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Sheinbaum's landslide victory sends Mexican peso and stocks tumbling

● Ruling party retains power ● Obrador ally pledges continuity ● Margin of win unnerves investors

CHRISTINE MURRAY — MEXICO CITY
MICHAEL STOTT — LONDON

Ruling party candidate Claudia Sheinbaum will become Mexico's first female leader after a landslide election victory, but the scale of her win unnerved some investors who sold the peso fearing radical constitutional change.

Sheinbaum, a leftwing former Mexico City mayor, triumphed by a margin of more than 30 percentage points over her nearest rival, entrepreneur Xóchitl Gálvez of the main centre-right opposition alliance, according to official results with more than 84 per cent of votes counted yesterday.

A political activist and former climate scientist, Sheinbaum campaigned on a promise to continue the pro-worker policies of her close ally and mentor, President Andrés Manuel López Obrador. But when she takes office on October 1 she faces daunting challenges including high murder rates, stretched public finances and having to follow one of the most charismatic and successful leaders in Mexico's modern history.

After a campaign scarred by election-related violence, Sheinbaum pledged in her initial remarks to preserve democracy, respect business freedom and facilitate private investment.

"My government will be honest, without influences or corruption; it will be a government with republican austerity," she told supporters.

US secretary of state Antony Blinken congratulated Sheinbaum on her "historic victory as Mexico's first woman president". Reflecting the importance of the US-Mexico relationship for trade, immigration and security, he said he looked forward to working with her.

As Sheinbaum's supporters celebrated in Mexico City's historic central square, the Mexican peso slipped 3.3 per cent to 17.62 against the dollar, its lowest level since November, while the IPC stock index was down 4.8 per cent.

Investors fretted that a bigger than expected victory by Sheinbaum's Morena party, founded a decade ago by López Obrador, and two allied parties in congressional elections also held on Sunday increased the chance of consti-



titutional changes to eliminate some checks and balances on government power. "The result opens a scenario of greater political risk and uncertainty for the business climate," said political risk firm Integralia.

The opposition had suggested in the days before the vote that it was doing better than polls had indicated, so the

scale of its defeat came as a surprise.

Citi analysts described a "big disconnect between elite narrative and the reality on the ground", adding: "López Obrador's successes in reducing poverty and inequality, the extraordinary increase in cash transfers, the increase in real wages, and the domination of the [political] discourse . . . made Morena indomitable in this election."

Mexico overtook China last year as the biggest exporter of goods to the US. But the president-elect faces Mexico's worst budget deficit since the 1980s, a result of López Obrador's expanded welfare programmes and big infrastructure projects, such as a new oil refinery.

Sheinbaum must also tackle a wave of

criminal violence, with nearly 220,000 people killed or missing during López Obrador's presidency, guarantee the rule of law and invest further to resolve water and electricity shortages.

Sheinbaum, 61, has promised to hew closely to the policies of López Obrador, a populist who doubled the minimum wage and boosted social programmes. He now has the chance to enact constitutional changes he unveiled in February and wants to make before leaving office. He can do so in September when the new congress is sworn in, before handing over to Sheinbaum.

López Obrador could not run again as the constitution prohibits re-election.

China dodges tariffs page 4

Claudia Sheinbaum celebrates victory in Zócalo square in Mexico City after her election as the country's first female leader
Carl De Souza/AFP
via Getty Images



Global Insight
Page 3

The secret of Claudia Sheinbaum's landslide in Mexico's presidential vote can be summed up in one word: redistribution



Turkey struggles to rein in runaway 75% inflation rate

Report ► PAGE 2

China	RMB30
Hong Kong	HK\$33
India	Rup220
Indonesia	Rp45,000
Japan	¥650(inc JCT)
Korea	W4,500
Malaysia	RM11.50
Philippines	Peso 140
Singapore	S\$5.80(inc GST)
Taiwan	NT\$140
Thailand	Bht140

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NYSE probe after Berkshire, Barrick and Chipotle caught by trading glitch

GEORGE STEER — LONDON
NICHOLAS MEGAW AND
JENNIFER HUGHES — NEW YORK

The New York Stock Exchange said it was investigating a technical glitch yesterday that led to dozens of trading halts for US-listed companies and exchange traded funds.

Class A shares in Warren Buffett's Berkshire Hathaway appeared to plunge 99 per cent before a pause was initiated that prohibits trading activity in exchange-listed securities at prices outside specified price bands.

LSEG data appeared to record a handful of trades at a price of \$185.10 per share, compared with a previous price of \$621.484. By midday the stock had resumed trading and was up 0.9 per cent for the day. Berkshire's B-class shares traded as normal throughout.

The exchange's rules allow traders to claim compensation for "clearly erroneous" trades, and transactions at prices that result from technical glitches have been cancelled in the past. Last year NYSE was forced to annul thousands of trades after a manual error.

In an update shortly after 11am, NYSE said the problem had "been resolved". It blamed "a technical issue with industry-wide price bands published by the [Consolidated Tape Association Security Information Processor]".

The CTA is an association of major exchanges that manages the dissemination of trading data between venues. The CTA oversees the SIP, which processes and consolidates data.

One person familiar with the situation said the problems followed a planned update to the SIP over the weekend.

Other stocks that were affected

shortly after the market open included restaurant chain Chipotle and Barrick Gold, the mining group. Bloomberg data recorded multiple trades in Barrick Gold at 25c per share, compared with \$17 per share beforehand. The majority of securities resumed trading within an hour, though Berkshire's took longer.

The exchange said the glitch did not appear to be the result of a cyber attack.

The incident comes days after a problem with data feeds from index provider S&P Global caused live figures for indices including the S&P 500 to disappear from investors' screens for an hour.

The recent trading issues follow a move last week to shorten the window for finalising trades on US exchanges, known in the industry as T+1. However, the person familiar with yesterday's outage said the issue was not linked to that update.

World Markets

STOCK MARKETS					CURRENCIES					GOVERNMENT BONDS				
	Jun 3	Prev	%chg		Pair	Jun 3	Prev	Pair	Jun 3	Yield (%)	Jun 3	Prev	Chg	
S&P 500	5269.70	5277.51	-0.15	\$/€	1.087	1.086	€/\$	0.920	0.921	US 2 yr	4.82	4.89	-0.07	
Nasdaq Composite	16791.84	16735.02	0.34	\$/£	1.277	1.273	£/\$	0.783	0.785	US 10 yr	4.40	4.50	-0.10	
Dow Jones Ind	38441.20	38686.32	-0.63	€/€	0.851	0.853	€/€	1.175	1.173	US 30 yr	4.56	4.65	-0.09	
FTSEurofirst 300	2057.46	2051.45	0.29	¥/\$	156.195	157.145	¥/€	169.785	170.597	UK 2 yr	4.33	4.40	-0.07	
Euro Stoxx 50	5005.12	4983.67	0.43	¥/€	199.516	200.078	£ index	83.246	83.333	UK 10 yr	4.31	4.42	-0.11	
FTSE 100	8262.75	8275.38	-0.15	SFr/€	0.975	0.979	SFr/£	1.145	1.149	UK 30 yr	4.66	4.75	-0.10	
FTSE All-Share	4517.03	4517.08	0.00							JPN 2 yr	0.40	0.40	0.00	
CAC 40	7998.02	7992.87	0.06							JPN 10 yr	1.06	1.07	-0.01	
Xetra Dax	18608.16	18497.94	0.60							JPN 30 yr	2.25	2.23	0.02	
Nikkei	38923.03	39487.90	1.13							GER 2 yr	3.03	3.10	-0.07	
Hang Seng	18403.04	18079.61	1.79							GER 10 yr	2.58	2.66	-0.08	
MSCI World \$	3445.17	3420.32	0.73							GER 30 yr	2.71	2.78	-0.07	
MSCI EM \$	1048.96	1058.08	-0.86											
MSCI ACWI \$	785.54	781.12	0.57											
FT Wilshire 2500	6794.81	6745.42	0.73											
FT Wilshire 5000	52875.50	52492.30	0.73											

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INTERNATIONAL

Gaza war

Netanyahu faces new attack on ceasefire plan

Far-right coalition partner threatens to oust PM if he accepts US-backed deal

JAMES SHOTTER — JERUSALEM
NERI ZILBER — TEL AVIV

Israel's rightwing coalition clashed yesterday for a third straight day over a US-backed plan to end the war with Hamas, with ultranationalist finance minister Bezalel Smotrich threatening to oust Benjamin Netanyahu "with all strength and aggression" if he accepted it.

Smotrich, who heads one of two extreme-right groups in Netanyahu's five-party coalition, said the proposal set out by US President Joe Biden on Friday was "dangerous" and "not binding

for the Israeli government". He said: "If, God forbid, the government decides to adopt this offer of surrender, we will not be part of it and will work to replace the failed leadership with a new one."

The broadside was the latest show of anger from Netanyahu's far-right allies about a possible deal, and came after national security minister Itamar Ben-Gvir accused Netanyahu of hiding details of it from him, having also threatened to dissolve the government if it was enacted.

"We're talking about a draft of a reckless deal, as presented by the president of the US — with an attempt to white-wash it being conducted right now," Ben-Gvir said.

Netanyahu has insisted that he will not agree to a permanent ceasefire

before Hamas is defeated and the hostages it holds in Gaza are released. But facing competing pressures from members of his coalition government who favour a deal, he has stopped short of rejecting it outright.

'We will not be part of it and will work to replace the failed leadership'

Israeli minister Bezalel Smotrich

Yitzhak Goldknopf, leader of United Torah Judaism, one of two ultraorthodox groups in Netanyahu's coalition, said yesterday that his party would "support any proposal that will lead to the release of the hostages", saying that

there was "nothing greater than the value of life".

At the Knesset's foreign affairs and defence committee, Netanyahu said the war could be "stopped for the purpose of returning hostages" but what followed would depend on "further discussions", adding that Biden had not revealed all the details of a possible deal.

In a subsequent statement issued by his office, Netanyahu insisted that the government was "working in countless ways to return our hostages".

He said: "We have gone a long way to return them while adhering to the objectives of the war, first and foremost the elimination of Hamas.

"We are insistent that we will achieve both. This is part of the outline, not something that I have just added. It is

not something that I have added because of coalition pressure."

In unveiling the possible deal, Biden described it as an Israeli proposal under which the fighting would be halted and Israeli hostages held by Hamas in Gaza released. The ultimate goal, he said, was an end to the conflict.

The White House yesterday denied there were any "gaps" between the US and Israel over the plan. John Kirby, a US National Security Council spokesperson, said the initiative was the result of intense diplomacy between Israel and the US — and Washington had informed the Israelis that Biden would speak about it publicly. "We're confident that it accurately reflects . . . a proposal that we worked with the Israelis on — so I know of no gaps to speak of," Kirby said.

Price growth

Minister says Turkey's inflation has peaked at 75%

AYLA JEAN YACKLEY — ISTANBUL

Turkey's official inflation rate hit 75.5 per cent last month amid robust spending by consumers undeterred by hefty interest rate rises, but the government said it believed price increases had peaked.

Data released yesterday by the Turkish Statistical Institute showed annual consumer price inflation up sharply from the 69.8 per cent recorded in April and at its highest since November 2022.

The institute said price rises were steepest in education, housing and restaurants. Economists had expected May inflation to be just shy of 75 per cent, according to polls by Bloomberg and Reuters.

"The worst is behind us," finance minister Mehmet Şimşek said in a post on social media site X after the data was announced.

"We are entering the disinflation process. The permanent decline in inflation will begin in June," he added, pledging that the government would reduce spending to help rein in prices.

Policymakers expect an increasing impact from cumulative interest rate rises of 41.5 percentage points, to 50 per cent, over the past year.

The effort to tame inflation through higher interest rates was a dramatic shift by President Recep Tayyip Erdoğan, who had previously forced the central bank to keep rates low to stimulate the economy.

After entering his third decade in power last year, Erdoğan appointed Şimşek, who previously served as finance minister, back to the post to repair credibility with foreign investors.

Trade unions have warned that Turkey's poor are paying the price of austerity measures, estimating the hunger threshold for a family of four in May was about TL19,000 (\$590) a month, more than the minimum wage of TL17,000.

The central bank has kept its benchmark interest rate on hold at the past two meetings and is testing other measures to curb loan growth. It expects consumer price inflation to slow to 38 per cent by the end of the year.



South Africa ANC hints at formation of national unity government

New reality: Cyril Ramaphosa, second left, at the election results announcement on Sunday
Chris McGrath/Getty Images

The African National Congress, still reeling from the worst election result in its history, yesterday began a frantic round of talks aimed at building a coalition that might involve the formation of a national unity government.

President Cyril Ramaphosa has hinted at an alliance with parties other than Jacob Zuma's uMkhonto weSizwe, or MK, the big winner in last week's vote which has campaigned expressly on changing the constitution.

The ANC won just over 40 per cent, well short of expectations and a drop of 17 percentage points from the previous election in 2019, forcing it into talks over a coalition agreement in order to retain power.

People close to Ramaphosa said he was leaning towards a broad arrangement, possibly a unity government, that would include the market-leaning Democratic Alliance, the second-biggest party, as well as the Inkatha Freedom party, based in the vital province of KwaZulu-Natal, the second-most populous.

In a speech on Sunday, Ramaphosa praised the vote as "free, fair and peaceful", adding that "our people expect all parties to work together within the framework of our constitution".

There is significant opposition within

the ANC to any alliance with the DA, which many regard as a white pro-business party. Paul Mashatile, South Africa's deputy president and a possible challenger to Ramaphosa, is opposed to a deal with the DA, which is pressing corruption charges against him.

Gwede Mantashe, the energy minister who has backed Ramaphosa in the past, might favour a pact with Julius Malema's Economic Freedom Fighters, according to party insiders and political analysts. The party, which supports nationalisation and land expropriation, was beaten into fourth place by Zuma's MK but, at 9.5 per cent, still has nearly enough MPs to give the ANC a working majority.

The ANC has 159 MPs in the new parliament, with the DA on 87, MK 58 and the EFF 39. Other small parties, including the Patriotic Alliance, with nine seats, might be persuaded to join an ANC-EFF alliance, according to political analysts.

Malema has moderated his tone in recent days in what many view as a gambit to woo the ANC, which expelled him more than a decade ago. He has said that securing the finance ministry and speaker of the National Assembly for the EFF are the conditions for his support.

Zuma, who has hinted at violence if

the election is not rerun, has said he will not deal with the ANC unless it sacks Ramaphosa, whom he blames for hounding him through the courts and out of the party. "MK wants Ramaphosa's head on a chopping block," said Mmusi Maimane, leader of the small Build One South Africa party.

An ANC insider said there was deep division about which direction to take. A move towards the DA would be a victory for ANC "reformists" but a defeat for those who wanted a more radical transformation of the economy.

Frans Cronje, a political analyst, said the key to a national deal lay in Zuma's province of KwaZulu-Natal, home to the majority of South Africa's Zulus.

South Africa's biggest ethnic group has largely thrown its weight behind Zuma not because of his policies, Cronje said, but the perception that the former president had been persecuted by the ANC leadership.

"The ANC needs to send a signal to the Zulu nation, 'we respect you,'" Cronje said. "That's how you put the pin back into the hand grenade of KwaZulu-Natal."

David Pillling and Rob Rose
Alec Russell see Opinion

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Middle East

Dozens register to stand in Iranian presidential election

NAJMEH BOZORGMEHR
TEHRAN CORRESPONDENT

Presidential hopefuls from across Iran's political spectrum have registered as candidates for the snap election triggered by the death of Ebrahim Raisi.

Dozens of hardline and reformist nominees had applied as registration for the June 28 vote closed yesterday, including current and former ministers and parliamentarians, the mayor of Tehran, and three women candidates.

Leading candidates include Mohammad Bagher Ghalibaf, the hardline Speaker of parliament, and Ali Larijani, a former conservative head of parliament who played a significant role in the 2015 nuclear deal with world powers.

Saeed Jalili, a former nuclear negotiator, represents the most radical segments of the hardline camp on the list of those registered, while former first vice-president Es'haq Jahangiri is the most senior reformist.

The Guardian Council, the constitutional watchdog responsible for vetting candidates that answers to supreme leader Ayatollah Ali Khamenei, will

announce about half a dozen approved candidates next week.

Analysts doubted that Jahangiri would be allowed to run. Zohreh Elahian, a former parliamentarian and the best-known woman registered, is also unlikely to be authorised by the Guardian Council.

"The Islamic republic is not expected to take any risks in this election by allowing senior reformist figures into the competition," said Saeed Laylaz, a reformist analyst.

"Instead, we have to see whether the current approach will continue with the same pace or accelerate."

Iran's president has substantial powers, although the supreme leader is the highest authority. Powerful institutions, including the Islamic Revolutionary Guard Corps and the judiciary, also have huge influence. The next president might have a particular impact, however, if the 85-year-old Khamenei died during their period in office.

This has led to a tense power struggle within Iran's complex political structure, with hardliners tightening their grip and, in effect, sidelining reformists to prevent any risks during the succes-

sion process. The machinations have left observers struggling to identify which candidate the supreme leader will throw his weight behind.

Raisi, who was seen as a possible successor to Khamenei, was thought to have been the supreme leader's pick in the last presidential election in 2021. Raisi died last month in a helicopter crash in a mountainous region near the Azerbaijan border.

While recent Iranian elections have suffered from very low turnouts, opinion polls suggest the participation rate in the forthcoming vote might go above



In the running: parliament Speaker Mohammad Bagher Ghalibaf

Immigration

Police officer's death ignites German fears of political violence

GUY CHAZAN — BERLIN

The death of a police officer at the hands of a knife-wielding Afghan migrant has raised deep concerns about political violence in Germany just days ahead of European parliament elections.

Chancellor Olaf Scholz yesterday vowed forceful action against extremists of every political persuasion, after the far right Alternative for Germany used the incident to stoke anti-immigrant fear.

"We will defend the rule of law and our security with all means at our disposal," he said. Extremists from the left and right "should expect us to deploy all available means to confront them".

Police said the suspect, identified only as Sulaiman A, attacked several people in the south-western city of Mannheim last week at an event organised by the Pax Europa Movement (BPE), which campaigns against what it calls the "creeping Islamisation" of Germany.

Six people were injured in the attack, including Michael Stürzenberger, one of the BPE's leaders. The police officer, 29, identified as Rouven L, was repeatedly stabbed in the head and neck, and on Sunday succumbed to his injuries.

AfD leaders Tino Chrupalla and Alice Weidel said they were "worried about all the officers who daily put their lives in danger due to [Germany's] failed immigration and security policies".

They said the AfD wanted "safe borders and a Fortress Europe". Immigration from Afghanistan must stop, they added, and Afghan refugees deported back to their homeland.

Nancy Faeser, interior minister, said the perpetrator must be "punished for this murderous act with the full force of the law. The motive is still being investigated but it's clear: our security services are keeping a close eye on the Islamist scene and will intensify this fight in the future."

The suspect is a 25-year-old man, married with two children, who was born in Afghanistan and came to Germany as a refugee in 2014. Police have not been able to question him yet because he was hurt in the incident and is receiving medical treatment.

German President Frank-Walter Steinmeier said he was "deeply shocked" by the police officer's death, saying the officer had "courageously intervened to save people's lives".

He also expressed concern about the "brutalisation of the political debate" and the "increasing willingness [of some people] in our country to resort to violence. "It can't go on like this," he said. "Violence endangers what has made our democracy strong."

The leader of the opposition, Christian Democrat head Friedrich Merz, said the "murder must have tough consequences, including for those who sympathise with the perpetrator".

The AfD's youth wing, Young Alternative, held a protest in Mannheim on Sunday under the slogan: "Remigration would have prevented this crime."

Remigration is an extremist term that includes mass deportation of German nationals with immigrant roots.

In Mannheim, locals responded to the AfD youth protest by organising a human chain aimed at "counteracting hatred and violence".

INTERNATIONAL

Milei creates ‘super minister’ in push to reform Argentina

Promotion of career politician comes after president draws legislative blank

CIARA NUGENT — BUENOS AIRES

Javier Milei rode to power on a bombastic pledge to rid Argentina of its “corrupt” political class. Now, he has turned to a life-long member of that establishment to save his project.

The libertarian economist is approaching the six-month mark of his presidency without a single piece of legislation approved in congress.

In an attempt to change that last week, he fired his cabinet chief, Nicolás Posse, an engineer with no political experience, and replaced him with Guillermo Francos, the interior minister, who will take on an expanded role as “super minister”.

Francos, a 74-year-old career politician, is widely seen as the polar opposite of the irascible president: calm, diplomatic and with friends across the political spectrum. He has emerged as the top negotiator in Milei’s La Libertad Avanza, a crucial role, given that the three-year-old coalition controls just 15 per cent of seats in congress and none of the 23 provincial governorships.

“The president chose me because he realises he is having trouble with Argentine politics, because he does not understand it,” Francos said.

While Milei has slashed the deficit with measures enacted using his executive powers, analysts, businesses and the IMF have warned that Argentina’s chronic economic problems cannot be solved without building a political consensus and securing long-term legislative change.

Francos will be the crucial link between the cabinet, congress and governors. His first job will be to end an impasse in the Senate that has stalled two economic reform bills that aim to trim the deficit and spur investment.

“Right now, Milei is in a difficult moment,” said Eugenia Mitchellstein, an associate professor at Buenos Aires’ San Andrés university. “He needs a political godfather.”

Staffers privately acknowledge that the daily political grind is of little interest to the president, who has prioritised trips abroad to meet technology leaders and speak at rightwing conferences.

His inner circle of advisers has little experience of negotiating with opposition leaders. Posse, a friend of Milei’s from the private sector, was a remote figure who avoided politicians and the media.

Karina Milei, the president’s sister and chief of staff, is focused on LLA’s inner workings. Santiago Caputo, Milei’s strategist, is working to maintain his popularity with voters ahead of next year’s midterm elections.

“They have realised they have a serious political deficit and they can’t get to the midterms without resolving it,” said Marcelo García, Americas director at geopolitical risk firm Horizon Engage. “They need a wheeler-dealer, someone who is comfortable in the scrum — that is Francos.”

Francos has worked closely with conservative and moderate figures from the Peronist movement, which has been pulled to the left under the influence of former president Cristina Fernández de



Leading role: Guillermo Francos is seen as the polar opposite of the irascible president: calm, diplomatic and with friends across the political spectrum

Maria Amasanti/Bloomberg

Kirchner. Moderate Peronists hold critical swing votes in congress.

In 2007 he led the public bank of Buenos Aires province under Peronist governor Daniel Scioli. In 2019 he was named Argentina’s representative at the Inter-American Development Bank in Washington.

Francos met Milei in 2012 when he was a director at Corporación América, the conglomerate where Milei worked for years as an economist. They stayed in close touch. According to Francos and former colleagues, he was one of the first people to recognise Milei’s political potential, despite their different styles.

In an interview with the Financial Times during last year’s campaign, Francos called himself “the other side of the Milei coin”. While Milei is known for aggressive rants against adversaries, Francos has an easy charm and an even temper.

