild. The truth of this attribution is debatable, but having the ability to follow the advice is surely not.

How tax helps – and hurts – Aim stocks

For a long time, James Halstead has traded at a high valuation, partly on account of its inclusion in inheritance tax (IHT) portfolios as a consequence of its Aim listing.

Aim was created to provide businesses with a less onerous route to capital markets. It did so by lowering the reporting requirements so that the annual cost of being a listed company was lowered. However, the attraction of Aim was further enhanced by allowing shareholders to claim business property relief (BPR) on inheritance. BPR exists to allow the descendants of business owners to pay considerably less IHT on business assets. BPR can be claimed on property, buildings, machinery and unlisted shares. It may seem confusing, but stocks listed on Aim are classified as unlisted for the purposes of inheritance tax. This means that any shareholders in many Aim-listed firms can benefit from BPR.

As a consequence of this arrangement, a sub-section of the investment-management industry sprang up to help wealthy clients lower their IHT liability by investing in a portfolio of Aim-listed stocks. However, there are several conditions attached to these portfolios that exclude many businesses, which narrows down the sphere of potential investments considerably. The tax rules state that a qualifying stock must be a trading company that carries on the majority of its business in the UK. It must not be a business that primarily deals in securities, land or buildings, or earns most of its income from making or holding investments. Once bought, the stock must be held for a minimum of two years before they qualify.

From a practical perspective, for a wealth manager constructing an IHT portfolio for a client, the stocks will also need to be high-quality firms and relatively large and liquid by Aim standards. Once these criteria have been met, the collection of 609 Aim-listed stocks (as at time of writing) will be whittled down to less than 50. This means that certain firms, such as James Halstead, are very popular in these portfolios and in great demand. Consequently, the valuations at which they trade often reflect their scarcity and tax advantages, as well as their business prospects.

However, there is growing speculation that the special treatment given to Aim-listed firms regarding BPR could be removed. This has been a potential risk for a long time, but it may now be a more immediate one. The new government wants to increase the tax take and there are reports that chancellor Rachel Reeves is eyeing sweeping changes to IHT rules when she unveils her first Budget next week. Outside of the Halstead family and the employees trust, much of the shareholder base for James Halstead is made up of IHT portfolios. Should BPR be removed, these portfolios will start to sell. There wouldn't necessarily be an exodus from the shares since there would probably be a grace-period. But, as cheap as James Halstead may appear, selling pressure from IHT portfolios could force the shares even lower.

Still on track for long-term growth

If one were to ignore the question mark over BPR, the case to buy James Halstead seems straightforward. It is an excellent business that is strong, cheap and pays a generous dividend. Despite going through a difficult period, the firm has recently reported a year of profitable growth. Revenues were down just under 10%, but that was a function of the pass-through of lower input costs to customers. Volumes of product sold were higher. Pre-tax profits grew by almost 8%. Net profit was actually slightly down, but this was because of a slightly higher effective tax rate – something all businesses deal with in good times and bad. Furthermore, the always-conservative board said it was confident of a positive "out-turn" this year, which is code for continued volume and profits growth.

Further ahead, the board remains confident in the long-term strategy, which has served the business and shareholders well for close to 50 years. The reality is that the last couple of years have been somewhat difficult, but that needs to be put in context. Over the long-term James Halstead has managed modest, but unspectacular growth in profits on a consistent operating margin in the high-teens. In the last two years, margins have tended closer to mid-teens – ie, still very profitable – and growth has faltered slightly. Yet the decline in valuation is akin to a business that is going through a much worse period. At a current share price of around 190p, James Halstead is trading on 18 times forecast earnings – a much lower valuation than its average over most of the last 25 years. As a result of a fantastic dividend record, shareholders also earn more than a yield of 4.5% per year. For the patient investor willing to look through the potential for weakness due to any changes to BPR rules, the shares look like a good investment right now. For those more cautious, there is no harm waiting until after the dust settles on the tax question.

Will turmoil in the Middle East trigger inflation?

The risk of an escalating crisis has risen now that Israel and Hezbollah have clashed. Markets appear to be dismissing the prospect. Philip Pilkington explains how investors can protect themselves

If you read the financial news today you will see that everyone is talking about interest-rate cuts. The most prominent discussion on this topic is in the US, in the run-up to the election. Supporters of the Democratic Party have been crying out for the US Federal Reserve to lower interest rates, and at the end of September the Fed obliged, handing the incumbent party a large 0.5% decrease in borrowing rates. Whether this will feed through to the economy by election day is doubtful, but it certainly gives those looking to take out mortgages in the near future some economic hope.

Now "lower-rate fever" is spreading to Europe. In this case, politics are not playing a leading role in the debate. Rather, technocrats and investors want to get back to what used to be called the "new normal", but which is starting to feel like the old normal: stagnation, permanently low rates, and occasional bouts of monetary easing. Clearly both the technocrats and market participants have realised over the past few years that although economic stagnation and low rates might not be optimal, they are preferable to economic stagnation, inflation and interest rate hikes.

Hope springs eternal

Investors are now talking openly about interest rates in Europe halving by this time next year, falling from 3.5% to 1.75%. This follows on from the annual rate of European consumer price inflation falling from 2.2% in August to 1.8% in September, meaning that for the first time since June 2021 inflation in Europe has been below the European Cental Bank's 2% target.

"Investors still expect interest rates in Europe to halve in the next year"

The broader economic backdrop looks grim for Europe too, with Citi Group's economic surprise indicator being underwater since the summer (negative surprises in the data are outweighing positive ones); investors do not have very high hopes for Europe's economy now, but the data is disappointing even those inclined to low spirits.

But this could be an instance of investors being lulled into a false sense of security. Just as market watchers are eager to get back to the old-new normal of low interest rates and stagnation, they want to put the geopolitical shocks that caused the recent inflation – namely, the Covid lockdowns and the Russia-Ukraine war – behind them. Yet when we turn the page of the newspaper from the economy to foreign affairs, we see that the Middle East is a tinderbox – a single spark could set it off. As the Scottish poet Robert Burns once observed, the best laid plans of mice and men can often go awry – and he could well have been referring to those who are hoping our economies settle back into a sadly stagnant, but uneventful, calm.

A gathering storm

The increased risks have been there in the Middle East since Hamas launched its attack on Israel on 7 October last year. The response from the Israeli government immediately signalled that it was not willing simply to return to business as usual; it was committed to the eradication of Hamas. At the time, those following the situation closely noted that Hezbollah, an ally of Hamas based in Lebanon, to the north, was also engaged in a campaign against Israel, one that has resulted in the Israeli government evacuating 60,000 people from their homes in northern Israel. This situation was clearly intolerable to the Israelis and led many to suspect it would result in a war against Hezbollah, a war that we are now seeing the beginnings of.

Markets had been dismissing these risks for months. They had been banking on the idea that the conflict would remain contained. In effect, that means they had been relying on the assumption that Israel would merely continue its campaign against Hamas and would not expand the front to the north. However, Israel did open a northern front and, shortly after, we gained a sense of why this risked escalation to a regional war: in response to the assassination by Israel

Oil prices and inflation

Markets did not expect Israel, led by prime minister Benjamin Netanyahu, to open a northern front in Lebanon

of Hezbollah leader Hassan Nasrallah, Iran – an ally of the group – launched a large missile strike against Israel in early October.

Unless one side backs down, the situation in the Middle East now looks ripe for continuous escalation, with one fighting force hitting the other, and the other responding in kind. It is no longer tenable for markets to ignore this risk, and since the Middle East is central to global energy markets, investors need to be realistic about the potential for another round of inflation driven by yet another energy shock. We are already starting to see price action in this direction in the oil market with the price for Brent having recently risen from a low of $70 a barrel in early-September to $80 a barrel just after the Iranian strike – although it has since fallen back.

Big players

How important is the Middle East to global energy markets? The region accounts for approximately 18% of global gas production. Since the outbreak of the Russia-Ukraine war and the consequent disruptions, this has made the region a more important player in the European liquefied natural gas (LNG) market. But it is still the production and export of crude oil where the Middle East excels: the region comprises 32% of global production and has 40% of the world's proven oil reserves.

Five of the ten top oil producers are in the Middle East: Saudi Arabia, Iraq, Iran, the United Arab Emirates and Kuwait. What is more, these countries have a much larger impact on the global oil price than larger producers, like the US. The reason for this is that while the US produces large amounts of oil, it consumes even more. Middle Eastern countries, however, typically produce much more oil than they consume.

Even though the US is the largest oil producer in the world, its net oil output – oil production minus oil consumption – is around minus 6.7 million barrels per day, meaning the country runs a large crude oil deficit. Net oil production in Saudi Arabia, on the other hand, is 4.5 million barrels a day.

From "destabilising" to "catastrophic"

How might this oil production be affected by conflict in the Middle East? The scenarios here range from "destabilising" right up to "catastrophic", depending on what takes place in the coming weeks and months. A destabilising series of events would unfold something like this: Israel would respond to Iran's strike with a counterstrike on Iran's energy infrastructure, which would in turn prompt Iran to respond to Israel.

This might then result in instability or strikes in other countries like Iraq and Syria. In this scenario, around 10.4% of global oil production would be at risk. Of course, not all 10.4% would be taken offline, but even if only a quarter of this output was removed from markets there could be a large impact on prices.

The nightmare scenario – the truly catastrophic event – would be if the strikes and counterstrikes eventually gave way to a regional war in the Middle East involving Israel, possibly the US, and Iran, plus its

Continued on page 26

"Between 20% and 30% of global oil production is shipped through the Strait of Hormuz"

Continued from page 25

proxies in the region. If this war reached any serious level of intensity there is a serious risk that the Iranians would use anti-shipping ballistic missiles to blockade the Strait of Hormuz, much as the Houthis have recently blockaded the Red Sea entrance to the Suez Canal. Around 20%-30% of global oil production is shipped through the Strait of Hormuz and a closure, together with a regional war, could knock out a significant part of this capacity.

