

**Can Hong Kong's property market rebound?**  
BIG READ, PAGE 19

**Voters should salute Biden's economic boom**  
MARTIN WOLF, PAGE 21

## Awkward date Xi remembers Nato bombing

Emmanuel Macron and Xi Jinping share a drink in a restaurant yesterday at the remote Tourmalet pass in the French Pyrenees.

The French president held private meetings with his Chinese counterpart before Xi travelled to Serbia as part of his three-leg European tour. He arrives in Hungary today.

Xi's trip to Belgrade coincides with the 25th anniversary of Nato's bombing of the city's Chinese embassy. Xi hailed Beijing-Belgrade unity in a letter published by the Serbian media outlet Politika, writing: "The China-Serbia friendship, forged with the blood of our compatriots, will stay in the shared memory of the Chinese and Serbian peoples."

Nato has said the Chinese embassy bombing was an accident that happened during a war to protect Kosovans from Serbian aggression.

**Xi lashes out page 6**



Aurelien Morissard/AF Photo

# Israel threatens wider Rafah assault as mediators struggle to keep talks alive

◆ Border crossing seized ◆ Netanyahu rejects truce ◆ US stalls arms shipment ◆ Panic among Gazans

NERI ZILBER — TEL AVIV  
ANDREW ENGLAND — LONDON  
FELICIA SCHWARTZ  
AND JAMES POLITI — WASHINGTON

Israel has threatened to expand its military operation in Rafah after tanks and troops seized the main border crossing between Gaza and Egypt, as international mediators struggled to continue talks aimed at ending the conflict.

Israel launched its ground offensive into eastern Rafah on Monday, hours after Hamas said it had accepted a draft proposal of a hostage-for-ceasefire deal that would lead to an initial six-week pause in the seven-month war in Gaza.

Israeli Prime Minister Benjamin Netanyahu said yesterday that the proposal fell "very far from Israel's necessary requirements" and was "intended

to torpedo the entry of our forces into Rafah". But his government has dispatched a team of negotiators to Cairo to continue talks, which are being mediated by the US, Qatar and Egypt.

The Biden administration, which has become ever more public in its criticism of Israel's conduct of the war, has held up two shipments of precision weapons to Israel, according to people familiar with the matter. It was not clear if the



Gazans brace for assault Page 5

'We are now in a prison and even aid will not be coming in. They will starve us and kill us like they did in the north'

move was related to the Rafah offensive, against which Washington has repeatedly cautioned Netanyahu.

The White House declined to comment on whether it had delayed any weapons sales to Israel. US National Security Council spokesman John Kirby said: "Our commitment to Israel's security remains ironclad."

The stalling of the arms sale is informal, using bureaucratic processes, the people familiar with the matter said.

Such a move would mark the first known time the US has held up a potential weapons sale since Hamas attacked Israel on October 7 and the Jewish state launched its retaliatory offensive against the militant group in Gaza.

Yoav Gallant, Israel's defence minister, said the operation in Rafah to "eliminate"

the militant group's last holdout in the Gaza Strip would continue "until the first hostage returns".

"We are willing to make compromises in order to bring back hostages but, if that option is removed, we will go on and 'deepen' the operation," he said.

The incursion into Rafah sent panic through the more than 1mn Gazans who have sought sanctuary in the southern city. It also drew condemnation from the EU, Arab states and UN aid agencies, which have warned of the dire humanitarian consequences of any assault.

Aid agencies expressed alarm at the effect that Israel's seizure of the Rafah crossing, which has halted aid deliveries, would have on humanitarian provision to Gaza. The enclave has for months been suffering food shortages.

Jens Laerke, spokesperson for the UN humanitarian office, said preventing the entry of fuel would put "the humanitarian operation in its grave".

President Joe Biden said his US administration was still "working around the clock" to help broker a hostage deal.

But speaking at a Holocaust remembrance ceremony on Capitol Hill, Biden vowed to protect Israel's security even if the Israeli assault on Rafah was against Washington's wishes.

"My commitment to the safety of the Jewish people, the security of Israel and its right to exist as an independent Jewish state is ironclad even when we disagree," he said.

**Netanyahu's dilemma page 5**  
**Jacquelyn Schneider page 21**

### Briefing

► **UBS sees first profit since taking over collapsed rival**  
The Swiss lender has reported its first quarterly profit since taking over Credit Suisse, sending its shares up 10 per cent. Net earnings reached \$1.8bn as the bank begins to reap the benefits of the rescue of its former rival.— PAGE 7; LEX, PAGE 22

► **Big Four firms fined**  
The accounting watchdog has imposed fines of £4.9mn and £4.4mn against PwC and EY respectively for failures in audits of London Capital & Finance, the failed investment group.— PAGE 10

► **MoD data group probed**  
The government is investigating potential failings at SSCL, the private IT contractor that was breached in a suspected cyber attack by China on the records of UK military personnel.— PAGE 2

► **Zelenskyy plot thwarted**  
Kyiv says it has uncovered a network of Russian agents who planned to assassinate Ukraine's president, including two colonels who worked for the agency in charge of his security.— PAGE 4

► **BP pledges to trim costs**  
New chief executive Murray Auchincloss has promised to cut \$2bn from expenditure by the end of 2026 after the oil major's first-quarter profit fell more than expected to \$2.7bn.— PAGE 8

► **Porn actor gives evidence**  
Stormy Daniels has provided a graphic account of Donald Trump's alleged sexual advances in a hotel room in 2006 as she testified at his "hush money" trial.— PAGE 6; MARTIN WOLF, PAGE 21

► **Builders become busier**  
Construction activity beat expectations in April, growing at its fastest pace for more than a year as a brighter economic outlook boosted commercial and civil engineering sectors.— PAGE 2

► **Italian army battles boars**  
Prime Minister Giorgia Meloni is sending soldiers out across the country to hunt wild boar in an offensive designed to shield Italy's €8.2bn prosciutto and sausage industry from swine fever.— PAGE 3



## Flood barrier faces mid-life climate crisis as it turns 40

No one talked of climate change when the Queen opened the Thames Barrier 40 years ago today. Now the threat of rising sea levels, more intense storms and more flooding means the number of gate closures is forecast to increase and the stainless steel bulwark near Greenwich will need updating. "We really need to get on with it," says one expert. "If we do need to close the barrier more than we thought, then it's going to have a shorter lifespan."

**Sleeping giant page 3**

# Berlin and Brussels partly to blame for Brexit, says would-be German leader

GUY CHAZAN — BERLIN

Germany's main opposition party chief has said Berlin and Brussels are partly to blame for Brexit because they were unwilling to offer the UK real concessions before its pivotal EU referendum in 2016.

Friedrich Merz, head of the centre-right Christian Democrats, stopped short of naming Angela Merkel but implied the former chancellor could have done more to help Britain's then prime minister win the vote — a widely held view in Westminster.

"I remember that David Cameron asked for changes to EU social policy and came back to London empty-handed," Merz, who polls suggest has a good chance of becoming chancellor next year, told the Financial Times.

"The continental Europeans were not

entirely blameless when it came to Brexit. We lost patience with the special role that Britain always played in European politics. We didn't do enough to help them come to a different referendum result."

Merz, a former BlackRock executive, also praised the UK's controversial plan to deport asylum seekers to Rwanda, saying it was "something we could emulate".

"It is clearly going to deter people, especially young men making their way to Europe who have no real prospect of being granted asylum," he said.

Merz was speaking shortly before the CDU's annual conference in Berlin, which is set to endorse the party's first new policy programme since 2007. Critics say it represents a pivot to the right and away from the pragmatic, centrist stance Merkel personified as chancellor.

Merz rejected that claim, saying it was not "a departure" from the Merkel era but "a commitment to the basic values and principles that sustained us through more than 50 years of governing post-war Germany". He added: "We are a conservative party again."

The CDU is Germany's most popular party, polling at 30 per cent, far ahead of the three parties in Chancellor Olaf Scholz's ruling coalition.

Merz's comments on Brexit chime with the views of many British conservatives, who feel Merkel did little to help Cameron win the referendum.

He said he wanted much closer links between the UK and the EU. "We have a plethora of opportunities, at least in foreign and defence policy, that we should explore together. We Germans have a huge strategic interest in keeping the UK closely engaged in Europe."

### World Markets

STOCK MARKETS				CURRENCIES				GOVERNMENT BONDS					
	May 7	Prev	%chg	Pair	May 7	Prev	Pair	May 7	Prev	Yield (%)	May 7	Prev	Chg
S&P 500	5195.33	5180.74	0.28	\$/€	1.073	1.078	€/\$	0.928	0.928	US 2 yr	4.80	4.81	-0.01
Nasdaq Composite	16384.44	16349.25	0.22	\$/£	1.255	1.258	£/\$	0.797	0.795	US 10 yr	4.42	4.50	-0.07
Dow Jones Ind	38914.23	38852.27	0.16	€/£	0.859	0.857	£/€	1.165	1.167	US 30 yr	4.57	4.66	-0.09
FTSEurofirst 300	2036.85	2012.50	1.21	¥/\$	154.440	153.950	¥/€	166.455	165.966	UK 2 yr	4.30	4.35	-0.04
Euro Stoxx 50	5015.77	4950.90	1.19	¥/€	193.862	193.645	€ index	82.275	82.312	UK 10 yr	4.22	4.32	-0.10
FSE 100	8313.67	8213.49	1.22	Sfr/€	0.977	0.976	Sfr/£	1.138	1.138	UK 30 yr	4.59	4.69	-0.10
FSE All-Share	4522.99	4469.09	1.21	CRYPTO				JPN 2 yr	0.27	0.28	-0.01		
CAC 40	8075.68	7996.64	0.99		May 7	Prev	%chg	JPN 10 yr	0.87	0.90	-0.03		
Xetra Dax	19430.05	19175.21	1.40	Bitcoin (\$)	63778.00	€3187.29	0.93	JPN 30 yr	1.97	1.90	-0.01		
Nikkei	38835.10	38236.07	1.57	Ethereum	3075.60	3071.53	0.13	GER 2 yr	2.97	2.97	0.00		
Hang Seng	18479.37	18578.30	-0.53	COMMODITIES				GER 10 yr	2.42	2.47	-0.05		
MSCI World \$	3391.13	3361.41	0.88		May 7	Prev	%chg	GER 30 yr	2.54	2.60	-0.06		
MSCI EM \$	1066.73	1061.45	0.50	Oil WTI \$	78.39	76.48	-0.11						
MSCI ACW \$	775.78	769.29	0.84	Oil Brent \$	83.19	83.33	-0.17						
F Wilshire 2500	6693.65	6621.88	1.08	Gold \$	2294.45	2288.85	0.24						
F Wilshire 5000	52111.60	51555.30	1.08										

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## NATIONAL

## Cyber security

## Contractor probed over MoD hack

SSCL in the spotlight after suspected attack by China accesses payroll data

JOHN PAUL RATHBONE AND LUCY FISHER

The government is investigating potential failings at SSCL, the private IT contractor that was breached in a suspected cyber attack by China targeting the records of UK military personnel.

The hack on the company, which has multiple government contracts providing business services to other departments, accessed the records of up to 272,000 people on the Ministry of Defence's payroll.

The attack, which was discovered in recent days, was carried out by a

"malign actor, defence secretary Grant Shapps said yesterday. He did not confirm who was behind it but a person briefed on the incident said Beijing was thought to be the culprit.

"We think the private contractor has many questions to answer," Shapps told MPs. "If it is the case that there has been negligence... we will take the strongest action," he added.

SSCL holds the payroll details of most of the British armed forces and 550,000 public servants in total through its other government contracts, including with the Home Office, Ministry of Justice and Metropolitan Police.

It was set up in 2013 as a joint venture between the Cabinet Office and Paris-based Sopra Steria, a digital services company, as part of a wider drive by the

government to reform the civil service and save taxpayer money by centralising key functions.

It claims to have delivered £750m in

**'If a firm that close to Cabinet Office has lax security compliance, what of firms more removed?'**

savings to the public sector over the past decade. The Cabinet Office sold its 25 per cent stake in SSCL to Sopra Steria last year. The company did not immediately respond to a request for comment.

SSCL provides business services to 22 government departments and agencies and processes more than £363bn in pay-

ments every year, according to its website. It has been awarded more than 207,000 government contracts, according to official data.

"We do need to see resilience of all third-party contractors engaged with Whitehall departments protected to the same standards as the ministries themselves," said Tobias Ellwood, a Tory MP and former defence minister.

John Healey, shadow defence minister, said private contractors were the "soft underbelly of national security".

Philip Davies, professor of intelligence studies at London's Brunel University, described the hack as "very alarming because if a firm that close to Cabinet Office has lax security compliance, what of firms more removed from the centre of government – or their sub-

contractors, sub-sub-contractors and service providers?"

The UK has previously accused Chinese hackers of trying to break into email accounts of MPs critical of Beijing and has also blamed them for an attack on the country's electoral watchdog that compromised millions of people's data.

Chinese foreign ministry spokesperson Lin Jian said Beijing opposed all forms of cyber attack, and said that any remarks by UK politicians suggesting that China was responsible for the MoD hack were "absurd".

The government believes that whoever accessed the MoD data did not download it. Members of the armed forces were told about the cyber attack yesterday morning.

*Additional reporting by Sylvia Pfeifer*

## April data

## Construction activity grows at fastest for more than year

VALENTINA ROMEO

Construction activity beat expectations last month, growing at its fastest pace for more than a year as a brighter economic outlook boosted commercial and civil engineering sectors, according to a closely watched survey.

The S&P Global UK Construction Purchasing Managers' Index rose to 53 in April, up from 50.2 in March and the highest reading since February 2023, data released yesterday showed.

The figure surpassed the 50.2 forecast by economists polled by Reuters and stood above the 50 mark, which indicates rising output.

Tim Moore, economics director at S&P Global Market Intelligence, said demand in the construction sector "was boosted by greater confidence regarding the broader UK economic outlook" and hopes of interest rate cuts in the second half of the year.

The figures come ahead of official data this week that is expected to show the UK economy is bouncing back after entering a technical recession in the second half of 2023.

Economists polled by Reuters expect GDP data released on Friday to show that output in the first quarter of 2024 increased by 0.4 per cent compared with the previous three months.

Meanwhile markets are pricing in an interest rate cut by the Bank of England later this year. But the Monetary Policy Committee is expected to hold interest rates at 5.25 per cent when it meets tomorrow.

Commercial activity outperformed other areas of the construction sector in April, with civil engineering providing a solid contribution to overall growth as the residential building sector continued to slow.

The PMI survey showed that commercial building activity reported the first reading above 50, indicating expansion, since August 2023.

It was the fastest-growing area of the construction sector in April with an index of 53.9, up from 49.9 in the previous month.

Surveyed builders said they had seen workloads rise and a turnaround in customer demand, in part driven by refurbishment projects.

Civil engineering activity further expanded in April and at the strongest pace for nine months, with an index of 53.6, up from 50.4 in the previous month.

But housebuilding activity registered a setback with the lowest reading since January, as construction companies pointed to sluggish market conditions and the impact of elevated borrowing costs.

The reading "suggests that the tick-up in mortgage rates since the start of the year is weighing on demand for new homes", said Matthew Pointon, senior property economist at Capital Economics.

Separate data published by the lender Halifax yesterday showed that house prices stagnated in April after contracting in March, reflecting volatility in the mortgage market.

Optimism for the year-ahead business outlook across the construction sector edged up in April, with nearly half of the PMI survey panel anticipating a rise in output during the next 12 months.

## Politics. Convergence

## Labour and Tories move closer on economy

Growing alignment between Reeves and Hunt is being dubbed 'Heevesian' policy

GEORGE PARKER

Rachel Reeves, Britain's shadow chancellor, yesterday declared to a City audience that "stability is change", vowing that Labour would break from the "chaos" of recent Conservative economic policymaking.

But while Reeves's reference point is Liz Truss's self-destructing, unfunded mini-Budget in 2022, economists note that some of the "stability" she is offering comes from a growing alignment of Labour and Tory policy.

Labour officials shudder at talk of "Heevesian" economics – a synthesis of chancellor Jeremy Hunt's policies with those of Reeves – but the similarities are greater than either side would care to accept.

Despite being the official opposition, Labour has signally refused to oppose many of Hunt's recent economic policies, including the chancellor's recent cuts in national insurance rates from 12p to 8p.

Hunt set out 110 measures to boost the economy in his 2023 Autumn Statement and Labour opposed none of them. The same applied to all of the policies announced in the chancellor's Spring Budget this year.

When it comes to financial services reform and shaking up the UK's capital markets, Reeves found herself in agreement with all of Hunt's so-called Edinburgh reforms.

"The big shift is that we don't oppose for opposition's sake," said one ally of Reeves. Another Labour insider said: "Let's be honest, Jeremy Hunt has stabilised things since the Truss mini-Budget."

Paul Johnson, director of the Institute for Fiscal Studies think-tank, notes Reeves has crucially adopted Hunt's main fiscal rule – a commitment to cut debt as a share of national income in five years' time – further limiting her room for manoeuvre and putting continued pressure on public services.

"It's very striking she has nailed her colours to the same fiscal mast," Johnson said, noting that she had also



**Front foot: shadow chancellor Rachel Reeves declared to a City audience yesterday that 'stability is change'. Below, Chancellor Jeremy Hunt has adopted some of Labour's policies**

Jordan Pettit/PA



embraced the personal and business tax cuts announced by Hunt. "On tax measures and fiscal rules they look at first glance fairly similar."

Johnson has previously called the rule that debt should be falling in the fifth year of the forecast period "pretty daft".

Meanwhile, Hunt has adopted some of Labour's policies, including its raid on tax privileges for "non-doms" and an extended windfall tax on North Sea oil and gas producers, bringing the two parties together.

Torsten Bell, head of the Resolution Foundation, notes that the Conservatives also raised corporation tax from 19p to 25p in 2023; Reeves is comfortable with that rate but has promised to cap it at that level.

Reeves, in her speech, stressed that Labour would do things differently: her "securonomics" agenda encompasses state investment in the green transition and improved workers' rights, alongside planning reforms.

"There are enough differences to get people through a 10-minute interview," said Johnson, but he noted that on the key issues of tax and spending, Labour had locked itself into the same fiscal straitjacket as Hunt.

Reeves has also tried to draw a dividing line by railing against Hunt's promise to abolish national insurance altogether, a policy she said was unfunded and would cost £46bn.

"More tunes from the Liz Truss songbook," she said. "It's party first, country second. Chaos over stability, recklessness over responsibility, decline over prosperity."

But the chancellor has insisted the abolition of national insurance is a long-term project that would be fully costed, dismissing Reeves's suggestion he has failed to learn the lessons of the Truss government's 2022 mini-Budget.

While Reeves insists her plan is very different to Hunt's, the chancellor argues that only a Tory government

**'On tax measures and fiscal rules they look at first glance fairly similar'**

would tackle welfare spending, cut taxes and resist re-regulating the labour market.

"Labour want to hug us close because they simply don't have a plan for economic growth," said one ally of Hunt.

Laura Trott, the Treasury chief secretary, said: "This is the same old Labour party that always lead to higher taxes, higher unemployment, the betrayal of pensioners and the hammering of businesses – with Labour's 70 new regulations that would cost jobs and damage economic growth."

In fact, both Hunt and Reeves are offering the country a period of stability, a recognition that business and voters are exhausted after the upheavals of Brexit, Covid-19 and soaring inflation.

As the election approaches, the two parties will accentuate how their prescriptions are different while attempting to bury the inconvenient truth that on many of the key economic issues they actually agree.

## Online regulation

## Ofcom sets out rules for tech groups to protect children

CRISTINA CRIDDLE

The media regulator has set out its expectations for technology companies to protect underage users from harmful content online as stringent new legislation comes into effect.

Today, Ofcom is outlining more than 40 measures, such as age verification and better moderation, that online services must implement to keep under 18s safe and meet incoming legal requirements.

"Our proposed codes firmly place the responsibility for keeping children safer on tech firms," said Ofcom chief executive Melanie Dawes. "They will need to tame aggressive algorithms that push harmful content to children in their personalised feeds and introduce age-checks so children get an experience that's right for their age."

These codes form part of the Online Safety Act, passed in October, which is seen as one of the broadest and strictest legal frameworks for the internet.

The measures "go way beyond current industry standards", Dawes said,

adding that, once the laws are fully in force, Ofcom "won't hesitate to use [its] powers to hold platforms to account".

The Act gives Ofcom substantial powers to enforce hefty fines and criminal liability.

Ofcom's document comes days after it cracked down on OnlyFans, a streaming platform used by sex workers, over concerns its age verification process fails to stop children accessing pornography.

Ofcom's codes will apply to all internet services children can access, including social media and search engines.

"There is an urgency to this," said Gill Whitehead, who leads Ofcom's online safety implementation. "Therefore, we are working with the largest and riskiest firms already on a one-to-one basis to ensure they understand what it is going to take for them to comply with this new law and that they're putting in some of those changes as soon as possible."

The codes announced today are open to consultation and will be finalised within a year. Services will then have three months to comply.

## England

## Sunak is accused of failing patients on NHS wait times

LAURA HUGHES

The Labour party accused Prime Minister Rishi Sunak of failing patients as the opposition party claimed two-thirds of NHS trusts in England had not met the 18-week waiting time target for hospital treatment since the last general election.

A total of 114 trusts have missed the target since the Conservatives retained power in December 2019, according to a Labour analysis of House of Commons library data published yesterday.

Sunak has made reducing hospital waiting times one of his core five pledges and the research underscores how Labour is set to use the poor state of the NHS as a key theme to attack the Conservatives in the run-up to the general election later this year.

The state of the health service is one of the most important issues for voters with 45 per cent of people listing it as one of their top three concerns, just behind the economy on 51 per cent, according to a recent YouGov poll.

Labour said its analysis also showed that the vast majority of England's 170 NHS trusts were regularly missing the target to see 95 per cent of patients in accident and emergency departments within four hours. Only 10 trusts had hit this target in any one month in the past five years, the party said. The data excludes the national lockdowns during the coronavirus pandemic, when emergency rooms were relatively empty.

"Under the Conservatives, people can no longer trust the NHS to be there for them when they need it," said shadow health secretary Wes Streeting. "It's time to stop the chaos, turn the page and start to rebuild."

According to the latest official NHS England data, there were 7.5m patients waiting for an appointment in England in February, compared with 2.6m at the time of the general election in May 2010. NHS waiting times have doubled in the 14 years the Conservatives have been in power.

The government did not immediately respond to a request for comment.

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NATIONAL

# London's 40-year-old 'sleeping giant' due for upgrade as flood risk rises

Questions hang over Thames Barrier, with scientists warning the capital faces intensifying threat

GILL PLIMMER, ATTRACTA MOONEY AND IAN BOTT

When the Thames Barrier was built as an elegant stainless steel-capped bulwark to protect Londoners from flooding in the 1980s, it was designed with additional capacity just in case melting glaciers raised sea levels.

"Climate change was not even in the dictionary," said Andy Batchelor, the 63-year-old operations manager who started work on the barrier the day it was opened by Queen Elizabeth II on May 8 1984.

Although the barrier was built to last until 2030, the Environment Agency, the public body that runs and maintains it, has since said the infrastructure will protect London until 2070.

Now on its 40th anniversary, there are questions over that strategy as scientists warn the capital risks being overwhelmed by sea-level rises, intensifying storms and more flooding.

"It's a beautiful, big, sexy barrier," said Hannah Cloke, a professor of hydrology at the University of Reading, saying the infrastructure did a good job of protecting Londoners right now.

But she added: "We are walking into a future where we know we've got a changing climate, we know we've got more rainfall coming... It's definitely not looking the same as it was when the Thames Barrier was designed and built."

The barrier was designed to protect Londoners from rising sea levels and the north-south tilt, which is gradually sinking the south-east of the country.

According to the Environment Agency, the barrier shields the Houses of Parliament, the O2 arena and Tower Bridge from tidal surges, as well as 116 railway and tube stations, 300km of major roads and £321bn worth of residential homes.

Built on a flood plain, London has always been prone to river overflows. The diarist, Samuel Pepys, noted that his house was "miserably overflowed" in 1663. But it was a tidal surge that killed 300 people in 1953 that triggered the construction of the barrier.

Since it was built, the gates have been raised more than 221 times, including 50 times in 2013-14 – the busiest season ever. Although a close watch is kept on the weather, the decision to close the gates – "in anger" as Batchelor describes it, using a military term – is usually made roughly 12 hours in advance.

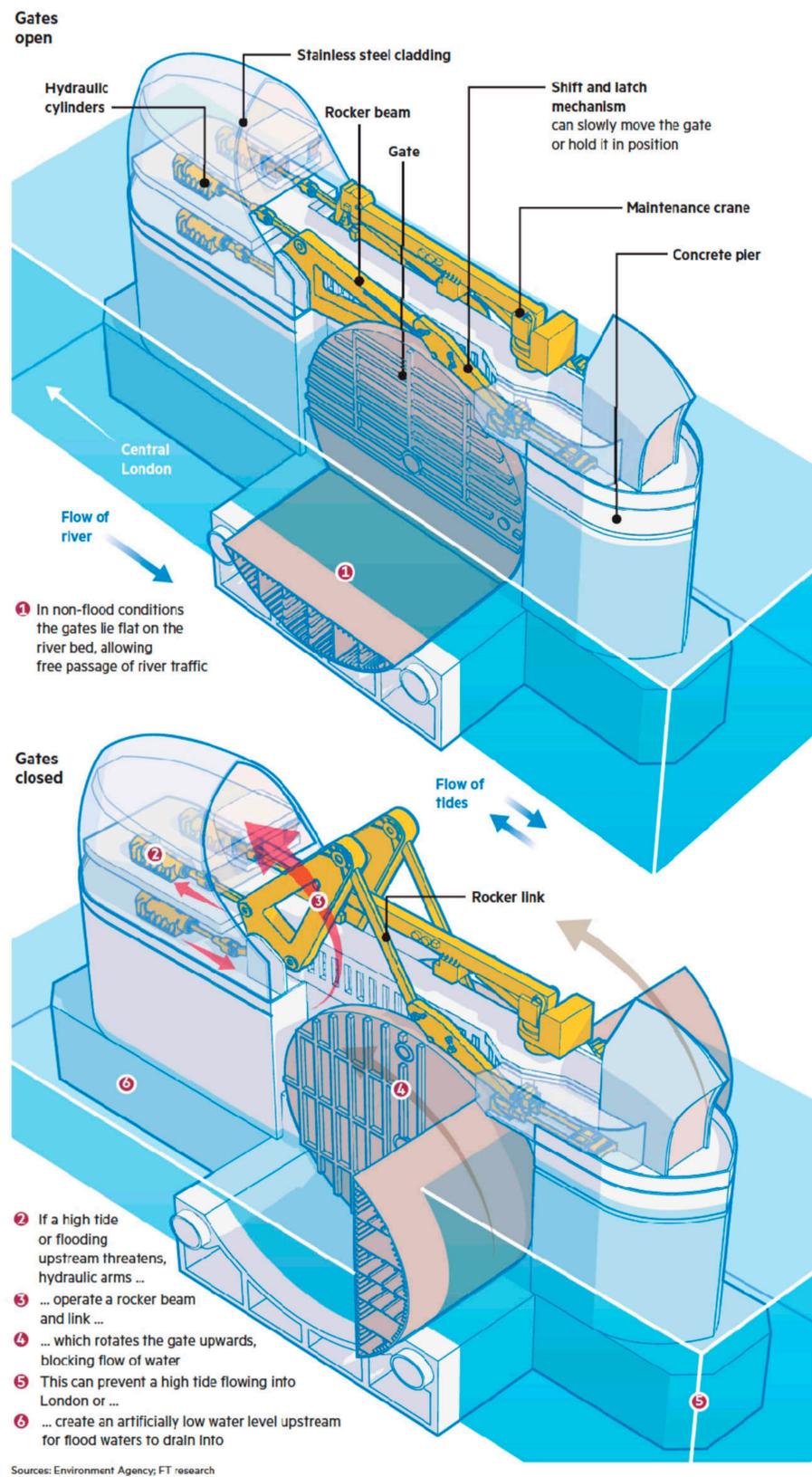
Now the number of gate closures is increasing, with the annual total expected to rise to 30 times by 2030. The repeated closures add more wear and tear to the barrier and prevent maintenance from being done.

"If we do need to close the Thames Barrier more than we thought we did, then it's going to have a shorter lifespan [of the existing barrier]," said Cloke.

The EA is planning to make a decision on how to bolster the barrier. Options include raising its height; building a new barrier with locks on the existing site, to improve resilience; or a new structure altogether downstream.

Another plan is to install "flood stor-

## How the barrier's rising sector gates work



Sources: Environment Agency; FT research

age areas", reservoirs into which surplus water can be diverted.

In the meantime, the EA is developing a 15-year programme to raise the flood walls that line both sides of the Thames to the east of the barrier through Kent and Essex by an additional half a metre by 2040 – and those in central London by half a metre before 2050.

Batchelor insisted the barrier, which is manned 24 hours a day, will continue to protect Londoners. "It's a sleeping giant that rolls into action when it's needed," he said.

He is proud of the carefully designed back-up systems, such as power supplies on both sides of the river, and the predictive maintenance that avoids faults before they happen. The stainless steel caps have never required cleaning, he adds.

Designed by the engineer Charles Draper, who was inspired by the design of his gas cooker taps, the gates normally lie flat on the floor of the Thames but can be rotated upwards to block the river's flow. It takes up to 90 minutes to fully close, starting with the outer gates, which creates a steel wall preventing water from flowing upstream.

The design has been so successful that people have forgotten the extent of the

## 'If we do need to close the Thames Barrier more than we thought, it's going to have a shorter lifespan'

city's vulnerability to flooding, say experts. In the 1970s and 1980s, a shrill siren would warn Londoners when they were at risk, while posters and TV ads sent instructions on what to do when faced with rising water.

But experts say alarm bells are ringing once again. The London climate resilience review, commissioned by London mayor Sadiq Khan, found that only 9km of the 126km in flood defences west of the Thames barrier were "sufficiently high to last beyond 2050".

Emma Howard Boyd, former EA chair, who is overseeing the report on London, said: "We need to keep a huge focus on the large infrastructure that needs to be built to continue to protect London."

The barrier was decades in the planning and took eight years to build at a cost of about £535m in 1982 the equivalent of around £2.6bn today.

The government in 2020 announced £5.2bn in spending on flood defences to protect 336,000 properties in England by 2027, double the amount spent during 2015-21.

Since then it has reduced the number of properties forecast to be protected by 40 per cent to 200,000 properties as a result of cost increases, according to the National Audit Office, the public spending watchdog.

"We should be celebrating this barrier," said Cloke. "It's done a brilliant job of protecting Londoners from floods. But we have to focus on the future. We need that [new] barrier. We need it sorted out quite soon."

## MPs' warning

# Banks make life 'tougher' for small businesses

AKILA QUINIO

Unfair banking practices, inadequate regulation and barriers to accessing finance for smaller businesses risk blocking growth and innovation in the UK, an influential cross-party group of MPs has warned.

A report published today by the House of Commons Treasury select committee found that a "difficult environment" for small and medium enterprises risked "disincentivising risk-taking, innovation and, potentially, growth".

The findings conclude a parliamentary probe into the difficulties encountered by SMEs seeking finance after being hit by the Covid-19 crisis and an energy shock linked to Russia's invasion of Ukraine.

The number of private sector businesses rose steadily from 4.5m in 2010 to 6m in 2020 before dropping sharply to 5.6m in 2023, according to the department for business and trade.

Dame Harriett Baldwin, Treasury committee chair, said banks and regulators could "do more" to help SMEs, which represent 99 per cent of UK businesses.

An earlier finding, published by the committee as part of the investigation, found that more than 140,000 SMEs had their bank accounts closed last year.

"There's no hiding from the fact smaller firms have had a torrid time over the last few years," said Baldwin. "Unfortunately, what we have found over the course of the inquiry is that there are some instances where banks and regulators are making a tough world... needlessly tougher."

The MPs made a series of recommendations, including giving the Financial Conduct Authority regulator powers to force banks to disclose the number of accounts they shut each quarter and the reason behind the decision.

The committee said "legitimate businesses" in "undesirable sectors", such as defence, pawnbroking and amusement machines, in particular, had been closed or denied accounts based on the nature of their work.

It also recommended giving the Financial Ombudsman Service new powers to address unfair requests for guarantees in light of "evidence claiming that lenders were requiring disproportionate personal guarantees for smaller businesses seeking finance".

The committee urged the government to deliver on its pledge made in October to introduce legislation to crack down on debanking. Ministers have committed to raising the minimum notice period that banks must give customers before closing an account.