“Guillermo is an eternal optimist,” said a former colleague, who knows both men well. “If he and Javier have a disagreement with someone, Javier will probably come away furious or saying ‘conversation over’. But Guillermo doesn’t fill with negative energy, he says, ‘OK, we’ll try again.’”

As interior minister — a role that will

‘Right now, Milei is in a difficult moment. He needs a political godfather’

become a secretariat reporting to Francos — he managed the Milei government’s tense relationship with the provinces. Many governors, who hold sway over lawmakers, have opposed Milei’s agenda, while the president has slashed their funding.

A staffer for a centrist opposition governor said Francos was “trustworthy” and “a very good listener”.

“The problem is that he had a limited tool box to actually help with your problems,” they said. “In theory, that should change now.”

As cabinet chief, Francos is in charge of managing Milei’s ministers and could influence economy minister Luis Caputo to free up funds to ease political negotiations. But analysts said the scale of Francos’s power would depend on the dynamic between him, Caputo and Milei. The president has signalled unwavering support for Caputo’s fiscal discipline, calling the former Wall Street trader a “rock star”.

Mitchelstein said Milei was likely to empower his new cabinet chief to help him achieve his political goals — at least in the short term. “As we get closer to the midterm elections next year, or if the economy improves, Francos could become less relevant,” she said.

General election

Sunak blow as populist Farage bolsters UK right’s challenge

RAFE UDDIN, GEORGE PARKER AND LUCY FISHER — LONDON

UK Prime Minister Rishi Sunak’s troubled re-election bid was dealt a double blow yesterday, as populist Nigel Farage seized the leadership of Reform UK and a new poll showed the opposition Labour party could win the biggest majority in a century.

Farage’s return to frontline politics was long feared by the ruling Conservatives, who believe the high-profile Brexiter will boost support for the insurgent Reform UK party and peel off yet more Tory voters.

Only weeks after declaring he would take a back seat in the election, Farage announced yesterday that he would replace Richard Tice as Reform’s leader and contest the seat of Clacton on England’s south-east coast on July 4.

The move came just minutes before a new poll suggested Labour might be on track for a massive 194-seat majority.

The highly detailed YouGov multi-level regression and post-stratification model (MRP) poll for Sky News found that Sir Keir Starmer’s party could win 422 seats, with the Tories languishing on 140. That would give Labour the biggest majority of any party in a century.

Farage declared that Starmer already had the election in the bag but that he felt he would be “betraying” voters if he

did not give them a serious rightwing option at the election.

“I am going to stand in this election,” Farage said at a press conference. “The election is over, it’s done. Labour have won, there is not a contest.”

Referring to his earlier announcement that he would stay out of the UK race to focus on backing Donald Trump in the US, Farage said: “I’ve changed my mind. It’s allowed you know. It’s not always a sign of weakness.”

The race in Clacton is Farage’s eighth attempt to be elected as an MP. He failed in previous campaigns. Clacton voted 73 per cent to leave the EU in the 2016 Brexit referendum.

A series of Conservative MPs lamented the announcement. A former cabinet minister said the move represented “all the legions of hell” being loosed on Sunak.

Luke Tryl, director of consultancy More in Common, said Farage’s decision posed an “existential risk” to the Conservatives with dozens of seats where Sunak’s party was polling with a majority of fewer than 4 percentage points.

Speaking earlier yesterday, Sunak said he was not worried about Farage standing. “At the end of the day on 5 July, one of two people will be prime minister: either Keir Starmer or me,” he said. *Additional reporting by Jonathan Vincent. See The FT View and Stephen Bush*

Sport

World Athletics unveils \$10mn event in bid to expand appeal

SAMUEL AGINI — LONDON

World Athletics plans to launch a global competition for track and field athletes with \$10mn of prize money, in a shake-up of the sport’s calendar.

The federation said the World Athletics Ultimate Championship would take place over three days, in a format designed to expand the global appeal of athletics at a time when sports are competing hard for fans, viewers and commercial partners.

The inaugural event, which is set to take place in September 2026, will bring about 400 athletes from 70 countries to Hungarian capital Budapest, the first host city and the stage for last year’s World Athletics Championships.

As well as the \$10mn prize pot, World Athletics said the event would be a platform for athletes to promote their own sponsors, create their own content and increase off-track income.

“I want more athletics, we want the athletes competing on a regular basis,” said World Athletics president Lord Sebastian Coe.

“I want to give them greater opportunities to compete, and for a longer period in the season, and the opportunity to finish the season with more money in their pockets.”

Every athlete competing at the event would be paid, Coe added.

The move comes just weeks after

World Athletics set out plans to be the first sports federation to pay prize money at the Olympic Games. The move will start at this summer’s event in Paris, where gold-medal winners will receive \$50,000. World Athletics will triple that to \$150,000 at its Ultimate Championship event.

Like all long-established sports operators, World Athletics is under pressure

Sebastian Coe: ‘I want to give [athletes] greater opportunities to compete, and for a longer period’



to innovate. Four-time Olympic champion Michael Johnson this year set out plans for a track league in 2025 to introduce a high-profile competition outside the quadrennial Olympics and biennial world championships.

Coe said the Ultimate Championship would “absolutely and uncompromisingly” be a major event, with the same status as existing events.

“We have already spoken to a lot of the athletes, to the athlete representatives, to the shoe companies . . . the overwhelming belief is that this is the right thing to do,” he said. “If we make sure these championships are delivered well . . . that the prize pot is significant . . . there will be take-up for this.”

Climate

La Niña switch in Pacific set to fuel extreme weather this year

KENZA BRYAN AND STEVEN BERNARD — LONDON

The El Niño Pacific Ocean warming effect that has contributed to an increase in global temperatures is expected to swing to its opposite La Niña cooling phase from late summer, say weather experts, but without slowing long-term climate change.

A rapid transition from one extreme to the other in the tropical Pacific would see more parts of the world battered by weather events, not long after the strong El Niño warming event has wreaked havoc on rainfall patterns and commodity prices.

The World Meteorological Organization of the UN said there was now a 70 per cent chance of La Niña occurring between August and November.

The cyclical La Niña effect is “likely” to start later this year, the WMO said, while El Niño shows signs of ending after driving deadly flooding in Brazil last month.

La Niña is typically linked to its own cascade of localised knock-on effects including a surge in Atlantic hurricanes, flooding in Canada and western North America, and drought conditions in parts of South America.

“We’ve really been swinging back and forth between one extreme to the other,” said Nathaniel Johnson, a

meteorologist who works on the US National Oceanic and Atmospheric Administration’s forecasting of Pacific Ocean temperature changes.

There was some evidence that climate change had contributed to the strength and speed of these naturally occurring swings, he added.

La Niña can cause temporary dips in global average temperatures. But this would “not mean a pause in long-term climate change as our planet will continue to warm due to heat-trapping greenhouse gases”, said WMO deputy secretary-general Ko Barrett.

The agency highlighted that the past nine years had been the warmest on record in spite of a long and rare “triple-dip” La Niña effect that took place between 2020 and early 2023.

Land temperatures are expected to keep exceeding historical averages this year after 12 consecutive months of record temperatures, while sea surface temperatures outside the affected parts of the Pacific Ocean also remain “exceptionally high”.

The WMO said while the chances of La Niña were increasing, it was still too early to predict the phenomenon’s strength and duration with certainty.

It anticipated more rainfall than normal this year in the Caribbean, the Horn of Africa and south-west Asia, consistent with typical La Niña cycles.

Sheinbaum’s mandate is huge, but so too is the daunting task ahead

GLOBAL INSIGHT

Michael Stott



The secret of Claudia Sheinbaum’s landslide in Mexico’s presidential vote can be summed up in one word: redistribution.

Poorer Mexicans have been the big winners under President Andrés Manuel López Obrador, who more than doubled the minimum wage and expanded welfare, even though the economy has barely grown on a per capita basis since he took office in 2018.

Voters looked past alarming levels of violent crime and worries about the erosion of democratic institutions. Instead they rewarded Sheinbaum, a close ally of the leftwing incumbent, for promises to continue and deepen his crusade for social justice in a country beset by high levels of poverty and inequality. After three decades of free trade with the US and Canada, northern Mexico has prospered, but too little wealth has trickled down to the centre and south of the country, or to lower income groups.

“This is a very important reality

check for many people who have to understand better that Mexico needs change in its prevailing culture of privilege,” said Vanessa Rubio, associate dean at the London School of Economics and a former deputy minister in Mexico.

“Many sectors of the population felt they have lost out in the past few decades, having been on the margins while others felt the benefits of positive economic results.”

The scale of Sheinbaum’s victory gives her a powerful mandate. It increases the likelihood that the main opposition alliance of three largely discredited parties will splinter as it contemplates a prolonged spell in the political wilderness.

“The opposition coalition has been a total failure,” said Antonio Ocaranza, director of consulting firm Oca Reputación. “The party leaders have lost their legitimacy and they don’t have other figures of stature around whom they can build . . . it is more likely they will continue sliding towards extinction than that they will recover.”

Sheinbaum’s Morena party and its main allies, the PT and the PVEM, also appear to have secured a big majority in Congress, where they are on track to win the two-thirds majority needed for constitutional change. The arithmetic matters because López Obrador has tabled 20 constitutional reforms he wants

approved before leaving power in September. These include direct elections for Supreme Court justices, guaranteed annual inflation rises in the minimum wage and improving state pensions.

“It’s very likely that they will press ahead quickly with the constitutional reforms, as Sheinbaum supported them in her campaign,” said Alejandro Werner, director of the Georgetown Americas Institute in Washington.

Mexico has serious problems. Nearly 220,000 people have been murdered or

The complex and sensitive relationship with the US will loom large, especially if Trump wins the election

gone missing during López Obrador’s term. Criminal gangs have extended control over swaths of territory and lucrative chunks of the economy.

Money will be short. López Obrador dropped a commitment to fiscal discipline, instead spending big on infrastructure projects and welfare programmes. Sheinbaum will need to close a hole of nearly 6 percentage points of GDP in the budget, while honouring pledges to expand spending on health,

education and welfare. And although the former climate scientist is promising to boost renewable power, she has also made clear that the state will maintain its control over the energy sector and its costly support for the ailing government-owned oil company Pemex.

The complex and sensitive relationship with the US will loom large, particularly if Donald Trump wins November’s presidential election. The former president has pledged to raise tariffs and clamp down on illegal migration.

Sheinbaum comes to the presidency with a more academic and international background than López Obrador, and the backing of a formidable popular vote. But the challenges she faces are greater and she has a tough act to follow. Amlo, as he is known, has been arguably Mexico’s most popular and politically successful president since revolutionary leader Lázaro Cárdenas in the 1930s.

With the easier wealth redistribution completed, Sheinbaum will have to tackle more difficult areas, such as raising taxes to fund services. At the same time, she has to reassure foreign investors that their money is safe in a country pursuing constitutional change, which some fear could open the door to the one-party rule of Mexico’s past.

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INTERNATIONAL

National security

Beijing accuses MI6 of recruiting spy couple

Allegation follows arrests in the UK and Europe over Chinese espionage claims

WILLIAM SANDLUND — HONG KONG
JOE LEAHY — BEIJING

China's spy agency has accused its British counterpart MI6 of recruiting a Chinese couple employed by a "central national agency", in a move that will ratchet up tensions with the UK over espionage.

China's Ministry of State Security said a man surnamed Wang and his wife, surnamed Zhou, were recruited by MI6 to "collect information for the British".

Wang was targeted by MI6 shortly after arriving in the UK in 2015 as part of a "China-UK exchange programme", the

MSS said on its WeChat social media account yesterday.

"MI6 provided Wang with professional spy training, directing him to return home and collect important intelligence related to China," it wrote.

The Financial Times was unable to verify the claims. The UK government declined to comment.

The accusation comes after a series of allegations of Chinese spying in the UK and Europe.

In April, two men, including a former parliamentary aide, were charged in the UK with spying for China.

Last month, in a separate case in the UK, three men were charged with allegedly agreeing to gather information and conduct surveillance to assist Hong Kong's foreign intelligence service, according to London's Metropolitan

Police. One of the three men, former Royal Marine Matthew Trickett, was later found dead in a park in unexplained circumstances.

In Germany, authorities in April arrested a couple suspected of trying to

'[China has] uprooted the significant "nail" the British planted within'

Ministry of State Security

sell military technology to China, along with their contact with Chinese authorities. An aide for a far-right member of the European parliament was also arrested for allegedly spying for China.

Last year the Financial Times revealed that a far-right Belgian politi-

cian served as an asset for Chinese intelligence agents for years.

The tensions over spying have threatened to cloud relations between the UK and China at a time when London is keen to promote international business links to help the struggling economy.

In the latest case, the ministry accused MI6 of meticulously cultivating Wang and Zhou as assets.

It said British intelligence expedited Wang's application for the exchange programme to the UK in 2015 after realising his potential value as a source. It followed up with "special treatment", inviting him on tours and for meals, and exploited his "strong desire for money".

Wang was hired as a "consultant" before being solicited to supply "core" information from his central government agency, which the MSS did not

name. Later, MI6 finally revealed itself and openly recruited him as a spy, offering him more money before training him and asking him to return to China, according to the MSS.

Wang's wife, Zhou, also worked in a "critical unit", and MI6, through a mixture of "persuasion" and "even coercion", induced her to begin gathering intelligence for Britain, the MSS said.

The ministry added that "after meticulous investigation and solid evidence gathering", it took decisive action, "uprooting the significant 'nail' the British had planted within".

The allegation followed previous claims by the MSS that it had uncovered British spies, including a national from a third country whom it claimed in January was working as the head of a foreign consultancy in China.

Monetary policy

Fed official makes case to maintain high rates for longer

CLAIRE JONES — WASHINGTON

A senior Federal Reserve official has called for interest rates to stay on hold for an "extended" time, saying lowering borrowing costs before inflation was under control would put the foundations of US prosperity at risk.

Neel Kashkari, Minneapolis Fed president, also told FT podcast The Economics Show that US consumers' "visceral" hatred of inflation meant that some people would prefer a recession to a jump in prices.

"The economy is, in the US, quite strong, the labour market is strong, inflation is coming down and many, many people are deeply unhappy about the status of the economy," he said. "I think it's because of the high inflation that they've experienced."

Kashkari's remarks were made on May 27, ahead of the start of the black-out period for the Federal Open Market Committee's June 12 policy vote. The podcast went live yesterday.

The Fed is expected to keep rates on hold at a 23-year high range of 5.25 to 5.5 per cent, with rate-setters saying they want more evidence headline personal consumption expenditures inflation is on course to hit their 2 per cent goal. Headline PCE for April was 2.7 per cent.

"Right now, my best guess is we would leave [rates] here for an extended period of time until we get a lot more data to convince us, one way or the other, [that] underlying inflation really [is] on its way down," Kashkari said.

He added that the strength of the US economy afforded rate-setters "the luxury of time to get more evidence" before concluding whether or not the sharp decline in inflation during the second half of 2023 had stalled entirely.

While the Minneapolis Fed president does not hold an FOMC vote this year, the views of all committee members are considered during deliberations. His remarks have cast him as one of the more hawkish committee members.

However, after a series of poor inflation readings this year, most US rate-setters would prefer to leave interest rates higher for even longer and risk lower growth, rather than see their credibility dented by a revival in price pressures.

"Anchoring of inflation expectations has been a foundation of a lot of the economic prosperity that America has enjoyed in the ensuing 40 years," said Kashkari. "I would be very cautious about putting that at risk."

High borrowing costs — and the persistent inflation responsible for them — is causing consternation for US President Joe Biden as he campaigns for a second term in the White House.

While unemployment is low and post-pandemic growth has been faster in the US than anywhere else in the G7, the consumer price index is up by more than 19 per cent since Biden took office.

Kashkari said his experience in talking to small businesses, labour groups and workers had taught him that American people "really viscerally hate high inflation".

"[A labour leader] said her members are used to dealing with recessions, and the way they get through a recession is they rely on friends and family . . . But [she said] high inflation affects everybody — there's no one I can lean on for help, because everyone in my network is experiencing the same thing I'm experiencing," he said.

Employment. Affordable care

US health spending threatened by a Trump win

Analysts warn a key driver of jobs growth is vulnerable to Republican's re-election

MARTHA MUIR — WASHINGTON

The strong US jobs market is being propped up by spending on healthcare, which analysts say is vulnerable to Donald Trump's re-election and the end of a boom in medical procedures delayed by Covid-19.

Over the past 12 months, healthcare and social assistance has accounted for almost half of new jobs, according to private payroll data, while growth in real healthcare consumption has far outstripped rises in other spending areas.

Of the 175,000 total jobs added in April's payroll report, 87,000 were in health and social assistance fields, such as doctors' and dentists' offices and home healthcare. Since April 2023, the sector has made up a third of overall hiring.

Analysts say the increase is linked to recovery from the Covid-19 pandemic, as the sector hires to meet demand from patients seeking medical treatment postponed during lockdowns.

"There was a huge population of care that just didn't happen during the pandemic," said Steve Wasson, chief data and intelligence officer at Strata Decision Technology. "So we're seeing big volume increases."

According to data from Strata, in 2023 colonoscopy volumes jumped 24.5 per cent compared with 2019, while genetic and positron emission tomography testing — used to find tumours and diagnose heart disease and brain disorders — has increased 16 per cent and 11 per cent respectively over that period.

"Over the past year a lot of insurance companies have noticed that their claims numbers have been higher than anticipated, and that can be tracked back to people just using their healthcare plans again," said Sameer Samana, global market strategist at Wells Fargo.

Expansion of the Affordable Care Act and Medicaid has also contributed to the strength in hiring. ACA marketplace enrolment hit a record high of 21mn in January 2024, up from 11mn in 2020, driven by subsidies from the pandemic-era American Rescue Plan Act, and the Inflation Reduction Act.

Meanwhile, 40 states and Washington have opted into the ACA's expanded

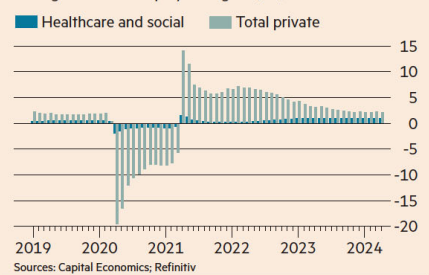


Catching up: a surge in patients having treatment that was delayed by the pandemic is set to come to an end

Jeffrey Greenberg/Universal Images Group/Getty Images

Healthcare hiring accounts for nearly half of private payroll gains

Rolling 12-month employment gain (mn)



Sources: Capital Economics; Refinitiv

Medicaid coverage for nearly all individuals with incomes up to 138 per cent of the Federal Poverty Level of \$20,783.

"Medicaid expansion frees up capital to expand and staff up in a better way," said economist Dante DeAntonio of Moody's Analytics.

Although economists typically pay closer attention to cyclical sectors such as manufacturing, construction and

professional services employment — hiring in healthcare is buttressing the economy's resilience to interest rate rises.

"The fact that the healthcare sector is still hiring increases the number of working Americans, helping to offset some of the hit to individuals' disposable income from high inflation and interest rates," said Capital Economics deputy chief North American economist Stephen Brown. "It's certainly providing a bit of a buffer."

Still, some analysts question whether the strength of the sector will last.

Citigroup economist Veronica Clark suggested that demand for post-pandemic procedures might fall as backlogs are cleared.

"It makes you think how much more can this grow, how much upside really is there?" she said. "If that is the last obvious support for monthly job growth then it looks pretty vulnerable."

The November election also places a question mark over the level of healthcare funding. During his first term in office, Trump unsuccessfully attempted to repeal the ACA, and has suggested he

'It's possible that hospitals would pull back on hiring plans in 2025 if Trump wins'

would be open to cutting Medicaid. "I think a Trump presidency would pose some risk for healthcare, though the inability to push through any major changes during his previous administration makes it less certain that anything would get done," said DeAntonio.

"It's possible that hospitals would pull back on hiring plans in 2025 if Trump wins just as a precaution against a possible Medicaid rollback damaging their finances."

Several Republican leaning states are seeking to adopt work requirements for recipients, which if implemented nationally could lead to 1.5mn US citizens losing federal funding for their coverage, according to the Congressional Budget Authority.

In addition, while the healthcare and social assistance job openings rate is 3 percentage points higher than in 2019, most of the gap is in the social assistance and nursing and residential care subsectors, where wages are lower than the average across the overall economy.

This means healthcare providers might struggle to compete for labour if the jobs market remains hot.

Trade crackdown

Vietnam and Mexico win as China dodges Washington tariffs

OLIVER TELLING — LONDON
WILLIAM LANGLEY, ANDY LIN
AND CHAN HO-HIM — HONG KONG

Chinese businesses are investing more in countries such as Vietnam and Mexico as trade tensions escalate between western governments and Beijing.

During the year to March, at least 41 Chinese manufacturing and logistics projects were announced for Mexico, while at least 39 were scheduled for Vietnam, according to data from Financial Times subsidiary FDI Markets.

This represents the highest number of announced projects in either country since FDI Intelligence began tracking foreign investment news and company announcements in 2003, with both Mexico and Vietnam overtaking the US as the top destinations for Chinese manufacturing and logistics enterprises. Thailand, Malaysia, Hungary and Egypt also enjoyed record levels of Chinese projects in the year to the end of March.

The developments highlight how, as western multinationals and politicians

seek to break decades of dependence on factories in China and limit the country's role in supplying critical products, Chinese manufacturers are building their presence elsewhere. Among the big Chinese investments is an up to \$2bn Mexican plant unveiled by the local subsidiary of state-owned Shanghai Automotive Industry Corporation (SAIC).

With US President Joe Biden last month declaring fresh tariffs on \$18bn of Chinese goods, even small manufacturers are looking to spend their limited funds on overseas expansion. As the US imports more from countries beyond China, Chinese businesses are also boosting exports to those countries.

The total value of Chinese exports to Mexico and Thailand more than doubled to \$158.7bn between 2017 and 2023, according to China's customs data. China's overall exports rose just 49 per cent to \$3.4tn over the same period.

Exports of computer parts to Vietnam more than tripled to \$1.7bn between 2017 and 2023, according to China's General Administration of Customs.

However, the Eurasia Group consultancy said in April that Vietnam's trade surplus with the US had increased markedly not only because of an actual shift in output from China but also because Chinese firms were simply rerouting products through Vietnam.

"Direct importing [from China] may be down but one only has to look at indirect routes through which the US continues to be plugged into Chinese supply chains," said Davin Chor, an economics



Expansion: automaker SAIC plans to spend up to \$2bn on a Mexican plant

professor at New Hampshire's Dartmouth College.

Audrey Liang, a sales representative at knife and tool maker Summit Enterprise, said that, having been based in a single factory in Yanjiang, in China's Guangdong province, for 26 years, it was now fitting out a second site in Vietnam.

Clients had asked Summit Enterprise to consider a site in Vietnam because of "political reasons" and the lower tariffs on Vietnamese goods, despite higher production costs and the lower domestic skill levels, she said. "If the customers didn't have this requirement, we wouldn't go to Vietnam."