The last time we saw a significant hit to global oil production was after the Iranian revolution in 1979 and the Iran-Iraq War that followed. Between 1979 and 1983 global oil production fell approximately 17%. As production started to crater, the markets priced it in quickly: between 1979 and 1980 the price of oil nearly tripled. We saw a similar move in the oil price in response to the oil embargo by Opec, the oil exporters' cartel, against Western countries in 1973 after they backed Israel in its war with the Arab countries.

The impact on consumer prices

What would a tripling of the price of oil mean today? First, it would mean a rise in the oil price to around \$210 a barrel. This would mean the most expensive oil the world has ever seen, at least in dollar terms; \$210-a-barrel oil would be around 58% higher than the historic peak we have seen so far – \$133 a barrel in the summer of 2008. Even if a major decline in oil output did not lead to shortages, it is inevitable that such high oil prices would lead to inflation.

The link between oil prices and inflation is quite firm, with oil price fluctuations often accounting for a good deal of the volatility we see in inflation. This allows us to model the impact that \$210-a-barrel oil would have on the inflation rate. The result of this model is by no means perfect, but it is almost certain to be in the right ballpark. The chart on page 24 shows the impact of \$210 oil on inflation in both the US and the UK.

As we can see, our model tells us that \$210-a-barrel oil means inflation of around 18% in the US and 19% in the UK. Despite the high and painful inflation of the past few years, we never saw the inflation rate break 10% in either country. If our model is in the right ballpark, a crisis in the Middle East would mean roughly double the inflation that we have seen over the past few years. The impact of such inflation on living standards in Western countries – already reeling from the last cost-of-living crisis – would be enormous.

Gauging the probabilities

What are the chances of this happening? It depends mostly on what the Israeli government chooses to do next. If it respond to the previous Iranian strike in a measured way, the situation might cool off – although even in this scenario, it is worth noting that while the conflict has ebbed and flowed over the past year, the general trend has been toward escalation. If Israel responds by hitting Iranian energy and nuclear facilities, then at the very least we will see the conflict spread across the region. Whether it becomes a regional war at that point likely hinges on what the US decides to do.

This is where the election comes in. In the run-up to the election itself, Joe Biden's administration is likely to constrain itself – and its Israeli partners, as best it can. But after the election it is anyone's guess. If Donald Trump wins, for example, the Biden administration may give Israel the go-ahead to escalate knowing that the economic consequences will fall on the incoming Trump administration – a government generally seen as more favourable to Israel than the Biden administration. If Kamala Harris wins, it will be strongly in the Democrats' interest to keep the situation from boiling over. Ultimately, however, trying to guess what the White House will do is as fruitless as the Kremlinology common in the Cold War period. We will just have to wait and see.

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The Middle East accounts for 32% of global oil production

"An oil price below \$78 a barrel should be considered cheap"

Black gold: hedging against inflation

What are investors to do? This is certainly one of those scenarios where there is little point in trying to predict the future. If an investor is concerned that their portfolio might experience a negative shock from such a global event, the ideal is to find a series of relatively cheap hedges that might offset this.

In this context "cheap" simply means assets that are not likely to fall too much if nothing happens in the Middle East. These assets provide significant upside risk in the case of chaos breaking out and minimal downside risk in the case where nothing happens.

The most obvious cheap asset in this regard is oil itself. Despite all the chaos, and even despite the upward moves in recent weeks, the price of oil is surprisingly low at present. The previous oil price shock had largely unwound by the start of 2023. Since then, the average price has been approximately \$78 a barrel. Anything under \$78 a barrel should be considered cheap. The longer-term average oil price since 2009 is around \$71.50 a barrel and anything under this should be considered very cheap. Buying oil cheap minimises the downside risk of losing money if nothing happens.

Then there is gold. In contrast to oil, gold is not currently cheap. At close to \$2,650 an ounce, gold is the most expensive that it has ever been. Yet there is good reason to think that the shiny metal is not in a bubble. Until quite recently the gold price could be shown to track inflation data quite reliably. But in the past few years it has found a second driver: purchases by central banks. Rattled by the sanctions imposed on Russia's dollar and euro foreign-exchange holdings after the war, central banks are rushing to buy gold, and this is driving the price up.

It seems reasonable to think that if the Middle East falls into chaos, central banks will double down on this bet. And if high oil prices feed into inflation, this could give gold a double boost. Purely based on price, gold does look very expensive – and investors should weigh this risk carefully. But the drivers of the price suggest that gold is on the up and up, regardless of what happens in the Middle East. Whereas buying oil now is like buying a stock with low multiples, opting for gold right now is like buying a popular growth stock with strong fundamentals.

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OUR DOCTORS SAVE LIVES. SO CAN YOUR WILL.

The lives we save start with the gifts you leave

DR RACHAEL CRAVEN
MSF ANAESTHETIST

"When you are working as a doctor in a conflict zone, one of the things you learn is how to manage a mass casualty incident. This is when a large number of severely wounded people who have been caught up in an explosion, a shooting or a bomb blast all arrive at your hospital within a short period of time. When I was working at MSF's hospital in the Yemeni city of Aden, we had to treat upwards of 50 people in the aftermath of one explosion.

In a situation like that, you can't just rush into the single operating theatre with the first wounded people who arrive – you need to triage the injured first to decide who most needs surgery.

If I was working in the UK, ambulance crews would carry out pre-hospital triage and I would be confident that we had the resources and capacity to conduct multiple surgeries at the same time. But in a conflict zone such as Yemen, you don't have those resources. The aftermath of an explosion is generally chaos. There are no ambulances, there is little communication from the scene, and the first people to arrive at hospital are often the least badly injured, as they've managed to walk or get a passer-by to help them.

PREPARING FOR THE FUTURE

Whether I was in Syria or Libya or Yemen, if one or two people came in with blast injuries, in the back of my mind I always expected that more were on the way and that they would probably be in worse shape.

In Yemen, we worked as a team to triage the wounded and we ensured that those who went into theatre first were the most badly injured.

Sharing that knowledge with the teams you work with is central to the way MSF operates. I was in Yemen to provide teaching in intensive care for the junior doctors at the hospital, most of whom hadn't been able to finish their training because of the conflict.

We focus a lot of attention on training and mentoring local staff. It's a way for us to stand in solidarity with the people we work with and to invest in their – and their country's – future. It's work that will continue to save lives long after MSF has left.

I've seen people at their best, coming together to provide lifesaving care. Each emergency is different, but we're always committed to delivering care to those who need it. That is our legacy, but it is not ours alone.

One in six of our lifesaving projects is funded by people leaving gifts in their wills. We can't do what we do without you."

THANK YOU

Above: A man carries a wounded child into the MSF-run clinic at Rafah Indonesian Field Hospital in Gaza, 27 December 2023. Photograph MSF

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An overlooked defence play

Defence stocks have outperformed this year, but Babcock has been left behind

Rupert Hargreaves
Investment columnist

Defence spending is up in the air, but the government is committed to nuclear submarines

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Defence is one of the hottest investment themes of 2024. Shares in BAE Systems (LSE: BAE) and its European peers have surged higher as investors have flocked to the European rearmament trade, repricing companies for increased spending on defence. The MSCI World Aerospace and Defence index has jumped 22.7% year-to-date and 45.3% over the past year (to the end of September) compared with a return of 18.9% and 32.4% for the wider MSCI World index. While most of the companies in the sector now look fully priced, some opportunities remain. One such opportunity is the defence contractor **Babcock International (LSE: BAB)**.

Profits in nuclear subs

Around 70% of Babcock's revenue is tied to the UK defence and civil market; 30% comes from overseas customers. A good percentage of that international base comes from Australia and South Africa, putting the European segment of the firm's business at less than 10%. As such, the company has missed out on much of the European rearmament trade, but it does have a big exposure to the UK's nuclear strategic deterrent. Around a third of the firm's revenue is tied to its nuclear business, with half of its bottom line coming from there.

The new Labour government is undertaking a strategic defence review, which has frozen defence spending until its conclusions are published, probably in 2025. But the government has said it's committed to the nuclear deterrent and that's where Babcock stands to profit.

Defence is generally a great industry from an investor's perspective. Defence contractors have one main customer – the government of their respective countries – and such customers are quite reliable. What's more, spending tends to come in cycles, and long-term cycles at that.

The UK's nuclear deterrent is at the extreme end of what these long-term cycles look like. The UK maintains a fleet of submarines, which are managed with the US in the Atlantic fleet pool of Trident missiles. The current class of submarine leading the deterrent policy is the Vanguard class, which replaced the Resolution-class subs armed with Polaris missiles between 1993 and 1999. There were plans to replace Vanguard by 2024 (in 2006), but this date has slipped and slipped. The latest date is at some point in the next decade. Delays have, unsurprisingly, pushed up costs. First pegged at £11bn-£14bn in 2007, the cost of the new Dreadnought class now stands at £45bn (including a £10bn contingency fund). As the Vanguard class has been kept in service far beyond its intended lifespan, the costs of maintenance have crept higher.

These multi-decade projects give contractors a high level of visibility over revenue and profit and allow them to plan accordingly. Babcock isn't building the Dreadnought submarines (that role is allocated to BAE), but it will have a leading role in supporting the submarines when in service. It already supports the Navy's existing Trident-armed submarine fleet, and analysts believe this support work is already generating £400m to £500m in revenue.