Data shared with the committee by the Impact Investing Institute, a non-profit organisation that promotes impact investing, found that the success rate for SME applications for bank loans dropped from 80 per cent in 2018 to around 50 per cent last year.

The parliamentary group also warned that the Prudential Regulation Authority's plans to introduce Basel 3.1, a package of global capital reforms, risked "tightening conditions" even further with respect to SMEs.

## Scotland. SNP's record

# Swinney inherits legacy of an economic gap and struggling public services

## Party veteran takes office with pledge to pursue moderate centre-left policy agenda

SIMEON KERR — EDINBURGH  
JANINA CONBOYE — LONDON

John Swinney, Scotland's new first minister, has pledged to implement a moderate centre-left policy agenda, encouraging economic growth to support public services in Scotland.

The veteran politician, who has been involved in government decision making since the SNP took power in 2007, says he is going to "shout loud and proud about the SNP's record". But after 17 years of government and public expenditure that is 15 per cent higher than the UK average, how does that record look?

**GDP** Scotland's per capita gross domestic product has historically trailed that of England and the gap has widened over the past decade. In 2014, Scotland's GDP per capita was £27,580 compared with £28,630 in the rest of the UK; by 2022, it had risen to £34,299 in Scotland against £37,068 elsewhere in the UK.

Many business leaders say the SNP's pursuit of progressive taxation and reg-

ulation has stymied growth. David Lonsdale, director of industry group the Scottish Retail Consortium, called for an economic growth plan to ease the "burgeoning regulatory burden", adding: "After all, an expanding economy is good for living standards and job prospects as well as government revenues."

Daniel Johnson of Scottish Labour, which is pitching itself as a lower-tax, pro-enterprise party, describes the SNP government as "incompetent and economically illiterate" that has "left Scots poorer".

The SNP counters that Scottish GDP performance would be bolstered if its share of North Sea oil and gas revenues was included; Scotland's lack of control over them has been a historic nationalist grievance.

Swinney argues that Scottish growth would be stronger if it had not been subject to 14 years of UK austerity and Brexit, which he described as Westminster acts of economic "self-harm" that undermined the case for the union.

### Education

Declining school attainment has raised concern about Scotland's once-prized education system, which includes the world's highest per capita proportion of top universities. In the past 10 years it has gone from leader to laggard com-

pared with the rest of the UK. Scotland's average score in maths under the Pisa international student assessment system for 15-year-olds in 2006 was 506; by 2022 – the latest data available – it had fallen to 471.

The SNP's critics say the government's education policies, including a

new skills-based curriculum at the expense of a more formal, knowledge-based approach, have undermined the basic foundations of reading, writing and science. But government strategists say they have reduced inequality in educational outcomes, with more poorer students attending universities while all

Scottish residents can benefit from free tuition fees.

### Health

Troubled post-pandemic healthcare, as elsewhere in the UK, poses a particular challenge to Swinney's ability to rebuild confidence in the NHS's handling of public services.

The Scottish government's target that 95 per cent of patients should be processed at emergency departments within four hours was last met in 2017. At the end of April, 30 per cent of people had to wait more than four hours to be seen.

The opposition says long waiting times at A&E departments are proof that the SNP has left the NHS at "breaking point".

The party points out that it avoided strikes that hit the NHS in England and that Scottish emergency departments still outperform other parts of the UK.

But with one in seven Scots on an NHS waiting list, the daily reality of healthcare weighs on the government record.

### Crime

Recorded crimes have tumbled to levels not seen for decades during the SNP's period in office.

Police recorded about 290,000 crimes in 2022-23, 1 per cent higher than the previous year but 13 per cent lower than a decade ago. A nationwide survey that

### Holyrood vote

## Greens abstain in election for new first minister

Veteran Scottish National party politician John Swinney was elected Scotland's first minister yesterday in a parliamentary ballot following the formal resignation of Humza Yousaf.

In a vote at Holyrood, the new leader of the SNP beat three rival nominees: Alex Cole-Hamilton, Douglas Ross and Anas Sarwar, leaders respectively of the Scottish Liberal Democrats, Scottish Conservatives and Scottish Labour.

Swinney's swearing-in is scheduled for today at the Court of Session, Scotland's highest civil court.

The 60-year-old Swinney's path to power had been cleared earlier yesterday when the Scottish Greens

said their seven MSPs would abstain. The SNP has 63 MSPs, with opposition parties holding 65 seats.

Lorna Slater, co-leader of the Greens, said the SNP had the right to form a government but did not have "an automatic right to our votes". She said: "We need to see... what direction he [Swinney] wants to take."

Ross accused the SNP of doing a "backroom deal with the Greens" to secure the abstentions that would win the vote for Swinney, who led the nationalist party between 2000 and 2004 and later served as deputy first minister to Nicola Sturgeon.

Yousaf's decision to end a power-sharing deal with the Greens triggered the political crisis that ended in his decision to resign last week when he could not rely on his former coalition partners in a vote of no confidence. Simeon Kerr

## INTERNATIONAL

## Security

## Ukraine foils Russian plot to kill Zelenskyy

Conspiracy uncovered by spy chiefs is said to have involved senior officers

ISOBEL KOSHIW — KYIV  
CHRISTOPHER MILLER  
UKRAINE CORRESPONDENT

Ukraine has said it uncovered a network of Russian agents in the country who planned to assassinate President Volodymyr Zelenskyy, including two colonels who worked for the agency in charge of his security.

The Ukrainian domestic intelligence service (SBU) yesterday said the two were tasked by Moscow with finding people in Zelenskyy's security detail who would take the president hostage and later kill him.

The agency they worked for, known as the State Protection Service, oversees security for top officials.

One of the colonels, the SBU said, had purchased weapons and drones for the operation and was recorded in conversation with his handlers at the FSB, the Russian spy agency.

The alleged conspiracy was the latest in a series of foiled Russian plots that Ukrainian authorities said were intended to kill or capture the president, since Russia's full-scale invasion of Ukraine in 2022. It comes just weeks after Ukrainian and Polish authorities announced the arrest of a Polish citizen accused of helping Russia's intelligence carry out such an assassination plot.

Zelenskyy told the Financial Times in November 2022 that he had survived

"several" attempted hits on his life. His chief of staff, Andriy Yermak, said that Russian sleeper agents had tried to storm the presidential office to capture or kill the head of state in the first hours of Moscow's invasion.

**'The terrorist attack, which was supposed to be a gift to Putin before his inauguration, was a failure'**

In addition to Zelenskyy, the agents planned to kill the head of the SBU, Vasyl Malyuk, and the head of Ukraine's military intelligence service, Kyrylo Budanov, as well as other high-ranking officials. Both officials have overseen

bold operations using aerial and naval drones inside Russia and against the country's Black Sea fleet in Crimea.

The kill plan for Budanov — set to take place before Easter, according to the SBU — was to target a building he was in with a rocket strike. A third Ukrainian man, separate from the colonels, was tasked with then attacking anyone who remained in the affected area with a drone. Then the Russians planned to use a second missile strike to destroy any traces of the drones, it said.

In a tapped conversation published by the SBU, the alleged FSB co-ordinator in Moscow, Dmitry Perlin, described the rocket-drone-rocket plot against Budanov as a type of "sandwich".

Perlin told the third man recruited to help carry out the assassination that he

must be at a certain spot by 7pm to have a visual of guests arriving at a house and that the FSB had already used the spot to spy and it was "safe". Perlin added that the man would receive upwards of \$50,000 for the Budanov assassination.

Malyuk said: "A limited number of people knew about our special operation, and I personally monitored its progress."

"The terrorist attack, which was supposed to be a gift to [Vladimir] Putin before the inauguration, was actually a failure of the Russian special services."

A spokesperson for the SBU said the colonels were detained on Sunday.

The suspects have been charged with treason under martial law and preparation of a terrorist act. They face life sentences if convicted.

## Defection

## Polish judge accused of treachery after fleeing to Belarus

RAPHAEL MINDER — WARSAW

A Polish judge has defected to Belarus, claiming he was "persecuted and intimidated" by the government of Prime Minister Donald Tusk but sparking accusations he was a traitor serving Russia's staunchest wartime ally.

During a news conference after his arrival in Minsk, judge Tomasz Szymdt praised Belarus President Alexander Lukashenko for bringing stability.

He called on Warsaw to establish "good neighbourly relations" with Belarus and Russia, though Poland has spearheaded western efforts to help Ukraine resist Russia's all-out invasion since February 2022, which Moscow launched in part by using Russian troops stationed in Belarus.

Belarus is under heavy western sanctions because of its repressive regime and its war support to the Kremlin, so Szymdt's flight stunned and angered Polish politicians.

"Traitor — the only question is since when?" wrote Polish foreign minister Radosław Sikorski on the social media platform X.

Poland's intelligence agency has begun an investigation into whether Szymdt took classified information with him to Minsk.

Szymdt, who sat on Warsaw's provincial administrative court, said on Monday that he fled Poland because of his "opposition to the policies and actions of the authorities". He said he was now looking forward to "rest a bit" in "an open, friendly country".

In 2020, Russia helped Lukashenko crush pro-democracy demonstrations, while the US and EU reinforced sanctions against Belarus in 2021 after Minsk forced a Ryanair flight to land in Minsk in order to detain an anti-Lukashenko activist on board.

The EU also accused Belarus in 2021 of orchestrating a hybrid war by luring African and Middle Eastern migrants to its border with Poland and helping them cross over.

Warsaw responded by building a high metal fence along part of its border with Belarus.

The judge's unexpected defection comes as Tusk's government is seeking to overhaul the judiciary, including removing judges installed by the previous administration of the Law and Justice (PiS) party and deemed to have misused their powers to further PiS's political agenda.

Tusk's efforts to restore judicial independence have been welcomed in Brussels. On Monday, the European Commission started a process to bring to a formal end its lengthy dispute with the previous PiS government over the rule of law.

In 2019, Szymdt was among a group of judges accused of running a smear campaign against other judges opposed to PiS on behalf of the government at the time.

Stanisław Żaryn, an adviser to Poland President Andrzej Duda, who is a PiS nominee, also called Szymdt "a scoundrel and a traitor" on X on Monday. "No one in their right mind runs away to Belarus to become a puppet in the hands of [Russia's President Vladimir] Putin and Lukashenko," Żaryn added.

## Military briefing. Force strength

## Kyiv entices army recruits with choice of unit

Ad campaigns offer flexible conditions and pick of roles in attempt to raise more troops

BEN HALL AND ISOBEL KOSHIW — KYIV

Dmytro Zolotoverekhy, a dentist from Kyiv, says he is "packed and ready to go" on his first deployment as a drone operator for the Ukrainian army.

Unlike most regular soldiers who have spent months, if not years, on the front with little time for rest and recuperation, he will be allowed to return to his practice in the Ukrainian capital for two weeks every month.

Another draw was being able to choose his battalion, serving alongside friends and experienced fighters under an officer he trusts.

Ukrainian military units are trying to lure people such as Zolotoverekhy as they seek to raise hundreds of thousands of men needed to hold the line against a renewed Russian offensive.

"It is about control," Zolotoverekhy said. "It is the knowledge that I have no stupid commander. I have heard of lots of not so fun stories. [But] there are many more motivated people there."

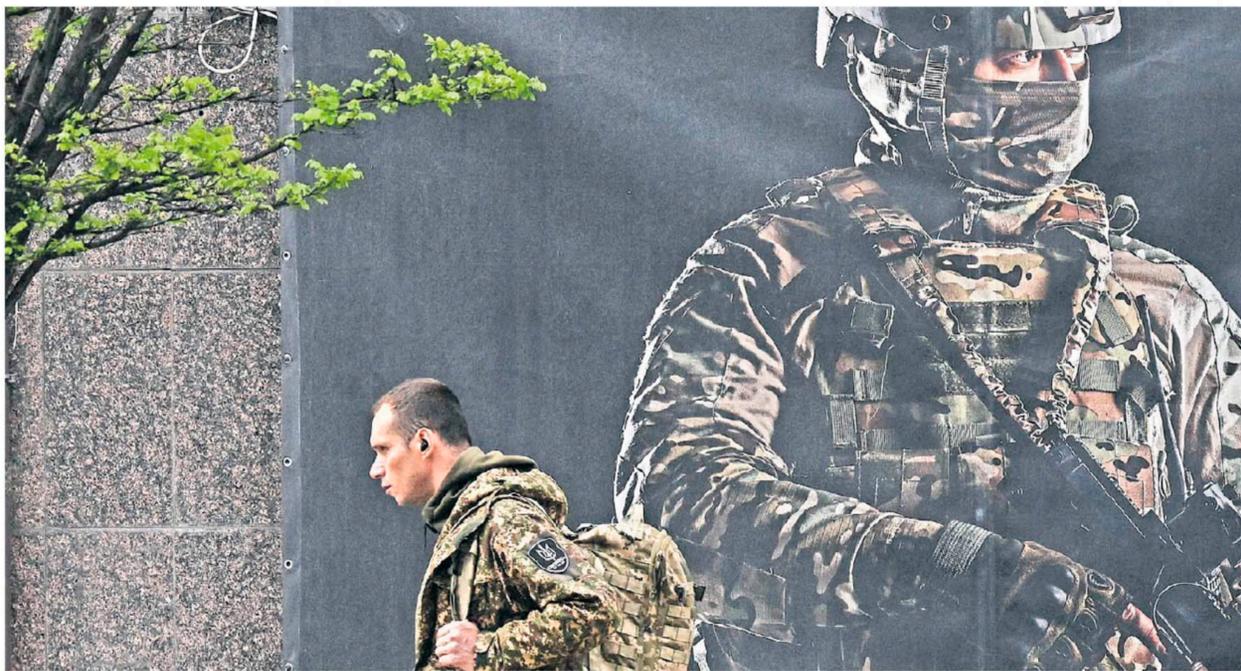
Outmanned and outgunned, Ukraine urgently needs fresh fighters as more western military aid is expected to arrive in coming weeks.

But the queues of patriotic volunteers who lined up at recruitment centres after Russia's full-scale invasion in February 2022 have long since disappeared.

Recruitment has been hampered by reports about shortages of ammunition, claims of corruption, incompetent commanders and inadequate training, as well as the lack of leave. A proposal to allow soldiers to demobilise after 36 months was dropped after army chiefs feared too many experienced troops would leave early next year.

Faced with modest volunteer numbers, the defence ministry changed tack. It started an advertising campaign making recruitment sound more exciting, by inviting men to choose their own unit and even their precise role.

"EVERYONE WILL FIGHT" — choose your unit now," said one billboard for the Da Vinci Wolves battalion. Officially the army's 67th separate mechanised brigade, it began as a nationalist paramilitary movement and has fought in



The face of war posters in Kyiv seek to tempt recruits as the Ukrainian army suffers a troops shortage

Sergei Supinsky/AF+/Getty Images

eastern Ukraine for a decade. A different poster said: "Join the best team!", in reference to the Achilles drone unit, part of the elite 92nd assault brigade.

"Every brigade is recruiting to some extent, it just depends on how developed their system is," said Serhiy Kuzan, chair of the Ukrainian Security and Cooperation Center, a think-tank.

The idea is that by giving them a sense of control, Ukrainians can be persuaded to sign up for more prestigious and possibly better equipped units, or that they will take specialised roles in the rear, in support of the frontline deployments.

The implicit message of some brigades is that if Ukrainians do not volunteer now, they run the risk of being conscripted later into standard infantry formations under weaker commanders.

This new "pick and choose" approach is being rolled out in parallel to Kyiv's regular mobilisation. The defence ministry described it as a "new opportunity for units to be filled with professional and motivated people" but it declined to say how many people it has raised.

"According to sociological surveys,

many citizens of Ukraine are ready to join the army, but under certain motivational conditions," the ministry said. "One of the most important is understanding where, with whom, how and in what position a person will serve."

The ministry is also using headhunters to fill essential roles. Lobby X, a non-profit recruitment agency, has processed 80,000 applications for 3,200 vacancies in 500 units. The roles include IT specialists, drone operators, medics, communication technicians, drivers and press officers, as well as infantry. It said it was filling 1,000 roles a month.

"We are trying to engage partners. The needs of the army are huge," said Vladislav Grezev, Lobby X chief.

The agency carried out a survey of 46,000 Ukrainians this year to better understand what is holding back an estimated 3m men of military age from signing up. Just 7 per cent of those surveyed were in the process of joining, while 23 per cent said they would serve only if certain conditions were met.

The biggest question potential recruits had was whether "their future

**'Many citizens of Ukraine are ready to join the army but under certain conditions'**

commander will care about their life and health", Grezev said. "It is not about fear of dying. It is about uncertainty."

Franz Stefan Gady, an associate fellow at the International Institute for Strategic Studies, said there was a risk that while elite units could attract motivated recruits, they might lure troops from other units. "If you concentrate all your best troops in just a couple of elite formations, these formations in a war of attrition tend to get [worn down] much, much faster."

But volunteers alone would not get Kyiv anywhere near the 300,000 men it needed, Gady said. Soon, Ukraine would have to "make some tough choices".

Grezev, of Lobby X, said the military would always prefer a motivated volunteer over a reluctant conscript but "there's always going to be a limit to the number of self-motivated people", especially for infantry units.

"Mobilisation is necessary because this is about life and death for Ukraine." Additional reporting by Christopher Miller in Kyiv [See Opinion](#)

## Sanctions package

## Brussels seeks to ban Moscow funding of European politicians

JAVIER ESPINOZA, ALICE HANCOCK AND PAOLA TAMMA — BRUSSELS

Brussels will propose a ban on Russian funding of political parties, non-governmental organisations and think-tanks as part of a fresh round of sanctions aimed at crippling Moscow's ability to pursue its war against Ukraine and spread discord among European allies.

The proposal is part of the latest package of sanctions sent to member states by the European Commission for their approval, according to a confidential draft seen by the Financial Times.

The sanctions come as the bloc is under increasing pressure from Ukraine to boost its military support amid a heavy Russian offensive. Meanwhile, EU governments are trying to crack down on Russian disinformation campaigns ahead of European parliament elections in June.

Fears of Russian interference in the elections have increased following revelations about spying scandals and influence campaigns, particularly among far-right groups, in the past month.

"Propaganda and disinformation

campaigns are capable of undermining the foundations of democratic societies and are an integral part of the arsenal of modern hybrid attacks," the draft proposal said.

Prohibiting funding for those campaigns would protect EU citizens from "malign interference", it said.

The proposals also call for a ban on four media outlets from broadcasting in Europe, the documents showed. Prague-based Voice of Europe, whose site has already been taken down by Czech authorities in an alleged Russian influence case targeting European lawmakers, as well as Russian outlets RIA Novosti, Izvestija and Rossiiskaja Gazeta are set to be added to the sanctions list, pending unanimous approval by EU member states.

The package of sanctions — the bloc's 14th following Moscow's full-scale invasion of Ukraine — is mostly "technical and not really substantial", one EU diplomat said, demonstrating the increasing difficulty the bloc has had in finding consensus among member states.

"In our view [it's] not a very strong package."

Bans on EU imports of aluminium,

cloud services and liquefied natural gas from Russia have not been included despite requests from Baltic and Nordic EU member states.

However, transshipment of LNG from Russia to countries outside the bloc at EU ports would be prohibited, if member states agree to the proposal.

The package focuses instead on further restricting companies that support Moscow's war in Ukraine and tighter

export controls on goods that could have military applications.

It sets out further restrictions on imports of Russian helium, and on exports of a number of chemicals, manganese ores, rare-earth compounds, plastics, excavating machinery, computer screens and electrical equipment.

Use of the Financial Messaging System of the Bank of Russia (SPFS), an alternative to interbank messaging service Swift, would also be prohibited, and 52 new entities could be added to the sanctions list, which imposes a travel ban and asset freeze, if agreed.

It is unclear when the sanctions would be approved by member states as previous packages have required weeks of negotiations. The draft proposals could still change, people close to the matter said.

The EU executive is also pushing to crack down on sanctions circumvention. European companies partially owned by Russians could be restricted from transporting goods through the bloc, while ships that transport goods that help Russia's war effort would be banned from entering EU ports, the document said.



Key export: a Russian liquefied natural gas tanker arrives in China

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INTERNATIONAL

# Netanyahu faces dilemma over hostages deal

## Israeli PM accused of cynical ploy after sending troops into Rafah despite Hamas agreement on prisoner swap proposal

NERI ZILBER AND MEHUL SRIVASTAVA  
TEL AVIV  
ANDREW ENGLAND LONDON

Benjamin Netanyahu waited for months to send troops into Rafah, the southern tip of the Gaza Strip where more than a million Palestinians have sought refuge from fighting.

When the order finally came on Monday, it was within hours of Hamas finally signalling that it had accepted the outlines of a hostage-for-prisoner ceasefire proposal drawn up with mediators.

At nightfall Gazans were celebrating on the streets; by first light yesterday, the IDF's tanks had taken the all-important border crossing with Egypt, the Israeli flag fluttering over Gaza's only conduit to the Arab world.

The decision marks one of the biggest gambles of Netanyahu's long career. Halting the fighting to release the hostages would leave Hamas jubilant and many of its leaders, including Yahya Sinwar, at large.

Turning down the deal to push further into Rafah would risk a fundamental breach with the US and leave the hostages in limbo.

It has made the fate of the 132 hostages still held by Hamas since its October 7 assault on Israel the thorniest dilemma of Netanyahu's premiership, one in which his political career and the Jewish state's security are inextricably intertwined.

"Either Rafah, or the hostages," read a banner at a protest involving families of hostages that blocked Tel Aviv's main highway last Thursday.

Faced with these stark choices, Netanyahu this week took a characteristic path: he bought time. Israel's troops went into eastern Rafah — with the aim of raising pressure on Hamas — while a team of "working level" negotiators went to Cairo "to exhaust the possibility of reaching an agreement under conditions acceptable to Israel", the government said.

Netanyahu's critics cast his decision as a cynical ploy to assuage his far-right coalition partners and in effect scupper a hostage deal that might bring his own government down; to his sympathisers it was a calculated move to temper the demands of Hamas.

"It's a nearly impossible constellation for him, stuck between the different parts of his cabinet, the different parts of Israeli public opinion, between the fate of the hostages and continuing the war, [and] the US," said Nadav Shtrauchler, a political strategist who has worked with Netanyahu. "The political and diplomatic and security are all connected and complicated."

During the recent phase of hostage talks, Netanyahu had already done much to limit the room for manoeuvre for CIA director Bill Burns, the head of Egyptian intelligence Kamel Abbas, and the Qatari premier Mohammed bin Abdulrahman bin Jassim Al Thani. Deal or no deal, Netanyahu had vowed, Israel would invade Rafah — rejecting the main condition Hamas had set.

But Hamas's apparent acceptance of the proposal had an unexpected out-



Displaced: Palestinians in the ruins of Khan Younis after being urged by Israeli forces to evacuate Rafah. Below, Benjamin Netanyahu, whose decision to enter the southern city risks leaving the hostages in limbo. (Left: Nitham mad/EPA-EFE/Shutterstock)



come: unanimously uniting Netanyahu's political adversaries in the war cabinet — even Benny Gantz, the ex-army chief who polls show could unseat Netanyahu in a snap election, approved the order to enter Rafah.

Gantz alleged Hamas had approved terms that did not "correspond to the dialogue that has taken place so far with the mediators".

A diplomat briefed on the frantic weekend negotiations said the proposal Hamas had accepted was similar to that previously endorsed by Israel. But a final stumbling block emerged.

As Burns shuttled from Cairo to Doha, Hamas had sought US guarantees that the deal would end with a permanent

ceasefire — a long-standing demand that Israel has rejected outright.

The mediators attempted to allay Hamas's concerns by reiterating that the reference to the goal of a "sustainable calm" during the second phase of the deal — language Israel had previously accepted — was an assurance intended to create conditions for the end of the conflict.

The Israeli incursion into Rafah immediately changed the calculus in the besieged enclave, said Mkhaimar Abusada, a professor at Gaza's Al-Azhar University now living in exile in Cairo. With nearly 35,000 Palestinians killed in seven months of Israel's offensive in Gaza, and their "homes, schools, hospitals, roads, electricity, water lines completely destroyed", any ceasefire would be acceptable to Palestinians in order to save what was left, he said.

"Hamas does not have the upper hand. But neither does Netanyahu — now that Hamas has accepted some sort of deal, he is in a big dilemma," Abusada added.

Some Israelis within government suspected that Hamas's willingness to hold out on a hostage deal was driven by Yahya Sinwar, the group's leader in Gaza, concluding that the war was set to wind down anyway.

"He doesn't want to pay the price for something he'll get for free... He thinks the world will bring Israel to stop," a person familiar with Israel's war plans said about Sinwar, one of the masterminds of the October 7 attack on

Israel in which 1,200 people were killed and 240 taken hostage.

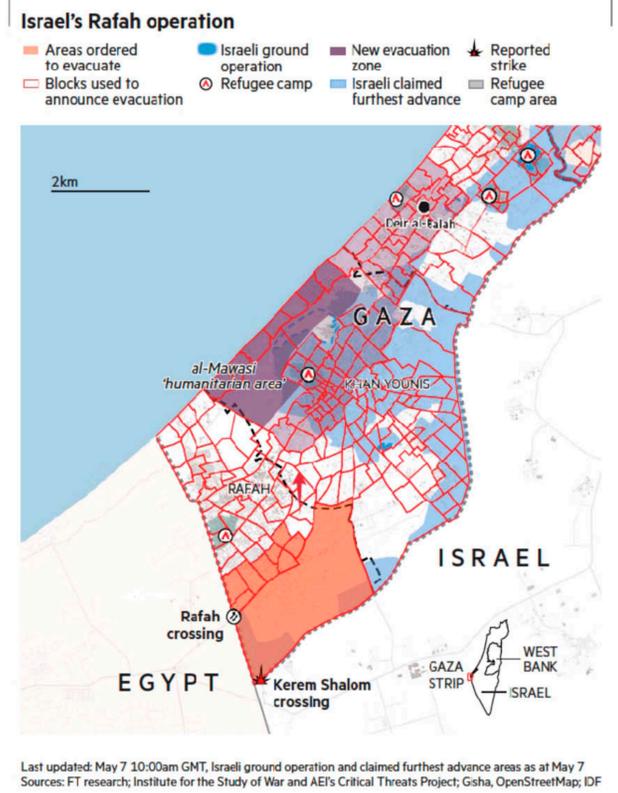
Israel's incursion into Rafah has brought intense international condemnation, from the EU to Saudi Arabia. It is also in clear defiance of US President Joe Biden, who has pushed for an end to the war and has warned that a Rafah operation that endangers Palestinian civilians is a red line for him.

For Egypt, the matter is viewed as a grave threat to national security, with fierce fighting between the IDF and Hamas along its 14km border with Gaza potentially leading to an exodus of tens of thousands of desperate Palestinians into its Sinai peninsula.

"The Egyptians are terrified [and they are] angry and exhausted with Israel," said an Israeli official familiar with the debates between Israel and Egyptian intelligence officers. "They see a deal they've produced, and suddenly, Israel won't sign."

The fate of the negotiations now hangs on fine details, according to one diplomat involved in the frantic shuttle diplomacy. The draft proposal broadly offers the chance of 33 Israeli hostages — including women, children, the elderly and wounded — to be freed in exchange for hundreds of Palestinian prisoners; permission for Gazans to return to the north of the strip; and a surge in humanitarian aid.

This would then be followed by what mediators hoped would be an extended ceasefire, during which the remaining hostages would be freed. Mediators pro-



Last updated: May 7 10:00am GMT, Israeli ground operation and claimed furthest advance areas as at May 7 Sources: FT research; Institute for the Study of War and AEI's Critical Threats Project; Gisha, OpenStreetMap, IDF

**'Does Netanyahu really want a deal or not? My conclusion is that he doesn't, for political reasons'**

posed language on a "sustainable calm" in a bid to break the deadlock over Hamas's calls for a permanent ceasefire and Israel's insistence that any deal would not result in an end to the war.

At least 37 of the 132 held in Gaza may already be dead, Israeli officials believe. Many are wounded, others are elderly. If talks to free them prove fruitless, Netanyahu would have little option but to invade the entirety of Rafah, despite the humanitarian costs and diplomatic blowback.

"The political grounds are very narrow — if there is any ground at all," said Israel Ziv, a retired major general who headed the Gaza Division in the Israel Defense Forces. "If there is no deal, he has to go to Rafah. And going to Rafah means that he has to face the consequences."

Netanyahu's intransigence — during decades of resisting international pressure to concede even the smallest of concessions to the Palestinians — has exhausted any faith that his critics have in his motivations.

Yair Golan, a retired Israeli general and leftwing politician, said he would be supportive if sending Israeli troops into Rafah was to raise pressure on Hamas to reach a hostage deal. But he is sceptical.

"The prime minister has undermined past negotiation attempts, so this could just be a way to avoid ending the war, and to buy time," Golan said. "The central question is: does Netanyahu really want a deal or not? My conclusion is that he doesn't, for political reasons."

Southern city. Ground offensive

## Fear grips Gazans crammed into Rafah

Residents go from elation at possible peace deal to despair at fresh bombardment

MAI KHALED AND HEBA SALEH — CAIRO

It was hours since thousands of Palestinians had poured on to the streets of Rafah, weeping and hugging as they began to believe Hamas's acceptance of a ceasefire deal had spared them an Israeli ground offensive.

But by yesterday morning, many sheltering in Rafah were on the move again, carrying sacks and mattresses out of the city in cars and on donkey carts after Israel pummelled them with a second night of air raids and signalled it would not accept the agreement Hamas had approved.

The abrupt change of mood was the latest traumatic twist for a war-weary population of more than 1mn people crammed into the southern city after Israel's offensive in response to Hamas's October 7 attack reduced much of the rest of the besieged Gaza Strip to rubble.

News that an Israeli tank brigade had seized control of the Rafah crossing on the border with Egypt, a main entry point for food and other humanitarian supplies, brought further alarm.

"We had barely celebrated news that Hamas accepted a ceasefire deal, when we heard that Israeli tanks had rolled in," said Mohamed Karraz, 28, a displaced man from Gaza City in the north. "Last night was very violent, with non-

stop bombardment and the boom of explosions and ambulance sirens."

Israel struck eastern parts of Rafah on Monday morning, sparking panic, but hours later Hamas announced it accepted a hostage deal mediated by Egypt and Qatar that would have led to an initial six-week pause in fighting. Israeli leaders, however, said the text approved by the Palestinian group differed from the one they had previously accepted, and carried out a further night of air strikes.

Yesterday Israeli planes dropped leaflets telling residents of five eastern districts to move to a coastal area west of Rafah because the Israeli military would "operate with great power against terror groups in your areas".

Om Udai Tabash, 44, said her family would head back to their home in Khan Younis, in an apartment block that has lost its roof to Israeli bombings. "If we have to die, let it be in our homes."

Many in Rafah have been displaced numerous times from northern parts of the strip. Some 1.4mn people, more than half of Gaza's population, have been packed into an area normally home to just 280,000. They have crowded into schools, private homes and tents, with little access to sanitation or clean water.

Many have spent months in tents. Limited rubbish collection has enabled disease and insects to spread, aid agencies said.

Nour Ali, 35, a mother of four displaced from Gaza City, said she and her family slept on the street on Monday night after leaving a home in which they

had been sheltering in the eastern Rafah district of Geneina, which was targeted by air strikes on Monday morning.

"We wanted to go back to the house after hearing of the ceasefire in the evening, but the bombardment resumed and just went on nonstop. No one slept," she said.

UN humanitarian agency Ocha said the seizure of the Rafah entry point — especially after Israel closed its own Kerem Shalom crossing with Gaza — threatened the entire humanitarian operation in the enclave.

Kerem Shalom was closed following a weekend Hamas mortar attack that killed four Israeli soldiers, though Israel said it would reopen "once security conditions allow". Other aid routes into central and northern Gaza remain open, though only limited numbers of convoys have entered. A long-planned US-built floating pier off Gaza may begin operations this week.

"The two main arteries for getting aid



Victim: a Palestinian boy awaits treatment after an Israeli strike

into Gaza are currently choked off," Ocha said. UN agencies had low stocks of aid within Gaza and that "if no fuel comes in for a prolonged period of time it would be a very effective way of putting the humanitarian operation in its grave".

Israel has long threatened a full-scale offensive in Rafah, where it believes remaining leaders of Hamas including Yahya Sinwar, who masterminded the October 7 attack, are hiding, probably in a network of tunnels. The October 7 assault killed 1,200 Israelis, according to Israeli authorities.

But the US and other allies of Israel, along with aid agencies, have warned against such a move given the humanitarian cost. More than 34,000 Palestinians have been killed by Israel's offensive, Palestinian health authorities have said. The UN World Food Programme said this week that northern Gaza was experiencing "full-blown famine", though it has not yet made a formal declaration of famine.