There are still many advantages to operating in China, said Jack Ye, a sales representative at backpack-maker Xiamen Obaili Manufacturing, such as lower production costs. But the company would consider overseas sites if Donald Trump, who has threatened more crackdowns on Chinese trade, was returned as US president.

Additional reporting by Anantha Lakshmi in Jakarta and Jacopo Dettoni in London

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Record rise India's Nifty 50 shifts upwards and rupee strengthens as exit polls predict landslide election win for Modi **MARKETS**

Companies & Markets

Ackman sells 10% Pershing Square stake for \$1.05bn

- Deal comes ahead of potential listing
- Hedge fund valued at just over \$10bn

ANTOINE GARA — NEW YORK
ORTENCA ALIAJ — LONDON

Bill Ackman has sold a 10 per cent stake in Pershing Square in a deal that values the hedge fund at just over \$10bn before a possible initial public offering next year.

Investment firms and family offices, including San Francisco-based Iconiq Capital and Israeli insurance company Menora Mivtachim, paid \$1.05bn for the stake, Pershing Square said yesterday.

The sale is expected to be followed by an IPO that would make Pershing Square the first major hedge fund to go public in more than a decade and potentially add billions to Ackman's fortune.

Earlier this year, the billionaire investor announced the launch of a closed-

'This will help accelerate our growth in assets under management in existing and new strategies'

end fund in the US after he failed in an attempt to move an existing fund, listed in London and Amsterdam, to New York. Pershing Square will put some of the proceeds from the stake sale towards setting up Pershing Square USA later this year, with the remainder deployed to finance fund launches.

"This new investment will help accelerate our growth in assets under management in existing and new strategies," Ackman said.

The stake sale gives Pershing Square a lofty valuation compared with those of private equity groups, such as TPG and CVC Capital Partners, that have gone public in recent years.

Pershing Square's principal business is a closed-end fund that manages more than \$15bn of assets and pays a 1.5 per cent management fee on those assets. It

also earns a performance fee under certain conditions. The fund generated about \$155mn in management fees in 2023 and a performance fee of \$312mn, according to securities filings.

By contrast, TPG, which listed in early 2022 at a roughly \$10bn valuation, generated more than \$600mn in management fees in the year before its IPO. CVC had a €15bn valuation when it listed this year with almost €1bn in management fees in 2023. The two groups also generated hundreds of millions of dollars in performance fees in those years.

While a group of investors and family offices is buying a minority stake in Pershing Square, funds dedicated to buying such stakes in investment companies, such as Dyal Capital Partners or Blackstone, are not participating.

Pershing Square's path to an IPO began more than a decade ago when Ackman created the publicly listed closed-end fund Pershing Square Holdings. In the years that followed, the vehicle raised billions of dollars in capital, while investors redeemed most of their money from Ackman's private funds.

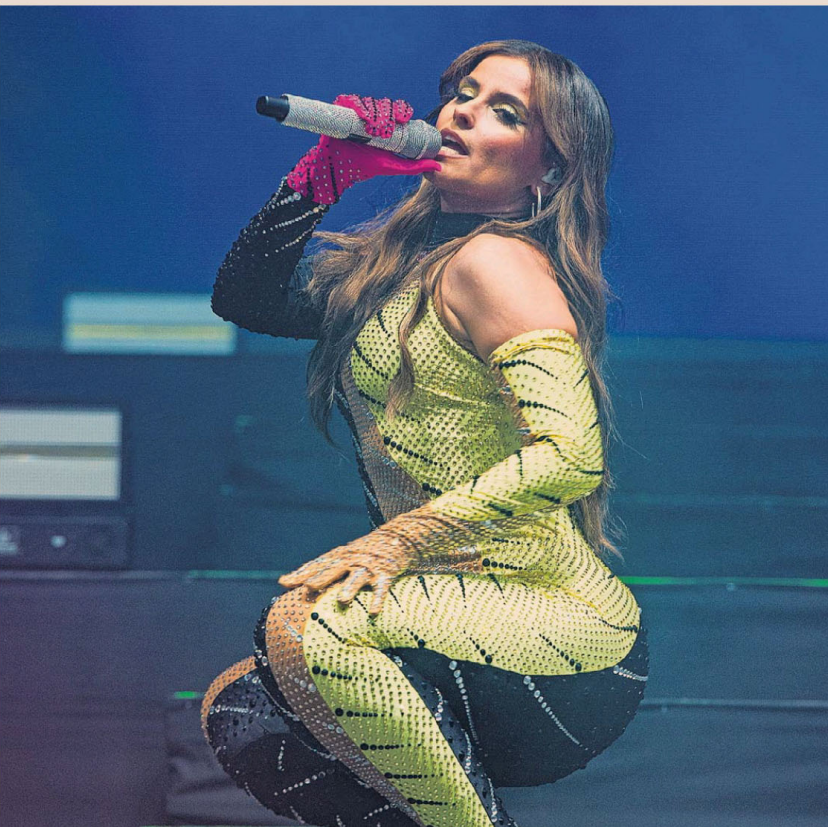
Following a spell of poor performance between 2015 and 2018 after ill-fated bets on Valeant and Herbalife, the fund ended up accounting for a vast majority of the assets Ackman managed.

Its value has soared since the pandemic after a hedge that the market would crash generated a multibillion-dollar windfall. That allowed Ackman to plough more money into strong performers in his investment portfolio, such as hotels group Hilton Worldwide, boosting overall assets and fees.

The ambitions to list a similar closed-end fund in the US should boost the assets — and potentially fees — Pershing Square manages ahead of a possible IPO.

As part of the stake sale, Pershing Square is creating an independent board.

Centre stage Blackstone unveils sweetened offer for music catalogue owner Hipgnosis



London-listed Hipgnosis owns songs from artists including singer-songwriter Nelly Furtado — Joseph Otkapko/WireImage

DANIEL THOMAS — LONDON

Blackstone has announced plans to sweeten its offer for Hipgnosis as part of a restructured bid for the music rights owner designed to make completing the deal easier.

The US private equity group wants to switch to a so-called scheme of arrangement to execute its offer, a move that should avert a situation in which a minority of Hipgnosis investors can resist the bid and remain owners of the shares.

As part of the move, Blackstone has agreed to a modest increase in its offer from \$1.30 a share to \$1.31.

Blackstone has spent the past few months battling with music rights owner Concord for control of Hipgnosis, a London-listed group that owns 138 catalogues with more than 40,000 songs from artists such as the Red Hot Chili Peppers, Shakira and Nelly Furtado. Under the new scheme of

arrangement, Blackstone will need approval for its offer from 75 per cent of Hipgnosis shareholders, but once it has achieved that, the remaining 25 per cent will have to accept it.

It should allow Blackstone to effectively squeeze out any minority shareholders more quickly than if the buyout group had stuck to its previous offer structure.

The move comes as hedge funds have snapped up Hipgnosis shares after the takeover battle with Concord started in April. The new offer has received approval from the UK's Takeover Panel. The revised offer from Blackstone values Hipgnosis at almost \$1.6bn.

Yesterday, Blackstone said the rise in price "has come about as a result of discussions between [Blackstone and the Hipgnosis board] and in part reflects Hipgnosis incurring lower adviser fees in respect of the transaction than previously expected".

The move is the latest complication in a protracted takeover battle for Hipgnosis, which pioneered music rights as an asset class but has struggled as higher interest rates have hit its business model.

Shareholders last year voted against the continuance of the company, sparking a strategic review by a new board and ultimately a sales process. However, those close to the talks said the deal should proceed smoothly once the scheme of arrangement was secured.

Blackstone already owns a majority stake in Hipgnosis's management company, Hipgnosis Song Management, which collects fees for overseeing the listed Hipgnosis fund.

Blackstone's investment adviser had an option, exercisable at any point in time during the six-month period following the termination of its contract, to purchase the entire portfolio of songs.

Shein poised to file for blockbuster London IPO

JAMES FONTANELLA-KHAN — NEW YORK
IVAN LEVINGSTON — LONDON

The online fashion group Shein is planning to confidentially file for a London listing as soon as the coming days, laying the groundwork for a blockbuster initial public offering in the UK.

Shein is set to file privately with UK regulators its intention to float, according to people familiar with the matter, who cautioned that the timing of the filing could yet shift.

Shein had been leaning towards a London listing after tensions between Beijing and Washington stalled its plans for an IPO in New York.

Shein's executive chair Donald Tang told the FT last month that the Singapore-domiciled company had made "progress" on changing the perception that China controlled Shein "but not enough" to win over US lawmakers.

The company had previously filed preparatory paperwork with the Securities and Exchange Commission more than six months ago, but concerns about Shein's ties to Beijing became the biggest hurdle in the path to a US listing.

A confidential filing involves submitting preliminary information and does not necessarily mean a flotation is imminent. It will allow Shein to be ready to list more quickly if the company decides to go ahead.

The on-demand ecommerce group was valued at \$66bn in its last funding round, and landing a flotation of Shein's size would be a coup for the London Stock Exchange.

London has been losing listings to its larger and more liquid New York rivals, the New York Stock Exchange and Nasdaq, including Cambridge-based chip designer Arm Holdings. It has also suffered the departure of betting firm Flutter from the FTSE 100 in favour of a primary listing in New York.

Shein was founded in China and most of its suppliers are in the country. However, it is now headquartered in Singapore and does not sell products in China.

The company hit a record of more than \$2bn in profits for 2023, surpassing the \$700mn of net income it generated in 2022 and \$1.1bn in 2021. By comparison, rivals H&M and Zara owner Inditex reported net profits of \$K8.7bn (\$826mn) and €5.4bn respectively, in their most recent fiscal years.

Sky News previously reported the filing plans. Shein declined to comment. **See Markets Insight**

Corporate China is suffering from a dearth of expatriate workers

INSIDE BUSINESS

ASIA

Joe Leahy



Most people by now are familiar with the idea of "de-risking" or "decoupling" as the US and EU try to diversify from China in strategic industries.

Less well-known is a more subtle form of decoupling that is afflicting corporate China, particularly international businesses in the country — a lack of expatriates.

Foreign companies in China are reporting that the number of expatriates who want to live and work in the world's second-largest economy is still low compared with before the pandemic and there are few signs that it will fully recover soon.

Why should international companies care? After all, "localisation" — appointing local staff in the place of expatriates — is advancing in China as geopolitics makes the environment more complicated and more businesses shift parts of their supply chains to other countries.

Localisation also suits those multinationals that are selling into the Chinese domestic market and need to better tailor their products for local customers — the so-called "in-China-for-China" strategy.

But having too few international employees can also have unintended consequences for foreign companies in China. Without employees going back

and forth from headquarters, opportunities can be missed in communications gaps. Exhibit one of the latter is how many foreign carmakers were caught out by the sudden rise of China's electric-vehicle manufacturers during the pandemic.

For multinationals, ensuring a constant to and fro of employees between headquarters and their operations in different countries is important for instilling a global corporate culture too.

"In an environment where you don't have this very regular exchange of personnel for long-term assignments between headquarters and China — going in both directions — then it's really hard to preserve the corporate culture," says Sean Stein, chair of the American Chamber of Commerce in China.

"And once the corporate culture starts to weaken, gaps between HQ and China start to expand."

Executives also say that by increasing the number of people in corporate headquarters with meaningful China experience, companies can reduce "friction" in communications with their operations there.

Precise data on expatriates in China is scarce. Chinese authorities have said the country issued permits for 711,000 foreign residents last year compared with 846,000 in 2020 — the most recent prior comparison available.

The business confidence survey of the European Chamber of Commerce in China, published in 2023, found that 16 per cent of respondents did not employ any foreign nationals at the time and that expatriates accounted for 10 per cent or fewer of staff for 78 per cent of

them. This was slightly more severe than the survey published the previous year.

Both surveys, however, reflected the worst effects of the pandemic. Executives report that things have picked up since then but there is no sign of a return to pre-Covid levels or even the heyday era before the pick-up in US-China trade tensions from 2018.

Whereas high-flying executives would once have gladly done a stint in China, today the posting looks more troublesome.

Apart from geopolitical concerns, there is the extreme corporate competition in the country. In its recent business climate survey, Amcham China found that one-third of respondents reported that their profit margins based on earnings before interest and tax in China were below their global average while only 19 per cent were above the global average.

Fixing the expat gap will be complex. Companies' global headquarters will need to offer extra incentives both to high-performers outside China to do a stint in the country and to local staff in China to accept assignments outside.

This is important partly because of the need to grasp promising opportunities but also compliance. In China, as anywhere, things can go badly off course when a global company loses close oversight of its subsidiaries.

Expatriates will not by themselves solve this but they are one channel for instilling global compliance standards.

After all, China's corporate history is littered with foreign businesses caught up in disputes with their local partners, or embroiled in localised corruption cases. That is the kind of decoupling no company wants.

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COMPANIES & MARKETS

Automobiles

Japanese carmakers in test data scandal

Toyota and Honda among groups found at fault in transport ministry probe

DAVID KEOHANE, KANA INAGAKI AND LEO LEWIS — TOKYO

A government investigation has uncovered faulty testing data at five of Japan's leading carmakers including Toyota and Honda in a scandal that has forced the suspension of some vehicle shipments.

Akio Toyoda, chair of Toyota, the world's largest carmaker, was forced yesterday to apologise for the second time this year following the transport ministry's investigation of 85 companies in the industry.

The investigation, the results of which were released yesterday, found fault with Toyota, Honda, Mazda, Suzuki and

Yamaha Motor. It was triggered by a string of improper testing incidents that hit Toyota subsidiaries, including Daihatsu Motor.

"As someone responsible for the Toyota group, I extend my sincerest apology to our customers, car fans and all stakeholders," said Toyoda, who has put himself at the centre of the scandal.

Separately, Toshihiro Mibe, chief executive of Honda, said there was no intention to falsify the testing data to misrepresent the performance of its cars. "It was a lack of awareness in the area of compliance," he said.

Japan's transport ministry said the problems were found in applications to certify models. In the case of Toyota, they related to issues such as pedestrian safety tests and luggage displacement tests, while engine control software was an issue for Mazda.

"It is extremely disappointing that we have discovered new improper behaviour," the transport ministry said, adding that the improper data would "shake

'It is extremely disappointing that we have discovered new improper behaviour'

the very foundation" of the certification system.

Authorities are expected to raid various carmakers as soon today, according to people familiar with the matter.

The companies involved said the faulty data did not affect the safety of their cars and that they involved a small number of certification issues out of thousands.

A total of six models, three of which are Toyotas, have had shipments and sales suspended in Japan. Toyota's share price closed down 1.8 per cent and Mazda fell 3.3 per cent.

The widening scandal is expected to increase pressure to overhaul Toyota's governance structure. Despite the company making record profits, Toyoda faces a significant haemorrhaging of shareholder support at the carmaker's annual meeting later this month.

Last week, the world's two most influential proxy advisers — ISS and Glass Lewis — recommended a vote against the reappointment of Toyoda to hold him accountable for the issues that had already come to light with vehicle testing and emissions data at the group's subsidiaries.

ISS said that although Toyota had claimed it was reforming its corporate

culture, there was a suspicion that everything was "business as usual".

It added: "The company's propensity to preserve its corporate culture is in fact suspected, and Toyoda should be held accountable for that."

Toyota said in response that it was "aware that US proxy advisory firms, Glass Lewis and ISS, recommended against our proposal for the election of directors. We plan to respond to their opinion in due course."

Several fund managers have told the Financial Times that they plan to vote against the reappointment of Toyoda, and had intended to do so before the proxy advice was issued. Toyoda has already seen backing from shareholders erode. He received support from 85.7 per cent of investors last year, down from 96 per cent in 2022.

See Lex

Financials

JPMorgan joins efforts to use AI for making investment decisions

WILL SCHMITT AND BROOKE MASTERS NEW YORK

Asset managers are making more use of artificial intelligence to guide investment decisions, track the habits of portfolio managers and identify money-making opportunities.

JPMorgan later this year plans to expand the use of a generative AI tool that flags questionable decisions by portfolio managers, such as potentially selling top-performing stocks too soon, company officials told the Financial Times. The tool, dubbed Moneyball, is meant to show managers "how they and the market have behaved in similar circumstances and helps them correct for bias and improve their process", said Kristian West, head of investment platform for JPMorgan Asset Management.

Other fund managers are using AI to complement human analysts, identify targets for litigation finance and explain allocation decisions to investors.

These disparate efforts show how the AI arms war in asset management is shifting from paperwork-intensive compliance and marketing tasks towards helping investment professionals make smarter decisions.

The JPMorgan tool — part of the \$3.2tn manager's Spectrum portfolio management platform, which is fuelled

Other fund managers are using AI to complement human analysts and spot litigation finance targets

by about 40 years of data — is a pilot program that is still in development and will be made available to a broader group of fund managers later this year.

Voya Investment Management has already implemented a virtual analyst that can monitor stocks for potential risks, complementing the \$331bn manager's human research staff. Portfolio managers have access to a dashboard in which a human analyst's review of securities can be viewed alongside AI feedback, such as red-flagging a stock.

So far, Voya's AI analyst has demonstrated a good ratio of right and wrong decisions, making its alerts "a high-value signal", said Gareth Shepherd, Voya's co-head of machine intelligence. He likened the process to a pilot and co-pilot reading signals from an aeroplane's flight management system. "The flight management system augments the pilot's decision-making, but the pilot has the final say," Shepherd said.

Legalist, which runs a \$1bn hedge fund focused on litigation finance, uses a proprietary AI search tool called Truffle Sniffer to find attractive investment targets among civil suits.

The "sniffer" scans court records for signs of favourable outcomes, such as friendly judges and litigation classes as well as pre-trial rulings that indicate particularly strong cases.

"We look for cases that have clear signs that they are winning but have not collected the money yet," said Legalist co-founder Eva Shang.

Despite the developments, AI's potential to drive long-term returns for asset managers has its sceptics.

Veteran portfolio manager David Giroux, who manages the \$59bn T Rowe Price Capital Appreciation fund, argued that most of the AI-focused intellectual capital in asset management is geared towards finding a short-term edge as opposed to the trickier task of estimating earnings potential years into the future.

"I think there is very, very little that AI is going to do to make that inefficiency go away," Giroux said.

Aerospace & defence. Shipbuilding

Korean bid for Austal faces security hurdles

Hanwha argues it can help the Australian group build better craft and benefit the US Navy

CHRISTIAN DAVIES AND SONG JUNG-A SEOUL
NIC FILDES — SYDNEY

Australia's only listed defence company is at the centre of a dealmaking tussle likely to shape Washington and Canberra's ability to respond to China's maritime military build-up.

Perth-based Austal is resisting takeover efforts by South Korea's Hanwha Ocean, one of the world's biggest shipbuilders, which says its ownership would boost Australia's shipbuilding prowess as China boosts its naval power.

Austal's board rejected a bid last year on valuation grounds, and in March said a second, \$1bn bid had no realistic prospect of approval by Canberra or Washington due to "ownership clauses associated with defence contracts" in Australia and the US, where Austal also has two shipyards and carries out work for the US Navy.

Austal's Henderson shipyard near Perth, on the shores of the Indian Ocean, is considered vital to Australia's plans to double the size of its naval fleet with an extra A\$11.1bn (\$7.2bn) of investment.

But the Korean conglomerate was heartened when Australian defence minister Richard Marles said after a meeting with his South Korean counterpart in Canberra this month that "from the [Australian] government's perspective, we don't have any concern about Hanwha moving in this direction".

Lee Yong-ook, the head of Hanwha's naval shipbuilding business, said a takeover would boost Australia's ability to produce ships capable of taking on the Chinese navy. "Austal specialises in building aluminium ships, which is good when you are building passenger ferries but no good for countering Chinese battleships," Lee said.

"Our efficiency is higher [than Austal's] and our ships are all steel-based," he added. "We will meet [Canberra's] requirements on sovereignty and we will transfer ship design knowhow and production capacity to Australia."

Lee said Hanwha had discussed its bid with senior Australian and Western Australian officials, naval industry representatives and politicians from Australia's governing and opposition parties, as well as with "senior US government representatives".

"The clear message we received was that, based on the South Korea-Australia alliance and Hanwha's experience and track record, there would be no



Vessels at Austal's shipyard in Henderson, south of Perth. Below, a model Hanwha Ocean submarine is displayed during a defence trade show in South Korea last year. Philip Gostelow/AAP/Alamy; Ju-min Park/Reuters



adverse implications for either Australia or the US from Hanwha acquiring Austal," said Lee.

Lee also said Hanwha's superior resources and capabilities would help the US to increase its naval shipbuilding capacity as it seeks to close the gap with China, which has more than 20 shipyards compared with seven in the US.

He said Hanwha would be able to offer the US Navy upgraded "maintenance, repair and operation" capabilities at its home shipyard in South Korea and potentially at Austal's shipyards in the Philippines and Australia, which would assist the US in the event of a conflict in the South China or East China Sea.

Austal had an order book worth A\$11.6bn last year, but its market value is less than A\$1bn and it is wrestling

with governance issues after three executives at its US division were charged with accounting fraud by the US Securities and Exchange Commission in 2023.

Australia introduced plans this month to tighten up foreign ownership rules for sectors including defence. But Anthony Kavanagh, co-founder of Chester Asset Management, an Austal shareholder, said Marles's statement opened the door to a third approach.

Cerberus, a US private equity firm, is among the rival suitors for Austal.

"We could be at the start of a bidding war," said Kavanagh, arguing Austal should engage with its potential suitor but that a higher price than the latest cash bid worth A\$2.82 a share would be justified, given the company's order book. "We are optimistic of getting close to \$4 a share," he said. Austal's largest shareholder is Tattarang, the family office of billionaire Andrew Forrest, who has a near-20 per cent stake and was linked with a potential takeover when he built the holding in 2022.

A person with knowledge of the situation said Tattarang thinks the Hanwha bid undervalues the shipbuilder. Tattarang declined to comment.

A Sydney-based banker said that Hanwha, advised by a lobbying firm established by former Australian defence minister Christopher Pyne, had "built credibility" in Canberra with a

'There's no reason why Australia couldn't become a shipbuilding powerhouse and a relationship with Hanwha could help'

series of contracts as part of South Korea's global defence exports push.

Hanwha's land defence division signed deals last year with the Australian government to build Redback infantry fighting vehicles and self-propelled Huntsman howitzers in the country.

But Ian Christie, an analyst with stockbroker Argonaut, said Hanwha still faced "a long road" of regulatory barriers including Australia's Foreign Investment Review Board.

Australia's defence department said the Treasury would assess the impact of any proposed takeover. "Proposals are assessed by the Foreign Investment Review Board on a case-by-case basis and this would be no different," it said.

Jennifer Parker, an associate at the Australian National University's National Security College and a former naval officer, said that a sale to Hanwha needed to be considered through the lens of Australia's plans to boost its sovereign shipbuilding capability.