At the company's 2024 full-year results meeting, management highlighted that the UK will be operating four different types of nuclear-power submarines over the next decade. That includes the Vanguard class as it's replaced and nuclear-powered attack submarines – currently, the Astute class. These will be replaced towards the end of the 2030s with the Aukus class of vessel. The Aukus programme (Australia-UK-US) is a tripartite initiative initially aimed at developing and producing a new nuclear-powered attack submarine. This chain of developments locks in work for Babcock well into the next decade and beyond.

Babcock International (LSE: BAB)
Share price in pence

Cheap at the price

Babcock's other businesses – in marine, land, and aviation – are just as important to the group, accounting for around two-thirds of revenue. Still, the nuclear side has revenue visibility. It has been doing this for decades and has the facilities in place and the right clearances. The government is unlikely to take the work away and give it to another supplier. And it's here where the growth is expected to materialise over the next five years.

Analysts at Panmure Liberum expect the company's nuclear revenues to rise by around 5% a year through the end of the decade, based on existing contracts and planned nuclear-deterrent expenditure. Babcock's marine division (port facilities and infrastructure) is also expected to see revenue grow from £1.4bn to £1.7bn. Overall revenue is expected to hit £4.9bn by 2028, up from the £4.4bn reported for fiscal 2024.

Revenue isn't the whole story here. Babcock has recently had to spend heavily on major infrastructure projects to prepare for upcoming nuclear contracts. These have eaten into its earnings, but unexpected costs are always a risk and the company now seems to be past the peak. As spending decreases and economies of scale flow through, Panmure's analysts have the company's earnings before interest and tax (EBIT) margin rising from 5.4% in fiscal 2024 to around 8%. So, while revenue is only expected to grow 12% between 2024 and 2028, underlying profits could rise as much as 80% from £158m to £283m. Earnings per share are projected to rise to 53p by 2028.

Considering all of the above, Babcock looks cheap compared with its future growth potential and its competitors. On 2025 estimates, at 474p, Babcock is trading at a price/earnings (p/e) ratio of around 10.7, compared with the European sector average in the mid-teens.

Prepare your home for storms

Keeping up to date with repairs will lower both their costs and those of insurance policies

Ruth Jackson-Kirby
Money columnist

Storm Ashley has been a stark reminder of the damage bad weather can do to people's houses and the importance of having a suitable home-insurance policy. Let's start with the practical steps you can take to prepare your home for winter. "If your roof, shed and property aren't well maintained, there's a higher risk of damage, which could lead to a denied claim [on] the grounds that the damage was due to poor maintenance rather than the storm," says Anna Thurnstrom from Saga Insurance in Good Housekeeping.

Firstly, check your roof. "Look for dislodged tiles or slates, missing mortar, wet patches indoors, loose flashing, and standing water on flat roofs," says Jayne Dowle in The Sunday Times. "Any of these can indicate roof problems that will only get worse when heavy weather arrives." Then clean your gutters. A blocked gutter can cause all sorts of trouble, from mould inside your home to structural damage. A professional firm will charge from £50 for a small terraced house up to £300 for a three-storey town house, according to Checkatrade. Now for the bottom of your house: sweep up any leaves around the base of your walls to keep your damp-proof course in good condition.

The risk of rising damp

"Your home's damp-proof course is your number-one defence against rising damp," Andy Simms, a construction consultant for MyBuilder, told The Sunday Times. "So it is crucial to be aware of signs that it may be faulty or damaged." Look out for a damp tidemark on exterior walls, or damaged skirting boards, mould, or peeling wallpaper inside. Any problems and you may need to repair your damp-proof course.

When it comes to the garden, batten down the hatches when storms are forecast. "Move garden furniture, hanging baskets, bins, light potted plants, and even heavier items such as trampolines, into a shed, outhouse, garage, or even your home," says Thurnstrom. Keep your fences and gates in good condition and secure: insurers don't usually cover them for storm damage as they are so vulnerable. Removing loose branches or those overhanging your fence and garden may also help protect your home. Once your home is well-maintained and ready for winter, check your home insurance. Home insurers paid out £573m in claims caused by bad weather in 2023, according to the Association of British Insurers (ABI), a 36% rise on the previous year.

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Start with inspecting your roof to reduce repair and insurance costs

Ascertain exactly what your policy covers you for. All policies have fire, storm, flood and subsidence cover as standard. But there are also lots of exclusions. For example, as we mentioned before, damage to gates and fences is often not covered. You may also not be covered for the cost of removing a fallen tree or branch – unless it has damaged your building.

Floods can cause particular problems. "Home insurance can be patchy when it comes to paying for flood damage to your home and possessions," says Sam Barker on This is Money. You may find your policy doesn't cover flood damage to sheds or outbuildings, or cover the cost of alternative accommodation if you have to move out due to flooding. If you are particularly concerned about flooding, shop around for a home-insurance policy without these exclusions.

If you are shocked by the quotes for home insurance, there are several ways you can trim your costs. Start by pruning your trees regularly. Keeping them neat and tidy not only reduces the chances that they will cause damage in a storm, but it can also reduce your premiums. "The average premium paid for a home-insurance policy where a falling tree was listed as the only previous claim was £357, compared with £183 where there was no previous claim," writes Laura Miller in The Sun.

If you are in a flood-risk area, look for an insurer that is part of the Flood Re scheme. It was set up by the government to help homeowners in high-risk areas secure flood insurance. And, as ever, shop around. Home-insurance premiums may have soared, but 51% of customers still saved an average £225 when they compared policies, according to Compare the Market.

Pocket money... panicked investors rush into Isas

● "Savers are stuffing Isas [individual savings accounts] with cash ahead of the Budget to shield their wealth from a possible tax raid," says Noah Eastwood in The Telegraph. In the first half of October the number of people who have used their full £20,000 annual Isa allowance has tripled, according to research by Bestinvest. Last month, the increases in contributions of more than £15,000, £10,000 and £5,000 were 208%, 213% and 188% respectively compared with the year before.

Concern over higher capital-gains tax rates on the sale of shares has fuelled demand for stocks and shares Isas. If you want to put some money in a cash Isa before the Budget, the best rate is 5.10% from Trading 212. Alternatively, you can get 4.5% on the State Bank of India's two-year fixed cash Isa. On top of the £20,000 annual allowance, you can also save up to £9,000 into a Junior Isa (Jisa) for a child aged under 16. The best rate on a cash Jisa is 5.2% from the Beverley Building Society.

● The number of homes on sale rose by an annual 33% in October, says Rightmove. A price bump "has failed to emerge [because] the number of properties for sale is at a ten-year high," writes Mark Sweney in The Guardian. The average house's price has risen by just 0.3% month-on-month to £371,958.

● Banks have called for social-media companies to "do far more" to protect us all from scammers, says Josephine Cumbo in the Financial Times. Criminals stole £571m through both authorised and unauthorised card-payment fraud in the first half of this year, according to UK Finance. "The industry body highlighted that 72% of authorised push-payment [APP] scams – where customers are tricked into making payments – originated on social-media sites."

● You "could give your bank balance a boost just in time for Christmas", says Vicky Shaw in The Independent. Lloyds Bank is paying a £200 bonus to eligible new and existing customers who switch to a Club Lloyds current account before 10 December. Nationwide and First Direct are both offering £175. The Co-operative Bank has a "switch and stay" offer. Eligible switchers can get up to £150: £75 when they complete a switch – and then a further £25 per month for three months.

Properties out of reach

The value of houses open to Lisa investors has not kept pace with prices

David Prosser
Business columnist

Lifetime individual savings accounts (Lisas) are less well-known than other types of Isa but have been growing in popularity. The latest data from HM Revenue & Customs shows that there was a 43% spike in the number of people opening Lisas last year. Those savers paid £2.4bn into the accounts.

Lisas are primarily aimed at younger savers keen to build up a deposit for their first home; if you don't ultimately use the cash for that purpose, you are supposed to leave it in your account as a retirement savings pot. You can invest in a broad range of assets within your Lisa – the same range as with other Isas – and your money grows tax-free. But the big advantage of the plans is that you also get a bonus from the government on your contributions: a 25% top-up on maximum savings of up to £4,000 each year.

That can make a significant difference to your returns. If you had started paying into a Lisa in 2017 when the plans were launched, you would have a fund worth about £50,000 by now, assuming you'd paid in the full £4,000 each year and earned an annual return of 5% on the money. Without the government bonus, you'd only have around £40,000.

"Savers hoping to buy a house paid in £2.4bn last year"

For many savers, then, Lisas have the potential to be a huge help in getting them on to the property ladder. You must be between the ages of 18 and 39 to take out a plan, but you don't have to cash your plans in when you reach the upper age limit.

So far, so good, but there are some pitfalls to watch out for. Most importantly, if you take money out of your account for an unauthorised purpose, you are required to give up the bonus cash you got from the state, plus any interest or returns earned on it.

That rule is hitting growing numbers of people – tens of thousands of savers paid around £15m in Lisa penalties last year. Many of them were savers who took cash out of their Lisas before retirement age but did not use it for a property purchase. But some were those who did spend Lisa money on a first home but found the transaction fell foul of the rules.

Lisas can help supercharge savings for a deposit

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In particular, the terms of the scheme restrict people to home purchases worth no more than £450,000. This cap was set in 2017, but house-price inflation means many people today are caught out.

Financial campaigners, including groups such as Moneysavingexpert.com, now want the Chancellor to raise this cap – to £600,000, say – to reflect the fact that the average home in the UK bought by a first-time property purchaser now costs 32% more than it did in 2017.