An Israeli military official said the seizure of the Palestinian side of the Rafah crossing was part of a "precise and limited operation... within specific areas of eastern Rafah".

But in the city, Mazen al-Sheikh Youssef, 27, said news that the army had taken control of the crossing was "terrifying". "We are now in a prison and even aid will not be coming in," he said. "They will starve us and kill us like they did in the north."

Additional reporting by Neri Zilber in Tel Aviv and Daria Mosolova in Brussels

Pre-trial detention

## Russia arrests US soldier in Vladivostok on theft charges

POLINA IVANOVA — BERLIN

A US soldier has been detained in Russia's far eastern city of Vladivostok on charges of theft, in the latest high-profile arrest of an American citizen by Russian authorities.

Both the US army and Russian law enforcement confirmed the arrest, which took place last week while Staff Sergeant Gordon Black was on a trip from South Korea, where he had been stationed at a US base.

NBC News was first to report the identity of the 34-year-old soldier, who is married. Black had travelled to Vladivostok on a "side trip" after completing his deployment in South Korea and without the permission of his superiors, according to NBC. A local court in Vladivostok confirmed his identity, the state news agency Ria reported.

A second US citizen was detained yesterday by police in Moscow for "minor hooliganism", state news agencies reported, naming him as Nikum William Russell and saying he was detained for being drunk and naked in a public place. The court sentenced him to 10 days in prison.

The US soldier, however, was placed in pre-trial detention until July 2, pending an investigation. Long stretches in pre-trial detention often characterise cases where Moscow is seeking to use the foreign national to increase its bargaining power for prisoner swaps with the west amid its war in Ukraine.

Several US nationals are imprisoned in Russia on charges of espionage or other political crimes, and are considered hostages by Washington, including former US marine Paul Whelan, who was detained in 2018, and Wall Street Journal reporter Evan Gershkovich, who is still in pre-trial detention after being detained in March last year.

Russia's foreign ministry said the arrest of the US soldier in Vladivostok was not political or related to espionage, according to state news agency Tass. It said police detained Black on Thursday at a Vladivostok hotel and that he had already bought plane tickets to the US.

The soldier entered Russia to visit his girlfriend, a Russian national he met in South Korea, according to local police in Russia's far-eastern Primorsky Krai region, which borders China and North Korea. The couple had a disagreement, and after Black left, his girlfriend accused him of stealing money and reported him to law enforcement.

"It was established that the applicant was in a relationship with a foreign citizen, whom she met in the Republic of Korea, where she was working," the police in Primorsky Krai said. "Having returned to Vladivostok, the girl continued to communicate with the young man online."

Cynthia Smith, for the US army, said Black's family had been informed.

The US warns its citizens against all travel to Russia due to the risk of wrongful detention.

## INTERNATIONAL

'Hush money' trial

# Porn actor tells of alleged Trump encounter

Former president's legal team had attempted to block Daniels' testimony

JOE MILLER — NEW YORK

Stormy Daniels, the porn actor, gave a graphic account of Donald Trump's alleged sexual advances towards her in a hotel room in 2006, as she testified yesterday at the former president's criminal "hush money" trial in Manhattan.

Daniels, 45, who was paid \$130,000 in the run-up to the 2016 presidential election to stay quiet about the alleged encounter, was sworn in just steps away from the defence table where a glower-

ing Trump was sitting, flanked by his lawyers.

She recounted how she had allegedly been invited to Trump's penthouse after meeting him at a golf tournament in Lake Tahoe. The two discussed the porn industry, and Trump, then a reality TV star, offered to put her on the next season of *The Apprentice*, she told the jury.

She said she had swatted Trump on his behind with a rolled-up magazine, and that he had told her not to worry about his wife Melania because they "don't sleep in the same room".

Daniels claimed that after going to the bathroom, she emerged to find Trump in his "boxer shorts and T-shirt".

She alleged that when she shied away

from having sex with him, he told her "I thought you were serious about what you wanted" and insinuated that she should go through with it "to get out of that trailer park". Those comments were heard by the jury but subsequently struck from the record.

The two went on to have "brief" sex, Daniels added.

Trump, the presumptive Republican nominee, who was joined in court by his son Eric and adviser Boris Epshteyn, whispered angrily to his counsel at several points during Daniels' testimony, and often stared directly at the witness.

Trump is charged with falsifying the business records behind the payments to Daniels. He has always denied any

romantic involvement with her. Prosecutors have alleged that Trump directed his ex-fixer Michael Cohen to pay off Daniels because he was concerned that the revelations would cost him the 2016 election, and that the transactions therefore amount to an attempt to "corrupt" the democratic process.

Earlier, Trump, 77, fumed in a post on his Truth Social site that he had "just recently been told" about the next witness. The post was deleted soon after. He has been warned by the judge that he would be jailed if he continued to flout a court-imposed gag order by attacking witnesses and jurors at the trial.

On his way into court, Trump railed against the case, claiming it had origi-

nated "from the White House", saying: "It's all Biden because it's an attack on his political opponent that hasn't happened in this country. The trial is a very unfair trial, a very very unfair trial. The good news is they have nothing."

Trump's lawyers had objected to the prosecution being allowed to elicit lurid details of sex acts from Daniels, claiming such evidence would be "unduly prejudicial". Justice Juan Merchan said he agreed that the witness had "credibility issues" but allowed questioning on the broad details of her alleged encounter.

Daniels, who initially denied the affair, broke a non-disclosure agreement signed after the Cohen payments when Trump was president.

European trip

## Xi hits at Nato over Kosovo war bombing of Belgrade embassy

JOE LEAHY — BEIJING  
MARTON DUNAI — BUDAPEST

President Xi Jinping of China has lashed out at Nato over its "flagrant" bombing of the Chinese embassy in Belgrade in 1999 as he travelled from France to Serbia on his first European visit in five years.

In a letter published in the Serbian media outlet Politika, Xi invoked yesterday's 25th anniversary of the bombing of the Chinese embassy in the former Yugoslavia during the Kosovo war to call for unity between Beijing and Belgrade.

"Twenty five years ago today, Nato flagrantly bombed the Chinese embassy in Yugoslavia, killing three Chinese journalists... This we should never forget," Xi said, according to an English version of the article.

"The China-Serbia friendship, forged with the blood of our compatriots, will stay in the shared memory of the Chinese and Serbian peoples."

Xi's European trip, which will also include Hungary, is seen by analysts as aiming to exploit differences on the continent towards Russia and the US and to potentially undermine the unity of Nato and the EU on China.

He spent yesterday afternoon in private talks with President Emmanuel Macron of France ahead of his visit to Belgrade. Chinese academics have praised Macron's advocacy of a more independent European stance on the global stage, while Serbia and Hungary are seen as more pro-Russia.

Serbian President Aleksandar Vučić, who will host Xi, was propaganda minister for former leader Slobodan Milošević when Nato bombed Belgrade. The bombing remains a "source of persistent resentment in Serbia towards Nato and the US," said Milos Damnjanovic, an analyst at BIRN, a Belgrade think-tank. "[It] creates a sense of solidarity between China and Serbia."

Nato has said the Chinese embassy bombing was an accident that happened during a war to protect Kosovans from Serbian aggression.

China is the biggest foreign investor in Serbia and accounts for 8.5 per cent of Belgrade's foreign loans, said Branimir Jovanovic, a researcher at the Vienna Institute for International Economic Studies.

"In a way this is a failure of the EU and the west in general that China is so prominent," Jovanovic said. "The west leaves space that China is more than willing to step into."

The EU yesterday adopted a €6bn growth package for the six countries of the western Balkans. But it comes with strings attached for Serbia, including a requirement to improve relations with Kosovo, making it less attractive than Chinese funding without conditions.

EU affairs expert Dušan Reljić called the EU package "much ado about nothing", saying it amounted to a negligible 0.3 per cent of the region's GDP and was so complex as to be virtually unusable.

Chinese media quoted Xi as telling Macron and European Commission President Ursula von der Leyen there was "no such thing as China's overcapacity problem" in response to western concern over the possible dumping of subsidised Chinese goods.

Social hierarchy. Census pledge

## Caste comes to the fore in India election battle

Opposition alliance plans first survey since 1931 in drive to galvanise voters against Modi

BENJAMIN PARKIN AND JYOTSNA SINGH PATNA

India's opposition political alliance has pledged to conduct the first nationwide census of caste groups in nearly a century if elected in a controversial attempt to galvanise marginalised voters it argues have been left behind by Narendra Modi's Bharatiya Janata party.

Modi has dominated India's politics for a decade in part by wooing voters across castes, presenting his party as a unifier of Hindus while stoking mistrust of India's large Muslim minority.

However, the prime minister's rivals argue that this has obscured deepening hardship and joblessness among lower caste Indians.

The opposition, a loose alliance of parties known as INDIA, has promised to hold a socio-economic caste census and increase affirmative action and benefits for disadvantaged groups if elected in India's six-week polls, which end on June 1.

Their campaign builds off a count conducted last year in the vast northern state of Bihar, one of the poorest and most populous. It revealed that lower castes made up a large majority of the state's population of 130m and were among its most deprived despite decades of government policies aimed at redressing caste inequalities.

"This is our new revolutionary mission," Rahul Gandhi, a leader of the opposition Indian National Congress, told supporters last month.

Analysts said the opposition hoped to win over lower-caste voters, who, if the Bihar census is a representative measure, may make up a greater share of India's 1.4bn population than officially acknowledged.

"This nation is brutally divided on caste and people who have the privilege of being in the upper caste are not willing to jettison it," said Manoj Jha, an MP from Congress's Bihar-based ally the Rashtriya Janata Dal. "This caste survey is going to change the grammar forever."

India's ancient social hierarchy ranges from the priestly Brahmin caste to Dalits, formerly known as untouchables and now categorised as "sched-



A political rally in Patna, the capital of Bihar. Below, student Nishant Kumar, a Dalit, said caste-based employment reservations must continue



uled castes". Other strata in between represent merchants, farmers and labourers. India has sought to abolish caste discrimination by reserving quotas in government jobs and universities for Dalits and later for "other backward classes".

But until the Bihar survey, authorities had shied away from counting castes out of fear of provoking political upheaval, with the last nationwide data on castes released in 1931.

The survey revealed that lower castes, who made up more than 80 per cent of the state's population, were disproportionately poor, with nearly half of Dalit families living below the poverty line, compared with a quarter of upper castes.

"The BJP has really succeeded in capturing significant [lower-caste] votes, particularly under Modi," said Milan Vaishnav, a senior fellow at the Carnegie Endowment for International Peace.

"The Congress feels that by making this demand it can claw them back to their side."

But analysts cautioned that

the opposition could struggle to convince voters on the merits of a nationwide caste census.

The BJP's rivals "are doing casteism", said Kumari Saniya, a 21 year old engineering student from a privileged caste in Patna, the capital of Bihar, and a supporter of the ruling party. "If you divide people on the basis of caste, that triggers fights among people."

Modi, the lower-caste head of a traditionally upper-caste party, has sought to present himself as a leader who rises above the divisions of caste to serve India's poor.

The prime minister has boosted welfare spending for the poor, such as through cash transfers and free food schemes. He has criticised Congress, portraying its calls for a caste census as part of a "hidden agenda" to divide Hindus and have their wealth and benefits "snatched away and given to Muslims".

But critics said the BJP's claims to overlook caste ignored the insidious role the system continued to play in modern India. While overt segregation — including "untouchability" — is outlawed, the inequity of caste is often apparent, even

"This nation is brutally divided on caste and people who have the privilege of being in the upper caste are not willing to jettison it"

in the layout of Bihar's villages. Different castes live in separate streets in Parsa Bazar, a village on Patna's outskirts, with the multistorey brick houses of more prosperous groups giving way to the dilapidated lanes lacking lavatories, home to Dalits.

Nishant Kumar, a 28-year-old Dalit, is studying for entry to Bihar's civil service through a quota. He has been told by his upper-caste ex-girlfriend that her father would never support their marriage.

"If you ask upper castes, they say there should be no caste-based reservations," he said. "As long as there's discrimination on the basis of caste, reservations must continue."

Others said addressing caste inequity would require more than affirmative policies alone. Baleshwar Majhi, a 65-year-old Dalit, said benefits such as government jobs were accessible only to those with connections or money for bribes. Whichever party won the election, that reality would not change, he added. "Reservations don't help," he said. "The benefits don't reach the poor." Additional reporting by Andy Lin in Hong Kong

Price pressures

## Australian inflation data dents rate cut hopes

NIC FILDES — SYDNEY

The Reserve Bank of Australia has raised its short-term inflation forecast and all but ruled out an interest rate cut this year, joining other central banks in warning that persistent price growth will keep rates higher for longer.

Some economists had expected the RBA to begin cutting rates by the end of the year after it noted in February "encouraging" signs that inflation was easing.

But a disappointing reading for the first quarter, when prices rose 3.6 per cent year on year, led some economists to predict that the RBA might instead raise rates by the end of the year.

Yesterday, the RBA held rates at 4.35 per cent, noting that "inflation continues to moderate, but is declining more slowly than expected". It said it would not rule "anything in or out" on rate moves. The bank added that rates were expected to remain around the current level until mid-2025 — about nine months longer than projected in February — in its modelling.

The RBA's more hawkish view prompts the budget due to be delivered by treasurer Jim Chalmers next week, rais-

ing concerns that any cost of living measures or investment in green energy subsidies and the government's manufacturing strategy could stoke further price rises.

It also comes as global central banks, led by the US Federal Reserve, have signalled that interest rates are expected to

'Another upside surprise on inflation will severely test the RBA's patience'

Sean Langcake, Oxford Economics

remain higher for longer as they battle to bring down inflation, a shift that has put pressure on the currencies of import-dependent economies.

Australia's benchmark S&P/ASX 200 stock market index climbed 1.4 per cent yesterday, while the Australian dollar weakened 0.5 per cent to A\$1.52 per US dollar after the RBA's announcement.

The RBA revised down its expectations for economic activity as higher interest rates weighed on household spending and boosted savings rates. The central bank raised its inflation forecast

for 2024 to 3.8 per cent from 3.2 per cent previously. It said inflation would fall to its target range of 2 to 3 per cent by the second half of 2025, but warned that the process of reaching that target was "unlikely to be smooth".

Michele Bullock, RBA governor, said the bank had yet to factor potential interest rate rises into its forecasts. Petrol prices and services inflation — which was 4.3 per cent — had driven the short-term price outlook higher.

"The recent data suggests we need to be alert and vigilant on this," she said, adding that the bank's "neutral" rate stance was still "reasonably balanced".

Sean Langcake, an economist with Oxford Economics Australia, said the RBA had set out a strong case for a rate rise even as it opted to hold, adding that "another upside surprise on inflation will severely test the RBA's patience".

Harry Murphy Cruise, an economist at rating agency Moody's, questioned the probability of a rate rise, saying "the threat of future rate hikes can sometimes be enough to damp demand without the need to actually pull the trigger". Additional reporting by William Sandlund in Hong Kong

Swine fever

## Italy troops go on boar hunt to save ham sector

AMY KAZMIN — ROME

Italy has said it will send soldiers across the country to hunt wild boar in an offensive intended to protect its €8.2bn prosciutto and sausage industry from swine fever.

The year-long deployment of 177 soldiers is part of Prime Minister Giorgia Meloni's campaign to reduce Italy's wild boar population by up to 80 per cent in five years in a bid to prevent the spread of African swine fever.

An estimated 1m-1.5m wild boar roam freely through Italy, where they have long been seen as a public nuisance, munching on the rubbish that accumulates on the peripheries of big cities and rampaging through fields. They are estimated to have caused about €120m of damage in rural areas from 2015 to 2021, and are also blamed for causing numerous car accidents.

The animals have become super-spreaders of African swine fever, a highly contagious virus that was first detected on the Italian mainland in early 2022. The disease, which has a mortality rate of up to 100 per cent in pigs, has alarmed officials and food

executives in places such as Parma, the hub of Italy's cured ham industry.

Last September, Italy culled about 34,000 domestic pigs in the northern Lombardy region in an effort to extinguish one of its worst swine fever outbreaks since the 1960s.

The military deployment was approved by the cabinet late on Monday as part of a package of measures to protect Italian agriculture and its culinary heritage. The wide-ranging decree also includes steps to tackle an invasion of non-native blue crabs threatening Ital-

ian clams — an ingredient for the much-loved pasta vongole dish.

Swine fever "threatens production chains, not only pig farms" and raises the spectre of "thousands of pigs being slaughtered", said agriculture minister Francesco Lollobrigida. "We are intervening firmly to counter a health problem that can become an economic and social problem."

Davide Calderone, director of Assica — an association of meat and cured products manufacturers — welcomed the military's involvement.

"There is a big problem here that puts a big supply chain at risk, and it's right to use all means to contain and eradicate it," Calderone said yesterday. "It's not like you are going to see the military shooting wildly."

But Legambiente, an environmental group, criticised the move. Stefano Raimondi, the group's director of biodiversity, said the involvement of the army was a misguided "populist approach".

"Wild boars are adaptable animals, so when there are not good policies for managing rubbish and garbage in the streets, it's easy for them to thrive in the city," Raimondo said.



Pig in the middle: boar are said to spread disease and cause accidents

# Companies & Markets

## UBS reports first quarterly profit since rescuing rival

- Bank buoyed by Credit Suisse deal
- Wealth management revenue jumps

OWEN WALKER  
EUROPEAN BANKING CORRESPONDENT

UBS yesterday reported its first quarterly profit since taking over Credit Suisse, sending its shares up nearly 8 per cent, as the Swiss lender begins to reap the benefits of the rescue of its ex-rival.

Higher revenues at its wealth management business and investment bank, as well as one-off gains, drove net profits to \$1.8bn in the first three months of the year, triple the sum analysts expected.

Its wealth management unit was again a powerhouse, attracting \$27bn in net new assets as clients returned after pulling money from both UBS and Credit Suisse amid the turmoil of the rescue. Revenues at the unit rose 11 per cent quarter on quarter to \$6.1bn.

'Overall an impressive set of results,' despite the acknowledgment that gains may not be repeated

Echoing the performance of many rivals, its investment bank enjoyed a better quarter as revenues rose 16 per cent to \$2.8bn. Overall revenues increased 15 per cent to \$12.7bn.

Sergio Ermotti, who was parachuted in for a second stint as chief executive to oversee the takeover, said the bank was on course to meet its 2024 capital return targets, having promised to buy back \$1bn of shares this year.

However, he hit out at Swiss finance department proposals that would raise UBS's capital requirements. Finance minister Karin Keller-Sutter has suggested this could lead to \$15bn-\$25bn of additional capital for UBS. Ermotti told analysts yesterday that UBS had not been consulted on the plans and had no idea what the hit would be for the bank.

"While some modifications to the reg-

ulatory regime may be necessary — and we have endorsed many — the discussion around capital should be based on facts," Ermotti said.

"That includes a full and transparent account of what led to the idiosyncratic failure of Credit Suisse."

The prospect of bigger capital requirements has knocked UBS shares over the past month, but they erased much of that loss yesterday. The stock rose 7.6 per cent to \$Fr26.79 and has climbed 56 per cent over the past year.

UBS also surprised analysts with the speed at which it was running down unwanted parts of Credit Suisse's investment bank and loan portfolio, resulting in a lower than expected projected loss from the so-called bad bank division of \$2.5bn this year.

"Overall an impressive set of results... albeit the acknowledgment that [non-core] gains are unlikely to [be repeated] and reiteration of existing cost targets... seems to suggest the magnitude of today's share price move is overdone," said Citi analyst Andrew Coombs.

UBS executives have warned of a bruising and lengthy integration.

During the first quarter, UBS trimmed expenses by 5.5 per cent. It generated an additional \$1bn in cost savings, having eliminated \$5bn last year. UBS has said that it aims to reduce costs by \$13bn by the end of 2026, with a further \$1.5bn of savings over the course of 2024.

Finance chief Todd Tucker told analysts that the bank had eliminated 2,000 jobs in the first quarter, meaning the combined bank's headcount had shrunk by 19,000 since the takeover.

UBS reported \$78bn of common equity tier one capital. Its CET1 ratio, which compares its core capital with its risk-weighted assets, was 14.8 per cent, well above regulatory minimums.

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## Up and down Disney core streaming business passes earnings milestone but share price falls



The popularity of Hulu shows such as 'The Bear' helped Disney's streaming unit to post its first profit — FX Networks

CHRISTOPHER GRIMES — LOS ANGELES  
ANNA NICOLAOU — NEW YORK

Disney shares fell more than 9 per cent yesterday even as it reported the first profit in its core streaming business since it leapt into a battle with Netflix five years ago.

The Disney+ and Hulu streaming unit earned an operating profit of \$47mn in the quarter to the end of March, compared with a \$587mn loss a year earlier. Disney achieved the milestone months earlier than expected thanks to cost-cutting and the popularity of Hulu programmes including *Shogun* and *The Bear*.

The group's total direct to consumer streaming business, which includes sports service ESPN+, narrowed its operating loss to \$18mn.

The streaming business has lost more than \$11bn since its launch, but Disney has cut costs and raised prices in an aggressive push to achieve prof-

itability. "Crossing the profitability threshold early is something that we can feel very good about," said Hugh Johnston, Disney's chief financial officer.

Disney+ would lose money in the current quarter because of Disney+ Hotstar in India. However, the combined streaming business was expected to be profitable in the fourth quarter, the company said, as it forecasted further improvements in streaming profitability next year.

The streaming news came as Disney reported a net loss of \$20mn — owing largely to goodwill impairments — on \$22.1bn in revenue in the quarter.

This compares with net income of \$1.3bn on revenue of \$21.8bn in the same period a year ago.

Excluding those impairments, Disney's adjusted earnings of \$1.21 a share were up 30 per cent from a year ago and topped the \$1.10 that Wall Street had expected. The company

also raised its adjusted earnings target for the full year.

Bob Iger, chief executive, said that the strong results were in large part owing to its experiences division, where theme parks outside the US, including Shanghai Disney, performed well. "We are turbocharging growth in our experiences business with a number of near and long-term strategic investments," he said.

The earnings report was the first since Iger fended off a proxy challenge from Triun Partners' Nelson Peltz, who sought two board seats. Iger said the latest results were proof that the "turnaround and growth initiatives we set in position last year have continued to yield positive results".

Iger's plan to reinvigorate the company's film studios will be put to the test with upcoming releases including *Kingdom of the Planet of the Apes* this month, Pixar's *Inside Out 2* in June and Marvel's *Deadpool & Wolverine* in July.

## Nissan faces 'survival game' in China as BYD and peers gain ground

MARI NOVIK, PETER CAMPBELL  
AND KANA INAGAKI — LONDON

Nissan is locked in a "survival game" in China, its chief executive has said, as the carmaker tries to overhaul its strategy in the face of collapsing sales in the largest car market.

Makoto Uchida told the Financial Times's Future of the Car Summit that Nissan would launch five new electric or hybrid vehicles in China in the next two years. It would deepen partnerships with local participants to help speed its vehicle development in the country.

"We are committed to staying in China, but how to stay in China has drastically changed," Uchida said yesterday. "It is more of a survival game."

Carmakers that were once dominant in China have seen sales eroded by domestic rivals that produce cheaper electric models that are often more technologically advanced.

At last month's Beijing Auto Show, Nissan announced a partnership with China's search and mapping group Baidu in artificial intelligence technology, and promised to produce more cars in the country.

Through new partners and manufacturing technology, Nissan has said it wants to bring down the cost of electric vehicles by 30 per cent by 2030.

Separately, Peugeot's chief executive told the summit that China's car market was becoming "more and more difficult" to compete in. An EV "price war" had led to a "red ocean" of losses.

Linda Jackson said the carmaker was "holding on" in the market, but "it's becoming more and more difficult to operate and we have a reduced presence there".

The European boss of Hyundai, Michael Cole, said the carmaker had to "sharpen our act" to compete with a wave of low-cost Chinese electric cars that were coming to Europe.

"The reality is the Chinese are able to bring in vehicles at very, very competitive prices," he said.

BYD has confirmed it plans to bring a version of the Seagull — which it sells for less than \$10,000 in China — to Europe.

Uchida warned that Chinese carmakers were "getting strong. Their speed is massive. The challenge is how we can keep our speed to compete with them".

Additional reporting by Gloria Li in Hong Kong

## Deal surge shows Japanese investment is rising down under

INSIDE BUSINESS

ASIA-PACIFIC

Nic Fildes



Some of Australia's best-known exports come in the form of amber nectar, with the logos of Foster's and Victoria Bitter among the most recognisable brands the country has produced.

Less well known is that Asahi and Kirin own eight of the top 10 bestselling beer brands in Australia after consolidating the industry. Even Coopers, the one large brewery that has stayed independent, has joined the club by brewing Sapporo beers in Australia.

It is a sign of Japan's heavy investment in Australia, which has stretched far beyond the stubby beer bottle into renewable energy, finance, software and other consumer-focused areas such as insurance, cosmetics and vitamin pills.

The depth of the Japan-Australia partnership is made clear in a report by law firm Herbert Smith Freehills and the Australian National University, which says Japanese finance "is one of the great untold stories of supporting Australian prosperity".

In 2023 alone, there were 44 takeovers of Australian companies by Japanese buyers and 38 partnerships struck.

Japanese foreign direct investment, at \$88bn (A\$133.8bn) in 2023, represents 12 per cent of the total, and the country remains Australia's second largest trading partner and export destination.

Meg O'Neill, chief executive of Woodside, highlighted the impact of Japanese investment on Australia's largest oil and gas producer "since day one", with Japan's banks, government and energy companies being vital participants in the growth of the energy industry.

That has extended into 2024, as Japanese investors have spent about \$2.3bn to acquire stakes in Woodside's Scarborough offshore gas project — Australia's largest energy project — to lock in supply of liquefied natural gas into the future.

The enthusiasm for Australian investments was evident in the coastal city of Newcastle last month when Canberra-based start-up MCI Carbon launched a pilot facility called Myrtle to transform carbon dioxide into cement.

The company has been backed by Itochu, Mizuho Bank and Sumitomo Mitsui Trust Bank. Potential customers including Nippon Steel and Mitsubishi UBE Cement were in the crowd.

China remains Australia's largest trading partner despite tariffs and sanctions being placed on Australian imports such as wine, beef and lobster in 2020 only just starting to unwind. Yet Chinese-led takeovers have dropped sharply.

A report from KPMG and the University of Sydney business school this month showed that 2023 was the joint lowest year for Chinese takeovers of Australian companies since 2006, with only 11 transactions completed.

The value of takeovers dropped 36 per cent in Australian dollar terms in 2023 to \$850mn from \$1.4bn as Chinese development money was focused

on other markets across south-east Asia.

In contrast, there were 271 Chinese takeovers of Australian companies between 2017 and 2023 worth \$23.5bn when mining was an area of focus for buyers.

Have Japanese buyers plugged a hole left by Chinese companies that are looking elsewhere?

Shiro Armstrong, director of the Australia-Japan Research Centre, does not believe that there is a direct causal link between the rise in Japanese deals and the sharp fall in Chinese takeovers in Australia, and sees politics instead playing a part in the trend.

Armstrong says that there has been a tightening of national interest rules in Australia in sectors such as critical minerals that has deterred Chinese buyers.

He pointed to a 2020 decision by the Australian government to block a Chinese takeover of a milk and juice company on national interest grounds, even though the business was already owned by a Japanese company.

Armstrong cited this as an example of "exaggerated concerns" surrounding foreign takeovers of groups perceived to have been bought for strategic reasons.

Armstrong notes that Japanese buyers and investors met a similar attitude in the first wave of investment in Australia in the 1970s and 1980s. That is no longer the case, with the Woodside deal and a \$5.8bn takeover of a Tasmania software tools company by chipmaker Renesas in February proving uncontroversial.

Armstrong says Japanese companies were once treated with suspicion and investment was kept quiet. "Companies want to tell you their story and Australia is championing it."

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## COMPANIES &amp; MARKETS

## Financials

# Banco Sabadell rejects €12bn takeover

Spanish bank's board says rival BBVA's all-stock offer undervalues its prospects

BARNEY JOPSON — MADRID

Spain-based lender Banco Sabadell has rejected a €12bn takeover bid from its larger rival BBVA, saying the proposed deal "significantly undervalues" its standalone growth prospects.

BBVA last week unveiled a surprise offer for Sabadell, saying the combination of the two Spanish lenders would create "one of Europe's largest and most robust financial entities".

The rejection means BBVA must now decide whether to take the riskier path of launching a hostile bid in a country not accustomed to such dealmaking.

It is BBVA's second attempt to acquire Sabadell in less than four years. The latest bid had sent BBVA's share price lower before the board of the smaller bank formally rejected the all-stock offer on Monday.

Sabadell, which owns UK high street bank TSB, said its board "believes that the proposal significantly undervalues the potential of Banco Sabadell and its standalone growth prospects".

It added: "The board is highly confident in Banco Sabadell's growth strategy

and its financial targets and is of the view that Banco Sabadell's standalone strategy will create superior value for its shareholders."

**'Volatility in the BBVA share price increases the uncertainty around the value of the proposal'**

BBVA responded by saying: "We regret that the board of Banco Sabadell has rejected such an attractive offer."

Bankers and regulators have long made the case for more consolidation

among Spanish banks, saying it would boost the sector's resilience.

BBVA last week said a takeover of Sabadell would create a combined entity with complementary customer bases and the size needed to cope with future interest rate cuts and the accelerating digitisation of finance.

But some analysts had cast doubt on the scale of the potential financial benefits stemming from the proposed deal.

When BBVA launched its bid it had a market capitalisation of just under €60bn, but that has fallen to €57.5bn since then.

Sabadell said "the recent material decline and volatility in the BBVA share

price increases the uncertainty around the value of the proposal".

When it announced its bid, BBVA said it was offering a 30 per cent premium for Sabadell based on closing share prices last Monday and a 50 per cent premium above weighted average prices in the past three months.

The two banks attempted to strike a deal in 2020 during the Covid-19 pandemic, but talks broke down following disagreements over pricing.

Sabadell is being advised by Goldman Sachs and Morgan Stanley. UBS and JPMorgan are advising BBVA on its bid, said people briefed on the matter.

**See Lex**

## Oil &amp; gas

# BP promises \$2bn of cost reductions by end of 2026

MALCOLM MOORE — LONDON

BP promised to trim \$2bn from its costs by the end of 2026 after its first-quarter profit fell more than expected.

"We are saying at least \$2bn. We think it is a good start," Murray Auchincloss, who took over from Bernard Looney as chief executive in January, said yesterday.

He noted that BP's "controllable" cash costs of about \$22.6bn last year had risen 8 per cent compared with 2019, despite a previous round of cuts.

Savings would be made "in all parts of our business" and would come from focusing BP's portfolio of assets, taking out waste in the supply chain, digital transformation, and relying more on "hubs" for its IT and accounting services.

Auchincloss spoke as the FTSE 100 group announced that first-quarter underlying profit came in at \$2.7bn compared with a consensus forecast of \$2.9bn. The company said it had paid a higher tax rate, and that while oil and gas trading were strong, prices had fallen substantially from a year earlier.

Net debt increased to \$24bn from \$20.9bn in the past quarter.

While Auchincloss, previously the company's chief financial officer, has stuck to his predecessor's broad vision for BP to become a clean energy company, he has emphasised the importance of shareholder returns as he tries to close the valuation gap with rivals.

"We remain committed to the strategy," he said. "We just have to be pragmatic. We need to deliver the returns we

**\$2.7bn**

First-quarter underlying profit, against consensus forecast of \$2.9bn

**\$24bn**

Net debt, an increase from \$20.9bn in the past quarter

promised to the market, otherwise we won't move projects forward."

BP's shareholders are expecting the company to soften its climate-related oil and gas production targets further. BP aims to cut production of oil and gas to the equivalent of 2mm barrels a day by the end of 2030.

"We have 2025 targets and we have 2030 aims," said Auchincloss. "Aims need to be converted to targets, and then they become firm targets. I am focused on returns and cash flow, not on volume targets. Production could be higher, production could be lower."

Returning more cash to shareholders was a common theme throughout Big Oil's first-quarter earnings, which saw Shell, Chevron and TotalEnergies beat expectations and ExxonMobil and BP fall short.

BP said it would spend another \$1.75bn on share buybacks in the second quarter and Auchincloss said the company remained committed to returning "at least \$14bn" to shareholders by the end of 2025, as long as oil and gas prices remained stable.

Auchincloss said that moving BP's listing from London was "not on our agenda". Rival Shell is facing some shareholder pressure to move its listing from London to New York, to try to close the valuation gap with US rivals.

Meanwhile, BP's pension schemes had a \$7.8bn surplus in the first quarter of 2024. Yet the company has decided not to increase payouts by more than the 5 per cent cap.