"There's no reason why Australia couldn't become a shipbuilding powerhouse and a relationship with Hanwha could help with that," she said, adding there was a risk the Korean company could buy Austal and mostly focus on its US assets. "The key question to ask is what is Hanwha's intent?" she said.

Additional reporting by Demetri Sevastopulo and Antoine Gara

Technology

European tech start-ups regain momentum as dealmaking picks up after two-year drought

TIM BRADSHAW — LONDON

Green shoots are appearing for Europe's technology start-ups after a two-year investment drought, as dealmaking picks up among early-stage companies and venture capitalists raise new funds.

Creandum, an early backer of Spotify, Klarna and Depop, unveiled a €500mn fund yesterday, becoming the latest European-focused private tech investor to secure fresh capital for start-ups this year. That fundraising follows similar-sized deals, including Accel Europe, which launched a \$650mn fund last month, and Plural, a London- and Tallinn-based firm targeting "deep tech" start-ups that has raised €500mn.

Plural added €100mn to its fund last month after January's initial close.

Creandum's fund was raised "in record time", according to general partner Carl Fritjofsson. "There is a dramatic change in the sentiment, appetite and activity across the industry".

After the pandemic a frenzy of tech investment came to a sudden halt because of inflation, rising interest rates and geopolitical tensions. European start-ups were forced to slash costs as VC investment dried up. Some large US tech investors, such as Tiger Global and Coatue, pulled back European dealmaking.

But VCs say the market has started to change in the first few months of 2024, as a new craze for artificial intelligence

start-ups couples with a strong rally in Big Tech valuations on Wall Street.

"We haven't fully washed through the overhang from the peak years but the green shoots are all around us," said Tom Wehmeier, who runs the insights team at Atomico, one of Europe's largest VC companies. "We are moving beyond the recovery phase and back into a period of growth."

Wehmeier predicts that, after the decline in 2023, private tech investment into European start-ups will return to growth this year. "The market is more active at any point than we've seen before 2021," he said, pointing to three successive quarters of increased investment in "Series B" deals.

"From the data we see and from our

work every day, we are genuinely very excited about 2024," said Sabina Wizander, a Creandum partner based in Stockholm. "More quality companies are daring to go out [to raise money]"

'From the data we see and from our work every day, we are genuinely very excited about 2024'

because the fundraising environment is more predictable."

Many start-ups were forced to cut costs and focus on profitability as the market turned in 2022. Those that survived the funding freeze are now more

sustainable, investors say, while revenue growth has generally begun to accelerate.

Even some Silicon Valley investors have returned to Europe, with Andreessen Horowitz and IVP opening offices in London in the past few months.

Between 2007 and 2021, Creandum made back almost seven times what it invested in companies, after selling those stakes. One in six companies it has invested in has hit a valuation of more than \$1bn.

Jon Biggs, a partner at one of Creandum's investors, Top Tier, said the figures demonstrated that European venture capital groups could show returns to match those of their Silicon Valley peers — a question that has long hung

over investors in the region. "The firm is comfortably at the top table of global VCs," he said.

Not every European fund has been able to raise funds so easily. London-based Atomico is in the final stages of its largest capital raise, targeting as much as \$1.35bn across its venture and growth funds, according to people familiar with the matter. But, while it expects to complete the funding in the coming months, the process has taken more than a year.

That reflects both the size of the deal and continued investor caution around funds directed at later-stage companies at a time when there have been few successful initial public offerings, these people said. Atomico declined to comment on its fundraising plans.

COMPANIES & MARKETS

Nvidia unveils its next generation of AI chips

Chief executive heralds ‘new computing age’ as Silicon Valley group races to entrench its market dominance with surprise announcement

ELEANOR OLCOTT — TAIPEI
TIM BRADSHAW — LONDON
MICHAEL ACTON — SAN FRANCISCO

Nvidia announced the next generation of its artificial intelligence processors at the weekend in a surprise move less than three months after its most recent launch.

At the Computex conference in Taipei, the chipmaker’s chief executive Jensen Huang unveiled Rubin, the successor to its Blackwell chips for data centres, which are currently in production after being announced in March.

The unexpected move to reveal its next wave of products before Blackwell has even started shipping to customers shows how the world’s most valuable chipmaker is racing to entrench its dominance of AI processors, which has propelled it into the ranks of the world’s most valuable companies.

“A new computing age is starting,” Huang said, as Nvidia also announced new AI chip deals with PC makers.

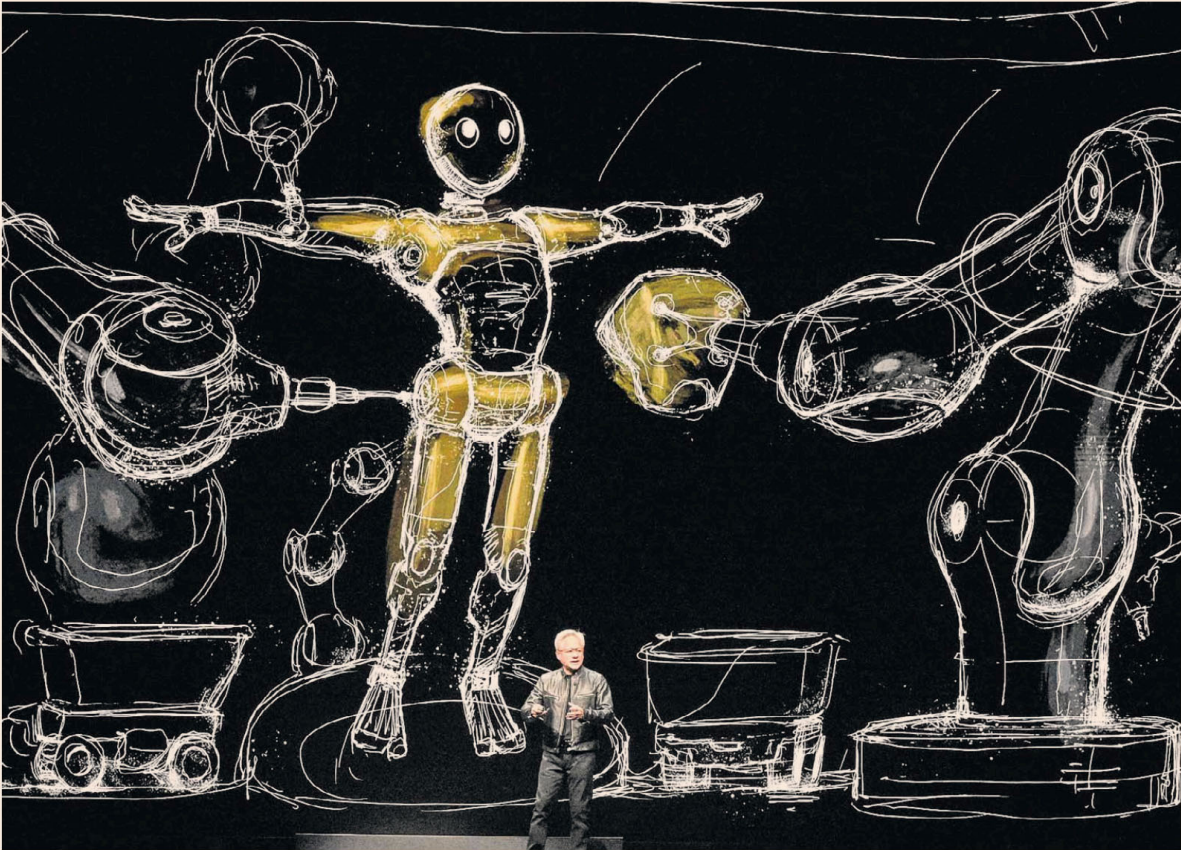
Rubin is set to start shipping in 2026 and promises improved power efficiency as the Silicon Valley-based company attempts to address concerns that Big Tech’s expansion of AI data centres is putting strain on the energy grid in some regions.

The announcement was light on detail but Huang said Nvidia was working on a “one-year rhythm” of building new AI platforms.

Nvidia’s pace of innovation has taken on outsized importance to the wider stock market as traders bet on whether the huge AI-driven rally in a handful of Big Tech companies can continue.

The chipmaker added about \$350bn to its market capitalisation after it reported surging revenue growth, and the company is closing in on Apple to become the second most valuable US company after Microsoft.

While Nvidia currently sells the majority of the AI chips needed to train large language models, such as OpenAI’s GPT, the company faces growing competition from AMD and Intel, as well as bespoke chips developed by cloud com-



Chips with everything: Nvidia chief executive Jensen Huang speaking at the Computex conference in Taipei, where the company revealed its next wave of products — Sam Yeh/AFP via Getty Images

puting providers including Amazon, Google and Microsoft.

Nvidia’s Blackwell chip is being rolled out barely a year after its current generation Hopper chips were unveiled.

The company, which is seeking to make more of the chips that go into AI data centres, also announced on Sunday a new Vera Arm-based central processing unit. CPUs, a market dominated by

Intel and AMD, are traditionally the workhorse of any computer but Huang is attempting to reshape the server market around its AI chips as artificial intelligence takes a growing share of data centre workloads.

Nvidia started out more than 50 years ago making graphics processing units, which acted as a sidekick to Intel CPUs in video gaming PCs. But more than 15

years ago, Huang realised that the technology inside its GPUs was also suited to other data intensive computing tasks, such as AI.

The company is now trying to boost its PC chip business by capitalising on its dominance in AI chips for data centres.

Huang also announced on Sunday deals with two PC makers, Asus and MSI, that will launch machines using

Nvidia’s GeForce RTX graphics processing units to support a range of AI tasks, from running digital assistants to video editing and coding.

“Your future laptop will be constantly helping you in the background,” Huang said.

“The PC will run apps that are enhanced by AI, from writing, photo editing, to digital humans that are AIs.”

Nvidia did not specify when the Asus and MSI laptops would go on sale.

A range of PC makers and component providers are expected to use the Computex event to make announcements to position themselves as beneficiaries of an expected “AI PC” wave.

Microsoft recently announced a number of AI-enhanced PCs and tablets fitted out with its Copilot assistant tool,

‘AI PCs will bring the most exciting innovation to the PC industry in the last two to three decades’

powered by Qualcomm’s chips, which will begin to launch later this month. Microsoft has said it expects to include the Nvidia chips and AMD’s Radeon graphics chips in its PCs in future.

PC sales have been in decline since the pandemic but analysts expect that when demand revives, companies will increasingly opt for AI PCs embedded with powerful chips to run AI applications, rather than relying solely on the cloud.

“AI PCs will bring the most exciting innovation to the PC industry in the last two to three decades, since the creation of the World Wide Web in the late 1980s,” Morgan Stanley analysts wrote in a note last month.

They said that running AI applications on devices would be cheaper and more flexible than on the cloud and would also have benefits for data privacy. AI PCs would make up about 65 per cent of PC shipments by 2028, up from 2 per cent this year, Morgan Stanley predicted.

GET AHEAD OF COMPETITION

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COMPANIES & MARKETS

Equities. Infrastructure rally

Indian stocks hit record highs as exit polls forecast Modi win



Benchmark share indices jump and rupee rises amid prospect of electoral landslide

CHRIS KAY — MUMBAI

Indian markets hit record highs after exit polls forecast a landslide election win for Prime Minister Narendra Modi, whose third term promises investors a resumption of his infrastructure-led economic drive and market-friendly reforms.

A batch of polls released over the weekend by Indian TV stations and agencies showed Modi's Bharatiya Janata party increasing its presence in India's lower house of parliament.

They also suggested a potential two-thirds majority for the BJP and allied parties that could enable changes to the country's constitution.

India's benchmark stock indices closed at record highs yesterday with the Nifty 50 jumping 3.3 per cent and the BSE Sensex hitting 3.4 per cent.

The rupee strengthened 0.4 per cent against the dollar and the yield on India's 10-year bonds declined to 6.95 per cent from 6.98 per cent on Friday's close. Prices rise as yields fall.

"It could be a small euphoria for some time," said Raamdeo Agrawal, co-founder and chair of Motilal Oswal Financial Services in Mumbai, who said the Nifty 50 index might advance 5 to 10 per cent over the next week.

A landslide Modi victory is expected to buoy "capex stocks" such as industrial and infrastructure groups, according to Jefferies analysts.

Shares of companies controlled by Gautam Adani, an infrastructure-focused billionaire with long-standing ties to Modi, hit new highs yesterday. His flagship ports business surged as much as 12.8 per cent.

Reliance Industries, the Mumbai-based petrochemicals-to-telecoms conglomerate run by Asia's richest man, Mukesh Ambani, closed 5.6 per cent up at an all-time high.

India's election commission is set to announce the official results today following the end of a seven-phase, multi-week poll across the world's most populous nation.

The Nifty 50 was down 1.9 per cent last week amid doubts the BJP would be able to advance on its 2019 result.

Foreign investors sold more than \$3bn of Indian stocks in May. Many have raised concerns about the country's richly valued equities, which are among the most expensive in Asia.

"Foreigners have significantly lightened up going into the elections,

whereas domestic investors are positioned quite well on the upside," said Rajat Agarwal, Asia equity strategist at Société Générale.

"Foreigners are more focused on the valuations than anything else . . . just from the election outcome, we see a limited upside," he added.

One western diplomat said the polls suggesting a landslide victory were surprising, given that the BJP was doing better than their country's internal predictions.

The diplomat said the result could pave the way for more "radical" policies under Modi's third term.

Although exit polls have been wrong in the past, "even an adverse result on June 4 is unlikely to change the nature of the verdict," said a note by Axis Capital economists, a team led by Neelkanth Mishra, who also sits on Modi's Economic Advisory Council.

The BJP made its stewardship of the economy an important part of its election campaign and investors believe

Third term: a landslide Narendra Modi victory is expected to buoy capex stocks such as industrial and infrastructure companies, say analysts

Narinder Nanu/AFP/Getty Images

Modi will continue to drive development and address business bottlenecks.

Data released on Friday showed that Indian GDP grew at a better than expected year-on-year pace of 7.8 per cent in the three months to March.

Last week, S&P Global indicated it would upgrade the country's triple B minus credit rating as a result of a stable policy environment and high infrastructure spending, along with "deepening economic reforms".

Modi's victory "gives that continuity and clarity in terms of policy", said Amar Ambani, executive director and head of institutional equities at YES Securities in Mumbai. "There's no uncertainty."

For "a large part" of the week "markets should be on a roll", he added. "They are at a premium but we've seen in the past that valuations can stay rich for a long time, particularly if liquidity is strong."

India's coalition of opposition parties dismissed the exit polls, with some claiming they have been manipulated.

They also voiced concern over the ballot counting, which the country's election commission yesterday played down, confirming that a record 642mn Indians had voted.

Ambani from YES Securities said the polls suggest that Modi's BJP, dominant in its Hindi-speaking northern heartland, made gains in the country's more affluent south — traditionally a base for a number of regional opposition parties.

"That's something the market will take well because [the BJP] were perceived as a party of the north, west and central, not so much in the east and south," Ambani added.

Equities

GameStop shares soar after Roaring Kitty builds large holding

GEORGE STEER — LONDON

Shares in GameStop surged more than 60 per cent yesterday after a post on Reddit purported to show that Keith Gill — also known as Roaring Kitty — had built a position worth \$181mn in the struggling video game retailer.

The sharp rise came after Gill's account, which goes by the name DeepFuckingValue on Reddit, posted a picture late on Sunday that appeared to show he had taken a share stake and options positions in the retailer.

GameStop jumped 64 per cent to more than \$38 a share shortly after the New York open before trading was halted. Shares later fell back to trade 24 per cent higher.

The screenshot indicated that Gill had acquired 5mn shares in the company, bought at \$21.27 apiece and worth \$116mn on Friday's closing prices.

It also suggested that he owned 120,000 call options with a strike price of \$20. The options are worth \$65.7mn and are due to expire on June 21.

The day trader was at the centre of the "meme-stock" mania in 2021, when his social media posts encouraged millions of others to pile into the stock and squeeze out hedge funds betting on a share price decline.

After a three-year silence, Gill reappeared last month on social media site

The rally elicited fawning tributes to Gill, with one calling him 'one of the greatest traders of all time'

X, sending GameStop shares soaring again, though the rally quickly fizzled out.

Yesterday's pre-market move suggested that "there's still huge appetite [among the retail crowd] for this stock, whether healthy or not", said Kevin Gordon, a senior investment strategist at Charles Schwab.

About 15 per cent of GameStop's outstanding shares were on loan — a rough proxy for short interest — as of the close of play on Friday, down from just over 25 per cent at the end of May, according to data from S&P Global Market Intelligence.

After GameStop shares rose in May, the company announced plans to sell up to 45mn new shares, which raised \$933.4mn.

The company is due to report first-quarter results on June 11. Net sales are expected to have dropped about 25 per cent year on year, according to preliminary results announced in mid-May.

GameStop was trading yesterday at more than 2,300 times its estimated earnings per share for the coming year, Bloomberg data showed.

The company added almost \$4bn to its market value in early trading.

Yesterday's pre-market rally elicited hundreds of fawning tributes to Gill on social media, with one widely shared post on X describing him as "one of the greatest traders of all time".

Commodities

Australia orders Chinese-linked funds to sell rare-earth stakes in 'national interest'

NIC FILDES — SYDNEY

Australia's government yesterday ordered funds linked to a Chinese businessman to cut their stakes in a rare-earth miner in a sign of how control of critical minerals is becoming a political concern.

Jim Chalmers, Australia's treasurer, cited national interest grounds in demanding that Yuxiao Fund and four associates reduce or dispose of their stakes in Northern Minerals, a Western Australian rare-earths developer.

"The decision, based on advice from the Foreign Investment Review Board, is designed to protect our national interest and ensure compliance with our foreign investment framework," a spokesperson for the treasurer said.

The move comes amid fierce debate in Australia about the alleged dominance of China in rare earths, which are used to build wind turbines and electric vehicles and in the defence industry.

China controls 70 per cent of rare-earths mining and 90 per cent of processing capacity, according to the International Energy Agency.

Australia has identified rare earths as

a key part of its critical-minerals strategy and Northern Minerals has been positioned as a key supplier of rare-earth elements to a refinery being built by Iluka Resources on the coast of Western Australia.

The Australian government blocked Yuxiao Fund, which is based in Singapore, from doubling its stake in Northern Minerals to almost 20 per cent in February last year.

The Australian company contacted the FIRB last October to urge the regula-



Shareholders in Western Australia's Northern Minerals include Yuxiao

tor to investigate whether Yuxiao, which Northern Minerals said was controlled by businessman Wu Tao, had breached that order by covertly raising its stake through associated funds.

The Singapore fund also called an extraordinary shareholders' meeting to remove Nicholas Curtis, the executive chair of Northern Minerals and a rare-earths veteran, from his position.

Yuxiao also nominated Wu, alongside other candidates, as a candidate for the board of the Australian company.

Curtis stepped down from his role last week. Northern Minerals will hold its annual meeting, which includes the proposed board nominations, this week.

Yuxiao Fund did not respond to a request for comment.

Yuxiao has been ordered to reduce its stake to 8 per cent, while four associated funds and individuals — including Black Stone Resources of the British Virgin Islands and Indian Ocean International Shipping and Service Company registered in the United Arab Emirates — have been told to sell shares that they had bought since September.

Additional reporting by Harry Dempsey in London

Equities

Co-founder blames former management 'shambles' for Hargreaves Lansdown slide

EMMA DUNKLEY

The billionaire co-founder of Hargreaves Lansdown, the investing platform facing a takeover offer from private equity, has blamed former management for presiding over "a shambles" that halved the share price.

Peter Hargreaves, who is also the largest shareholder in the retail investing business, told the Financial Times that the company's shares had come under pressure as profits have taken a hit.

"When I ran [Hargreaves Lansdown], it always improved its profit by more than 10 per cent," he said. "If the profits are going up, the rate at which they're increasing has a huge effect on the share price. A change from double-digit growth in profit to a reduction in profit is huge."

During the tenure of Chris Hill, chief executive from 2017 to last August, the shares rose to a high of £24 in 2019, before tumbling to £8. Profit before tax fell by 8 per cent to £182.5mn in the six months to the end of December compared with a year earlier.

The co-founder's comments come shortly after Hargreaves Lansdown's

board rejected a bid from a group of private equity firms led by CVC Capital Partners — an offer that valued the company at £4.67bn.

The approach, which emerged last week, boosted shares in the Bristol-based business above £10.

Hargreaves also blamed escalating costs for the company's share price weakness in recent years.

"The non-productive parts of the

'When I ran [Hargreaves Lansdown], it always improved its profit by more than 10 per cent'

business mushroomed: marketing, HR," he said. "[Management] didn't know what they were doing, they hadn't got a grasp on what was needed on the technology side. They had a lot of consultants who didn't know what they were doing, either."

Staff costs rose almost 200 per cent between 2013 and 2023 while revenues were up only 93 per cent in the same period, according to FT calculations.

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COMPANIES & MARKETS

The day in the markets

What you need to know

- US government bonds rally after weak manufacturing data
- Wall Street stocks mixed amid technical glitch earlier in session
- London's energy-heavy FTSE 100 edges lower as oil prices retreat

Treasuries rallied and the dollar slipped yesterday after weak manufacturing data eased concerns that the world's biggest economy is overheating ahead of the US Federal Reserve's June policy meeting.

Yields on benchmark 10-year Treasury bonds, which move inversely to prices, fell 11 basis points to 4.40 per cent by midday trading in New York.

Interest rate-sensitive two-year Treasury yields fell 8bp to 4.81 per cent.

In currency markets, the US Dollar index, which tracks the currency's strength against six rivals, fell 0.5 per cent to its lowest level since early April.

Those moves came after weak US manufacturing data with new orders continuing to soften amid a slowdown in activity from the start of the year.

Bond markets reacted positively, "adhering to the [current] trend where bad news is good news", said Florian Ielpo, head of macro at Lombard Odier Asset Management.

Interest rates are more likely to fall later this year if the economy appears to be slowing rather than overheating.

Unemployment remains low and growth has been faster in the US than anywhere else in the G7. The Fed meets on June 12 and is widely expected to keep rates on hold at a 23-year high range of 5.25 to 5.50 per cent.

The Institute for Supply Management

Dollar slips to lowest level since early April

US Dollar Index



Source: Bloomberg

yesterday said its index tracking factory activity fell to a level of 48.7 last month from 49.2 in April. A figure below 50 indicates that the sector is contracting.

"Demand remains elusive as companies demonstrate an unwillingness to invest due to current monetary policy and other conditions," said Timothy Fiore, chair of the ISM manufacturing business survey committee.

US equities were mixed with the S&P 500 down 0.1 per cent and the tech-heavy Nasdaq Composite up 0.3 per cent.

A technical glitch earlier in the session briefly led to dozens of trading halts for

US-listed companies and exchange traded funds.

Across the Atlantic, the region-wide Stoxx Europe 600 firmed 0.3 per cent and Frankfurt's Xetra Dax rose 0.6 per cent.

London's energy-heavy FTSE 100 slipped 0.1 per cent as oil prices fell.