So far, there's little sign of the Treasury heeding these calls. That's unfortunate, because Lisas are otherwise a powerful way for first-time buyers to supercharge their savings for a deposit on a new home. As house prices continue to increase, more and more savers will find it difficult to find a property worth less than £450,000 – and therefore face the prospect of paying a fine on their Lisa savings when they withdraw them.

If you're already in this position, you'll need to tread carefully. You don't have to withdraw the cash – as long as you don't take money out before the age of 60, you won't pay penalties. But that does leave you without access to the cash you'd earmarked as your deposit.

The danger in equity release

The average age of a borrower taking out a new equity-release plan has fallen to just 68, data from one of the industry's leading providers reveals. Pure Retirement says its typical lifetime mortgage customer is now just 68 when they first borrow.

Equity-release plans are aimed at older people looking to release cash tied up in their homes. Traditionally, the schemes have been the preserve of older pensioners – perhaps those needing cash to pay for care costs, for example. But pressure on finances are prompting more people to explore equity release at an earlier age – often to generate cash to supplement their retirement income.

That's not necessarily a problem, as long as people understand the products. With most plans, you borrow money against the value of your home. There are no repayments to make while you're alive; instead, interest charges roll up and the debt is eventually repaid from the sale of your home after your death. The difficulty here is that younger borrowers are likely to live longer – and that will mean the total debt repayable may be much larger as interest charges multiply over an extended term. There may be little or no equity remaining in the property to pass on to heirs.

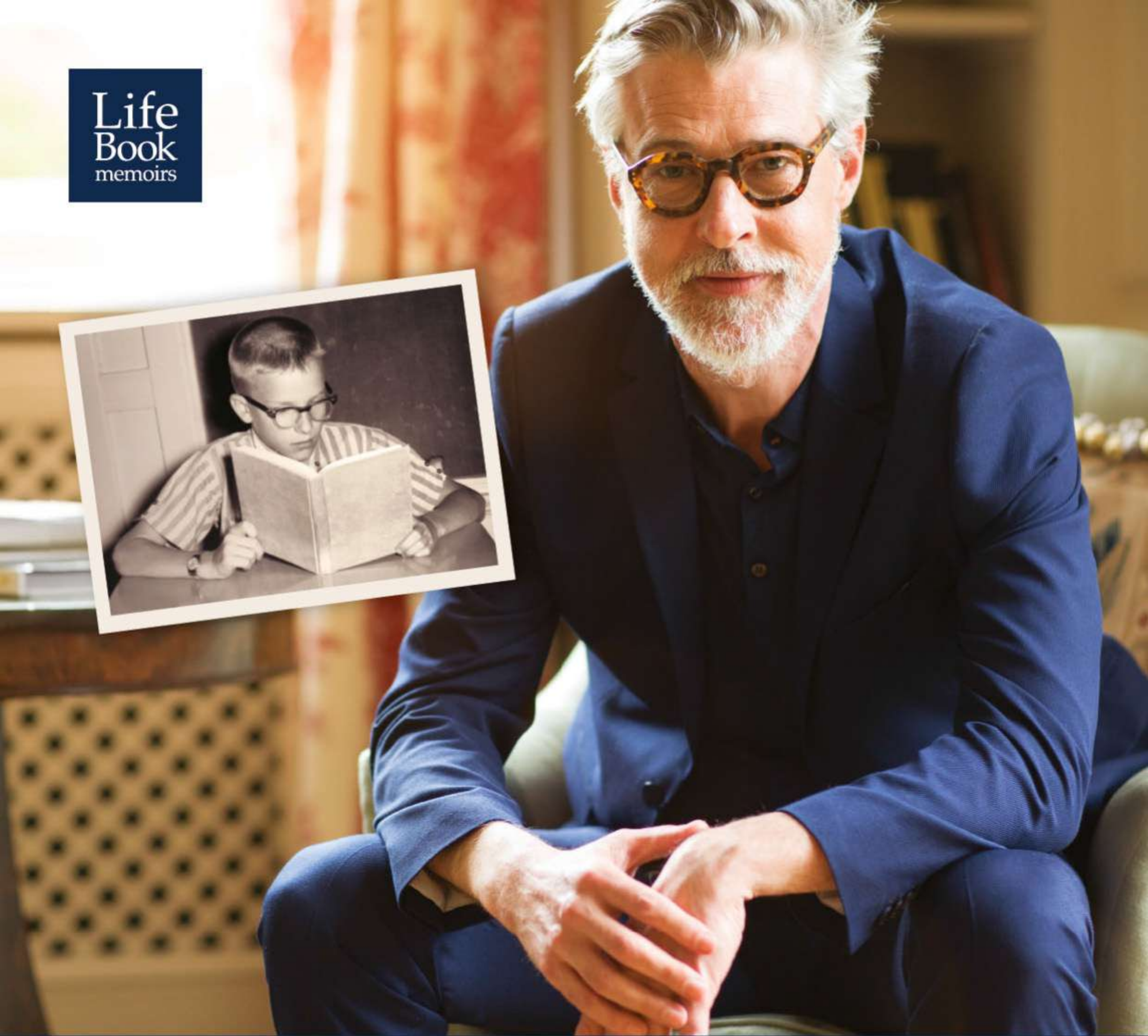
Equity release plans have improved in recent years, with protections introduced to safeguard older borrowers. But you must take independent financial advice before going ahead with such a plan.

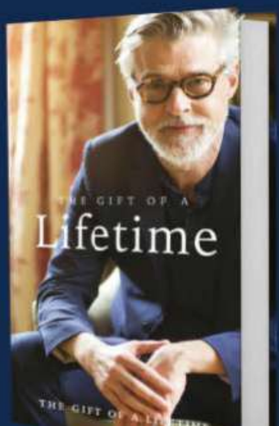
News in brief... transfer times decline

● Good news on pension transfers. It now takes an average of just 12 days to move your pension from one provider to another – assuming it's not a final-salary plan – which is a shorter period than at any time since Covid. That's encouraging, since shorter pension transfer times make it easier to organise your pension savings into a single account, which in turn can help with retirement planning. And if your pension provider suggests a transfer will take significantly longer than this, you're entitled to kick up a fuss.

● Thousands of workers at Royal Mail have, from this month onwards, the option of joining their employer's "Collective Plan", the first collective defined-contribution (CDC) pension scheme launched in the UK. CDCs are a new type of occupational pension, which the government hopes will become more popular with employers. The schemes aim to deliver a targeted retirement income, making it easier for employees to save for clear retirement goals, though the payouts are not guaranteed.

● When couples get divorced, it makes sense to take the pension entitlements of both partners into account as part of the financial settlement. Otherwise, one partner may be unfairly disadvantaged. However, savers need to check with their employer's pension schemes to find whether – and how much – they charge for the cost of working out benefit entitlements. Such calculations can be complex, prompting some schemes to charge hundreds of pounds for the time of pension professionals doing the work. That could leave you with a nasty and unexpected bill.


Life
Book
memoirs


Lifetime

An environmentally sustainable play on the world's oldest monetary system

A professional investor tells us where he'd put his money. This week: Hector McNeil, co-founder and co-CEO of HANetf, highlights an investment in gold

The price of gold has been on a tear this year; it had gained a fifth by the start of September. But its recent stellar performance notwithsatnding, for many investors, gold is a vital piece of insurance in their portfolio. As the old saying goes: "Gold is money, everything else is credit."

Gold is the only monetary system that has been with humanity for most of its history on earth. Therefore history and stability are the key reasons you buy and hold physical gold. Historically, if investors wanted exposure to gold, they would have had to purchase physical bullion themselves. This can be complicated and makes buying and selling to maintain a target weighting in a portfolio tricky.

Many investors now use physically-backed exchange-traded commodities (ETCs). Investors can buy shares in an ETC, just as they would in an exchange-traded fund (ETF), to gain direct exposure to the price of gold. The Royal Mint was established in 886, over 1,100 years ago, and has been intimately involved in gold markets since. Alongside its coin and bar offering, the Mint has produced an ETC to leverage gold's history and stability: the **Royal Mint Responsibly Sourced Physical Gold ETC (LSE: RMAU)**. Below I will outline three of the key features of RMAU.

Firstly, as the name suggests, this is an ETC held in custody by The Royal Mint, one of the world's oldest companies. Its origins stretch all the way back to Alfred the Great. Since then, the scope of The Royal Mint has drastically changed, now ranging from producing commemorative coins to offering gold-based investment options. The RMAU ETC is one such offering.

Using a gold ETC managed by The Royal Mint means tapping into that long and storied history, while the gold you have gained exposure to is stored in The Royal Mint's vault in Llantrisant, Wales, one of the world's most secure. This is in contrast to the vaults of a financial institution, as is the case for other gold ETCs. As a result, the gold is outside the financial system and away from big cities.

"This ETC is the first to ensure it is partly backed by recycled gold bars"

Gold goes green

Another key point about the RMAU ETC is sustainability. In 2022, the RMAU ETC was the world's first to ensure it was partly backed by certified 100%-recycled gold bars. At present, around 60% of the gold backing the ETC is 100% certified recycled. Gold mining is energy-intensive. But recycled gold can be more than 90% less carbon-intensive than mined gold. We've seen electronics firms such as Sony and jewellery brands including Pandora commit to using recycled gold. Why should investments be any different? At the same time, all of the bars are 100% backed by the LBMA (formerly named the London Bullion Market Association), the independent precious metals authority, and responsibly sourced. This sustainability focus is part of a wider sustainability commitment across The Royal Mint.

Finally, physical gold ETCs are physically backed. But RMAU actually allows the investor to get their hands on the gold they are investing in. An investor in the RMAU ETC can exchange their shares in the ETC for gold itself. If an investor wants to do this, they can select from the various gold cuts available from The Royal Mint, from Sovereign and Britannia coins to multiple size bars, depending on the value of their investment. Gold is supposed to be a safe-haven asset, so knowing you can physically call in the actual gold, should you so desire, offers great peace of mind.