Auchincloss said this was because the payouts were already more than the increase in salaries that BP employees would receive in 2024, although he said he appreciated that pension fund members had been hit by the UK's cost of living crisis.

## Technology. Discrimination

# China's youth cult in hiring stokes workplace anxiety

'Curse of 35' haunts employees as sector reels from economic woes and Beijing's crackdown

KAI WALUSZEWSKI AND ELEANOR OLCOTT — BEIJING

The first hint Laobai, 34, received that his position at short-video app Kuaishou might be at risk was when a 35-year-old colleague was sacked.

"I was both shocked and anxious," said Laobai, using his nickname to avoid repercussions. "I realised that our situations were very similar, and the same thing could soon happen to me."

Months from his 35th birthday, the developer was dismissed, another victim of the group's reorganisation known internally as "Limestone".

Kuaishou is pushing out junior workers in their mid-30s, according to five people with direct knowledge of Limestone, including current and former employees. Laobai was told that his termination was part of the company's overall redundancy programme.

Kuaishou declined to comment. The so-called curse of 35 has long plagued workers across white-collar professions, with older staff being perceived as less willing to put up with long working hours because of responsibilities at home.

As China's technology sector reels from Beijing's crackdown and an economic slowdown, tens of thousands of jobs have been cut over the past several months, and older workers are particularly vulnerable. Tech companies have made no secret of favouring younger and unmarried workers.

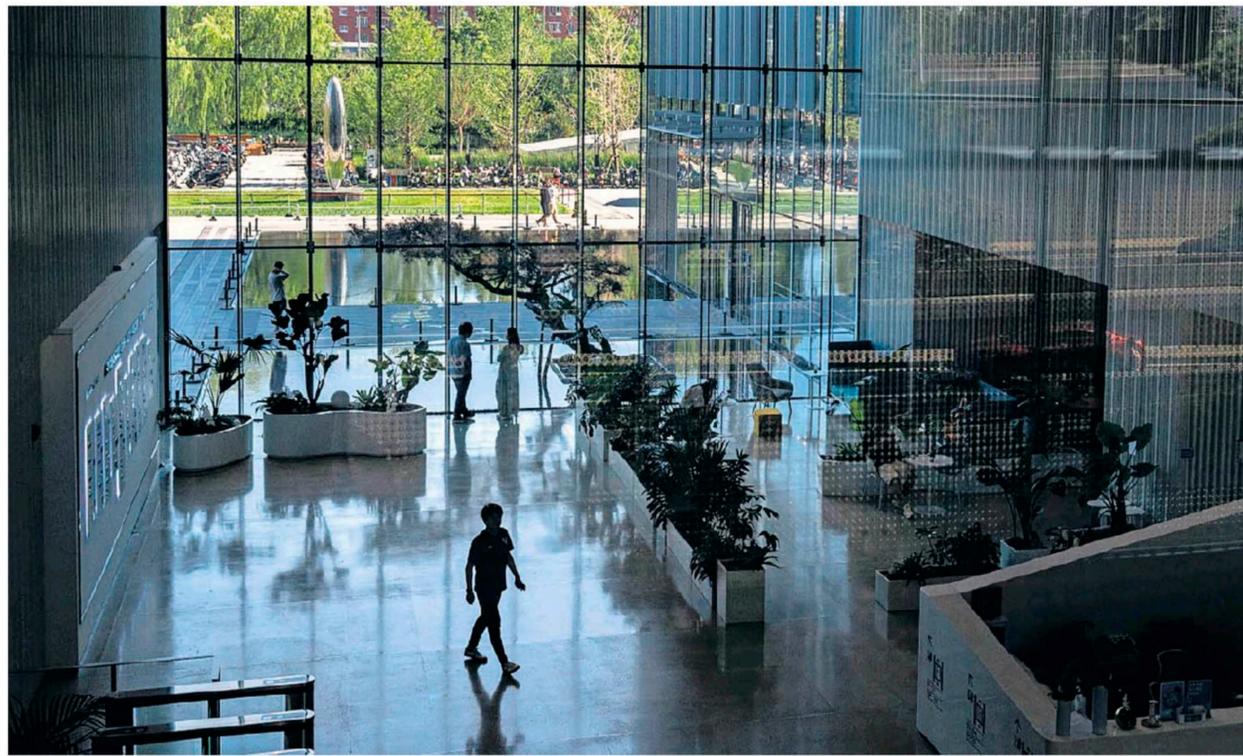
"Ageism in the tech sector is a big problem," said Beijing-based labour lawyer Yang Baoquan. "There is a perception that older workers don't keep up with the latest technological developments, that they don't have energy to keep up the hard work, and that they're too expensive."

While China's labour law prohibits employers from discriminating on the grounds of attributes such as ethnicity, gender and religion, it does not explicitly refer to age.

But Yang said some had interpreted the law more broadly as prohibiting discrimination against older people, meaning employers would not explicitly cite age as a reason for dismissal.

Chinese tech executives have long publicly voiced their preference for younger workers.

In 2019, Tencent president Martin Lau announced a plan to reshuffle 10 per cent of the company's managers, saying "their jobs will be taken up by younger people, new colleagues who may be more passionate". Baidu chief



A view of the interior of the Beijing offices of Douyin, run by ByteDance, where the average age is 27

Andrea Verdelli/Sloomborg

Robin Li in an internal letter — also made public in 2019 — announced the company's plan to "become more youthful by promoting more workers born after 1980 and 1990".

The thinking is deeply embedded across most tech companies.

A former sales manager at Meituan said: "Between 20 and 30, most people are full of energy. You are more willing to march forward and sacrifice yourself for the company. But once you become a parent and your body starts ageing, how are you going to keep up with the 996 schedule?" — a reference to the Chinese

tech sector's work routine of 9am to 9pm, six days a week.

ByteDance, which owns video app TikTok, and e-commerce group Pinduoduo has some of the youngest recruits among China tech companies, data suggests. The average age of workers is 27, according to the latest figures from professional networking site Maimai from 2020. The average age of staff at Kuaishou is 28 against 33 at ride-hailing app DiDi, Maimai data suggests.

The average age of the worker in China is 38.3, according to the All-China Federation of Trade Unions.

The trend has become entrenched with progressive waves of job reductions in the tech sector, driven by an economic slowdown and regulatory concerns. Kuaishou, whose stock has fallen 88 per cent since it listed in Hong Kong in 2021, cut its headcount 16 per cent between December 2021 — when it had 28,000 staff — and June 2023, according to its latest financial report.

A manager at another internet business said: "The tech sector expanded too quickly before the pandemic, and then the government crackdowns began. We're now cutting the expensive management layer."

The curse of 35 is a source of huge anxiety for tech workers.

A survey by recruitment platform

**'Once you become a parent and your body starts ageing, how are you going to keep up with the 996 schedule?'**

Lagou Zhaopin carried out last year discovered that 87 per cent of programmers were "seriously worried" about being dismissed or about being unable to find a new job after turning 35.

After losing their jobs, over-35s found that it was difficult to find new employment, said Yang.

Many departments in China's civil service restrict entrance examinations to those under 35. Job advertisements for staff in the service sector, including restaurants and hotels, also want younger applicants.

This has left little recourse for tech employees in their 30s who want to change careers or find temporary casual employment between postings.

A 38-year-old programmer recently let go by a ride-hailing group said: "The job market is very bad, even worse than last year, especially for old engineers like me."

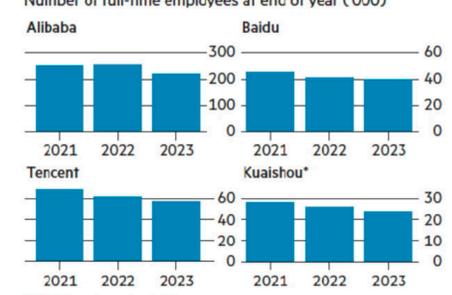
Laobai counts himself among the fortunate few.

"I have two children and my wife is no longer working. At the time another tech company was hiring for just one managerial spot, and I was lucky to get it. If not for this opportunity, I would be jobless like so many ex-Kuaishou employees."

*Additional reporting by Ryan McMorrow and Nian Liu in Beijing*

## China's Big Tech scales back

Number of full-time employees at end of year ('000)



## Aerospace &amp; defence

# Boeing venture with Lockheed Martin halts spacecraft launch due to oxygen relief valve issue

CLAIRE BUSHEY — CHICAGO

The launch of a Boeing spacecraft was called off after an issue was found with a component, hours after US aviation regulators opened their second investigation into the company this year.

Boeing's CST-100 Starliner spacecraft was due to be launched on Monday evening from Cape Canaveral, Florida, to carry two astronauts to the International Space Station.

But the United Launch Alliance, a joint venture between Boeing and Lockheed Martin, stopped the launch due to a problem with an oxygen relief valve on part of the rocket.

A commentator on the livestream for Nasa, the US space agency, said uncovering such problems on the ground was a "win" because "the last thing you want to do is deal with that in space".

Boeing's Starliner scheme is a private sector supplier to Nasa meant to ferry astronauts to the space station and to rival Elon Musk's SpaceX. An uncrewed launch in 2019 went wrong before a successful mission three years later.

Earlier on Monday the Federal Aviation Administration announced an investigation into Boeing after the aerospace manufacturer revealed falsified inspection records for some of its 787 Dreamliner aircraft.

The probe will add to scrutiny of the company after one of Boeing's 737 Max planes lost a door panel in mid-air at the start of 2024.

The agency in January said it was investigating Boeing's manufacturing and quality inspection processes after the incident, while the US Department of Justice was looking into whether the company violated a deferred prosecution

## Spirit feels the heat

Build-up of inspections triggers cash pressures

The manufacturer of the fuselage for Boeing's 737 Max has said it is burning through cash, as tighter quality controls at its main customer lead Spirit AeroSystems to delay deliveries.

Spirit said that it and Boeing were jointly inspecting Max fuselages at Spirit's factory after a panel blew out of a 737 Max flown by Alaska Airlines in January. That change has caused fuselages to accumulate in the factory in Wichita, and resulted in Spirit using \$416mn in cash for operations during the first three months of 2024, compared with \$46mn in the year-ago

quarter. The company's net loss widened to \$617mn in its first quarter.

Spirit boss Pat Shanahan yesterday called the increased inspections in Wichita "a significant accomplishment" that were set to improve quality and "benefit the entire production system" between Boeing and Spirit.

They have heaped financial and operational pressure on Spirit, with Shanahan noting that "the inspection process changed by Boeing in effect paused our ability to receive payment for completed fuselages".

Spirit said that it expected to build about 31 737 Max fuselages each month for the rest of the year.

Spirit shares were down 2.4 per cent at lunchtime in New York yesterday. *Claire Bushey and Sylvia Pfeifer*

agreement that followed two fatal crashes in 2018 and 2019.

The FAA said Boeing had informed the agency last month that it might not have completed inspections "to confirm adequate bonding and grounding" where the wings of the 787 Dreamliner meet the fuselage.

A Boeing worker at the company's South Carolina plant flagged a testing "irregularity" to his manager, according to a memo that Scott Stocker, the head of the company's 787 programme, sent to workers at the plant on April 29.

Boeing found that "several people had been violating company policies by not performing a required test but recording the work as having been completed", the memo said. The company voluntarily told the FAA, Stocker said, adding that it was taking "serious corrective action" with "multiple" workers.

Stocker said the issue did not make the planes immediately unsafe.

"Fortunately, our engineering team has assessed that this misconduct did not create an immediate safety of flight issue," Stocker said. "But it will impact our customers and factory teammates, because the test now needs to be conducted out of sequence on airplanes in the build process. I know this frustrates all of you as much as it frustrates me."

Manufacturing work that is performed out of order, typically called "travelled work", can increase the likelihood of manufacturing errors. Chief executive Dave Calhoun told investors last month that the company was reducing travelled work in its 737 Max factory in Renton, Washington.

Boeing is reinspecting all the 787s and must create a plan to address planes currently in service, the FAA said.

COMPANIES & MARKETS

# Murky question of motive lingers over Hwang's Archegos fraud trial

Judge asks what the accused trader stood to gain, three years after Wall St was hit by the fund's collapse

JOE MILLER — NEW YORK

At the trial of Bill Hwang, which begins this week, prosecutors will portray him as a criminal who masterminded "deceitful and abusive" trades worth billions of dollars that sent tremors through the US stock market.

But three years on from the collapse of Hwang's Archegos fund, which left several banks nursing huge losses, the government is still struggling to pinpoint a criminal intent behind his alleged scheme.

"What I'm trying to figure out in my mind: to what end?" Alvin Hellerstein, the judge overseeing the case asked last year, after prosecutors outlined how Hwang had covertly and artificially driven up the stock price of a handful of listed companies, only for them to plummet. "He lost his money."

The question of why the quiet 60-year-old trader pumped up carefully picked stocks with borrowed money is not one that needs to be considered by a jury as a matter of law. The government need only prove beyond a reasonable doubt that Hwang intended to commit acts he knew to be illegal, leading to panic and costing several banking executives their jobs.

But for the 12 New Yorkers who will be selected to sit in judgment of the enigmatic investor over the next eight weeks, it may become a sticking point.

Motive was often "a determinative part of the story that you tell the jury", said Joshua Naftalis, a former prosecutor at the office that charged Hwang, who faces a potential life sentence if found guilty on charges including racketeering and securities and wire fraud. "If you can't explain why a person committed fraud, people often sit there scratching their heads."

A pastor's son who moved from South Korea to the US as a teenager and taught himself English, Hwang worked for Julian Robertson's Tiger Management, becoming one of the billionaire's "tiger cub" mentees. He left to run his own Asia-focused hedge fund, Tiger Asia, which was hastily closed in 2012 after it was accused of insider trading and pleaded guilty to US fraud charges.

Soon after, Hwang rebranded the fund, calling it Archegos, in a nod by the devout Christian to the ancient Greek word for leader, used in the Bible to describe Jesus as the author of salvation.

Having started with a few hundred million dollars of his own money, Hwang amassed powerful positions using derivatives known as swaps, in which a bank extends a line of credit to customers so that they can speculate on specific shares. If the price of those shares goes up, the client reaps the rewards, but if it drops, the bank asks for more cash to cover the difference, in what is known as a "margin call".

By early 2021, Archegos had more than \$30bn in assets under management, and concentrated stakes in companies such as ViacomCBS and Tencent — which sometimes amounted to more than half of the freely available shares.

When a series of external events led to some of Hwang's bets going sour, the financier unwound some investments to make up the shortfall, and banks soon started selling their positions to stem their losses, causing chaos.

The demise of Archegos rocked public markets.



On trial: Bill Hwang faces charges including racketeering after his derivatives trades went sour, leaving banks nursing huge losses. Below: the building that housed the Archegos offices in New York

FT montage; Jeensah Moon/Bloomberg



"More than \$100bn in apparent market value for nearly a dozen public companies disappeared within days," the 2022 indictment against Hwang and some of his co-workers alleged.

It accused the investor of buying up shares at specific times to drive up prices, before the bubble burst. Two of Hwang's former co-workers pleaded guilty while another will stand trial with him.

The fallout also led to billions of dollars of losses at Credit Suisse and Nomura, which had lent the money with which Hwang made his bets. Other banks that did business with Archegos, including Morgan Stanley and UBS, took substantial hits as a result of the forced fire sale.

From the start, prosecutors have been vague in their explanation of the criminal contours of Hwang's plan.

Asked by Hellerstein during one pre-trial hearing whether the trader had engaged in a "pump and dump" scheme, assistant US attorney Andrew Thomas offered that Hwang had rather been involved in a "pump and brag" enterprise, and said witnesses at trial would "describe the sort of king-of-the-

universe type thinking" that caused him to harbour "visions of grandeur".

An alternative theory was offered by former Archegos managing director Brendan Sullivan, who alleged in a separate civil lawsuit brought in 2022 that the investment group transferred shares worth hundreds of millions of dollars to Hwang's Grace and Mercy Foundation that was to be used as a financial "escape pod". Sullivan is expected to testify at the trial.

The government has hinted that it will also offer evidence of how Hwang sought "profitable off-ramps" for his Archegos trades and that it will "fill in some of the context" while making its case.

Hwang's lawyers have claimed that their client "traded in a very limited portfolio of names that he studied well" and "believed, like every other investor in the world, that the best time to buy was . . . when the price is low".

Even if that argument proves unconvincing to a New York jury, the Department of Justice could face a long fight in appellate courts on the law that prosecutors have leveraged to bring the case.

Prosecutors concede that Hwang's individual trades were not necessarily unlawful. There was no legal requirement at the time for him to disclose the large positions amassed via swaps, because the underlying shares were technically owned by the banks.

The government has consistently maintained that "market manipulation can be accomplished through otherwise legal means" and that the way Hwang designed his trades was "intentionally deceptive" and thus criminal in intent.

Hellerstein has forbidden Hwang's defence team from arguing in front of a jury that the case relies on a "novel the-

**'If you can't explain why a person committed fraud, people often sit there scratching their heads'**

ory" of market manipulation. Yet US prosecutors and regulators have a mixed record for cases based on so-called open market manipulation, in which otherwise legitimate trading activity is made illegal by its intent.

In the early 1990s, an appeals court overturned Wall Street trader John Mulheren's conviction for securities fraud over purchases of Gulf and Western stock that prosecutors claimed were made in order to boost prices so that a friend would profit from selling his stake in the company. The court concluded that the government had failed to prove that Mulheren was not buying the stocks as an investment.

A few years later, in a case brought by the Securities and Exchange Commission against Mexican billionaire Moises Masri, a New York court concluded that if an investor "conducts an open market transaction with the intent of artificially affecting the price of the security, and not for any legitimate economic reason, it can constitute market manipulation". The claims against Masri were later dropped by the SEC.

Such decisions are likely to embolden Hwang, who has hired lawyers including Barry Berke, who worked on the Trump impeachment case, to fight any conviction in higher courts.

Hwang has attended hearings in the civil and criminal cases against him, often taking detailed notes in the gallery. Yet unless he takes the stand, the true story behind his alleged scheme may remain a mystery to jurors, to judge Hellerstein, and to the financial world.

"What was in it for him?" the judge asked. "Being a big shot. I suppose that's possible, but it doesn't seem to me that was his aim."

Technology

## 'Outrageously' powerful AI chip in iPads signals Apple's shift of focus

TIM BRADSHAW — LONDON

Apple has revealed new iPads featuring what it called "an outrageously powerful chip for AI", signalling the Silicon Valley giant's growing focus on artificial intelligence services.

The company launched the "M4" chip for its latest iPad Pro devices yesterday, just months after it introduced the M3 alongside new Macs in October.

AI developers' insatiable demand for computing power is driving Big Tech companies such as Apple and Nvidia to increase the pace at which they push out more powerful processors capable of handling vast amounts of data.

Chip design has become a vital capability for the world's richest tech companies, with Microsoft, Amazon and Google all revealing new processors focused on AI in the past few months.

Tim Millet, Apple's vice-president of platform architecture, hailed the combination of M4's central processing unit, graphics processor and dedicated AI capabilities — which it calls its "neural engine" — as a big step forward over its previous chips.

He said at an Apple event yesterday that these components taken together made the "M4 an outrageously powerful chip for AI".

Apple has come under pressure from investors to unveil new AI features to compete with Microsoft-backed OpenAI and Google, at a time when iPhone sales have been falling.

The explosion in new AI apps since OpenAI launched its breakthrough ChatGPT chatbot 18 months ago has triggered a race to secure the powerful processors needed to build so-called large language models — AI systems capable of producing humanlike text and imagery.

Apple has designed its own Arm-based processors for its iPhones since 2010 and made the switch from Intel chips for its Mac computers in 2020 with the M1.

The latest iPad Pro models unveiled at an event yesterday offer thinner and brighter screens that require more sophisticated processors. But, like earlier incarnations of its M-series chips, the M4 is likely to mark the beginning of a wider upgrade to its custom chips across Apple's product range, paving the way for more advanced AI capabilities.

Nvidia, the Silicon Valley company whose chips have become highly sought after by start-ups and Big Tech companies, launched a new generation of its AI processors last month.

Analysts say that Apple's latest chips give it an opportunity to bring many AI features that run in the cloud on to its customers' own devices, making apps run faster and offering greater privacy.

"The flexibility of Apple silicon architecture remains one of their biggest technical advantages over competitors," said Ben Bajarin, tech industry analyst at Creative Strategies, adding that the company was "starting to be more intentional in calling out its [chips'] role in AI".

Millet said the M4 took advantage of the most advanced manufacturing process technology currently available at scale — the second-generation 3nm node — which promises to improve power efficiency. The chip also offers more memory bandwidth, a crucial feature for data-hungry AI applications.

Pharmaceuticals

## MDMA mental health therapy faces cautious US regulator

OLIVER BARNES — NEW YORK

The first mental health treatment using schedule-1 drug MDMA faces a significant regulatory hurdle as the US Food and Drug Administration is poised to ask outside experts to scrutinise it for post-traumatic stress disorder.

Lykos Therapeutics' MDMA-assisted therapy for PTSD is set to be reviewed by an FDA advisory committee next month, which would vote on whether the controversial treatment should be approved, according to two people familiar with the matter.

The move has big implications for the nascent category of psychedelic-based treatments for mental health problems — as a number of other biotechs conduct late-stage trials into these kind of treatments.

The decision to convene the panel shows the caution with which the FDA is approaching a new class of drugs that have historically come with harsh criminal penalties in combination with therapy to treat mental health disorders.

An interim review of the two clinical studies associated with Lykos' PTSD treatment by the Institute for Clinical and Economic Review raised concerns about the trials' design and conduct.

The influential non-profit group said it raised "many uncertainties about the balance of benefits and harms" of the treatment.

By the conclusion of Lykos' second late-stage study into PTSD treatment, during which patients take MDMA while receiving psychotherapy, 71 per cent of people in the MDMA group improved sufficiently to no longer meet the criteria for PTSD diagnosis compared with 48 per cent in the placebo group.

But the ICER expressed concern about the challenges inherent with "double-blinding" patients in a study of a psychedelic drug, saying it was nearly impossible to ensure that neither patients nor investigators knew who was undergoing the treatment because of the medicine's hallucinatory effects.

Amy Emerson, Lykos chief executive, said in a statement that the company

"[looked] forward to the opportunity to discuss" its therapy application at the FDA panel.

People close to Lykos said they had been expecting an advisory committee to be called and were still hopeful that the decision to convene the panel would not delay the expected August 11 approval date for the treatment. The

**'There's a labelling issue for the FDA: who has PTSD that matches what the therapy is approved for'**

results of the panel's votes are not binding but are typically followed by the agency.

The advisory panel is likely to opine on which specific patients should be able to access the treatment.

The FDA was also handling the decision with caution as it rarely reviews treatments involving psychotherapy as well as drugs, the people said.

"Certainly, there's a labelling issue

there that the FDA will be interested in: who has PTSD that matches what the therapy is approved for," said David Rind, ICER's chief medical officer. "They need to really understand what the therapy is."

The psychedelic drug sector has garnered billions of dollars of investment in recent years. Lykos was spun out from the Multidisciplinary Association for Psychedelic Studies, a non-profit group that has been a forthright advocate for psychedelic drugs since it was founded by Rick Doblin in 1986.

Lykos raised \$100mn in a funding round this year from 10 investors, including the charitable foundation run by hedge fund billionaire Steven Cohen and his wife, Alexandra.

If the drug is approved by the FDA, the Drug Enforcement Administration will be given 90 days to reclassify MDMA as a less harmful drug as the schedule-1 category restricts the use of drugs for medical purposes.

The FDA said the agency "cannot comment on possible or pending product applications or approvals".

**Snam S.p.A.**  
Head Office: Piazza Santa Barbara, No. 7, San Donato Milanese (MI)  
Company share capital: euro 2,735,670,475.56 Fully paid up  
Tax Code and Milan, Monza Brianza and Lodi Chamber of Commerce Business Register. 13271390158  
R.E.A. Milan No. 1633443



**MINUTES OF SHAREHOLDERS' MEETING**  
The minutes of Snam's Ordinary Shareholders' Meeting held on 7 May 2024 will be made available by 6 June 2024 at Snam's Head Office in San Donato Milanese (MI), Piazza Santa Barbara 7, or the Company's website (www.snam.it - "Governance" - "Corporate Governance" - "AGM: Snam Shareholders' Meeting" Section) and at the authorised storage mechanism "eMarket STORAGE" (www.emarketstorage.com). The aforementioned minutes may also be requested by emailing segreteria.societaria@snam.it

**PAYMENT OF DIVIDEND BALANCE FOR 2023**  
The dividend balance for the year 2023, approved by the aforementioned Shareholders' Meeting of 7 May 2024, can be requested by those who are entitled to it by detaching coupon no. 41 starting from 26 June 2024, 24 June 2024 being the ex-dividend date and 25 June 2024 the record date. Treasury shares held by the Company as at the record date will be excluded from the distribution of the dividend balance. The dividend balance is subject to taxation in Italy based on the tax regime in force which varies depending on the receivers and which is that generally applicable for dividends distributed by Italian listed companies. Shareholders may cash the dividend balance with the respective intermediaries.

**Contracts & Tenders**

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## COMPANIES &amp; MARKETS

## It's time for reinsurers to emerge from the shadows

Ian Smith



Reinsurers have among the most thankless jobs in finance. These groups, which insure insurers, are often centuries old and play a vital role in spreading risks, making it less likely that a surge in claims will be fatal for their insurer clients, ultimately protecting insurers' customers too.

They usually do this generally overlooked job quietly, not bothering outsiders with a curious vernacular that includes terms such as "rate on line" (the cost of the reinsurance) and "retrocession" (reinsurers' own reinsurance).

But both property and casualty reinsurers, and their counterparts in the life business, are attracting more attention.

Let us take them in turn. The steep rise in the cost of home insurance in the US and elsewhere can be traced, in part,

to a move two years ago by P&C reinsurers to increase the price of cover against natural catastrophes and toughen their terms.

If your beachfront mansion is flattened in a hurricane, these reinsurers will end up absorbing a great deal of the cost, and in response to factors including climate change and inflation, they began charging insurers much more.

A quiet 2023 for hurricanes then meant that reinsurers emerged with their best profits in years. Lloyd's of London, a big market for property catastrophe reinsurance, registered its best overall performance since 2007.

It was a bad year, however, for other types of extreme weather events such as thunderstorms, where primary insurers were left with a bigger share of the risk after reinsurers pulled back.

This was a major reason US P&C insurers made more than \$20bn in underwriting losses for the second year in a row, according to rating agency AM Best. Cue calls from regulators, brokers and others for reinsurers to think of their social purpose and cut prices.

This is a tricky pitch: climate risk is only increasing. Reinsurers say their

obligation is to share these risks, but also not to go bust in the process.

Some industry figures say reinsurers need to care about the pressures on property insurers that provide them with business. But state-backed insurers of last resort, which have expanded as private insurers pull back from some areas, are also big buyers of reinsurance.

If P&C reinsurers tend to hover in the background, life reinsurers are not even at the party. These low-profile groups allow life insurers – providers of annuities and other long-term financial products – to reinsure risks such as longevity. Here, they pay a premium to cover themselves against the risk their customers will live longer than expected.

Recent years have witnessed the rise of asset-intensive reinsurance or funded reinsurance. In such deals, life insurers offload, often to a reinsurer in a foreign jurisdiction, what is essentially a chunk of their liabilities, plus the assets that support those future promises.

This has become big business in the US, where almost \$800bn of life insurer reserves have been offshored, according to Moody's. It has grown in Europe, too. The Bank of England is planning a stress

test next year on the effects of a funded reinsurance failure. Eiopa, the EU regulator, recently issued a supervisory statement setting out what insurers should be doing to make sure their offshore reinsurance is sound.

The scenario regulators are worried about is shown by 777 Re, a Bermuda-based reinsurer linked to US investment group 777 Partners. Earlier this year, US

## Insurers are being urged to consider closely the risk that offshore reinsurance arrangements might fail

insurance group A-Cap said it would attempt to take back control of assets ceded to 777 Re after the reinsurer had its credit rating downgraded, and US and Bermuda regulators have been working to disentangle A-Cap and 777.

Bermuda, a hub for global reinsurance, has come under scrutiny from regulators elsewhere for its oversight of life groups, and has recently tightened its rules on where and how they can invest.

Against this backdrop, insurers in

various countries are being urged to consider more closely the risk that their offshore reinsurance arrangements might fail and they are forced to take back their liabilities. The concern is that in the meantime the assets backing those liabilities might have been switched into illiquid securities that have turned sour, or are unsuitable to back long-term retirement promises.

What unites the two types of reinsurers, senior industry figures say, is a lack of contact with consumers.

Instead, property reinsurers are free to talk about "adequate compensation for risk" at a safe distance from customers who are inadequately insured or paying very high prices. Life reinsurers, especially those tucked away offshore, can get away without saying much at all.

Ultimately, paying out when they have promised to is how reinsurers prove their value. But developments in the life business, in particular, suggest that greater attention is due, especially given the implications for millions of retirees around the world. After all, strange things can grow in the dark.

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## Regulation

## FCA fines and bans ex-broker of troubled City financier Windhorst

ROBERT SMITH AND CYNTHIA O'MURCHU LONDON

The financial regulator has fined and banned James Lewis, the former chief executive of brokerage Shard Capital, for providing incorrect information about clients' cash balances.

The penalty concerns activities Lewis carried out in relation to a "corporate group" that was a "key client which generated significant revenue for Shard".

While the Financial Conduct Authority did not name that corporate group in its findings published yesterday, the Financial Times has previously reported on the extent that Lars Windhorst, the controversial German financier, relied on Lewis and Shard to carry out trades in esoteric securities. Windhorst's own travails have included the collapse of several ventures, personal bankruptcy and a criminal conviction.

Details in the regulator's final notice match with those of high-profile disputes in which Shard Capital became embroiled relating to Windhorst's Tenor group of companies.

Deloitte resigned as auditor in May 2017 for an investment vehicle headed by Windhorst – and restated its 2014 and 2015 accounts – after accusing Shard Capital of providing "deliberately false" information about the vehicle's cash position in its role as custodian.

The FCA's notice states that an auditor resigned and restated a company's accounts for 2014 and 2015, after Lewis informed the firm in May 2017 that no cash was held in a custodian bank

## Investors depend on accurate information, and Mr Lewis's actions put investors at significant risk

account. The company's cash position was revised down by about €700m following this disclosure.

Lewis founded Shard Capital in 2010 as a bond brokerage firm. The 59-year-old Englishman, known as Jumbo, stepped down from managing Shard Capital in 2022 but remains a shareholder of the London-based brokerage, company filings show.

"Investors depend on accurate information, and Mr Lewis's actions put investors at significant risk of losses," said Steve Smart, joint executive director of enforcement and market oversight at the FCA.

Shard Capital, which has not been accused of wrongdoing, said: "We welcome the completion of the investigation into James Lewis, which we have been supporting throughout."

Lewis and Windhorst did not respond to requests for comment.

The FCA also fined Lewis £120,300, allowing him a 30 per cent reduction after he agreed to settle the matter.

The incident in which Lewis "risked misleading" a company's auditor is one of two breaches flagged by the FCA. The other concerns a December 2019 transaction in which a client of Shard Capital instructed it to transfer \$18m of cash held for one of its "connected companies" to "its own account with Shard".

The FCA noted that Shard Capital contacted the regulator about the matter last year after discovering the existence of several documents "as a result of evidence disclosed by another party in court proceedings".

Additional reporting by Suzi Ring in London

## Support services

## Regulator issues hefty penalties over LCF failures

## PwC and EY committed audit breaches in work for group at centre of scandal

SIMON FOY

The UK accounting watchdog has imposed big fines on PwC and EY for failures in their audits of London Capital & Finance, the defunct investment group at the centre of one of the biggest retail savings scandals of recent years.

The Financial Reporting Council said yesterday that PwC and EY had been given penalties of £4.9m and £4.4m respectively for "multiple breaches" during their reviews of LCF's accounts in 2016 and 2017.

Both Big Four firms had their fines

## "The auditors failed to identify and assess the risks of material misstatement"

discounted from £7m for admissions of failure. It is the FRC's largest fine levied against EY and its third-highest sanction against PwC before the discount is taken into account. Oliver Clive & Co, a smaller accounting firm, was fined £42,000 for LCF's 2015 audit.

LCF raised about £237m from investors as it promised returns of up to 8 per cent through so-called minibonds. Its collapse in 2019 triggered criminal and regulatory investigations.

"In each of these three audits the auditors failed to identify and assess the risks of material misstatement through understanding LCF's business," said Jamie Symington, deputy executive counsel at the FRC. "These breaches are made considerably more serious by the fact that all of the auditors knew they were auditing an expanding business which was engaged in selling

unregulated financial products to retail investors."