Earlier in the day, prices had been flat following a decision on Sunday by Opec+ to gradually release more oil into the market in the fourth quarter of 2024.

But global benchmark Brent crude later slid 3.3 per cent to \$78.47 a barrel while US marker WTI fell to below \$75 a barrel. **George Steer and Malcolm Moore**

London has not yet regained its mojo as a fundraising venue

Craig Coben

Markets Insight



As the UK gears up for a July general election, London seems to be buzzing again as a hotspot for raising equity. Last month, National Grid launched a superjumbo £7bn rights issue – the largest global equity offering this year – to back a massive investment programme.

The FTSE 100 has hit record highs this year amid a rebound in investor interest in UK stocks (although there's been a small retreat in recent weeks). And London has outpaced its European counterparts in 2024, raking in over three times more proceeds from overall share sales than second-placed Paris.

IPO activity has been sluggish but that is poised to change. Computer maker Raspberry Pi confirmed plans to float in London. Moreover, rumours are swirling about two high-profile names going public in London.

Fast fashion behemoth Shein is planning to file for a London listing after pushback from American regulators and Anglo American is considering a London IPO for its diamonds arm De Beers after fending off suitor BHP. And there's a solid pipeline of potential new listings, including financial names such as Monzo, Shawbrook and OakNorth.

Meanwhile, UK companies listed on US exchanges are struggling. According to LSEG data, of the 20 UK companies that have made an IPO in the US in the past decade, only four are in positive territory. Eight have delisted and the rest have plunged by more than 80 per cent on average.

Online car dealer Cazoo, which had merged into a US-listed cash shell in 2021, announced it was going into administration. Commodities broker Marex has been the exception, rising

nearly 15 per cent from its IPO price on Nasdaq in April.

So has the City rediscovered its mojo as an equity-raising venue? The short answer is no and the upcoming general election risks distracting from the urgent reforms that the UK needs.

Much of the good news hinges on specific, sometimes fleeting circumstances. It all has a contingent, *Sliding Doors* feel. If Shein and De Beers float in London, it is due to unique factors. Even if both happen, they are one-offs.

The wave of share sales on the London exchange tells a similar story. Volumes have been dominated by large block

The upcoming general election risks distracting from the urgent reforms that the UK market needs

trades such as the Blackstone-led consortium's exit from LSEG and the sales by GSK and Pfizer of stakes in consumer health spin-off Haleon. Bereft of fund inflows, UK investors prefer putting money into blue-chips they know over punting in growth companies they don't.

As for the FTSE rally, much of it stems from "bid spec" – speculation that corporates or private equity will launch takeover bids for lowly-valued firms.

Hargreaves Lansdown's board has rejected a £5bn offer from CVC, Nordic Capital and Abu Dhabi Investment Authority but it's another sign that bargain-hunting predators are circling over cheap and cheerless British companies.

London faces supply and demand challenges as an equity-raising forum. On the supply side, the UK is not pro-

ducing enough homegrown champions to appeal to fund managers.

Spain, France and Switzerland have hosted more large IPOs in 2024 due to the standout companies they house, not the vibrancy of their financial centres.

On the demand side, years of disjointed policymaking have hollowed out the domestic equity investor base, pushing pension funds and insurance companies away from listed stocks. Retail ownership has plumbed new lows, too. With 0.5 per cent UK stamp duty, overseas shares are cheaper to buy anyway.

A few lucky breaks will not change the diagnosis. Good businesses will attract capital but their listing location is beside the point. London is just one of several serviceable exchanges.

Competitor venues are breathing down London's neck. Just last month, the EU Parliament adopted the Listing Act to cut costs of raising capital while the UK is at least 12 months away from reforms to its prospectus regime.

The supposedly cumbersome EU leapfrogged the UK, even though Britain begun its reforms about a year earlier than the EU with the 2021 Hill Review.

UK authorities must not misconstrue the recent momentum for sustainable progress. When the US IPO market hit the doldrums after the financial crisis, lawmakers roused themselves to action, passing the Jumpstart Our Business Startups (JOBS) Act in 2012.

With the UK general election set for July 4, British policymakers should draw inspiration from across the pond and urgently jump-start the City of London's capital-raising engine.

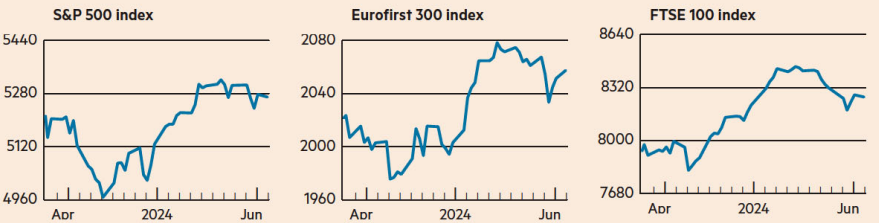
Craig Coben is a former global head of equity capital markets at Bank of America and now a managing director at Seda Experts

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	S&P 500	Eurofirst 300	Nikkei 225	FTSE100	Shanghai Comp	Bovespa
Level	5269.70	2057.46	38923.03	8262.75	3078.49	121819.92
% change on day	-0.15	0.29	1.13	-0.15	-0.27	-0.23
Currency	\$ index (DXY)	\$ per €	Yen per \$	\$ per £	Rmb per \$	Real per \$
Level	104.585	1.087	156.195	1.277	7.246	5.232
% change on day	-0.082	0.092	-0.605	0.314	0.028	-0.455
Govt. bonds	10-year Treasury	10-year Bund	10-year JGB	10-year Gilt	10-year bond	10-year bond
Yield	4.405	2.576	1.063	4.313	2.327	11.461
Basis point change on day	-9.890	-8.800	-0.620	-10.700	-0.900	-0.500
World index, Commods	FTSE All-World	Oil - Brent	Oil - WTI	Gold	Silver	Metals (LMEX)
Level	519.01	78.46	74.34	2348.25	31.27	4362.90
% change on day	0.33	-3.27	-3.44	-0.01	-0.79	-1.31

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
Ups			
Paramount Global	7.18	Telecom Italia	4.13
Autodesk	6.07	Grifols	3.04
Nvidia	3.97	Carrefour	2.84
Teleflex	3.72	Thyssenkrupp	1.90
First Solar	3.20	Hann.rueck	1.84
Downs			
Tractor Supply	-6.87	Solvay	-5.08
Vistra	-6.19	Alstom	-3.89
Nrg Energy	-5.40	A.p. Moller - Maersk B	-3.29
United Rentals	-4.91	Salpem	-2.32
Diamondback Energy	-4.75	Coloplast	-2.16

Prices taken at 17:00 GMT

Based on the constituents of the FTSE Eurofirst 300 Eurozone

All data provided by Morningstar unless otherwise noted.

Commodities

European gas price jumps 13% to highest level this year after Norwegian outage

SHOTARO TANI — LONDON

Europe's gas price yesterday jumped to its highest level this year following an outage at a gas processing plant in Norway, highlighting the increasingly pivotal nature of Norwegian supplies after the continent largely weaned itself off Russian imports.

The price of the European benchmark TTF surged past €38 per megawatt hour on the Intercontinental Exchange, up more than 13 per cent, before falling back to €36.80.

The rise to the highest prices since early December is the latest sign that markets remain on the edge despite near-record levels of gas storage in Europe.

Norway is now the single largest supplier of natural gas to Europe and accounted for 30 per cent of the bloc's supplies last year after most pipeline deliveries from Russia were cut following Moscow's full-scale invasion of Ukraine in 2022.

Unplanned outages in Norway

increasingly tend to cause a sharp reaction in the market.

The jump in prices comes despite Europe having a comfortable level of gas in storage. Storage sites in the EU were more than 70 per cent full as of Saturday, the second-highest level on record for this time of year.

The European Commission has a tar-

'Norway and events surrounding Gazprom is the main driving force for European gas prices'

get to reach 90 per cent storage levels by November but analysts believe they could be full by summer.

The surge in price "highlights the fragility of the European gas market and increased overreliance on a smaller pool of supply sources", said Wayne Bryan, director of European gas research at LSEG. "Until storages close in on EU-mandated levels, European gas prices

will remain elevated, vulnerable and exposed to heightened price volatility from any disruption in supply."

Prices had been on an upward trend since late May after Austrian energy group OMV warned that Gazprom might halt gas deliveries following a court ruling involving the Austrian company, putting the remaining Russian pipeline supplies to Europe in doubt.

The Norwegian outage occurred at the Nyhamna gas plant, which has capacity to process 79.8mn cubic metres per day. The plant is scheduled to be down for an "uncertain duration", according to Gassco, Norway's state-owned company managing the country's gas transport system.

"Norway [outage] and events surrounding Gazprom customers is the main driving force [for] European gas prices," said Tom Marzec-Manser, head of gas analytics at consultancy ICIS.

He added that the outage could potentially cut Norwegian flows by more than 20 per cent.

FT ADVISER



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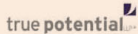
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FT500: THE WORLD'S LARGEST COMPANIES

Stock	52 Week						Stock	52 Week						Stock	52 Week						Stock	52 Week																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
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INTEREST RATES: OFFICIAL

Jun 03	Rate	Current	Since	Last
US	Fed Funds	5.25-5.50	26-02-2023	5.00-5.25
US	Prime	9.50	26-02-2023	8.75
US	Discount	5.50	01-08-2023	5.25
UK	Repo	4.00	14-09-2023	3.48
UK	Hippo	5.25	03-09-2023	5.25
Japan	O'night Call	0.00-0.10	01-02-2016	0.00
Switzerland	Libor Target	1.25-0.25	15-01-2015	-0.75-0.25

INTEREST RATES: MARKET						
Over	Change	One		Three		Six
		Day	Week	Month	Month	
Jun 03 (Libor: May 31)						
US\$ Libor	0.010	0.138	0.000	5.44423	5.50445	5.42435
EUR Libor	-0.04957	-0.064	-0.224	-0.01843	-0.05857	-0.55600
GBP Libor	0.19033	-0.005	-0.043	0.02010	0.03075	0.44470
JPY Libor	-0.009	-0.09	-0.074	-0.77540	-0.70280	-0.88147
Yen Libor	0.012677	-0.001	0.054	0.00060	0.02817	0.01863
EUR Forward	-0.07300			-0.033	3.71700	3.78000
EUR Forward	0.77300			0.00	0.53000	0.63000
US\$ CDs				0.010	5.38000	5.42000
EUR CDs				0.000	3.77000	3.78000

Short	7 Days	One		Three		Six
		Month	Month	Month	Month	
US\$		0.000	3.77000	3.78000	3.76000	

	term		notice	
pro	3.62	3.92	3.76	4.0

Commodities									
Energy									
Crude Oil WTI	Jul	74.47	0.08	Crude	Jul	448.25	2.00		
Brent Crude Oil	Jul	78.46	-2.85	Wheat	Jul	686.25	17.75		
ROB0 Gasoline	Jul	2.43	0.01	Soybeans	Jul	1199.00	-7.00		
Natural Gas	Jul	2.73	0.15	Soybeans Meal	Jul	362.70	-2.00		
Base Metals (LME 3 Months)									
Aluminum	2951.50	6.50	Cocoa ICE (Liffe)	Jul	7627.00	180.00			
Copper	10180.00	20.00	Coffee Arabica	Jul	4280.00	160.00			
Lead	1600.00	69.00	Coffee Robusta	Jul	2250.40	42.00			
Zinc	2285.50	12.00	White Sugar	Jul	553.70	12.00			
Nickel	13475.00	-320.00	Sugar 11#	Jul	18.59	-0.29			
Tin	32100.00	-120.00	Cotton	Jul	74.94	-1.21			
Gold	2393.50	-31.50	Orange Juice	Jul	457.20	20.00			
Precious Metals (PM London Fix)									
Palladium	2942.50	0.00	Cocoa ICE (Liffe)	Jul	6910.00	332.00			
Silver (US \$)	3126.50	-30.00	Feeder Cattle	Jul	134.98	-0.95			
Platinum	2104.50	25.00	Lean Hogs	Jul	94.35	-0.38			
Palladium	940.00	0.00							
Base Commodities									
Iron Ore	118.58	-0.40	SRF GSD Spt	563.52	-1.85	3.33			
Bath Dry Index	1890.00	-7.00	DU LBIS Spt	102.43	1.09	2.63			
Richards Dry Index	107.50	0.00	TRC C200 TRB Tr	943.51	1.22	22.21			
			LEBA EUA Carbon	58.91	-1.98	129.94			
			LEBA UK Power	1048.00	-37.43	-39.60			

Sources: U.S. NYMEX & EUREX, CBOF, ICE Liffe, WICE Futures, CME, ICE London Metal Exchange, LME, WBA and CDS

Libor rates come from ICE (see www.economia.com) and are fixed at 11AM UK time. Other data sources: U.S. WBA & CDS

Traders: Petroleum, SDR, US Discount, IMF, ETHIO, ECU, Swiss LOR, SBN, EURORA, ROMIA & SONIA, WEMO



FT FINANCIAL
TIMES

BOND INDICES

	Index	Day's change	Month's change	Year change	Return 1 month	Return 3 months
Market Index						
ABF Pan-Asia unhedged	208.24	0.02	1.04	-3.29	1.04	0.80
Corporate Asia (E)	351.80	0.34	0.91	-0.76	0.91	0.81
Corporate(EU)	223.79	0.08	0.22	0.22	0.22	0.55
Eurozone Sovereign(E)	217.46	0.19	-0.12	-2.21	-0.12	0.21
Global (E)	267.64	0.59	0.78	-0.49	0.78	0.21
Global (E) unhedged	282.79	0.51	0.91	-0.58	0.78	0.46
Overall(EU)	215.32	0.15	0.01	-1.62	0.01	0.21
FTSE						
Starling Corporate (E)	-	-	-	-	-	-
Euro Corporate (E)	104.47	-0.05	-	-	0.54	-1.41
Eurozone Mktg (E)	816.99	7.40	-	-	-	-
Eurozone Govt Bond	110.04	-0.19	-	-	-0.34	-0.40
CREDIT INDEX						
	Index	Day's change	Week's change	Month's change	3 month	Serial
Market Index						
Crossover 5Y	290.53	-5.24	1.47	-15.68	347.09	283.49
Europe 5Y	51.44	-1.10	0.37	-1.96	62.07	49.49
Japan 5Y	50.34	-0.29	0.29	-0.80	50.00	48.49
Special Financials 5Y	57.86	-1.25	0.29	-2.68	71.81	57.49
Market Cox						
EMG Emerging Markets 5Y	48.74	-0.04	-1.20	-2.41	186.63	156.49
Nth Amer High Yld 5Y	333.59	-3.56	5.06	-2.51	373.48	325.49
Nth Amer Inv Grade 5Y	48.67	-0.01	0.62	-0.58	51.66	48.49

Website: market.com, ftxse.com. All indices shown are unhedged. Currencies are shown in brackets after the index name.

BONDS: INDEX-LINKED						
	Price	Yield	Month return	Value stock	Market	No. stocks
	May '91	May '91	Prev.			
Caa < 2.5% '26	106.78	1.865	1.940	0.99	5.25	68697.33
Pt 0.10% '26	98.03	1.243	1.221	0.22	12.14	262696.46
Suk 1.00% '26	123.72	2.855	2.666	0.24	33.05	241,052.80
UK 0.125% '26	99.34	0.491	0.568	-	14.41	529,333.45
UK 2.00% '35	245.77	0.757	0.823	1.09	8.98	529,333.45
US 0.625% '26	98.74	2.696	2.728	0.75	42.42	183,944.69
US 3.50% '26	109.05	2.898	2.605	1.27	16.78	165,914.69

Representative stocks from each major market source: M&J Global Bond Index v. H.C. Capital Index v. Total market value. In line with market convention, for UK Gilts inflation factor is applied to price, for other markets it is applied to par amount.

BONDS: TEN YEAR GOVT SPREADS						
	Bid Yield	Spread Bid vs Bond T Spread	Bid Yield	Spread Bid vs Bond T Spread	Bid Yield	Spread Bid vs Bond T Spread
Australia	4.34	1.71 - 2.02	Netherlands	2.93	0.30 - 0.61	
Austria	3.02	1.39 - 1.52	New Zealand	4.70	2.08 - 3.01	
Canada	3.63	0.90 - 1.01	Norway	2.73	1.11 - 1.40	
Denmark	2.58	-0.05 - 1.98	Portugal	2.97	0.34 - 1.11	
Finland	3.01	0.38 - 1.51	Sweden	3.09	1.48 - 3.49	
Germany	2.63	0.00 - 1.91	Switzerland	1.05	-1.58 - 3.30	
Ireland	1.87	1.00 - 2.81				

VOLATILITY INDICES

	Jun 03	Day Dng	Prev	\$Z wk high	\$Z wk low
VXD	13.52	0.80	12.92	22.08	11.50
VXD	12.63	1.06	11.57	38.88	2.10
VXD	17.26	0.56	16.70	26.10	7.12
VAN	13.46	-0.33	13.79	83.30	

* \$ZC: VIX, S&P 500 Index Volatility; VIX: VIX DAX Index Volatility; VIXN: NASDAQ Index Volatility
 † Deutsche Bonds, VDX: DAX Index Options Volatility

BONDS: BENCHMARK GOVERNMENT									
	Red Date	Bid Price	Bid Yield	Day yield	Wk yield	Month yield	Year yield	Year	Year
	05/30	100	33.38	2.16	-0.01	0.11	0.01	0.74	0.56
Australia	05/30	1.25	79.39	4.34	-0.02	0.10	-0.01	0.74	0.56
	06/12	1.00	93.36	2.16	-0.01	0.11	0.10	0.56	0.56
Austria	02/29	0.50	79.08	3.02	-0.01	0.05	0.09	0.28	0.28
	02/29	1.50	91.36	3.31	-0.03	0.08	0.09	0.18	0.18
Belgium	04/27	0.00	93.60	3.03	0.00	0.13	0.06	0.36	0.36
	06/17	1.50	98.86	3.53	-0.04	0.10	0.08	0.14	0.14
Canada	06/23	1.25	69.62	4.57	-0.08	-0.08	-0.18	0.33	0.33
	06/30	1.25	87.27	3.33	-0.08	0.00	-0.17	0.40	0.40
	12/28	2.75	87.28	3.33	-0.07	0.02	-0.18	0.34	0.34
Denmark	11/29	0.50	89.56	2.58	-0.02	0.03	0.04	0.05	0.05
	11/29	0.25	51.11	2.75	-0.04	0.07	0.07	0.15	0.15
Finland	08/24	0.00	98.95	3.00	0.00	0.01	0.01	0.03	0.03
	09/02	0.50	89.92	3.01	-0.02	0.05	0.10	0.28	0.28
France	06/28	0.75	91.67	3.31	0.00	0.04	0.08	0.36	0.36
	06/28	2.00	76.09	4.49	-0.02	0.00	-0.01	0.40	0.40
Germany	06/28	0.00	97.39	2.63	-0.01	0.05	0.07	0.40	0.40

08/

		01/28	3.75	102.11	3.13	0.01	0.03	0.09	-0.07
Ireland	05/26	1.00	96.04	3.13	0.01	-0.03	0.05	0.05	0.41
	02/25	2.00	81.95	3.21	-0.03	0.07	0.06	0.05	0.04
Italy	02/25	0.25	99.91	3.59	0.01	-0.03	0.01	0.01	0.26
	05/30	0.40	93.09	3.01	0.01	0.05	0.16	0.16	0.14
	03/28	3.45	87.19	4.32	-0.01	0.10	0.07	0.12	-0.22
Japan	04/25	0.05	99.77	0.33	0.01	0.04	0.12	0.26	0.05
	12/29	0.10	96.98	0.01	0.01	0.01	0.16	0.16	0.41
	12/29	0.40	93.21	2.06	0.02	0.05	0.22	0.03	0.03
Netherlands	07/27	0.75	93.60	2.93	0.00	0.02	0.07	0.07	0.41
	04/27	2.75	96.38	2.97	-0.07	0.07	0.07	0.27	0.27
New Zealand	05/31	1.50	81.20	3.00	0.00	0.03	0.08	0.08	0.08
	09/40	2.50	122.39	2.84	-0.07	-0.03	-0.16	-0.42	-0.42
Norway	06/30	1.50	87.14	3.73	-0.04	0.01	-0.08	0.44	0.44
Poland	07/27	2.50	91.79	5.41	-0.05	-0.09	-0.02	-0.45	-0.45
Portugal	04/27	4.00	108.12	5.55	0.00	0.01	-0.56	-0.32	-0.32
Spain	04/27	4.13	103.13	2.97	0.00	0.00	0.10	0.35	0.35
	10/29	0.60	87.75	3.09	-0.01	0.03	0.03	0.03	0.07
	10/45	2.50	85.19	3.02	0.00	0.03	0.06	0.04	0.04
Sweden	06/30	0.33	111.61	1.05	-0.02	0.02	0.08	0.45	0.45
	03/28	3.50	111.96	2.52	-0.02	0.01	0.06	0.05	0.05
Switzerland	04/29	0.40	116.56	1.04	-0.04	0.07	0.22	0.22	0.22
	06/29	0.00	85.00	1.02	0.04	0.07	0.22	0.22	0.22
United Kingdom	07/27	1.25	91.13	4.30	-0.05	0.00	0.16	0.16	0.16
	07/47	1.50	59.93	4.27	-0.07	0.05	0.05	0.21	0.21
United States	03/25	0.50	86.23	5.22	-0.02	-0.02	-0.04	0.71	0.71
	02/30	1.50	88.89	4.04	0.02	-0.02	-0.19	0.19	0.19

GILTS: UK CASH MARKET

Jun 03	Price E	Change in Yield					52 Week		Ann. Ret.
		Red	Day	Week	Month	Year	High	Low	
12 7/32p 24	98.46	4.95	-0.41	0.41	2.97	5.43	100.00	97.02	35.98
17 1/2p 26	98.69	4.75	-0.42	-1.04	1.74	8.46	96.49	92.92	36.91
10 1/2p 26p 26	93.33	4.35	-0.89	-2.90	-1.81	0.38	93.33	87.71	35.32
17 1/2p 27	91.34	4.23	-1.63	-1.63	0.94	1.93	92.33	86.03	40.99
14 1/2p 29	94.76	4.13	-1.43	0.38	-1.20	-0.46	87.00	78.58	28.50
11 1/2p 30	79.64	4.13	-1.67	-0.48	-1.67	1.23	80.49	74.43	35.98
14 1/2p 36p	99.27	4.33	-1.81	-0.69	-1.59	1.12	102.09	94.63	31.18
14 1/2p 42	98.54	4.59	-1.50	-0.65	-1.92	3.85	100.00	92.93	39.93
11 1/2p 52	88.51	4.68	-1.68	-1.68	-1.68	0.46	88.51	78.70	35.98
14 1/2p 60	89.54	4.60	-1.50	-0.65	-1.71	5.75	101.27	93.13	25.17

Gilt benchmarks & non-rumped updated costs. Closing mid price in pounds per £100 nominal of stock.