The RMAU ETC is backed by The Royal Mint, which has been involved with the yellow metal for more than 1,000 years

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We're here for young wheelchair users

The right wheelchair is the real difference

Did you know there are over **75,000** young people in the UK who need wheelchairs to get around?

They have the same **dreams** as other young people. But they don't always have the same **opportunities** because they can't access the equipment, skills and support they need.

Find out how you can be there for young wheelchair users at **whizz-kidz.org.uk**

The startling rise and fall of Byju's

India's educational technology start-up attracted big-name backers and soared to vertiginous heights during Covid. It has now plummeted back to Earth. What went wrong? Jane Lewis reports

©Getty Images

"I have felt like a man screaming into a hurricane of hurdles"

Even by the standards of India's febrile start-up scene, the rise and fall of Byju's, an educational technology or "edtech" company, has been startling. Founded by "charismatic former maths teacher" Byju Raveendran, the firm sold tutoring services to millions of parents seeking to prepare their children for the country's "brutally competitive school entrance exams", says the Financial Times. Credited with reshaping the landscape of online education, it attracted big-name backers such as Mark Zuckerberg, BlackRock and Dutch tech investor Prosus – becoming India's most valuable start-up in 2022, worth an estimated $22bn. Two years on, both the firm and its founder's reputation are in tatters, and creditors are scrambling to claw back cash.

Revolutionising education in India

It looks like an uphill struggle. Byju's, which expanded aggressively into the US, faces "legal battles from Delaware to Bengaluru" with litigants ranging from the Qatar Investment Authority to India's national cricket authority, which is pushing to have Byju's declared insolvent in hopes of recovering "sponsorship dues". Raveendran, 44, has skipped the country – along with his wife and co-founder Divya Gokulnath, and brother Riju. Reportedly, they are all living together in Dubai's "affluent" Emirates Hills. In a somewhat farcical exchange with a US judge earlier this year, Riju, the sole director of US-based Byju's Alpha (a company set up to receive loans), was tasked with explaining the whereabouts of some $533m. "I really don't know," he replied, assuring the judge "he had sent emails" to his house-mates asking the same question. Unsurprisingly, says the Indian online news channel Wion, big questions are being asked about corporate governance and management practices. Auditor Deloitte pulled out in 2022 citing "delayed financial statement submissions".

In 2007, Raveendran and his wife founded a company that eventually became Think and Learn, says the FT. Word of his innovative methods – and the results he was getting – quickly spread. Within a couple of years, Raveendran was travelling to "nine cities a week" across India, taking maths classes in "packed stadiums". Ultimately, they decided that the only way to manage demand was to go digital and, in 2015, launched the main Byju's app. The couple offered smartphone- or tablet-based learning to students from primary school age upwards, proclaiming they were "on a journey to revolutionise education in India" – a message that resonated with major investors, including the Chan Zuckerberg Initiative and Sequoia Capital, whose arrival transformed Byju's into a billion-dollar start-up. The pandemic lockdowns put growth on steroids – and Byju's expanded rapidly via mergers and acquisitions internationally. When interest rates started to rise and "the cheap money dried up, the value of the company plunged and investors were forced to write-off stakes worth hundreds of millions of dollars".

The paperchase continues

Holed up in his luxury base in Dubai, Raveendran denies any allegation of fraud, says Business Times (India) – and, indeed, blames his backers for Byju's meltdown. "Investors didn't care about students or parents, they just wanted me to create a $100bn company," he lamented on a recent call with journalists, claiming they ran away at the first sign of trouble. He has also launched a countersuit against his US lenders, accusing them of unfairly accelerating loan terms and negotiating in "bad faith". "I have felt like a man screaming into a hurricane of hurdles," wrote Raveendran in a memo to Byju's remaining (unpaid) staff in August. Meanwhile, the money paperchase continues.

City talk

● Canada's ABC Technologies "seems to be winning over the board of TI Fluid Systems", says Russ Mould of broker AJ Bell. The manufacturer of fuel tanks and fluid lines for vehicles has said it is "minded to recommend" a proposed bid of 200p per share to shareholders, after rejecting four previous offers. That represents a 37% premium to the company's share price before the first approach from ABC, which is controlled by private-equity group Apollo. This is less than the average 44% premium across the 30 or more closed and ongoing bids for UK-listed firms this year, but it suggests that "trade buyers still think there is value to be had in the UK market".

● Tate & Lyle should tell its potential acquirer to "take a hike", says Alex Brummer in the Daily Mail. Private equity firm Advent, which previously pounced on UK defence firms Cobham and Ultra Electronics, "has set its sight" on the food ingredients group. But as insurer Direct Line and retailer Currys have recently shown when fending off takeover interest, there is "no obligation to bow down to predators and sacrifice their independence and future growth plans".

● Last year, De La Rue, "a company with a licence to print money", was "demonstrating that it was far better at torching it", says Alistair Osborne in The Times. It issued four profit warnings in 16 months, had to amend its loan covenants and wanted to defer contributions to its pension scheme. The shares were down to 40.5p. Then activist investor Crystal Amber succeeded in forcing out chair Kevin Loosemore, and his successor Clive Whiley spotted that the firm was "worth more dead than alive". Now it has sold a division that provides security labels, stamps and holograms for £300m. That's a decent price, but "better still, the deal transforms what's left". De La Rue will now focus on printing banknotes, have net cash of £70m and looks like a takeover target. That's not the greatest outcome for a 211-year-old firm that spurned a 935p per share bid in 2011, but at least it no longer seems terminal. "Proof shareholder activism works."

©Getty Images

A voyage of discovery

Kalpana Fitzpatrick hops aboard the Seven Seas Grandeur for a taste of the high life at sea

The Grandeur is one of Regent's newest ships

©Regent Seven Seas Cruises

If you're looking for a dream getaway, where pretty much everything is taken care of, then you really can't go wrong by jumping aboard a Regent Seven Seas Cruises ship. I took a voyage on *Grandeur*, one of the newest in the fleet and it really was an unforgettable adventure. The all-inclusive packages available with Regent allow you to take in multiple destinations, without any of the usual hassles.

The *Grandeur* is simply stunning. From the moment you come aboard, you can't help but be taken with the beauty of it. It's chic and luxurious throughout, accommodating up to 746 guests in 372 suites over ten decks, with 548 crew. There's plenty to explore, but the grand staircase is particularly worthy of mention.

A spectacular voyage around Greece

The Heritage of Perfection Voyage to the eastern Mediterranean that I went on really was an epic adventure.

I embarked at Athens. The next day, there was a stop at the Greek island of Mykonos, where I enjoyed strolling along the beautiful white-washed streets, and I also took a trip to see the ancient ruins on the neighbouring island of Delos.

A stop at Gythio, in the Peloponnese, took me on an adventure to the Diros Caves, which we entered on a small boat. The caves were simply out of this world, giving us a view on life in the neolithic era.

I was able to spend some time in Olympia, also in the Peloponnese and the site of the ancient Olympic Games – and visit Corfu town on the island of the same name – before sailing for Dubrovnik in Croatia. After that, the voyage went on to Santorini and Istanbul.

These shore excursions were brilliantly organised. You certainly don't have to do all of them, but they are stress-free. You just have to turn up. After a brilliant day out and about, you are taken back to the ship to relax and get ready for some evening entertainment. Or, if you prefer, you can simply take the time to relax in your suite and enjoy the views from your balcony.

The suites on the *Grandeur* are spacious and comfortable – even the smallest suite is large enough for a couple. I stayed in the deluxe veranda suite for two, which came with a private balcony, a seating area with floor-to-ceiling windows, a walk-in wardrobe and an elegant marble shower room.

Free laundry service is included as part of the all inclusive package, which is handy if you're planning to be away for a few weeks at sea.

A restaurant option for whatever you fancy

The *Grandeur* has eight tantalising dining options from which to choose – it is a culinary experience not to miss. The Compass Rose is the fine-dining restaurant and the largest restaurant on the ship. The decor is stunning. You sit under a canopy of interwoven crystal and wood-edged illuminated trees, which makes you will feel like you're dining in an enchanted forest. Also try the Chartreuse for classic French cuisine, Pacific Rim for pan-Asian creations, and Prime 7, which is a classic steakhouse. Throughout the day, you can also enjoy La Veranda for breakfast with shimmering sea views or the Pool Grill for an *al fresco* dining experience. There is also Coffee Connection for coffee and pastries. All of the food is fresh and delicious.

Rest and relaxtion versus an evening workout

When it comes to activities, there's plenty to do at sea. If you prefer to take things slowly, you can simply relax by the pool with a cocktail or visit the spa and its aromatherapy multisensory steam room. Otherwise, you can stick to your fitness routine – I recommend trying out the jogging track on the top deck. I also particularly enjoyed my evening sessions on the treadmill, running with a full sea view and sunset.

You won't want to miss an evening at the ship's Constellation Theatre, where the acts are lively, energetic and brilliantly produced. If you enjoy having a drink with friends (and you will make many friends on such a cruise as this), you will find live music in the bars. The library – again, with sea views – is well-stocked and the ship also has a casino and the elegant Connoisseur Club lounge. You will want to take some time to explore the artworks onboard. The *Grandeur* is home to a 1,600-piece art collection – don't miss the first Fabergé egg to reside at sea.