PwC and its audit partner Jessica Miller admitted eight breaches in the 2016 audit, including a failure to apply sufficient professional scepticism with regard to the risk of fraud. The FRC said that during the year to April 2016, LCF issued £9.2m in bonds and was growing even more rapidly by the time the audit report was signed.

Miller, who remains a PwC partner, was given a £105,000 fine and a severe reprimand. PwC declined to comment on whether it would pay her penalty.

PwC said: "We are sorry our work in 2016 did not meet the standards expected and that we expect of ourselves. We have made significant changes to our audit methodology, policies and guidance."

EY and its audit engagement partner Neil Parker admitted six breaches relating to the 2017 audit, which included "a significant failure to gain a proper understanding of LCF's business and internal controls". During its 2017 financial year, LCF issued £53m in bonds. Parker was fined £47,250 and severely reprimanded.

EY, which also declined to comment on whether it would pay Parker's fine, said: "Our 2017 audit of London Capital & Finance fell short of our standards and for this we apologise. We have taken significant steps to address the issues identified and we are committed to learning from our mistakes."

The FRC said EY provided an "exceptional level of co-operation" during its investigation. In February, the High Court was told that LCF ran a "Ponzi scheme" in which money raised from investors was spent on diamond earrings, shotguns, horses and membership in Annabel's nightclub.

Oliver Clive & Co audited LCF's accounts for one month ending April 30 2015. It admitted 10 breaches. The firm could not be reached for comment.



## Cutting edge Pandora hails the lab-grown diamond

Pandora, the world's largest jewellery maker by volume, said that young consumers were behind a boom in laboratory-grown diamonds that had led to a slump in sales of mined ones and helped the Danish group's shares outperform luxury rivals.

Alexander Lacik, chief executive, said lab-grown diamonds were opening up the sector to new consumers, as they were typically one-third the price of the mined alternative.

"People are discovering that a diamond is a diamond. It's a different value proposition, and people are voting with their wallets... Older customers are more wedded to mined diamonds. Younger ones are more open to lab-grown," he said.

Pandora became the first big jeweller to abandon selling mined diamonds in 2021 when it revealed it would offer

only lab-grown ones, which are identical in terms of optics and chemical characteristics.

The group almost doubled sales of lab-grown diamonds in the first quarter, lifting revenue 87 per cent to DKKr63m (\$9m). Last year it sold DKKr265m of lab-grown diamonds, and is targeting DKKr1bn by 2026.

Pandora is using lab-grown diamonds to highlight its move from being known above all as a seller of charms – pendants hung on bracelets or necklaces – to a full-range jewellery chain.

Pandora's first-quarter underlying revenues rose 18 per cent to DKKr6.8bn. It raised its forecast for underlying sales growth in 2024 from 6-9 per cent to 8-10 per cent.

Richard Milne

Horacio Villalobos/Corbis/Corbis/Getty Images

## Transport

## P&amp;O Ferries chief faces MPs over sackings

DELPHINE STRAUSS

The chief executive of P&O Ferries accepted a six-figure bonus in 2023 just over a year after it sacked hundreds of UK-based crew and replaced them with foreign agency workers paid from just £4.87 an hour, MPs heard yesterday.

Ministers committed to "taking action against company leaders who break the law" after the shipping group laid off 800 sailors in 2022 without giving any notice or conducting the usual consultation.

P&O's treatment of those employees led to lasting reputational fallout, including the collapse of a sponsorship deal with Hull KR after the rugby league club said it had "underestimated the continued depth of feeling that remains in some parts of our community".

But boss Peter Hebblethwaite told the Commons business and trade committee yesterday that while he regretted the

decision, it had been legal. One of two investigations initiated by the government had concluded with no further action, he noted. He was "confident" about the outcome of the second.

Hebblethwaite said he "reflected" before accepting a bonus of £183,000 in April 2023, on top of his £325,000 annual salary, but "ultimately I did decide to accept it".

He confirmed that the seafarers who now crewed P&O's cross-channel and North Sea routes – many flown in from the Philippines or Indonesia – received a basic wage of about £2.90 an hour.

Total hourly pay started from £4.87 after including guaranteed overtime, bonuses and holiday pay, Hebblethwaite said. He added that he could not himself live on that amount.

His evidence drew an angry reaction from unions. Mick Lynch, general secretary of the RMT, said Hebblethwaite "should be in the dock for what his com-

pany is responsible for" rather than "retaining bumper bonuses".

Paul Nowak, general secretary of the Trades Union Congress, the umbrella body for the UK labour movement, said: "It beggars belief that P&O Ferries has faced no sanctions for its misdeeds."

P&O maintains it pays above the minimum required by international maritime standards.

But the company, owned by Dubai-based DP World, may need to rethink its crewing model after new French legislation, which will require ferry operators to pay the minimum wage and keep crew on board for no more than 14 days.

UK legislation mandating the national minimum wage is also expected to take effect later this year.

Hebblethwaite told MPs that the company would "absolutely" comply with any new legislation and that this would be affordable because it would create a level playing field for the sector.

## Financials

## CVC offloads scandal-hit African tea estates

MADELEINE SPEED

CVC has agreed to sell the troubled Kenyan tea estates it purchased from Unilever less than three years ago to Browns Group, making the Sri Lankan conglomerate the largest tea exporter.

The private equity group's tea business, Lipton Teas and Infusions, said it was offloading its plantations in east Africa, including the Kericho plantation in Kenya that has a history of violence and sexual abuse.

The company did not reveal the size of the transaction, but said the proceeds would be reinvested into a programme to transform the tea industry. As part of the deal, Browns has agreed that the 87m kg of tea it sells annually will be grown to Lipton's environmental, social and governance standards.

Browns is owned by Sri Lankan holding company LOLC Holdings. The group owns tea, pepper and rubber planta-

tions in Sri Lanka, and purchased its first Kenyan tea estates business last year from Scottish group Finlays.

CVC acquired the three plantations in Kenya, Rwanda and Tanzania in 2021 as part of its £4.5bn purchase of Unilever's tea business. Lipton, whose brands include PG Tips, Lipton and Pukka, is the largest tea company.

Lipton chief executive Nathalie Roos has set out to improve the quality of tea to boost wages and working conditions. "Our ambition is to deploy our standards across the whole industry," she said after the announcement.

The sale to Browns relieves CVC of a string of issues associated with owning the plantation.

Last month the Financial Times reported that a consortium of co-operatives in Kenya claimed it was ignored after expressing an interest in buying the estates, arguing that a sale would restore the land to descendants of clans

who had been evicted in the early 20th century.

Lipton said it would offer shares totaling 15 per cent of the Kenyan operating company to the local communities, "to create accessible communal equity and mutually aligned economic participation". The company also said it would invest 1bn Kenyan shillings (€7m) into a new community welfare trust.

Last year, Browns offered a similar structure when it bought Finlays' estates business in Kenya.

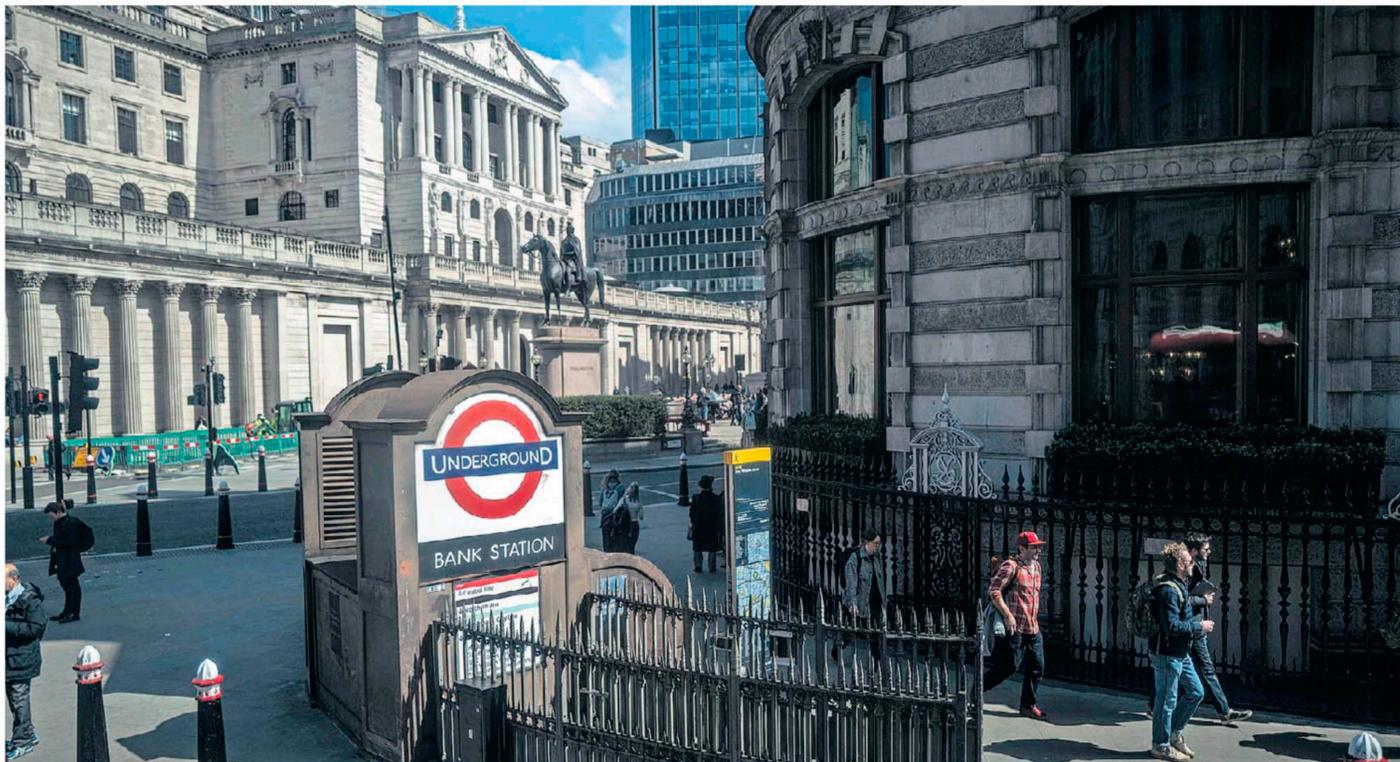
Historical violence and human rights issues in the region have hung over the region's plantations. A BBC *Panorama* documentary filmed in the final months of Unilever's ownership revealed sexual abuse was rife on the plantation.

The local community has also protested against the mechanisation of the tea estates by burning picking machines, arguing they have robbed workers of their livelihoods.

COMPANIES & MARKETS

Currencies. Bearish sentiment

# Traders bet against sterling in anticipation of summer rate cut



Investors raise short positions to 16-month high as conviction grows on potential BoE move

MARY MCDUGALL — LONDON

Investors have been building up bets against the pound as conviction grows that the Bank of England will start cutting interest rates by the summer — ahead of its US counterpart.

Currency speculators' wagers on a fall in sterling have reached a 16-month high, data from the US Commodity Futures Trading Commission shows.

Meanwhile, asset managers have turned the most bearish on the UK currency since March last year, according to State Street, one of the world's largest custodian banks.

The shift in positioning, driven by falling UK inflation and weak economic data, has helped push the pound down 1.5 per cent against the dollar this year.

Investors now expect the BoE, which announces its latest rate decision tomorrow, to cut earlier and faster than the US Federal Reserve.

"Everyone thought central banks would move together and now that assumption has been challenged," said Michael Metcalfe, head of macro strategy at State Street.

"Investors are going underweight sterling as the UK looks on track to ease ahead of the Fed," he added.

As recently as March, when data still showed UK inflation running ahead of the US, investors had clung on to bets that the Fed would cut rates ahead of the BoE.

But stronger than expected US

economic data has left traders pricing in the probability of a Fed rate cut by late July at only one-third, compared with a near-50 per cent chance of a BoE cut by June.

A drop in UK interest rates by August 1 is almost fully priced in by markets.

The change in expectations has come as US headline inflation rose to a higher than expected 3.5 per cent in March from 3.1 per cent in January.

Over the same period, UK inflation dipped from 4 per cent to 3.2 per cent, twice undershooting expectations this year.

Traders are now betting that the BoE will deliver at least two quarter point rate cuts by the end of the year. That compares with just one or two cuts priced in for the Fed, even after weak US labour figures on Friday helped to ease investor concerns about consumer price rises.

"Inflation hasn't met the Fed's target and doesn't look like it will anytime soon, so the Fed is on hold," said Roger Hallam, global head of rates at

Vanguard, adding that, in spite of last week's jobs figures, economic data "has not given the Fed the confidence they need to start easing rates".

In contrast, Imogen Bachra, head of non-dollar rates strategy at NatWest, which expects 1 percentage point of BoE cuts this year, said current market pricing for two BoE cuts this year still looks "far too low considering... the domestic data backdrop".

Hedge funds and other leveraged funds upped their net short positions — bets on falling prices — on sterling to almost 29,000 contracts for the week ended Tuesday April 30, the highest level since January last year, according to CFTC data.

State Street, which is custodian to \$44tn of assets, said asset managers' sterling holdings had dipped to the lowest level since March last year — reversing a buying trend that had picked up in the first quarter of this year when the Fed was still expected to deliver multiple rate cuts in 2024.

Data from Citibank shows that bear-

The shift is driven by falling UK inflation and weak economic data — Charlie Bibby/FT

ish bets on sterling picked up across its asset management clients over the past month with net selling in 15 of the past 20 trading days.

Sam Hewson, the bank's head of FX sales, said the net amount asset managers have sold to Citi is "roughly twice as large as the historical norm over any two-week period over the past 10 years".

The bets against sterling have come as falling US bond prices have weighed on gilts.

Yields — which move inversely to prices — on benchmark 10-year Treasuries and gilts have both risen by around 0.6 percentage points since the start of the year.

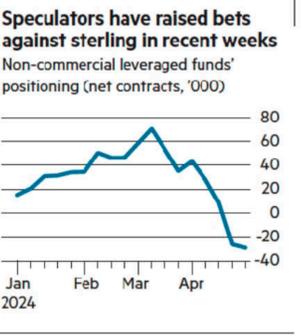
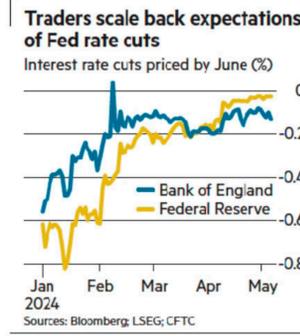
"You have had gilts trading like Treasuries for the last six weeks or so when they should be more like euro bonds," said William Vaughan, associate portfolio manager at Brandywine Global — given that UK data has been more in line with the Eurozone than the US.

Analysts expect dovish guidance from the BoE tomorrow, despite widespread expectations that rates will be left on hold at 5.25 per cent.

When the BoE published inflation forecasts in February, it predicted inflation would come back to target in two and a half years, while investors were pricing in around five cuts for 2024.

"The MPC [BoE's Monetary Policy Committee] could easily judge that inflation at the 2-3 year horizon will be below target," said Tomasz Wieladek, chief European economist at T Rowe Price.

"This would be a green light for a cut in June and would lead investors to price in more cuts," he added.



'Everyone thought central banks would move together and that assumption has been challenged'

Commodities

## Saudi Aramco plans to raise annual payout despite 14% drop in profits

SHOTARO TANI — LONDON

Saudi Aramco plans to boost its dividend payments further this year despite reporting a 14 per cent fall in quarterly profits, which missed analysts' expectations.

Aramco said on Monday that it expected to declare total dividends of \$124.3bn this year, a rise of almost 30 per cent compared with last year, when it also increased payments by 30 per cent to \$97.8bn after reporting the second-highest annual profits in its history.

The payout from the world's largest oil producer remains the most important source of revenue for the Saudi state, which owns 82 per cent of the company, especially as the kingdom struggles with a budget deficit amid subdued oil prices. The IMF has previously said that Riyadh will need an average oil price close to \$100 a barrel to balance its budget amid its spending, a level not seen so far this year.

The state, which controls a further 16 per cent of Aramco via the PIF — the sovereign wealth fund — wants to use the oil proceeds to fund megaprojects including new cities, the world's tallest skyscraper and a vast building shaped like a cube in downtown Riyadh.

In January, Saudi Arabia halted a plan to expand the kingdom's daily oil pro-

### Aramco believes demand will remain robust, despite global efforts to transition away from fossil fuels

duction capacity from 12mn barrels a day to 13mn b/d, which was expected to cost Aramco about \$40bn between 2024 and 2028. The kingdom has also led efforts by Opec+ producers to make cuts to crude production in order to prop up the oil price globally.

The increase in Aramco's dividend payment comes as it reported falling earnings in the first quarter, which missed analyst forecasts.

Net income at the group stood at \$27.3bn, down from \$31.9bn a year ago. Analysts had expected net income of \$27.6bn, according to figures compiled by Aramco.

Aramco said that while the price of oil was higher in the period compared with the previous year, lower volumes of crude oil sales and weakening refining and chemicals margins led to the decline in net income.

Still, Aramco believes that oil demand will remain robust going forward, despite global efforts to transition away from fossil fuels. Amin Nasser, its chief executive, said in March at an industrial gathering that the world should "abandon the fantasy of phasing out oil and gas". He added that forecasts by the International Energy Agency that oil demand would peak by 2030 were not realistic owing to surging demand from developing countries.

Aramco shares are down about 10 per cent since the start of the year on the Saudi stock exchange.

# Big Tobacco faces an uphill struggle to attract ESG fund managers

MORAL MONEY

Simon Mundy

Tesla chief executive Elon Musk wrote on X last year: "ESG is the devil". He was highlighting a report on how the biggest tobacco companies enjoy much higher scores from some environmental, social and governance rating providers than Musk's electric car company.

It's hard not to have some sympathy with Musk's frustration on this point. S&P Global's latest ESG score for Philip Morris International, whose cigarettes continue to cause ill health and death around the world, is 85 out of 100.

The score for Tesla with its transformational contribution to the shift away from fossil fuel in road transport is just 40 — below all of the world's five biggest listed tobacco companies.

Can there really be any argument for ESG-focused investors to hold stakes in Big Tobacco? And given the public's steady move away from cigarettes — and

the threat of increasingly strict policy measures — is there an investment case even for those with a narrow financial perspective?

On April 16, UK lawmakers voted overwhelmingly in favour of a new law that will make it illegal for people born after 2009 ever to buy cigarettes.

It is the toughest tobacco law ever passed in a major economy. If many other nations were to follow suit, it would have dire long-term implications for the industry's profits.

Yet the share prices of London-listed tobacco giants Imperial Brands and British American Tobacco have risen since the day before the bill's approval with both modestly outperforming the FTSE100 index.

That is because this legislative approach is unlikely to catch on internationally — and might not even last in the UK, said Rae Maile, a longtime tobacco analyst at brokerage Panmure Gordon.

New Zealand introduced similar legislation in 2022, only to revoke it earlier this year before it had come into force, Maile noted. "The imminent demise of the industry has been a talking point since 1952," he added.

In a research note last month, Jefferies analyst Owen Bennett argued that his ESG-focused clients should consider

investing in tobacco companies that are shifting towards "reduced risk products" that don't require burning, such as vapes and heated tobacco.

"The majority of smokers want to quit cigarettes [but] only 10-15 per cent of smokers that try to quit nicotine are successful," Bennett wrote.

Therefore, he argued, alternative nicotine products can benefit public health — and, as awareness of this grows, "we believe the sector becomes increasingly investable again".

That suggestion is anathema to Bronwyn King, founder and director of the non-profit Tobacco-Free Portfolios, which has won UN support for its effort to persuade financiers to reduce their exposure to the tobacco sector.

The Tobacco-Free Finance Pledge has been signed by more than 200 financial institutions managing more than \$16tn, largely in Europe and Australia.

Signatories are not required to boycott tobacco companies altogether but rather to "encourage the adoption of tobacco-free finance policies across lending, investment and insurance", among other commitments.

"There's no good tobacco company," said King, a doctor who began her career on a lung cancer ward. "There is no ethical tobacco company, there's no

responsible tobacco company, there's no sustainable tobacco company."

King pointed out that much of the growth in alternative nicotine product sales had been driven by young people who had not previously smoked cigarettes.

She dismissed the idea that investors could achieve positive impact by pushing tobacco companies' management in a better direction.

"This is the big difference for tobacco,

### 'Engagement is futile. The only outcome that is acceptable is the tobacco company ceases to exist'

in that engagement is futile," she said. "Because the only outcome that is acceptable is that the tobacco company ceases to exist."

Jennifer Motles, chief sustainability officer at Philip Morris International, the biggest tobacco company by market capitalisation, said divesting from companies in this sector meant a "missed opportunity for the finance community to drive change".

She added: "If a company has adopted a business model that actually responds

to those exact concerns [about health] and is reporting in a very transparent way how it's progressing towards a point where success does not come from making or selling cigarettes — then for me, it makes no sense to exclude."

PMI said it had invested \$12.5bn in smoke-free products since 2008 and that these products made up 36 per cent of its sales last year.

It "aims to completely replace cigarettes as soon as possible", according to a 2023 report. Investors seem to approve of this strategy judging by PMI's share price, which has substantially outperformed those of its major rivals over the past five years.

But growth of smoke-free products appears to have been slower than expected. PMI has dropped a target of achieving 50 per cent of revenue from this category by 2025, replacing it with a goal of two-thirds revenue share by 2030.

Meanwhile, PMI's reputation is bedevilling its efforts to diversify into health products. Chief executive Jacek Olczak told the FT last year that the sales of inhaled medicine company Vectura, which PMI acquired in 2021, had suffered from customers shunning it because of the new ownership.

Maile said Big Tobacco was pursuing

diversification in response to health concerns as early as the 1960s — typically into areas that failed to match the huge profitability of cigarettes.

The likes of PMI still face an uphill struggle to attract ESG fund managers.

Miranda Beacham, UK head of responsible investment at Aegon Asset Management, said her institution still held tobacco company shares in some of its unconstrained equity funds, since they account for a significant part of the overall stock market and "our biggest clients are not pushing us for a complete exclusion of tobacco".

But like many other asset managers, Aegon shuts out tobacco companies from its ESG-focused funds — despite the strong ratings those companies enjoy from the likes of S&P Global.

Beacham was sceptical of the companies' claims about the lower health risks of alternative nicotine products, saying they have failed to "build up trust" with investors due to their history of underplaying links between smoking and cancer.

"There is no space for tobacco within these funds," Beacham said.

A version of this article first appeared in the Moral Money newsletter. Sign up at [ft.com/newsletters](https://ft.com/newsletters)

## COMPANIES &amp; MARKETS

# Boj faces choices over its towering stock portfolio

Toby Nangle

Markets Insight



The Bank of Japan over 14 years has acquired exchange traded funds containing stocks equivalent to about 7 per cent of listed Japanese companies.

In March, BoJ governor Kazuo Ueda called time on this aspect of the central bank's extraordinary monetary easing programme. The bank has yet to announce what it will do with its half-a-trillion-dollar stock portfolio.

But with about a quarter of stock market gains during the Abenomics period connected to its stock buying, a poorly managed exit could sink the Japanese equity market. It could also undermine the BoJ's inflation objective.

Why exit at all? After all, in a world of gaping losses from quantitative easing programmes by central banks to support economies, the BoJ's ETF portfolio has delivered a rare profit.

The ¥37tn of cumulative stock purchases have ballooned in value to be worth an estimated ¥77tn (\$500bn) today, according to some estimates.

Criticism that stock prices were being distorted has largely faded since the BoJ cut the cost of stock borrowing. As Naohiko Baba, head of Japan research at Barclays, said, the roughly ¥1.2tn in dividends that they bring come in handy.

It's enough to defray the cost of policy normalisation of its monetary policy, offsetting the cost of interest on reserves held at the bank on a policy rate up to at least 0.25 per cent.

But the BoJ isn't a natural holder of stock. Its accounting framework is penal. Unrealised stock losses must be provisioned but unrealised gains are never recognised. As such, the balance sheet has an asymmetric vulnerability to stock price volatility.

So what are Ueda's possible exit ramps? First up, the BoJ itself has form. Ahead of and during the global financial crisis, it bought around ¥2.4tn in shares held by financial institutions. After initial abortive attempts, these have been in steady liquidation since 2016.

The market impact has gone almost unnoticed but the pace has been glacial. The BoJ could apply the same softly-softly practice to ETF sales. But this would take roughly two-and-a-half centuries to complete at the same pace. Ueda has indicated he's in no hurry but this may be stretching things.

The second widely discussed option is

**The programme's mammoth profits give Ueda time. He must now use it to co-ordinate a plan**

an off-market transaction. One obvious recipient would be Japan's Government Pension Investment Fund – the largest pension fund in the world.

But the BoJ's holdings of locally listed stocks now exceed GPIF's, making them hard to absorb without losing any pretence of independence.

Elsewhere, the government has shown willing in endowing new entities to promote policy priorities outside an increasingly testing fiscal environment.

The Japan University Fund was set up in 2022 and now has a ¥10tn fund to promote research activities. The BoJ's ETF portfolio would make for a sizeable endowment in any policy area.

Third, the BoJ could look to the Hong Kong Monetary Authority's experience. In 1998, hedge funds launched an

attempt to break the territory's currency peg to the dollar. They went short on both Hong Kong dollars and stocks.

But in a daring intervention, HKMA short-circuited the attack by purchasing 6 per cent of the stock market, forcing losses on the hedgies and squeezing them out of their positions.

The following year the central bank shifted its stocks into a huge ETF – the Tracker Fund of Hong Kong – which it sold off in stages to retail and institutional investors with a discount of more than 5 per cent. There are many things for the BoJ to like here.

The HKMA emerged having defended the financial system and made a tidy sum. A comparable move by the BoJ could if well structured not only de-risk its balance sheet and net it a handsome profit but also broaden household stock ownership – a government aim.

As Shigetō Nagai, a former director-general of the Bank of Japan's International Department now at Oxford Economics, told me, "selling the ETFs without disrupting markets is not a realistic choice". The HKMA playbook would achieve many policy goals.

But transferring holdings to a new sovereign wealth fund could be a good intermediate step. It would de-risk the BoJ balance sheet and warehouse risk until a broader plan to sell to the public or endow a policy area is delivered.

Given the book cost accounting, a sovereign wealth fund could acquire the BoJ holdings for a fraction of market value without putting a dent in the central bank's balance sheet. The programme's mammoth profits give Ueda some time. He must now use it to co-ordinate a plan with the government.

Toby Nangle is an FT contributing editor

## The day in the markets

### What you need to know

- Equities boosted by growing hopes that central banks are set to cut rates
- Stoxx Europe 600 and London's FTSE 100 close at record highs
- Brent crude, copper and dollar all advance

Global stock indices rallied yesterday, boosted by growing hopes that major central banks are set to cut interest rates later this year.

Wall Street's benchmark S&P 500 stood 0.3 per cent higher by midday trading in New York, with real estate, basic materials and consumer non-cyclicals among the best-performing stocks.

The tech-dominated Nasdaq Composite rose 0.2 per cent.

European stocks closed at record highs with the region-wide Stoxx Europe 600 gaining 1.1 per cent to surpass its previous peak in late March, helped by a first quarterly profit for UBS since the bank took control of Credit Suisse last year.

London's FTSE 100 returned from a public holiday to also close at a record high with a 1.2 per cent advance.

For investors, April's sell-off is quickly disappearing into the rear-view mirror after last week revived hopes that the US Federal Reserve was on course to lower interest rates.

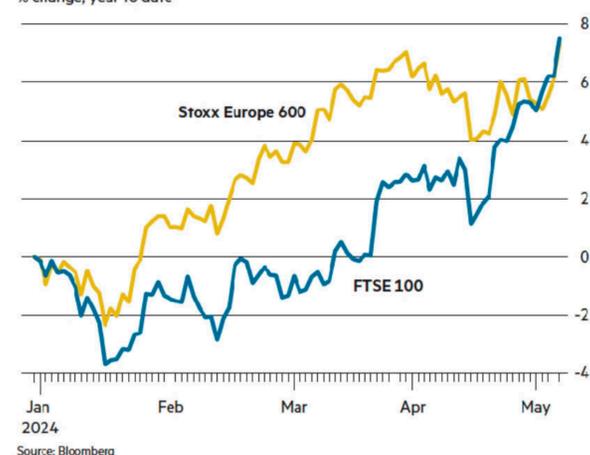
Fed chair Jay Powell said on Wednesday that higher rates were unlikely while on Friday economic data showed far fewer new jobs were created in the US than expected.

Treasury yields fell over the second half of last week, reflecting rising prices.

"Last week marked a significant pivot for US market-watchers," said Kristina Hooper, chief global market strategist at

### UK and European equity rally extends into second quarter

% change, year to date



Source: Bloomberg

Invesco. "Markets rejoiced" as a result, she added.

Equity markets have also been helped by robust first-quarter results. Companies accounting for four-fifths of the S&P's market cap have reported results and 76 per cent have beaten earnings forecasts, according to UBS.

"[Forward] guidance has been particularly good," the bank's analysts added in a note to clients.

Barclays strategist Emmanuel Cau said earnings resilience "has likely helped equities to cope with macro and [interest] rates volatility and prompted [investors to] buy the dip after initial wobbles".

Yet Disney disappointed investors yesterday with its shares tumbling as traders focused on the company's weak profit guidance rather than a first profit for its streaming business in five years.

Oil major BP, meanwhile, retreated after posting first-quarter profits of \$2.7bn, below analysts' forecasts.

In commodity markets, Brent crude, the global oil benchmark, advanced 0.2 per cent to \$83.50 a barrel. Copper, an indicator of global economic health, firmed 1.2 per cent.

In currency markets, a measure of the dollar's strength against six international peers rose 0.1 per cent. **George Steer**

### Markets update

	US	Eurozone	Japan	UK	China	Brazil
<b>Stocks</b>	S&P 500	Eurofirst 300	Nikkei 225	FTSE100	Shanghai Comp	Bovespa
Level	5195.33	2036.85	38835.10	8313.67	3147.74	129529.55
% change on day	0.28	1.21	1.57	1.22	0.22	0.83
<b>Currency</b>	\$ index (DXY)	\$ per €	Yen per \$	\$ per £	Rmb per \$	Real per \$
Level	105.167	1.078	154.440	1.255	7.215	5.051
% change on day	0.110	0.000	0.318	-0.238	0.011	-0.367
<b>Govt. bonds</b>	10-year Treasury	10-year Bund	10-year JGB	10-year Gilt	10-year bond	10-year bond
Yield	4.425	2.417	0.867	4.220	2.330	11.381
Basis point change on day	-7.110	-5.300	-3.370	-10.000	-2.300	29.000
<b>World index, Commods</b>	FTSE All-World	Oil - Brent	Oil - WTI	Gold	Silver	Metals (LMEX)
Level	512.87	83.19	78.39	2294.45	26.50	4266.80
% change on day	0.37	-0.17	-0.11	0.24	1.01	1.51

Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

### Main equity markets



### Biggest movers

	US	Eurozone	UK
<b>Ups</b>	Fmc 7.07	Solvay 15.52	Dcc 4.55
Kenvue 6.04	Infineon Tech 12.62	Sse 4.15	
Int Paper Co 5.40	Casino Guichard 6.64	Barclays 3.95	
Fidelity National Information Services 4.85	Novo Nordisk 3.66	Persimmon 3.48	
Simon Property 3.92	Bvva 3.61	Fresnillo 3.28	
<b>Downs</b>	Builders Firstsource -16.42	Fresen.med.care -6.13	Easjet -5.80
Walt Disney (the) -10.51	Coloplast -3.46	Burberry -2.46	
Axon Enterprise -3.87	Grifols -2.46	Melrose Industries -2.05	
Jacobs Solutions -3.14	Danske Bank -2.03	Bp -1.31	
Illumina -2.88	Hann.rueck -1.89	Smith (ds) -1.00	

Prices taken at 17:00 GMT. Based on the constituents of the FTSE Eurofirst 300 Eurozone

All data provided by Morningstar or unless otherwise noted.

### Banks

## UniCredit boosts earnings forecast while planning €10bn distribution to investors

SILVIA SCIORILLI BORRELLI — MILAN

UniCredit is planning to distribute about €10bn to investors this year after beating earnings expectations in the three months to March and strengthening its capital levels.

The Milan-based lender said yesterday that its net revenue rose to €6.3bn in the first quarter, driven by income from higher interest rates – up 10.9 per cent compared with the previous quarter.

Net profit over the period hit €2.6bn, above the €2bn consensus provided by the company and an increase of 24 per cent year on year.

UniCredit now expects full-year profit to be above €8.5bn – an improvement on a previous forecast.