GILTS:UK FTSE ACTUARIES INDICES						
Price Indices	Jun 03	Day's	Total	Return	Return	Yield
Fiscal Coupon		Chg %	Return	1 month	1 year	
5 to 10 years to	82.40	0.13	2439.92	0.26	4.85	4.33
25 - 10 years	145.34	0.50	3197.92	0.30	4.48	4.14
30 to 15 years	127.12	0.77	3149.92	0.46	4.51	4.29
45 - 15 years	145.64	0.60	3305.12	0.38	4.53	4.29
5 Over 15 years	192.43	1.18	3487.74	0.35	4.28	4.25
7 All stocks	130.45	0.08	3071.96	0.50	3.79	4.44

Index	Day's	Month's	Year's	Total	Return	Return	Yield
Index	Chg %	Chg %	Chg %	Return	1 month	1 year	
Index							

Index Limited	301.03
1 Up to 5 Years	340.00
2 Over 5 Years	511.45

	Jun 03	Jul 03	Aug 03	May 04	Jun 03	Jul 03	Aug 03	May 04
0-4 yr yield	514.45	485.85	473.7	1,022	509.95	480.95	469.5	1,015
5-15 yrs yield	483.42	462.83	450.2	975.7	478.42	458.36	446.76	968.54
Over 15 yrs	548.53	118	2.29	1,110	409.73	2.91	5.41	0.8
5 All stocks	497.04	0.79	1.35	1.88	390.618	1.50	2.6	

Yield Indices	Jun 03	Jul 03	Aug 03	May 04	Jun 03	Jul 03	Aug 03	May 04
10 Yrs	4.18	4.18	4.19	20 Yrs	4.68	4.67	4.67	4.43
30 Yrs	4.24	4.24	4.25	45 Yrs	4.48	4.54	4.44	4.23
15 Yrs	4.48	4.55	4.40					

	inflation %				inflation %			
	Jun 03	Jul 03	Aug 03	Previous	Jun 03	Jul 03	Aug 03	Previous
Real yield	Jun 03	Jul 03	Aug 03	Previous	Jun 03	Jul 03	Aug 03	Previous
Up to 5 yrs	0.38	2.87	0.46	1.61	0.24	2.81	0.31	1.11
Over 5 yrs	1.13	18.07	0.88	0.89	1.10	19.07	0.15	0.8
5-15 yrs	0.69	0.98	0.75	0.80	0.60	0.90	0.66	0.7
Over 15 yrs	1.10	24.78	1.29	1.03	1.23	24.79	1.27	1.06
All 15 yrs	1.41	15.32	1.15	1.00	1.56	15.35	1.11	0.98

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ARTS

Dazzling performer’s many facets

POP

St Vincent
Royal Albert Hall, London
★★★★☆

David Smyth

She is now on her seventh album, but Annie Clark, who trades as St Vincent, has never performed at the Royal Albert Hall before. This feels like an oversight. Both she and the London venue are showy, technically dazzling and unique in their bold style – and on Saturday she commanded the space like a musician perfectly at home.

Which St Vincent was present, however, was harder to decipher. Although she has a clear pop ear – she has duetted with Dua Lipa and co-wrote Taylor Swift’s huge hit “Cruel Summer” – her own songs tend to be heavy with scenic route diversions. On past albums she has played the part of cult leader, dominatrix or transgender Warhol superstar Candy Darling. Of her new album, *All Born Screaming*, she has said: “There’s no character – it’s just me.” Producing alone for the first time, she largely favoured a weighty industrial rock sound over her previous electronic hyperactivity.

That didn’t necessarily mean that the Albert Hall audience got to see the real Annie Clark from Dallas. She has been too exposed before, blinded by flashbulbs during a spell dating the supermodel Cara Delevingne, and being asked more questions than she would have liked about her father’s 2019 release after nine years in prison for financial fraud. Here she delivered the first song, “Reckless”, in silhouette beneath one of three moving archways. Dressed in short skirt and suit jacket, like one of the models in Robert Palmer’s “Addicted to Love” video, she didn’t acknowledge the audience until she was six songs into the show.

But if guitars could talk, hers made a barnstorming speech. She and guitarist Jason Falkner summoned sounds from outer space on “Marrow”, stomping



Bold: Annie Clark, aka singer and guitarist St Vincent — Dana Jacobs/Getty

funkiness on “Big Time Nothing” and riffs like falling anvils on “Flea”. The signature shape of her personalised instrument – sharp-cornered and near-symmetrical – suited the futuristic styling of many of her songs, particularly the audacious electro rock of those drawn from 2017’s *Masseduction*.

For someone with such a strong sense of the theatrical, the stage set-up was surprisingly simple: those arches

pushed around by hand, three big screens that were actually pretty small, functional lighting and five musicians. This allowed for a more raw kind of excitement when a cameraman loomed millimetres from her face during “Pay Your Way in Pain”. When she ran into the crowd and rolled around on the floor during punky rarity “Krokodil”, she briefly allowed herself loose from her imperious self-control. An audience member even got a warm hug when she ventured up the stairs into the stalls.

She showed some emotion before new song “Sweetest Fruit”, which referenced the accidental death in 2021 of the music producer Sophie. “We’re all here for one reason and that reason is love,” she said. “There’s no other fucking reason to do anything.”

The racing, Giorgio Moroder-inspired synth-pop of “Sugarboy” brought the set to a fizzing climax before a slow-burning finale in the title track of the new album. No encore, no goodbye, but the many versions of St Vincent were all fascinating company.

ilovestvincent.com

Mussorgsky relocated to Putin’s Kremlin

OPERA

Chowanschtschina
Staatsoper Berlin
★★★★☆

Shirley Apherop

It was Russia’s Jonestown, but on repeat: 17th-century Old Believers – Christians who broke with the Russian Orthodox church – were prone to mass acts of self-immolation. Modest Mussorgsky’s *Chowanschtschina* ends with one of these conflagrations, in itself a difficult thing to stage. Add to that the labyrinthine complexities of the opera’s warring *streltsy* infantry, boyars, clerics, women and putative regents, and it’s easy to understand both why the composer did not manage to finish the piece, and why it is seldom performed outside Russia today.

For the Berlin Staatsoper’s new staging, director Claus Guth has chosen the play-within-a-play trope – with a twist. In his version, the action plays out in the back rooms of today’s Kremlin, part of a historical re-enactment observed and filmed by scientists in a bid to learn from the past. Of course, things go horribly wrong.

The production was to have its premiere in March 2020, but it is astonishing how well the concept works in the context of today’s war in Ukraine. Vladimir Putin’s obsession with history and his penchant for repeating its mistakes seem to be baked into the staging’s DNA. Though we have all seen similar concepts far too often on the opera stage, Guth’s work is

so meticulous, his craft so assured, that it works.

More overwhelming, though, is the music. Simone Young conducts Shostakovich’s orchestration of the score with Stravinsky’s ending and fewer cuts than usual; the Staatskapelle orchestra is on peak form, and the monumental whole unfolds with inexorable force and spine-tingling narrative tension.

The singing is uniformly superb. The two warring basses (Mika Kares as Prince Iwan Chowansky and Taras Shtonda as high priest Dossifei) and their baritone rival Bojar Schaklowity (George Gagnidze) are all formidable; the two rival tenors, Prince Andrei (Najmiddin Mavlyanov) and Prince Wassili (Stephan Rügamer) equal in virile intensity and nuance; young Lutheran girl Emma (Evelin Novak) gives an impassioned account of her victimised character, while Marina Prudenskaya wins tumultuous applause for her wily, richly complex account of Old Believer Marfa.

And the chorus is on superb form. Young carries the singers with incredible care, making sure that the massive orchestra never overwhelms them; she also brings a remarkable combination of Wagnerian weight and glass-clear transparency to the orchestral lines, letting the story unfold with an unerring sense of pacing and drama. This is a musical evening a cut above what Berlin opera houses usually offer, and well worth repeated hearings.

To June 23, staatsoper-berlin.de



Spine-tingling: Claus Guth’s ‘Chowanschtschina’ — Monika Rittershaus

Pianist draws inspiration from a painter

JAZZ

Myra Melford’s Splash Trio
Vortex Jazz Club, London
★★★★☆

Mike Hobart

American pianist and composer Myra Melford has long found inspiration in, and connection with, art forms outside jazz. This London gig’s warmth, edge and sense of the slightly surreal presented new compositions in an ongoing project focused on the work of American artist Cy Twombly.

Melford’s approach to the Twombly aesthetic eschews sonic portraiture and seeks common elements in methods, traditions and core concerns. Like Twombly, Melford is located in her field’s avant garde, and, paralleling his methods, she combines a sense of immediacy with a close attention to compositional form. Song titles such as “The Wayward Line”, “Interlude 1: To Dribble, to Smear, to Splash” and “A Line With a Mind of its Own” captured Twombly’s aesthetic in words. Spidery piano, off-kilter riffs and brash beats made the connection in sound.

Although the initial spark for Melford’s interest in Twombly was a 1994 retrospective at the Museum of Modern Art, work on her first edition of Twombly-inspired work, the album *For the Love of Fire and Water*, only started in earnest in 2019. (It was released in 2022.) That album used a multi-layered quintet to investigate what lay behind the painter’s seemingly rushed scrawls and tactile daubs, but here she conjured multiple textures from an impressively mobile trio.

Regular drummer Ches Smith doubled on vibraphone to create an extra layer of sound and Londoner Neil Charles, an impressive stand-in for bassist Michael Formanek, was equally

adept on strings and bow. This was gig three of a short European tour – the previous night, the band played in Rome – and Charles’s ability to play freely while following a complex score was impressive.

The evening began with an elliptical bass riff that leaned into the blues and cracks from Smith’s brittle snare drum in unexpected places. Melford added a series of lines, a two-note motif gathered force, the pulse quickened and then came a burst of expressionist jazz, with Melford rushing round the keyboard, slamming two-handed chords and looping quick-fire rhythmic motifs.

As “Drift” developed, themes switched from piano to bass or reappeared in altered form, and a magical interlude was conjured when bowed bass combined with shimmers of vibraphone.

Melford’s piano aesthetic stands in the percussive left-field lineage of Ellington, Monk and Cecil Taylor. Themes and solos come with sharp angles, wide intervals and lines that are contoured in unexpected shapes.

At this performance, she developed

them fully with an underlying sense of purpose and control that was matched by her accompanists. Smith’s pared-down approach to drumming strips rhythmic complexity to its essence and, played at volume, complemented Melford’s chordal slams and looped rhythms with spaced rimshots, hissed cymbals and tight rolls. Charles, meanwhile, surged or relaxed underneath and pulled the pulse this way and that.

But it wasn’t all *Sturm und Drang*. There were playful funky rhythms and moments of calm. And with every piece in motion, the evening delivered the coherence of a series of variations on an underlying, if somewhat abstract, theme. Her single pause for announcements introduced “Dry Print to Twombly”, the last number of the set. Explaining the painter’s connection to her music, she said: “There’s lots of different kinds of lines, gestures, that sort of thing.” Vibrantly delivered with an unerring sense of form, it made for an enchanting night.

vortexjazz.co.uk



Impressively mobile: Myra Melford and her trio mixed many moods and textures
Roger Thomas

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FT BIG READ. POPULISM

Le Pen of France and Meloni of Italy are expected to emerge as the biggest victors of this week’s European parliamentary elections. How they work together – or not – will shape the bloc’s future.
By Leila Abboud, Amy Kazmin and Ben Hall

The relationship set to redefine Europe

Campaigned at a crowded Sunday market in northern France, far-right leader Marine Le Pen was quizzed by journalists about her strategy for Europe if, as expected, she secures a big win in European parliamentary elections this weekend.

In response, Le Pen suggested that it might depend on another populist nationalist leader: Italian prime minister Giorgia Meloni.

After recent friction between the two, Le Pen issued a conciliatory, almost plaintive appeal to the Italian leader to unite their respective political forces into a single far-right group that could end what she called European Commission president Ursula von der Leyen’s “disastrous policies”.

“This is the moment for us to join forces; it would be truly useful,” Le Pen told Italian newspaper Corriere della Sera. “If we succeed, we could become the second-biggest group in the EU parliament. I don’t think we should miss such an opportunity.”

Just how Meloni answers that appeal could be decisive for Europe’s future. The two powerful women – whose parties belong to separate nationalist, anti-immigration blocs in the European parliament – are set to emerge as the biggest winners in the elections taking place on June 6-9, the twin figureheads of a rightward swing across the 27-member bloc.

The elections could tilt EU policy to the right on contentious issues ranging from the energy transition and agriculture to immigration. The ballot will also help determine the next commission president – whoever the 27 member states nominate must win the support of a majority of MEPs.

Meloni and Le Pen have much in common. Both women have thrived in the male-dominated ranks of far-right political movements historically rooted in fascism. Both have pursued a strategy of detoxifying their parties to make them more acceptable to a wider swath of their electorates. They share ideological ground, including the belief in a Europe of nation states rather than a more closely integrated federal union.

Yet on some issues their differences are stark – on relations with Nato, on arming Ukraine, on immigration, and most of all, on the question of whether to work within the EU system, or whether to fight it.

Meloni is governing as a pragmatist “within the system”, says Marc Lazar, a professor at Sciences Po university in Paris and Luiss university in Rome. Le Pen, a more radical figure gunning for the French presidency in 2027, “is against the system and outside it”.

Since her own election as Italy’s prime minister in late 2022, Meloni, once a Eurosceptic firebrand, has surprised friends and foes alike with her collaborative and constructive approach to Brussels as it dispenses €200bn to Italy for its post-pandemic recovery, reform and investment programme.

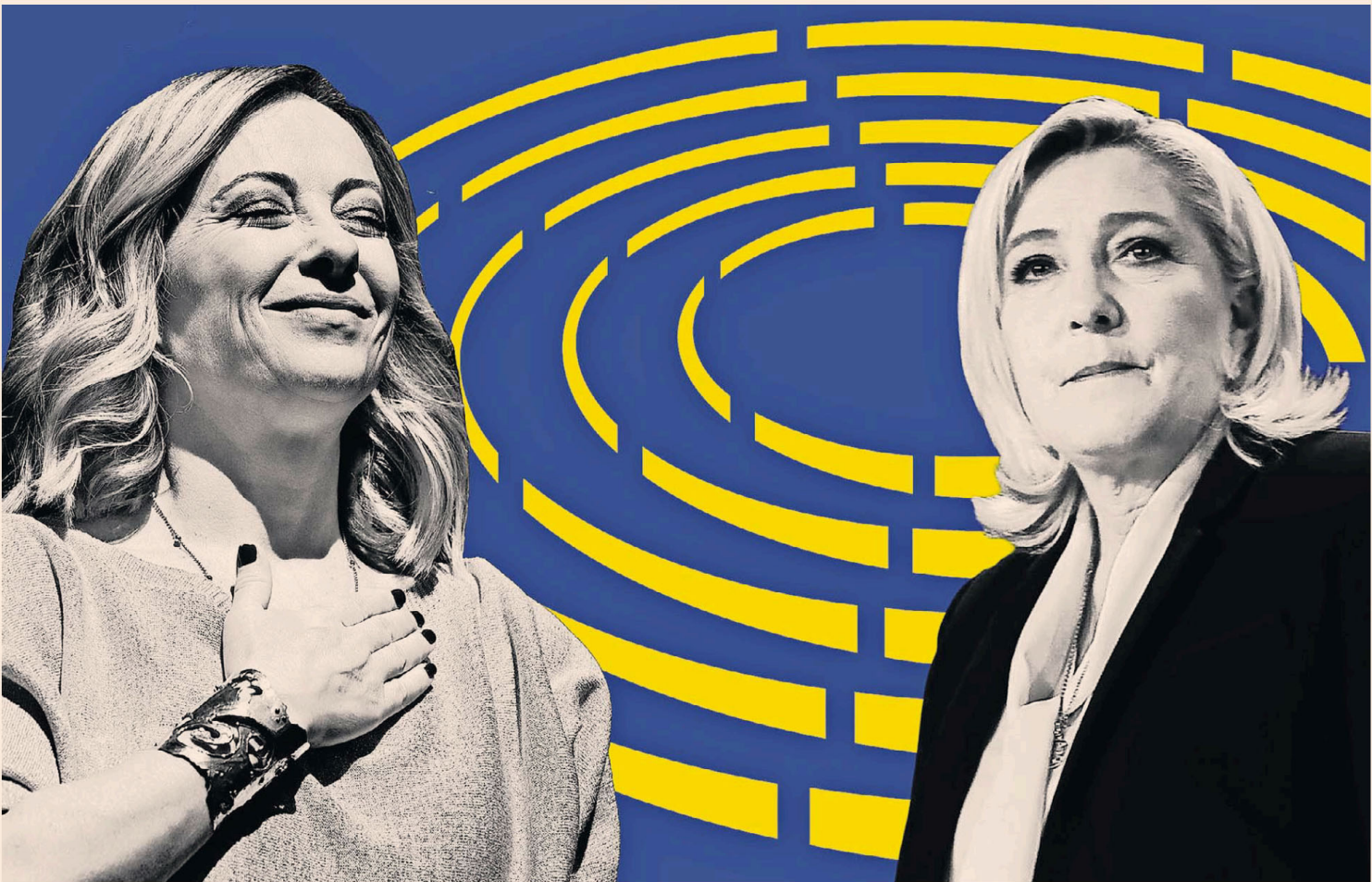
Meloni sees herself as a “bridge-builder” between the mainstream right and the EU’s nationalist Eurosceptic forces such as Hungarian prime minister Viktor Orbán, says Catherine Fieschi, a visiting fellow at the European University Institute. She is also an ideologue “who can see a path to true conservatism within Europe”, she adds.

The question now is what role Meloni decides to play after an election: the pragmatist eager to convene the forces of the right and centre-right, or a radical disrupter who wants to overhaul the EU to hand power back to nations. Von der Leyen’s future may rest on the former, while Le Pen and her allies are hoping for the latter.

“The future of the sovereigntist camp in Europe today lies in the hands of two women,” Orbán told Le Point magazine on May 30. “Everything will depend on the capacity of Marine Le Pen in France and Giorgia Meloni in Italy to co-operate.”

A decade ago, Meloni expressed strong admiration for Le Pen as a role model, given their shared hostility to EU integration. But in those days, Meloni was a political irrelevance, and Le Pen struck up a friendship and alliance with the more powerful Matteo Salvini, leader of the far-right League. That alliance is still in place.

As Meloni emerged from Salvini’s shadow, her ardour for Le Pen cooled, as did her once fiery anti-Europe rhetoric. In the European parliament, her party,



‘We are in a moment of real evolution in European politics. And these women of stature truly embody this change’

Brothers of Italy (FdI), is in the European Conservatives and Reformists grouping originally founded by David Cameron; its partners include Poland’s Law and Justice party and Spain’s Vox. Le Pen and Salvini’s parties are in the harder right Identity and Democracy group.

Both of their parties are set to gain in the European elections next week. The National Rally (RN) is now polling at 33 per cent, up from 23 per cent in 2019, while FdI is on course for 27 per cent, up from only 6 per cent. As a result, polls suggest the ID grouping could win around 66 seats, while ECR should get some 74 seats, with another 16 for potential new members. Von der Leyen’s centre-right European People’s party (EPP) is set to win the most seats, but will need coalition partners to form a majority.

Just as Meloni’s domestic political strategy has been to take power by uniting the Italian right, so has she set out to do the same in the EU – by implication, working with both the EPP and ID. “We want to do in Europe exactly what we did in Italy,” Meloni said in April. “[Bring] together the forces of the centre-right and finally send the left into opposition in Europe too.”

Yet such a coalition is highly unlikely to be replicated at the European level. The EPP has ruled out working with Le Pen or her allies in the ID group on the basis that they are too extreme and have pro-Russia sympathies.

Among ID’s historic members are the extremist Alternative for Germany (AfD), whose lead candidate recently downplayed the role played by SS soldiers in the Holocaust. In the ensuing furore, AfD was kicked out of the ID parliamentary group.

Le Pen herself has already ruled out any coalition in Brussels that involves von der Leyen. “Her time is up,” Le Pen said in late May. “As far as we are concerned, we will never, I repeat never, vote for Ursula von der Leyen.”

Instead, the ECR grouping, of which Meloni is president, is being wooed by both the mainstream centre-right and the hard-right.

Von der Leyen, who has worked closely with Meloni, especially on the migration issue, may need the Italian premier’s support in a parliamentary vote on her sought-after second term. That would put the Italian leader in a powerful kingmaker position.

The EU’s liberal and centre-left leaders have become so alarmed at the prospect of von der Leyen forming a pact with Meloni that they have threatened to vote against re-electing her.

The hard-right is just as opposed to such an agreement. Back in March, Le Pen made a combative video demanding that Meloni tell “the truth to Italians” about whether she would support von der Leyen’s re-election, which the French leader said would “aggravate the policies that are causing so much suffering to the people of Europe”.

More recently, Le Pen’s tone has shifted markedly as she has invited Meloni to merge ECR and ID into a hard-right “supergroup”, which would have more power within the assembly than as two entities. So far, the Italian premier has been ambiguous. Instead, she has talked publicly of co-operating on selected issues of mutual concern.

As long as Meloni sticks to her moderate path, that scope for co-operation appears limited.

She has of late pursued mainstream conservative goals, depicting herself as a serious leader able to fulfil Italy’s commitments to unlock its share of EU recovery funds and reassuring markets that she is a safe pair of hands.

She has largely accepted the basic tenets of EU economic policy: the rules of the single market, deficit and debt limits, and economic and administrative reforms in return for securing this economic support.

On foreign policy, Russia’s invasion of Ukraine in February 2022 put a new focus on geopolitical issues. Though Meloni had previously expressed admiration for Russian president Vladimir Putin, she came down quickly and unambiguously in support of Kyiv. As prime minister, Meloni continued sending weapons to Ukraine and backed its accession to the EU.

“The world changed in February 2022 and she understood she had to take a position and not move from that position,” says Ernesto Di Giovanni, co-founder of the Rome-based political consultancy, Utopia. “This is one of the things she is doing to normalise the

party, and let Brothers of Italy not be seen as a far right party, but a conservative right party, as the Tories, as others around western countries.”

Le Pen has also moderated her Euroscepticism, especially since losing the 2017 presidential election. She no longer calls for France to leave the EU or abandon the single currency – a position seen as unpopular after Brexit.

But RN’s proposals to drastically cut immigration and give French companies preference in public procurement would, say the party’s opponents, break EU law and amount to a soft “Frexit”.

Unlike Meloni, Le Pen wants to gain power not by working with mainstream conservatives but by supplanting them, while also appealing across the political spectrum, especially to the young and working class, with more radical and populist economic positions.

“She has a totally different approach,” says Lazar, the Sciences Po professor.

Privately, many of Le Pen’s closest allies are critical of Meloni, suggesting the Italian prime minister has been forced into a position of subservience to Brussels because of her country’s fragile public finances.