A shipful of unforgettable memories to bring home

The staff and service on the ship were truly first class. Cruise director David Nevin became a familiar face, and I really enjoyed the moment the captain went around the ship to greet all the guests. I even had an exclusive opportunity to see the bridge, talk to the captain and take a behind-the-scenes tour of the kitchen. The work that goes on behind the scenes is impressive and the staff care about your holiday as much as you do. A cruise really is a getaway like no other.

Kalpana was a guest of Regent Seven Seas Cruises. A similar itinerary, Travel Through Time (from Istanbul to Venice), starts from £7,469 per person, departing 16 April 2025 for 12 nights. Visit rssc.com for more information and cruise choices.

Driving on the wild side

The new Lamborghini plug-in hybrid Urus SE has lost none of its sense of fun

The Lamborghini Urus has "always been unarguably impressive" whether or not this SUV was "your kind of thing", says Jason Barlow on Top Gear. Now, the Urus has received "a major mid-life facelift to maintain its status and relevance". In fact, "it's more of a heart transplant given that the SE is a plug-in hybrid… How times have changed." The bonnet has been "reprofiled and there are reworked headlights for a more emollient overall look". At the rear, the tail lights have been redesigned, with the result being "a textbook finish". There are new, larger wheel options as well, although the Urus "still manages to look imperious on the regular 21-inch rims". Lamborghini's obsession with colour has continued "unabated, and at no point will the Urus SE owner find themselves flying under the radar. Even… in Nero black and creeping around in full electric mode in the dead of night."

"Lamborghini is quite proud that it's not 'downsizing' its engine," says Illya Verpraet in Autocar. You will still find the 4.0-litre twin-turbo V8, although, at 611bhp, it has slightly less power than the 641bhp version. But it has been "augmented" by a 189bhp electric motor inside the eight-speed automatic gearbox. "Aside from the raw power and acceleration, the engineers have found a few ways to use the electrification to make the Urus a bit more playful as well… [and] the car's brain is much better able to send power where it's most needed." Behind the wheel, the Urus is much as it ever was, with a "nicely integrated", slightly bigger touchscreen. "Crucially, the bigger screen hasn't usurped any proper buttons."

Wham-bam attitude

"The Urus (by design, clearly) is not a car for ambling dreamily about the place," says Nic Cackett on PistonHeads. "It's like driving [an ice] hockey puck." The SE is "tightly controlled but perfectly liveable, especially in the Strada setting… But everything it seems is arranged or configured with some degree of leash-straining intent. I've been on waltzers that were more laid back." This "wham-bam attitude" is the "overriding theme" of the car, even when it is "making legitimate attempts" not to consume its fuel tank "in one messy gulp". In Sport mode, this Lamborghini "gives it the full heave". "The V8 is now permanently on tap and as wildly present as a Buddhist monk. What little lag there might have been is tasered into insignificance by the electric motor, and it doesn't take too many lunges at the horizon for the manufacturer's claim of 701lb ft of combined torque from 1,750rpm to seem credible, nor the idea that it can get to 62mph in 3.4 seconds." Sport mode "lets it all hang out".

"This is perhaps the brashest, baddest car brand on the planet, but the combination of the Urus's softer, more elegant design as part of this mid-life facelift and the arrival of long-distance electric range with [plug-in hybrid] tech has removed the sting out of ownership," says Tim Pollard in Car magazine. Lamborghini knows its customers want "fun and theatrics". The new Urus SE is able to "deliver those in spades… Bravo, Lambo!"

***Price:** £208,000 in spring 2025, lamborghini.com*

Wine of the week: a near-perfect Aussie shiraz

2021 Mount Langi Ghiran, Talus Shiraz, Grampians, Victoria, Australia

£39.50, telephone: 020 3609 1331, email: sales@dvinecellars.com

Matthew Jukes
Wine columnist

Darren Rathbone is the CEO and winemaker of the Rathbone Wine Group, which owns Victoria's oldest winery, Yering Station, founded in 1838; Xanadu Wines, the elite Margaret River set-up in Western Australia; and my featured estate, the idyllic Mount Langi Ghiran, a cool-climate shiraz icon in the Grampians, a couple of hours' drive west of Melbourne. Darren launched a suite of 2021 vintage shirazes, which took the roof off St. James's private wine club, 67 Pall Mall, with their uniquely compelling flavours.

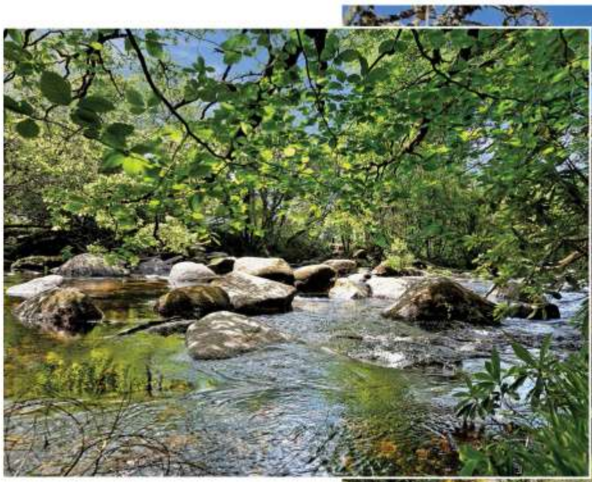
Darren raided his museum, opening wines as far back as 1981. It was extraordinary to taste how his precious granitic soils and briskly racy climate give rise to some of the purest, most dramatic shiraz wines on Earth and that they can easily manage four decades! Every shiraz is imbued with its trademark cracked pepper nuance, which Darren and his crew, along with the Australian Wine Research Institute, have identified as rotundone, an aromatic compound that, in minuscule quantities, gives these wines their indelible perfumed signature. I adore the spectacular scent found on these wines, and while the flagship 2021 Langi, at some £94, might be out of many peoples' league, my featured 2021 Talus has gained its highest-ever score in my notes (a giant 19/20), making it one of the finest value shiraz/syrahs on Earth. And if you would like an "everyday" 2021 Mount Langi shiraz that will enchant your senses, look no further than Cliff Edge (£24.50).

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

This week: properties with fishing rights – from a watermill on the River Banwy in Powys, Wales, to a V

Walton Park, Castle Douglas, Kirkcudbrightshire, Scotland. A Category B-listed, Georgian house with a traditional courtyard and stable block on a residential estate with a walled garden and 445 metres of single-bank fishing on Urr Water. 6 beds 3 receps, 3-bed flat, 2 cottages, 16 acres of pasture, 28.02 acres. £1.5m+ Savills 01387-274394.

Lairg Lodge and River Shin Fishing, Lairg, Sutherland, Scotland. A renovated Victorian fishing lodge with 3.5 miles of double-bank salmon-fishing rights on the River Shin and trout fishing on Loch Shin. It has ten bedrooms, an annexe, and comes with four cottages. 92 acres of woods, 70 of pasture, 184 acres in total. £2.4m+ Savills 0131-247 3720.

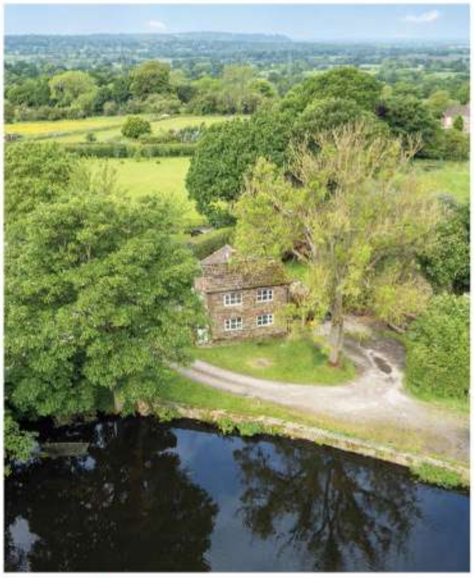


Brimptsmead Estate, Dartmoor National Park, Devon. A renovated, Edwardian house in Dartmoor National Park, with fishing rights for two rods and direct access to the moors. It has a new clay-tile roof and 120 hand-crafted leaded-light mullioned windows. 6 beds, 7 baths, 3 receps, breakfast kitchen, recep hall/library, study, gunroom, two 3-bed cottages, 2 garages, party barn, gardens, woodland, 9.22 acres. £4.5m Knight Frank 01392-848842.

ictorian lodge in Lairg, Sutherland, with fishing rights on the River Shin and Loch Shin

Heniarth Mill, Llangyniew, Welshpool, Powys, Wales. A Grade II-listed watermill situated beside the River Banwy with mature gardens and grounds that include 1.5 kilometres of pristine river frontage with exclusive angling rights. It has exposed wall and ceiling timbers, exposed stonework and open fireplaces with wood-burning stoves. 4 beds, 2 baths, 2 receps, breakfast kitchen, gallery, garden room, greenhouse, 4 acres. £650,000 Fine & Country 01938-531006.

Wardrew House, Gilsland, Brampton, Northumberland. A renovated, 1750s house with 340 metres of fishing rights on the River Irthing. It has oak floors, open fireplaces and a breakfast kitchen with sliding doors leading onto a terrace. 4 beds, 3 baths, 3 receps, orangery, gardens, paddock, woodland, 5.4 acres. £1.2m Knight Frank 0131-222 9606.



The Grange, Rhewl, Ruthin, Denbighshire, Wales. A Grade II-listed, 17th-century house with a Victorian Gothic façade set in landscaped gardens leading down to the River Clywedog, on which it has fishing rights for two rods. It has wood panelling and retains its original fireplaces. 7 beds, 4 baths, 3 receps, kitchen, breakfast room, billiard room, barn with garage, workshop, Edwardian greenhouse, orchard, 10.11 acres. £1.5m Fisher German 01244-617980.