The bank also said its distribution guidance for 2024 of about €10bn would be in line with last year's when it paid out its full net profit to investors. The lender had previously planned to distribute up to 90 per cent.

The distribution, subject to regula-

tory approval, will be a mix of cash dividends, including the €3bn paid in April, and share buybacks, including the €1.1bn executed last month.

Its core tier 1 equity capital – a measure of a bank's financial strength – also beat expectations, rising to 16.2 per cent of risk-weighted assets.

At the end of last year it was 15.9 per cent. UniCredit said it would either

**'Every single bank in Europe that has any kind of exposure to Russia has likely received the letter'**

"deploy or return its excess capital to shareholders by 2027".

Chief executive Andrea Orcel last month secured another three-year term at the head of Italy's second-largest lender.

He said UniCredit "started the year on [an] extremely strong footing... with a

resounding beat [of estimates] across all key lines".

Orcel also noted the bank's improvement in fee revenue. Fees climbed 15.8 per cent over the period, rising to €2.1bn.

UniCredit's Russian business also posted a net profit of €215mn over the quarter, up from €99mn in the first quarter last year.

However, Orcel told a conference call after the results that UniCredit would continue to reduce its local exposure.

He also commented on reports that the European Central Bank has been writing to banks urging them to further reduce their exposure.

"Every single bank in Europe that has any kind of exposure to Russia has likely received the letter," he said.

UniCredit is one of few European lenders that has not left Russia following its invasion of Ukraine two years ago, though it has written down the value of its business in the country and cut its cross-border exposure by 91 per cent.

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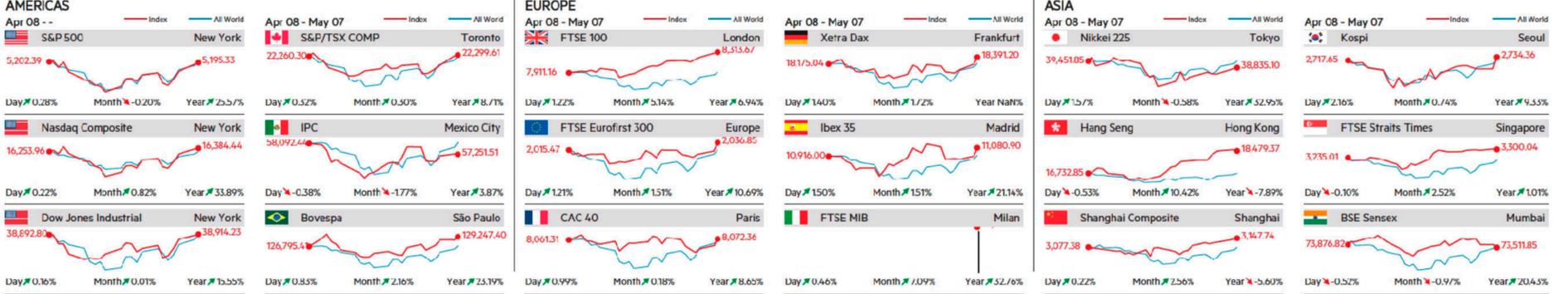
# MARKET DATA

## WORLD MARKETS AT A GLANCE

Change during previous day's trading (%)



Stock Market movements over last 30 days, with the FTSE All-World in the same currency as a comparison



Country	Index	Latest	Previous	Country	Index	Latest	Previous	Country	Index	Latest	Previous	Country	Index	Latest	Previous
Argentina	Merval	1464183.23	1459268.63	Cyprus	CSE MME Gen	66.46	68.88	Italy	FTSE Italia All-Share	36481.54	36193.52	Philippines	Manila Comp	6615.58	6522.49
Australia	All Ordinaries	8065.53	7952.30	Czech Republic	FX	1548.65	1529.17	Japan	FTSE J-Index	17422.50	17422.50	Poland	WIG	86410.09	86575.30
Brazil	Ibovespa	126265.29	124965.69	Denmark	OMX Copenhagen	2697.94	2597.28	Portugal	FTSE PSI 20	6715.10	6652.71	Romania	BSE	4527.38	4511.76
Canada	S&P/TSX 60	1538.81	1545.00	Egypt	EGX 30	6118.70	6058.81	Russia	MOEX Index	2453.57	2445.30	Saudi Arabia	TASI	12272.93	12273.11
China	S&P/FTSE 50	2231.23	2225.47	Estonia	UMAX Tallinn	1778.43	1781.28	Singapore	FTSE Straits Times	3301.04	3303.19	South Korea	KOSPI	2734.36	2675.63
Colombia	COLCAP	1281.81	1196.52	Finland	OMX Helsinki Gen	10110.90	10079.58	Slovakia	SAX	3087.9	3087.9	Sri Lanka	CSE All Share	12232.62	12404.33
Croatia	CROEX	2013.05	2011.29	France	CAC 40	8075.68	7996.54	Slovenia	SEI TOP	1292.52	1292.52	Switzerland	SMI Index	11512.97	11327.66
Cuba	CRD	107.00	107.00	Germany	DAX	3551.47	3597.44	South Africa	FTSE/JSE All Share	76923.48	76776.45	Taiwan	Weighted Tr	16915.54	16842.30
Czechia	CZS20	1874.67	1874.67	Greece	ATHEX GEN	1452.24	1448.88	Tanzania	FTSE/JSE Top 40	61027.71	61268.57	Thailand	Bangkok SET	1376.37	1369.92
Dominican Republic	IGVA	3308.39	3372.19	Hong Kong	Hang Seng	18473.7	18730.30	Turkey	BIST 100	1019.80	1027.89	Turkmenistan	FTSE AIB Genl Indx	2039.21	2013.00
Ecuador	ICE	1728.21	1728.21	India	Nifty 50	20636.65	20684.35	USA	FTSE 100	8313.67	8213.49	USA	FTSE 500	7830.21	7733.21
Egypt	EGX 30	6118.70	6058.81	Indonesia	Jakarta Comp	7123.81	7135.39	UK	FTSE 100	7522.77	7418.35	UK	FTSE 250	4522.93	4521.11
France	CAC 40	8075.68	7996.54	Israel	Tel Aviv 125	1962.83	1972.13	USA	FTSE 400	7840.02	7733.21	USA	FTSE 600	8222.93	8221.11
Germany	DAX	3551.47	3597.44	Italy	FTSE Italia All-Share	36481.54	36193.52	USA	FTSE 100	8313.67	8213.49	USA	FTSE 100	7522.77	7418.35
Greece	ATHEX GEN	1452.24	1448.88	Japan	FTSE J-Index	17422.50	17422.50	USA	FTSE 500	7830.21	7733.21	USA	FTSE 500	7830.21	7733.21
Hong Kong	Hang Seng	18473.7	18730.30	Korea	KOSPI	2734.36	2675.63	USA	FTSE 100	8313.67	8213.49	USA	FTSE 500	7830.21	7733.21
India	Nifty 50	20636.65	20684.35	Malaysia	FTSE Bursa KLCI	1505.68	1507.99	USA	FTSE 100	8313.67	8213.49	USA	FTSE 500	7830.21	7733.21
Indonesia	Jakarta Comp	7123.81	7135.39	Mexico	IPC	5707.86	5728.95	USA	FTSE 100	8313.67	8213.49	USA	FTSE 500	7830.21	7733.21
Israel	Tel Aviv 125	1962.83	1972.13	Morocco	MASI	13262.48	13463.47	USA	FTSE 100	8313.67	8213.49	USA	FTSE 500	7830.21	7733.21
Italy	FTSE Italia All-Share	36481.54	36193.52	Netherlands	AEX	900.06	891.13	USA	FTSE 100	8313.67	8213.49	USA	FTSE 500	7830.21	7733.21
Japan	FTSE J-Index	17422.50	17422.50	New Zealand	NZ50	11800.78	11821.78	USA	FTSE 100	8313.67	8213.49	USA	FTSE 500	7830.21	7733.21
Korea	KOSPI	2734.36	2675.63	Norway	Oslo All Share	1017.37	1006.88	USA	FTSE 100	8313.67	8213.49	USA	FTSE 500	7830.21	7733.21
Malaysia	FTSE Bursa KLCI	1505.68	1507.99	Spain	IBEX 35	11086.90	10917.50	USA	FTSE 100	8313.67	8213.49	USA	FTSE 500	7830.21	7733.21
Mexico	IPC	5707.86	5728.95	Sweden	OMX Stockholm 30	2581.17	2563.79	USA	FTSE 100	8313.67	8213.49	USA	FTSE 500	7830.21	7733.21
Morocco	MASI	13262.48	13463.47	Switzerland	SMI Index	11512.97	11327.66	USA	FTSE 100	8313.67	8213.49	USA	FTSE 500	7830.21	7733.21
Netherlands	AEX	900.06	891.13	Taiwan	Weighted Tr	16915.54	16842.30	USA	FTSE 100	8313.67	8213.49	USA	FTSE 500	7830.21	7733.21
New Zealand	NZ50	11800.78	11821.78	Thailand	Bangkok SET	1376.37	1369.92	USA	FTSE 100	8313.67	8213.49	USA	FTSE 500	7830.21	7733.21
Norway	Oslo All Share	1017.37	1006.88	Tanzania	FTSE/JSE Top 40	61027.71	61268.57	USA	FTSE 100	8313.67	8213.49	USA	FTSE 500	7830.21	7733.21
Spain	IBEX 35	11086.90	10917.50	Tanzania	FTSE/JSE Top 40	61027.71	61268.57	USA	FTSE 100	8313.67	8213.49	USA	FTSE 500	7830.21	7733.21
Sweden	OMX Stockholm 30	2581.17	2563.79	Tanzania	FTSE/JSE Top 40	61027.71	61268.57	USA	FTSE 100	8313.67	8213.49	USA	FTSE 500	7830.21	7733.21
Switzerland	SMI Index	11512.97	11327.66	Tanzania	FTSE/JSE Top 40	61027.71	61268.57	USA	FTSE 100	8313.67	8213.49	USA	FTSE 500	7830.21	7733.21

STOCK MARKET: BIGGEST MOVERS

ACTIVE STOCKS	stock	close	Day's	ACTIVE STOCKS	stock	close	Day's
traded m's	price	change	price	traded m's	price	change	price
Nvidia	428.2	91.34	+1.36	Astranera	22.2	593.39	+5.00
Apple	170	181.57	-0.14	Uls N	24.6	1.25	+1.25
Tesla	100	176.51	-1.14	Nestle N	38.2	94.29	-0.82
Walt Disney (the)	35.3	104.23	-5.25	Intesa Sanpaolo	206.1	0.04	+0.04
Advanced Micro Devices	27.9	156.40	+0.52	Richtec G	25.4	226.42	+0.26
Meta Platforms	23.9	471.93	+4.15	Siemens AG No D	179.94	0.58	+0.58
Amazon.com	29.7	185.47	-0.07	Santander	231.6	4.73	+0.16
Microsoft	24.2	412.81	-0.73	Novartis N	22.3	91.86	-1.72
Alphabet	20.6	176.90	-2.30	Saba	17.4	10.19	+0.35
Super Micro Computer	20.7	80.60	-0.75	Stellantis	176.1	20.70	-0.01

UK MARKET WINNERS AND LOSERS

FTSE 100	May 07	%Chg	FTSE 250	May 07	%Chg
price	price	price	price	price	price
Fluiter Entertainment	750.00	+8.13	Wentworth	14.00	+1.43
Wentworth	14.00	+1.43	Wentworth	14.00	+1.43
Wentworth	14.00	+1.43	Wentworth	14.00	+1.43

## CURRENCIES

DOLLAR	EURO	POUND					
Currency	Closing	Days	Closing	Days	Closing	Days	
Mid	Change	Mid	Change	Mid	Change	Mid	Change
Argentina	880.7541	0.5175	848.7776	0.1155	1185.5772	-1.8488	
Australia	1.5076	0.0016	1.5291	0.0022	0.0022	0.0000	
Bahrein	1.3106	-	6.4054	-0.0001	6.4733	-0.0001	
Brazil	6.5109	-	7.4476	-0.0018	6.8738	-0.0179	
Bolivia	6.9600	-0.0186	5.4438	0.0253	6.3401	-0.0395	
Bolivia (Real)	6.9600	-0.0186	5.4438	0.0253	6.3401	-0.0395	
Bolivia (Real)	6.9600	-0.0186	5.4438	0.0253	6.3401	-0.0395	
Bolivia (Real)	6.9600	-0.0186	5.4438	0.0253	6.3401	-0.0395	
Bolivia (Real)	6.9600	-0.0186	5.4438	0.0253	6.3401	-0.0395	

## FTSE 100 INDEX

FTSE 100	May 07	May 06	May 05	May 04	May 03	May 02	May 01	YoY	High	Low
Index	Index	Index	Index	Index	Index	Index	Index	Index	Index	Index
2839.40	2813.00	2786.60	2775.50	2782.20	2800.00	2844.30	2639.30	16.00	350.24	27.4

## FTSE SECTORS: LEADERS & LAGGARDS

Sector	Index	% Change
Aerospace & Defense	26.82	+10.88%
Industrial Metals & Mining	18.77	+10.88%
Healthcare	14.42	+10.88%
Consumer Goods	12.74	+10.88%
Financials	12.74	+10.88%
Energy	12.74	+10.88%
Telecommunications	12.74	+10.88%
Real Estate	12.74	+10.88%
Utilities	12.74	+10.88%
Transportation	12.74	+10.88%
Media	12.74	+10.88%
Technology	12.74	+10.88%
Food & Beverage	12.74	+10.88%
Pharmaceuticals	12.74	+10.88%
Automotive	12.74	+10.88%
Chemicals	12.74	+10.88%
Textiles	12.74	+10.88%
Other	12.74	+10.88%

## FTSE 100 SUMMARY

FTSE 100	Closing	Days	FTSE 100	Closing
Index	Change	Change	Index	Change
2839.40	15.10	0.53%	2839.40	15.10

## FTSE ACTUARIES SHARE INDICES

FTSE 100 (100)	5.18	2754.91	8213.49	8172.15	7778.38	3.58	14.25	115.24	9018.46
Index	Index	Index	Index	Index	Index	Index	Index	Index	Index
FTSE 250 (250)	2041.30	12.38	1853.13	2095.51	2062.23	1945.20	3.35	37.21	2260.10
FTSE 100 ex Div (167)	2126.08	13.22	1924.59	2016.54	2002.85	2079.82	3.49	1.24	2314.29
FTSE 350 (350)	4075.59	12.22	4146.36	3915.50	4482.44	4287.24	3.54	1.89	4176.92
FTSE 100 ex Div (167)	2126.08	13.22	1924.59	2016.54	2002.85	2079.82	3.49	1.24	2314.29
FTSE 350 (350)	4075.59	12.22	4146.36	3915.50	4482.44	4287.24	3.54	1.89	4176.92
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FTSE 100 ex Div (167)	2126.08	13.22	1924.59	2016.54	2002.				

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Table with multiple columns for various countries (Australia, Canada, China, Europe, etc.) and their top 500 companies, including stock price, change, and volume.

FT 500: TOP 20

Table listing the top 20 FT 500 companies with columns for company name, price, change, and volume.

FT 500: BOTTOM 20

Table listing the bottom 20 FT 500 companies with columns for company name, price, change, and volume.

BONDS: HIGH YIELD & EMERGING MARKET

Table showing bond yields and spreads for high yield and emerging market categories.

BONDS: GLOBAL INVESTMENT GRADE

Table showing bond yields and spreads for global investment grade categories.

INTEREST RATES: MARKET

Table showing interest rates for various markets and currencies.

BOND INDICES

Table showing performance of various bond indices.

BONDS: BENCHMARK GOVERNMENT

Table showing performance of benchmark government bonds.

GILTS: UK FTSE ACTUARIES INDICES

Table showing performance of UK FTSE Actuaries indices.

COMMODITIES

Table showing prices and changes for various commodities.

BONDS: INDEX-LINKED

Table showing performance of index-linked bonds.

BONDS: TEN YEAR GOVT SPREADS

Table showing ten-year government bond spreads for various countries.

GILTS: UK FTSE ACTUARIES INDICES

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Table showing performance of UK FTSE Actuaries indices.

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Main Market

Main Market table with columns for Sector, Price, %Chg, 52 Week High/Low, and Vol. Includes Aerospace & Defence, Automobiles & Parts, Banks, Basic Resources, Chemicals, Construction & Materials, Electronic & Electrical Equip, Financial General, Health Care Equip & Services, House, Leisure & Pets Goods, Industrial General, Industrial Transportation, Insurance, Life Insurance, Media, Mining, Oil & Gas, Pharmaceuticals & Biotech, Real Estate, Retailers, Support Services, Tech - Software & Services, and Utilities.

AIM

AIM table with columns for Sector, Price, %Chg, 52 Week High/Low, and Vol. Includes Aerospace & Defence, Banks, Basic Resources, Chemicals, Construction & Materials, Electronic & Electrical Equip, Financial General, Health Care Equip & Services, House, Leisure & Pets Goods, Industrial General, Industrial Transportation, Insurance, Life Insurance, Media, Mining, Oil & Gas, Pharmaceuticals & Biotech, Real Estate, Retailers, Support Services, Tech - Software & Services, and Utilities.

Investment Companies

Investment Companies table with columns for Conventional (Ft Private Equity), FT UK REIT, FT UK Infrastructure, FT UK Property, FT UK Water, FT UK Waste, FT UK Energy, FT UK Healthcare, FT UK Financial, FT UK Retail, FT UK Industrial, FT UK Infrastructure, FT UK Property, FT UK Water, FT UK Waste, FT UK Energy, FT UK Healthcare, FT UK Financial, FT UK Retail, FT UK Industrial.

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Data to FT Share Service

For queries about the FT Share Service please email ft.reader.enquiries@morningstar.com. All data is as of close of the previous business day. Company classifications are based on the ICB system used by FTSE (see www.icbmarket.com). FTSE 100 constituent stocks are shown in bold.

Data provided by Morningstar logo and website information: www.morningstar.co.uk

MANAGED FUNDS SERVICE

SUMMARY

FT.COM/FUNDS

Summary table with columns: Winners - EAA Fund Europe Large-Cap Blend Equity, Losers - EAA Fund Europe Large-Cap Blend Equity, Morningstar Star Ratings, Global Broad Category Group - Equity. Includes fund names, returns, and ratings.

Advertising Feature for Edentree Investment Management. Includes performance chart for Edentree UK Equity Opps Cls B Inc, weightings as of 31/03/2024, and risk measures as of 30/04/2024.

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Table with columns: Fund, Bid, Offer, +/- Yield, 1Yr, 3Yr, Fund. Lists various funds and their performance metrics.



Table for Algebris Investments listing various funds like American Dynamic, American Dea, Bond Global, Euro Renaissance, Far East.



Table for Candriam listing various funds like Candriam Abs Ret Eq, Candriam Bds Euro High Yield, Candriam Bds Gbl Hl Yld-Cap.



Table for Dragon Capital listing various funds like Dragon Capital Vietnam Equity (DCTIS) Fund A USD.



Table for Guinness Global Investors listing various funds like Guinness Global Equity Income, Guinness Global Investors 1 GBP Acc.

Table for Algebris Investments (IRL) listing various funds like Algebris Core Italy I EUR, Algebris Core Italy R EUR.

Blue Whale Growth Fund advertisement with logo and details.



Table for Brooks Macdonald listing various funds like Brooks Macdonald International Fund Managers Limited.

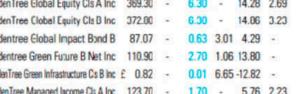


Table for Edentree Investment Management listing various funds like Edentree European Equity Cls A Inc.



Table for Findlay Park Funds listing various funds like Findlay Park Funds PLC.



Table for Hermes Property Unit Trust listing various funds like Hermes Property Unit Trust Property.

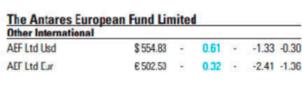


Table for The Antares European Fund Limited listing various funds like Antares European Select I Acc.



Table for Brown Advisory listing various funds like Brown Advisory Global Leaders Fund USD C.



Table for Dodge & Cox listing various funds like Dodge & Cox Worldwide Funds.

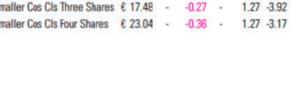


Table for Fidelity International listing various funds like Fidelity International US Stock Fund.



Table for Fundsmith Equity Fund listing various funds like Fundsmith Equity T Acc.



Table for Ashmore listing various funds like Ashmore Group Emerging Markets Active Equity Fund.

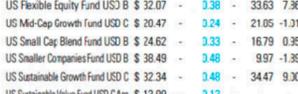


Table for Brown Advisory Funds plc listing various funds like Brown Advisory Global Leaders Fund USD C.

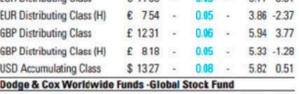


Table for Dodge & Cox Worldwide Funds listing various funds like Dodge & Cox Worldwide Funds - Global Bond Fund.

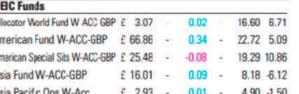


Table for FIL Investment Services (UK) Limited listing various funds like FIL Investment Services (UK) Limited (1200F).



Table for Fundsmith LLP listing various funds like Fundsmith LLP (1200F).



Table for LGT Wealth Management (CI) Limited listing various funds like LGT Wealth Management (CI) Limited.



Table for Artemis listing various funds like Artemis Corporate Bond I Acc.



Table for CG Asset Management Limited listing various funds like CG Asset Management Limited.



Table for Chartered Asset Management Pte Ltd listing various funds like Chartered Asset Management Pte Ltd.



Table for Euronova Asset Management UK LLP listing various funds like Euronova Asset Management UK LLP.



Table for GAM listing various funds like GAM Funds.

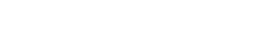


Table for Hermes Property Unit Trust listing various funds like Hermes Property Unit Trust.

MANAGED FUNDS SERVICE

Fund Bid Offer +/- Yield 1Yr 3Yr Fund Bid Offer +/- Yield 1Yr 3Yr Fund Bid Offer +/- Yield 1Yr 3Yr Fund Bid Offer +/- Yield 1Yr 3Yr

**M & G Securities (1200)F** (UK)  
 PO Box 9038, Chelmsford, CM1 9ZF  
 www.mandg.co.uk/charities/eng/Dealing; 0800 917 4472

**Authorised Inv Funds**

Charifund Inc	1517.09	-16.64	-	9.76	5.04
Charifund Acc	3546.40	-357.01	-	9.68	5.03
M&G Charities Fed Invest Ltd (Dated) Inc	£ 1.09	-0.01	-	4.46	-1.25
M&G Charities Fed Invest Ltd (Dated) Acc	£ 41.02	-0.25	-	4.47	-1.26
M&G Charity Multi Asset Fund Inc	£ 0.92	-0.01	-	4.25	8.42
M&G Charity Multi Asset Fund Acc	£ 117.26	-1.50	-	3.84	8.42

**Ministry of Justice Common Investment Funds** (UK)  
**Property & Other UK Unit Trusts**

The Equity Idx Tracker Fd Inc 2387.00 -21.00 -12.81 5.40  
 Distribution Units

**Prusik Investment Management LLP** (IRL)  
 Enquiries: 0207 493 1331

**Regulated**

Prusik Asian Equity Income B Dist	£171.49	-0.92	-	0.64	0.85
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**Scottish Friendly Asset Managers Ltd** (UK)  
 Scottish Friendly Hse, 19 Blythswood Sq, Glasgow G2 4JH 0141 275 9000

**Authorised Inv Funds**

Managed Growth	392.20	-6.50	-	15.61	6.50
UK Growth	455.80	-7.90	-	11.96	4.02



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**MMIP Investment Management Limited** (GSY)  
**Regulated**

**Multi-Manager Investment Programmes PCC Limited**

UK Equity Fd Cl A Series 01	£380.40	308.41	231.75	-	-2.98	13.94
Diversified Absolute Retn Fd USD OAF2	£1688.02	-	45.93	-	-1.51	1.32
Diversified Absolute Return Clg Cal AF2	£1579.00	-	-1.96	-	0.70	2.45
Global Equity Fund A Lead Series	£1747.16	1747.16	-5.31	-	-1.04	6.13



**Parisisma Investment Fds (1200)F** (UK)  
 2nd floor, 20-22 Bedford Row, London, WC1R 4EB  
 Order Desk and Enquiries: 0345 922 0044

**Authorised Inv Funds**

**Authorised Corporate Director - Waystone Management (UK) Limited**

Global Total Fd PCG A	516.01	-11.62	-	35.85	11.49
Global Total Fd PCG B	508.91	-11.45	-	35.51	11.21
Global Total Fd PCG INT	498.14	-11.19	-	35.17	10.93



**Troy Asset Mgt (1200)** (UK)  
 2nd floor, 20-22 Bedford Row, London, WC1R 4EB  
 Order Desk and Enquiries: 0345 608 0950

**Authorised Inv Funds**

**Authorised Corporate Director - Waystone Management (UK) Limited**

**Trojan Investment Funds**

Trojan Ethical Global Inc O Acc	107.32	-1.23	-	2.54	4.63
Trojan Ethical Global Inc O Inc	100.61	-1.14	-	2.59	4.62
Trojan Ethical O Acc	135.96	-0.71	-	1.24	5.99
Trojan Ethical O Inc	133.57	-0.71	-	1.46	6.21
Trojan Ethical Income O Acc	147.89	-1.89	-	4.54	1.42
Trojan Ethical Income O Inc	118.54	-1.35	-	4.55	1.41
Trojan Func O Acc	402.90	-2.13	-	3.47	3.07
Trojan Func O Inc	321.93	-1.69	-	3.47	3.07
Trojan Global Equity O Acc	583.86	-9.48	-	19.92	7.73
Trojan Global Equity O Inc	480.54	-7.80	-	19.91	7.73
Trojan Global Income O Acc	158.02	-1.99	-	2.39	4.25
Trojan Global Income O Inc	125.94	-1.35	-	2.39	4.25
Trojan Income O Acc	358.90	-3.70	-	2.78	1.03
Trojan Income O Inc	169.23	-1.74	-	2.78	1.03

**Marwyn Asset Management Limited** (CYM)  
**Regulated**

Marwyn Value Investors	£329.72	-6.14	-	-	-7.17
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**Mirabaud Asset Management** (LUX)  
 www.mirabaud.com, marketing@mirabaud-am.com  
 Psoaso Fnd more details on our website: www.mirabaud-am.com

**Regulated**

Mir - Cls Street, Bd I USD	\$124.77	-0.21	-	6.99	0.41
Mir - DiscEur J Cap GBP	£187.70	-1.44	-	11.06	-3.29

**Parisisma Investment Fds (CI) Ltd** (JER)  
**Regulated**

PCG B	388.49	-1.51	-	31.03	6.67
PCG C	376.80	-1.46	-	30.74	6.44

**Stonehage Fleming Investment Management Ltd** (IRL)  
 www.stonehagefleming.com  
 enquiries@stonehagefleming.com

**Regulated**

SF Global Best Ideas Eq B USD ACC	£270.43	-2.52	-	11.67	0.77
SF Global Best Ideas Eq D GBP INC	£327.00	-1.46	-	11.54	4.13



**McInroy & Wood Portfolios Limited** (UK)  
 Easter Alderston, Haddington, EH41 3SF 01620 825867

**Authorised Inv Funds**

Balanced Fund Personal Class Units	£240.80	-58.30	-	4.31	4.24
Income Fund Personal Class Units	2977.50	-37.20	-	6.44	4.85
Emerging Markets Fund Personal Class Units	7100.00	-37.40	-	-3.87	-1.51
Smaller Companies Fund Personal Class Units	£226.90	-114.50	-	2.52	-4.55

**Oasis Crescent Global Investment Funds (UK) ICVC (UK)**  
**Regulated**

Oasis Crescent Global Equity Fund USD A (Dist)	\$ 37.31	-0.25	-	0.82	8.81	-0.65
Oasis Crescent Global Income Fund USD A (Dist)	\$ 10.05	-0.04	-	3.78	3.48	-0.08
Oasis Crescent Global Low Equity Fund USD A (Dist)	\$ 12.74	-0.06	-	1.48	6.06	-0.52
Oasis Crescent Global Medium Equity Fund USD A (Dist)	\$ 14.34	-0.07	-	1.06	6.58	-0.46
Oasis Crescent Global Property Equity Fund USD A (Dist)	\$ 8.47	-0.06	-	1.17	11.29	-1.11
Oasis Crescent Global Short Term Income Fund USD A (Dist)	\$ 0.94	-0.00	-	3.36	3.90	0.72
Oasis Crescent Variable Fund GBP A (Dist)	£ 10.20	-0.06	-	0.73	4.94	0.39

**Ram Active Investments SA**  
 www.ram-ai.com

**Other International Funds**

RAM Systematic Emerg Markets Eq	£252.11	252.11	0.97	-	14.07	0.72
RAM Systematic Eurozone Eq	£594.42	594.42	3.30	-	9.61	2.88
RAM Systematic Global Sustainable Income Eq	£172.56	172.56	1.01	-	14.88	3.72
RAM Systematic Long/Short European Eq	£165.19	165.19	0.25	-	12.29	4.60

**Superfund Asset Management GmbH**  
 www.superfund.com, +43 (1) 247 00

**Other International Funds**

Superfund Greer Gold	\$108.12	-93.91	-	4.10	-8.12
Superfund Greer Silver	\$89.97	-25.91	-	-4.91	-15.84

**Regulated**

Superfund Greer US\$	£720.55	-24.95	-	-2.87	-13.63
Superfund Black Blockchain EUR	£ 17.50	-0.35	-	0.00	71.07
Superfund Gold Silver & Mining EUR	£ 10.80	-0.02	-	-	-



**Milltrust International Managed Investments ICAV (IRL)**  
 mimi@milltrust.com, +44(0)20 8123 8316 www.milltrust.com

**Regulated**

Milltrust Global Emerging Markets Fund - Dist A	£ 91.85	-0.80	-	0.00	-10.17
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**Omnia Fund Ltd**  
**Other International Funds**

Estimated NAV	\$107.45	-11.89	-	17.64	20.07
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**Royal London**  
 80 Fenchurch Street, London EC3M 4BY

**Authorised Inv Funds**

Royal London Sustainable World A Inc	£ 2.61	0.04	-	13.15	2.75
Royal London Sustainable World A Acc	£ 405.10	-8.90	-	18.76	5.40
Royal London Corporate Bond Mth Income	76.60	-0.58	-	7.53	-2.26
Royal London European Growth Trust	232.00	-4.90	-	10.76	6.98
Royal London Sustainable Leaders A Inc	862.80	-11.00	-	9.85	5.93
Royal London UK Growth Trust	681.40	-8.20	-	11.54	4.55
Royal London UK Income With Growth Trust	215.90	-2.20	-	9.21	6.15
Royal London US Growth Trust	487.30	-10.00	-	23.15	13.96

Additional Funds Available  
 Please see www.royallondon.com for details

**Thesis Unit Trust Management Limited** (UK)  
 Exchange Building, St Johns Street, Chichester, West Sussex, PO19 1UP

**Authorised Funds**

TM New Court Fund A 2011 Inc	£ 20.61	-0.17	-	11.38	1.58
TM New Court Fund - A 2014 Acc	£ 20.84	-0.17	-	11.38	1.58
TM New Court Equity Growth Fund - Inc	£ 22.96	-0.21	-	13.73	1.93



**Milltrust International Managed Investments SPC**  
 miv@milltrust.com, +44(0)20 8123 8316 www.milltrust.com

**Regulated**

Milltrust Alaska Brazil Fund SP A	\$ 97.57	-2.32	-	0.00	24.07	7.68
Milltrust Laurium Africa Fund SP A	\$ 99.09	-0.78	-	0.00	-1.27	-3.98
Milltrust Marcellus India Fund SP	\$142.99	-0.79	-	0.00	17.15	5.39
Milltrust Singular ASEAN Fund SP Founders	\$143.08	-1.39	-	0.00	8.91	-4.66
Milltrust SPARK Korea Equity Fund SP A	\$133.25	-0.95	-	0.00	21.12	-7.62
Milltrust Xinghai China Fund SP A	\$ 90.43	-0.34	-	0.00	-11.46	-17.92
The Climate Impact Asia Fund SP A	\$ 70.23	-0.01	-	0.00	-12.56	-10.30

**Platinum Capital Management Ltd**  
**Other International Funds**

Platinum All Star Fund - A	\$164.39	-	-	12.46	3.31	
Platinum Global Growth UCITS Fund	£ 9.89	-0.11	-	0.00	27.55	-10.79
Platinum Global Growth UCITS Dist	£ 9.42	-0.70	-	0.00	-19.83	13.34
Platinum Global Dividend UCITS Fund	£ 48.43	-0.42	-	5.05	-5.84	

**Ruffer LLP (1000)F** (UK)  
 2nd floor, 20-22 Bedford Row, London, WC1R 4EB  
 Order Desk and Enquiries: 0345 601 9610

**Authorised Inv Funds**

**Authorised Corporate Director - Waystone Management (UK) Limited**

WS Ruffer Diversified Rtn C Acc	100.97	-0.17	-	1.85	-1.93
WS Ruffer Diversified Rtn C Inc	97.97	-0.16	-	1.17	-1.93
WS Ruffer Equity & General C Acc	608.56	-2.59	-	5.00	2.98
WS Ruffer Equity & General C Inc	547.47	-2.31	-	5.00	2.98
WS Ruffer Gold C Acc	296.54	-10.26	-	11.37	1.66
WS Ruffer Gold C Inc	178.72	-6.18	-	11.38	1.66
WS Ruffer Total Return C Acc	535.51	-2.00	-	4.16	-0.50
WS Ruffer Total Return C Inc	323.03	-1.21	-	4.16	-0.49



**Toscafund Asset Management LLP** (UK)  
 www.toscafund.com

**Authorised Funds**

Aptus Global Financials B Acc	£ 5.85	-0.01	-	12.86	10.69
Aptus Global Financials B Inc	£ 3.58	-0.01	-	12.86	11.22

**Private Fund Mgrs (Guernsey) Ltd** (GSY)  
**Regulated**

Monument Growth 30/04/2024	£ 939.34	374.86	11.30	-	3.07	2.80
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**Rubrics Global UCITS Funds Pte** (IRL)  
 www.rubrics.com

**Regulated**

Rubrics Emerging Markets Fund UCITS Fund	£141.77	-0.66	-	1.08	0.09
Rubrics Global Credit UCITS Fund	£ 17.51	-0.04	-	3.29	-0.69
Rubrics Global Fixed Income UCITS Fund	£172.44	-0.60	-	0.53	-1.46

**Toscafund Asset Management LLP** (IRL)  
 www.toscafund.com

Tosca A USD	\$426.59	-1.22	-	-5.14	7.51
Tosca Mid Cap GBP	£117.80	-0.64	-	-29.93	-21.59
Tosca Opportunity B USD	\$252.01	-15.03	-	-29.95	-19.96
Pegasus Fund Ltd A-1 GBP	£ 27.03	-0.23	-	-32.66	-22.42

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**Guide to pricing of Authorised Investment Funds:** (compiled with the assistance of the IMA, The Investment Association, Camomile Court 23 Camomile Street, London EC3A 7LL. Tel: +44 (0)20 7831 0398.)