“When you have a recovery plan to get €190bn as Italy does, you cannot bite the hand that feeds you,” says Renaud Labaye, secretary-general of the RN group in the French parliament.

RN leaders were also unhappy with Meloni giving more work permits to migrants and her role in securing agreement for an EU migration pact, which introduced a system for EU members to share the burden of asylum-seekers arriving in frontline border states like Italy, an approach they staunchly opposed. “Meloni’s policies on immigration are baffling and horrifying,” says one Le Pen ally, who asked not to be identified.

Meloni’s position on Ukraine and European defence puts her at some distance from Salvini and Le Pen, who both had personal, political and financial ties with Putin and his United Russia party.

Le Pen, whose party was once financed by a Russian bank loan, also switched to denouncing Putin for breaking international law. However, the French opposition leader, who has a long history of anti-Nato statements, opposes arming Kyiv and urges immediate peace talks even if that means accepting Russian territorial gains.

These fissures are emblematic of the wider splits between the main pan-European populist and far-right political parties – and indeed divisions within them – that, say analysts, demonstrate why nationalists are inherently bad at the kind of international co-operation needed to wield power in the EU.

Both Giorgia Meloni, left, and Marine Le Pen have thrived in male-dominated far-right political movements historically rooted in fascism. Though they share some ideological ground, their differences on other issues are stark

FT montage/Bloomberg/Getty

“I expect the far right to remain electorally successful but politically marginal, mostly because of its internal divisions,” says Cas Mudde, professor of international affairs at the University of Georgia and an expert on populism.

Despite this, some hard right politicians on both sides of the Alps see the differences as bridgeable. They suggest that prospects for collaboration – or even a broader reconfiguration of the party groups – are greater than the pre-electoral positioning would suggest, especially after Le Pen’s split with the more extreme AfD.

“We are in a moment of real evolution in European politics,” says Jean-Paul Garraud, an MEP for Le Pen’s RN. “And these two women of stature truly embody this change. The possibility of working together really does exist.”

One sign was Le Pen’s appearance at a conference in Madrid last month hosted by Vox and involving Meloni and other nationalist leaders, such as Orbán, who may also play a key role in any recombination. In an online campaign event, Meloni also said last week that she felt Le Pen was “on an interesting path”.

Claudio Borghi, an Italian senator who is running in the European elections for the League, says historical differences over Russia are no longer so relevant, since most of the parties that could form a new unified “rightwing euro-critical” party had condemned Putin’s invasion. “This subject is not on the table anymore,” he says.

Borghi also predicted that relations between Rome and Brussels would become more fraught this year when the commission starts to enforce EU fiscal rules that had been suspended during the pandemic. Italy’s public deficit stands at 7.4 per cent of GDP, the highest in the Eurozone.

Most of the populist and far-right parties could join a bigger, broader group “that will not be monolithic,” says Garraud, but would instead “understand and deal with” divergent national interests.

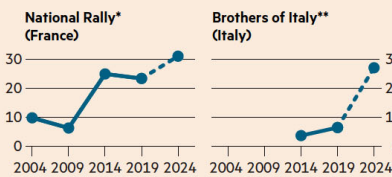
As for Meloni, “we see her as an ally in terms of ideas and we have lots of political points in common, but there are differences in approach,” Garraud continues. “Madame Meloni is confronted with the realities of power. We know very well that the Italian situation is complicated, including with regard to finances.”

Le Pen feels no such pressure in opposition, however, and her allies say she will not become any less radical in her push to win the presidency. Meloni “fit into the mould since she had to do so”, says Labaye, “and we will not.”

‘I expect the far right to remain electorally successful but politically marginal, mostly because of its internal divisions’

National Rally and Brothers of Italy are both polling about 30% ahead of the European elections

Vote share (%), European elections 2004-19
Dotted lines indicate polling

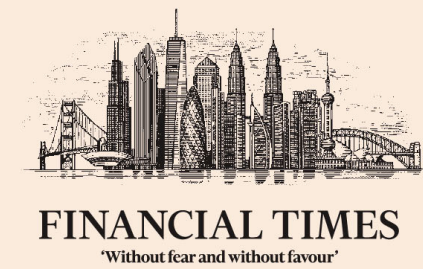


* Previously ran as Front National

** Founded in 2012 so did not run in 2004 and 2009

Sources: French Ministry of the Interior; Italian Ministry of the Interior

The FT View



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Britain’s muddle-along economic model

Parties’ election campaigns need to outline a realistic growth strategy

Over the past 15 years, Britain’s economy has come to resemble a ship floating aimlessly at sea. Jolted off course by the global financial crisis, several changes of captain and a few wrong turns – Brexit most of all – have since left it adrift and buffeted by economic squalls. More than a week into the UK’s general election campaign, the main parties have trailed some key policies. But neither has given a coherent answer to the central question: what exactly Britain’s economic model should be.

The UK economy is over 20 per cent smaller than if it had it maintained its pre-2008 trend growth rate, though the pandemic and energy price spike due to the Ukraine war have taken a toll. A succession of growth plans, prime ministers and chancellors in recent years have left

a confused approach to key areas of economic policy, and a gap where the post-Brexit growth strategy should be.

Britain cannot continue muddling on. The country must rise to several domestic and international challenges. Lacklustre productivity growth is straining revenues and living standards. Britain’s standing as an international business hub is under increasing pressure. It must also navigate shifts in geopolitics, technology, and demographics. Whoever can most cogently articulate what it wants the country’s economy to be should be entrusted to take it forward.

That begins by outlining a clear and realistic growth strategy to provide a framework for long-term tax, investment and regulatory decisions, and the country’s relationship with the EU. The Conservatives have so far resorted to an ad hoc approach of propping up sectors, while setting out ambitions to be “world-leading” in everything from cryptoassets to the future of transport. Shadow Chancellor Rachel Reeves’s

“securonomics” plan is closer to the big-budget interventionism of America’s “Bidenomics”, though with far smaller financial resources behind it.

First, Britain must decide what it wants to be good at. It cannot compete on all technologies and fronts in the green transition, given the size of its market, capital and work force relative to the US, China and the EU. That means it should create conditions for its comparative advantages – including in financial services, universities, life sciences, and some renewable technologies – to thrive. This would give it a surer place in the global economy, rather than spreading itself thinly across numerous sectors. Then it needs to narrowly define where the UK needs a domestic foothold for any national, energy and supply chain security considerations.

Next, broader growth opportunities, across the UK’s regions and nations, can be unlocked by removing impediments that hinder business and investment in all sectors. That means simplifying

Drawing up a coherent plan necessitates difficult trade-offs, which recent governments have been unwilling to acknowledge

planning processes – to get houses and infrastructure built faster, supporting Britain’s vast pools of long-term capital to invest in start-ups, and developing a flexible skills system. A commitment to default regulatory alignment with the EU, which remains the country’s largest trading partner, would also bring much-needed certainty for industry. Divergence should be sought only when it is in Britain’s clear economic interest.

Drawing up a coherent economic model necessitates difficult trade-offs, which recent governments have been unwilling to acknowledge. It means prioritising strengths and competitiveness, not giving in to powerful lobbies, and potentially upsetting some constituents. By the end of campaigning, the vision for Britain’s economy must not look as amorphous as it is now. Otherwise, the next government risks continuing to take the country down a path where political expediency trumps economic logic. In that case, the UK’s relative decline will be all but set in stone.

Opinion Election

UK politics must stop fixating on the grey vote

Ewan White



Stephen Bush



Keir Starmer and Rishi Sunak are both fighting defensive election campaigns – albeit of very different types. Starmer is running a safety-first campaign designed to reassure voters who have switched from Conservative to Labour – or from Conservative to “don’t know” – that his party can be trusted.

Sunak’s strategy, on the other hand, is throwing the kitchen sink at voters in a bid to regain those who supported the Conservatives in 2019, but now tell pollsters that they will vote Reform, or do not know. His aim is not necessarily to win, but to save as many Tory seats as possible.

What both have in common is their focus on voters who are past retirement age. There is much to be said about the electoral shortcomings of this approach. On the Labour side,

Too often, the debate becomes about cheap tricks to promise the old more for less money

it means that Starmer essentially wakes up every morning and finds another way to limit his freedom of movement in government. Everything from changing the UK’s relationship with the European Union to tax rates to immigration policy has been ruled out. This makes his campaign to return Labour to office easier but it carries with it the risk of a short stay in power.

On the Tory side, Sunak’s approach is hampered by inconsistency. Over the past year, he oversaw two budgets in which the government handed out the best part of £20bn in cuts to national insurance – a tax that most of the older voters he is wooing do not pay.

It would have been better, even from the position of Conservative self-interest, if Sunak had spent that £20bn on the public realm instead. Particularly if it had targeted services such as the NHS, which older voters are more likely to use. Splashing £20bn on a tax cut for a voter bloc he has no interest in is now fruitless. Along with the self-defeating decision to launch his core vote charm offensive with a half-baked policy on national service, the prime minister’s whole endeavour smells of desperation.

In ageing democracies, it is possible for parties to win with a near-exclu-

sive focus on people in the final third of their lives. But there are policy reasons why they shouldn’t. Doing so distorts how political parties think. In the end, no one is happy: the old and the young get poor services, while everyone else feels neglected.

One reason for this is that, inevitably, we cost the state the most at the beginning of our lives and then again as we get closer to the end. Parties that compete solely for the older vote will have many more opinions about how the state should spend its money than how the economy as a whole should operate.

There are important debates to have about state spending, including the role of private providers in healthcare and the use of machine learning and other forms of innovation in schools and hospitals. But too often, these become about cheap tricks to promise the old more for less money, rather than the result of deep engagement with the policies in question.

The same problem is repeated when a party that doesn’t exclusively talk to the old tries to think about the very young. Spending again looms large. Small wonder that both the main UK political parties have narrowed their offer to working-age voters in terms of childcare and recruiting school teachers: the youngest, like the oldest, are most in need of state largesse. This is worthwhile, but it is also expensive, and unlikely to raise enough money or produce enough talent to succeed.

What makes a party successful in policy terms instead of just electoral ones is an ability to go beyond spending promises for targeted voters in order to create the type of voters it wants. David Cameron, the last prime minister with a legacy that extended beyond mere election victories, had the same type of voter in mind as his two Labour predecessors: a socially concerned person who worked in financial services. This approach fell out of vogue in the Tory party because he never succeeded in winning over sufficient numbers of those voters to win big majorities. But Cameron managed to oversee policy achievements, for good and for ill, that have endured.

The absence of a similar focus is one reason why Rishi Sunak’s government has been so scattershot. Apart from a culturally conservative pensioner who does not use the NHS or worry about potholes, his imagined voter seems to be a national service graduate with a military commission and a maths A-level. Meanwhile, Labour’s idealised voter seems to be a person in a post-industrial town that now makes solar panels. It remains to be seen whether a Labour government will be able to break the UK’s recent run of chaotic leadership with little vision beyond the elderly.

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Letters

Flawed thinking blinds investors to dangers of a Trump victory

Katie Martin’s shrewd advice (“Markets cannot keep ignoring Trump’s bid for re-election”, Opinion, May 31) that investors should be cautious about a second Trump presidency is likely to go unheeded.

In this bull market, her warning is as welcome as a pub’s “last orders” announcement. As one investor

delicately explained, Wall Street’s preference to your reporters in the related story “Billionaire Ackman warms to Trump as Wall St swings behind ex-president” (Report, May 31), Donald Trump lacks “family values”, but he’s “a more commercial guy” than the incumbent. “Our kind of people like that”, he added unnecessarily.

This is the same flawed quarter-to-quarter thinking that sometimes blinds his kind of people to longer-term market conditions, especially geopolitical ones. A president who ignores the law to reverse an election outcome wouldn’t hesitate to ignore laws governing commerce if doing so served his interest. In societies long

past the bond of the handshake, enforceable laws are all that protect business transactions. Saying so is no endorsement of Joe Biden; it merely underscores our dilemma.

Something to think about over the next two quarters.

Luke Popovich
Washington, DC, UK

Egging on Tbilisi protesters risks new Russian invasion

Your report on the Georgian parliament passing the “foreign agents” law despite months of protest (Report, May 29) highlights that the large majority of the population wishes to join the EU and Nato. But it overlooks – as the Georgian government cannot – the constraints imposed by the geopolitics of the country’s location. It has a long northern border with Russia. Two of the country’s provinces, accounting for about a fifth of its territory, were invaded by Russia in 2008 and continue to be under de facto Russian control, putting Russian troops only 40 kilometres from the capital.

The war in Ukraine has stoked fears in the Georgian Dream government and across the population of “Ukrainisation” – meaning that if the west cannot properly protect Ukraine, much larger and closer to Europe than Georgia, it is even less likely to offer assistance to Georgia in the event of more Russian aggression. The government is anxiously strengthening relations with China. The day after parliament approved the new bill it announced that a Chinese consortium would upgrade Anaklia port, as a pole on the Middle Corridor route from China to Europe, bypassing Russia.

It is important for western states to



avoid inflaming the security dilemmas faced by the government. Having another Kyiv Maidan situation in Tbilisi is not in the interests of Europe or the US. It could provide Russia with a pretext for another invasion.

Tato Khundadze
PhD candidate, The New School, New York, NY, US

Robert H Wade
Professor of Global Political Economy, London School of Economics, London WC2, UK

Tornado-hit Louisiana NGO in climate plea

The move by Crédit Agricole and BNP Paribas to no longer back oil and gas bond deals has provided a much-needed glimmer of hope (“BNP Paribas and Crédit Agricole shun oil and gas bond deals”, Report, May 29).

The offices of the community outreach organisation I founded in south-west Louisiana, the Vessel Project, was destroyed in a tornado last month. Ironically the people we help are often dealing with the after-effects of extreme weather, while they are surrounded by the very industries creating the problem which also are the ones polluting the air and water.

The fact that two major European banks will no longer underwrite bonds in these polluting industries is a positive step but more banks need to make this commitment. US banks are failing to make similar policy changes which would address the risk involved in fossil fuels and the harm they create. Japanese banks are moving up the global rankings on oil and gas financing.

My community in Louisiana can see the urgent need to address climate change and it is to our cost if many of the world’s major banks do not.

Roishetta Ozane
Lake Charles, LA, US

How our own brains work may be AI’s biggest insight

I agree with the motivation for your editorial (FT View, May 31), but think the artificial intelligence you speak of is a “black box”, whether it should be or not. It is trillions (at least – more likely several powers of 10) of artificial neurons, inspired by natural systems, interacting in ways we don’t fully understand. It is not a car with well-defined human components: engine, wheels, etc. Basel-type regulation is not applicable. We know the inputs: pretty much everything (eg the whole of Wikipedia).

We know how to build such systems but in some ways training them is akin to growing a new plant or creature. Whether they prove of commercial use or not, perhaps the most useful insight such models might provide is to know how our own brains work: biological systems are more difficult to study.

For the time being I shall ponder the wonderful mind of my wife. A trivial argument with her inspired this letter!

Roderick Wallace
Beckenham, Kent, UK

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OUTLOOK

ASIA

Why China’s hotels are being told to welcome foreign guests



by Thomas Hale

For the past year, the Chinese government has been trying to encourage overseas visitors to return to China.

Last month, it took the unusual step of insisting that hotels stop turning them away.

Foreigners are rarely rejected from hotels in China’s biggest cities. Outside them, however, it remains a lingering risk. While making a recent visit to Changsha, the provincial capital of Hunan, it happened to me.

In most cases, a hotel will claim that it lacks the relevant qualification to accept overseas guests. The central government’s notice specifically prohibits hotels from rejecting visitors on such grounds. So what explains the practice?

Part of the answer lies in China’s history. The country introduced measures for “control of security in the hotel industry” in 1987, at a time when it was reopening to the world. These require that details of overseas guests are submitted to authorities.

Ken Jarrett, a former US consul-general in Shanghai, arrived in 1979 when there were limitations on where foreigners could stay. He recalls having to ask for a “foreigners’ hotel”, as well as crowds of Chinese people gathered outside the famous Peace Hotel in Shanghai trying to figure out what was going on inside. One explanation for the current rejection of overseas guests is the residual memory of that set-up, even if it is hard to identify any definitive sign of specific qualifications required. Zhao

Huayan, a senior economist in the tourism and hospitality industry, says hotels cite the purported qualification as an “excuse”, and that the reality is that they may lack the training or language skills to accept foreigners.

Based on the 1980s government regulations, hotels must still scan the identification documents of foreign visitors when they check in. The information is passed on to the local Public Security Bureau (PSB). In post-Maoist China, the political climate would have been highly attuned to any foreign presence. Political tensions with the US may explain the persistence of such practices.

Chinese identification documents need to be registered at hotels, too, and staff say these details are also sent to the PSB. In some regions, such as Hunan, the local version of regulations confirm this. The PSB fines hotels if they input information incorrectly. Foreigners, having distinct documentation, may therefore be an administrative risk for hotels rather than a target for discrimination (though there are accounts of this occurring during the Covid-19 pandemic).

China’s habit of closely tracking guests extends far beyond the recent communist past. Over two millennia ago in Qin dynasty China, Shang Yang, a reformer who advocated harsh rules, wanted to stay at an inn while on the run after his political fortunes changed. The innkeeper, citing the fugitive’s own rules, said he could only stay if he registered his true name.

“Oh my legislation,” he lamented. “The law has been corrupted.” He was subsequently torn apart by chariots.

In recent decades, Chinese hotels have emerged as a core component of local infrastructure, closely enmeshed with government and often built on a vast scale. In a country where citizens in living memory required a letter from the head of their work unit to travel, they are an important part of the state’s security apparatus – a leviathan that only rarely surfaces for air. Foreigner rejections may simply be an unintended consequence of that domestic apparatus. But it is hard to entirely discount the possibility that behind the scenes, local authorities are intervening to constrain certain establishments. The history of China may help to shed light on the origins of foreigner rejections from hotels, but the system it has produced makes it difficult to be certain of the precise cause.

Back in Shanghai, I popped into a boutique hotel to double check they would accept friends visiting from overseas. The answer was yes. The receptionist was under the impression that hotels rejecting guests lacked the right qualification. But she was not sure of the credentials in question, or the exact details of the rules. “There are so many departments,” she said, gesturing around her. “There’s definitely someone who knows.”

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Additional reporting by Wenjie Ding in Beijing

Opinion

How the ANC can save South Africa

POLITICS

Alec Russell



The demise of postcolonial liberation movements is frequently messy – but it is ultimately essential. It may be worth remembering this in the months ahead as South Africa charts a new course in the wake of the shattering electoral setback for the ruling African National Congress. It is a moment of great peril – but also, after a decade and a half of drift and dysfunction, of promise, too.

Whether via force, skulduggery or lack of viable opposition, liberation movements tend to cling on to power long after they have forsaken the idealism of their early days in office. Until recently, this seemed the likely dismal trajectory of the ANC. Long ago it lost sight of the distinction between party

and state. So corroded has it become in the 30 years since it took charge at the end of white rule that just about anything it touches seems to wither away.

And yet right at the end of its sixth consecutive five-year term in office it has bequeathed – if unintentionally – something of incalculable value to South Africa: it has overseen an election in which it has taken a pounding, crashing from 57 to 40 per cent of the vote – and accepted the result. Voters in Zimbabwe, Angola and other countries living under the dead hand of effective one-party rule will look on with envy.

It is not yet clear if this presages the party's long-term decline along, say, the lines of another once lionised ex-liberation movement, the Indian National Congress, which also first lost power after 30 years in office, and is now a shadow of its former self. Exit polls suggest it has just been trounced in a third successive election by the Bharatiya Janata party.

But what is clear is that for South Africa, rather sooner than expected, the second chapter of the post-apartheid story is under way. The country has

long, and sometimes vaingloriously, liked to trumpet its exceptionalism. Now is its chance to live up to this. The question is whether it can again defy the doom-scenarios as it did in the early 1990s when it averted civil war.

The looming nightmare this time is the economic implosion that would surely follow if the ANC does a deal with radical breakaway parties to stay in power. Siren voices in the leadership still like the idea of a coalition with the uMkhonto weSizwe (MK) party of disgraced former president Jacob Zuma, who wants to scrap the constitution, and/or with the Economic Freedom Fighters, a rag-bag of race-baiters and would-be expropriators fond of spouting Marxist-Leninist claptrap.

This would be a calamity. Investors

would all but give up, the economy would shrivel and the ANC would deservedly go down in history as just another shabby movement that has betrayed its people, little better than Zimbabwe's predatory elite.

The only sensible option is a deal with the leading opposition party, the centrist Democratic Alliance, which won 22 per cent of the vote. In part this is a matter of head versus heart. The DA is a market-friendly party with a successful record in running the Western Cape. But with its mainly white leadership and having hoovered up the supporters of the National party, the now defunct party of apartheid, it has struggled to shed the perception that it is out of touch with the Black majority.

The signals from the ANC's leadership are encouraging. In turn, the DA has to ask itself some big questions. It has failed to capitalise on the dire record of the ANC, whose defecting supporters mainly turned to Zuma's MK. By the time of the next election, it also needs a Black leader. In coalition, it may then have a chance of running the show as the ANC is in utter disarray.

South Africa's prospects remain rocky. MK, which came third with nearly 15 per cent, is a wild card. It may end up running Zuma's home province of KwaZulu-Natal, which would lead to a haemorrhaging of investment there. He has already threatened a resumption of the violence that has plagued the province over the years.

Much of the damage wrought to the national infrastructure will be impossible to repair. It is salutary to note that the ANC sowed many of the seeds of this malaise before Zuma took power in 2009; he just turbocharged it. But there are ways of mitigating the damage and restoring economic growth.

A former ANC grandee reflected recently on the fate of Zambia's liberation movement, Unip, which ruled for nearly 30 years until 1991 and now doesn't have a single MP. This could be the ANC's lot. Or it could stumble on like India's Congress. Or it could just possibly revive itself. Whichever happens, first it has to make a fateful decision – on which South Africa's future depends.

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Slovakia doubles down despite assassination attempt

Anton Spisak

After Soviet tanks invaded Czechoslovakia in 1968, Milan Kundera observed that a small nation "is one whose very existence can be put in question at any moment". The recent shooting of Slovak prime minister Robert Fico, who survived the attempt, has underscored this fragility for the central European nation of 5.4mn. But the primary threat to Slovakia today comes from within – a sharply polarised society.

The assassination attempt on Fico is unprecedented for Slovakia but follows a series of high-profile incidents. In 2018, the murder of investigative journalist Ján Kuciak and his fiancée sparked the largest protests since the 1989 Velvet Revolution. A recent homophobic attack in Bratislava claimed two young lives. Zuzana Čaputová, Slovakia's outgoing president, chose last year not to seek re-election, partly because of death threats against her and her family.

Fico became premier in 2006 on a leftwing platform but soon became embroiled in corruption scandals. After he left office in 2018, some of his closest colleagues faced criminal prosecution. Last September, he staged a comeback, winning parliamentary elections by tapping into nationalist sentiments.