Styperson Pool Cottage, Styperson, Whiteley Green, Macclesfield. A period stone cottage now in need of some updating in a scenic location, with fishing rights on the neighbouring 6.88-acre lake. The cottage could be extended, subject to planning permission. 2 beds, 2 baths, 2 receps, breakfast kitchen, boot room, gardens, 9.44 acres in total. £850,000+ Jackson-Stops 01625-540340.

Lancych Mansion, Boncath, Pembrokeshire, Wales. A restored, Grade II-listed mansion in one of the prettiest river valleys in West Wales with formal gardens bordered by a river and water meadows. It retains its original fireplaces and stained-glass windows. 7 beds, 8 baths, breakfast kitchen, dressing room, 3 receps, library, office, 2-bed cottage, stone outbuildings, rotating summer house, island, fishing rights, 15 acres. £1.5m Country Living Group 01437-616101.

Book of the week

Unleashed

Boris Johnson
William Collins, £30

Shortly after the 2019 election, I remember talking with someone who argued that Keir Starmer was too "metropolitan" to win back the Red Wall. Surely, I countered, no one could be more metropolitan than the victor in that election, Boris Johnson, who was born in New York, spent much of his childhood in Brussels, was paid as much as a footballer for much of his career and was once the mayor of Britain's largest city. But my interlocutor had a point. For many years the normal rules of politics didn't seem to apply to Johnson. His memoir, *Unleashed*, reminds us of the reasons why he rose so high, despite obvious shortcomings.

For one thing, Johnson is a talented – or at least striking – writer. His bluster, and his trademark mix of schoolyard insults and highbrow references, grabs the attention. What other politician would refer to a judge as "Spider Woman", or have the chutzpah to illustrate his policy of "levelling up" by referring to his time at Eton? His defiance on issues such as the lockdown parties also makes him stand out – you do not get the faux humility you might expect from someone in his position.

And it's not as if he would have lacked for material when he sat down to write his memoirs. He has been the mayor of London and the foreign secretary, and was the prime minister during a deadly pandemic. Just one of those roles would have provided material for a decent book. Having all three together means that, despite the book's length, Johnson doesn't need to resort to the familiar politician's trick of padding out his memoirs with tedious anecdotes about his childhood or family. Indeed, there are times when a little more personal detail would have been interesting – what were his true feelings when his power started to slip away, for example?

Boris with Ken's bikes

> "By the end of the 800 pages, the reader will grow tired of the half-truths, evasions and outright lies"

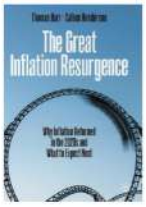
Still, by the end of the nearly 800 pages, the reader will grow tired of the half-truths, evasions and outright lies. Some of these are minor, such as claiming credit for Ken Livingtone's bike scheme. Others are more serious, such as his unwillingness to take responsibility as foreign secretary for the gaffe which gave the Iranian regime a pretext to imprison Nazanin Zaghari-Ratcliffe for nearly six years (and ended up with Britain handing over £400m to Iran). Most egregious of all was his response to Covid, which vacillated between disastrous complacency at the beginning of the pandemic to one of the harshest lockdowns in the developed world by the end.

Unleashed is full of detail about one of the most momentous careers in British politics. Like its author, however, it lacks any sense of self-awareness or contrition.

Reviewed by Matthew Partridge

The Great Inflation Resurgence

Thomas Harr and Callum Henderson
Palgrave Macmillan, £39.99



In the past two years we saw a surge in the cost of living. That has died down and the big question now is how fast and far central banks will cut interest rates, giving rise to worries that inflation might come surging back. In *The Great Inflation Resurgence*, economists Thomas Harr and Callum Henderson look at the causes of the surge in prices. The opening two chapters sketch a theory of inflation, followed by three looking at the phenomenon in Europe, Asia and America. Chapters six, seven and eight look at inflation from a global perspective; the final chapters draw conclusions.

The authors believe that the cause of our most recent inflation was a combination of pandemic-related government spending (and money printing) and the supply-side shock delivered by the Russian invasion of Ukraine. This implies that, barring any further geopolitical shocks, the surge in inflation will be transitory, a conclusion that seems to be being borne out by events. Still, as the authors point out, this doesn't mean inflation has been conquered forever. Another supply-side shock may be around the corner; central banks risk overreacting to the current fall in inflation. Overall, this is a thoughtful discussion of the topic – albeit one written in a manner, with charts and equations, that will be more accessible to economists and financial professionals than to general readers.

Film in the news... the rise of Donald Trump

The Apprentice

Written by Gabriel Sherman
Directed by Ali Abbasi
Out on general release, cert 15

From unexpectedly beating Hillary Clinton in 2016 in the US presidential race, to being ejected from office in 2020 and refusing to accept the result, few people have experienced as many highs and lows as the real-estate mogul, reality-television host and former president Donald Trump. *The Apprentice*, a film written by Gabriel Sherman and directed by Ali Abbasi, dramatises the rise of Trump in the 1970s and '80s. When the film opens, Trump (Sebastian Stan) is a relative nobody, collecting rent for his "slumlord" father (Martin Donovan), dreaming of redeveloping a derelict hotel but derailed by a racial discrimination lawsuit that threatens to damage the family business.

Things change when disgraced lawyer Roy Cohn (Jeremy Strong) takes a liking to the young Trump. He deploys the dark arts of persuasion and blackmail to make the lawsuit go away, and helps Trump Jnr win the tax break that enables him to turn his real-estate dream into reality, transforming him overnight into a celebrity businessman. Cohn teaches Trump his ruthless, take-no-prisoners and admit-no-mistakes philosophy. But as Trump's success goes to his head, and his true nature starts to reveal itself, Cohn realises that Trump may have absorbed his lessons too well.

Initially, the film looks like it is going to be a slapstick satire that paints its subject as a buffoon, in a similar vein to *W.*, Oliver Stone's 2008 George W. Bush biopic. In fact, *The Apprentice* is more subtle than that, and Strong's charismatic performance draws viewers into Trump's rise to the top, at least for the first hour. Then, any sympathy we have developed for the subject evaporates as Trump turns into a truly loathsome creature, assaulting his wife, trying to defraud his parents and abandoning his mentor. Even the brief moment of redemption towards the end is quickly undercut, leaving us in no doubt that the Trump portrayed is a horrible person. Whether this will change minds in the upcoming election about the man who inspired the portrayal remains to be seen.

Bridge by Andrew Robson

Quiet Night

This week's deal is a subtle example of what might be termed Quiet Night reasoning.

Dealer West North-South vulnerable

North:
♠ Q106
♥ 97432
♦ AKJ10
♣ 4

West:
♠ 9752
♥ Q8
♦ 8752
♣ 1093

East:
♠KJ83
♥A65
♦Q4
♣KQ82

South:
♠ A4
♥ KJ10
♦ 963
♣ AJ765

N
W E
S

The bidding

South	West	North	East
	pass	pass	1♣*
pass	pass	Dbl	pass
2NT**	pass	3NT***	pass
pass	pass		

* Playing Weak Notrump and Five-card Majors.
** Would pass and play for penalties at other vulnerabilities.
*** Might bid Three Hearts "on the way".

West led the ten of Clubs to the Queen. Winning the Ace, the play took a sensible course. Declarer led a Diamond to the King, then a Heart to the Knave. West won the Queen and switched to a Spade to the ten, Knave and Ace. Declarer led the King of Hearts to the Ace, and, unwilling to give declarer an extra trick in a black suit, East returned a third Heart.

Declarer won the ten of Hearts and led a Diamond. Key moment – should declarer finesse, or rise with the Ace? Although the odds favoured the finesse, declarer put Quiet Night reasoning into operation. Remember the Sherlock Holmes story *The Adventure of Silver Blaze*, in which the solution to the mystery hinges on the fact that a dog didn't bark in the night? Here East would have opened One Notrump without the Queen of Diamonds.

Declarer rose with the Ace of Diamonds and down fell the Queen. The Knave-ten of Diamonds gave declarer his game.

Remember that inference: if you are confident that an opponent is balanced, yet he didn't open 1NT, he does not have 12-14 points.

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

Sudoku 1231

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

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

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

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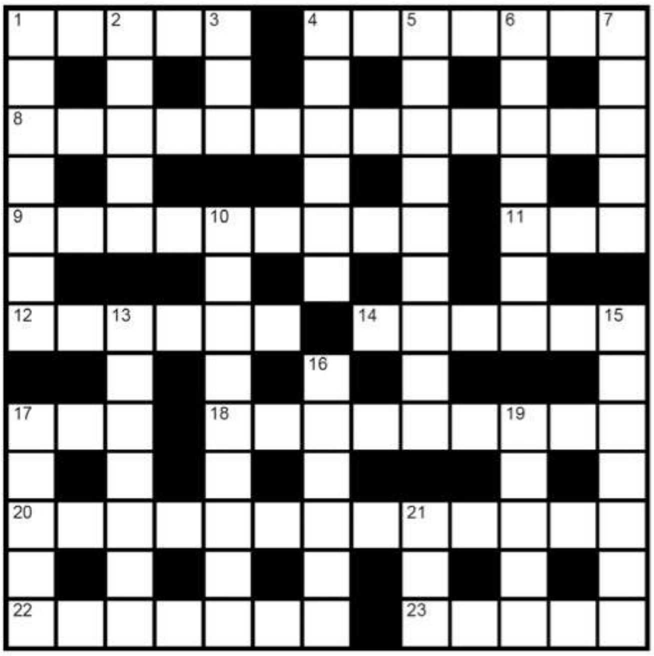
Tim Moorey's Quick Crossword No.1231

TAYLOR'S PORT

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 4 Nov 2024. By post: send to MoneyWeek's Quick Crossword No.1231, 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.1231 in the subject field.