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**Buying price:** Also called offer price. The price at which units in a unit trust are bought by investors. Includes manager's initial charge.

**Single price:** Based on a mid-market valuation of the underlying investments. The buying and selling price for shares of an OEIC and units of a single priced unit trust are the same.

**Treatment of manager's periodic capital charge:** The letter C denotes that the trust deducts all or part of the manager's/operator's periodic charge from capital, contact the manager/operator for full details of the effect of this course of action.

**Exit Charges:** The letter E denotes that an exit charge may be made when you sell units, contact the manager/operator for full details.

**Time:** Some funds give information about the timing of price quotes. The time shown alongside the fund manager's/operator's name is the valuation point for their unit trusts/OEICs, unless another time is indicated by the symbol alongside the individual unit trust/OEIC name.

**The symbols are as follows:** ♦ 001 to 1100 hours; ◆ 1101 to 1400 hours; ▲ 1401 to 1700 hours; # 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available. Historic pricing: The letter H denotes that the managers/operators will normally deal on the price set at the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers/operators must deal at a forward price on request, and may move to forward pricing at any time. Forward pricing: The letter F denotes that managers/operators deal at the price to be set at the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers/operators. Scheme particulars, prospectus, key features and reports: The most recent particulars and documents may be obtained free of charge from fund managers/operators. \* Indicates funds which do not price on Fridays.

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## ARTS

## Ballet shines light on a dark story



Cesar Corrales and Lauren Cuthbertson in "The Winter's Tale" by Andrii Uspenki

## DANCE

**The Winter's Tale**

Royal Opera House, London

★★★★★

Louise Levene

They don't call *The Winter's Tale* a problem play for nothing, but Christopher Wheeldon's 2014 ballet version tells this bleak, complex story with exemplary clarity and breathes life into the ugly passions that set the tragedy in motion.

The grim tale of a jealous husband who drives his wife to her death and casts away his newborn daughter offers

chewy roles for stars and soloists. Bob Crowley's imaginative designs and Joby Talbot's cinematic score are equal partners in storytelling, guiding us through the narrative and intensifying the emotional highs and lows.

The latest sellout revival opened at the Royal Opera House with a splendid cast led by Cesar Corrales making his debut as King Leontes. The Mexican-Canadian star's six years with the Royal Ballet have been interrupted by injury. He was a dastardly Lescaut and an eye-catching rebel chief in Wheeldon's *Like Water for Chocolate* but Leontes is his finest role to date.

Wheeldon's writing for the King shows us a man "in rebellion with

himself" – with spiky legwork, a contorted torso and furious turns. Corrales's sudden fit of psychopathic jealousy seems to surge through his body like a draught of poison. This physical transformation is reinforced by a sudden chill in Natasha Katz's clever, expository lighting and by Talbot's shrill woodwinds and ventral blasts of brass.

Leontes' brutish manhandling of his heavily pregnant wife is downright disturbing, a perfect match for Shakespeare's pitiless invective. Lauren Cuthbertson, with her pure line and serene manner, is a fine Hermione, although the role of Paulina, the moral touchstone of the play, might suit her even better. On Friday the Queen's loyal

champion was superbly danced and played by Melissa Hamilton, whose gliding *pas de bourrée* and knotty, semaphoric *port de bras* gave physical expression to the character's quiet rage.

All this pity and terror is leavened by the bohemian festivities of the ballet's second act, exquisitely furnished by Crowley with a "raised-root" wishing tree. The Balkan-ish folk dances (fustanelas will be worn) are essentially a job creation scheme for the corps de ballet and introduce the long-lost Perdita and her princely suitor Florizel, danced by Francesca Hayward and Marcelino Sambé. The beautifully matched couple frisked weightlessly through their sunny solos and tricky duets. Wheeldon's playful, intricate choreography shows off every facet of their technique – windblown *jetés* from Hayward, feathery beaten steps and languorous slo-mo turns from Sambé.

Wheeldon deals equally generously with the minor roles. Gary Avis was a benevolent, light-footed Shepherd and Marco Masciari dazzled as the Clown. Masciari was clearly having the time of his life with Wheeldon's challenging solos, swooning vertiginously into bendy, Ashtonian pirouettes. Quick, witty and vividly alert to everyone on stage, Masciari is a dancer who shines even when relegated to the ensemble – like a rogue tulip in a municipal flowerbed: crisper, brighter, lovelier. What a glorious Mercutio he would make – or Lensky. Both roles feature next season. Fingers crossed.

To June 1, [roh.org.uk](http://roh.org.uk)

## CLASSICAL MUSIC

**Chineke! Orchestra**

Queen Elizabeth Hall, London

**BBC Symphony Orchestra**

Barbican, London

Richard Fairman

It would not be a concert by Chineke! without a first, and this one was packed with them: a new work getting its premiere, a choral work getting its first known performance in the UK, and the debut of Chineke! Chorus, marking another step forward in this ensemble's ambitions.

Ever since Chi-chi Nwanoku launched Europe's first majority Black and ethnically diverse orchestra, a large-scale choir has been an obvious omission. Typically, Chineke! Chorus's debut at Queen Elizabeth Hall came in a rarity, the *Requiem* of José Maurício Nunes Garcia (1767-1830).

The Brazilian composer was commissioned to write it on the death of the Portuguese Queen in 1816, and the fascination of the work is how close it is to Mozart's unfinished *Requiem*. We know that Mozart's *Requiem* arrived in Brazil around the same time, but did Nunes Garcia hear it before or after composing his own? Either way, the similarities are striking and it was good to get acquainted with Nunes Garcia's version. There was a decent quartet of soloists, and the fledgling Chineke! Chorus took its first, sometimes unsteady steps forward.

The concert opened with the premiere of Stewart Goodyear's *Life, Life, Life* in memory of his mother. This was an often uplifting piece in conductor Malcolm J Merriweather's lively performance, at its best in the coruscating movement for winds, brass and percussion. In between, mezzo-soprano Idunnu Münch was the strong soloist in *La mort de Cléopâtre*, in which Berlioz's innovative orchestral writing produced some wobbly playing. There have been concerts when Chineke! has raised its game, but this was not really one of them. ★★★★★

[southbankcentre.co.uk](http://southbankcentre.co.uk)

Coincidentally, the BBC Symphony Orchestra is scheduled to perform another of Nunes Garcia's major works, his *Missa de Santa Cecilia*, at the Barbican on May 10. That is one item in a BBC season of typically stark contrasts, another coming last Sunday with a day devoted to four postwar Italian composers, dubbed "Italian Radicals".

The years following the second world war saw politics become a dominant force in music. Some composers, especially in Germany and Italy, embraced leftwing idealism as part of a move to overturn the musical traditions of the prewar years, while even those who remained essentially conservative in their music, such as Shostakovich and Britten, were often motivated by political or social concerns.

The evening concert in this BBC Total Immersion day featured just one overtly political work in Luigi Nono's *Canti di vita e d'amore*, which sets texts denouncing nuclear weapons and Franco's fascist regime in Spain. Anna Dennis and John Findon were the two soloists meeting vocal challenges with grace and accuracy in the teeth of explosive denunciations from the orchestra.

The purely orchestral works could easily be heard without politics in mind at all. Luigi Dallapiccola's *Three Questions with Two Answers* invoked delicate sonorities. Luciano Berio's *Sequenza 9c*, brilliantly played by solo bass clarinet Thomas Iessels, and his *Sinfonia*, the most demonstrative orchestral score to come out of the Italian radicals, set themselves essentially musical goals in terms of exploring technique and discipline, or musical history.

The most immediately engaging was Bruno Maderna's Oboe Concerto No 3, conjuring a kaleidoscope of flickering sounds against which soloist Nicholas Daniel created marvels of expression. Martyn Brabbins conducted performances of uncommon care and the orchestra was huge. One wonders: how will some of these big pieces have a future without the public subsidy of the 1950s to pay for them? ★★★★★

[barbican.org.uk](http://barbican.org.uk)



Malcolm J Merriweather conducts the Chineke! Orchestra – Chuko Cribb

## Celebration of a minimalist master

## CLASSICAL MUSIC

**Long Play festival**

Various venues, Brooklyn, New York

★★★★★

George Grella

Composers David Lang, Julia Wolfe, Michael Gordon and their All-Stars ensemble launched the Bang on a Can 24-hour concert of new music (of all kinds) in 1987. The marathon started getting shorter earlier this century and, after delays arising from the Covid pandemic, it has now essentially been replaced by the Long Play festival, which last weekend brought dozens of concerts to venues in and around the Brooklyn Academy of Music.

This third edition featured a focus on minimalist composer Steve Reich, who together with peers such as Philip Glass inspired the generation of post-minimalist composers that counts Lang, Wolfe and Gordon among its leading figures. There was music by the Bang on a Can founders and Glass, but Reich's dominated, with four sets that included the masterpieces *Drumming*, *Music for 18 Musicians* and *Different Trains*.

Approaching 88, Reich is still making new music and was in attendance for the world premiere performance by bassoonist Rebekah Heller of *Grand Street Counterpoint*, a reworking of his 2003 *Cello Counterpoint* for soloist and multichannel tape. An overflow crowd at Bric arts centre heard how easily the music transferred to the mellow, throaty massed bassoons. Heller's verve and phrasing gave it a modern pop feel, but multichannel tape means amplification and mixing, the weak point here.

That was also the problem with the Mivos Quartet's set of Reich's complete string quartet music, which suffered from a seriously bad mix. Mivos was precise, but much of the taped audio was buried in the dense sound, and the viola frequently swamped the other instruments. *WTC 9/11* was a jumble, *Triple Quartet* exciting but blunt.

In *Different Trains*, Mivos's playing channelled deep emotional intensity. Though much of the speaking was unclear to those not familiar with the work, the simple statement in the last movement, "But today, they're all gone" – referring both to the trains and much of European Jewry – still had the punch of loss and desolation.

On Sunday afternoon, percussionist Kuniko played the quartet piece *Drumming* with solo tape, one she produced. This was a virtuosic performance, full of focus, energy and stunning moments, such as her intricate cross-stick marimba playing. It was engrossing to see

her playing alongside her taped self, though in "Part IV" she overdid it, switching so quickly between marimba, bongos and xylophone that it was like spinning plates. However, she got back in the groove and her finale brought the crowd to its feet.

The augmented All-Stars closed the festival in the BAM Opera House with a sensational performance of *Music for 18 Musicians*. This piece is always fantastic live, the greatness of the composition further enhanced by the pleasure of seeing how musicians work together to build it. Except for some mushy rhythms from the voices, ensemble playing was superb and the moderate tempo allowed a sensuous beauty to unfold.

This time the mix was excellent, the violin and clarinet phrasing clear, the emphasis on the bass providing expressive weight.

[banqonacan.org/longplay](http://banqonacan.org/longplay)



Composer Steve Reich was the focus of the Long Play festival  
Yannick Couparned/  
Bridgeman Images

**PWM**  
PROFESSIONAL WEALTH MANAGEMENT

# WEALTH TECH AWARDS 2024

## Winners Announced

The PWM Wealth Tech Awards recognise the prominent role of technology in private banking. The awards celebrate excellence in the use of technology to support advisers, enhance brand, improve client experience and ultimately drive growth.

The winners and highly commended were announced at an exclusive awards ceremony on 2 May at Glaziers Hall in London.



To view the results, scan the QR code or visit:  
[wealthtechawards.pwmnet.com](http://wealthtechawards.pwmnet.com)

An event from the Financial Times

FT BIG READ. REAL ESTATE

Prices and rents have fallen amid higher interest rates and a slowdown in China. Although the city has seen crashes before, some experts are warning that recovery could be more elusive this time around.

By Chan Ho-him

# Hong Kong's painful property slump



In the middle of Hong Kong's business district, an unusual new addition to the city's famous skyline is nearing its grand opening.

The Henderson is a 36-storey office building by Zaha Hadid Architects and named for Henderson Land Development, a developer controlled by one of Hong Kong's big four property dynasties. Its curves are modelled on the city's symbol, the bauhinia flower.

Tenants announced so far include auction house Christie's, watchmaker Audemars Piguet and private equity firm Carlyle. "As far as I know, the Henderson seems to only accept tenants of top-notch quality," says Ricky Tsang, director of corporate ratings at S&P.

But according to three property agents familiar with the project, it has tenants for only about 60 per cent of its lettable area. At the 41-storey Cheung Kong Centre II, under construction nearby, agents say occupancy rates were stuck at about 10 per cent in March as talks with potential tenants dragged on.

Henderson Land confirmed the current occupancy level but said the project would further "strengthen the group's foothold in Hong Kong's central business district and add to [our] recurrent income stream". CK Asset, the developer behind Cheung Kong Centre II, did not respond to questions about letting.

According to Cushman & Wakefield, prime office rents across Hong Kong have dropped almost 40 per cent from their peak in 2019, and government figures show vacancy rates at a record high of 16 per cent. Against this unpromising backdrop C&W predicts roughly 6.7mn sq ft of new office space – 14 times the Henderson's gross floor area – will be released to the market over the next five years.

The city's prime office rental market "hasn't bottomed out," says Fiona Ngan, head of occupier services at Colliers Hong Kong. "Many multinational companies are downsizing, driven by a weak economy... and mainland Chinese companies are not coming in at the [quick pace] as previously expected due to budget limitations."

It is a similar story in the residential market. Government data shows the number of completed but unsold units has risen 134 per cent from 2018 and prices have fallen about a quarter from their peak in 2021. Last year, the price of the median property in Singapore outstripped that of Hong Kong.

Real estate still matters greatly in Hong Kong. It is how many of the territory's high-profile business families built their fortunes. The Hang Seng stock index contains 12 property or construction groups and auctions of government-owned land raise large sums for the territory's administrators.

Hong Kong has seen property market crashes before – residential prices more than halved after the Asian financial crisis in the late 1990s. But they have invariably bounced back, often spectacularly.

Some real estate experts fear things may be different this time around. The notion of "higher for longer" US interest rates followed three years of tough zero-

Both residential prices and office rents will find it hard to rally like they [once] did'

Covid policies and a crackdown on dissent that has made some international companies and some local residents consider leaving. "Both residential prices and office rents will find it hard to rally like they [once] did," predicts UBS analyst Mark Leung.

Hong Kong's very high population density, challenging topography and economic dynamism have long made it one of the most expensive property markets in the world.

Its most recent real estate boom, driven by low interest rates and growing demand from companies and individuals from mainland China, was also one of its most enduring. Tycoons' family members, property agents and economists speak of a "crazy" era in the 2010s where home prices and office rents rocketed, buoyed by strong capital markets and big-spending investors.

Commercial rents in Central, Hong Kong's business district, soared to a record HK\$166 per sq ft per month in late 2018, according to C&W data after a rise of almost 20 per cent in three years. Residential prices rose 500 per cent between 2003 and 2021, according to

Centaline, a property listings website.

But the correction is gathering pace. Commercial rents are down 37 per cent on average from that peak. "Work-from-home culture has not directly drawn down office rents in Hong Kong," says Ada Fung, head of advisory and transaction services at CBRE Hong Kong, drawing a contrast with other global business cities. "One of the major reasons was the [weaker] business sentiment."

By the time Hong Kong's zero-Covid rules came to an end in December 2022, the US Federal Reserve had already raised interest rates seven times, increasing the cost of borrowing for developers and home buyers alike.

Beijing's political crackdown has prompted some multinational companies, already looking to cut costs, to reconsider their position in Hong Kong. China's own economy has also slowed, damping interest from wealthy Chinese individuals and companies.

Ngan, at Colliers, says many Chinese companies are no longer doing initial public offerings in Hong Kong, "leading to increasing pressure for professional companies such as legal firms... with a number of them downsizing".

For now, central Hong Kong office rents are still about 35 per cent higher than Singapore's Marina Bay, according to UBS, and Ngan at Colliers questions whether a return to previous peak levels would be sustainable.

In the residential market, prices fell in each of the 10 months from May 2023 to February 2024. At that point, Hong Kong abolished all extra stamp duties, which at their peak were 30 per cent for non-residents. Prices rose 1 per cent month on month in March.

But analysts and agents say interest rates need to come down a lot for real estate to become attractive for investment again. Gary Ng, a senior economist at Natixis, questions why anyone would buy properties yielding about 3 per cent when "you can get 5 per cent easily" from bank time deposits.

Developers in Hong Kong have been offering discounts of 15 per cent or more for newly built units to clear growing inventories of unsold flats, pressuring the second-hand housing market.

About 140,000 residents left Hong Kong in the two years up to 2022, shrinking the pool of buyers, while wealthy Chinese have been increasingly looking at cities such as Tokyo for "safe haven" property investments as Beijing tightens its grip on Hong Kong.

Home prices are expected to drop up to 5 per cent more this year, according to UBS estimates. Morgan Stanley says that could lead to a "big drop in profits for Hong Kong developers with high exposure to residential inventory".

It would also have implications for the territory's government. Sales of land accounted for as much as a fifth of total government revenue in the boom years. But recent auctions have been disappointing – a sign, analysts say, that developers are losing confidence.

The number of failed tenders for residential sites in 2022 and 2023 surpassed

the total of the previous seven years, according to JLL, and no tenders were offered for residential or commercial sites in the final quarter of the fiscal year owing to weak demand.

For Hongkongers still living with their parents or in public housing blocks far from the central areas, cheaper housing would be welcome.

The city's median home price is almost 19 times its median household income according to the most recent data by the Urban Reform Institute – far higher than about five times in Singapore, the UK or the US.

Living conditions have fallen as new flats became smaller and prices more unaffordable. Hong Kong's per capita living space is only about 170 sq ft, according to the latest government data. As interest rates rose and home prices slid, the number of borrowers in negative equity hit a 20-year high of about 32,000 cases at the end of March.

More than a quarter of Hong Kong's population lives in public housing, but average waiting times for new applicants are now approaching six years. As the city's wealth gap widens, many have resorted to renting tiny private subdivided housing units; more than 200,000 people, out of a population of 7.5mn, now live in so-called "coffin flats".

Ken Lui, a 42-year-old Hong Kong investor who made his fortune from residential properties, now owns or manages about 400 apartments split into 1,700 subdivided units. "Hong Kong has not enough housing supply... to accommodate every family," he says. "One apartment divided into three smaller units can accommodate two additional families."

Monthly rents for subdivided housing were on average about \$700 per unit, government data showed, with more than half of these units at a size of between 75 and 140 sq ft.

The Hong Kong government is seeking to expand affordable housing, in line with the drive for "common prosperity" espoused by China's president, Xi Jinping. Officials at the Liaison Office, Beijing's official presence in Hong Kong, have also been looking at the city's property market, according to two people familiar with the matter.

A more hands-on approach in one of the world's freest economies would likely "strengthen public housing policies... while restoring private sector housing confidence and prices", says Lim Tai Wei, an adjunct senior research fellow at the National University of Singapore's East Asian Institute.

Even some members of property tycoons' own families admit the city's real estate prices had become unhealthy. "Hong Kong is so small," says Pomman Lo, who is also the granddaughter of Great Eagle Holdings founder Lo Ying-shek and a director of several group companies.

"I don't think [even] the Hong Kong government wants prices to go back to the old days," she says.

A skyline view of Hong Kong. The city's high population density, challenging topography and economic dynamism have long made it one of the most expensive property markets in the world

Dale De La Rey/AFP/Getty Images

In the boardrooms of Hong Kong's big developers – Henderson Land, CK Asset, Sun Hung Kai Properties and New World Development – unease is growing about the correction. Their share prices have fallen between 15 and 58 per cent over the past year, compared with a 9 per cent drop in the city's benchmark Hang Seng index.

Several spent heavily on land before prices began to fall; aside from the site of its eponymous building, Henderson paid a record high of \$6.5bn for a waterfront plot in Central in 2021 while rival Sun Hung Kai spent \$3.2bn in 2018 for part of the land once occupied by Kai Tak airport, which closed in 1998.

Analysts say returns from these projects could come under pressure as prices and rents come down and developers face higher interest charges on their loans. "This is probably something of a dilemma when a firm chases the market," says Natixis's Ng. "The breakeven point of the whole project may come a bit later than expected."

Praveen Choudhary and Jeffrey Mak, equity analysts at Morgan Stanley, estimate that at prevailing prices, developers' operating profit margins are likely to drop to 19 per cent in 2025 from a peak of about 40 per cent in 2022.

In the short term, developers believe some demand will return as the government tries to attract talented and wealthy individuals, many of them from mainland China, to move to the city.

But the tycoons are less sure how to forecast the market over the next decade or so, analysts say. Future development is likely to be more tilted towards the outer reaches of the New Territories, near the border with China, as Hong Kong's economy becomes more integrated with that of its vast neighbour.

Projects such as the planned Northern Metropolis and a reclamation project to build artificial islands off the Hong Kong coast for more housing have made some wonder whether long-term demand can absorb the extra supply.

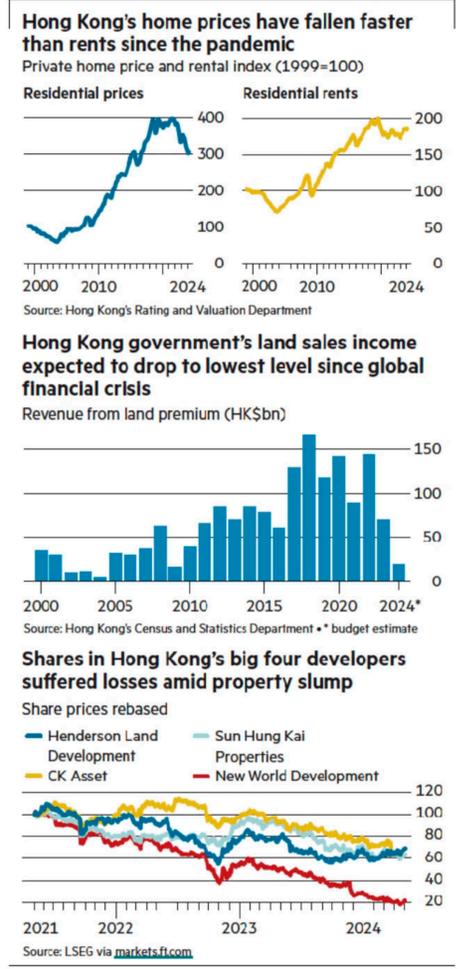
For Victor Li, chair of CK Asset and eldest son of Hong Kong's richest man, Li Ka-shing, the city's position as a business centre is what will underpin recovery in its property sector its economy.

"Hongkongers have had a difficult few years," he said at a press conference in March. "What I do think needs to be the case is that Hong Kong must maintain its status as a global financial hub... This has not come easily. We must not lose our global standing."

But many question whether it is necessary for prices to rebound quickly. "I would say, I'm not sure if we are going to still see those [skyrocketing] kinds of transactions," says Lo. "I don't think those are very healthy either, because that sends very worrisome signals from the overall society point of view."

Her preference is for prices to "really slowly get back to a level that is most comfortable for everyone... [while] all the biggest business leaders would not be complaining."

Additional reporting by William Langley. Data visualisation by Andy Lin



Hong Kong must maintain its status as a global financial hub... We must not lose our global standing'

## The FT View



## FINANCIAL TIMES

"Without fear and without favour"

## The long shadows of America's growing debt

*A failure to acknowledge the US problem puts growth and stability on the line*

In March, Phillip Swagel, director of the US Congress's independent fiscal watchdog, told the Financial Times that America risked a Liz Truss-style market shock with its soaring debt pile. His reference to the former British prime minister's "mini" Budget in September 2022 – which led to a sudden surge in UK government bond yields and ructions across financial markets – was an attempt to fend off complacency, rather than a warning of imminent implosion.

Swagel is right to sound the alarm. America's debt is on an unsustainable path. The Congressional Budget Office projects America's debt-to-GDP ratio will surpass its second world war high of 106 per cent by the end of the decade, and keep rising. The total deficit is forecast to average 5.5 per cent of GDP until

2030 – about 2 percentage points higher than the post-1940 mean. Net interest payments, which are currently around 3 per cent of GDP, are expected to keep creeping upward too.

Politics is an aggravating factor. Both the Democrats and Republicans heed the importance of fiscal responsibility in theory, but neither is prepared to tighten belts, particularly in an election year. Joe Biden proposed a \$7.3tn budget plan for 2025. His presidential rival, Donald Trump, has vowed to renew tax cuts enacted during his time in the White House, which could add another \$5tn to the nation's debt, according to the Committee for a Responsible Federal Budget, a think-tank.

America's growing debt puts upward pressure on its longer-term borrowing costs. Lax fiscal policy can raise inflation expectations and the perceived risk of holding debt for long periods. The hefty pipeline of debt issuance will also need to be absorbed by more price-sensitive investors, with the Fed now

engaging in quantitative tightening.

Elevated yields raise the cost of borrowing and could undermine economic growth. There is an increased vulnerability to rapid and disruptive movements in US bond markets. This has knock-on effects for credit and financial stability abroad too, since US Treasuries act as a benchmark for pricing debt globally. IMF research suggests that a 1 percentage point spike in US rates led to a 90 basis point rise in other advanced economies' bond yields, and an increase in emerging markets of 1 percentage point. Restraints on domestic and global growth will only heighten the debt reduction challenge.

America's economic heft gives it substantial leeway. The dollar's role as the international reserve currency means demand for US debt is ever-present, and AI-driven productivity growth could indeed help lessen its debt problems. But the country's global influence may foster a dangerous complacency among its politicians. Ignoring the difficult tax

Both the Democrats and Republicans heed the importance of fiscal responsibility in theory, but neither is prepared to tighten belts

and spending decisions needed to put debt on a more sustainable footing keeps the economy on a risky path amid political and economic uncertainty.

For instance, another Trump presidency would come with significant unknowns. Reports that his team is drawing up proposals to water down the Fed's independence are worrying for inflation control. A well-behaved bond market hinges on clarity and confidence in government policy – as Truss could attest. Geopolitical instability and risks in financial markets, from private capital to liquidity issues in Treasury markets, are also exposures. Shocks could damp growth and drive spikes in yields, making debt dynamics even worse.

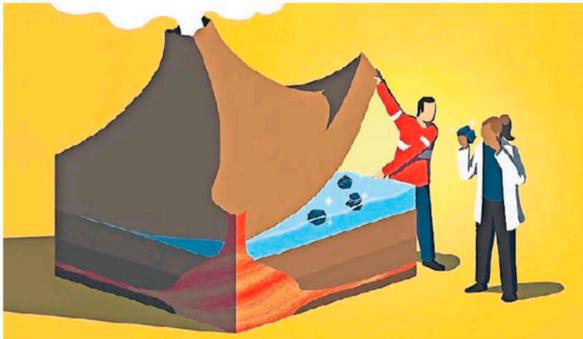
Sooner or later policymakers need to engage in bipartisan efforts to think seriously about how America funds itself responsibly. If not, panicked bond traders may force them to. As the IMF chief economist, Pierre-Olivier Gourinchas, said last month: "Something will have to give."

ft.com/opinion

## Opinion Science

## Volcanic soup could be the next big mineral source

Andy Carter



Anjana Ahuja

surface outflows or deposits, can point to the metals likely to lie beneath.

With the minerals already in solution, the brine requires less processing, and creates less waste, than land-mined material. In traditional copper mining, for example, around 99 per cent of the crushed rock is waste.

Shallower oilfield brines, produced by drilling for oil, are also attracting commercial interest. The Smackover formation in Arkansas, for example, has long been exploited for fossil fuels and is already pumped for its bromine-rich brine. This also contains enough lithium to make processing worthwhile, given rising mineral prices and existing extraction infrastructure. ExxonMobil is drilling its first lithium well there, with production due to start in 2027. Lithium is also currently derived from brine deposits found underneath salt flats in countries like Chile and Bolivia.

Geothermal plants, which involve drilling at depth, produce geothermal brine; once seen as a byproduct, these brines are now regarded as worth exploiting. Companies in Cornwall in south-west England, for example, are currently exploring how to best capture the metals and minerals from a local geothermal plant. Magmatic brine, though, is the bigger, deeper, shinier prize, boasting higher concentrations of valuable minerals with fewer impurities. Some geothermal plants offer a conduit for reaching this sub-volcanic booty. As Ingenia reports, different groups are exploring the concept of recovering magmatic brine from geothermal energy sites in Japan, New Zealand, Iceland and Germany.

The engineering challenge is immense: finding ways of drilling boreholes up to 4km down into rocks as hot as 400C; protecting wells from collapse and corrosion by the highly acidic fluid; and guarding against the metals being prematurely deposited, like limescale inside a kettle, on their long journey up.

Even if these are solved, further obstacles await. The brine might contain toxic elements like Mercury, which require safe disposal; the seismic consequences of reinjecting the metal-stripped fluid back into the ground remain unknown. Rejection is not dissimilar to techniques used in fracking, which can induce local tremors. Blundy is working with the university's Oxford Martin School on a test project to co-develop geothermal power and brine mining on the Caribbean island of Montserrat.

It is a bold and risky plan, to dive into these mountains of fire to pluck treasure from the roiling fluid. But with 1,500 volcanoes dotted around the planet and critical minerals for the energy transition running low, the payback could be explosive.

Jon Blundy, an earth scientist at Oxford university, calls these magmatic brines "liquid ore". He and colleagues have estimated that a single lens formed over 10,000 years could contain 1.4 megatonnes of copper. The exact balance of precious metals, base metals, lithium and rare earth minerals dissolved within depends on the location and type of volcano, he told the Royal Academy of Engineering magazine Ingenia recently. But he added that "this would be a viable alternative to scraping polymetallic nodules off the seabed – and it would do less damage to vulnerable ecosystems". Samples of volcanic vapours collected by drone, plus volcanic

and commercial interest. Sub-volcanic brine mining could also be of strategic geopolitical importance, by expanding the supply of critical minerals and breaking the stranglehold enjoyed by China.

and commercial interest. Sub-volcanic brine mining could also be of strategic geopolitical importance, by expanding the supply of critical minerals and breaking the stranglehold enjoyed by China.

The writer is a science commentator

## Letters

## Origins of the east Asia miracle relied heavily on protectionism

Gillian Tett notes "an important difference between policies that try to create growth by shielding domestic companies from foreign competition and those which help those companies compete more effectively on the world stage" ("How to tell good industrial policy from bad", Opinion, May 3).