His government has not shied away from controversy. In just six months, it has abolished the special prosecutor's office tasked with investigating high-profile corruption cases, softened penalties for white-collar crime and distanced itself from the western foreign

This attack on Fico should prompt reflection about what has brought the nation to this point

policy consensus on Ukraine and China. Still, political disagreement must be tolerated in a democratic society; any form of political violence must not.

The attack on Fico should prompt reflection about what has brought Slovakia to this point. The nation has long been split between liberal-leaning, pro-western urban voters and older, poorer and rural Slovaks nostalgic for the pre-1989 era. And Slovak politicians have exploited these rifts for years. Recent elections have shifted from contests of political ideas into clashes of values and world views. On one side is the aspiration to align with the political west; on the other, disappointment at post-1989 trends and the cultural conditions of central and eastern Europe.

What bodes ill for reconciliation are the developments after the attack. A shortlived moment of unity emerged when Čaputová and her successor, Peter Pellegrini, called for calm. But ultra-nationalists from the ruling coalition blamed the attack on the liberal opposition and media's "witch hunt" against Fico. Nor does the government seem much deterred from pushing its agenda. Since the shooting, it has passed a law placing the arts council under political control and advanced plans to dismantle the state broadcaster – all while ignoring the country's most acute challenges. Slovakia faces the Eurozone's highest deficit this year and its dire public finances require cuts of 1.5 per cent of GDP under the EU's new fiscal rules.

This puts opposition parties in a near-impossible task of having to challenge government policies without engaging in a destructive blame game. The EU, too, faces hard a choice. The European Commission, which had earlier warned Fico about the consequences of his government's actions, must decide whether to freeze €3.7bn from the EU's post-pandemic recovery fund. Suspending these funds now could bolster Fico's nationalist appeal, but ignoring his transgressions would give succour to nationalist-populists elsewhere across Europe.

What Slovakia, a small nation wrestling with large internal rifts, needs now is political leadership that restores decency in public life. Rejecting political violence was the necessary first step. But Slovaks across the political spectrum must also recognise that the attack cannot serve as a pretext to suppress legitimate critics of government policies. How Slovakia navigates this delicate balance will be the test of its national resilience.

The writer is an associate fellow at the Centre for European Reform

Russia's nuclear threats are losing potency

GLOBAL AFFAIRS

Gideon Rachman



Russia is once again waving around its nuclear weapons. Last week, Vladimir Putin warned Nato countries against allowing Ukraine to use western munitions to strike Russia. The Russian leader warned of "serious consequences" and said that Ukraine's allies should be aware of the "small territory" and "dense population" of many European countries.

In case this was too vague, Dmitry Medvedev followed up with a more blood-curdling threat. Russia's former president cited Putin's words and added: "The use of tactical nuclear weapons can also be miscalculated. This would be a fatal mistake."

Medvedev has a reputation as a man who is fond of strong drink. But Moscow has also taken actions recently to underline its threats, with Russian troops conducting nuclear drills near the border with Ukraine.

These moves have not deterred several Nato nations, including the US, from taking the latest step up the escalation ladder by approving the use of their weapons inside Russian borders.

This latest move by Nato nations reflects a mix of confidence and

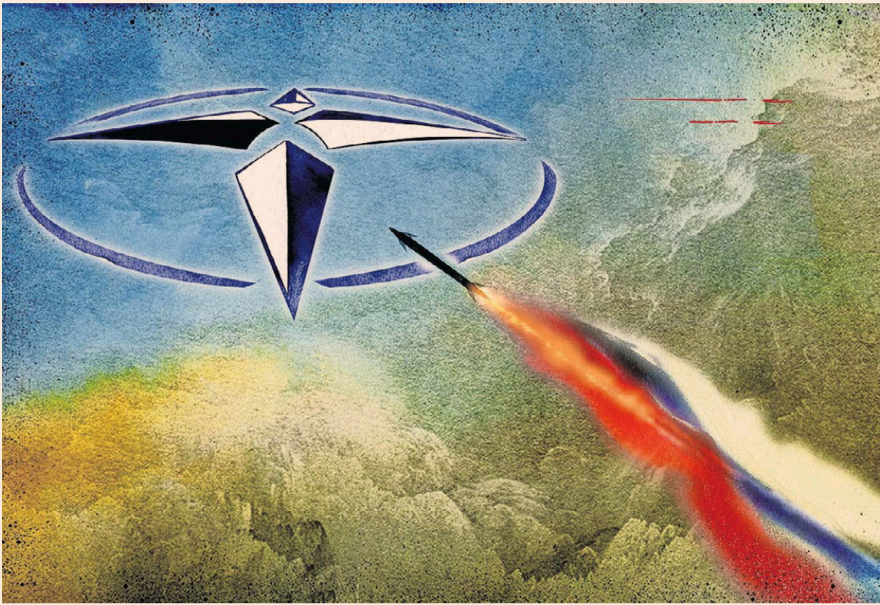
nervousness. On the positive side, the US and its European allies are now less concerned about the threat that Russia will go nuclear than they were 18 months ago.

On the negative side, they are also increasingly uneasy about the situation on the battlefield. The new willingness to allow Ukraine to strike back at enemy artillery positions and missile bases – even if they are inside Russia itself – reflects a concern that Ukraine is gradually losing the war. As a result, Kyiv's western backers feel compelled to tolerate a greater level of risk to keep Ukraine in the fight.

The west's willingness to take on this level of risk represents a dramatic shift in thinking since Russia's full-scale invasion in February 2022. Back then, Nato countries were nervous about providing Ukraine with any offensive weapons.

The provision of each new significant capability to Kyiv – long-range missiles, tanks, fighter jets – has been accompanied by prolonged, sometimes agonised, debate in the west and by nuclear threats from Russia. But each time the Nato countries have crossed a threshold, the Kremlin has failed to make good on its nuclear threats. And that has made it easier for the western alliance to take the next step.

But the fact that the US and its allies are no longer quite so anxious about Russia's nuclear posturing does not mean that they dismiss the threat completely. Indeed, there are some western officials who remain very uneasy about the potential for escalation involved



in authorising the use of weapons, provided by the west, to strike Russian territory.

Their concern is that Russia will regard this latest step as the escalation of a proxy war by the west and could make what it regards as a symmetrical response – involving counterstrikes on Nato territory. That might lead Russia and Nato very close to the direct conflict that western leaders have always sought to avoid. Russian military doctrine is believed to assume that Moscow cannot prevail in a conventional war with the west, and so to envisage the early use of nuclear weapons.

Despite talk by Emmanuel Macron, France's president, of eventually stationing French troops on Ukrainian soil, the western alliance is still trying to

The west's new willingness to allow Ukraine to strike back at enemy positions represents a dramatic shift

maintain its clear red line against direct involvement in a conflict with Russia.

When Iran recently loosed off a barrage of missiles at Israel, the US and its allies got directly involved in shooting them down. Ukraine has received no such support against Russian missile assaults on cities and infrastructure – partly because of the risk that western air forces might end up shooting directly at Russian forces.

Even now, the US has put significant restrictions on how far Ukraine can go in striking back against Russian forces with US-provided weapons. The new policy is that Ukraine is free to strike at Russian forces that are firing into Ukraine from just across the border. But strikes at targets deep inside Russian territory are still off the table.

Despite the concerns about Russia's potential response to this latest move, US decision makers still think the circumstances that could trigger a Russian nuclear response are fairly distant. The two situations most often mentioned are if the Russian army is about to be routed on the battlefield; or if Ukrainian

ground forces threaten Crimea, which Russia formally annexed in 2014.

The closest that the world has come to a real nuclear crisis over Ukraine, so far, was in October 2022 – when Russia suffered a series of catastrophic setbacks in the war, including the loss of Kherson. There was one weekend when western officials became seriously concerned that Russia might be on the point of going nuclear.

But that crisis also created a new playbook for how to deal with Russian nuclear threats, when they look really serious. Step one is to talk to Russian counterparts and to threaten direct and massive western involvement in the conflict. Step two is to talk to other major powers – in particular, China and India – and to get them to warn Russia off, preferably in public.

For the moment, this playbook is back in the desk drawer. But it may have to be brought into operation once again before the war in Ukraine comes to an end – one way or another.

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UK universities are in a global competition – government must step up

Deborah Prentice

It is 12 months since I arrived in Cambridge from the US as its new vice-chancellor. I came here without preconceptions about the UK's infrastructure, economy and higher education sector. A year later, I now understand how this extraordinary place can help drive economic growth, innovation and productivity far beyond the city and its region.

Having worked at Princeton for over 30 years, I find the role of this university very different to that of its American Ivy League peers. Cambridge can contribute to the UK at a scale and with a significance that no single US university can match. It has a clear role to play as a national university, in the service of the country. With the need to stimulate economic growth at the heart of matters for whoever forms the next government, there are lessons

and challenges from our experience.

The university's national role includes, of course, both education and world-class research and expertise. Crucially, though, working in partnership with the private sector enables the innovation that creates wealth, jobs and tax receipts – while providing the medicines and technologies that improve our world.

But if we are to replicate these successes then both Cambridge and others – indeed the UK as a whole – need to improve how we translate scientific excellence into economic impact.

Cambridge already contributes around £30bn each year to the UK economy. This delivers benefits right across the country. It is Europe's "unicorn" capital. Over the past three decades, 178 spinouts and more than 200 start-ups connected to it have emerged, including semiconductor giant Arm and the global life sciences firm Abcam.

This success is no accident. For years, Cambridge has done things differently. The university's intellectual property management policy is liberal, providing greater freedom to our researchers

and ensuring that they benefit from the commercialisation of their ideas. We have established science parks, venture capital funds and accelerator programmes. Cambridge is now a globally significant place to start and grow businesses.

The key question is: what will it take to expand on this success, both here and across the UK?

Cambridge and others need to improve how we translate excellence into economic impact

One answer to this question begins with access to talent from around the globe. The UK's world-class universities are a huge draw, but they are currently facing significant headwinds in the form of rising immigration fees and restrictions.

We are told by the government that these changes will not prevent the brightest and most talented from

coming to the UK. But they send a not-so-subtle message that foreigners are not welcome here. That alone is enough to deter talented students and academics, who are increasingly looking to the US, Asia, to other parts of Europe – our competitors for talent – for a warm welcome.

Indeed, for Cambridge to sustain the success of our innovation ecosystem we need the brightest and best from the UK and around the world to come here – especially as postgraduate research students – and for a better environment to support them.

Last year, we asked the government for action in four policy areas: better infrastructure in the city and region; better access to talented, skilled people; stable research funding; and better access to capital, particularly in the scale-up phase of innovative new companies and products.

We need the government to also focus on delivering a favourable environment when it comes to patents, licences, spin-outs, industry collaborations, venture funding – not just on infrastructure, important though it is.

This kind of reform would enable big research-intensive universities to really take off. As it stands, the economic impact from our scientific excellence does not match the level and excitement of our research.

Britain is in a global competition; I know first-hand that what US universities spend on research in Boston and Silicon Valley is many times larger than what we see coming from our leading institutions in the UK. Despite this, Cambridge is ranked first globally for science intensity; we should aspire for it also to be the leader in translating research for economic impact. At the moment it is very good, but not yet great.

The lessons for incoming ministers set on solving this country's productivity underperformance are there to be learnt from our example, in terms of the barriers we face and the support we lack. This is both a huge challenge and huge opportunity for whoever wins the general election.

The writer is vice-chancellor of Cambridge university

Lex.

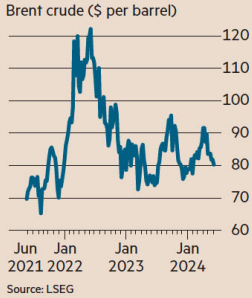


Joe Leahy
Corporate China is suffering
from a dearth of expat workers
INSIDE BUSINESS

Opec+ squeezed as shale and offshore fields raise efficiency



Oil prices have been rangebound



As far as jobs go, Opec's has become one of the toughest around. It is one thing to try to stabilise a growing oil market, alternatively tightening and loosening the taps in order to smooth out cycles. It is quite another to attempt to hold prices artificially high, amid slowing demand growth and new pools of supply. Indeed, there are signs that the cartel and its outside supporters — the so-called Opec+ — may be running out of road. That is one way to read this weekend's announcement. While all the existing curtailments have been extended, the "voluntary cut" by eight members of 2.2mn barrels a day (mb/d) will gradually be reversed from October 2024, subject to market conditions.

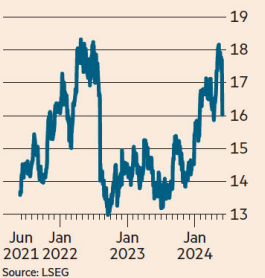
It is not hard to see why Opec+ members, which Goldman Sachs says have amassed 6.5mb/d of spare output capacity, might want to bring some of that back online. Yet the market will struggle to accommodate these extra barrels without prices falling. Already, non-Opec supply is rising more than demand, thanks in large part to the growth in US shale. It is forecast to do so next year as well. Opec+ cannot count on demand growth to help it out of its tight spot. Consumption may peak as early as

this decade, according to the International Energy Agency. Meanwhile, US shale and offshore plays such as Guyana have years of solid growth ahead of them. But while the cartel may have to abandon any dreams of triple-digit oil, it has no incentive to throw in the towel completely and let production rip. For one thing, the cartel has a lot to lose. The market price needed to coax the marginal barrel into production is somewhere in the \$50-\$60 per barrel range, says Citi. That's a long way below the current \$78 per barrel. For another, it is not clear that it would help Opec+ regain its dominance. Opec's last attempt at a price war, in 2014, was predicated on the hope of knocking high-cost US shale producers out of the market. That industry has since tapped unimaginable efficiencies, and the latest round of Permian consolidation should further contribute to falling production costs. Offshore fields have also become more efficient, with Guyana's break-even below \$30/barrel, according to Rystad Energy research. That leaves the cartel in a tough spot. It can't let rip but lacks the means to manage a well-supplied market without getting stuck in an endless series of irreversible cuts.

Zantac litigation shows how GSK will again be haunted by uncertainty

Sunday should have been a triumphant moment for Emma Walmsley's GSK. At a Chicago oncology conference, the UK drugmaker presented fresh data on a myeloma medicine that it withdrew from the US market in 2022. GSK hopes that recent study data could aid Blenrep's reintroduction. Instead, investors' attention was drawn by an unwelcome development further east: a ruling by a judge in Delaware that will expose GSK to jury trials in the state in cases involving its heartburn treatment, Zantac. Concerns over liabilities related to Zantac litigation have dogged GSK's shares for the past two years, ever since a Morgan Stanley note estimated a product liability of as much as \$27bn for GSK. Although estimates have come down since, the uncertainty is an unwelcome old foe that chief executive Walmsley can ill-afford. The judge said evidence presented by lawyers acting on behalf of plaintiffs who claim a link between the drug and various cancers would be admissible in trials. The ruling does not determine liability or imply the court agrees with the science. But Delaware accounts for about 70,000 of GSK's remaining 80,000 cases relating to Zantac. Investor hopes had been high that the decision would go the other way and would in effect neutralise the threat of these cases. GSK insists there is no reliable evidence that the active ingredient in Zantac increases the risk

GSK had recovered its Zantac losses

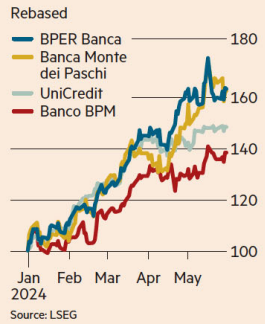


of any cancer. Prior to Friday's ruling GSK's shares had gained nearly a fifth year to date. They had even touched levels last seen before August 2022, when the Morgan Stanley note on Zantac shook the market. News of the Delaware ruling caused GSK's shares to drop nearly 10 per cent yesterday, wiping more than £6bn off GSK's market capitalisation. Taking Citi's assumption of \$3bn of settlement costs related to Zantac, that might seem an overreaction. Yet the litigation is only one of several doubts that Walmsley still needs to overcome. GSK plans to seek an appeal against the Delaware ruling but that process could take eight to 12 months. European pharma companies without obesity-drug candidates find it hard these days to compete for investor attention. Without a resolution to the Zantac overhang in sight, Walmsley's task has just become harder.

Consolidation in Italian banking heads towards a Goldilocks moment

The starting gun has sounded on European bank consolidation, with BBVA's hostile approach for Spanish rival Sabadell. In Italy, once expected to lead this race, the pace seems more subdued. Banco BPM boss Giuseppe Castagna last week stated that conditions were not right for a deal with state-owned Monte dei Paschi and that they would not be before 2026. But consolidation is coming — and BPM, also known as Bami, will be a key part of it. Castagna's timeframe appears pessimistic. The country is approaching a Goldilocks moment when the politics and economics are right to get a deal done. Key players, notably UniCredit's chief executive Andrea Orcel, have staked their reputations on being ready to take advantage. It all comes down to valuation. Italian banks and their shareholders made hay, across the board, as interest rates rose. As the sun sets on this rate cycle, their fortunes will diverge, giving buyers their opportunity. UniCredit rejected a state-backed tie-up with MPS in 2021. Orcel walked

Italian bank shares soar



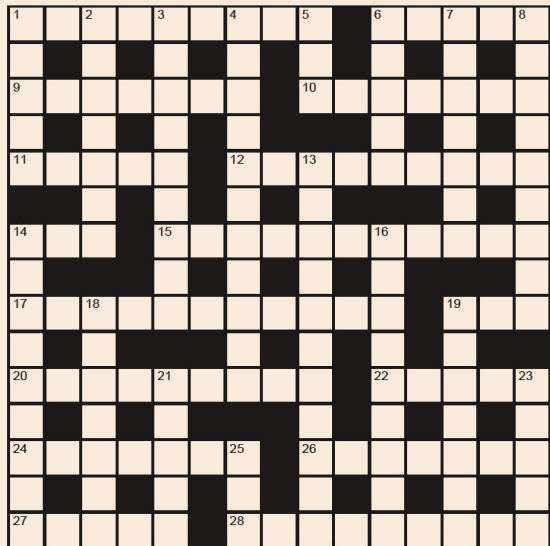
away from a deal, judging it poor value. But, helped by higher rates, MPS is now in recovery mode: it reported a CET1 ratio of 18 per cent in the first quarter. MPS is an obvious participant in consolidation with the government a willing vendor, holding just over a quarter of the shares. Prime Minister Giorgia Meloni's ruling coalition would probably prefer a privately struck deal over a state-induced solution. The overhang of its stake, plus MPS's chequered history, has put off investors and buyers in the past. But the bank's shares have soared this year alongside peers such as Bami, UniCredit and BPER. Still, MPS is valued at 0.6 times tangible book value compared with its peers now closer to book. A Bami-MPS deal is certainly a possibility. But Bami is also the preferred and long-mooted option for UniCredit. Were Orcel to stand by, a combination of Bami and MPS would be bigger in terms of market share in Italy than UniCredit, limiting its options to grow domestically. Another candidate for consolidation, BPER is essentially off the market thanks to the controlling stake of insurer Unipol. For UniCredit in particular, with its insurance business, that overlap would present complications in terms of limits on distribution. Orcel is biding his time. Bami is more exposed to falling interest rates than UniCredit. It is the ECB's next move, perhaps as soon as Thursday, that will determine when the time is just right to make a move.

Toyota's safety scandal will leave a dent on its hybrid renaissance

What is worse for a carmaker's reputation: rigging emissions tests or collision-safety tests? A Japanese government investigation has found that Toyota Motors falsified data and skirted impact-safety tests for seven past and current vehicles, adding to the scandal engulfing the carmaker. A decade after German rival Volkswagen's emissions scandal, where it admitted fitting cars with devices to help beat official tests, VW's reputation has yet to fully recover. Yesterday Japan's transport ministry said that Toyota submitted faulty data during pedestrian-safety tests for three current models, and used modified test cars for collision-safety tests for some past models. Toyota admitted that it had provided inadequate data in occupant and pedestrian-protection tests for some models including one sold under the Lexus luxury brand. It has temporarily halted shipments and sales of three cars made in Japan. The latest findings come soon after other similar scandals. In January, Toyota Industries Corp suspended all engine shipments after an investigation revealed it had falsified power-output figures. Last year, its wholly owned subsidiary Daihatsu was found to have distorted collision-safety test results, dating back as far as 1989. In 2022 another subsidiary, Hino Motors, said it had systematically falsified emissions data, dating back as far as 2003. This latest scandal has hit after Toyota posted a record profit for the year to March. It reaped the rewards of its reputation as a hybrid pioneer: nearly 40 per cent of its sales in April were petrol-electric hybrids. Awkwardly, it uses its safety features as key selling points for its cars. Toyota shares are down 14 per cent from a March peak. Yet even after the decline, its stock trades at more than 10 times forward earnings, at nearly triple the valuation of rival VW. Its troubles don't appear to be over yet. Officials will be carrying out an onsite investigation of its headquarters this week. There is a limit to how often a company can pledge to tighten oversight before it loses credibility with investors and customers alike.

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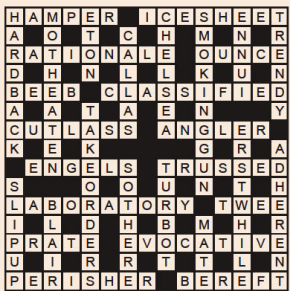
ACROSS

- 1 Mortal sins we'd do revealing weaknesses (9)
- 6 Assess reservoir in which uranium's found (3,2)
- 9 Weapon is turned against beloved maiden (7)
- 10 Long-distance traveller's smile welcoming Turkish chief (7)
- 11 Sensed odour of fish (5)
- 12 Figure outside uncovered venomous snakes and runs — that's obvious! (2-7)
- 14 Not supportive of Tory (3)
- 15 Wine portion from kitchen in blancmange (6,5)
- 17 Bring round adaptable crate and use it to store spades (11)
- 19 This equine caught in brier would get louder (3)
- 20 Error during hours of darkness, taking south for north (9)
- 22 Arboreal creature ruined western half of Oklahoma area (5)
- 24 Simple description of looted gallery? (7)
- 26 Coming last in procession with carriage, not first (7)
- 27 Regularly seen, cashier adds up (5)
- 28 That man with attitude squashing one's doubt (9)

DOWN

- 1 Talk about disposing of US records (5)
- 2 Bird got around ridges after striking wings out (7)
- 3 Rebel set up snares when interrupted by copper (9)
- 4 Overbearing monk in middle of meek group (11)
- 5 Give idle talk up (3)
- 6 Author about to pen good letter in Greek (5)
- 7 Thought about sun-god with a female name (7)
- 8 Willy between legs showing small piercings (9)
- 13 Sea water's hiding Godzilla, primarily hostile to ships (11)
- 14 Sauce is element paired with a shelled crab (9)
- 16 Resistance to split bill including small with big meal (9)
- 18 Staff having misplaced respect (7)
- 19 Contents inside dark cabin, pans from Middle East (7)
- 21 Consume power within broadcast (5)
- 23 'Fish learn': upcoming article (5)
- 25 Note second old shed in part of London (3)*

Solution 17,752



JOTTER PAD



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