Across clues are cryptic whereas down clues are straightforward

ACROSS
1 Nothing found in small department warehouse (5)
4 Agreement what you get initially with CD (7)
8 Permanent instruction for when the King arrives? (8,5)
9 Cavalry forces press on borders (9)
11 Part of the Weekend supplement (3)
12 What fish was called by river in the country (6)
14 One-sided book with new ideas (6)
17 Pitch tent initially by a river (3)
18 Pork cuts and brie ordered in supermarkets (5,4)
20 One well up in the Met on the fiddle? (7,6)
22 What's hugely disloyal in tense debate? (7)
23 Wines from Paddy returned (5)

DOWN
1 Collection of documents (7)
2 Musical instrument (5)
3 One of the Kennedys (3)
4 Type of goose (6)
5 Smuggled liquor (9)
6 Formal speech (7)
7 Brusque (5)
10 Circumvents (9)
13 Put in order (7)
15 Abandons (7)
16 Turkish loose garment (6)
17 Implied (5)
19 Bury (5)
21 Cleopatra's undoing (3)

Name

Address

email

Solutions to 1229
Across **1** Snowcaps **5** Beds **9** Aisle **10** Teheran **11** Parson's noses **14** Eye **15** Poilu **16** Tee **17** Lower chamber **20** Outings **22** Bhaji **23** Echo **24** Lambaste. **Down** **1** Snap *2 defs* **2** On stage *anag* **3** Cheese-paring *anag* **4** Pat *2 defs* **6** Earns *homophone* **7** Sinister *NI inside sister* **8** Thingummybob *anag* **12** Neigh *homophone* **13** Well done *2 defs* **16** Toerags *anag* **18** Witch *hidden* **19** Cite *homophone sight* **21** Ska *anag.*

The winner of MoneyWeek Quick Crossword No.1229 is: Ian Prideaux of London

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

How to win a losers' game

In investing as in politics, the aim is not so much to win as not to lose...

Trump: what you see is what you get

©Getty Images

Bill Bonner
Columnist

Whatever happens in the next election, Americans owe a big debt of gratitude to Donald Trump. Politicians are almost always conniving, lying, dumbbells. Most hide it behind lofty claims and high-minded claptrap. They wear their suits like a coat of paint over rotten wood. But not Donald Trump. What you see is what you get. Every time he appears on stage he strips naked as a jaybird. Almost everything he says is honestly and clearly dopey.

The benefit to the public is immeasurable. It is like a crash course in cynicism. It shows people what politics is all about. No deep thinking. No serious plans or analysis. Empty promises, bluster and BS is all there is to it. "Drain the swamp," said the Donald. It was the right slogan. But you needed a big dose of cynicism to fully appreciate it. Trump had no intention of actually doing it.

"Eight years after Trump entered politics promising to reduce the influence of Washington lobbyists – to 'drain the swamp', as he put it – advocates for corporate interests, including companies based in China and other foreign countries denounced by Trump, now sit at virtually every level of his campaign," says The Washington Post. Lobbyists are represented among his high-level staff and informal advisers, hoping that access to Trump or "insight into his at-times erratic decision-making will turn into moneymaking opportunities".

Then, there was his landmark legislation – the tax cut. It will "pay for itself", said its backers. GDP will go up and tax collections will rise. No such thing happened. Deficits rose. And in the four years following, US debt increased by $6.5trn.

But there's no reason to single out Trump. Both candidates for the US presidency are charlatans; Trump just doesn't attempt to hide it. And the phenomenon goes much deeper than the candidates themselves: politicians are public-policy pushers. And public policies almost always produce results opposite to the promises made for them.

> *"Both candidates are charlatans. Trump just doesn't hide it"*

Just look at the mess the feds have made of US finances. The Federal Reserve's policy, since the 1990s, was to boost the economy with ultra-low interest rates. But after the strongest "stimulus" medicine ever administered, 2009-2021, the patient got sicker. Growth rates sank below those of the Great Depression, while debt rose by $1trn a year for the last 30 years, headed now to $2trn per year. Does the Fed learn from its mistakes? Nope. It is lowering its rates again. And as it feeds low-cost loans to its privileged member banks, the real economy gags on higher real interest rates. Lenders fear more inflation; they want higher interest rates to protect themselves. Last month, the core rate of inflation rose. The yield on both the two-year and ten-year Treasuries (the most important brick in the whole financial wall) rose above 4%.

Politics and investing are both "losers' games". You win by not losing – that is, by not being a victim. How do you do that? In politics, the way is to vote for politicians who will reduce the burden of public policies, not increase it. Alas, neither of the 2024 candidates is proposing to do that. And in investing, the most important thing is to avoid the Big Loss and stay in the game. For example, people who buy long-dated Treasury bonds, counting on the feds to repay in good time, with good money, are likely to be victims. Don't believe it? Buy 30-year Treasuries. Hold to maturity. Let us know how it works out.

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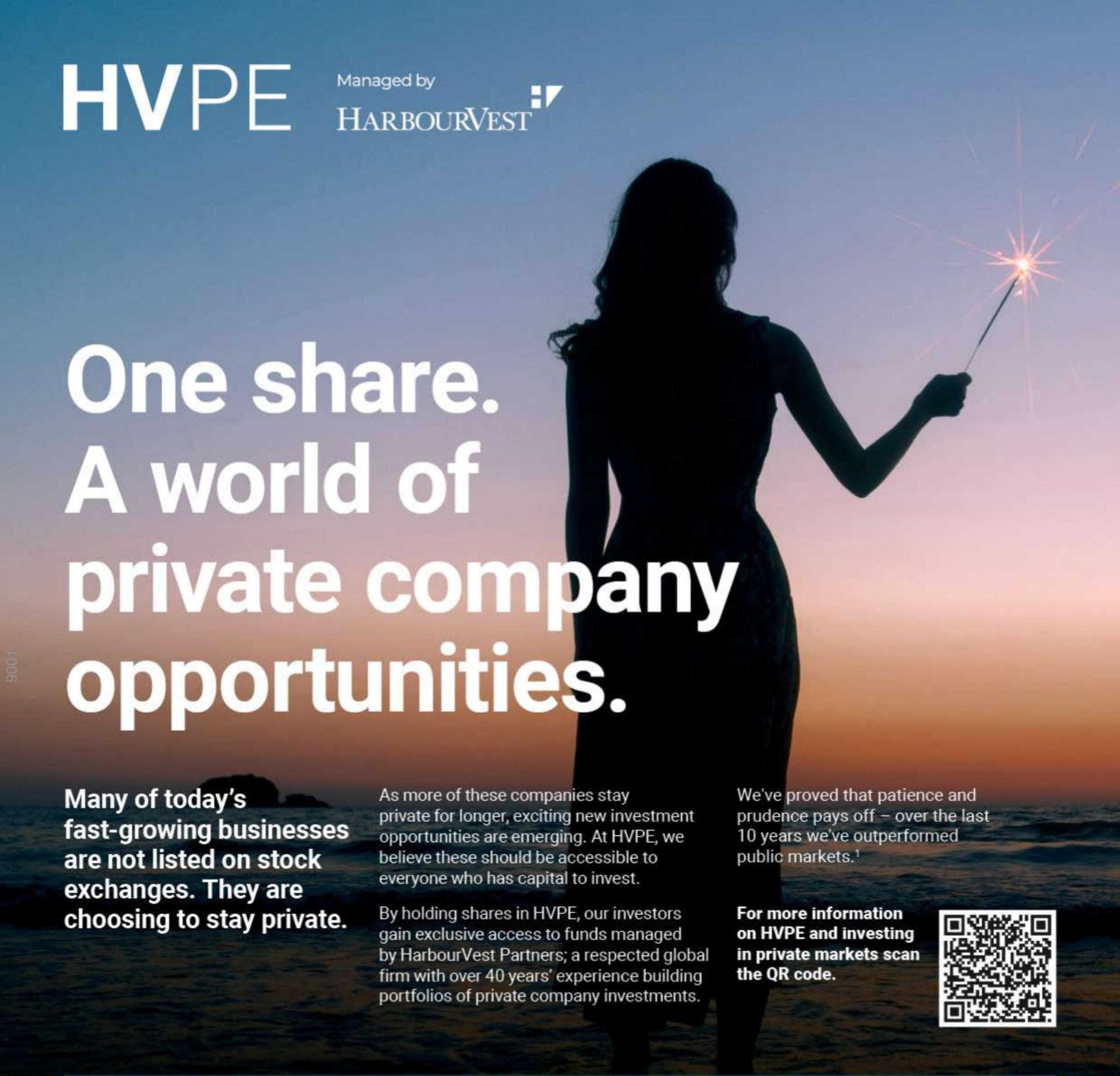

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NAV per share ($)[2]	3%	4%	29%	107%	246%
Share price total return ($)[3]	12%	15%	6%	56%	180%
Share price total return (£)	11%	16%	16%	48%	268%
FTSE All-World Total Return ($)	13%	18%	20%	73%	144%

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1 Over the ten years to 31 July 2024, the US dollar NAV per share compound annual growth rate ("CAGR") was 13% and the public market comparator (the FTSE All-World Total Return Index) CAGR was 9%.

2 Please also note the "NAV per share" percentages in the table above reflect the US dollar monthly estimated NAV per share.

3 HVPE introduced an additional US dollar share price on 10 December 2018; from this date onwards, the actual US dollar share price, as reported by the London Stock Exhange, has been used. Prior to this date, the US dollar share price had been converted from the sterling share price at the prevailing exchange rate. The share price total return figures have been adjusted for the redemptions which occurred in October 2013 and October 2014.