The implication is that industrial policies characterised by market protection – import substitution – are bad, while those promoting export competitiveness – export-oriented policies – are good.

Tett illustrates this difference through "the contrasting fortunes of Malaysian automaker Proton car and South Korea's Hyundai". Proton failed due to market protection in Malaysia,

while Hyundai became a global brand due to South Korea's export-oriented strategy.

This account is an inaccurate description of east Asia's industrial strategy and Hyundai's success. South Korea and Taiwan were the most export-oriented emerging economies in the post-world war two period, but also the most import-controlling. The key to their success was to temporarily shield domestic companies from foreign competition while simultaneously helping them to become globally competitive through technology acquisition and learning.

This was nowhere more the case than in the automobile industry. The South Korean government placed

tariffs on imported cars, required foreign investors to enter joint ventures and regulated local firm entry into the industry. These policies encouraged Korean firms to invest in automotive assembly for the protected domestic market, drawing on joint ventures and technology licensing with foreign firms.

The contrasting fortunes of Proton and Hyundai were due to their approach to technological industrialisation.

Hyundai invested massive resources and time into creating its own engine design, while Proton continued to license foreign technology, which came with conditions about which export markets it could access and in turn

limited its economies of scale.

If anything the "east Asian miracle" of the late 20th century showed that temporary domestic market protection and subsidies are justified to help investment, learning and innovation to take place.

Now that "the policy that shall not be named" – industrial policy – has finally returned centre stage, it is important not to return to old debates about import substitution versus export-oriented policies and perpetuate myths about east Asia's experience.

**Lindsay Whitfield**  
Professor of Business and Development  
Copenhagen Business School  
Frederiksberg, Denmark

## Emerging economies and smart industrial policies

The distinction drawn by Gillian Tett (Opinion, May 3) between good and bad industrial policy is a useful beginning to tease out what is meant by state interventions to promote some sectors or industries, but it fails to separate policies pursued by rich countries versus those attempted by emerging market economies (EMEs).

Importantly for the latter, in order for such industrial policies to be potentially effective, they have to be accompanied by a host of other smart policies. No one doubts that all countries have industrial policies in one form or another or that those incentivising new industries are different from those protecting uncompetitive ones. But for EMEs that look to the experience of South Korea or Malaysia, it is hard to accept that they should eschew industrial policies all together.

Tett is correct in stressing that import-substitution is unlikely to succeed, and that promoting exports that can enter global markets is the model that should be followed, yet countries across the spectrum from Brazil to Rwanda believe that to compete they need to promote and protect. Promotion can take many forms, as seen in China, and can entail both good and bad policies. Protection is unlikely to help and leads to lose-lose outcomes. The main point, however, is that to be effective, industrial policies need a strong private sector, the ability to penetrate global markets and the necessary supporting infrastructure.

Few EMEs have the policy bandwidth to accomplish this.

**Danny Leipziger**  
Professor of International Business  
George Washington University,  
Washington, DC, US

## Biden silent on the many journalists killed in Gaza

The lack of any mention of the extraordinary number of journalists killed, attacked, injured and detained in Gaza (according to the UN) in the past six months in President Joe Biden's remarks at the recent White House Correspondents' Association dinner was remarkable (Report, FT.com, April 30).

If there was a place to declare that the deaths of dozens of journalists in Gaza had to end, it was at that televised dinner speech on the press and its fundamental role in a world that values democracy and human rights. Of course, the president did rightly name check a couple of journalists suffering elsewhere in the world. He also, in very general terms, said that journalism is



not a crime anywhere in the world. But why the silence on the staggering toll on journalists in Gaza, while he rightly castigates Vladimir Putin by name? In the same vein, the president did not mention the prohibition by Israel and Egypt preventing foreign journalists from entering Gaza (except on condition that they accept to be embedded with the Israel Defense Forces).

Journalists have decried Israel's stance, denying them free access to cover events in Gaza, for example, in a letter signed by 55 UK and US journalists in February.

We in America like to say that "democracy dies in darkness" – the official slogan of The Washington Post. It is also true that human rights die in darkness.

**Andreas V Georgiou**  
Darnestown, MD, US

## Macron's pan-European vision should be applauded

Shahin Vallée makes the classic Berlin-London Washington think tank case against President Emmanuel Macron after his Sorbonne speech urging greater European coherence on the economy, defence and facing down the anti-democratic, immigrant-hating, 21st century populist nationalist culture-identity war right ("Macron's grand speech falls short of a realistic path for Europe", Opinion, April 30).

But at least Macron is thinking, speaking, arguing about what needs to be done. It is not his fault that no other leader in Europe currently exists or wishes to join this debate.

Macron deserves un petit merci for making the effort, in contrast to the rest of the naval gazing current generation of European leaders.

**Denis MacShane**  
Former Europe Minister, London SW1, UK

## Global trade problems – the Swiss current account

While Professor Evenett bemoans the increasingly prevalent anti-trade policies of the world's major economies ("It's clear the world trading system is in serious trouble", Letters, May 6) he might have noted that his base of Switzerland is a major contributor to global trade distortions.

Forty-two consecutive annual current account surpluses indicates that Swiss economic policies are part of the problem. Unless and until the huge imbalances in global trade are addressed, we should expect individual governments to continue to take steps that inhibit free and fair global trade.

**Peter Perkins**  
Dallas, Texas, US

## Sometimes only a handwritten letter will do

Nilanjana Roy, in her FT Weekend piece on the topic of writing letters, describes how she has "taken refuge in the near-850 pages of *The Letters of Seamus Heaney*" ("When letters say more than words", Opinion, Life & Arts, April 27).

Only yesterday, I was looking through my own father's letters to me as I was cleaning up some bookshelves to avoid working on a technical manuscript that is now shamefully overdue. I was struggling to figure out how to explain something rather mathematically obtuse. Often on such occasions, distractions like gardening, going for a walk, or if it's raining outside, housework such as cleaning helps to bring clarity.

My father's letters, so many decades later, opened up doors in the mind. I am older of course, have my own set of life experiences, and now I can read his letters through a different eye from that of a college to early-career young man. I felt close with him.

I find writing to friends a wonderful outlet to craft one's inner feelings. It's very helpful and also an archive in time similar to all the annotations in the books read through 60-plus years of life.

The same holds true in published writing. Books are a personal outlet only modulated by the editor. Even if most of mine are academic works, the books have notes in the margins, Tufte style, which allow you to share your thinking and experiences and work as messages for future generations.

This is what letters can do. Now they may be somewhat supplanted by properly crafted emails, but for difficult matters only a handwritten letter will do the job.

**Sandip Tiwari**  
Southport, ME, US

## Don't put EV cart before the infrastructure horse

Your editorial on the challenges facing electric vehicles (FT View, April 11) highlights problems which were, unfortunately, predictable. Governments have pushed for the adoption of electric vehicles faster than engineering and economics allowed.

To successfully move to the mass adoption of EVs in Europe will require flexibility in approach to match user demand and a sustained commitment to make the investments in infrastructure, chief among which is the upgrading of the high and medium voltage power grids to deliver power to the vehicles themselves.

Price, reliability and utility are real issues facing the vast majority of the public and the businesses wanting to move away from fossil fuel powered internal combustion engines. Governments should be wary of forcing EV adoption before ensuring that the necessary investments are in place to avoid a consumer and business backlash.

Instead, governments should underwrite success by adopting a holistic approach to demand generation, taxation, vehicle availability, infrastructure deployment and the grid. This must address the longer-term challenges and opportunities inherent in replacing a century-old technology.

**Richard Knubben**  
Director-General, Leaseurope  
Brussels, Belgium

## Cider provenance – we'll drink to that

After almost three decades of manufacturing a cider product in the UK ("What does 'local' actually mean?", House & Home, March 30), where its UK origins were mostly ignored by the buyers – who were never the end users but were mostly influenced by price – life has changed.

After being encouraged by friends to extend our cider production and offer it commercially, selling local has been an inspiration. People are interested in the provenance of the product. Folks ask questions and listen to our story. Customers seek us out. It's a joy.

**Paul and Gillian Sweeney**  
Wrenbury Cider, Wrenbury, Cheshire, UK

## Correction

●Epsom College in Malaysia is giving UK parents the chance to pay a frozen fee rate of £28,000 a year for the duration of a British student's education between Year 9 and Year 13, not £26,000 as wrongly stated in an article on May 4.

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# Opinion

## How missiles became the modern weapon of choice

Jacquelyn Schneider

This year may be the year of the missile. Last month, Iran launched a salvo of approximately 150 of them, many shot down by American and Israeli missiles. This was followed by an Israeli retaliation, and a week or so later, yet another missile volley in response from an Iraq-based (and likely Iranian-linked) militant group. This year has also seen prolific Houthi missile attacks on Middle East international shipping, a large-scale Russian missile campaign targeting Ukrainian cities and energy infrastructure, and Ukrainian ATACMS strikes within Russian-occupied territory.

Why missiles now? And will they change who fights and wins wars?

Missiles — propelled weapons with explosive warheads — trace their roots to second world war German rockets. During the cold war, long-range ballistic missiles dominated nuclear competition but it wasn't until the micro-processor that missiles transitioned to the conventional battlefield. The Yom Kippur war of 1973 heralded a precision-guided revolution as computing improved accuracy, ushering in new anti-tank, anti-air, cruise and conventional ballistic missiles. These long-range precision strike weapons became a mainstay of US foreign policy throughout the 1990s and early 2000s, part of shock and awe campaigns, Balkan air wars and terrorist decapitation strikes.

Over time, missile technology — once available only to the best militaries — became cheaper and more accessible. Their wide range of size and

manoeuvrability gave users the ability to customise arsenals for their own needs. They could, for example, choose between smaller missiles, which are more difficult to target, and larger, less manoeuvrable but more lethal variants. Given this flexibility, missiles could be adapted for offence and defence,

**They may rarely win wars on their own but they can change who gets to start and sustain them**

capable of launch from land, air or sea. Unlike many of their drone cousins, missiles are largely automated or autonomous after launch, thus requiring limited logistical support or remote control. Above all, missiles — as opposed to gravity bombs — allow states to launch

attacks from long distances, often without the risk of sending a manned platform into an adversary's territory.

All these characteristics — their availability, flexibility and ability to mitigate risk — make missiles a weapon of choice in modern combat. But are they as effective as they are alluring? The evidence is mixed. There is no doubt that missiles have revolutionised operational warfare. Advances in anti-tank, anti-air and anti-ship missiles have made it harder for platforms to hide, making battlefield warfare more dangerous for many attackers. Despite these advantages, there is limited evidence that missiles can, on their own, make a decisive strategic impact.

It has long been a tempting theory of warfare that surgical strikes targeting strategic centres of gravity or civilian populations could erode political will and convince actors to demur without having to launch an invasion. But time and again

strategic strike campaigns have failed. America couldn't roll back the Viet Cong with waves of B-52s. Its precision strikes on the Taliban were accompanied by an ultimately unsuccessful two-decade ground war. More recently, Iranian missile salvos made little to no impact on Israeli operations in Gaza.

Escalation control is also tricky. Missiles are certainly a less risky option than manned aircraft. However, using them to create just the right amount of effect to signal capability and will without triggering all-out war is a dangerous game of perceptions (and misperceptions). Paradoxically, the greater the effect of missiles, the more likely they are to cross red lines that inadvertently cause a spiral into full-scale conflict.

Perhaps the real way that modern missile exchanges alter the balance of power is how they allow actors to keep wars limited while bleeding each other dry. Missiles replace expensive and

scarce platforms, benefiting states without sophisticated arsenals of destroyers or stealthy jets. Houthi missile strikes cost the US tens of millions of dollars to intercept, and impose even greater expense on the global economy. Even the largely ineffectual Iranian missiles salvo probably cost Israel, America and others over \$1bn to defend against.

Missiles may rarely win wars on their own, but they can change who gets to start wars and who can sustain them. Right now the advantage is with states such as Iran, Russia and North Korea who can raise costs for defenders, while staying under a threshold of war in which they would be overmatched by more capable militaries. But they should be cautious. They may inadvertently start a war they don't have the arsenal to win.

The author is a Hoover fellow at Stanford University

## US voters need convincing on the economy

Martin Wolf Economics

Trump's rhetorical style seems to appeal more to Americans than the reality



Donald Trump's plans for a second term are those of a dictator. This desire was already evident from his attempt to overthrow the result of the last presidential election and insistence that the Big Lie that he won become the Big Truth of the Republican party. Beyond that, he has recently told Time that he would build vast detention camps for undocumented immigrants, deploy the US army domestically, order US attorneys to prosecute people he dislikes, pardon the January 6 2020 insurrectionists and staff his entire administration with loyalists. He would also throw doubt over Nato security guarantees, so opening Europe to his friend, Vladimir Putin, and launch a global trade war.

In sum, Trump's return to power in the US, the standard bearer of liberal democracy in the world, could prove the moment when arbitrary despotism became the normal form of human governance, yet again. This threat makes the presidential election six months hence vital for the future not just of the US, but of the whole world.

These, as Joe Biden has said, have long been the stakes for his administration. Yet Americans will not decide the outcome over constitutional issues, however vital. Their priority is the economy. On this, the news for Biden is grim: according to a poll reported in the FT last month, 55 per cent of voters disapprove of his economic record. This helps explain why the polling between

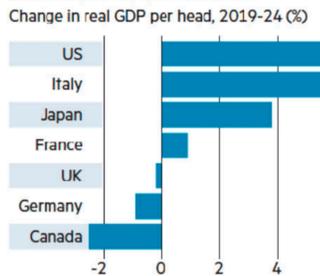
Biden and Trump remains so close.

Such doubts over the economic record of the administration are surprising. Comparatively, the performance of the US economy has been a triumph. According to the IMF, GDP per head in the US will rise by 8.3 per cent between 2019 and 2024, despite the pandemic. This is far better than in any other large high-income country. In the UK, the comparable figure is minus 0.2 per cent. (See charts.)

The case for Biden's defence is laid out in detail in the Economic Report of the President published in March. It is a good one. In the words of one senior official I met in Washington last week: "This is the best example of a US supply-side recovery since the 1960s." Performance on economic growth, jobs and investment has been outstanding. Inflation has also come down a long way without the rise in unemployment some warned might be necessary.

The unemployment rate in the first quarter of this year was 3.8 per cent, down from 6.2 per cent three years earlier. Over the same period, real personal consumption was up 9.8 per cent and real private nonresidential fixed investment up 14 per cent. Real investment in manufacturing structures was even up by an amazing 101 per cent between the first quarters of 2022 and 2024. The labour force participation rate for those aged 25-54 was 83.5 per cent in April, a level not surpassed since 2002. Private housing units under construction are running at close to 1.7mn units, a level

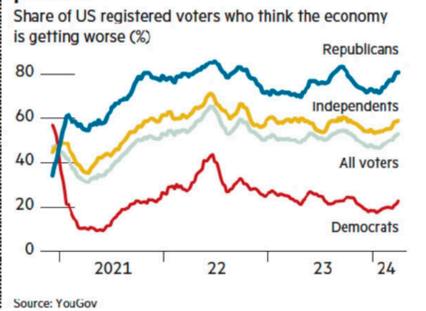
### The US economy is outperforming those of other G7 countries



### Inflation rate has fallen a long way but the price level is sharply up since the pandemic



### Views of the US economy are determinedly partisan



unmatched in the last half century.

This is an economic boom. It is also one of the most important experiments in evaluating the impact on labour markets of running an economy hot. A significant finding in the report is that racial gaps in unemployment and employment have fallen sharply and opportunities for the disabled have also significantly improved.

Behind this performance lies a wave of high-profile legislation, including the American Rescue Plan, the Inflation

**The public will not decide the outcome of November's election over constitutional issues, however vital**

Reduction Act and the Chips and Science Act. A surprisingly common view is that Biden is close to senile. In fact, this has been the most hyperactive administration since the 1960s. Biden's energy has been astonishing.

So, why, given this apparently impressive record are so many voters so sceptical? One reason, no doubt, is that there are many passionate opponents of the "big government" that Biden has brought to the US. But if libertarians were a really powerful force today, Trump would not lead the Republicans.

A more important reason is inflation. People hate it. Moreover, after a bout of high inflation, getting it down again is not enough, or at least not for quite a while. The price level is up almost 20 per cent since Biden was elected. People realise this. Interestingly, those who

notice big jumps in grocery items seem to extrapolate them to inflation more widely. It will take a while to forget what things used to cost before recent jumps.

A related problem is the freezing of the housing market. Who wants to sell a house when buying a new one means replacing a cheap fixed-rate mortgage with a far more expensive one? That problem will remain so long as interest rates stay far above where they were.

More important is the fact that perceptions of the economy are political, with Republicans seeing a bad economy when their opponents are in power and vice versa. Today, people do not just have their own opinions; they have their own facts. The economy they see is not the economy they experience day to day. This is no doubt partly due to today's horrifyingly irresponsible media

landscape, which has normalised lying and so, not least, Trump himself.

Robert Reich, former US labour secretary, says many ordinary people just do not like the economy they are in, even if it is better than it was a few years ago. They also believe Trump is at least fighting for them. This sort of rhetorical style matters more than economic reality.

Whatever the reasons, there are only six months in which to change people's minds. Moreover, the economic news might get worse, especially if high rates finally deliver a sharp slowdown, or even get higher.

The election seems as close as its outcome is crucial. Americans alone will contest it. We bystanders can only hope for a happy outcome.

[martin.wolf@ft.com](mailto:martin.wolf@ft.com)

## Mexican democracy hangs in the balance

Enrique Krauze

If you are concerned by the fate of American democracy, now almost 250 years old, imagine the restless nights experienced by those of us witnessing the straits in which Mexico's fledgling democracy, only founded in 2000, finds itself.

The causes for concern are strikingly similar. Mexico's outgoing leader, Andrés Manuel López Obrador, known as Amló, and Donald Trump, who could return to office in the US in November, may differ ideologically, but their populist tendencies are eerily alike. Both are experts at sowing division and both show contempt for the rule of law. The US presidential election takes place in

November, while Mexicans will go to the polls this June. Trump, the Republican nominee, will be on the ballot; López Obrador will not. But the latter's chosen successor, Claudia Sheinbaum, will, and she has promised to follow his programme to the letter. Sheinbaum benefits from López Obrador's popularity, based on boosting welfare programmes and doubling the minimum wage. He has also benefited from daily three-hour press conferences, which the mainstream media often reports without much in the way of critique or context.

Continuing López Obrador's programme would entail some immediate consequences. In the face of organised crime and criminality, Sheinbaum would follow the strategy of "hugs not bullets", which has resulted in an unprecedented 180,000 violent deaths since his six-year term began. And she would approve the package of reforms that López Obrador has submitted to the Mexican Congress,

the aim of which is to end the autonomy of the judiciary and affect the two main autonomous institutions to have so far resisted the outgoing president's attentions. The plan is to severely weaken the National Electoral Institute and dissolve

**López Obrador's chosen successor has promised to follow his programme to the letter**

the National Institute for Transparency, Access to Information and Personal Data Protection.

If, as now seems probable, Sheinbaum goes on to win the presidential election but the parties that support her (including Morena, López Obrador's party) do not reach a qualified majority in Congress, her room for manoeuvre will be

reduced. If she is determined to stick to the populist script, she will have to negotiate with Congress, in an atmosphere of permanent tension, with the Supreme Court playing arbitrator. Mexican democracy will be able to breathe, but not rest.

But if the traditional machinery for buying and attracting votes, together with the intervention of organised crime (a feature of previous elections), were to result in a landslide for the incumbent party, Mexico would then be in danger of transitioning to a Russian model, with Sheinbaum playing the role of Dmitry Medvedev, who succeeded Vladimir Putin as president. The result could be the suffocation of democracy.

Fortunately, there are other possible outcomes. The opposition has a strong candidate in Xóchitl Gálvez. She may be trailing in the polls, but the margin could narrow as the election nears.

Of humble and partially indigenous

origins, Gálvez is a self-made woman who studied engineering, founded a company specialising in smart buildings, and joined the public sector as a civil servant concerned about social problems. She is straight-talking and proactive, qualities that came to the fore in the pre-election debate that took place on April 28. There is one more debate to come, on May 19.

In the unlikely event of a decisive victory for Gálvez, she would force something unprecedented upon López Obrador: the acceptance of defeat. If she wins by a small margin, it is a virtual certainty that Morena and its allies, with the outgoing president in the lead, will cry fraud and take to the streets demanding the election be annulled. But the so-called pink wave of citizens who have marched for democracy across the country several times would defend the result. Days of uncertainty and turbulence would no doubt ensue,

as the Electoral Tribunal considers its verdict under intense pressure. Democracy would be in the balance.

Mexican democracy is young and relatively untested. In the 200 years since independence, the country has only tried it out twice previously: in the liberal era of Benito Juárez in the 1860s and '70s, and again during the 15-month tenure as president of Francisco I Madero, known as the "apostle of democracy", from 1911-13. That first experiment ended in a dictatorship; the second gave way to revolutionary violence. This is the third opportunity for democracy in Mexico, and it is crucial that it does not meet the same fate as the previous attempts. If it succeeds, it might even set an example for the US, which in November has chance to put an end to its own authoritarian episode.

The writer is a Mexican historian, essayist, and publisher

# Lex.



Nic Fildes

Deal surge shows how Japanese investment is rising down under

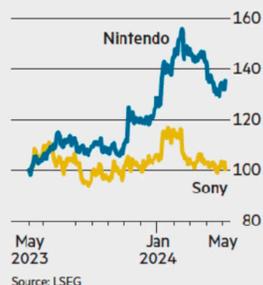
INSIDE BUSINESS

## Nintendo's blockbuster Switch has enjoyed an impressive run



### Nintendo has outperformed gaming peers

Share prices rebased



Nintendo's flagship Switch console has rewritten game-console history. Until the Switch's launch in 2017, the life cycle of a console was about five years.

Going into the eighth year since its launch, the Japanese group has finally said that it will announce a successor to its blockbuster console — a pledge that came after company guidance of a significant profit decline for the current financial year.

It expects operating income to fall about a quarter to ¥400bn (\$2.6bn) in the year to next March on ¥1.35tn in net sales, missing estimates, with a big drop in Switch sales. Software sales are also expected to fall, from 200mn units to 165mn units. For the March quarter, Nintendo earned an operating profit of ¥64.5bn, also below market expectations — all signs that the extraordinary Switch life cycle may finally be ending.

It has had an impressive run. Cumulative global shipments were at nearly 140mn units last year, among the top three highest number of consoles sold in the sector's history.

That large user base has helped Nintendo build out other high-margin businesses such as its Nintendo Switch Online subscription service. The Switch's age has also meant much more time for game

developers to create exclusive blockbuster titles, such as *The Legend of Zelda: Tears of the Kingdom*.

This has led to years of strong game software sales. Nintendo shares have more than quadrupled since Switch's launch. Operating margins have risen more than fivefold.

Meanwhile, the predicted shift away from traditional gaming to cloud gaming — once seen as the successor to gaming consoles — has been much slower than expected.

In the past year, Nintendo shares have risen 35 per cent, outperforming local gaming peers including Sony, which reflects the longer than expected success of the Switch.

Short term, the announcement of a successor will weigh on existing Switch sales as gamers delay purchases until the new console goes on sale. Sony's newer and higher performance PlayStation 5 console, which took market share last year, will add more competition.

But the effects of the Switch's success will be long lasting. It has given Nintendo more than seven years to build up a large user base for its premium subscription services as well as a fan base for its game characters.

That should give its successor a good chance at finding an edge over its rivals.

## European banks will require more than FOMO to keep outperforming

European banks were for years judged by many investors as too risky to own, thanks to political meddling, sluggish economies and self-inflicted pain.

At some point, the risk becomes not owning them instead when the sector's outperformance starts to hit benchmarked returns for those on the sidelines. That risk is growing.

Share prices have soared — and first-quarter results have offered little to dissuade those won over to banks' appeal. While the ECB is expected to start cutting interest rates as early as June, bond yields have risen this year alongside renewed inflation fears.

That is helping to support net interest income with Spanish and Italian banks, such as UniCredit yesterday, among those upgrading their profit outlooks.

Loan losses remain subdued. Economies are performing better than expected and unemployment is low. Overall, provisions relative to loan books might increase a few basis points this year to 0.49 per cent, said UBS.

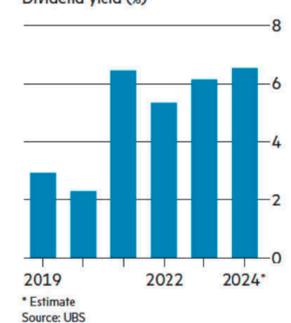
Combined with a more relaxed regulatory attitude, this is translating into increased returns to investors.

The sector offers a dividend yield of 7 per cent this year. The Stoxx Europe 600 banks index is up 16 per cent this year to date, outperforming the broader market by 10 per cent, with the sector's valuation approaching one times tangible book value.

The outlook is less rosy for Europe's

### European banks

Dividend yield (%)



\* Estimate

Source: UBS

investment banks. True, shifting rate expectations created a flurry of debt capital markets activity early this year as companies rushed to lock in lower rates. This helped push first-quarter revenues from both debt issuance and deals advisory at Deutsche Bank up 54 per cent year on year.

The debt capital markets rush is already slowing. Equity issuance was not as busy. Europe is lagging behind the US in terms of recovering M&A and IPOs. Europe's banks also have yet to shake off a deserved reputation for unforced errors. Deutsche had soared higher with shares up a third this year until a €1.3bn provision last week related to its takeover of Postbank sent the stock down nearly a tenth.

Europe's banks have rising returns and investors' fear of missing out on their side.

But their propensity to produce unpleasant surprises remains intact.

## Starbucks needs faster service, not even more complicated drinks

Customised coffee orders are holding up the line at Starbucks. Unicorn Frappuccinos and Iced Vanilla Chais with Matcha Sweet Cream Cold Foam take longer to pour than a medium roast. Starbucks believes the answer to its falling sales is to add even more choices to the menu. This is a problem.

The Seattle-based coffee group this month delivered a train-wreck set of quarterly results. Same-store sales fell despite higher menu prices. It took the axe to its full-year guidance for the second time this year. The stock shed nearly a fifth of its value within a week of results being published.

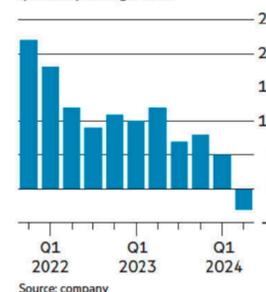
Laxman Narasimhan, who took over as chief executive just over a year ago, blames long wait times and price-conscious consumers in Starbucks' biggest markets the US and China for the ugly numbers.

He is accelerating the rollout of new equipment that will make it easier for baristas to prepare complex drinks.

Starbucks plans new boba-inspired drinks and food items to try to attract weekend customers. It is looking to tap into late-night and overnight demand. But adding food and drink options is

### Starbucks loses its froth

Like-for-like US sales (year-on-year quarterly change in %)



Source: company

counterintuitive if shorter wait times is the aim. Its menu is already staggering. There are more than 170,000 ways to customise drinks, Starbucks says.

Complicated drinks with multiple modifications come with higher prices, which means average ticket prices are rising. Modified drinks account for 85 per cent of net beverage sales at Starbucks. The most complicated can be labour-intensive, becoming a source of frustration for baristas.

They are one reason for the growing unionisation efforts at stores. Former boss Howard Schultz, who left the board last year but shared his lengthy thoughts on LinkedIn, argues that management needs to spend more time in stores (as well as backing "coffee-forward innovation").

In reality, the case for Starbucks to simplify its menu and focus on the basics is straightforward enough.

It makes half its US sales during the morning rush hours, when people are looking to get their caffeine fix on their way to work or school. These are dedicated customers that Starbucks cannot afford to lose. Too many of these customers — a mid-teens percentage of them — are abandoning the orders placed on Starbucks' mobile app because of long wait times and menu-item unavailability.

Consumers, particularly occasional customers, are becoming more cautious with their spending.

Given fierce competition from the likes of Dunkin' Donuts at one end and independent coffee shops at the other, keeping repeat customers happy is crucial.

Trying to go in too many directions can leave a business going nowhere.

## Peloton and Carvana: pandemic stars heading in different directions

During the pandemic, Americans desired more wheels, both stationary and mobile. Two of 2020's standout winners were Peloton, the exercise-bike company, and used-auto retailer Carvana. Both were loss-making business models with complex supply chains. Regardless, their market caps peaked at about \$50bn in 2021.

Both were left exposed when interest rates rose in 2022. This forced them to slash costs and pivot their strategies. Only one has made retrenchment work. Carvana shares are up more than 30 times since the end of 2022. Its market cap has recovered to \$25bn.

Peloton's market cap has fallen to just over \$1bn and it is shouldering a \$2bn debt load. Perhaps at-home, pricey exercise kit was a lockdown fad, while cars were a necessity. But equity and credit investors failed to perceive this difference three years ago.

For 15 months, Carvana has been steadily cutting back more than \$1bn in annual overhead costs. Profitability soared even as its sales volumes declined sharply. In the first quarter, units sold rose 16 per cent. Shares rallied by a third in response.

Carvana cut a debt restructuring pact last year with the hedge funds that held more than \$5bn of its bonds. It now says profits and cash flow are sufficiently formidable to back debt service and capex without the need to raise fresh cash, an inflection point that has sent its equity value soaring.

Peloton has also tried austerity, but manufacturing and shipping hardware efficiently has proved tough. It remains only break-even on a gross profit basis.

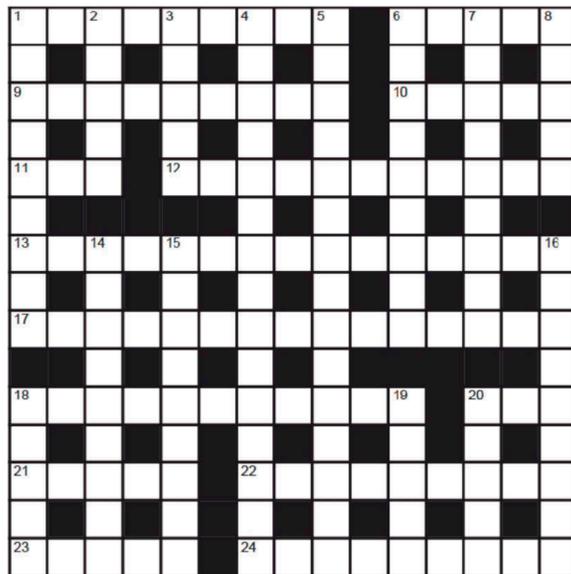
Digital subscriptions generate strong cash. However, these have stagnated at about 3mn users. Peloton is forecasting only slightly positive cash flow even after it has cut another 15 per cent of its workforce. By 2026 it must refinance or pay off a \$1bn convertible bond. This may require a Carvana-like fight.

Cutting immediate costs to stockpile cash while also finding a path to building at profitable scale is difficult to pull off. Carvana has shocked Wall Street with exactly such a turnaround.

Time is running out for Peloton to try to do the same.

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Y A N K T O P D R A W E R  
A G A O O E S I  
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M I S C E L L A N E O U S  
E N A A R T O  
A M E N D E R T E M P E S T  
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### JOTTER PAD

#### ACROSS

- Fiasco central to Rhondda MP's quibbling (4,5)
- Originator of Peer Gynt Suite missing core point of writing cycles (5)
- Dug in search of jumble as 'repayment' (3-3-3)
- A government's trading with India: he's selling (2-3)
- 11/20ac Display minimum of turkey cuts one's needed to fill roll (6)
- 12/18ac Willing auctioneers valued item like chocolate teapot? (7,1,3,2,2,7)
- New chord vocalist's mastered ahead of improv jazz experiment (12,3)
- Kirk & co warped parsecs to stop alien fray close to Rigel (5,10)
- See 12
- See 11
- To the rear a couple of thousand curtains may hang (5)
- Parson, having got sorted, pipes up in church (5,4)
- Bird shot, which is edited from interview (5)
- He has expressed terms lacking in aspiration (4-5)

#### DOWN

- Down in Paris is seeing round large stores (9)
- Became acquainted with religious text in anthem (5)
- I get wound up about my bad Latin (5)
- Device our compilers played about with at launch of Chambers? (15)
- The ins and outs at the end of the summer ... (7,8)
- ... when heading off country maiden (9)
- US needs miracle to repair image (9)
- Trapeze artist very daring with this group? (5)
- Get this attached to bed? MD will do (9)
- Fine to use cracking old clues (4-5)
- Mock theatre fitting put up (4,5)
- Appropriated 2008 words from new Mayor Boris? (5)
- Not the sharpest tool in the drawer, as evidenced by wooden secateurs (5)
- Was coupling lost on board? (5)

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